EMERGING ISSUE PAPER (EIP)

The Performance Management Maturity Framework

Consortium for Advanced Management-International (CAM-I) Performance Management Interest Group (PMIG)

Certified Management Accountants™

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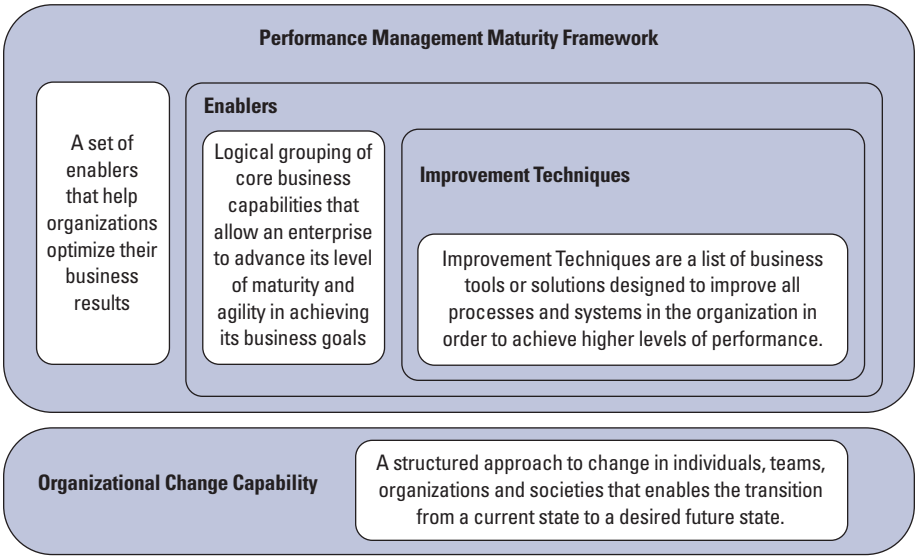
Executive Summary

Performance Management is mentioned and discussed in almost all facets of business. The demand for improved performance along with increased accountability has led to an increase in hype and associated expectation around the management of performance. However, this has led to a variety of views as to what Performance Management is, exacerbated by the fact that vendors and consultants conveniently package one specific service or product as an enterprise solution for all aspects of Performance Management.

An interest group within Consortium for Advanced Management-International (CAM-I) recognized the need to develop a standardized and integrated view of Performance Management. The Performance Management Maturity Framework (PMMF), depicted in Figure 1, is a conceptual structure that identifies and describes the factors that affect business performance. The framework (a) defines a list of Enablers that all businesses use to deliver successful results, (b) classifies the Maturity of Enablers within four levels, (c) identifies categories of Improvement Techniques that can be used to advance Enabler maturity levels, and finally (d) recognizes that Organizational Change Capability should be addressed prior to implementing improvement initiatives.

Figure 1



Key points are identified for each Enabler/Maturity level to assist in identifying the level an organization has reached and which level they should be striving towards.

In addition, the Performance Management Maturity Framework goes further by recommending specific improvement techniques to assist in areas of performance

that have been identified as requiring enhancement to close "identified maturity gaps." Various sources were used to identify the most relevant techniques for this purpose and how they could be used to improve the maturity of specific Enablers. Collective experience within CAM-I indicates that implementing improvement initiatives to enhance performance has had, in general, a disappointing record of success and sustainability. Therefore, the Interest Group definitely recognized a need to address Organizational Change Capability within the Performance Management Maturity Framework. Accordingly, the Interest Group advocates that (a) improving the maturity of Performance Management is achieved far less by a technical approach, and much more by a mindset and holistic approach, and (b) the mindset question must be addressed before implementing any improvement technique.

Finally, the PMMF is demonstrated in a practical way with a hypothetical example, illustrating how an organization would use the Performance Management Maturity Framework. The example (a) begins with an assessment of the organization's actual versus desired performance management maturity, (b) reviews its capability to adapt to change, and then (c) illustrates how to select one or two key improvement techniques to close the identified gaps in maturity and improve its performance.

This report represents Phase I of the PM research and discusses opportunities and suggestions as to how this work can be continued as a subsequent phase of the research.

In summary, by combining Performance Management Maturity, Change Capability, and Improvement Techniques in an integrated manner, any organization can use the PMMF to assess and improve its level of performance management maturity and advance its level of agility towards achieving its business goals.

1. Performance Management Defined

"It is an immutable law in business that words are words, explanations are explanations, promises are promises but only performance is reality."

Harold S. Geneen, CEO of International Telephone and Telegraph, 1959-77.

1.1 Background

Performance Management is a term that has been widely used to describe what organizations do to increase value. Whether a small business or large, a manufacturing or a services company – private, public or government – improving performance and creating value is a common goal. But, just as it is a common goal, it is also a common point of departure; how an organization defines value, and how it pursues the creation of value can vary widely. Historically, businesses have grown in complexity. What once was a vertical organization now has to deal with a magnitude and multitude of different realities. In addition, there is no single accepted definition of Performance Management, no common interpretation of what Performance Management means, nor is there a prevailing framework or methodology that is recognized as the established path to enhancing performance.

There is a myriad of ways organizations can address the issue of improving performance. Often the techniques and methods that prove successful with one organization don't work for another.

There is a myriad of ways organizations can address the issue of improving performance. Often the techniques and methods that prove successful with one organization don't work for another.

The issue this raises is whether it is possible to define performance management in a way that can serve as a roadmap for any organization that seeks insights and methods for improving performance, regardless of how a company defines "performance." Could a generic framework be developed to provide the means for any organization, be it private or public, to (a) comprehensively evaluate its performance, (b) identify aspects of its performance that require improvement, and (c) understand the means by which they can affect performance to improve the value it delivers?

1.2 Performance Management vs. Performance Measurement

Two terms often used interchangeably are Performance Management and Performance Measurement. Before performance can be improved, Performance Management concepts need to be in place before measuring performance. For the purpose of this research initiative, Performance Management Interest Group (PMIG) is using the following definitions:

- Performance Management is the practice of organizing, integrating, automating, and analyzing business methodologies, processes, and systems to drive successful business performance.
- Performance Measurement
  - Performance Measure – The specific representation of a capacity, process, or outcome deemed relevant to the assessment of performance. A performance measure is quantifiable and can be documented. – Adapted from *Guidebook for Performance Measurement* by P. Lichiello.
  - Performance Measurement – The process of developing measureable indicators that can be systematically tracked to assess progress made in achieving predetermined goals. – United States General Accounting Office (GAO), *Business Process Reengineering Assessment Guide.*

To clarify, the scope of this research focused solely on Performance Management, rather than Performance Measurement.

Performance Management Maturity Framework as an Emerging Idea

The goal of this document, developed through the combined knowledge gained through 30 years of involvement in CAM-I – the collective contributions from sponsor organizations in industry, academia, consultancies, software companies – and CMA Canada, is to present a holistic view of performance management. It is built around the concept of a maturity framework that would allow organizations to understand the scope and context of factors that affect performance, as well as to understand how and where projects and initiatives improve performance. The concept behind the performance framework was shaped by four key components:

- **Performance Enablers:** Recognition that every organization is made up of functions and elements of its business that are both unique and common. The unique elements of an organization are represented by core line(s) of business, such as manufacturing (e.g., fabrication, assembly, packaging), telecommunications (e.g., call center operations, network maintenance, and modernization), healthcare (e.g., laboratory testing, clinical services), or public sector (e.g., developing public policy and laws, the collection of fees and taxes, and achieving important societal outcomes), etc. The common functions and elements of an organization affect performance of the core business and include things like human capital management, operations management, supply chain management, etc. The concept of Performance Enablers is presented in Section 2.1.
- **Performance Management Maturity Levels:** Recognition that not all organizations perform Enablers the same way, or with the same efficiency or effectiveness. Those that demonstrate higher levels of effectiveness, contributing to greater business success, represent organizations performing at higher "maturity." It is recognized that not all organizations perform at the same level, nor should they. Whether an organization is large or small, new or established, growing or stationary, each has imperatives that drive the need to understand or improve performance in one aspect of its business over another. The concept maturity levels to identify the current and desired state of the Performance Enablers is presented in Section 2.2.
- **Performance Management Improvement Techniques:** Recognition that action is needed to improve Performance Enablers. Those actions can vary from simple activities to large initiatives using proven, well-established methodologies; collectively, they are actions taken by an organization that are intended to correct deficiencies and close in on desired levels of performance. Although the "context" of each organization's situation is unique and specific, general guidelines of improvement can be applied. The concept of identifying appropriate improvement techniques to enhance performance management maturity is presented in Section 2.3.
- **Change Capability:** Recognition that implementing improvement initiatives to enhance performance has had, in general, a disappointing record of success and sustainability. Research shows that one of the main reasons why implementations fail is that organizations were simply not prepared for change. Regardless of the technical merit of an approach or solutions to improve performance, it wasn't the technology that resulted in failure, it was the inability to transform good ideas and solutions into real change. The concept of linking the dependency of

achieving desired levels of Performance Management Maturity with the organization's Change Capability is presented in Section 2.4.

