

Performance Management Readiness

How to Assess Your Organization's Foundation for Performance Management¹

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***Executive Summary:** Many organizations create project teams to implement performance management processes and dashboards before they are ready. When is an organization actually ready to put meaningful metrics in place to assess performance and derive the promised benefits? This paper discusses the organizational-level performance management framework needed to implement a well-functioning measurement system and a method for assessing your organization's foundation for performance management readiness.*

The paper covers the role and importance of the following concepts in setting and assessing a foundation for a mature performance management framework for the organization:

- *Executive commitment to improved organizational performance*
- *Priority setting for performance improvement*
- *Management buy-in for performance improvement*
- *Process readiness for managing and controlling scope, schedule, and budget*
- *Process readiness for managing resource assignments²*
- *Process readiness for assessing product quality and customer satisfaction³*
- *Data readiness for performance measurement*
- *Staff passion for being the best at what they do*
- *Culture of respect for process, standards, and evidence-based decision-making*

Additionally, the paper covers the pre-conditions and processes used for an evaluation, and considerations for an organizational-level performance management implementation roadmap.

¹ This paper is released to inform interested parties of ongoing operations and to encourage discussion of work in progress. Any views expressed on operational issues are those of the authors and not necessarily those of the U.S. Census Bureau and The MITRE Corporation. Approved for Public Release; Distribution Unlimited. 16-4012. ©2016 – The MITRE Corporation. All rights reserved.

² The term “resource” in this paper refers to an individual member of the organization’s workforce.

³ The term “customer” in this paper refers to the organization(s) and/or individual(s) who are expected to derive value from the products or services delivered.

Performance Management Readiness

The sidebar at right⁴ lists many reasons an organization should implement performance management. All are desirable, such as “improve performance for the future,” and many are common sense, such as “catch mistakes before they lead to other mistakes.” Experienced project managers will tell you, however, that implementing a performance management process is not easy, especially if the benefits are not obvious to the staff, or the data needed to support it is fragmentary or suspect. Many organizations attempt to implement performance management before they are ready. Is it possible to determine when an organization is ready to put meaningful metrics in place and derive promised benefits? In this paper, we share our experience and describe the evaluation process we used for this evaluation.

During the summer of 2016, we assessed the current “AS-IS” state of organizational-level performance management for a division within the U.S. Census Bureau⁵. Our intent was to identify and document existing performance management processes and metrics and establish the AS-IS baseline for a subsequent improvement effort. We knew at the outset of the assessment that this organization, although strong in mission, was weak in performance management. We did not expect to discover, however, that the organization had neither the basic foundational project management and data collection processes needed nor much support for the idea that performance metrics would be useful. We quickly realized that, because of the weakness of the foundation, moving the organization from the AS-IS state directly to a state of generating performance metrics that informed management decisions would be very difficult.

This was the “Aha” moment that became the central idea of our report. Performance management requires a solid foundation composed of an executive vision, robust project management processes, and a good store of current and historical data. Our “Aha” moment suggested that, rather than simply providing an assessment of the current state, we had an opportunity to encourage the organization to build this foundation.

Performance Metrics...

- Tell us if we are hitting the targets/milestones, getting better, or getting worse
- Allow you to catch mistakes before they lead to other mistakes
- Lead to informed decision making
- Assess performance accurately
- Allow for proactive management in a timely manner
- Improve future estimating
- Improve performance for the future
- Make it easier to validate and maintain baselines with minimal disruptions
- Can more “accurately” assess success and failure
- Can improve client satisfaction
- Are a means of assessing the project’s health
- Track the ability to meet the project’s critical success factors

Harold Kerzner

Project Management 2.0, p79

⁴ Taken from Kerzner, H. (2015) Project Management 2.0, Hoboken, New Jersey, John Wiley & Sons, Inc.,

⁵ We did not assess the processes or effectiveness of performance management at the individual level, which is conducted according to governing policies of the Federal Department in which the organization is located.

With that idea in mind, we developed criteria for assessing the strength of this foundation, titled the Performance Management Readiness framework. We then used these criteria to guide the interpretation of our observations and the development of our recommendations.

This paper is a direct result of the work we performed. The first two sections, Strategic Readiness and Operational Readiness, cover the criteria in the Performance Management Readiness framework. The third section, Evaluation of Readiness, describes the approach used.

