

PERFORMANCE MANAGEMENT

*THE MISSING LINK BETWEEN YOUR FIRM'S
STRATEGY & ITS IMPLEMENTATION*

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WHY IS IT THAT SO MANY COMPANIES FAIL TO EXECUTE THEIR STRATEGIES after spending time and money developing them? Are the 9 out of 10 companies that are reported to be in this group doing something wrong, or, are they not doing something that they should be doing? In our experience it is the latter, i.e., the omitting of a step in the process towards success.

GROWING FIRMS ARE BUSY GROWING! THEY FREQUENTLY DON'T HAVE THE TIME TO STOP AND CONSIDER WHAT IS MISSING.

AND, WHEN THEY DO STOP TO TAKE A BREATH, THEY DISCOVER THAT WHAT IS MISSING IS PERFORMANCE MANAGEMENT, A CASCADING OF STRATEGIC GOALS DOWN THROUGHOUT THE COMPANY so that everyone is aware of what is expected of them. In other words, what has been missing is aligning each person's goals with the firm's overall strategy. The alignment of strategic goals and the goals of each employee is the missing link that 9 out of 10 companies fail to consider.

THE NET RESULT for these companies

- Only 5 to 7% of employees in companies truly understand their firm's strategy, i.e., where the firm wants to go
- Given that only 25% of managers have incentives linked to the successful execution of strategy, why should they focus their direct reports on company strategy and goals?
- Only 40% of companies link their budgets to strategy, making it even less likely that managers and employees appreciate the importance of achieving goals
- All of which relates to the finding that 85% of executive teams spend less than 1 hour per month discussing strategy

NOTE that we are talking about **PERFORMANCE MANAGEMENT**, not performance appraisal which is a human relations department function. **PERFORMANCE MANAGEMENT** is the province of the firm's CEO and C-level executives – it is directly related to the bottom line!!

Research has shown that the bottom line of having a well structured **PERFORMANCE MANAGEMENT SYSTEM** includes:

- Increased operating margins
- Quicker execution of company strategy
- A more rapid adaptation to change and the need for change
- Increased employee motivation and, consequently, a decrease in employee turnover
- The exposure of duplicate or redundant business initiatives
- The integration of business initiatives across departments
- Immediate correction of problems related to quality, timeliness and inefficiencies

What underlies these benefits is enhanced employee identification with your firm. If employees know what is the firm's overarching strategy and how their work contributes to the success of your organization, if they are consulted about what process improvements would support their goals, and if they are rewarded for their performance, you will have a work force dedicated to your company's success!

Implementing a **PERFORMANCE MANAGEMENT** process involves:

- Definition
- Alignment
- Cascading
- Rewarding
- Optimizing

DEFINING THE FIRM'S OBJECTIVES

Corporate goals[Ⓟ] can be grouped into four categories:

- Financial (including Profits, Margins, etc.)
- The Customer
- Internal Processes (including productivity, efficiency, etc.)
- Organizational Learning and Development

The number of goals within each category is limited only by the corporation or organization itself, not by the “logic” of goal setting. And, each goal can have a nest of sub-goals attached to it. For example, the goal of a division may be to increase sales revenues to \$100 million. Nested within that goal may be sub-goals of \$25 million for Product #1, \$50 million for Product #2 and another \$25 million for Product #3.

The only restriction on the process of goal setting is that each goal at all levels be *measurable*, i.e., be expressed numerically. This restriction often raises eyebrows, particularly around issues related to customer perception and by service-oriented firms.

For example, how can an art design department measure the creativity of its output? By sales? Well, sales does measure “salability,” but does it measure “creativity?” The real question, of course, is how does the department define “creativity?”

After some very intense and in-depth discussions, one art department came to the conclusion that “creativity” meant the number of times its work was mentioned in the national trade journals relative to the mention of the works of competitors. Obviously, this is not “creativity” but rather “competitiveness,” but for this department this particular measurement was their criterion of successful creativity.

[Ⓟ] Adapted from Kaplan and Norton's, *The Balanced Scorecard*.

This example is intended to illustrate that, in fact, virtually all goals can be expressed numerically and the discussions around those that seem to defy this requirement can be very enlightening for a business.

Table #1, entitled “Corporate Goals”, illustrates how goals at this senior level might be displayed.

TABLE #1: CORPORATE GOALS

(A) FINANCIALS/ PROFITS, MARGINS, ETC.	(B) THE CUSTOMER	(C) INTERNAL PROCESSES	(D) ORGANIZATION LEARNING & DEVELOPMENT
(1).	(1).	(1).	(1).
(2).	(2).	(2).	(2).
(3).	(3).	(3).	(3).
(4).	(4).	(4).	(4).
(5).	(5).	(5).	(5).
(6).	(6).	(6).	(6).

