

Advantage Note 22a

Performance Management Capability

Critical Success Factors (Part 1 of 4)

By Declan Kavanagh



Performance Management is a critical capability in every organisation yet it is often not very well defined or integrated. In the Digitally mature organisation it becomes more sophisticated and more powerful. How do we get it right so that the performance of Individuals, Teams, Processes, Machines, Information and Materials all contribute to the organisations strategic goals and KPI's This series of short papers provides a guide for enhancing an organisations performance management capabilities and the system overall.

@Note 22a “Critical Success Factors” for Performance Management

@Note 22b “Best Practice Goals, Objectives, KPI's & Measurements” for Performance Management

@Note 22c “The main pitfalls and how to avoid them?”

@Note 22d “Adapting Performance Management for the Digitally mature organisation”

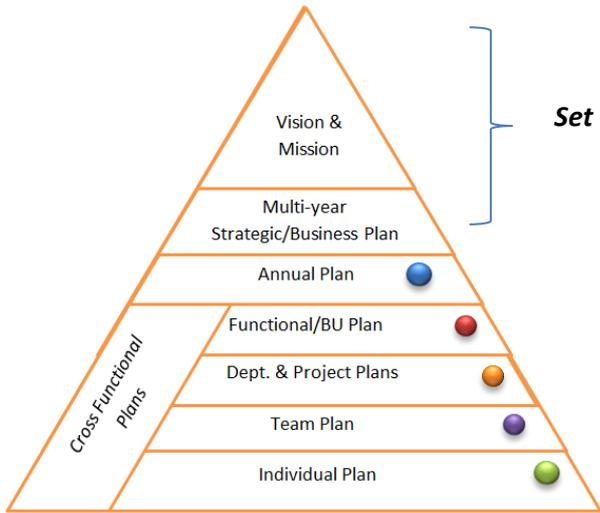
Performance management is fundamentally about having a clear understanding of the current state “of performance” and also of the target state while understanding the gaps between them. It also requires having a process that enables the organisation system identify and execute those actions that move towards and beyond the target state, in line with available resources and timeframes. Thus achieving the target state in the shortest possible time frame. Within the process there must be a continuous awareness of progress, and reviews in and between the system elements, to adapt to the emerging environment.

Some fundamental elements of any performance management system are:

- having a clear strategy and performance management process that is understood by the members of the system.
- having a culture where there is individual and group ownership for driving performance improvement covering the full life cycle of performance management from setting the targets, through review and adjustment to achievement.
- having a process whereby the individuals and groups within the system have the ability to set goals and targets, and related performance standards which contribute to the overall entity goals and strategies.
- having effective and productive measurement of performance at all levels for key deliverables and KPI's
- setting SMART² Goals where deliverables and performance standards are clear and shared.
- Assuring that there is a top down – bottom up element to setting targets to assure engagement and commitment to delivering performance improvements
- having a process that addresses poor performance in a manner designed to turn around that performance.
- having regular and proactive review, support and feedback from key stakeholders that receive or are impacted by each specific performance outcome.
- ubiquitous focus on performance management, though the individual is a central CSF performance management applies to processes, systems, assets, resources, tools, methods, teams, groups, projects, programs, tasks, activities, materials etc.
- inclusion of budgeting/financial performance management
- Career progression, recognition and rewards linked to delivery of performance improvement

Proven Traditional Approaches to performance management

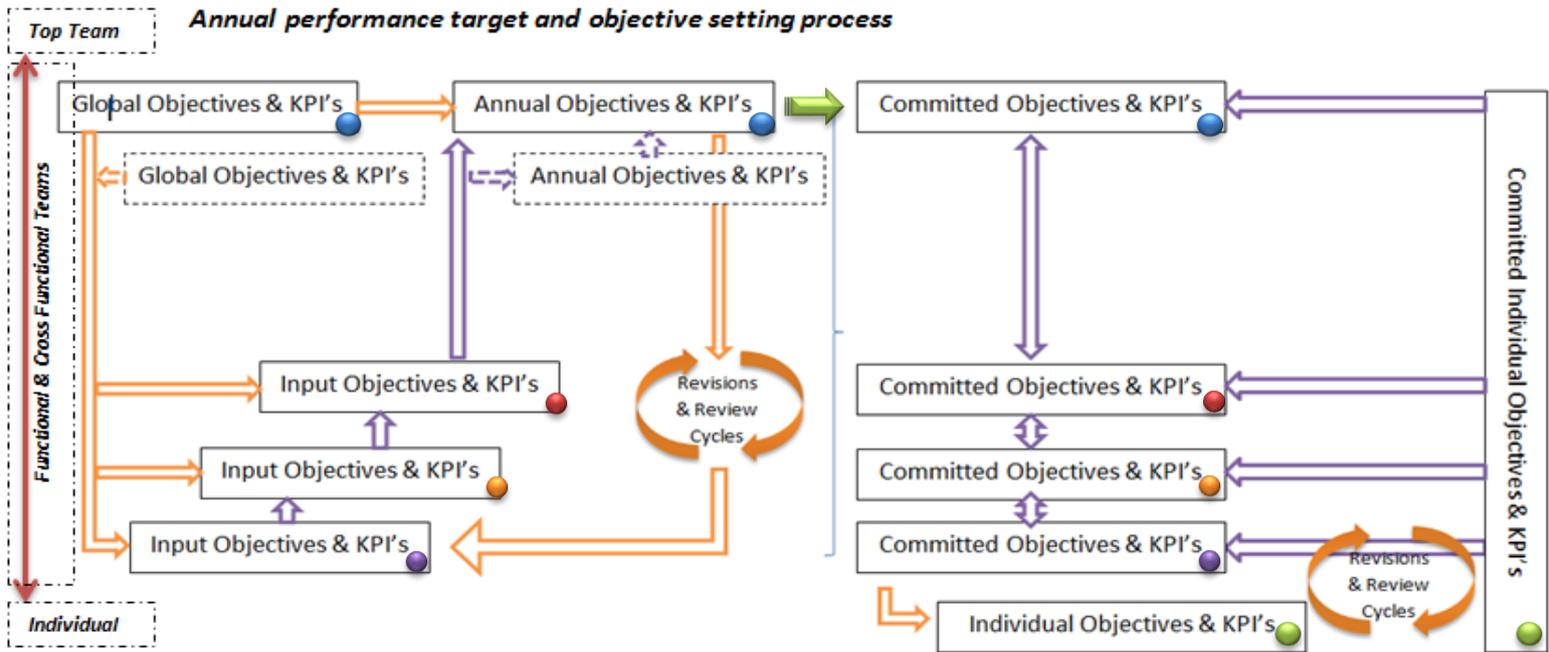
From a people perspective Management by Objectives (MBO) is the most commonly used process . It is fundamentally a sequential and hierarchical approach, that said it has evolved and been refined to introduce some agility features.



Set by Leadership under guidance from owners, reviewed annually (Min.)

Annual performance target and objective setting process and review cycles

Annual performance target and objective setting process



Step 1
Initiation

Step 2
Engagement

Step 3
Negotiation

Step 4
Commitment

Global Objectives & KPI's provided to teams

Teams prepare their Objectives & KPI's that contribute

Iterative review to achieve alignments and approval

Individual Plans can now be prepared and agreed