Strategic Readiness

We defined strategic readiness for performance management as a state where the vision, attitudes, motivations, and culture necessary for performance management are in place. As we assessed this federal organization, we realized that, unless an organization is strategically ready, identifying meaningful performance improvement goals or cooperatively driving toward those goals would be difficult at best. The strategic readiness segment of the Performance Management Readiness framework is made up of multiple components, which are building blocks that must be in place for an organization to support and grow performance management:

- Executive commitment to improved organizational performance
- Performance improvement is a priority for the organization
- Management buy-in for performance improvement
- Staff passion for being the best at what they do
- Culture of respect for process, standards, and evidence-based decision-making

Below, we discuss each of these components and its role either in identifying performance improvement goals or in supporting ongoing efforts to implement performance management.

Executive Commitment to Improved Organizational Performance

We identified two aspects of executive commitment necessary for setting and achieving organizational performance improvement goals: being committed and being a champion.

The first of these is executive leadership commitment to a strategic plan that defines and documents executive vision, goals, objectives, and strategies. This plan supports performance management when it translates executive vision into specific, quantifiable objectives and implementable strategies that can be further translated into specific actionable and measurable performance improvement goals.

Many performance improvements require the organization to redesign work processes or approach situations with a different view. Doing this successfully requires strong leadership to champion the change. Therefore, the second critical aspect of executive commitment for improved performance is having an executive champion who can make the vision real and instill a passion for change across the organization.

Performance improvement is a priority for the organization

All performance improvement efforts require an investment of time and resources, and for most organizations, these resources are limited. Organizational leadership committed to prioritizing

the achievement of performance improvement goals against other resource commitments is important to strategic readiness. We find that this controlled, resource-based approach provides an organization the ability to create a sustainable performance management effort and increases the likelihood of achieving performance improvement goals.

Management Buy-In for Performance Improvement

Second- and third-tier managers not committed to performance improvement can derail a performance management initiative from achieving its goals. Therefore, another aspect of strategic readiness is having these managers on board with the performance improvement efforts and using them as active change agents. Buy-in across the full management chain will help ensure that performance management is implemented correctly, measures are meaningful, and performance data is timely and accurate.

Staff Passion for Being the Best at What They Do

We find that staff with a passion for great work will naturally have a passion for performance improvement. Motivated staff are much more likely to embrace performance management and not view it as “just another” management-imposed burden. This acceptance is important to strategic readiness as it enables change at the very root of the organization. Staff closest to the work have an inherent understanding of how to best measure performance. With an engaged workforce, an organization is more likely to develop measures that capture meaningful results on organizational performance.

Culture of Respect for Process, Standards, and Evidence-Based Decision-Making

We find that a culture that values process and standards is important to the success of a performance management implementation. A foundation of documented processes and performance standards that are consistently followed creates an excellent springboard for organizational achievement of performance improvement goals. Without this foundation, the organization will have a hard time determining whether its performance is improving, excelling, or failing in relation to the improvement goals.

Operational Readiness

An organization measures its performance in order to answer two related questions:

- Are we meeting or exceeding the goals we have set for ourselves?
- What improvements are necessary for us to meet or exceed our goals?

Fully formulating these questions requires that the organization’s goals and strategic outcomes be well defined, and that the capabilities to measure and improve performance are in place. In the previous section on strategic readiness, we discussed goals and several intangible characteristics (such as commitment, buy-in, passion, and culture) that enable an organization to embrace performance management. Along with the strategic readiness, we also need to have the defined capabilities in place, or what we are calling operational readiness. We define operational

readiness in terms of the maturity of the organization's project management processes, structures, and data.

