PERFORMANCE MANAGEMENT
AUDIT REPORT

ALPHA COMPANY
INDEMNITY STATEMENT

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This audit report is the result of primary research conducted by The KPI Institute through the Global Performance Audit Unit, with the support offered by Alpha Company.

Indemnity statement

The KPI Institute has taken due care in preparing the analysis contained in this report. However, noting that the data used for the analysis has been provided by third parties, The KPI Institute offers no warranty that the information collected is otherwise accurate, reliable and that it indeed fits the purpose intended. The KPI Institute shall have no liability for errors, omissions or inadequacies in the information contained herein or for interpretations thereof. The data presented and the recommendations provided herein are based on the information collected from the Alpha Company and The KPI Institute's consultancy experience.

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1. AUDIT SCOPE

The Performance Management System Audit is meant to assess the current maturity level of the Alpha Company, in terms of the overall Performance Management System in the organization.

The Audit Report is intended to provide valuable information about the processes, tools and practices that stand at the basis of Alpha Company’s Performance Management System, while collecting insight from Alpha Company’s main stakeholders and the characteristics of related internal documents, which are reviewed when assessing the organization’s maturity level.

The audit findings indicate the strengths and weaknesses of Alpha Company’s Performance Management System and they justify further efforts needed to elevate the organization to the next maturity level. By analyzing current practices, improvement recommendations were made to support the development of the performance management and measurement capabilities.

The audit methodology used includes an internal documentation analysis, the Performance Management Maturity Model Survey and interviews with key stakeholders within the organization. Information was collected from top management/senior managers, department heads and supervisors.

2. EXECUTIVE SUMMARY

The assessment revealed an emergent Performance Management System within the Alpha Company, with an overall score of 2 for the assessed capabilities. The results show the highest score of 2.6 achieved for the Strategic Planning capability, followed by the score of 2.1 for the Performance Measurement capability, 1.8 for the Performance Management capability and 1.6 for the capability of developing a Performance Culture.
Strategic planning is used within the organization, but not optimally articulated and implemented. The mission and vision of the organization are clear and well-formulated, while the strategy review process follows a specific methodology and involves the right stakeholders. Strategy is verbally communicated only to Unit Heads and Supervisors while the organization does not have a medium and long-term perspective. There is no Portfolio of Initiatives to centralize and monitor strategic initiatives, while the objectives and Key Performance Indicators (KPIs) are not cascaded at the departmental and employee levels. Further development needs to be considered to ensure strategy execution is effectively monitored through Key Performance Indicators (KPIs).

**Recommendations for improvement based on the main findings of the Strategic Planning assessment:**

- Develop a medium and long-term perspective in terms of strategy and document it in the strategic plan;
- Formulate and document strategic objectives, which should be structured in multiple layers (e.g. pillars, directions) and perspectives (e.g. financial, customer, internal processes, learning and growth);
- Develop a one-page strategy map with the strategic objectives displayed in layers and with correlations (cause and effect relationships);
- Associate KPIs and targets with strategic objectives, to track progress with strategy execution;
- Develop and implement a communication plan that clearly states the frequency of communication and a break-down of information, based on the different types of audiences, to raise the level of awareness and transparency on strategy;
- Develop a Portfolio of Initiatives to centralize and monitor initiatives. Clearly state the owner, status and deadline of each initiative.
In terms of Performance Measurement, it was identified that targets for sales are established based on previous results and those for production are based on orders. The data gathering process relies on the accounting software, standardized templates, clear deadlines and accountability. All the performance reports contain visual representation of data, the graphs and tables are designed on data visualization good practices. Performance measurement is used within the organization, but focused on financial metrics and limited to production, inventory and sales. Key Performance Indicators (KPIs) are not used, the organization relies on reports generated using the accounting software and the monthly achievement evaluation reports. The current framework only supports performance measurement on corporate and departmental level, without the option to measure individual performance.

**Recommendations for improvement based on the main findings of the Performance Measurement assessment:**

- Establish a KPI selection process for the objectives of the organization;
- Assign at least 2 KPIs for each objective and focus on a balance between financial and non-financial KPIs;
- Use a standardized KPI Documentation Form, for all KPIs monitored, that contains relevant information (e.g. KPI name, definition, calculation formula, target);
- Establish targets for all active KPIs and thresholds wherever applicable. Organize target-setting workshops and invite the employees responsible for reaching the targets and those responsible with collecting data for measuring target achievement;
- Assign and document the roles of KPI owners and data custodians for the employees involved in the performance measurement process, to assure accountability;
- Provide dedicated training and/or coaching programs on performance measurement for all key employees.
Performance Management relies on data analysis and reporting. Average values for metrics or delta values between actual and targeted performance levels are recorded in monthly performance reports. The results are discussed during monthly management meetings, but with a focus on sales, production (errors), marketing (awareness) and customer complaints. Although decisions are made, they are not captured in meeting minutes and communicated only verbally to those present. Actions/initiatives are not consolidated in a portfolio to support tracking progress, they are only verbally communicated to Unit Heads and monitored by the Management Representative. The project management framework within the organization is not clearly established nor documented, and there is no communication plan for initiative status and performance results.

Recommendations for improvement based on the main findings of the Performance Management assessment:

- Organize monthly or quarterly performance review meetings and invite both decision makers and KPI owners to attend;
- For each decision made during the performance review meeting, set a clear deadline and assign a responsible person;
- Centralize and monitor the decisions from one performance review meeting to another;

- Develop a standardized initiative documentation form with relevant information that supports implementation (e.g. initiative name, start date, end date, initiative owner and status);
- Consolidate the initiatives in a portfolio and all of the initiative documentation forms in a library to track progress;
- Develop communication plans for initiative status and performance results.
Leadership is involved in promoting a Performance Culture, as management meetings are held monthly and performance results are included in the meeting agenda. Although discussed, communication of performance results is limited to middle management and Unit Heads/Supervisors. Efforts were made towards offering a safe working environment for its employees, and investments in modern technology were made to improve working conditions and performance. There are no channels opened for all employees to express innovation/improvement ideas, nor is there a committee or group responsible for assessing any proposed ideas and deciding on further courses of action. Gamification activities (internal competitions) are not organized by the entity. Adequate allocation of resources is needed to establish knowledge sharing practices and ensure an internal database with informative materials, meant to aid all employees with their individual professional improvement.

Recommendations for improvement based on the main findings of the Performance Culture assessment:

- Develop and implement a communication plan that clearly states the frequency of communication and breaks down information, based on different types of audiences, to raise the level of awareness and transparency regarding performance results and the benefits these provide for the organization;
- Open at least one channel for employees to submit their innovation ideas and assign a committee responsible with assessing all innovation/improvement ideas proposed by staff members and deciding on further courses of action;
- Organize gamification activities (internal competitions) and share the outcomes and the name of the winners to all employees;
- Develop an internal library of resources (e.g. work instructions) and make it available to all employees;
- Offer each employee access to educational programs (e.g. trainings, workshops, conferences, summits), for at least 4 to 8 hours per year;
- Organize internal knowledge sharing sessions.
3. HOW TO USE THE AUDIT OUTPUTS

3.1 Purpose of the reports, dashboard and infographic

The performance management systems maturity auditing generates two reports and visual representations through Dashboards and Infographics:

- Performance Audit Report and Executive Dashboard;
- Roadmap for Improvement Report and Infographic.

The reports contain valuable insights and improvement recommendations that support the development of performance management systems. The dashboard and infographic tools are designed to help organizations track progress from one audit to the next one.

The Audit Report contains findings and recommendations on the assessed capabilities. It highlights the strengths and weaknesses of your performance management system in a comprehensive manner.

The Executive Dashboard is a visual representation of the scores obtained for each audited capability. It is a tool that can be distributed to top management and used for comparison with future audits in terms of results.

The Roadmap for Improvement Report represents a guide on how to implement the improvement recommendations from the Audit Report, prioritizing the findings that should be implemented first, in order to progress to the next maturity level. Recommendations are made for all the assessed capabilities.

The Roadmap for Improvement Infographic is a tool designed to help organizations track the progress of their initiatives during Performance Review Meetings. It supports the implementation of the recommendations made for performance improvement.

3.2 Readership profile

The Audit Report and the Roadmap for Improvement Report are intended for Top and Middle Management, as well as the Unit Heads and Supervisors that are engaged in performance management-related activities (data gathering, target-setting, performance review etc.).

