ROADMAP FOR
CONTINUOUS IMPROVEMENT

ALPHA COMPANY

LEVEL 5
OPTIMIZED

LEVEL 4
INTEGRATED

LEVEL 3
STRUCTURED

LEVEL 2
EMERGENT

LEVEL 1
INITIAL

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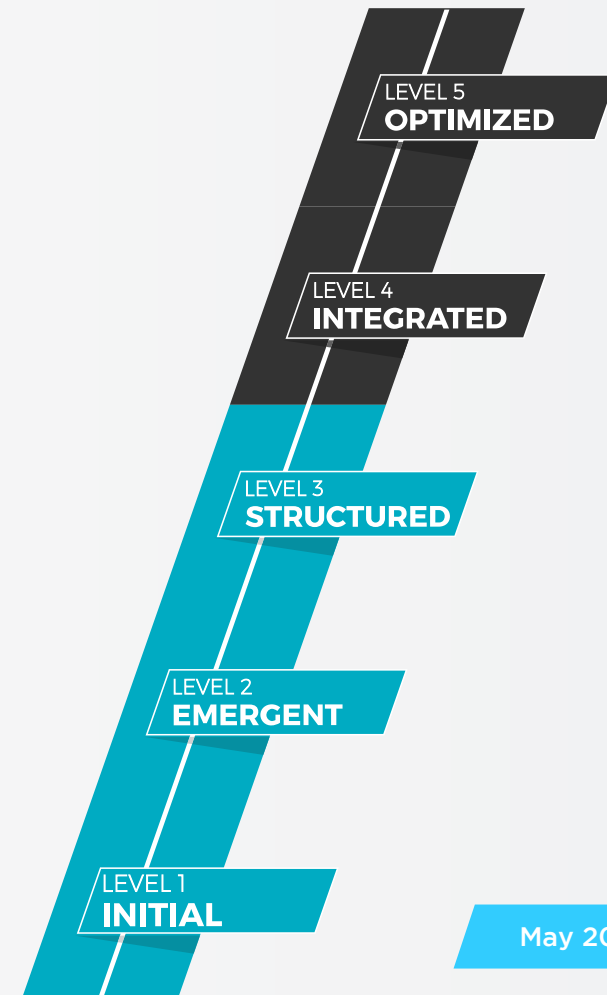
INDEMNITY STATEMENT

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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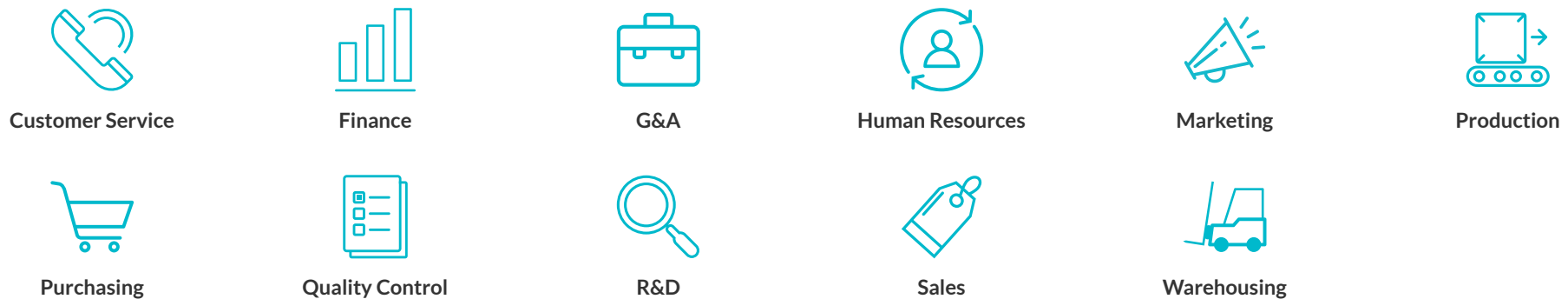
EXECUTIVE SUMMARY

Alpha Company has initiatied its journey towards improved performance management practices in October 2016, when the collaboration with The KPI Institute has started.