These four key areas provide the context for developing a Performance Management Maturity Framework (PMMF) as a method to define and understand organizational performance, and provide the ability to identify areas and means for improvement.

2. The Performance Management Maturity Framework

"Don't lower your expectations to meet your performance. Raise your level of performance to meet your expectations. Expect the best of yourself, and then do what is necessary to make it a reality."

Ralph S. Marston, Jr., Author and Publisher, The Daily Motivator.

Performance Management Maturity Framework (PMMF) is a conceptual structure to identify and describe the factors that affect business performance. It is a structure that:

- defines Enablers that businesses use to deliver successful results;
- identifies the Maturity of an Enabler within four levels;
- identifies and integrates Improvement Techniques that can be used to improve Enablers to higher maturity levels; and finally,
- recognizes that Organizational Change Capability should be addressed before implementing improvement projects.

2.1 Enablers of Performance Management

Enablers are a logical grouping of core business capabilities that allow an enterprise to advance its level of maturity and agility in achieving its business goals.[1]

Enablers represent the foundational elements of any organization and are key business fundamentals that, when combined, help organizations effectively execute their strategic objectives. The following 12 Enablers were selected to ensure that the PMMF could be applied consistently to all lines of business:

1 **Business/Operational Management** – How well an organization mobilizes a plan of action to achieve strategic goals

2 **Customer Relationship Management** – How well an organization becomes interpersonal

3 **Financial Management** – How well an organization understands, leverages, and optimizes financial results

4 **Human Capital Management** – How well an organization optimizes the performance of individuals

5 **Information Management** – How well an organization leverages data

6 **Innovation Management** – How well an organization identifies great ideas and makes them work

7 **Knowledge Management** – How well an organization leverages intellectual capital for internal efficiency and competitive success

8 **Organizational Management** – How well an organization creates a culture of success

9 **Process Management** – How well an organization executes work

10 **Risk Management** – How well an organization anticipates and mitigates problems to create a competitive advantage

11 **Strategic Management** – How well an organization identifies direction and success

12 **Supply Chain Management** – How well an organization operates as a seamless enterprise

These Enablers range from (a) business/operational management, one of the basic building blocks of an organization and its performance management, to (b) innovation management, a more advanced Enabler that has developed rather recently. It is understood that not every organization will have a strong focus in all 12 areas, but will have a need for each to be successful on its own individual scale. As depicted in Figure 2, there is no implication of relevant importance or priority of certain Enablers over others.

Figure 2: Performance Management Enablers

Two concepts need to be emphasized regarding Enablers:

- The first is that any given organization may place a greater priority on the business results obtained through certain Enablers versus others. As mentioned in Section 1, a manufacturing organization may place a higher priority on the value created through effective supply chain management, whereas a services organization might place greater emphasis on customer relationship management.
- The second is the recognition of the interdependency of Enablers. The value gained by an organization through effective supply chain management may strongly depend on effective information management. Similarly, effective customer relationship management may strongly depend on effective knowledge management.

During the investigative stage of identifying appropriate Enablers, the PMIG studied the Malcolm Baldrige Criteria for Performance Excellence.[2] The objective of this part of the research was to:

- make sure not to replicate the thinking behind a well-established existing framework;
- identify any possible missing or irrelevant PM Enablers;
- validate the unique aspect of the PMIG approach; and
- provide a possible correlation and linkage with the Baldrige Criteria.

The research showed a strong correlation between the PM Enablers and the Baldrige Criteria. This correlation is significant since the Baldrige criteria, although providing an excellent performance assessment, does not provide a prescriptive mechanism to help assessed organizations improve their performance. PMIG believes that the PM Enabler framework and associated improvement technique recommendations can be used by organizations looking for ways to go beyond the Baldrige assessment, and indeed to improve their assessment over time.

The Performance Management Enablers as depicted in Table 1 provides definitions, associated elements, and attributes. The definition is a collaborative explanation of the Enabler using various sources of knowledge to ensure that all aspects are covered. The elements listed capture the basic processes contained within the Enabler. And, finally, the listed attributes describe the main characteristics of the associated Enabler to help develop a complete understanding of the Enabler being discussed.

Table 1: Performance Management Enablers

Performance Management Enablers			
Enablers of Performance Management	**Definition**	**Elements**	**Attributes/ Characteristics**
Business/ Operational Management	A system of actions, communications and controls for developing and executing plans to achieve strategic goals and objectives.[3]	• Establish priorities • Set targets • Identify key projects • Resource allocation • Shared services • Operational planning and budgeting • Capital planning and budgeting • Project management • Monitor/measure	• Alignment • Accountability • Transparency • Ownership
Customer Relationship Management	A combination of policies, processes, and strategies implemented by an organization to unify its customer interactions, build customer relationships, and provide a means to track customer information.[4]	• Customer segmentation • Customer intelligence • Customer database • Communication	• Responsiveness • Integration • Continuity
Financial Management	The management of financial resources to support accountability and stewardship.[5]	• Financial accounting and control • Financial analysis (e.g., variance analysis) • Managerial accounting (e.g., cost management) • Internal controls • Financial reporting	• Transparency • Integrity • Timeliness • Reliability • Review periodicity • Advisory
Human Capital Management	The strategic and coherent approach to the management and development of workforce skills, capabilities, and behaviors.[6]	• Recruitment • Career development and deployment • Employee satisfaction and retention • Employee performance and results	• Competence • Capability • Alignment • Culture
Information Management	The collection and management of information from one or more sources and the distribution of that information to one or more audiences.[7]	• Measurement/analytics • Data acquisition • Storage and archiving • Access and dissemination	• Secure • Accessibility • Meaningful/ relevant • Accuracy • Timeliness
Innovation Management	The management of processes in R&D and innovation – new ideas applied successfully in practice – that can be used to develop both product and organizational innovation, focusing on allowing the organization to respond to external or internal opportunity, and using its creative efforts to introduce new ideas, processes, or products.[8]	• Voice of the customer • Collaborative innovation • Idea generation • Research, development, and implementation • Idea decision analysis • Product development planning stages • Risk mitigation	• Strategic fit • Innovation rate • Conversion rate • Time to market • ROI

Performance Management Enablers			
Enablers of Performance Management	**Definition**	**Elements**	**Attributes/ Characteristics**
Knowledge Management	The use of techniques and practices for enhancing an organization's ability to develop, capture, codify, and utilize knowledge in support of organization's mission and strategy.[9]	• Obtain knowledge • Knowledge repository • Subject-matter expertise • Corporate blogs	• Accessibility • Flexibility • Usefulness
Organizational Management	The management of people to develop a culture that influences the productive behaviour of individuals in pursuing organizational goals.[10]	• Corporate governance • Leadership • Management practices and philosophy • Communication	• Alignment • Responsibility • Authority • Values
Process Management	A structured approach for an organization to change the way it manages and provides value to customers, stakeholders, and employees.[11]	• Process identification • Process capacity • Control/monitor • Continuous improvement	• Accountability • Ownership • Frequency of review • Streamlined
Risk Management	The creation, protection, and enhancement of shareholder value by managing the uncertainties that could influence achieving the organization's objectives.[12]	• Objective setting • Event identification • Scenario and contingency planning • Risk assessment • Control activities • Monitoring • Risk response • Disaster recovery • Regulatory compliance	• Awareness • Readiness • Diligence • Responsiveness
Strategic Management	The art, science, and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives and vision.[13]	• Strategic planning • Strategic performance assessment • Business environment analysis • Competitive intelligence • Core competencies • Mission and vision • Goals, objectives and KPIs • Communication of strategy	• Leadership • Readiness • Alignment
Supply Chain Management	The management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers.[14]	• Inventory management • Procurement • Supplier relationship management • Outsourcing • Distribution and logistics	• Timeliness • Consistency • Quality • Integration

2.2 Performance Management Maturity Levels

Organizations can be at different stages in each of the 12 Enablers selected for the Performance Management Maturity Framework. Therefore, to get an accurate picture of where an organization stands in relation to performance management, the CAM-I maturity framework has four levels. Research of other maturity frameworks showed that there are typically four or five levels. For example, the Capability Maturity Model Integrated (CMMI) developed by the Software Engineering Institute, and other CAM-I maturity frameworks, have five levels, while Hammer's Process and Enterprise Maturity Model has four. Through the course of development of the Performance Management Maturity Framework, PMIG found it better to align with the four principal categories, rather than five. As depicted in Table 2 Performance Management Maturity Levels, the four levels of maturity are titled Rudimentary, Established, Effective, and Adaptive.