The Executive Dashboard is intended for Top Management, while the Roadmap for Improvement Infographic is intended for the department or the position assigned responsible for governing the Performance Management System within the organization.
4. PERFORMANCE MATURITY MODEL FRAMEWORKS

The assessment was structured on 4 modules, each analyzed through 6 dimensions.

4.1 Strategic Planning

Strategic Planning is the process of defining the long-term strategy of an organization and optimizing resource allocation, in order to reach the common goal. It also gives the organization the opportunity to estimate future events and to develop a strong competitive advantage.

4.2 Performance Measurement

Performance Measurement reflects the use, documentation and visualization of KPIs to analyze how strategy is executed, how to effectively establish targets and collect information on KPI results.

4.3 Performance Management

The performance management system relies on efficient decision-making and project implementation. We also assess the ability to develop and change based on current results, so as to improve performance.

4.4 Performance Culture

The Performance Culture represents an assessment of the practices employed to create the necessary conditions for the organization’s Performance Management System to become functional, to operate efficiently and be integrated into the overall organizational culture.
5. PERFORMANCE MANAGEMENT SYSTEM
AUDIT METHODOLOGY

The purpose of the audit initiative deployed by the Global Performance Audit Unit for Alpha Company is to showcase the strengths and weaknesses of the current performance management system, to provide an overview of Alpha Company’s maturity levels, in terms of managing performance and improving current practices.

The Performance Management System Audit Report relies on insights collected from three sources which are further detailed throughout the report:

- Evidence-based assessment;
- Perception-based analysis;
- Interview-based analysis.

The methodology used includes primary research, both quantitative (surveys) and qualitative (interviews), as well as secondary research (documents analysis). These 3 perspectives provide a comprehensive overview of the maturity level of the performance management system within the organization.

5.1 Evidence-based assessment

The evidence-based assessment relied on the submission and review of relevant internal documents. The documents selected for analysis are presented in Appendix 1.

A number of 92 statements that reflect best practices and capture the main characteristics of the performance management process were scored by the Performance Audit Practitioner on a scale from 1 to 5. The overall score was calculated as the average of the scores for each statement.

5.2 Perception-based analysis

The evidence-based assessment relied on the survey designed to reflect the opinion of employees on performance related practices. The survey contained 129 statements that reflected best practices and were rated on a scale from 1 to 5, based on the extent to which they applied in the organization. The submission and review of relevant internal documents. The documents selected for analysis are presented in Appendix 1.

The survey was sent to the following key internal stakeholders:

- Director and Management Representative;
- Unit Heads and Supervisors engaged in performance management related activities (data gathering, target-setting, performance review etc.).

The answers were analyzed and interpreted by the Performance Audit Practitioner. The overall score was calculated as the average of the scores for each statement.
5.3 Interview-based analysis

The interview-based analysis was based on an interview guide reflecting both the evidence and perception-based analysis results, designed to ensure consistency in results and to gain a better understanding of the audit findings. The existence, use and characteristics of relevant internal documents were discussed during the interviews, while the matters reflected in the statements with high variation in survey responses were clarified.

5.4 Scoring Methodology

The maturity level of the performance management system is determined by the overall scores of both the evidence and perception-based assessments. The evidence-based assessment weighs 75% of the final score, while the perception-based assessment 25%.

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<td>1.51 - 2.7</td>
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5.5 Limitations

Given the methodology used, the following limitations should be considered when analyzing the audit findings:

- Most of the internal documents submitted for review as part of the evidence-based assessment were translated to English in order to be analyzed;
- Data collection through surveys can be biased, due to the subjectivity of respondents and their level of understanding of the statements;
- The interviews were held by the Performance Audit Practitioner, with only one person assigned by the organization.

Guidelines were provided to support objectivity in the perception-based assessment, while the statements were presented in the survey in English language.

There was a high level of support and commitment from the company representatives towards the objective assessment of the performance management system.
6. PERFORMANCE MANAGEMENT SYSTEM
MATURITY LEVELS

6.1 Initial
Business management does not rely on a clear strategy and performance measurement is not a common practice in the organization. Decision-making is seldom using performance data as a reference point and there is limited alignment between what needs to be achieved and daily activities. Learning and improvement are not coordinated processes and there is no performance culture in the organization.

6.2 Emergent
Strategy planning takes place within the organization, but is not a regular or well-articulated process. Performance measurement practices are used mainly at strategic level. Although data is collected, it is not extensively used in the decision-making process to ensure improvement. Awareness in regards to using KPIs is limited to top management.

6.3 Structured
Strategy formulation is a current practice, combining short and long term perspectives. Measuring performance has been disseminated at operation levels as well, for several critical departments or business units. Gathering data relies on Microsoft Excel and to some extent it is used in decision-making, but not at its full potential. Although tools to manage performance are used, there may be the case of misalignment between different approaches or instruments used by departments / business units. A performance culture is unevenly developed in the organization, as some parts of the company may be more result oriented than others.

6.4 Integrated
Strategy is aligned across all business units, departments and individuals. KPIs are used by all organizational functions and data collection is facilitated by technology. Performance improvement relies on extensive data analysis. The Performance Management System is integrated successfully with other organizational systems and the sense of a performance culture is embedded in the working environment.

6.5 Optimized
An optimized Performance Management System implies the consolidation of all efforts around strategy and provides agility in decision-making. The Performance Management System is constantly updated to meet business needs and fully aligned to strategy. Advanced data analysis methods are used to extract valuable information from data. A strong performance culture is embedded in the behavior and demeanor of each employee.
7.1 Strategic Planning

Maturity Audit

- **Strategy Envisioning**
  Refers to corporate identity elements like vision, mission, and values. Looks into how they relate to the entity's purpose and provide a sense of direction towards the desired state of evolution. Evaluates whether they were formulated in a simple, but comprehensive language and whether they are embedded in employees' behaviors.

- **Strategy Formulation**
  Contains statements meant to reveal how the strategic planning process takes place, which stakeholders are engaged and what instruments are used to perform the external environmental scan and define the current state of the entity.

- **Strategy Focus**
  Provides an overview on the practices used to convert strategy into simple actionable objectives, to assign KPIs to track objectives achievements and to connect plans (strategic objectives) and actions (initiatives).

- **Strategy Articulation**
  Indicates whether the strategy is aligned and integrated across all levels and functions of the entity. Looks at the tools and instruments used in the implementation process.

- **Strategy Review**
  Presents the ability of the entity to adapt to changes and keep an updated strategy, through a thorough review process that involves all stakeholders.

- **Strategy Governance & Communication**
  Reflects the efficiency of the strategy communication process, the level of awareness, transparency, and understanding in regard to the roles and responsibilities for cascading and aligning the strategy across the organization.
7.1 Strategic Planning

The score for the evidence-based assessment was 2.4, while the score for the perception-based assessment was 3.1. As the evidence-based assessment weighs 75% of the final score, while the perception-based assessment 25%, the final score was 2.6. This indicates a level 2 maturity score (Emergent) for the Strategic Planning capability.

The evidence-based assessment results show a level 2 maturity score in terms of the strategic planning process taking place within the Alpha Company. This highlights the fact that strategic planning is used within the organization, but it is not optimally articulated or implemented. Specifically, there is no Portfolio of Initiatives to centralize and monitor strategic initiatives, while objectives and Key Performance Indicators (KPIs) are not cascaded at the departmental and employee levels. Moreover, the organization does not have a medium and long term perspective when it comes to strategy. Strategy is communicated verbally only to Unit Heads and Supervisors, while the strategy review process does not start in preparation of the organizational budget. The processes related to strategic planning are not mapped.
The data set for Strategic Planning reveals the highest gaps between the actual and perceived maturity level regarding strategy articulation, strategy governance & communication, which strongly relate to the findings from the evidence-based assessment. As such, there seems to be sizeable gaps in strategy focus and strategy review within Alpha Company. This can be attributed to a limited understanding of the steps following the strategic planning process, while the adequate tools and techniques needed to clarify and facilitate the enactment of such steps are few or missing completely. Continuous communication across organizational levels is imposed to smoothen the transition to a long-term strategy and to manage the change brought about by the implementation of a performance management system that aids the execution of strategy.
7.1.1 Strategy Envisioning

Strategy Envisioning analyzes the extent to which an organization has successfully shaped an identity and created a vision to engage its internal and external stakeholders. Having the mission, vision and values clearly identified in an organization ensures the ability to achieve sustainable development in the upcoming years.