The purpose of this project is to refine the current Performance Management System in the organization, in order to achieve better alignment between the operational and strategic levels, as well as among departments, to raise awareness on the best practices in working with KPIs and ultimately, to ensure the right premises for Alpha Company to achieve its vision.

The KPI Project included a corporate strategic planning session and several cascading workshops to replicate the performance management system architecture to operational level, covering the following departments:
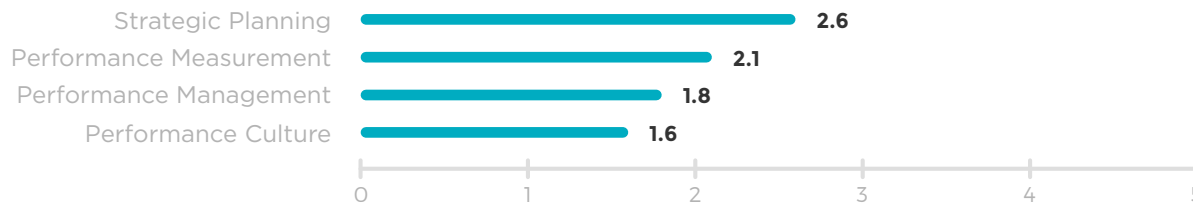
In order to have a more in-depth perspective around what practices need to be improved and to guide an effective change management program in the organization, the project also included a performance management system audit. The audit findings indicate both strengths and weaknesses, reflecting the manner in which performance in managed within the company. Furthermore, with the support of the Roadmap for Continuous Improvement, the organization will be able to better plan and prioritize the improvement initiatives.

The Global Performance Audit Unit recommends the following course of action for Alpha Company, in order to advance on the performance management maturity scale, from level 2 towards level 5.
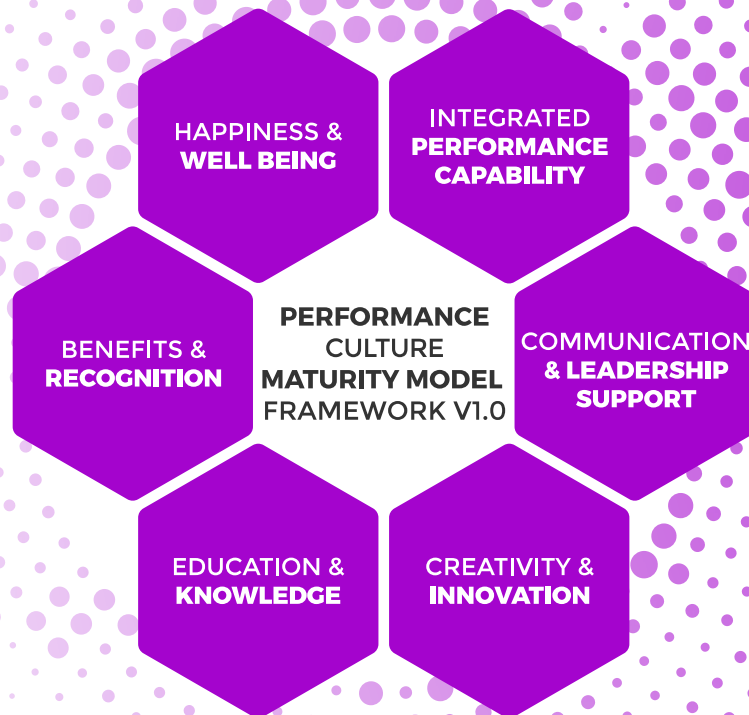
Customer Service	Finance	G&A	Human Resources	Marketing	Production
Purchasing	Quality Control	R&D	Sales	Warehousing	

Overall Performance Maturity Level

Level 2

Strategic Planning — 2.6
Performance Measurement — 2.1
Performance Management — 1.8
Performance Culture — 1.6

0 1 2 3 4 5

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 Measurement capability and 1.6 for the capability of developing a Performance Culture.

