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The Six Stages of Performance Management

> Give employees a large dose of discretion; provide them with the information they need to make wise decisions; and then hold them accountable for results.
>
> —*Gary Hamel,* The Future of Management

WHY MANAGE PERFORMANCE?

Why do companies need to manage performance? For most organizations, it is crystal clear that they better figure out how to perform better if they want to better serve their customers, stay ahead of the competition, and meet shareholder demands.

Drivers for Performance Improvement

What are the catalysts for managing performance? Organizations often embark on a performance improvement initiative within one of the following scenarios:

- *Leadership change.* Often, performance improvement initiatives begin with a change in leadership. In case study after case study example in this book, this is a recurring theme—Energizer, Expedia, Fortis, Millipore, the Veteran's Administration—all had new leaders come in with performance management as a priority. When a new leader takes over a division, business unit, or company, they have a green light to be bold in suggesting a performance improvement initiative. The authority and timing is right with a leadership change for performance optimization.

- *Executive request—"top down."* Executives sometimes discover performance benefits achieved by other organizations and want to follow their path with a performance initiative within their own company or group.

  We refer to this scenario as "scorecard envy," when an executive sees the performance management capabilities other executives (inside or outside the company) have and wants these as well.
- *Management best practice—"bottom-up."* This scenario is often the result of a zealous and persistent manager's pioneering performance management results within a team or group, which get discovered and eventually are taken on to be institutionalized across the organization. As we shall see, this "internal guerilla marketing" as Laura Gibbons of Expedia refers to it, is necessary to get buy-in for performance management systems and processes even when executive support is present.
- *Industry/sector awareness*. In some industries, the management practices and systems are very consistent from company to company. When performance management becomes instantiated within a few of these organizations it is not uncommon for others in the industry to follow suit.

  The public sector is a great example of this. Once a few government organizations adopt performance management practices, it soon proliferates across other segments of government.

> There's really a domino effect across the U.S. federal government for performance management adoption. Once the Balanced Scorecard was first adopted in the Army and the Department of Defense, it spread like wild fire.[1]

- *Information technology (IT) driven*: Sometimes the work of IT can help drive the proliferation of tools and applications, which start to effect broad change in how performance is managed. In these scenarios, the organization may view IT as strategic and take guidance on how technologies can improve performance thus having the initiative driven by IT. As IT shares technology capabilities without a business mandate, the "toys" are distributed and then the people discover how to play. This may result in a champion ultimately developing a best practice that bubbles up, and a more formal performance improvement initiative is started. This is not a common scenario, however, as at some point the push must come from the top down. Executive support is necessary for the performance management initiative to become a standard process or practice—to move from an initiative to the way the company does things across the enterprise.
- *Regulations and public reporting*: Regulations can also drive attention to performance management. Many public sector organizations are required to report performance against public metrics, such as the UN's Millennium goals (as we shall discuss in the example of the Development Bank of Southern Africa). Public service organizations are often required to report their impact as well on metrics related to education, health, or safety.

  In the private sector, compliance with financial reporting regulations such as Sarbanes Oxley and

Basel II drive a focus on performance management. When the consequences are jail time for executives or fines if the organization is found to be out of compliance, it's no wonder regulations are significant drivers for a more disciplined and transparent management approach.

These scenarios are typical catalysts for performance improvement. In addition to these structural drivers, there are also common business scenarios that compel organizations to better manage performance.

It should also be noted that performance management initiatives do not only occur when times are bad. Clearly, when performance is poor, the interest in performance improvement is increased. However, as professor and author Tom Davenport explains, you shouldn't just manage performance when things are bad.

> Motivation may be lower then (when things are going well), but when things do go bad, you need to know very quickly what the relationships are. So if you see that you are starting to have a problem with employee engagement, for example, you know from previous analysis that this is going to really affect your financial performance if you don't do something about it very quickly. Or maybe you know there is a one year lag, so if we start with a customer royalty problem, it's not going to affect this year's performance but it is going to affect next year's performance. You have to establish that under good times so you can address it quickly during bad.[2]

Good or Bad—You're Making Decisions Today

The question really is not whether an organization will take steps to manage performance; it's just a question of how serious they take performance and how well they'll do it. Even without a formal performance management strategy and systems in place, organizations have some method, process, or habits they've developed to manage performance. Whether this is simply done via informal, status-update conversations, bonus-pay incentives, or a formal management-by-objectives method, these are all approaches to managing performance—it's just the degree to which they are effective that varies.

So, when asked why performance management matters, we often ask in reply, "Why manage anything?"