One can notice from the data collected that variability in terms of strategy envisioning is quite low, which is consistent with the general perception regarding the maturity level for this cluster.

Legend

A. Evidence-based Assessment

B. Perception-based Assessment
An average score of 3.1 in the perception-based assessment shows that there is only moderate consent regarding the vision and mission of the organization. Moreover, internal awareness about corporate identity and culture has yet to be raised.

**Strategy Envisioning**

**Perception Based Assessment**

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**Findings**

- The vision is clear, concise, future-oriented, stable, challenging and abstract (general enough to encompass all the organization’s interests and strategic direction);
- The mission is clear and concise, it highlights contributions and identifies key stakeholders, but it does not support distinction as it is not explicit about what makes the products unique;
- Alpha Company has yet to define the entity’s values, which are meant to drive their employees’ behavior.

**Recommendations**

- Review the mission statement to support distinction, by referring to what makes the products unique;
- Define, document and publish the entity’s values, which are meant to drive their employees’ behavior.
7.1.2 Strategy Formulation

Strategy formulation is the process that relies on the quintessential role of stakeholders in formulating the strategy. It refers to the strategic planning cycle and the instruments used to perform the external environmental scan and define the current state of the entity.

Strategic planning takes place into the organization to some extent. However, the approach to formulate the strategy may be improved. There are no techniques or tools to transform the strategy into an operational instrument.

The organization’s strategic plan, environmental scan reports and performance reports were reviewed to assess the strategy formulation process and the strategic planning cycle.

**Strategy Formulation Evidence Based Assessment**

A. The strategy formulation process is well articulated and thoroughly documented. **Score: 3**

B. The organization has both a short and long term perspective in terms of strategy formulation. **Score: 2**

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A. Evidence-based Assessment  
B. Perception-based Assessment
An average score of 2.7 in the perception-based assessment shows that the strategic formulation process is an emergent one, while the role of the strategic planning capability is not yet perceived as fundamental by internal key stakeholders.

### Strategy Formulation Perception Based Assessment

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- **A.** Relevant external stakeholders (clients, suppliers, external regulators) are engaged during strategy formulation by collecting their inputs. **Score: 2.8**
- **B.** The organization’s strategic plan is connected to and reflects the organization’s medium to long term strategic directions and its vision. **Score: 2.8**
- **C.** All relevant internal key stakeholders across different hierarchical levels are engaged during the strategy formulation process. **Score: 2.6**
- **D.** The strategic plan is well articulated. **Score: 2.6**

### Findings

- References to data analysis were identified in terms of product quality, complaints and customer satisfaction, compliance with product requirements and supplier’s performance;
- Insights are collected from both internal and external stakeholders to support the strategy formulation process;
- The evidence-based assessment shows that the organization only has a short-term perspective (up to one year) in terms of strategy formulation;
- No internal analysis is performed to support the strategy formulation process (e.g. SWOT analysis), while the strategy formulation process is not supported by a process map.

### Recommendations

- Develop a medium and long-term strategy perspective and document it in the strategic plan;
- Conduct and document an internal analysis to identify the strengths, weaknesses, opportunities and threats for the organization’s current activities;
- Develop a strategic planning process map to ensure effectiveness, by clarifying the activities that are being carried out and the roles of those involved.
7.1.3 Strategy Focus

Strategy Focus assesses the manner in which strategic objectives are formulated, documented, measured and used within the organization, in order to drive progress. It also reflects on the degree of cohesion between objectives, KPIs and suitable initiatives.

Strategic objectives are not clearly expressed and displayed in a strategy map. The strategy is not structured in multiple layers and perspectives, does not have a combination of both financial and non-financial objectives and cause and effect relations clearly established between them.

The organization's strategic plan and performance reports were reviewed to assess the strategy focus. The organization hasn't developed a strategy map.

**Strategy Focus Evidence Based Assessment**

A. Evidence-based Assessment  
B. Perception-based Assessment

**Legend** Strategy Focus Assessment

A. 2.7  
B. 3.3
An average score of 3.3 in the perception-based assessment shows that the topics of mapping, prioritization and appropriate association of objectives, KPIs and initiatives/projects are yet to be fully comprehended and acknowledged.

### Strategy Focus

#### Perception Based Assessment

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### Findings

- Only quality objectives are formulated and documented in the strategic plan.
- There is no link between initiatives/actions and objectives.
- No strategy map was developed to document the primary strategic goals.

### Recommendations

- Formulate and document strategic objectives structured on multiple layers (e.g. pillars, directions) and perspectives (e.g. financial, customer, internal processes, learning and growth);
- Associate KPIs and targets with strategic objectives, to track strategy execution progress;
- Develop a one-page strategy map with the strategic objectives displayed in layers and with correlations (cause and effect relationships).
7.1.4 Strategy Articulation

Strategy Articulation looks into the tools used to execute and monitor the strategy, as well as into how it is aligned to the organization’s operations. This section indicates the extent to which there is consistency between the strategies used at different levels in the organization, including the contribution of each employee to the execution of strategy.

In the case of Alpha Company, there is no articulation of objectives and tools used to make its strategy actionable. The organization does not rely on instruments such as scorecards or dashboards to ensure strategy execution is effectively monitored through KPIs.

The organization’s strategic plan, monthly achievement evaluation reports and performance reports were reviewed to assess strategy articulation.

### Strategy Articulation Evidence Based Assessment

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### Legend Strategy Articulation Assessment

- **A.** Evidence-based Assessment
- **B.** Perception-based Assessment
Audit findings

An average score of 3.3 in the perception-based assessment shows that there is limited understanding about strategy being optimally articulated and implemented across the organization.

![Strategy Articulation Perception Based Assessment](image)

**Legend** Strategy Articulation Perception-based Assessment

A. Initiatives/Projects are prioritized according to their strategic importance for the organization. **Score: 3.6**

B. The KPIs reflecting objectives achievement are relevant and clearly defined. **Score: 3.4**

C. There is a strong perception of strategy clarity through cascading across the entire organization. **Score: 3**

D. The performance management system is very well aligned and integrated across the entire organization. **Score: 3**
Findings

- A monthly achievement evaluation report is used to monitor tasks (mostly reporting responsibilities), sales and quality objectives. The table contains the associated target, achievements and trends (instrument entitled Laporan Evaluasi Pencapaian Bulanan);
- Key Performance Indicators (KPIs), scorecards, dashboards and strategy maps are not used within the entity;
- The organization does not use a Portfolio of Initiatives to centralize and monitor strategic initiatives;
- The objectives are not cascaded at the departmental and individual levels.

Recommendations

- Develop a Portfolio of Initiatives to centralize and monitor initiatives. Clearly state the owner, status and deadline of each initiative;
- Develop Scorecards and Dashboards at the corporate, departmental and individual levels to monitor strategy implementation and support decision-making;
- Cascade objectives and KPIs at the departmental and individual levels, to ensure consistency between the strategies at different levels of the organization, including the contribution of each employee to the execution of their associated strategy.

7.1.5 Strategy Review

Strategy Review reflects on the ability of the organization to adapt to changes and keep an updated strategy, by means of a rigorous continuous strategy review process. Strategy review is a well-established practice in the organization. The review follows a specific methodology and involves the right stakeholders. The audit findings indicate a structured approach to reviewing strategy.

Legend

A. Evidence-based Assessment
B. Perception-based Assessment

The organization’s strategic plan was analyzed to assess the strategy review process.

Legend

A. The strategy review process is well articulated.
An average score of 3 in the perception-based assessment confirms the findings of the evidence-based assessment and the fact that although the strategy review process is well-established, there is still room for improvement.

### Strategy Review

**Perception Based Assessment**

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- **Legend** Strategy Review Perception-based Assessment

  - **A.** The strategic plan is updated based on the decisions approved during the strategy review process. **Score: 3.2**
  - **B.** The reviewed and updated strategic plan is an accurate reflection of the current business environment and expected trends. **Score: 3**
  - **C.** All relevant adjustments of the strategy are communicated across the organization to all key stakeholders. **Score: 3**
  - **D.** The strategy review and realignment is conducted with the involvement of all key stakeholders. **Score: 2.8**

### Findings

- There is a formal strategy review process that takes place on an annual basis;
- The senior and middle management are involved in the strategy review process, while input is collected from lower organizational levels and external stakeholders;
- The strategy review process does not start in preparation of the organizational budget;
- The changes incurred by the review are verbally communicated only to Unit Heads and Supervisors.