Table 2: Performance Management Maturity Levels

Level One: ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
Non-systematic, non-periodic and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic

Each level is described with a few choice descriptors for a general understanding of what can be expected from an organization at that level, within any of the Enablers. For instance, Level One – *Rudimentary* – is described as non-systematic, non-periodic, and reactive, while Level Four – *Adaptive* – is described as externally efficient and dynamic. The four levels let the group set more clearly structured boundaries between the various maturity levels on each Enabler, providing a clearer explanation at each intersection.

The basic structure for the maturity framework is depicted as Figure 3 Maturity Framework Structure, where each Enabler can be described in sequential levels of improved performance and maturity growth.

This is represented in detail in Table 3 Performance Management Enabler Maturity, where each "intersection" between an Enabler and a Maturity Level provides a description that articulates a given condition or state or performance. The various bulleted points describing the Enablers at each maturity level are consistent throughout all four levels, to ensure a clear assessment of the organization. Maturity descriptions that are demonstrated at one level are assumed to be present (or improved) at subsequent higher levels of the framework, even if not explicitly stated.

Figure 3: Maturity Framework Structure

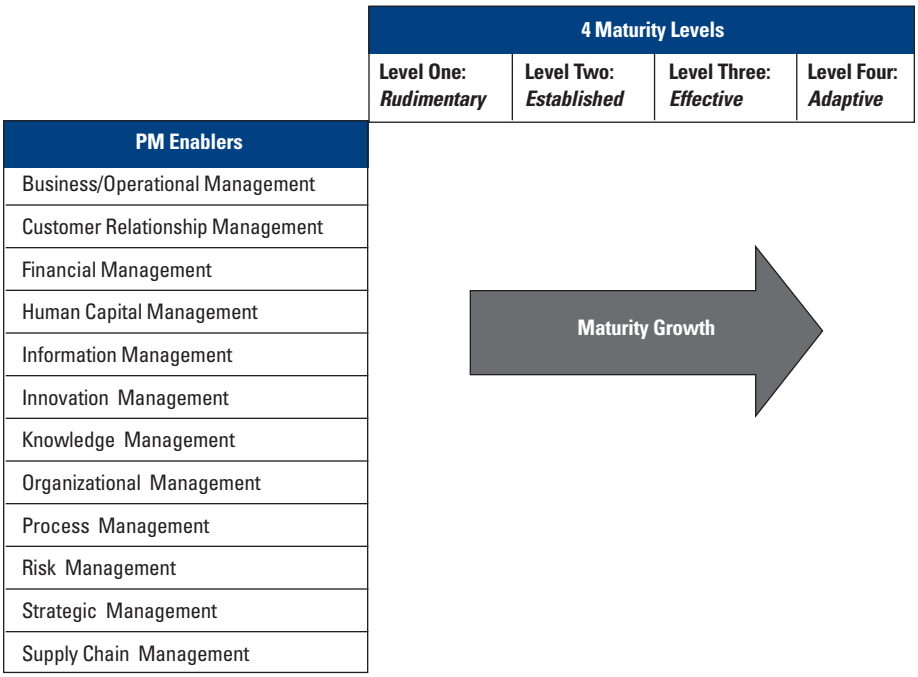


Table 3: Performance Management Enabler Maturity

Performance Management Enabler Maturity				
Enablers of Performance Management	**Level One: *Rudimentary***	**Level Two: *Established***	**Level Three: *Effective***	**Level Four: *Adaptive***
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Business/ Operational Management	• Elements are performed on an ad hoc and tactical basis • Business and operational plans are not related to organization's strategic plan • Budget formulation process is not integrated with any formal planning processes and seen largely as a finance function	• Planning process is cohesive and closed loop with some relationships to the organizational strategic plan but is not fully integrated • Reflects consensus view of enterprise objectives • Budget formulation process is decentralized to all areas responsible for revenue/ expenditure generation with oversight by the finance function	• Operational plans are well understood by employees and where they can contribute • Budget formulation process is seen as a key function within all areas responsible for revenue/ expenditure generation • Budget process is complementary to planning initiatives and planning outcomes are monitored and measured	• Operational plans are fully integrated with suppliers, customers, and employees • Planning enables employees to be proactive • Plans & budgets are based on rolling forecasts and not limited to an annual event • Measurement and accountability of plan performance is in place • Best practices

Performance Management Enabler Maturity				
Enablers of Performance Management	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Business/ Operational Management (continued)	• Limited input during budget preparation provided by areas responsible for revenue generation and expenditure commitments • No resource allocation based on the strategic plan • Focused on correcting historical deficiencies	• Budget process refers to planning initiatives but is not fully integrated • Rudimentary resource allocation based on the strategic plan	• Efficient resource allocation based on the strategic plan	
Customer Relationship Management	• Ad hoc analytics • Stand-alone systems used independently	• Standardized processes are in place for maintaining customer relationships • Centralized customer information	• Fully automated within the information systems environment • Effective use of information to drive customer satisfaction • Aligned to organization's strategic goals	• Predictive analytics • Customer intelligence drives methods of interaction and business priorities
Financial Management	• Financial accounting is governed more by habitual practice rather than by supporting and being connected to enterprise strategy • Financial control is used primarily by the accounting department as a tool to determine departmental compliance • Financial analysis and review of results (reporting) are performed largely by accounting staff as opposed to areas that have budget or expenditures	• Financial accounting and control is used jointly by the department responsible • Financial analysis (budget vs. actual) is performed regularly by the department responsible and the finance function • Some simplistic managerial accounting methods in place	• Financial accounting and control is integrated into ongoing operations • Financial analysis is based on direct linkage to inputs and activities • Managerial accounting methods used for monitoring and improving business operations	• Financial accounting and control is fully integrated across all departmental operations and is aligned with the enterprise strategy • Managerial accounting is owned equally by all areas within the organization and uses sophisticated methods used for optimizing business results

Performance Management Enabler Maturity				
Enablers of Performance Management	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Human Capital Management	• Only focused on achieving departmental needs • Only core human resource functions provided (hire, pay, fire) and does not include structured recruitment and career development	• Individual performance is aligned with departmental goals • Formalized recruitment, incentives, and employee satisfaction systems are implemented • Workforce is consistent and aware of decision-making results	• Individual performance starts to align with corporate goals • Formalized recruitment, incentives, and employee satisfaction systems are integrated in behavior • Workforce is motivated and engaged in decision making • Management is proactive in anticipating future requirements	• Individual performance is fully aligned with enterprise strategies • Managed according to long-term strategic needs • Workforce is fully empowered
Information Management	• Multiple sources of data • Data integrity is unreliable • No analytics • Data is stored locally and not shared • Data is only available upon request	• Elimination of redundant data sources • Automated access to data • Proper controls for integrity in place • Ad hoc analytics are used	• Availability of relevant and timely information • Business user access to data and analytics • Enterprise level data • Virtual accessibility	• Data sources include customer and supplier information/data • Ability to leverage unstructured data • Service oriented architecture
Innovation Management	• Organizational culture shows little or no engagement/ interest with innovation • Ideas are generated ad hoc • Lack of established methods, processes, or follow-up on newly generated ideas	• Stage-gate processes in place • Culture welcomes idea generation • Innovation tends to exist within silos or focuses on sub-optimized solutions • Customer segmentation demographics and analysis is used • Methods used to capture and assess customer requirements	• Innovation strategic planning that differentiates core vs. context innovation, disruptive vs. sustaining • Stage-gate process rigorously enforced with strict decision criteria • Organization empowers the generation of ideas (e.g., idea generation teams)	• Product development portfolio management to manage and resource across multiple products and optimize delivery launch • Product development roadmapping to anticipate new research, development, and resource requirements

Performance Management Enabler Maturity				
Enablers of Performance Management	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Innovation Management (continued)			• Scan other organizations for competitive intelligence • Innovation is driven by organizational goals • Organization targets, measures, and optimizes conversion success • Value engineering functional analysis performed	• Product and service designed for lifecycle optimization • Culture attracts incremental and disruptive innovation • Innovation networks extend outside the enterprise
Knowledge Management	• Critical knowledge resides principally on personal networks and is shared on an informal and ad hoc basis • Organizational knowledge residing in disparate repositories requires users to search for sources	• Formal systems are in place to facilitate the capture of and gain access to critical knowledge • Organizational knowledge is deployed using commonly defined methods but lacks enterprise-wide collaboration	• Critical knowledge is accessible, reliable, and timely • Organizational knowledge is integrated throughout the enterprise • Mechanisms, procedures, and business rules are in place to effectively manage organizational knowledge	• Organizational knowledge is used as a competitive differentiator • Organizational knowledge is used to maximize the value of collaborative partnerships
Organizational Management	• Responsibility not aligned with authority • Top-down direction is not well communicated or understood • Line-level feedback is not factored into management decisions • Employees show little or no engagement with business objectives • Employees tend to react negatively and/or not be supportive of change	• Responsibility is aligned with authority • Top-down direction is communicated and understood • Strategy and values of the organization are communicated and understood • Employees generally accept change	• Line-level feedback constructively influences management decisions • Management practices adapt to a changing workforce environment • Strategy and values of the organization drive action • Employees understand and support change	• Management practices adapt to a changing competitive environment • Employees have the ability to drive change • Management practices are recognized as industry best practice

