How to Jump Start Your Performance Management Project

A four-step approach

A White Paper

Pilot SOFTWARE

444 Castro Street, Suite 501, Mountain View, CA 94041 ▪ www.pilotsoftware.com

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Summary

It seems that everywhere you turn, people are talking about performance management. Amidst the buzz, however, one troubling trend is beginning to emerge. Many performance management projects have languished, burdened by unrealistic expectations, delayed schedules, and intangible benefits. Performance management is in danger of becoming like data warehousing of the early ’90s and customer relationship management of the late ’90s; something everyone does but from which few reap much value.

Why are so many performance management projects behind schedule and over budget? Is there any way to show tangible ROI from performance management after a relatively short period? Or is performance management like many other enterprise software projects — destined to take more than a year and millions of dollars?

The problem may start with how a performance management project is defined. Too often, performance management is focused on choosing some readily available and seemingly useful metrics and displaying them on a dashboard. Unfortunately, as more than a decade of data warehousing and CRM projects have shown, data-driven projects have many challenges. Data lives in disparate systems (or sometimes none at all), has missing or incompatible values, is stored in varying time periodicities, and in general is not easily summarized and presented in business formats. Fixing these issues takes time, further delaying a performance measurement project. Focusing on metrics and dashboards does not change this underlying reality.

The alternative to starting with data is to start with objectives instead. Advocates of this approach usually insist that an organization first roll out its highest-level goals (mission and vision), then cascade these down to departmental, and even individual, performance goals. This “boardroom to cubicle” approach ensures that all objectives are aligned and everyone is working toward the same outcomes. Since executives typically set the corporate strategy, the most common advice from performance management practitioners is to get CEO sponsorship.

However, this top-down approach can cause a separate set of delays. Organizations that do not yet have formal strategic plans at the corporate level must first spend time trying to get executive buy-in on objectives and priorities, delaying the initial

performance management rollout until the strategy has been cascaded down throughout the company. Even for organizations with existing formal strategic plans, top-down performance management projects can get bogged down due to the large number of objectives that must be simultaneously deployed and the sheer number of stakeholders with a political interest in the outcomes.

Four Steps to Jump-Starting Your Performance Management Project:

1. Choose a specific objective for one department
2. Focus on communication of goals before beginning to monitor performance
3. Develop best practices based on experiences and feedback
4. Deploy other objectives incrementally, updating best practices as appropriate

Because starting with available data or top-level objectives can both lead to very long projects, organizations should instead consider jump-starting their performance management project by taking a four-step, alignment-centric approach. In this approach, the organization first chooses a highly leveragable objective at a functional or divisional level with the potential to improve performance in a relatively short amount of time. Once this objective is chosen, the organization then focuses on communicating not only what the objective is, but also *why* it is important and *how* it will be accomplished. The monitoring of performance using metrics should begin only after this initial communication phase is completed and all stakeholders are comfortable with their roles in accomplishing the objective. During rollout of the initial objective, the organization learns what works best for them and develops best practices for future deployments. Once the first objective has demonstrated success, the organization then incrementally deploys other objectives following their defined best practices, first within the same department and later to other departments. Following this approach can dramatically shorten the time it takes to get a performance management solution into production.

Step 1: Choosing an Objective

While there is no cookie-cutter approach for choosing the best initial objective or most appropriate department, for most organizations, the highest potential exists within their customer-facing operations. This is because the value proposition for these objectives is more easily tied to high-priority outcomes like customer satisfaction or revenue. In addition, customer operations are typically underserved by performance management; the lion's share of past performance management projects have focused on financial or HR groups. As a result, the area of customer-facing operations is more likely to present low-hanging fruit projects that can deliver high value relatively quickly. The project sponsor should be the operational executive with responsibility for the proposed objective. This executive is usually personally compensated based on the success of the objective and thus will be particularly interested in the success of the performance management project as well.

Step 2: Communicating Goals

Regardless of which objective is chosen and for what department, it is crucial to borrow an idea from the Balanced Scorecard methodology and define success from multiple points of view, not just the financial one. For many organizations, the standard four Balanced Scorecard perspectives of *financial*, *customer*, *process*, and *people* are sufficient; however, some organizations will need to modify the list to include other points of view such as *supplier*, *regulatory*, or *competitor*. As an example, imagine the objective to *decrease customer attrition by 10% in 12 months*. For the external customer perspective, the outcome is fairly straightforward: a lower percentage of customers wish to terminate their relationship with the organization. The financial perspective quantifies the value of reducing this churn, presumably from increased revenue, while the process perspective might specify how the current customer relationship management system must improve to achieve the objective. Finally, the people perspective, which focuses on skills and capabilities, might identify industry-specific training requirements.

Breaking down the single objective into different points of view dramatically simplifies the performance management process by making the objective tangible to more stakeholders. When objectives are too high-level or vague, they are subject to personal interpretation. This unintentional misalignment from incomplete communication of the goal is often at the root of delayed performance management projects. Participants discover late in the performance management deployment that they are working on conflicting agendas, causing duplicative and repeated efforts.

Step 3: Developing Best Practices

An important part of the initial deployment is to establish a series of best practices that will simplify the rollout of future objectives. These best practices represent standards of what works well for each organization. Many formalize naming conventions; for example, all objectives should start with a verb to reinforce their actionable nature.

Others can de-politicize important decisions that will be made by diverse groups; for example, performance thresholds will be set on a letter grade scale in which 90% of target is an A, 80% is a B, etc. Experimenting on a small scale allows the organization to test whether or not the practice matches the theory, with limited negative impact if it does not.

What about Metrics?

While metrics should not be the focus of a performance management project, well-designed key performance indicators allow you to monitor progress toward your goals. To speed up deployments, performance management practitioners often advise keeping the number of metrics small, but it's usually left as an exercise to the reader on how to choose these metrics. Usually, however, it's the type of metric that matters more than the sheer number. Organizations that use manual data entry to populate qualitative performance indicators based on subjective opinions deliver high-value scorecards more quickly than those that rely on activity-based, quantitative metrics automatically extracted from operational data stores.

Step 4: Deploying Incrementally

Once the organization has tasted success from the initial deployment, it becomes much easier to expand performance management to other goals and departments. By leveraging a quick success, this incremental approach avoids the "big bang" enterprise standardization effort common with IT projects. Without this early success, large-scale projects tend to stagnate as stakeholders lose interest. On the other hand, incremental expansions of performance management have a demonstrated proof point to use as a basis for their justification and a series of best practices to use as a guidebook for the deployment. By learning from the initial deployment, future projects are accomplished more quickly and with fewer road bumps.

By aligning everyone in the organization toward common goals, performance management holds tremendous potential to improve organizational performance. Too often, however, that potential is never reached, as data-driven or top-down projects die on the vine, never having gotten into production or demonstrated value. Organizations can avoid this fate by following a four-step process to jump-start their deployments and leverage initial success. If enough organizations follow this approach, perhaps performance management will reach its full potential.