### Recommendations

- Review the strategy in preparation of the organizational budget, to ensure that the approved changes to the strategy are included in the scope of the budget;
- Document the changes incurred by the review and officially communicate them to all key internal stakeholders.
7.1.6 Strategy Governance & Communication

Strategy Governance & Communication reflects the efficiency of the strategy communication process, the level of awareness, transparency and understanding regarding the roles and responsibilities for cascading and aligning the strategy across the organization.

The organization is managing strategy informally, as it is only communicated verbally to Unit Heads and Supervisors. The organization should take actions to raise the level of awareness and transparency regarding strategy.

The organizational chart and job descriptions were reviewed to assess strategy governance. No documents were presented to assess the strategy communication process.

### Strategy Governance & Communication Evidence Based Assessment

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#### Legend

- **A.** There is a well-developed governance framework for the Strategy Planning process. **Score: 1**
- **B.** There is a comprehensive manual or chapter of a manual reflecting all the key organizational strategic planning procedures and tools. **Score: 1**
- **C.** The organization has an extensive strategy communication plan. **Score: 1**
- **D.** All processes related to strategic planning are mapped. **Score: 1**
An average score of 3 in the perception-based assessment shows that the organization is managing strategy informally and that strategy is communicated without a clear and well-designed plan. The findings confirm the moderate awareness level among employees regarding the strategy’s importance or existence.

### Strategy Governance & Communication Perception Based Assessment

![Strategy Governance & Communication Perception Based Assessment](image)

### Findings

- The governance framework is in an initial state, as there is no dedicated Strategy Management Office or role/position within the organization;
- There is no strategy communication plan;
- There is no manual/procedure on how the strategy is formulated, articulated and communicated in the organization, while its processes are not mapped;
- Accountability for meeting strategic objectives is not clearly established.

### Recommendations

- Officially assign the responsibility for strategy governance to a department or a position within the organization;
- Define and document the roles and responsibilities of all stakeholders involved in the strategic planning process to ensure accountability;
- Develop and implement a communication plan that clearly states the frequency of communication and a break-down of information, based on different types of audiences, to raise the level of awareness and transparency regarding the strategy’s importance.
7.2 Performance Measurement Maturity Audit

- **KPI Selection**
  Consists in evaluating the processes, tools and techniques employed by the entity to select KPIs. Statements refer to the usage, the standardization of tools and practices, but also to the relevancy and alignment of KPIs to the strategy.

- **KPI Documentation**
  Aims to identify whether KPIs are documented in the entity and how this process takes place in terms of tools used, people involved, governance and keeping information up to date.

- **Target Setting**
  Assesses the extent to with target-setting relies on data and manages to create a stimulating environment to reach and exceed targets.

- **Data Gathering**
  Refers to the data collection process in terms of data sources, data timeliness and accuracy. It also looks into the usage of software solutions to enable data gathering, modelling and reporting.

- **Data Visualization**
  Provides an evaluation on the entity's approach in terms of visual design of data. Instruments assessed from the perspective of data visualization good practices are scorecards, dashboards and performance reports.

- **KPI Governance**
  Incurs the assessment of internal accountability levels over performance measurement processes such as KPI Selection, KPI Documentation, Target-setting and Data Gathering. It refers to the overall process of owning and distributing responsibility for performance measurement.
7.2 Performance Measurement

The score for the evidence-based assessment was 1.6, while the score for the perception-based assessment was 3.5. As the evidence-based assessment weighs 75% in the final score, while the perception-based assessment 25%, the final score was 2.1. This indicates a level 2 maturity score (Emergent) for the Performance Measurement capability.

### Performance Measurement Assessment

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### Performance Measurement Evidence Based Assessment

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#### Legend Performance Measurement Assessment

- A. KPI Selection. **Score 1.7**
- B. KPI Documentation. **Score 1.6**
- C. Target-setting. **Score 2.2**
- D. Data Gathering. **Score 2.1**
- E. Data Visualization. **Score 3.1**
- F. KPI Governance. **Score 1.6**

#### Legend Performance Measurement Evidence-based Assessment

- A. KPI Selection. **Score 1**
- B. KPI Documentation. **Score 1**
- C. Target-setting. **Score 1.8**
- D. Data Gathering. **Score 1.7**
- E. Data Visualization. **Score 3**
- F. KPI Governance. **Score 1**

The evidence-based assessment results show a level 2 maturity score, thus showcasing what type of performance measurement process takes place within the Alpha Company. Specifically, Key Performance Indicators (KPIs) are not used and the organization relies on reports generated through its accounting software & its monthly achievement evaluation reports. This shows that performance measurement is used within the organization, but focused on financial metrics and limited to production, inventory and sales. The current framework only supports performance measurement of the corporate and departmental levels, without the option to measure individual performance. The processes related to performance measurement are not mapped.
The perception-based assessment results show a level 3 maturity score regarding performance measurement.

The data set for Performance Measurement reveals the highest gaps between the actual and the perceived maturity level in KPI selection, KPI documentation and KPI governance, which strongly relate to the findings from the evidence-based assessment. As such, there seems to be sizeable gaps in target-setting and data gathering within Alpha Company. Financial reports from the accounting software were presented as KPIs and this stands to show that there is need for a comprehensive and coherent approach towards the use of KPIs, which will represent the next stage of strategy implementation.
7.2.1 KPI Selection

KPI Selection consists of evaluating the processes, tools and techniques employed by the entity to select KPIs. Statements refer to the usage & standardization of tools and practices, but also to the relevancy and alignment of KPIs to the strategy.

The evidence-based assessment indicated that there was no KPI selection process in place, a fact that was not consistent with the results of the perception-based assessment, showing that the responses to the survey varied based on each person’s experience and understanding of KPIs.

The performance reports, monthly achievement evaluation reports and a list of financial reports were reviewed to assess the KPI selection process.

**KPI Selection Evidence Based Assessment**

| A | 1 |
| B | 3.7 |
| C | 1 |
| D | 1 |

**Legend KPI Selection Evidence-based Assessment**

A. The KPI set is balanced by assigning at least 2 KPIs for each objective. **Score: 1**
B. The KPI set balanced the focus between financial and non-financial KPIs. **Score: 1**
C. KPI names are standardized. **Score: 1**
D. The KPI selection process is well-articulated. **Score: 1**
An average score of 3.7 in the perception-based assessment shows that the topic of KPI selection is yet to be fully comprehended or acknowledged.

**KPI Selection Perception Based Assessment**

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**Findings**

- There is no KPI selection process in place;
- KPIs are not assigned to objectives.

**Recommendations**

- Establish a KPI selection process for the organization's objectives;
- Ensure that KPI names are standardized, do not include targets and indicate how the objective is measured and not the purpose of the measurement or any actions to be taken in this regard (e.g., “#Time to process request”, instead of “- time efficiency”);
- Assign at least 2 KPIs for each objective and focus on a balance between financial and non-financial KPIs.
7.2.2 KPI Documentation

The section aims to identify whether KPIs are documented in the entity. It looks into the manner in which this process takes place in terms of tools used, people involved, governance and keeping information updated.

The evidence-based assessment indicated that there was no KPI documentation process in place, a fact that was not consistent with the results of the perception-based assessment, showing that the responses to the survey varied based on each person’s experience and understanding of KPIs.

KPI Documentation Assessment

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No relevant internal documents were provided to assess the KPI documentation process.

**KPI Documentation Evidence Based Assessment**

- A. The entity uses a standardized KPI Documentation Form. **Score: 1**
- B. All the KPIs monitored have thresholds wherever applicable. **Score: 1**
- C. The KPI documentation process is well-articulated. **Score: 1**
- D. An internal repository or database is used for the centralization of all KPI Documentation Forms. **Score: 1**
An average score of 3.6 in the perception-based assessment shows that the topic of KPI documentation is yet to be fully comprehended or acknowledged.

### KPI Documentation Perception Based Assessment

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### Findings

- There is no KPI documentation process in place;
- The entity does not use a standardized KPI documentation form.

### Recommendations

- Establish a KPI documentation process;
- Use a standardized KPI Documentation Form that contains relevant information (e.g. KPI name, definition, calculation formula, target);
- Document all the KPIs that are monitored

### 7.2.3 Target-setting

This section assesses the extent to which the target-setting process relies on actual data, and the extent to which it manages to create a stimulating environment for employees to reach and even exceed targets within the organization. As the entity does not use KPIs, the assessment of the target-setting process was conducted on the metrics monitored by the entity. Targets for sales are established based on previous results, while targets for production are established based on orders.