Performance Management Enabler Maturity				
Enablers of Performance Management	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Process Management	• Focus is on inputs with unpredictable outputs due to minimal compliance and lack of controls	• Processes are repeatable with standard inputs and consistent outputs • Compliance and controls are identified and used	• Initiatives are prioritized and undertaken to improve and streamline processes • Outcome measures are implemented • Processes are aligned through compliance and controls that support organizational goals and strategies	• Continuously monitoring processes to determine effectiveness and efficiency • Continuous process improvement is fully adopted and integrated in the organization
Risk Management	• Inconsistent or reactive identification • No established process for assessing risk • Risk response is reactive	• Utilizing sources to identify and analyze • Have established a system for determining event probability, severity of consequence (impact on business performance), and prioritization • Response plan exists	• Established system monitors and tracks identified risks and impacts • Response plan is regularly reviewed, evaluated, and exercised to ensure that proper security controls are in place and effective	• Anticipating and addressing external risks through strategy and operational planning processes • Risk assessment ties into impact on suppliers and customers • Internal controls are well defined and identified, and linked to risk response
Strategic Management	• Information Flow is top down & ad hoc • Results Analysis is intuitive • Mission/Vision are unclear • Business Environment Analysis is intuitive • Directive/ autocratic planning style	• Information Flow & feedback is top down annually • Results analysis is selective • Mission/Vision are communicated • Business Environment Analysis is selective • Hierarchical planning style • Clear Goals and Objectives	• Information Flow is top down and bottom up negotiation, periodic • Results Analysis is structured • Mission/Vision are understood • Business Environment Analysis is structured • Limited participation planning style • Measurable goals and objectives	• Information flow is interactive & consistent • Results analysis is comprehensive • Mission/Vision are clear with organizational commitment • Business environment analysis is comprehensive • Fully participative planning style • Goals are dynamically monitored, measured, and validated

Performance Management Enabler Maturity				
Enablers of Performance Management	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Strategic Management (continued)			• Uniform enterprise-wide KPIs are known and used for managing the business • Regular feedback on current and future strategies is part of overall management review that enable changes to tactics mid cycle	• Goals are strongly linked to the outcomes that are in the customers and stakeholders' best interest
Supply Chain Management	• Inventory is not always accurate • Stock out ordering • Reactive replenishment • Procurement based on available funds	• Minimal level of tracking and distribution • Human element has final decision for procurement • Basic analytical approach for reordering • Use visual method to monitor inventory levels • Basic supplier relationship	• Automated procurement process • Closed loop analytical approach for reordering • Supplier partnerships across the chain • Forecasting of trends for demand	• Strategic sourcing • Suppliers' involvement in design and execution of supply chain • Collaborative planning across supply chain

2.3 Performance Management Improvement Techniques

"It is not always what we know or analyze before we make a decision that makes it a great decision. It is what we do after we make the decision to implement and execute it that makes it a good decision."

William Pollard, CEO, The ServiceMaster Company, 1983-1993 and 1999-Present.

How To Improve Performance Maturity

The maturity levels in Section 2.2 represent a condition or "state" of effectiveness. It can represent a current state or a desired state, but the framework doesn't provide explicit guidance as to how an organization can transition to higher levels of maturity. For an organization to close a performance gap, it must answer the following questions:

- What are the deficiencies?
- Is there a benefit to the organization to move from one level of maturity to the next, and is there a "real" business need to move?

- What techniques can be utilized that will correct those deficiencies, and assist in moving toward the desired performance levels?
- Are there initiatives that can be used to affect more than one Enabler, or is there only one that needs improvement?

Improvement Techniques: Purpose and Use

Improvement techniques are a list of business tools or solutions designed to improve all processes and systems in the organization in order to achieve higher levels of performance.

The concept of using an improvement technique to improve performance is not new. In fact, numerous books and publications have been written over several decades that present and promote uncounted ways organizations can improve performance.

The proper application of an improvement technique requires an "expert" understanding and appreciation of how those techniques can be most effective. The nuances and intricacies of most business improvement disciplines cannot and should not be viewed with a simplistic mindset of "just do it and things will get better." The same improvement technique can be applied to different Enablers at different maturity levels. Understanding the underlying deficiency that needs to be corrected is fundamental to the proper application of an improvement technique. Most often, the language in the desired maturity level can help identify possible improvement techniques.

The nuances and intricacies of most business improvement disciplines cannot and should not be viewed with a simplistic mindset of "just do it and things will get better."

Various sources (e.g., Bain & Company Survey of Management Tools & Trends) helped identify more than 50 of the most relevant techniques used by organizations to improve performance. Using collective knowledge and experience gained through involvement in CAM-I and CMA Canada, these were grouped into nine key Improvement Technique Categories for the scope of this research. Table 4 Performance Management Improvement Techniques depicts the definitions, specific techniques, and the value provided in improving performance of each improvement category. In addition, recommended readings for these technique categories (a number of the readings come from CAM-I's existing Body of Knowledge) can be found at the end of this document (see Recommended Readings for Improvement Techniques on page 45).

Table 4: Performance Management Improvement Techniques

Improvement Technique Category	Definition	Specific Techniques	Value Provided in Improving Performance
Activity-Based Management	A discipline focusing on the management of activities within business processes, as the route to continuously improve the value received by customers. ABM uses activity-based costing information and performance measurements to influence management action.[15]	Activity-Based Costing Activity-Based Budgeting Activity-Based Planning & Budgeting Non Value-Added Costing Product/Customer Profitability	Focuses on defining activities (the work) as a basis for creating more accurate costs for activities, products, and services. Used in conjunction with strategic and business planning to set prices or improve/ eliminate products or services. Provides a means to estimate, plan and budget resource requirements against forecast delivery requirements.
Balanced Scorecard	A concept for measuring whether the activities of a company are meeting its objectives in terms of vision and strategy. Helps to provide a more comprehensive view of a business, which in turn helps organizations to act in its best long-term interests.[16]	Strategy Mapping Scorecarding Story Boarding Dashboarding Performance Measurement Pay for Performance Performance Accountability Management by Objectives	Creates a cause and effect relationship of strategic objectives whose success can be tracked against targets by a few balanced (financial and non-financial) performance measures. Translates strategic goals into operational actions and individual goals in order to develop a strategy focused organization.
Benchmarking	A systematic and continuous measurement process that is used to compare the activities, business practices, and resulting outcomes of an organization with those at other organizations[17]	Internal Benchmarking External Benchmarking Competitive Benchmarking Best Practices	Provides data or information to assess relevant performance against others. Allows organizations to develop plans on how to make improvements, set targets, or adapt specific best practices.
Business Intelligence	A set of strategies, processes, technologies and tools that integrate data and transform it into useful information that helps the organization understand its past and shape its future performance.[18]	Analytics Dashboard OnLine Analytical Processing Price Optimization Models Data Mining	Provides a rapid and focused historical, current, and future view of large amounts of data in a more informative and analytical way allowing decision making at all levels of the organization.

Improvement Technique Category	Definition	Specific Techniques	Value Provided in Improving Performance
Business Process Re-engineering	The radical redesign of a process, product, or service (as opposed to the incremental improvement associated with continuous improvement efforts).[19]	Business Process Modeling Process Simulation Rightsizing	Enables the organization to become stronger and more successful in the marketplace by greatly simplifying a process, product, or service.
Capacity Management	A process used to manage utilization of all assets to ensure that current and future business requirements are met in a cost-effective manner.[20]	Throughput Analysis Capacity Planning Constraint Analysis Capital Justification/Assessment Demand/Workload Forecasting Return On Investment Analysis	Optimizes performance efficiency by minimizing idle capacity. Assists with operational planning and forecasting of future capacity requirements in justifying financial investments.
Lean/Six Sigma	Business improvement methodology that focuses on quality through speed (Lean) and eliminating defects (Six Sigma).[21]	Lean Operations Six Sigma Just in Time Kanban Kaizen Total Quality Management ISO 9000 Total Productive Maintenance Continuous Process Improvement Root Cause Analysis	Enables organizations to better allocate resources to value-added activities and improve quality. Focuses on efficiency improvements to streamline and optimize operational performance.
Target Costing	A market-driven costing system in which the target costs are set by considering customer requirements and competitive offerings.[22]	Value Engineering Cost Estimation Cost Tracking	Achieves life cycle cost targets to meet market requirements by focusing on product and process design and managing risks and opportunities through the development process.
Value Chain Analysis	The sequence of business activities that add value to a product or service. These activities occur in operational areas within a company (e.g., design, production, marketing, and sales) as well as from activities external to the company (e.g., suppliers, distributors, and customers).[23]	Value/Supply Chain Analysis Collaborative Planning, Forecasting and Replenishment e-Business Move/Relocate Operations Operations Scaling Radio Frequency Identification	Determines the scope and expected contribution of each business process throughout the value chain, distinguishing between value-added and non value-added activities, providing opportunities for business process improvements.

