

DESIGNING AND IMPLEMENTING PERFORMANCE MANAGEMENT: CREATING AN EFFECTIVE ORGANIZATIONAL IMPROVEMENT PROGRAM

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SUMMARY

In order to implement effective organizational change and/or improvement programs, it's important to begin with an Integrated Strategic Business Plan that ties organizational culture, leadership and processes to strategic purpose. This process focuses the organization on long-term goals or results and is the key to organizational stability. Implementing an improvement or change process not tied to the organization's strategy and culture runs the risk of pulling the organization off center. The examination of long-term results should take into account the following four results areas: Customer, Employees, Organization, and Financial. These long-term results then guide the identification of first intermediate and then short-term goals—one to two year goals. Once short-term goals are created, detailed implementation plans are developed for each goal.

A complete understanding of what makes the organization tick along with a goal and metrics driven performance management system coupled with aligned, results-oriented leadership is the key to effective performance improvement and organizational sustainability.

INTRODUCTION

In order to improve operations, be more competitive, and ensure long-term sustainability many organizations are embarking on various types of organizational change and/or improvement programs. To actually improve the organization, accomplish the goals identified, and get beyond the symptoms to the root cause of an issue, it is important to begin with an Integrated Strategic Business Plan.

Warren Bennis, Professor of Business Administration and chair of the Leadership Institute at the University of Southern California, writes that successful leadership must have a "...relentless emphasis on results." Peter Drucker agrees and maintains that "Leadership is all about results" and Ulrich, Zenger and Smallwood in their 1999 book, *Results Based Leadership*, state "It is not enough to have mastered the attributes of leadership: effective leaders must connect attributes to results." An integrated or comprehensive strategic plan fo-

cused on results is the key to organizational sustainability.

ALIGNING RESULTS WITH PURPOSE

When it comes to effectiveness and adding true value to the organization in its efforts to accomplish its reason for being—its strategic purpose—the deciding question is: does the improvement program fit with and support the organization's strategic purpose? Unless, and until, a tool such as performance improvement is clearly linked to the strategy of the organization, its success will be marginal. Implementing an improvement or change process that is not tied to the organization's strategy and culture through an Integrated Strategic Planning process runs the risk of pulling the organization off center.

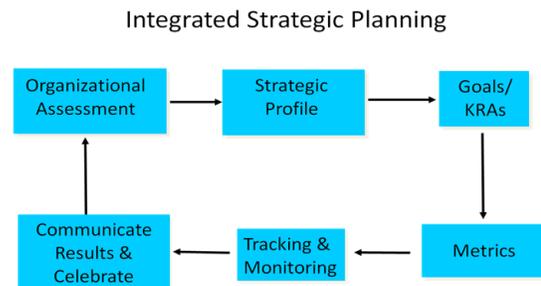


Figure 1

The Integrated Strategic Planning process is presented in Figure 1. Integrated strategic planning goes beyond the traditional strategic planning activities of mission, vision, strategic variables (which usually includes a SWOT analysis), driving forces, and goal setting to include the analysis and alignment of organizational culture and leadership with the organization's Strategic Purpose. The process begins with an in-depth assessment designed to understand the organization and identify dysfunctions and their root cause within the organization.

Another important change from traditional strategic planning is the identification of long-term key organizational results. These key results reflect what the organization wants to accomplish over the long term. Many organizations set improvement goals, but the process is usually based on traditional measures of organizational success. For example, for-profit organizations, from Microsoft to Wal-Mart, often focus mostly on financial metrics such as net after-tax profits, return-on-capital,

and return-on-equity. This focus usually leaves out key results in other areas such as the Employee, Customer, and Organization. On the other hand, governmental organizations, such as utilities, usually focus on customer metrics such as water quality goals, water quality violations, and reliability. While meeting or exceeding customer expectations is important, it is very difficult for the organization to sustain its long-term future without high levels of employee commitment and skill.

Key Results Areas (KRAs)

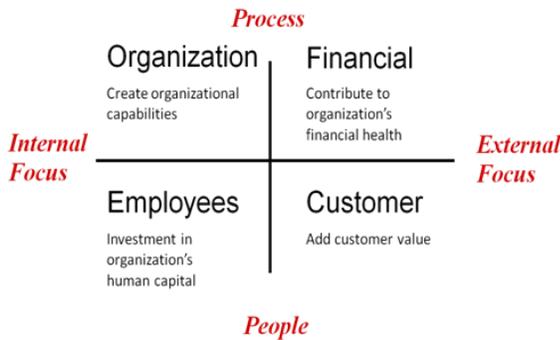


Figure 2

Therefore, organizations need to consider all four areas. This does not mean that the organization’s efforts are equally distributed between each of the key results areas. One area may get more attention than another, but the effective leader must insure that none of the key results areas are neglected. To create an effective improvement process, there must be a balance between the four primary key results areas shown in Figure 2: Customer, Employees, Organization, and Financial.

A recent study by TAP Resource Development Group of almost 350 water and wastewater utility managers from various sized utilities provided some interesting results that support the idea that leadership and results are very important. Each utility studied had a common strategic purpose which involved providing their customers with predictable and consistent solutions for their utility needs at the lowest total cost. The study found that these utility managers scored lower in the areas related to task and task accomplishment—in other words, results—than what research indicates is desirable for a well lead “Operational Excellence” organization. The results of this study indicate that many industry leaders underemphasize the accomplishment of results. For this reason, a goal and metrics driven performance management system coupled with developing results-oriented leadership is a key to effective performance improvement and sustainability.