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### Findings

- There is no KPI documentation process in place;
The performance reports and monthly achievement evaluation reports were reviewed to assess the target-setting process.

### Evidence Based Assessment

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Findings

- Approximately 83% of the tasks from the monthly achievement evaluation reports had targets to be met;
- Targets for sales are established based on previous results and those for production based on orders;
- No benchmarking data is used for establishing targets.

Recommendations

- Establish targets for all active KPIs and thresholds wherever applicable;
- Organize target-setting workshops and extend a participation invitation to the employees responsible for reaching the targets and those responsible with collecting data for measuring the targets’ achievement;
- Use benchmarking data for establishing targets.

7.2.4 Data Gathering

This section analyzes the data collection process in terms of clarity of data sources, overall systems integration to facilitate data consolidation & availability in time and accuracy.

As the entity does not use KPIs, the assessment of the data gathering process was conducted on the metrics monitored by the entity. The process relies on standardized templates, clear deadlines and accountability.
An average score of 3.6 in the perception-based assessment shows that the respondents who answered the survey about the characteristics of the current process for gathering data understood that this process is used to calculate the metrics displayed in performance reports.

### Data Gathering Perception Based Assessment

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#### Legend

- **A.** The KPI data collection is completed on time according to the pre-established schedule. **Score: 3.6**
- **B.** Instances of inaccurate data are rare events. **Score: 3.6**
- **C.** The cost for measuring selected KPIs does not exceed the benefits of having the data. **Score: 3.6**
- **D.** The technology supporting the data collection process is relying on the integration of different data sources and databases. **Score: 3.4**

### Findings

- Data gathering relies on standardized templates and has clear deadlines;
- Accountability exists in terms of data collection as the performance reports include the name and signature of the employee that gathered the data and the one that approved it;
- Data gathering is well documented and supported by the accounting software.

### Recommendations

- Periodically assess the quality of the data gathered in terms of accuracy, completeness and timeliness;
- Establish a data collection system for KPIs;
- Ensure that the necessary data for measuring KPIs can be and is collected in a consistent manner.
7.2.5 Data Visualization

Data visualization provides an evaluation of the entity’s approach in terms of the visual design of data. Several noteworthy instruments which are regularly assessed from the perspective of good data visualization practices are scorecards, dashboards and performance reports.

One can notice from the data collected that variability in terms of data visualization is quite low, which is consistent with the general perception regarding the maturity level for this cluster. As the entity does not use KPIs, the assessment of the data visualization practices was conducted on the metrics monitored by the entity.

The performance reports were reviewed to assess data visualization practices as the entity does not use scorecards and dashboards.

![Data Visualization Evidence Based Assessment](chart)

### Legend

A. There are visual elements for all performance management tools used. **Score: 3**

B. KPI data displayed in graphs is compliant with data visualization best practices. **Score: 3**

C. KPI data displayed in tables is compliant with data visualization best practices. **Score: 3**

---

**Legend** Data Visualization

A. Evidence-based Assessment  
B. Perception-based Assessment
An average score of 3.3 in the perception-based assessment confirms the findings of the evidence-based assessment and the fact that best practices in terms of data visualization are considered, but there is still room for improvement.

### Data Visualization

**Perception Based Assessment**

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#### Findings

- All the performance reports contain visual representations of data;
- Graphs are not crowded and have titles and labels, backgrounds are clean and colors are not used in excess;
- Tables have titles and a legend, data is grouped into logical clusters and characters are properly aligned.

#### Recommendations

- Use pie charts at a minimum;
- Avoid strong grids in tables;
- Avoid 3D graphical representations of data.
7.2.6 KPI Governance

KPI Governance refers to the assessment of internal accountability levels over performance measurement processes, such as KPI Selection, KPI Documentation, Target-setting and Data Gathering. It refers to the overall process of owning and distributing responsibility for performance measurement.

The roles of KPI owners and data custodians for the employees involved in the performance measurement process are not established. There is no manual/procedure on how performance is measured within the organization, in addition to the fact that these processes are not mapped.

The organizational chart and all job descriptions were reviewed to assess KPI governance.

The training plan and budget were not presented, so we could not assess the availability of training programs on performance measurement.

KPI Governance Evidence Based Assessment

Legend KPI Governance

A. Evidence-based Assessment  B. Perception-based Assessment
An average score of 3.2 in the perception-based assessment shows that the respondents answered to the survey as to the characteristics of the current process for measuring the metrics displayed in performance reports.

### KPI Governance

**Perception Based Assessment**

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### Findings

- The governance framework is in an initial state, as there is no dedicated Performance Measurement Office or role/position within the organization;
- There is no manual/procedure on how performance is measured within the organization, in addition to the fact that processes are not mapped;
- Accountability for measuring performance is not clearly established, as there are no assigned KPI owners or data custodians.

### Recommendations

- Assign and document the roles of KPI owners and data custodians to employees involved in the performance measurement process, to ensure accountability;
- Provide dedicated training and/or coaching programs on performance measurement for all key employees.
7.3 Performance Management Maturity Audit

- **Data Analysis**
  Assesses at what level is data analysis employed in the entity, identifying if special techniques or software are used.

- **Reporting**
  Focuses on the efficiency of the reporting process, whether is supported by a software solution or not, if reports are ready on time and well structured.

- **Decision Making**
  Evaluates how performance review meetings are approached from the preparation stage to the follow-up actions. It provides insight on the discussion focus and the decision-making process as an essential characteristic of such meetings.

- **Initiative Management**
  Refers to the project management capability of the audited entity, on the framework used to implement initiatives. Assesses the delivery of projects on time, in budget and in accordance with the established quality standards.

- **Learning & Improvement**
  Illustrates the ability of the performance management system to adapt to changes based on regular reviews of strategy. It analyzes the process of recording, reviewing and implementing improvement ideas.

- **Performance System Governance**
  Identifies how the performance management system is coordinated, indicates accountability and governance. It assesses the clarity regarding the role of each internal stakeholder.
7.3 Performance Management

The score for the evidence-based assessment was 1.3, while the score for the perception-based assessment was 3.4. As the evidence-based assessment weighs 75% in the final score, while the perception-based assessment 25%, the final score was 1.8. This indicates a level 2 maturity score (Emergent) for the Performance Management capability.

The evidence-based assessment results show a level 1 maturity score in terms of the performance management process taking place within the Alpha Company. Simple data analysis is used, and average values for metrics or delta values between actual and targeted performance levels are recorded in monthly performance reports. The results are discussed during monthly management meetings but with a focus on sales, production (errors), marketing (awareness) and customer complaints. Actions/initiatives are communicated verbally only to Unit Heads and are monitored by the Management Representative.

Legend: Performance Management Assessment

A. Data Analysis, Score: 2.3
B. Reporting, Score: 2.4
C. Decision-making, Score: 1.6
D. Initiative Management, Score: 1.6

Legend: Performance Management Evidence Based Assessment

A. Data Analysis, Score: 2
B. Reporting, Score: 2
C. Decision-making, Score: 1
D. Initiative Management, Score: 1
E. Learning & Improvement, Score: 1
F. Performance System Governance, Score: 1
The perception-based assessment results highlight a level 3 maturity score for the company’s performance management framework.

The data set for Performance Management reveals the highest gaps between the actual and perceived maturity level when it comes to decision-making, initiative management, learning & improvement and performance system governance, which strongly relates to the findings from the evidence-based assessment. This can be attributed to a different understanding of the steps following the data analysis and reporting processes, while adequate tools and techniques to clarify and facilitate the enactment of such steps seem to be lacking and are sorely needed.
7.3.1 Data Analysis

This section assesses what level of data analysis is being employed in the entity, identifying if any special techniques or software are used. A thorough data analysis process facilitates both reporting and decision-making based on data. As the entity does not use KPIs, the assessment of the data analysis process was conducted on the metrics monitored by the entity.

Data Analysis Assessment

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Legend Data Analysis

A. Evidence-based Assessment
B. Perception-based Assessment

The performance reports and monthly achievement evaluation reports were reviewed to assess the data analysis process.

Data Analysis Evidence Based Assessment

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Legend Data Analysis Evidence-based Assessment

A. Software solutions are used to analyze the KPI results.
B. The organization is using data analysis as part of interpreting KPI results.

An average score of 3.2 in the perception-based assessment unravels data analysis capabilities that have not yet fully formed within the organization. The data analysis process is somewhat streamlined and scheduled appropriately, with analysis methods and tools designed to ensure data consistency and relevancy.