The PMIG identified and mapped specific improvement technique categories to each performance management enabler at maturity levels where the technique would most likely help an organization improve the performance of that specific enabler. This is depicted in Figure 4(a) Recommended Technique Categories for Improving Enabler Maturity. The PMMF was developed as a generic approach for all organizations so, in applying the framework to specific industries or organizations, the recommended mapping in Figure 4(a) would likely vary to some extent. The recommended improvement techniques for any enabler are simply meant to provide guidelines and suggestions in a directional way as to where to investigate mechanisms for improvement.

As previously stated, the same improvement technique can be applied to different enablers at different maturity levels. For example, in Figure 4(a), Activity-Based Management might be a technique to help Financial Management get to level 2 maturity whereas it would likely be used to get Process Management to level 3 maturity.

The PMIG believes that there is a logical progression for an organization to use specific techniques to improve enabler maturity.

Figure 4(a): Recommended Technique Categories for Improving Enabler Maturity

Enablers	Techniques Categories	1	2	3	4
Business/Operational Management	Activity-Based Management		■	■	■
	Balanced Scorecard			■	■
	Benchmarking			■	■
	Business Intelligence			■	■
	Business Process Re-Engineering			■	■
	Capacity Management		■	■	■
	Target Costing				■
Customer Relationship Management	Benchmarking			■	■
	Business Intelligence		■	■	■
	Business Process Re-Engineering			■	■
	Target Costing			■	■
	Value Chain Analysis			■	■
Financial Management	Activity-Based Management		■	■	■
	Benchmarking			■	■
	Capacity Management		■	■	■
	Target Costing				■

Enablers	Techniques Categories	1	2	3	4
Human Capital Management	Benchmarking				
	Business Process Re-Engineering				
	Capacity Management				
Information Management	Activity-Based Management				
	Balanced Scorecard				
	Business Intelligence				
	Capacity Management				
Innovation Management	Benchmarking				
	Business Intelligence				
	Business Process Re-Engineering				
	Target Costing				
	Value Chain Analysis				
Knowledge Management	Business Intelligence				
Organizational Management	Benchmarking				
	Business Process Re-Engineering				
	Capacity Management				
Process Management	Activity-Based Management				
	Benchmarking				
	Business Process Re-Engineering				
	Capacity Management				
	Lean/Six Sigma				
	Value Chain Analysis				
Risk Management	Balanced Scorecard				
	Capacity Management				
Strategic Management	Balanced Scorecard				
	Benchmarking				
	Target Costing				

Enablers	Techniques Categories	1	2	3	4
Supply Chain Management	Activity-Based Management				
	Benchmarking				
	Capacity Management				
	Lean/Six Sigma				
	Target Costing				
	Value Chain Analysis				

Another way to look at this Enabler/Technique cross reference is represented more concisely in Figure 4(b) Enabler Maturity Starting Levels Using Improvement Techniques. The "L" value in each shaded box represents the maturity level where the associated technique category begins applicability to the corresponding enabler and continues that applicability through to Level 4.

Figure 4(b): Enabler Maturity Starting Levels Using Improvement Techniques

Enablers \ Technique Categories	Activity-Based Management	Balanced Scorecard	Benchmarking	Business Intelligence	Business Process Re-Engineering	Capacity Management	Lean/Six Sigma	Target Costing	Value Chain Analysis
Business/Operational Management	L2	L3	L3	L3	L3	L2		L4	
Customer Relationship Management			L3	L2	L3			L3	L3
Financial Management	L2		L3			L2		L4	
Human Capital Management			L3		L3	L2			
Information Management	L2	L3		L2		L2			
Innovation Management			L2	L2	L3			L3	L2
Knowledge Management				L2					
Organization Management			L3		L2	L3			
Process Management	L3		L2		L2	L2	L3		L3
Risk Management		L2				L3			
Strategic Management		L2	L3					L3	
Supply Chain Management	L3		L3			L3	L3	L4	L2

*Value in each shaded box represents the maturity level where the associated technique category begins to apply to the corresponding Enabler (e.g. L2 = Maturity Level 2)

An organization growing towards maturity level two would begin to apply selected improvement techniques while still in the first level of performance maturity. It must be understood that improvement techniques do not end or stop once the organization has reached the next performance maturity level. The improvement technique may not play as large a role as in previous levels, but would still be beneficial with the move towards the next level.

Although every organization has its own unique situation and circumstances that will determine the most effective techniques to improve performance, the PMIG identified what it believes are the most probable scenarios that can be used as guidance to organizations that wish to demonstrate higher levels of maturity.

For example, an organization that is evaluating ways to improve Business/Operational Management may apply a range of techniques that are appropriate at certain maturity levels. The concept is that for an organization to demonstrate the attributes of a maturity level, articulated previously in Table 3, the organization needs to have either done something to get there, or is demonstrating a proficiency that was achieved through the application of an improvement technique.

In Figure 4(b):

- Level 2 maturity for Business/Operational Management is demonstrated by stable and repetitive practices. Techniques that can either help an organization achieve Level 2 maturity or demonstrate and sustain Level 2 performance could include the appropriate application of Activity-Based Management and/or Capacity Management. These techniques help organizations to establish a common taxonomy of business operations and provide structured and/or standard information for common and repetitive use.
- Level 3 maturity for Business/Operational Management is demonstrated by actions or initiatives that leverage improvements in how work is accomplished. The concept is that techniques introduced in Level 2 are static, in the sense that standardization of information provides a sound basis for business/operational management, but those techniques in themselves don't change anything. It's the subsequent actions or initiatives that can achieve Level 3 maturity. Those techniques could include Balanced Scorecard, Benchmarking, Business Intelligence and/or Business Process Re-engineering. These techniques serve the purpose of taking information and applying it to influence a different way of doing work.
- Level 4 maturity for Business/Operational Management is demonstrated by actions or initiatives that take internal and external information, and optimize performance based on external influences. In the example depicted in Figure 4, Target Costing is a technique used to design for an intended outcome and is built upon and leverages the basis of information established through previous techniques.

Similarly, an organization that is evaluating ways to improve Risk Management may apply a range of techniques that are appropriate at certain maturity levels.

- Level 2 maturity for Risk Management is demonstrated by stable and repetitive practices, and Balanced Scorecard is a technique that can help organizations to establish a common classification and structure for performance metrics that can be assessed against risk criteria.
- Level 3 maturity for Risk Management could benefit from the application of Capacity Management, which provides a means to identify constraints or limiting factors that, when identified and remedied, could mitigate risk in business operations.

2.4 The Link between Performance Management and Change Capability

"Everything is changing… and not only is it changing, but it's changing at an accelerated rate. You have a challenge, and a response that is equal to it. That equals success. Then you have a new challenge, and the old successful patterns, processes, and practices no longer work. It requires an entirely new kind of response. What is the nature of the new challenge today? It's permanent whitewater – a constant churning, changing environment. So, it necessitates having a response that does not change."

Stephen R. Covey, The 8th Habit *DVD*.

The collective experience within CAM-I idicates that implementing improvement initiatives to enhance performance has had, in general, a disappointing record of success and sustainability. Many reasons have been identified with these failures, including:

- lack of "buy-in" from key managers;
- people involved don't get the "what's in it for me?";
- the new initiative is generally perceived as a technical solution, and there is limited attention paid to the organizational or personal "mindset" required to effect successful implementation; and
- the organization wasn't ready in the first place!

In summary, research shows that one of the main reasons why implementations fail is that organizations were simply not ready for change.

Frequently, textbooks or presentations on management techniques or performance management will discuss "change" (often in an early chapter or slide), but this is often only "lip service" to the real challenge that change management requires. There is generally no practical approach provided as to how to effectively deal with the organization's ability to manage change as new initiatives or projects are undertaken.

The Interest Group didn't go down the path of recommending and implementing initiatives that are not going to be successful. PMIG understands that for any improvement initiative to be effective, a change capability within the organization is essential. Therefore, there was definitely recognition within the Interest Group of the need to address Organizational Change Capability within the Performance Management Framework.

But the question was: Where does change fit?

In earlier sections, Performance Management was introduced with 12 Enablers and 4 levels of Maturity. Further, ways were identified to enhance performance by applying key Improvement Techniques to specific Enablers that were identified as having a gap in desired maturity.