1. Performance Culture Maturity Audit

PERFORMANCE
CULTURE
MATURITY MODEL
FRAMEWORK V1.0

- HAPPINESS & **WELL BEING**
- INTEGRATED **PERFORMANCE CAPABILITY**
- BENEFITS & **RECOGNITION**
- COMMUNICATION **& LEADERSHIP SUPPORT**
- EDUCATION & **KNOWLEDGE**
- CREATIVITY & **INNOVATION**

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.

Priority 1. Performance Culture

A Performance Management System will only be successful in the adequate context or organizational culture. The success of implementing each tool is dependent on how the working environment perceives it and the engagement level of employees. Having this in mind, the following recommendations should be implemented throughout the entire sections of the roadmap. Adapting the organizational culture is a continuous cycle, not just a one time project.
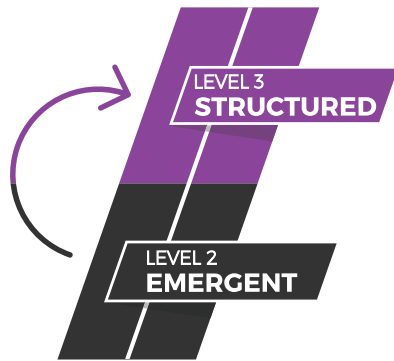
FROM MATURITY LEVEL 2 TO 3

Clarify accountability around all strategic and operational objectives, implicitly related to KPI targets;

Create brief and simple procedures or process maps for all key processes involved in managing performance;

Top management should promote the KPI usage in the organization. Initiate Town Hall Meetings (all employees gathered) to discuss about the progress of the organization, future directions and how important the performance measurement system. Otherwise, communicate in writing or online.

FROM MATURITY LEVEL 3 TO 4

Open channels to capture improvement ideas. Create a scheme to reward best ideas.

Initiate communication campaigns to raise awareness on the organizational strategy. Videos, posters, banners, social media posts, emails, and messages on the intranet platform can be considered.

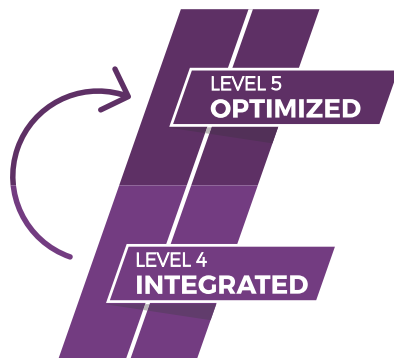Lessons learned logs should be developed in order to enhance knowledge sharing.
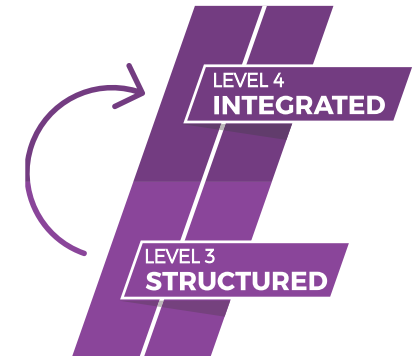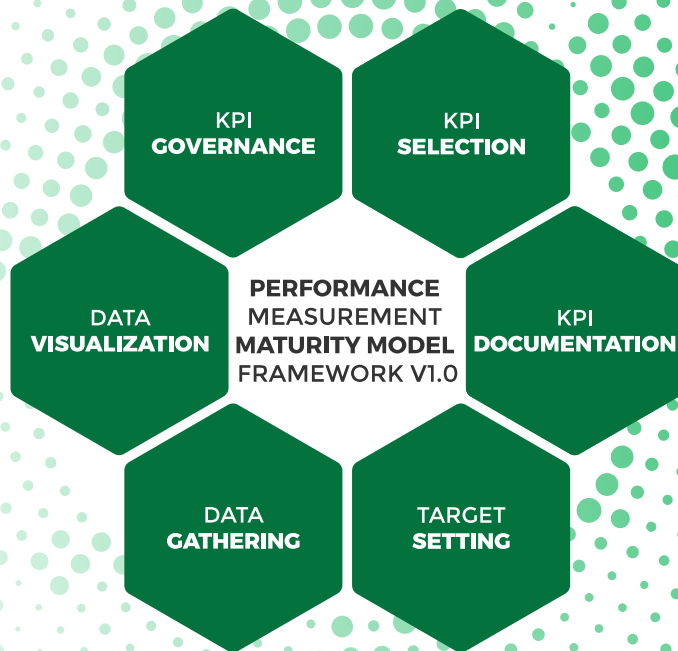