Data Analysis Perception Based Assessment

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Legend Data Analysis Perception-based Assessment

A. Data is analyzed regularly in accordance with a predefined frequency, once the KPI data is collected. Score: 3.6
B. Interpretations of data is developed both in isolation and in context based on the interrelations identified between different KPIs. Score: 3.4
Findings

• Basic Microsoft Excel is used to process the results of data analysis;
• Simple data analysis is used, with average values for metrics or delta values between actual and targeted performance levels.

Recommendations

• Use data analysis techniques such as Root Cause Analysis, Fishbone Diagram or the 5 Whys.

7.3.2 Reporting

This section focuses on the efficiency of the reporting process, whether it is supported by a software solution or not, and if reports are ready on time & well-structured. A comprehensive reporting system allows for the organization to gain valuable insight into its core operations.

Within Alpha Company, performance reporting is based on a rather simple procedure of compiling performance data and presenting it in a basic format meant to raise awareness about performance results, as well as ensure the transfer of important data to key internal stakeholders.
An average score of 3.5 in the perception-based assessment shows that the characteristics of an efficient reporting system are comprehended and acknowledged among key stakeholders.

### Reporting Perception Based Assessment

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### Findings

- Performance reports are generated each month and are compiled on a yearly basis;
- The reports contain graphics, tables and other visual representations of data;
- The organization does not use a standardized performance report template;
- Performance results are not accompanied by data interpretations and comments, while reports do not have executive summaries;
- No quality assurance review of data takes place before compiling the reports.

### Recommendations

- Increase the quality of data by random data sampling, double checking (4 eyes principle) and/or automation;
- Develop and implement a standardized performance report template to be used across the organization;
- Include an executive summary, data interpretations and comments in performance reports.
7.3.3 Decision-Making

This section evaluates how performance review meetings are approached, from the preparation stage to the follow-up actions. It provides insight into what is emphasized during a meeting and why the decision-making process is an essential characteristic of such meetings.

Results are discussed during monthly management meetings, but are focused around sales, production (errors), marketing (awareness) and customer complaints. Although decisions are made, they are not documented and communicated only verbally to those present.

Decision Making Assessment

A. Evidence-based Assessment

B. Perception-based Assessment

Legend

A. Performance review meetings are well organized.
B. The decision-making process is effective.

An average score of 3.4 in the perception-based assessment shows that the decision-making process is considered to be effective, although it is not a formal process, in as much as it is a result of monthly management meetings.
### Decision Making Perception Based Assessment

#### Findings

- Performance review meetings are not formally organized; decisions are made based on discussions focused on performance results, during monthly management meetings;
- Any decisions are only verbally communicated to those present at monthly management meetings;
- Decisions are not centralized in meeting minutes, with clear deadlines and a responsible person assigned.

#### Recommendations

- Organize monthly or quarterly performance review meetings and invite both decision makers and KPI owners to attend;
- For each decision made during the performance review meeting, set a clear deadline and assign a responsible person;
- Centralize and monitor the decisions from one performance review meeting to another.

### Legend

**A.** All key stakeholders/KPI owners and other relevant decision makers are answering the invitation and generally attend the performance review meetings. **Score: 3.6**

**B.** Discussions carried during the performance review meetings usually follow the topics assigned in the meeting agenda. **Score: 3.6**

**C.** The performance review meeting agenda and the preliminary performance report are prepared and communicated in advance of the scheduled meeting date. **Score: 3.4**

**D.** The performance review meetings do not exceed the allocated time, a common accepted standard is an average of two hours. **Score 3.4**
7.3.4 Initiative Management

Initiative management refers to the project management capability of the audited entity, regarding the framework used to implement initiatives. It assesses the delivery of projects on time, within budget and in accordance with the established quality standards.

In the case of Alpha Company, there is no framework used to implement initiatives, the entity does not use a standardized documentation form. Initiatives are not consolidated in a portfolio to support tracking progress. Actions/initiatives are communicated verbally only to Unit Heads and are monitored by the Management Representative.

No relevant internal documents were provided to assess the initiative management process.

![Initiative Management Assessment](image)

**Legend** Initiative Management Evidence-based Assessment

A. The entity uses a standardized Initiative Documentation Form. **Score: 1**
B. Initiative Documentation Forms are consolidated in a Library of Initiatives. **Score: 1**
C. All initiatives are clearly associated to objectives. **Score: 1**
D. Initiatives names are standardized. **Score: 1**
E. The initiatives/projects selected to support the achievement of strategic objectives are consolidated in a Portfolio of Initiatives. **Score: 1**
An average score of 3.5 in the perception-based assessment support the findings of the interview-based assessment. Specifically, actions/initiatives are communicated verbally only to Unit Heads and are monitored by the Management Representative.

### Initiative Management Perception Based Assessment

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### Legend Initiative Management Perception-based Assessment

A. The initiatives status is reviewed and reported with regularity, at least during each performance management cycle/reporting period. **Score: 3.6**

B. Implemented initiatives contribute to the achievement of the KPI targets and their related strategic objectives. **Score: 3.4**

### Findings

- Actions/initiatives are communicated verbally only to Unit Heads and are monitored by the Management Representative;
- The entity does not use a standardized documentation form;
- Initiatives are not consolidated in a library or portfolio.

### Recommendations

- Develop a standardized initiative documentation form, with relevant information that supports initiative implementation (e.g. initiative name, start date, end date, initiative owner and status);
- Standardize initiative names and associate them to objectives;
- Consolidate initiatives in a portfolio, as well as all initiative documentation forms in a library, to track progress.
7.3.5 Learning & Improvement

This section illustrates the ability of the performance management system to adapt to changes based on regular reviews of the organizational strategy. It analyzes the process of recording, reviewing and implementing improvement ideas.

The organization does not keep a Lessons Learned Log to support learning and improvement, nor a Change Log to capture all changes and/or updates on the performance management architecture.

No relevant internal documents were provided to assess the learning & improvement process.

### Learning & Improvement Evidence Based Assessment

**Legend Learning & Improvement Evidence-based Assessment**

- **A.** A Lessons Learned Log is kept and updated throughout the Performance Management Cycle. **Score: 1**
- **B.** There is a Change Log captures all changes and/or updates on the performance management architecture. **Score: 1**
- **C.** There is an Innovation Management Framework in the organization. **Score: 1**

**Legend**

- **A.** Evidence-based Assessment
- **B.** Perception-based Assessment
An average score of 3.2 in the perception-based assessment shows a limited understanding of the steps following the initiative management processes, while adequate tools and techniques to clarify and facilitate the enactment of such steps seem to be lacking and are sorely needed.

### Learning & Improvement Perception Based Assessment

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### Findings

- The organization does not keep a Lessons Learned Log to support learning and improvement;
- The entity does not use a Change Log to capture all changes and/or updates on their performance management architecture;
- There are no open channels for employees to submit their innovation/improvement ideas.

### Recommendations

- Keep a log with all the lessons learned from implementing initiatives, with a brief context description, recommendations and comments;
- Keep a log with all the changes and/or updates to the performance management architecture. Include the reasoning behind the changes and the date when the changes occurred;
- Open at least one channel for employees to submit their innovation ideas and assign a committee responsible with assessing all innovation/improvement ideas proposed by staff, and deciding on further courses of action.
7.3.6 Performance System Governance

Performance System Governance reflects how the performance management system is coordinated. It indicates accountability and governance, assesses the clarity of each role, for every internal stakeholder.

The project management framework within the organization is not clearly established and documented, as the processes related to performance management are not mapped. There is no communication plan to report on any initiative’s status or performance results.

The strategic plan, organizational chart and job descriptions were reviewed to assess the company’s performance system governance. The training plan and budget were not presented, which did not allow us to assess the availability of training programs on performance management.

**Performance System Governance Assessment**

- **A. Evidence-based Assessment**
- **B. Perception-based Assessment**

**Legend** Performance System Governance

- **A.** Evidence-based Assessment
- **B.** Perception-based Assessment

![Performance System Governance Evidence Based Assessment](chart)
An average score of 3.3 in the perception-based assessment shows that the organization is managing performance informally and confirms the moderate awareness level among employees on performance system governance.