Let's start with a local business example for familiarity. Suppose you run a retail store and you are interested in making more money to grow your business, pay your people more, or maybe just so you can take a nice family vacation. How will you decide what promotion you are going to run to increase income for your store? This decision could be the difference between success and failure in achieving any of the above objectives.

Viewed differently, which organization would you rather have stock in—the retailer who makes up a promotion in 30 days' time without any data to support the decision and hopes to get lucky? Or the retailer who, also within 30 days' time, (1) segments the local retail market; (2) determines a targeted audience based on local retail market demographics, customer needs, and buying patterns; and (3) offers a promotion on merchandise of top buying interest to this community while also raising prices to increase profit margin on accessories and impulse merchandise? The answer seems obvious.

To believe in the benefits of performance management we assume a belief in the value of data driven decision making, a belief that well informed decisions typically yield better results than uninformed decisions. Thankfully, recent research indicates that "84% of senior executives believe high performing businesses make decisions based on evidence and facts rather than gut feel."[3]

Organizations choose to manage performance for the same reason that organizations choose to have management structures—to provide a disciplined approach and accountability for running the business more effectively. The role of management is to align team efforts with corporate objectives and to be accountable for driving results of the team. Individual contributors are also responsible for individual results and utilize performance management systems to manage and report on this contribution as well. Across the entire enterprise, performance management, as with management itself, exists to help drive strategy execution, accountability, and performance.

Strategy Execution Is a Top Priority

The need and desire to improve performance is as clear as the competition's logo, your own company's ticker symbol or your last lost customer. The key reason why most companies around the world care about performance management is because they want to better execute their strategy.

Indeed, strategy execution is top of mind for global enterprises. In a recent study, the Conference Board asked 658 CEOs from multinational companies to prioritize their most pressing management challenges. "Consistent execution of strategy by top management" ranked first for organizations with revenues greater than $5 billion, and second for smaller organizations (behind "Sustained and steady top line growth").[4] Companies of all sizes seek to realize the benefits of their strategies through better strategy formulation, communication, and, ultimately, execution.

Executing on Strategy Is More Important than the Strategy Itself

It is often believed that it's pure, genius strategy that wins the day. Many assume, "It's the strategy that sets apart the envied market leader. Winning organizations must have great ideas and a novel approach that allows them to blaze a path to glory."

However, we've learned that success hinges more on execution than a prize-winning strategy. Strategies hold potential, but delivering on the potential and contributing to organizational objectives depend on intelligent execution. While at first a controversial view, it is now more accepted to argue for tactical execution over high-level strategy alone. Before we review some of the research, following are some quotes that underscore the "execution" component of "strategy execution":

> You can't build a reputation on what you are going to do.
>
> *Henry Ford*

> However beautiful the strategy, you should occasionally look at the results.
>
> *Winston Churchill*

> I saw that leaders placed too much emphasis on what some call high-level strategy, on intellectualizing and philosophizing, and not enough on implementation. People would agree on a project or initiative, and then nothing would come of it.
>
> *Larry Bossidy and Ram Charan,* Execution: The Discipline of Getting Things Done

> Flawed decisions well implemented will bring more to the bottom line than the best decision that is not implemented.
>
> *Peter Schutz, former CEO, Porsche*

Perhaps Mae West put it best of all, "An ounce of performance is worth pounds of promises."

You'd Better Execute Better—Research Backs It Up

Fortune estimates that about 70% of companies can't execute on strategy and that only 10% of organizations actually attain their strategic objectives. In the public sector, research by Barron's indicates that out of nearly 800 federal programs studied only 15% achieved their goals.[5]

What's the issue? Why is it so difficult to make strategy reality? A joint study by Renaissance Solutions, Inc., *CFO* magazine, and Business Intelligence helps describe the critical factors that account for failing to execute strategy across the organization:

- *Awareness*. 95% of the typical workforce does not understand the strategy.
- *Financial resources*. 60% of organizations do not link budgets to strategy.
- *Governance*. 44% of board directors cannot identify the key drivers of value in the companies they govern.
- *Executive agenda*. 85% of executive teams spend less than one hour per month discussing strategy.
- *Incentives*. 70% of organizations do not link middle management incentives to strategy.
- *People*. 55% of human resources (HR) organizations either interpret strategy or deal only with operational priorities.[6]

The result of these issues is a confused organization with misaligned tactics, disconnected execution—which can even run counter to organizational objectives—and an inability to reach the goals outlined in the strategy.

When companies execute the wrong things, opportunity is lost. Here are common examples—sound familiar?

