



## KEEPING YOU INFORMED

A quarterly ezine for our valued clients and colleagues. April, 2012

### Nine Signs You Need to Enhance Your Performance Management System

#### How is your organization doing?

Every organization has a performance management system. In most organizations, it evolves over time as a collection of commonly accepted operating practices. Leadership teams tend to follow tried and true, proven ways of doing things. Occasionally they adopt new approaches (sometimes effective approaches, sometimes fads and gimmicks that don't help much).

Leaders usually don't challenge these accepted practices unless: 1.) a serious crisis threatens the organization, or 2.) the organization outgrows its performance management system as it progresses through the entrepreneurial, growth and maturity stages of its life cycle.

In contrast, leadership teams in high performing organizations continuously assess, improve and enhance their performance management systems.

#### Nine Signs You Need to Enhance Your Performance Management System

So, how do you know that it's time to enhance your performance management system? I've identified nine common symptoms that can provide an early warning system. It's interesting that these same symptoms occur regardless of an organization's industry sector. You could be in a manufacturing or service business, a health care organization, an educational institution, a government agency, or a non-profit. The industry sector terminology may vary, but the signs are the same. As you review them, take a few notes to identify which signs, and/or which parts of each sign describe how your organization currently operates.

**1. Reactive Leadership.** Our leadership team seems to be spending more and more time reacting to problems. For example, a major customer has a complaint, or projects aren't getting done on time, or we have nagging quality problems. It feels like we are dealing with one crisis after another. We seem to be running in place, and not getting to the big things we really want to accomplish. We don't have a vision, mission and values that truly inspire and guide us.

**2. Ineffective Strategic Planning and Execution.** We have talked about developing a strategic plan, but in fact we only have an annual plan. It primarily focuses on incremental financial results such as sales, profits, or budget performance. There are mixed opinions about what our goals should be. We don't spend very much time figuring out where we need to go long term, and how we can get there. Our execution in achieving the goals that we do have is not very effective.

**3. Inconsistent Customer Focus.** More and more, customers seem to be buying on price, and aren't as interested in the real value that our products and services provide. Sometimes it feels like we may be a bit out of touch with our customers. Customer complaints seem to be increasing. It appears that some departments are wrapped up in their own internal problems, and are not paying enough attention to resolving our customers' problems, and meeting their needs.

**4. Measurement Challenges.** It's really hard to get everyone on the same page. There are varying opinions about what we should be measuring. Important data are not available in the right

format when we need it to support timely decision-making. People complain that their goals are confusing, hard to measure, and subject to change. It's difficult to hold people accountable.

**5. Gaps in Continuous Improvement and Innovation.** There don't seem to be many new ideas being generated, and ideas are not being shared across the organization. Only a few improvements are being made, and when improvements are implemented, the results don't seem to last. We know there are many opportunities for improvement, but we don't have clear priorities to guide our performance improvement and innovation efforts.

**6. People Management Issues.** Morale and productivity have slipped. There is not as much team spirit as there used to be. People seem less engaged, and turnover and absenteeism are higher than they should be. We are not investing very much in training and developing our people. There are situations where our people don't have the skills they need to do their jobs effectively.

**7. Ineffectively Designed and Managed Work Processes.** We are busy, and we don't take the time to document work processes and procedures. If we do, we don't keep the documentation up-to-date, or follow it with much consistency. Most departments tend to work in their own silos, and do things their way. There is not much communication and coordination across departments.

**8. Incomplete Organizational Performance Scorecard.** Our senior leaders primarily measure and review financial, sales and marketplace performance. We don't have an overall organizational performance scorecard that also includes measures of product and service performance, customer satisfaction, employee satisfaction, or operational performance. Individual departments monitor those areas, and keep senior leaders informed (usually too late) when problems are developing.

**9. Inadequate Performance Data and Analysis.** We typically review the current year's performance and compare it to the previous year. We don't track and review historical trend data, or project our performance beyond the next year. We compare our performance to industry averages. We don't have very much information about how our major competitors are doing.

## Next steps

Now review your notes. To what extent do these symptoms describe the way your organization currently operates? You may have an average or below average performance management system. If that is the case, your system will continue producing average or below average results. These early warning signs may be indicating that it's time for some enhancements. Hopefully, this quick checkup has helped you identify some areas that need improvement within your organizational performance management system. But this is only a starting point.

If you are interested in learning more, I encourage you to obtain a copy of the Baldrige Criteria for Performance Excellence through the Baldrige Performance Excellence Program. The Criteria provide a comprehensive framework for assessing and improving your performance management system to achieve sustained performance excellence. The Criteria are reviewed and improved every two years, and represent the leading edge of validated best practices for improving organizational performance. Since 1987, the Malcolm Baldrige National Quality Award has been the highest level of recognition that a U.S.-based organization can receive for performance excellence. If you want to get better, it helps to learn from the best.

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Our mission is facilitating organizational transformation and performance improvement. If you would like to explore how to utilize the Baldrige Criteria to enhance your performance management system, or discuss other aspects of organizational transformation and performance improvement, please contact us. © 2012 by Jeffrey H. Bracken, Bracken and Associates. All rights reserved.