### Performance System Governance Perception Based Assessment

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**Performance System Governance Perception-based Assessment**

- A. All updates and changes to the performance management system are supervised and approved by the Performance Manager or designated person in charge of the system. **Score: 3.4**
- B. There is high level of awareness about performance management practices in the entity. **Score: 3.4**
- C. There is high level of accountability and support for the performance management related practices in the entity. **Score: 3.4**
- D. There is a well articulated and implemented performance management system in the entity. **Score: 3.2**
- E. The performance management system is implemented and integrated with clear designated roles and responsibilities across the entire organization. **Score: 3.2**

### Findings

- There is no Project Management Framework within the organization;
- There are no communication plans to report on any initiative’s status or performance results;
- The processes related to performance management are not mapped.

### Recommendations

- Officially assign the Project Management function to a dedicated office or a position within the organization and map the processes related to performance management;
- Develop communication plans for initiative status and performance results reporting;
- Provide dedicated training and/or coaching programs on performance management to all key employees.
7.4 Performance Culture Maturity Audit

- **Integrated Performance Capability**
  Reflects how well the performance management architecture is cascaded and integrated across the organization. Assesses the clarity regarding the role of each stakeholder, accountability and governance.

- **Communication & Leadership Support**
  Indicates the efficiency of the communication process, the transparency of the entity towards internal stakeholders and the support of senior management for the development of performance management capabilities.

- **Creativity & Innovation**
  The impact of effective communication is reflected in the employees’ awareness on latest strategic decisions made and engagement towards achieving desired performance results. Clarity and motivation generally lead to proactivity, creativity and generate more ideas for performance improvement.

- **Education & Knowledge**
  Assesses the entity’s commitment to the continuous professional development of its employees. Refers to how the entity can grow by developing its human capital, using modern technology and building a performance culture.

- **Benefits & Recognition**
  Evaluates the entity’s approach towards measuring and rewarding employee performance. Refers to the established performance levels and the compensation & benefits schemes.

- **Happiness & Well Being**
  Focuses on the working environment in terms of providing a positive attitude and mindset while nurturing feelings of happiness and wellbeing towards performance improvement.
The score for the evidence-based was 1 while the score for the perception-based assessment was 3.3. As the evidence-based assessment weights 75% in the final score while the perception-based assessment 25%, the final score was 1.6. This indicates a level 2 maturity score (Emergent) for the Performance Culture capability.

The evidence-based assessment results show a level 1 maturity score in terms the performance culture within the Alpha Company. This showcases the fact that the organization has made few steps towards creating the necessary conditions for the Performance Management System within the organization to be integrated into the organizational culture. From this perspective, it is important to ensure that the right governance framework exists, in order to benefit from consistent leadership support, enhance communication, invest in learning and engaging staff members.
The perception-based assessment results show a level 3 maturity in terms of the performance culture within the organization.

### Performance Culture Perception Based Assessment

- **A. Integrated Performance Capability.**
  Score: 3.5
- **B. Communication & Leadership Support.**
  Score: 3.5
- **C. Creativity & Innovation.**
  Score: 3.2
- **D. Education & Knowledge.**
  Score: 3.2
- **E. Benefits & Recognition.**
  Score: 2.8
- **F. Happiness & Wellbeing.**
  Score: 3.3

### Legend Performance Culture Perception-based Assessment

The data set for Strategic Planning reveals high gaps between the actual and the perceived maturity level in all the assessed areas: integrated performance capability, communication & leadership support, creativity & innovation, education & knowledge, benefits & recognition and happiness & wellbeing. This can be attributed to a different understanding of the means in which a performance-oriented culture is developed within an organization.

### Performance Culture Assessment

- **A. Integrated Performance Capability.**
  Score: 1 (Actual)  |  3.5 (Perceived)
- **B. Communication & Leadership Support.**
  Score: 1.1 (Actual)  |  3.5 (Perceived)
- **C. Creativity & Innovation.**
  Score: 1 (Actual)  |  3.2 (Perceived)
- **D. Education & Knowledge.**
  Score: 1 (Actual)  |  3.2 (Perceived)
- **E. Benefits & Recognition.**
  Score: 1 (Actual)  |  2.8 (Perceived)
- **F. Happiness & Wellbeing.**
  Score: 1 (Actual)  |  3.3 (Perceived)

### Legend Performance Culture
7.4.1 Integrated Performance Capability

This section reflects how well the performance management architecture is cascaded and integrated across the organization. Assesses the clarity regarding the role of each stakeholder, accountability and governance.

There is no governance framework for the Performance Management System within Alpha Company, accountability is low, as there are no KPI owners and data custodians. The processes related to performance management are not mapped.

The strategic plan, organizational chart and job descriptions were reviewed to assess the integrated performance capability.

**Legend** Integrated Performance Capability Evidence-based Assessment

- **A.** Evidence-based Assessment
- **B.** Perception-based Assessment

**Legend** Integrated Performance Capability Evidence-based Assessment

- **A.** There is a well-articulated governance framework for the Performance Management System. Score: 1
- **B.** All active KPIs have data custodians assigned. Score: 1
- **C.** There is a comprehensive performance management manual or procedure related to organizational performance management. Score: 1
- **D.** There is a comprehensive performance management manual or procedure related to organizational performance management. Score: 1
- **E.** All key processes related to performance management are documented/mapped. Score: 1
An average score of 3.5 in the perception-based assessment shows that the organization is managing performance informally and confirms the moderate awareness level among employees on performance system governance.

### Integrated Performance Capability Perception Based Assessment

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**Legend** Integrated Performance Capability Perception-based Assessment

A. Employees can apply and use with ease in practice performance management tools, techniques and related processes. **Score: 3.8**

B. There is a clear understanding of the entity’s strategic intent across the organization at all managerial levels. **Score: 3.8**

### Findings

- There is no governance framework for the Performance Management System within the organization;
- Accountability is low, as there are no KPI owners and data custodians;
- The processes related to performance management are not mapped.

### Recommendations

- Officially assign the responsibility of governing the Performance Management System to a department or an individual role within the organization;
- Assign and document the roles of KPI owners and data custodians, for employees involved in the performance measurement and management processes, to ensure accountability;
- Map the processes related to performance management.
7.4.2 Communication & Leadership Support

The Communication and Leadership Support process highlights the degree of efficiency regarding the organization’s communication network, the entity’s transparency towards internal stakeholders and the level of support of senior management for the development of performance management capabilities.

Leadership is involved in promoting a performance-oriented culture as management meetings are held on a monthly basis and performance results are included in the meeting agenda. Communication of performance results is limited to middle management and Unit Heads/Supervisors.

The strategic plan and performance reports were reviewed to assess performance related communication and leadership support.

Legend Integrated Performance Capability

A. Evidence-based Assessment  
B. Perception-based Assessment

A. Leadership is extensively involved in promoting a performance driven culture. **Score: 2**
B. The organization has a well designed and implemented performance communication plan. **Score: 1**
C. Communication with internal stakeholders takes place regularly. **Score: 1**
D. Communication with external stakeholders takes place regularly. **Score: 1**
E. The entity communicates its strategy plans, performance results and any other relevant information effectively with its internal stakeholders. **Score: 1**
F. The entity communicates its strategy plans, performance results and any other relevant information effectively with its external stakeholders. **Score: 1**
G. There is a Change Management program in place securing that the performance management system and any changes to it are well absorbed and constantly supported. **Score: 1**
An average score of 3.5 in the perception-based assessment shows that internal key stakeholders acknowledge the involvement of senior leadership in promoting a performance-driven culture.

**Findings**
- Leadership is involved in promoting a performance-oriented culture as management meetings are held on a monthly basis and performance results are included in the meeting agenda;
- Communication of performance results is limited to middle management and Unit Heads/Supervisors.

**Recommendations**
- Have senior management officially express support towards the performance management system;
- Develop and implement a communication plan that clearly states the frequency of communication and a break-down of information, based on different types of audiences, to raise the level of awareness and transparency regarding performance results and the benefits these can yield for the organization;
- Implement both top-down and bottom-up open communication channels for employees.
7.4.3 Creativity & Innovation

The Communication and Leadership Support process highlights the degree of efficiency regarding the organization's communication network, the entity's transparency towards internal stakeholders and the level of support of senior management for the development of performance management capabilities.

Leadership is involved in promoting a performance-oriented culture as management meetings are held on a monthly basis and performance results are included in the meeting agenda. Communication of performance results is limited to middle management and Unit Heads/Supervisors.

Creativity & Innovation Assessment

No relevant internal documents were provided to assess creativity and innovation.