ALIGNMENT

Once corporate goals have been established, they have to be aligned across departments. This entails ensuring that:

- Goals across the four categories are consistent and not contradictory
- There are available resources supporting them
- Objectives and resources are tied to budgets
- Overlapping “turf” issues between departments are negotiated and resolved
- Necessary and relevant information flows to all departments

Table #2 plots how corporate goals are distributed across a firm’s departments (or, divisions) and implies that each department can contribute to goals in more than one category.

TABLE #2: DEPARTMENTAL CONTRIBUTION TO CORPORATE GOALS

	(A) FINANCIALS/ PROFITS, MARGINS, ETC.	(B) THE CUSTOMER	(C) INTERNAL PROCESSES	(D) ORGANIZATION LEARNING & DEVELOPMENT
CORPORATE GOALS				
SALES				
ACC'TING				
ENGINE'ING				
OPERATIONS & PRODUCT.				

CASCADING OF GOALS

A department would utilize Table #3 to indicate to which goals it would contribute and to define how it would contribute to these goals. Similar tables could be designed for each workgroup within each department or division, to the level of the individual. Clearly, the further downward the cascading process goes, the more tailored is the table for that specific team or individual (e.g., see Table #4).

These tables help employees in the various levels of the organization to be aware of what activities they are expected to perform, how performance will be evaluated and, in particular, how their performance relates to corporate strategy and objectives.

TABLE #3: A DEPARTMENTAL GOAL

	(A) FINANCIALS/ PROFITS, MARGINS, ETC.	(B) THE CUSTOMER	(C) INTERNAL PROCESSES	(D) ORGANIZATION LEARNING & DEVELOPMENT
CORPORATE GOAL				
Dept'l Goal:				
How measure?				
Who measures?				
Start value?				
Aim or goal?				
Resources needed?				
Action steps?				
Dates?				

TABLE #4: INDIVIDUAL or JOB GOALS

	(A) FINANCIALS/ PROFITS, MARGINS, ETC.	(B) THE CUSTOMER	(C) INTERNAL PROCESSES	(D) ORGANIZATION LEARNING & DEVELOPMENT
CORPORATE GOAL				
DEPARTMENTA L GOAL				
INDIVIDUAL PERFORMANCE GOAL				
How measure?				
Who measures?				
Start value?				
Aim or goal?				
Resources needed?				
Action steps?				
Dates?				

REWARDING PERFORMANCE

What too often occurs in many companies is that reward is only vaguely linked to performance and, even more rarely, tied to overall corporate objectives. Were they intimately linked, an employee would know which expectations and goals had priority, and, the rationale for where the goals stood in the priority list. He would know from the beginning what would constitute excellent, good and mediocre performance and could then expend his energies on what is truly important.

But, then, this kind of investment in performance should be matched by an equal investment by the company in the employee. Reward for performance would represent very tangible evidence of the firm's appreciation and consideration and can only strengthen the commitment of the employee to continued excellence for the benefit of the company.

Equally important to employees is the investment the firm makes in their training and development. This is further evidence that the employee is held in esteem, that the company wants him or her to grow and develop the skills needed for advancement.

From the point of view of the supervisor or manager, a **PERFORMANCE MANAGEMENT** system would provide her the tools to clearly differentiate the different levels of performance rather than having to rely on subjective impressions. It would allow the manager to evaluate the impact of training and development on performance and goal attainment, something that is difficult to ascertain in the absence of such a system.

OPTIMIZING

The **PERFORMANCE MANAGEMENT** process requires an automated system that:

- Is easy to use
- Is easy to learn
- Provides executives, managers and supervisors immediate access to progress or problems
- Serves as the basis of objective feedback to employees
- Requires frequent interaction between supervisor and employee about strategy and goals, and, monitors the process
- Can accommodate important information about employees (e.g., 360 degree feedback, training, evaluations, etc.)
- That eliminates the need for IT involvement (they are busy enough with other issues)
- Protects the confidentiality of the individual by permitting access to authorized individuals only

With most paper-based system, employee goals and reviews usually get filed somewhere and are infrequently reviewed if ever. They are too often based on subjective impressions and influenced mostly by recent events rather than on objective measures. Most important, paper-based reviews do not capture “buy in” from employees – the reviews are “pro forma” and do not convey the necessary feedback that would align the employee with corporate objectives.

An automated system collates the goals and related information in a convenient online location, ready to be accessed by authorized personnel. It can quickly answer such questions as: Who has or has not set their goals? What teams or departments are behind in their progress? Which high priority goals are not getting the attention they need?

OUR SYSTEM

KeyneLink™, offers a robust set of best-of-breed PERFORMANCE MANAGEMENT tools that:

- Aligns corporate goals across the organization
- Cascades goals down throughout the company
- Tracks goals on a department, team and individual basis
- Provides easy-to-access company-wide or individual reports
- Is paperless and web-based – the involvement of your IT Department is not needed
- Requires both periodic performance reviews at all levels of the organization, thereby holding managers and supervisors accountable for the performance of their employees
- Stores information about employees (e.g., evaluations, 360 degree feedback, etc.) safely and confidentially
- Are easy to implement and can be up and running in short order

For a demonstration of our system, please contact:

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