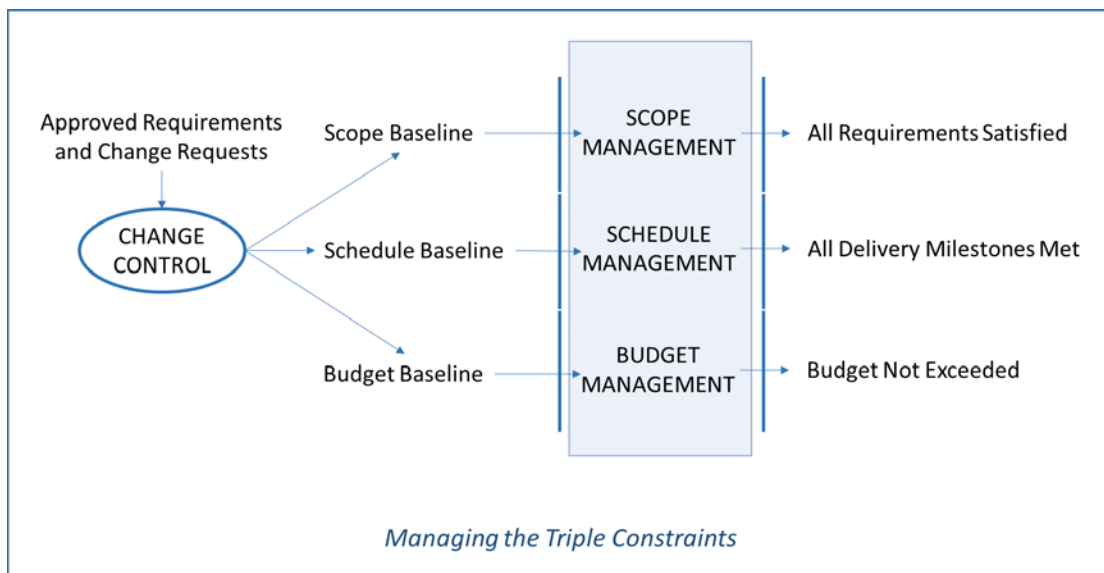
Although it is possible to gauge the performance of an organization operating with poorly formed or undocumented project management processes, such a measurement is likely to yield only gross information about organizational productivity. Obtaining the detailed information necessary to focus the organization on changes that yield performance improvement requires, at minimum, a basic set of project management processes, data collection processes and governance structures.

We strongly encourage an organization put this operational foundation in place before dedicating resources to performance management. Below, we discuss the four components of operational readiness that must be evident before performance management can deliver value to the organization:

- Process readiness for managing and controlling scope, schedule, and budget
- Process readiness for managing resource assignments
- Process readiness for assessing product quality and customer satisfaction
- Data readiness for performance measurement

Process Readiness for Managing and Controlling Scope, Schedule, and Budget

Organizations often refer to scope, schedule, and budget management as the triple constraints because they are strongly interdependent. A change to one always necessitates a change to one or both of the others. For example, changing required capability (scope) after project initiation normally means more money and time are needed, while reducing budget typically results in the organization delivering less capability on a shorter timeline. The figure below illustrates how changes to these constraints are intertwined.



Although mature versions of these processes do not need to be in place prior to initiating performance management, we find that the organization, at a minimum, must be reliably capable of:

- Establishing initial scope, schedule, and budget baselines for each project
- Assessing impacts of change requests and revising project baselines to reflect them
- Determining whether project deliverables meet scope, schedule, and budget constraints

Process Readiness for Managing Resource Assignments

Before initiating performance management, the organization must have a minimal set of resource management processes in place. These processes are necessary for an organization to understand how resources were used in the past, to match staff skill sets to project skills needed in the present, and to predict the size and skill sets required of the future workforce.

Process Readiness for Assessing Product Quality and Customer Satisfaction

Product quality refers to the characteristics of a deliverable, other than the triple constraints, that affect customer satisfaction and acceptance. An organization could build quality into a product, for example, by adhering to standards designed in response to customer perceptions and assessing adherence through product reviews. We find that an organization must have standards for product quality and the ability to assess adherence to those standards, even if they are measured only in “pass-fail” terms, before quality performance measurements will have benefit.

Customer satisfaction refers to the customer’s perception that the product, service, and/or interaction with the organization meets, does not meet, or exceeds their expectations. The ability to measure customer satisfaction is not a prerequisite for initiating a performance management program. However, we find that an organization will more readily adopt performance management metrics in this area if it has prior experience with soliciting, collecting, analyzing, and responding to both positive and negative customer comments.