FROM MATURITY LEVEL 4 TO 5

At this stage, KPIs and objectives should be part of every employees' performance plan. Based on the results achieved, a bonus system should be set in place in order to motivate staff. The financial rewards should be complemented by non-financial rewards.

Internal competitions should be organized so as to engage employees and generate creative ideas.

Secure budget for investment in well-being programs for employees.

2. Performance Measurement Maturity Audit

KPI
GOVERNANCE

KPI
SELECTION

DATA
VISUALIZATION

PERFORMANCE
MEASUREMENT
MATURITY MODEL
FRAMEWORK V1.0

KPI
DOCUMENTATION

DATA
GATHERING

TARGET
SETTING

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.

Priority 2. Performance Measurement
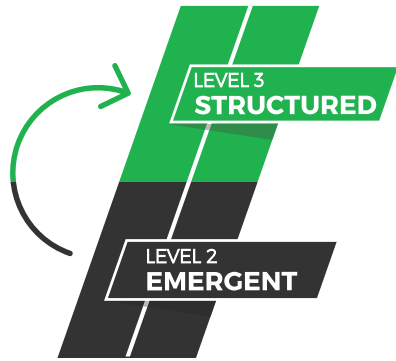
FROM MATURITY LEVEL 2 TO 3

To maintain the relevancy of KPIs on the long term, it is recommended to use a similar format for the KPI selection process as the one delivered by The KPI Institute for the following KPI refresh sessions, even if they will be done without external assistance. Ensure that all the KPIs tracked on the organizational scorecard are directly linked to strategic objectives. Associate 2 KPIs to ensure the objective is well-balanced.

The KPI documentation process is very important, because it touches 2 sensitive topics: targets and accountability. Firstly, a KPI documentation form should be established and it should become the standard template for all KPIs from all departments. This form should include sections where the target and thresholds must be inserted and also, details such as the KPI owner and data custodian for that specific KPI. Besides the mentioned sections, it should also reflect the following: KPI name, ID code, area (department name), level (corporate, operational, individual), definition, purpose (rationale / importance, objective associated (or cluster for dashboard metrics), calculation formula, subordinated metrics, data capturing frequency, reporting frequency, data source, data capturing limitations, data custodian and comments (other notes).
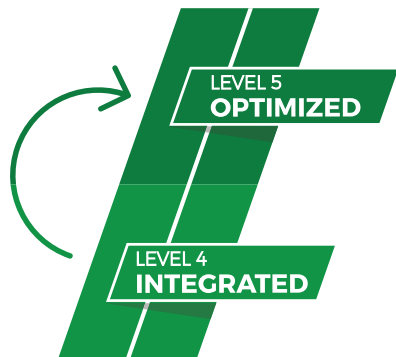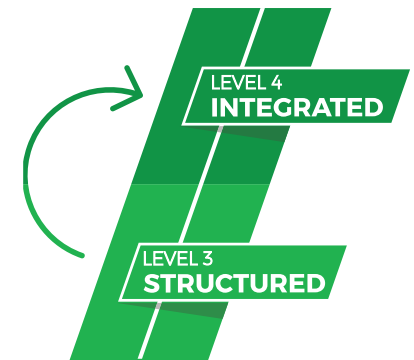
FROM MATURITY LEVEL 3 TO 4

The set of KPIs selected and monitored, should no longer focus predominantly on financial results, it should become predominantly non-financial, while illustrating the key value drivers which will generate the financial outcomes desired.