- Engineering develops a critical technical capability for a market that is not a priority.
- Marketing develops a global campaign with executive messaging to the C*x*O-level (CEO, COO, CFO, CIO) audience in companies with greater than

$1 billion in revenue, but the most profitable sales are with line-of-business managers of mid-market organizations between $250 million and $750 million in annual revenues.

- A retailer runs promotions that offer deep discounts on every item in the store and loses out to his savvy competitor who provides an attractive incentive to a targeted audience by simply discounting items that appeal to the local college customer audience and brings them into the store. The profit margin on accessory items is simultaneously increased and thereby maintains profit objectives.
- Two different product planners are working on complementary product enhancements, but the development plans are not integrated, and the strategy for product integration is not yet determined. Without this planning and collaboration, significant enhancements and competitive differentiation in the marketplace for each product goes unrealized.
- A government agency responsible for public health initiatives is unable to prioritize public health requirements and, thus, never seems to have enough resources for those most in need.

HOW PERFORMANCE MANAGEMENT CREATES VALUE

We have identified six stages of performance management value typically attained by organizations (see Figure 1.1):

1. Increase Visibility
2. Move Beyond Gut Feel
3. Plan for Success

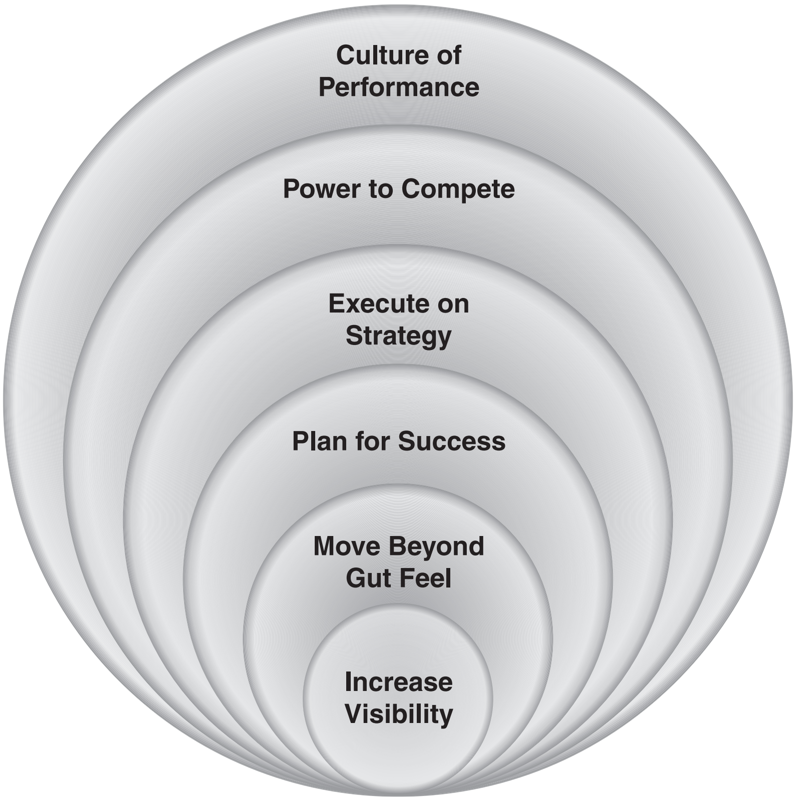

FIGURE 1.1 Six Stages of Performance Management Value

4. Execute on Strategy
5. Power to Compete
6. Culture of Performance

These stages build on each other, leading organizations to establish an environment where managing performance becomes an intrinsic part of how they operate—what we call a "Culture of Performance."

Different organizations (and even different departments within an organization) may recognize the value they receive from managing performance in different ways. Some may benefit from increasing visibility, for example, while others might benefit from planning for success, but none can attain the cumulative benefits derived from a Culture of Performance without developing the other five capabilities.

Increase Visibility

Some organizations simply do not know what they don't know. Since they haven't been closely managing their data and performance information, they lack detailed knowledge of their business to expose issues and opportunities. They focus more on activities than on measured progress toward goals. They may not be aware that they are bleeding, or that there's a pot of gold around the corner because they have not yet developed an analytic capability or implemented the tools to enable rich inquiry.

In cases like these, the organization is not seeking to resolve a performance problem because it doesn't yet know that it has the problem (or opportunity, as the information may reveal). The benefit of managing performance in this case is that it enables the identification of problems and opportunities the company had no knowledge of—and results in the ability to change strategy and operations to produce unexpected improvements.

A leading provider of mobile telecom services, made an interesting discovery as they developed their analytic capabilities.