There must also be a tracking and monitoring system that truly monitors organizational, unit, and multi-unit goal accomplishment. The system should communicate information to everyone about how the unit and larger organization is doing. Goal accomplishment must be monitored on at least a monthly basis and everyone in the organization must have access to information on the organization’s goals and progress toward goal

attainment. This is a clear opportunity for automation. However, the level of sophistication can vary from spreadsheets posted in each facility to an Intranet web page to a full-blown Management Information System. The key is making the performance management system truly part of the organization, part of its day to day operation, part of its way of doing business.

A successful performance management system must be designed to align with the strategic purpose of the particular organization. This reinforces the importance of developing a thorough understanding of the organization including its culture, leadership and their alignment with strategy. Corporate Development Group, Inc. of Denver looked at over 80 organizations of all types, including utilities. It found that 63% of the time leaders experience their own organizational cultures significantly different than their employees do. This is very important for leaders wanting to design effective organizational change programs, such as performance improvement; they must be focused on results. And their approach to leadership and the programs they design to achieve results must support the organization’s strategic purpose and align with the overall culture of the organization. Many leaders do not perceive their organizations the same way that their employees do. A complete understanding of what makes the organization tick is essential to the effective implementation of a performance improvement program.

PRODUCE LASTING PERFORMANCE RESULTS

It’s not enough to develop goals, create metrics for goal accomplishment and manage goal accomplishment, effective performance improvement must include a continuous improvement component. This can best happen during the goal setting and metric development process, as depicted in Figure 3.

Performance Management System

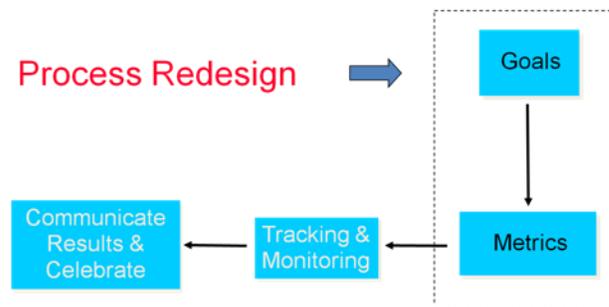


Figure 3

Process redesign, also known as continuous improvement involves a plan, do, check, act (or revise) process. Rather than developing goals and metrics based on the way we have always accomplished a particular process or activity, it’s important to take a step back and re-examine the process and way we have done things in the past and consider the possibilities for redess-

ign by applying a continuous improvement approach similar to Figure 4.

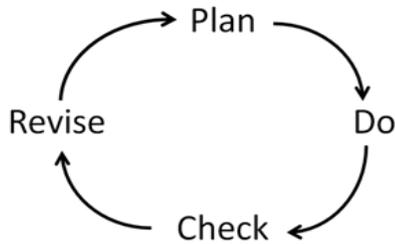


Figure 4

SERVING THE CUSTOMER

A critical aspect of both performance management and performance improvement is the identification of service levels that the organization strives to provide. Service levels are the specified level of reliability and quality that the organization agrees to provide its customers. Well-defined service levels provide focus for the organization’s performance system. Risk is another issue that must be considered. What level of risk should an organization incorporate into its performance management and goal development process?

DEVELOP RESULTS-BASED LEADERSHIP

Effective, results-based leadership linked to performance management brings leaders fully into results management and supports change programs, such as performance improvement, by connecting the leader/manager’s development to the results-based process. This linkage is accomplished by aligning the development/change program and the organization’s approach to leadership to the organization’s strategic purpose. This course of action begins with a leadership assessment process designed to identify where the leader/manager focuses their leadership energy and how well that focus meets the needs of the organization.

Each leader participates in a 360° non-judgmental leadership assessment process to identify individual leadership attributes. These attributes are overlaid with a competency model developed by the organization for the leader’s particular position. Using this information and working with a coach, each leader develops a leadership development plan for their individual situation. These plans are then reviewed with their supervisors and, once finalized, integrated with the performance management system so that the manager’s goals are tracked on a consistent basis.

CONCLUSION

Long-term success, in the implementation of performance improvement and other change programs, is tied to carefully working through each of the following six steps:

- Create a clear focus on the organization’s strategic purpose.
- Identify overall organization, department, unit and cross-unit goals in four key results areas.
- Identify measures of goal attainment.
- Develop systems to monitor goal and multi-goal attain-

ment.

- Monitor, discuss, and communicate goal status.
- Celebrate organization, department, and unit goal attainment

An Integrated Strategic Business Plan that includes a performance management system enables a utility to align its management processes and focus the entire organization on implementing a long-term strategy including performance improvement. A properly designed program links various components of the organization’s management system in a way that each time a change is made, the system adds to the organization’s momentum in moving toward the accomplishment of its strategy. Such a system also creates an environment where change can be created and implemented in a positive way. For many types of organizations, including “Operational Excellence” types such as a water and wastewater utility, other public and many private organizations, a performance management system provides the centerpiece, the central management system, for how it operates on a day in and day out basis; in essence, it aligns action with vision.

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