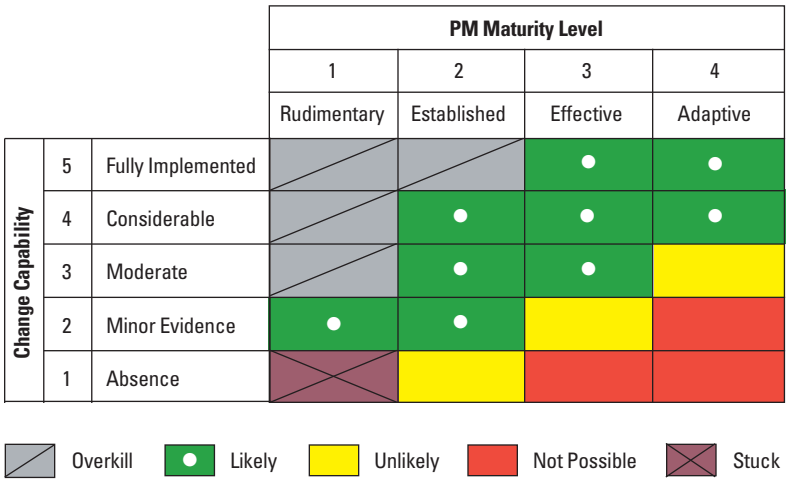
The initial Interest Group research in this area identified "Change Management" as an Improvement Technique. However, this was not really a good fit, because it was obvious that Change Management was more all-encompassing than the other Improvement Techniques that were identified. Whereas most of the recommended Improvement Techniques are each specifically applicable to only a few of the Enablers, Change Management, on the other hand, seemed to be essential for the entire panorama of Performance Management.

Next, Change Management was added to the list of Enablers. At first glance, this seemed more appropriate as the Enablers dealt with "management" rather than "improvement." However, there was still not an obvious fit here, because Change Management clearly dealt with the "softer" side of management, and in this respect was again more all encompassing than the other Enablers. In other words, it is found that Change Management has touch points across the entire perspective of Performance Management.

At this time, the Performance Management Interest Group research coincided with other CAM-I work by the Change, Adaptation and Learning (CAL) Interest Group that was nearing completion and culminated in the publishing of their research.

The integration of this research with the ongoing Performance Management research led to the decision to treat Change Management in a more holistic way. Therefore, PMIG recommends that, before charging off to identify which techniques should be adopted to improve performance, it is essential to review the organization's capability to adapt to change, depicted in Figure 5 Integration of Performance Maturity and Change Capability.

Figure 5: Integration of Performance Maturity and Change Capability



Change Capability
A structured approach to change in individuals, teams, organizations and societies that enables the transition from a current state to a desired future state.

How to use this chart:

Example 1: If the organization being studied needs to improve its Performance Management maturity level from Established (level 2) to Effective (level 3) for a particular Enabler, then it is most likely to succeed if the organization has a Moderate (level 3) to Fully Implemented (level 5) Change Capability. On the other hand, it is unlikely or not possible to succeed if it has only minor or no evidence of Change Capability.

Example 2: If the organization being studied needs to improve its Performance Management maturity level from Effective (level 3) to Adaptive (level 4) for a particular Enabler, then it is most likely to succeed if the organization has a Considerable (level 4) to Fully Implemented (level 5) Change Capability. On the other hand, it is unlikely or not possible to succeed if it has only a moderate or lower Change Capability.

Example 3: This is referred to as the Stuck scenario, which should be self-explanatory. It deals with an organization that is only at a Rudimentary (level 1) Performance Management maturity and has a complete absence of Change Capability.

Example 4: This is referred to as the Overkill scenario, and it is clearly unusual, but covers the situation where the organization spends a lot of effort and resources on change management but does not use this capability in any way to further its performance.

In summary, to complete the Performance Management Maturity Framework, PMIG advocates that improving the maturity of performance management is achieved far less by a technical approach and much more by a mindset and holistic approach, and that the mindset question must first be addressed prior to implementation of any improvement technique.

3. How to Use the PMMF

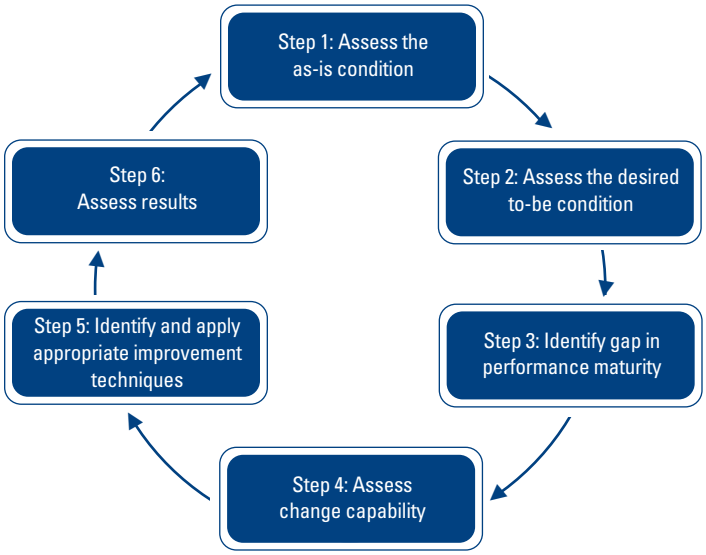
"Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable."

William Pollard, CEO, The ServiceMaster Company, 1983-1993 and 1999-Present.

The PMMF, presented in this report, establishes a conceptual structure for evaluating and identifying potential improvements in business performance. Even though it is a static conceptual structure, a simple and structured approach can be used to apply the PMMF within any organization.

3.1 Recommended Approach

The PMMF can be put to use through a six-step continuous approach:



This six-step approach can be executed internally or in combination with external assistance at any step of the approach.

- Internal execution – this is where an organization conducts this six-step approach through the use of quick surveys and structured discussion. The advantage of this approach is that it can be done quickly at minimal cost. The downside is the risk of "groupthink" among managers of an organization, and potential biased opinions of how the organization is truly performing and the appropriate actions that need to take place.
- External assistance – this is where an organization engages the intervention of a person(s) or organization external to the assessed organization (a different division of the organization or a consultant). The advantage is that the assessed organization can get an unbiased view of current performance and an honest perspective of potential areas of focus or improvement. In this approach, the organization may also get a more realistic perspective of the most suitable techniques to apply. The downside is that it may take longer to perform, or incur additional cost.

The cost/benefit of either approach needs to be weighed against an organization's priorities and compelling need to improve performance.

Step 1: Assess the As-Is Condition

Assessment can be in the form of a quick survey of key managers, where they perform a direct assessment (rating) of current maturity levels.

Assessment could be via a more in-depth survey involving a broader population, and may include employees, customer, and/or business partners. This approach would be structured to provide questions (and obtain responses) that would identify key indications of performance, using the language from the maturity framework. This approach provides a more detailed indication of current performance and obviates identifying an intended outcome level.

A third approach would be through third-party assessment, whereby a combination of interviews, surveys, and observations could be combined to derive a depiction of the as-is condition.

Step 2: Assess the Desired To-Be Condition

Although a detailed survey and assessment techniques are suitable for assessing an as-is condition, this is not a desirable approach for determining the desired to-be condition. In this case, it should represent the collective opinion of organizational leadership. This is best performed without external survey input, other than the potential input of external sources in developing an understanding of the competitive or strategic landscape. As discussed earlier in this report, the opinion of the PMIG is that not every organization could or should try to achieve Level 4 maturity performance, and certainly not in all 12 Enablers. The intent is that organizational leadership develop a clear and concise understanding of how selected improvements will best affect business results.

This step in the approach is not focused on the "how" to improve performance; rather, it should focus entirely on what "maturity profile" best depicts where the leadership thinks it "needs to be" to demonstrate competitive success. If that desired end state is significantly different than the as-is condition, interim stages of maturity should be identified that focus on initial, higher priority actions.

The PMIG recommends that each individual organization determine whether Steps 1 and 2 should be performed simultaneously or interchangeably. PMIG cautions there may be a risk of an anchoring effect or self-fulfilling prophecy if the same group within the organization conducts the as-is and to-be assessments.

Step 3: Identify Gap in Performance Maturity

Comparing as-is and to-be conditions represents a gap analysis to identify next steps. Regardless of whether organizational leadership identifies large gaps in maturity, or identifies several Enablers that show performance gaps, the first step is to prioritize actions. As with any improvement campaign, targeting areas of tangible accomplishment is often more important than having a broad array of initiatives that place "project stress" on an organization. The gaps identified between as-is and to-be need to be arrayed and prioritized against the following types of criteria:

- Greatest potential impact;
- Speed of results;
- Investment/cost required; and
- Interdependence on other Enablers or initiatives.

This is not an analytic exercise, but it is important to have a logical array of "gaps" that are summarized in a fashion that allows organizational leaders to portray "one view" of the problem and articulate a consensus of priorities that will have an impact on business results.

Step 4: Assess Change Capability

As described in Section 2.4, the ability of an organization to identify and successfully implement solutions and achieve results depends both on viable technical solutions as well as organizational capacity for change. The best technical "fix" can fall well short of expectations in an organization that does not have the capacity to adapt to that change. This area is often overlooked, and the PMIG recommends that any organization that wishes to improve Enablers, and demonstrate higher levels of performance maturity, must incorporate a discrete step in their approach to assess the organization's capacity for change and take active measures to mitigate the risks that could affect success.