The KPI documentation form created as a standard template, should have also a KPI documentation process map and procedure. Employees should benefit from a training session in which the process of documentation is explained for this practice to become common in the organization.

Targets should be established through dedicated workshops. Before the workshop, delegate the task of researching historic data and external sources of information to KPI owners, so that more information is used when defining the adequate target levels.

As the set of KPIs will consist in more than traditional financial KPIs, data collection systems will need to be set in place to calculate the new KPIs as well. Create Microsoft Excel templates to collect and calculate data.

FROM MATURITY LEVEL 4 TO 5

Create a dedicate role to manage performance in the organization. All KPIs should have owners and data custodians assigned.

Training (internal or external) and educational materials on the best practices to measure performance are available in the organization for key stakeholders (but not just managerial positions, also other positions which operate with KPIs).

Business Intelligence software solutions should be implemented for collecting and reporting of all performance results

3. Performance Management
Maturity Audit

PERFORMANCE
SYSTEM
GOVERNANCE

DATA
ANALYSIS

PERFORMANCE
MANAGEMENT
MATURITY MODEL
FRAMEWORK V1.0

LEARNING &
IMPROVEMENT

REPORTING

INITIATIVE
MANAGEMENT

DECISION
MAKING

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.

Priority 3. Performance Management
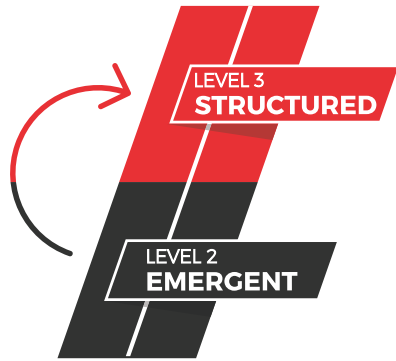
FROM MATURITY LEVEL 2 TO 3

Before performance review meetings, KPI owners should conduct data analysis to better understand the true cause of unsatisfactory performance results. Ask managers to conduct simple analysis such as the Fishbone Diagram or the 5 Why?, within their teams, on a regular basis for the KPIs which are falling short in reaching targets.

The performance review meeting should be time effective and solution-oriented. Ensure at least once a month there is a performance review meeting at organizational and departmental level. Formalize the process through a procedure.

Create a centralizer with all current projects in the organization. Use the Portfolio of Initiatives provided by The KPI Institute, as guidance for such a template. Allocate a responsible person to supervise the update of all projects and communicate the status during the performance review meetings.
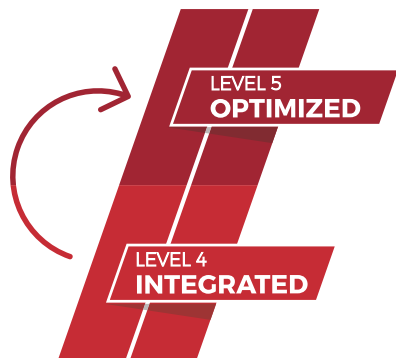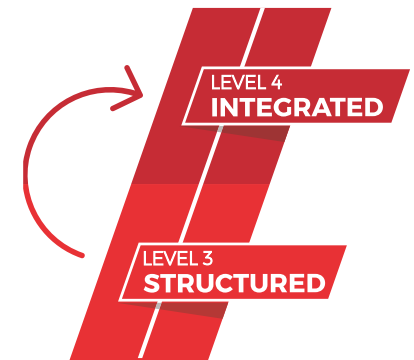
FROM MATURITY LEVEL 3 TO 4

Data analysis techniques should be advanced, consider to hire or train internally for this competency. Data modelling can be considered at this stage.