Creativity & Innovation Evidence Based Assessment

Legend Creativity & Innovation Evidence-based Assessment

A. There is an Innovation Management Framework in the organization. **Score:** 1
B. The Innovation Management Framework is consistently implemented. **Score:** 1
C. Gamification activities are frequent practices in the organization. **Score:** 1

A. Evidence-based Assessment  
B. Perception-based Assessment
An average score of 3.2 in the perception-based assessment shows that internal key stakeholders consider that the organization informally supports creativity and innovation.

### Creativity & Innovation Perception Based Assessment

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### Findings

- Creativity and Innovation are not supported by a framework;
- There are no open channels for employees to submit their innovation/improvement ideas;
- Gamification activities (internal competitions) are not organized by the entity.

### Recommendations

- Open at least one channel for employees to submit their innovation ideas and assign a committee responsible with assessing all innovation/improvement ideas proposed by staff members, and deciding on further courses of action;
- Organize gamification activities (internal competitions) and share the outcomes and the name of the winners to all employees.
7.4.4 Education & Knowledge

This section assesses the entity’s commitment to the continuous professional development of its employees. It refers to how the entity can grow by developing its human capital, using modern technology and building a performance culture.

Adequate allocation of resources is needed to establish knowledge sharing practices and ensure an internal database with informative materials, meant to aid all employees with their individual professional improvement. Establishing such practices is necessary for building and capturing organizational knowledge.

Education & Knowledge Assessment

The training plan and budget were not presented to assess the availability of training programs for employees.

Education & Knowledge Evidence Based Assessment

A. Learning takes place in the organization based on a structured approach. **Score: 1**

B. The entity organizes and delivers training programs to all employees in accordance to their training needs. **Score: 1**

C. Knowledge sharing is a common and welcomed practice in the organization. **Score: 1**
An average score of 3.2 in the perception-based assessment shows that internal key stakeholders believe that there is a learning environment within the organization and that knowledge sharing is being done.

**Education & Knowledge Perception Based Assessment**

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**Findings**

- Learning within the organization is not based on a structured approach;
- Knowledge sharing practices are not common within the organization.

**Recommendations**

- Develop an internal library of resources (e.g. work instructions) and make it available for all employees;
- Offer each employee access to educational programs (e.g. trainings, workshops, conferences, summits) for at least 4 to 8 hours per year;
- Organize internal knowledge sharing sessions.
7.4.5 Benefits & Recognition

This section evaluates the entity’s approach towards measuring and rewarding employee performance. It showcases the established performance levels and the compensation & benefits schemes.

The organization has not developed a bonus system, nor a non-financial reward scheme in the organization. Flat bonuses were offered to all employees in the past, based on revenue increase, but there is no specific policy in place.

Benefits & Recognition Assessment

A. Evidence-based Assessment
B. Perception-based Assessment

No relevant documents were presented to assess the benefits and recognition practices of the organization.

Benefits & Recognition Evidence Based Assessment

A. 1
B. 1

Legend Benefits & Recognition Evidence-based Assessment

A. There is well-structured bonus system in the organization.
B. There is a non-financial reward scheme in the organization.

An average score of 2.8 in the perception-based assessment confirms the findings of the interview-based assessment and the lack of a clear bonus system and reward scheme.

Benefits & Recognition Perception Based Assessment

A. 3
B. 2.8
C. 2.8
D. 2.8

Legend Benefits & Recognition

A. Evidence-based Assessment
B. Perception-based Assessment
A. There is a strong culture of performance acknowledgment and recognition from the entity’s side towards its employees. Score: 3
B. The rewards scheme of the entity increases the employees’ motivation level. Score: 2.8
C. The bonus system is perceived as fair and realistic by employees. Score: 2.8
D. Rewards are offered on time according with a predefined schedule. Score: 2.8

Findings

• The organization does not have a bonus system in place;
• There isn’t a non-financial reward scheme in the organization.

Recommendations

• Develop a bonus system linked to individual and overall performance;
• Develop a non-financial reward scheme available for all hierarchical levels.

7.4.6 Happiness & Wellbeing

Happiness & Wellbeing focuses on the working environment, in terms of providing a positive attitude and mindset, while nurturing feelings of happiness and well-being towards performance improvement. The organization made efforts towards offering a safe working environment for its employees and invested in modern technology to improve working conditions. Although there is no official wellbeing program dedicated to employees, the perception-based assessment indicates a positive working environment.

Happiness & Well Being Assessment

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Legend Happiness & Wellbeing

A. Evidence-based Assessment
B. Perception-based Assessment

Photos from the company’s production areas were reviewed to assess the working environment.

Happiness & Well Being Evidence Based Assessment

| A | 1 |

Legend Happiness & Wellbeing Evidence-based Assessment

A. There is an effective well-being program in the entity dedicated to employees
An average score of 3.3 in the perception-based assessment indicates a positive working environment and the fact that employees maintain a generally positive attitude & mindset and show confidence in their behavior and actions.

**Findings**

- The organization made efforts towards offering a safe working environment for its employees and invested in modern technology to improve working conditions.

**Recommendations**

- Facilitate initiatives that improve the lifestyle choices and health of workers as a way of preventing chronic illnesses.
8. CONCLUSIONS

The assessment revealed a level 2 maturity score across all the assessed areas of Performance Management: Strategic Planning, Performance Measurement, Performance Management and Performance Culture. A level 2 maturity score relates to an Emergent Performance Management System within Alpha Company.

The highest score of 2.6 was achieved for Strategic Planning, showing that it is practiced in the entity, although not optimally articulated or implemented. A few steps should be made in order to achieve a level 3 maturity score in this area, such as: developing a medium and a long-term perspective in terms of strategy, improving and tracking progress with strategy execution, raising awareness and transparency on strategy, centralizing and monitoring initiative progress.

In terms of Performance Measurement, the achieved score was 2.1, showing that it is focused on financial metrics and limited to production, inventory and sales. Key Performance Indicators (KPIs) are not used, the organization relies on reports generated using the accounting software and the monthly achievement evaluation reports. The current framework only supports performance measurement of the corporate and departmental levels, without the option to measure individual performance. More effort is needed to progress to the next maturity level in this area, such as: selecting KPIs for each strategic objective with a focus on finding a balance between financial and non-financial KPIs, documenting said KPIs and establishing targets and thresholds, ensuring accountability when collecting data and achieving targets, providing dedicated training on performance measurement for all key employees.

A score of 1.8 was achieved for the Performance Management capability, which is strongly correlated with the score achieved for Performance Measurement. Performance results are discussed during monthly management meetings, but with a focus on sales, production (errors), marketing (awareness) and customer complaints. Actions/initiatives are communicated verbally only to Unit Heads and monitored by the Management Representative.

There are certain recommendations that should be considered to ensure progression to the next maturity level in this area, such as: organize performance review meetings, centralize, document and monitor any decisions made, build a high degree of accountability and set clear deadlines for any growth decisions & their corresponding initiatives, and develop communication plans for initiative status and performance results reporting.

The lowest score of 1.6 was achieved for the last capability that was assessed, showing a level 1 maturity score in terms of the Performance Culture within Alpha Company. This shows the fact that the organization has made a few steps towards ensuring that the organization’s Performance Management System will be integrated into the overall organizational culture. Based on these results, it is important to ensure that the right governance framework is put in place, so that the entity benefits from consistent leadership support, enhanced communication and investments in learning & engagement opportunities for staff members. Opening channels for employees to submit their innovation ideas, organizing internal competitions and having a library of resources can all support the development of a performance-oriented culture.
APPENDIX 1. DOCUMENTS SELECTED FOR THE EVIDENCE-BASED ASSESSMENT

The documents selected for the evidence-based assessment were:

- Strategy plan
- Strategy documentation files
- Environmental scan report
- SWOT analysis
- Stakeholders engagement plan
- Strategy map
- Corporate scorecard
- Corporate dashboard
- Performance report
- Departmental scorecards
- Departmental performance reports
- Employee scorecard
- Employee appraisal form or employee performance evaluation form
- Performance management policy / procedures / manual
- KPI documentation forms
- Data gathering template
- Data audit report
- An exported report from the software solution with the data export visible.

- Meeting minutes
- Action plan
- Initiatives portfolio
- Business case
- Project plan
- Project status report
- Organizational chart
- Job descriptions
- Communication materials
- Project progress communication samples
- Employee performance management policy / procedures / manual
- Employee performance plan
- Competencies dictionary
- Bonus, rewards and compensation policy
- Employee professional development plan
- Training plan
- Training budget