Step 5: Identify and Apply Appropriate Improvement Techniques

As depicted in Section 2.3, there are numerous techniques for improving performance. Based on the results of the gap analysis, and a change assessment, the organization leadership need to be (a) certain of, (b) selective of, and (c) dedicated to what improvement steps are needed. The methods presented by the PMIG in Section 2.3 provide a starting point for understanding which techniques are most appropriate for an Enabler at a given level of maturity.

Any improvement initiative must be implemented with the following guidance:

- Identify a leader to serve as the champion, who has the authority to commit resources, drive progress, and is accountable for delivering results.
- Establish a charter that details clear objectives, resource requirements, expected results, deadlines for delivery, and identifies potential risks and mitigation steps to ensure closure and success.

Step 6: Assess Results

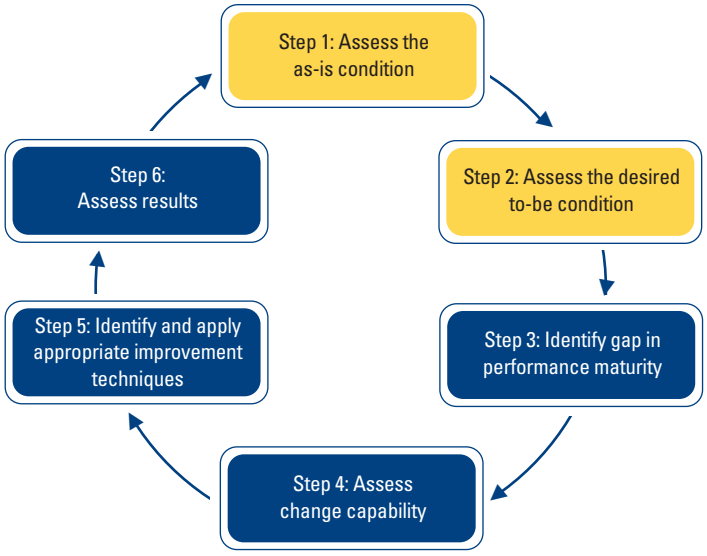
Just because an improvement initiative has been implemented doesn't mean that the job is done. It is important to identify and measure whether or not the intended results have been achieved. Not all changes are instantaneous, so a reasonable expectation of when results should be seen and how they are measured needs to be scheduled and sought at the proper time. Even if there is concern or hesitation that the intended results won't be realized, it is critical to understand why, and what could be done differently, rather than ignoring disappointing results in the hope that they will go away unnoticed. Results should be measured in two ways. First, measures are needed to indicate whether the improvement initiative had an influential effect. The second is to assess progress against maturity levels.

3.2 Hypothetical Example

Situation

✓ At a recent management meeting, the members of the senior management team had a general discussion about overall performance. Their perception was not unanimous. For certain areas of the company, they agreed that they were on top of things, but in other areas they did not agree. Despite their own perceptions, they all agreed to evaluate their Performance Management.

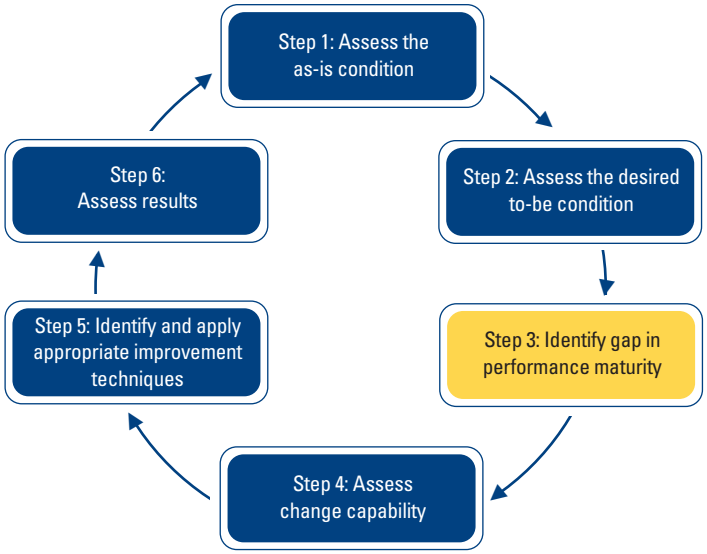
✓ After attending a workshop on the PMIG work, the team members all completed an individual survey, to record their own perceptions of the current situation relative to the PM Enablers.



To start, all members of the management team evaluated their perception of the Actual Maturity Level of each Enabler, and then identified the Desired Level of Maturity they thought they should reach. After team members finished their evaluations, a consensus on each Enabler was needed. The following figure illustrates a basic entry form (Figure 6) filled in by each team member with their Maturity Level evaluation from 1 to 4. The results are summarized in Figure 7.

Figure 6: Maturity Assessment Form

Enablers \ Maturity Levels	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic and reactive	**Stable and repetitive**	**Internally efficient and continuously improving**	**Externally efficient and dynamic**
Business/Operational Management				
Customer Relationship Management				
Financial Management				
Human Capital Management				
Information Management				
Innovation Management				
Knowledge Management				
Organizational Management				
Process Management				
Risk Management				
Strategic Management				
Supply Chain Management				



The next figure is the combined average result of the team member evaluations.

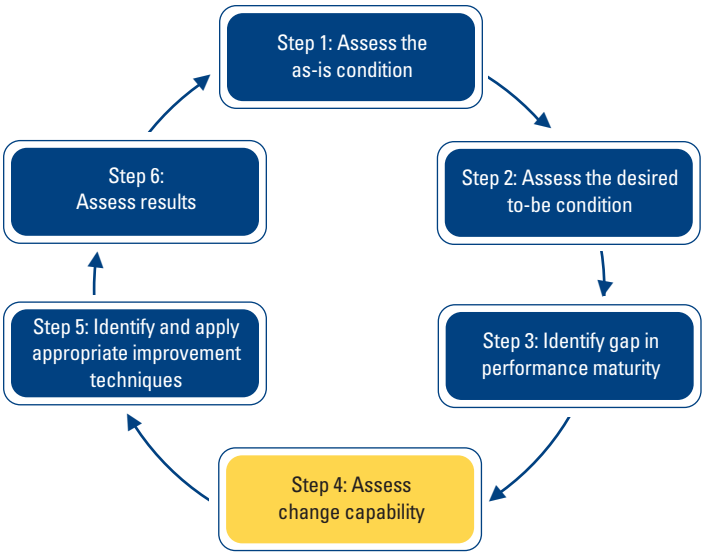
Figure 7: Maturity Assessment Results

Enablers \ Maturity Levels	**Level One:** ***Rudimentary***	**Level Two:** ***Established***	**Level Three:** ***Effective***	**Level Four:** ***Adaptive***
	Non-systematic, non-periodic and reactive	**Stable and repetitive**	**Internally efficient and continuously improving**	**Externally efficient and dynamic**
Business/Operational Management			A & D	
Customer Relationship Management			A & D	
Financial Management				A & D
Human Capital Management			A → D	
Information Management				A & D
Innovation Management	A → D			
Knowledge Management	A → D			
Organizational Management		A → D		
Process Management		A → D		
Risk Management	A → D			
Strategic Management		A → D		
Supply Chain Management			A & D	

A	Actual Maturity Level
D	Desired Maturity Level
	Meeting or Above Desired Maturity
	Less than Desired Maturity
	Seriously Below Desired Maturity

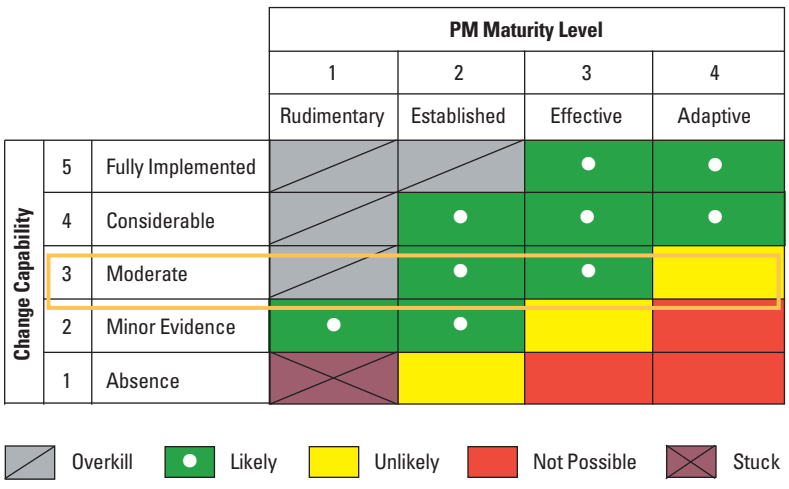
This shows that Risk Management and Process Management are the two Enablers that have the highest gaps between the Actual Maturity and Desired Maturity Levels. The recommendation follow-up actions would be:

✓ Initial action – Enablers to be improved
  – Risk Management
  – Process Management
✓ Following action
  – Review organization change capability
  – Select appropriate improvement techniques

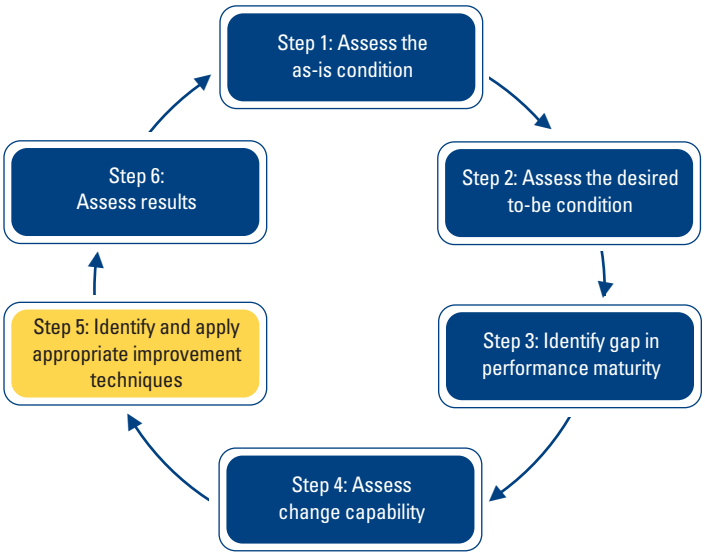


Before embarking on a selection of appropriate improvement techniques, all members of the management team completed a survey to evaluate their own perception of the organization's capability to adapt to change. The result of the survey was unanimous, and confirmed that the change capability of the organization was only at a level 3 (Moderate). In Figure 8, the cross-reference chart shows that a moderate change capability can most likely help to achieve a maturity level of 2-3 at most.

Figure 8: Change Capability vs PM Maturity Results



Change Capability
A structured approach to change in individuals, teams, organizations and societies that enables the transition from a current state to a desired future state.



Now, by referencing the Performance Management Improvement Techniques (Figure 4(b)) in section 2.3, the management team found appropriate techniques for each of the selected Enablers (Figure 9) that could help them improve to a maturity level of 2 or 3.

Figure 9: Enabler Maturity Starting Levels Using Improvement Techniques

Enablers \ Technique Categories	Activity-Based Management	Balanced Scorecard	Benchmarking	Business Intelligence	Business Process Re-Engineering	Capacity Management	Lean/Six Sigma	Target Costing	Value Chain Analysis
Business/Operational Management	L2	L3	L3	L3	L3	L2		L4	
Customer Relationship Management			L3	L2	L3			L3	L3
Financial Management	L2		L3			L2		L4	
Human Capital Management			L3		L3	L2			
Information Management	L2	L3		L2		L2			
Innovation Management			L2	L2	L3			L3	L2
Knowledge Management				L2					
Organization Management			L3		L2	L3			
Process Management	L3		L2		L2	L2	L3		L3
Risk Management		L2				L3			
Strategic Management		L2	L3					L3	
Supply Chain Management	L3		L3			L3	L3	L4	L2

*Value in each shaded box represents the maturity level where the associated technique category begins to apply to the corresponding Enabler (e.g. L2 = Maturity Level 2)

As shown, the Enabler, Process Management, can use six different Technique Categories to improve maturity, and Risk Management can use two.

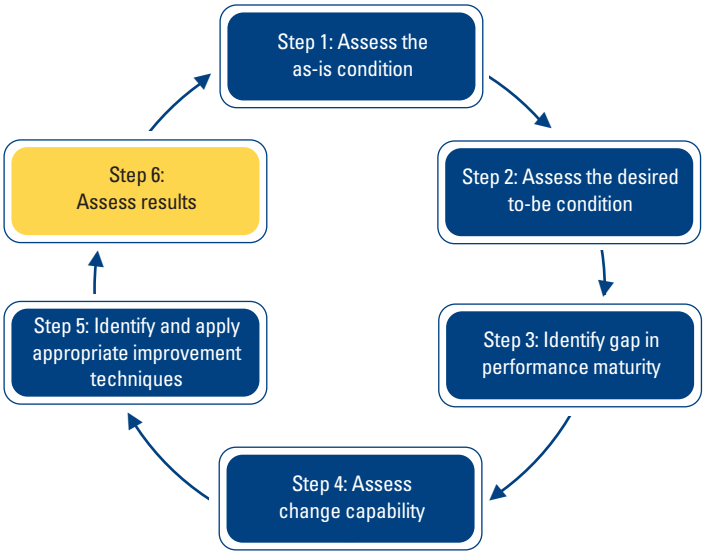
Since Capacity Management was identified as a Technique Category that could improve both Process Management and Risk Management (Figure 10), the management team decided to investigate this Improvement Technique first.

Figure 10: Excerpt from Improvement Techniques Matrix

Enablers \ Technique Categories	Activity-Based Management	Balanced Scorecard	Benchmarking	Business Intelligence	Business Process Re-Engineering	Capacity Management	Lean/Six Sigma	Target Costing	Value Chain Analysis
Process Management	L3		L2		L2	L2	L3		L3
Risk Management		L2				L3			

*Value in each shaded box represents the maturity level where the associated technique category begins to apply to the corresponding Enabler (e.g. L2 = Maturity Level 2)

After studying the definition and reference reading, a project team was formed to begin the implementation of Capacity Management in a pilot area in the company.



After the project team completed the pilot project, the management team then reevaluated the maturity levels of both Process Management and Risk Management to determine the next steps in its Performance Management maturity journey.

4. Further Research and PMMF Development

Being the result of collaborative research and debate, it represents an unbiased point of view of performance management, not scripted to sell or "pitch" a new product, yet it's a conceptual framework that has great potential for continued development in order to provide practical application for businesses.

The PMMF represents a framework that portrays a collective and comprehensive view of the factors that affect business results. Being the result of collaborative research and debate, it represents an unbiased point of view of performance management, not scripted to sell or "pitch" a new product, yet it's a conceptual framework that has great potential for continued development in order to provide practical application for businesses. As is, the framework is a useful tool for thinking about improving performance, but success in applying the framework will be enhanced through subsequent efforts. Among these is the ability to (a) complete performance assessments of organizations, (b) gain lessons from case-study examples of the framework, (c) understand measures and indicators of performance maturity, (d) determine the proper use and impact of other improvement initiatives on performance, and (e) compare performance against similar businesses.

- **Assessment Tool** – To effectively apply and utilize the concepts presented in the PMMF, a diagnostic assessment tool or capability could be used to greatly enhance the value of the PMMF to organizations. By developing survey questions that "test" respondents' answers against the defined maturity levels, the PMMF can be applied to a broad audience. In addition, a survey tool can be crafted in a manner that helps mitigate potential skewing of results where a respondent knowingly or unknowingly answers questions biased towards an intended maturity level.
- **Case Study Assessment** – A case study application of the PMMF with organizations on a trial basis would serve the purpose of testing the content of the framework against real business situations to help refine the description and content of the maturity levels.
- **Improvement Techniques Database** – An important distinction in this PMMF is the differentiation between Enablers and Improvement Techniques. The former represents an inherent capability performed by an organization; the latter represents a means by which an Enabler is improved. The PMIG developed an initial database that correlates appropriate improvement techniques within the maturity framework. Further developing and refining this database will serve as a critical tool to help guide an organization in identifying the most appropriate means of maturing performance.
- **Performance Measures** – Just as the content of the maturity levels can be refined through case study assessment, the framework can be further refined by identifying types of metrics that are in use at different maturity levels. The current content provides a descriptive depiction of maturity; adding quantitative or qualitative metrics will help provide a more concise understanding and measurement of maturity levels.
- **Benchmarking Capability** – If an assessment tool is developed to survey organizations on maturity levels, this could serve as the basis for creating a database of results that could be used for benchmarking purposes. By profiling organizations (by industry, size, market, etc.), the results could be used for comparative analysis of like organizations.

- **Industry-specific performance framework** – The PMMF has been developed without emphasis or focus on any specific industry. As such, the language is "generic," and might not highlight industry-specific issues. The current framework could easily be rewritten for specific industries or uses that would allow the use of industry-relevant information in order to provide more meaningful results for organizations.

Conclusion

Every organization, whether privately operated or publicly managed, must be concerned with performance management to be successful. Leading organizations are continually gauging their performance maturity and making adjustments where necessary to stay ahead of their competition. Without question, performance management has many different views, in fact as many as there are organizations. The Performance Management Maturity Framework provides the ability for organizations to holistically assess their performance maturity and understand the most effective means to improve performance, using one consistent approach.

Recommended Reading

a) Enablers

Business/Operational Management

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