Data Readiness for Performance Measurement

Having the processes described above in place is one of the two strongly intersecting components of operational readiness. The other is data readiness. Without data describing current and past performance, an organization cannot confidently state that it will meet its goals, that performance is improving over time, or that it can effectively isolate and correct process problems affecting performance. For an organization to use data effectively for performance management, the data must have the following critical characteristics:

- *Comprehensive*: Collected for all performance topic areas of interest⁶
- *Comparable over a project lifetime*: Reliably informs an evaluation of project performance against planned performance
- *Comparable across project iterations*: Reliably informs workload and resource forecasting, project planning, and future project performance

⁶ The performance topic areas we evaluated for data readiness were: scope, schedule, budget, resources, product quality, and customer satisfaction.

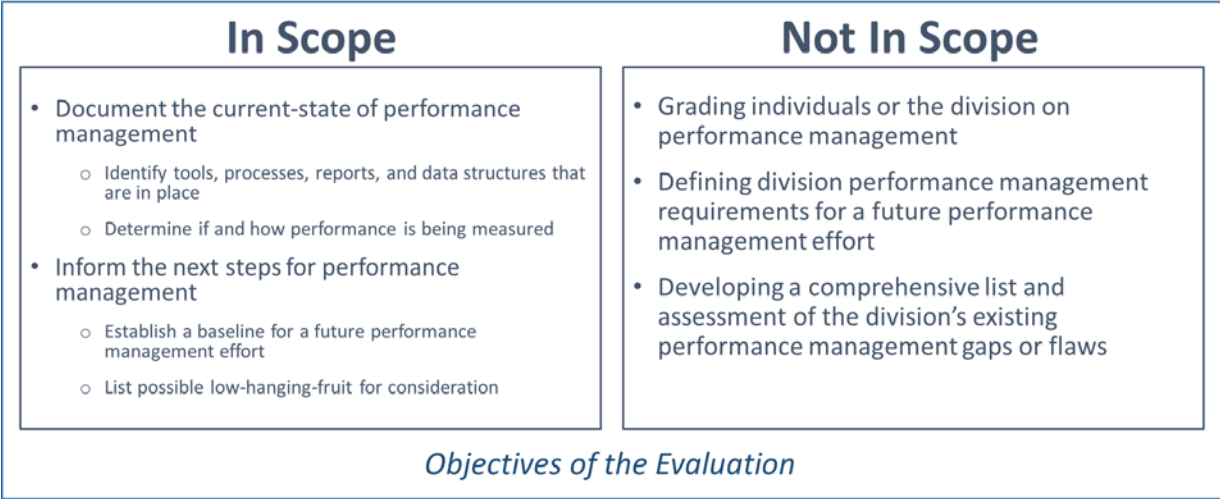
Data readiness includes collecting performance data with these characteristics, maintaining current and historical data in a secure repository, and ensuring that the data is accessible for the organization’s decision makers. The maturity of processes for using this data by the decision makers is only marginally important for determining data readiness, although we find an implementation of performance management will be easier if that maturity exists.

Evaluation of Readiness

Understanding strategic and operational readiness is a start, but how do you evaluate your organization’s readiness to implement performance management? In this section, we outline the process we used to assess and analyze the organization’s strategic and operational readiness.

Evaluation of Readiness Defined

An evaluation of readiness is performed before an organization commits physical and intellectual resources to building up its performance management capability. This evaluation gauges the actual strategic and operational readiness of the organization, identifies if and how performance data is being used for decision making at all management levels, and establishes the “AS-IS” baseline for a subsequent and more intensive performance management improvement effort (see figure below).