Create a calendar of meetings, to ensure that there is proper attention given to both strategic and operational matters. The calendar can comprise in:
*Every 2 Weeks Operational Meetings – discussion about operational matters, at departmental level.
* Top Management Meetings – discussion about: progress in reaching monthly organizational targets, progress towards achieving strategic objectives (medium term oriented, held quarterly) and the yearly progress and future directions (medium and long term oriented, held yearly).

All projects within the organization should be linked to strategic objectives. Create an Initiatives Documentation Form as a standard template to document all initiatives and include a section where objective associated to the initiative should be inserted.

Create a Change Log to keep track of all changes proposed and approved for the Performance Management System.

FROM MATURITY LEVEL 4 TO 5

Data analysis techniques should advanced to practices such as predictive analytics. A dedicate role, for example a business data analyst can be create din the company.

Innovation ideas are captured through various channels. For example – the innovation box online and physical format, the Innovation Day (4 hours dedicated to working in teams and findings solutions for different challenges).

Create a Project Management Framework – which states step-by-step how to conduct a project in Alpha Company, based on best practices in the industry and the company's experience so far.

4. Strategic Planning
Maturity Audit

STRATEGY
GOVERNANCE &
COMMUNICATION

STRATEGY
ENVISIONING

STRATEGY
REVIEW

STRATEGIC
PLANNING
MATURITY MODEL
FRAMEWORK V1.0

STRATEGY
FORMULATION

STRATEGY
ARTICULATION

STRATEGY
FOCUS

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.

Priority 4. Strategic Planning
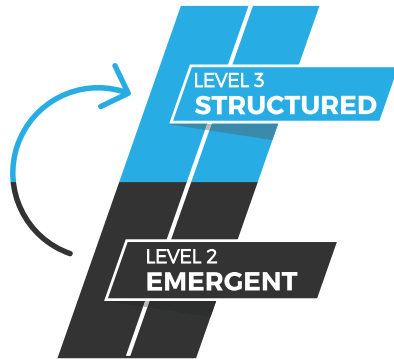
FROM MATURITY LEVEL 2 TO 3

Define the organization's corporate values. A workshop session of 4 hours will suffice for this task.

Organize yearly strategic planning sessions. Conduct SWOT analysis and market analysis prior to these sessions in order to be prepared before reviewing strategic directions.

During the strategic planning workshop session, formulate medium term objectives (1-3 years) not just one year perspectives. Conclude the session with a strategy map that summarized the main directions and objectives.

Create a corporate scorecard that will reflect on the progress made in reaching objectives.

FROM MATURITY LEVEL 3 TO 4

Upgrade the strategy map by mapping the correlations between different objectives. Design a dashboard to complement the corporate scorecard and provide more insights into strategic areas through more granular metrics.

Cascade the corporate strategy to all departments. Create the same tools for this organizational level (strategy map, scorecard and dashboard).

Develop a strategy review process, capture it in a process map or procedure and inform all stakeholders.
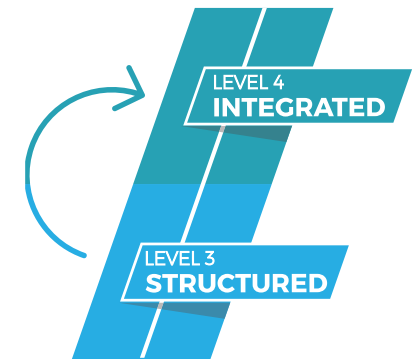
FROM MATURITY LEVEL 4 TO 5

A dedicated person can be allocated for the management of strategy and organizational performance matters.

As at this stage, the strategy review process should have become a routine. Develop a communication plan which enables the organization to effectively transmit important changes or simply raise awareness of what is important for the organization.

Cascade strategic objectives to reach the employee level. Each employee should have objectives and KPIs in line with what his/her department needs to achieve and ultimately, aligned to corporate strategy.

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