Necessary Pre-Conditions for an Evaluation of Readiness

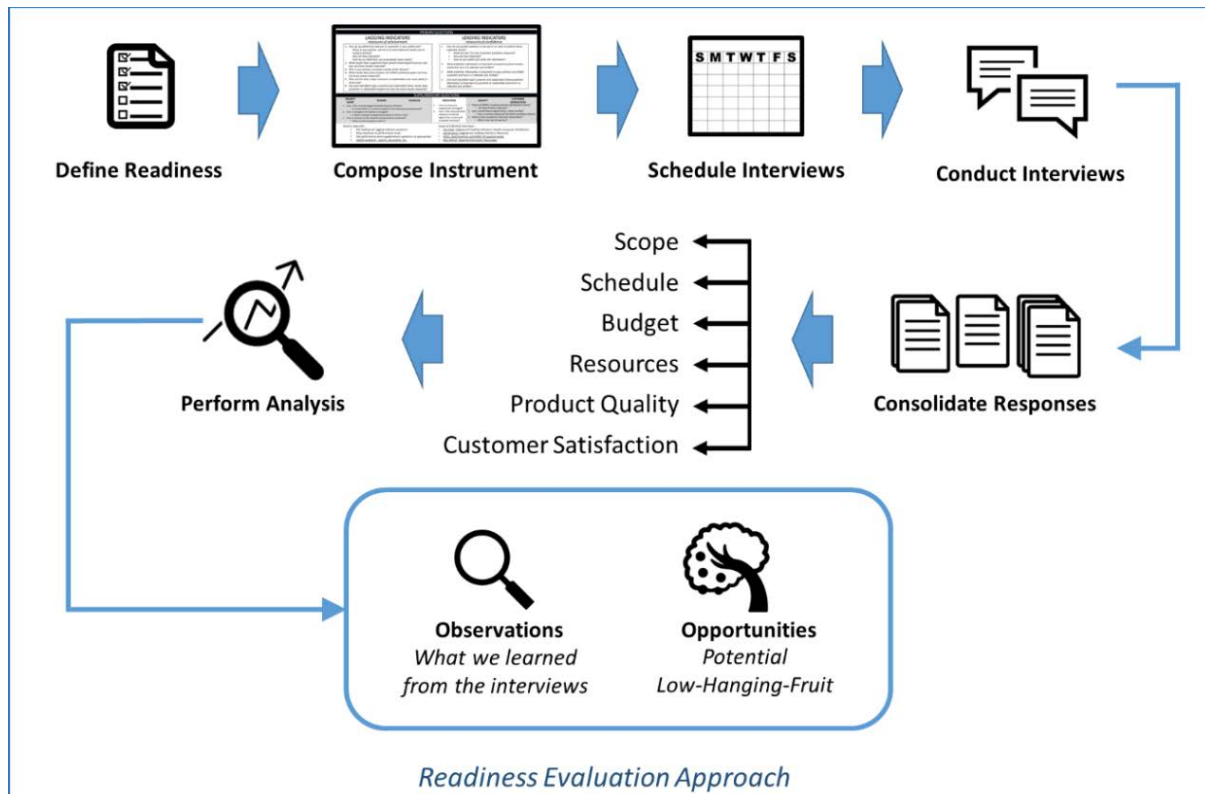
Before considering an evaluation of readiness, the following pre-conditions must be met:

- An organizational assessment of any type must have the full support of the executive in charge and the backing of the management team. Major pushback is a signal that leadership needs to communicate more about the purpose of the evaluation and the importance of their participation.
- The assessment team must have access to the full management team to accurately determine an organization’s readiness, including all managers who employ or could be employing performance metrics for making management decisions.

- The assessment team must be unbiased and perceived as such by the management team. This usually requires using outside resources to conduct the assessment.
- Three months or more must be allowed for a full evaluation to be conducted

Readiness Evaluation Approach

The evaluation, in summary, comprised individual interviews of every member of the management team, consolidation of their responses, analysis of the responses, generation of a specific set of observations derived from the responses, and, finally, preparation of a number of low-hanging fruit improvements suggested by the observations (see figure below).



Readiness is composed of strategic and operational readiness as described in this paper. We designed the interview instrument to elicit information on the tools the organization’s managers use to assess performance, how the information is obtained, and how it is employed for leading and lagging indicators⁷ with additional detail in six specific performance areas: Scope, Schedule, Budget, Resources, Product Quality, and Customer Satisfaction (see table on next page). The actual instrument was prepared as a script used with only minor wording changes. There were a few exceptions where we did not use the whole script. For example, we did not ask the executive for detailed Scope, Schedule, Budget, or Resources performance information.

⁷ Leading indicators are predictive; they give and an organization confidence that the triple constraints for future goals or milestones will be met. Lagging indicators are assessments; they describe how close the triple constraints were met for goals that have already been achieved.

A week before the first interview, the executive notified the management team (branch chiefs and above) that they would be contacted to schedule an interview, explained why it was important, summarized what we would be looking for, and asked for full cooperation. We then conducted 21 one-hour interviews over a period of slightly more than two weeks.

The Performance Management Readiness Interview Instrument

Leading Indicators	<ol style="list-style-type: none"> 1. How do you determine that you're successful in your role? 2. What results does (<i>your supervisor</i>) expect from you and how are those results measured? 3. Who is your primary customer outside of the division? 4. What results does (<i>your primary customer</i>) expect and how are those results measured? 5. Who are the other major customers or stakeholders you must satisfy in some way? 6. What results does (<i>each major customer or stakeholder</i>) expect and how are they measured?
Lagging Indicator	<ol style="list-style-type: none"> 1. How do you predict whether or not you're on track to achieve those expected results? 2. What predictive information is important to (<i>your supervisor</i>) and how is it collected and verified? 3. What predictive information is important to (<i>your primary customer</i>) and how is it collected and verified? 4. What predictive information is important to (<i>each major customer or stakeholder</i>) and how is it collected and verified?
Scope/ Budget/ Schedule	<ol style="list-style-type: none"> 1. How is the [scope/budget/schedule] baseline defined? 2. How is change to the baseline managed? 3. How is variance to the baseline measured and monitored?
Resource	<ol style="list-style-type: none"> 1. How are resource assignments managed? 2. How is the resource/skills baseline monitored against the current and projected workload?
Product Quality/ Customer Satisfaction	<ol style="list-style-type: none"> 1. What are the organization's criteria for [product quality/customer satisfaction]? 2. How is performance against these criteria verified? 3. What are the acceptance criteria for deliverables?

All three team members kept notes using an expanded copy of the interview script so that responses could easily be associated the questions asked. No electronic records of the interviews were made. We assured each interviewee that responses would not be attributable to individuals. We consolidated the raw, attributable notes into six groups corresponding to the six performance areas. Each of the three interview team members did the initial analysis for one of these sets of performance areas: scope/schedule, budget/resources, and product quality/customer satisfaction. The analysis included identifying common themes, crafting a set of observations to reflect the themes, selecting representative quotes from the interview records to support the observations, and identifying and drafting related improvement opportunities for the organization to consider.

During a series of team meetings, we critiqued, revised, and refined the observations, quotes, and opportunities for each performance area. Only when this work was nearly completed did the team shift focus to the overarching aspects of the analysis, including:

- *Organizational priorities:* Performance measures should be expected for the highest priority items
- *Primary leading and lagging indicators for each performance area:* These illuminate how important or unimportant performance metrics are for current state decision making
- *Performance management strengths and weaknesses:* These characterize the performance management maturity of the organization
- *Overarching opportunities:* These consist of a short list of easily accomplished potential actions (low- hanging fruit) for effectively establishing foundational processes

Roadmap to Performance Management

Although not every organization may be open to hearing that they are not ready for performance management, we were fortunate that the organization we worked with was receptive to our recommendations and the roadmap we provided for implementing performance management.

Organizations and their specific needs vary, and there is no one way to implement performance management. Below are some considerations for building a performance management roadmap.

Performance management is a process that is built on other processes

A performance management implementation is more likely to succeed and generate meaningful data when the organization is strategically and operationally ready. The roadmap should make it clear that the organization should apply resources to build the foundation described above before they use them to define a performance management process or attempt to measure performance.

Performance management requires effective change management and communication

The roadmap should include efforts to educate staff on performance management. Many staff members believe that they will be personally measured and judged. Proper communication and education will help overcome fear and reduce resistance to performance management.

Performance management cannot be built in a day

The readiness evaluation described in this paper is a necessary first step in the planning process and discovering, through the evaluation, that there are weaknesses in organizational readiness is not an excuse to delay the start of that journey. Even as these weaknesses are being addressed, the roadmap could include the organization looking at what they do or can measure now, comparing that to their strategic goals and objectives, and begin planning for what they should measure in the long-term.

The roadmap should also reflect the organization's maturity and capabilities. Setting realistic expectations will help staff to achieve success and keep leadership from abandoning the project before it can be of value. Additionally, identifying quick wins will keep staff engaged in the process.

Performance management requires a significant investment.

The roadmap should include activities for developing measure frameworks and selecting the metrics with the highest priority and value for implementation. These steps will help the organization focus their resources on the best return for their investment.