They identified pockets of customers that were paying less in roaming costs than the company spent to provide the roaming service. Every minute each of these customers used the service in this way cost the provider significant sums—to the tune of around $2 million per month. With this increased visibility, the provider was then able to make the appropriate changes to their rate plans, target the right types of customers, and align their roaming programs with these changes to remove the issues associated with their costliest customer relationships.

Move Beyond Gut Feel

In other cases, organizations seek to investigate a hunch. They know that they're bleeding profits or suspect they may have a potential gold mine—they just don't yet know exactly what's causing the problem or how to reach the goldmine. They have only guesses without information to draw a meaningful conclusion on the best course of action to take.

The importance of enabling people to move beyond hunches and make fact-based, data-driven decisions is a central theme in this book. Steve Ballmer (CEO, Microsoft) has a favorite story he uses to describe moving from hunches to data driven decisions:

> I was sitting in a plane one day and reading a computer magazine of some sort when the passenger next to me began asking questions about an issue that he thought I could help him with.
>
> "Are you in the computer business?"
>
> I don't know about you, but I am not real fond of talking on airplanes . . . so I answered with a brief "Yep."
>
> "Well, we've got a whole lot of computers in my company." I was beginning to get a little afraid there was a tech support question coming . . . .
>
> "I've got a question for you. . . . " I'm thinking at this point, here it comes . . . but he continued,
>
> "My job is setting the price of auto insurance in the State of Colorado. Every state is regulated individually, and I have Colorado. Here's my problem. I believe people who buy auto insurance policies between Christmas and New Year's should be charged a higher rate than anyone else we sell to."
>
> "Why's that?" I asked.
>
> "I honestly believe that if you're buying auto insurance that week, you're probably planning on drinking for New Year's Eve, and I think we should charge a risk premium for that."
>
> The guy was dead serious, and, actually, it's sort of logical to me. "So what's the issue?"

> "I know someplace, in our computers, we know what our actual experience has been with people who we've written policies for that week. I know if I could just get at it, I could either prove my theory and I could go to the regulators and recommend we charge more, or I would abandon my theory and move on."[7]

The insurance analyst in this story is seeking to make a decision based on facts, rather than his intuition—he wants to move beyond gut feel. But even if he had access to this data, could he trust it? Could he get this information in time—before New Year's, when he can still do something about it? Could he validate his hunch based on historical patterns and trends? Could he take into account other potential factors such as weather conditions, age, sex, marital status of the policy holders, or differences across geographies? Better still, could he forecast and plan better based on correlations found between those factors? Could he model the different types of actions he may take to see what changes in the policies may yield?

Organizations realize the benefit of moving beyond gut feel when they are able to make informed decisions and move past speculation to validation. They don't guess, they know.

Plan for Success

As Steve Ballmer describes above, with a common trust of data and respect for facts, organizations can begin to develop reliable plans and strategies to capture "how we win." They plan for success—they say what they are going to do. In this stage, organizations are planning for success by anticipating future results and accurately forecasting their desired future state.

Companies seem to consistently struggle with the fact that the processes they're involved in rarely enable the execution of strategy—often because they are executed in silos and don't relate to each other. Most every organization does planning, budgeting, and forecasting of some sort—the depth, discipline, and effectiveness varies, but these practices are established as a part of doing business. It is both ironic and tragic that these foundational, rudimentary business activities that are core to doing business are also so poorly executed. As Eddie Short, Global Head and VP of Business and Information Management at Capgemini, puts it:

> Today for many organizations, there is a disconnect in the core management planning and control processes, for example, between setting targets, formulating strategy, planning, forecasting, risk management, investment planning, performance feedback, and financial consolidation. The annual budget, driven by Finance, frequently dominates the process, and the value it adds in its current form is increasingly being questioned. These processes need to be linked together in a better way, making use of three loops of feedback and control at three levels: Strategic, Operational, and Activities levels. What is required is step-by-step progress through the enterprise's processes, methodologies, metrics and technologies. Merely implementing a business intelligence tool is not the answer.[8]

The typical organization's planning, budgeting, and forecasting processes today are fragmented, slow, labor intensive, costly, and ineffective. Organizations that move from annual disconnected processes to collaborative, continuous execution achieve significant competitive advantage. They have increased agility as they streamline these processes and improve results through faster, more accurate, and better-communicated plans, budgets, and forecasts.

Execute on Strategy

We've discussed the fact that a primary reason companies seek to develop their performance management capabilities is to improve strategy execution. Executives often launch performance management initiatives when they see their strategies continuing to fail to be implemented. Removing obstacles to effectively execute on strategy is critical,

Author Michael Treacy refers to this as "performance discipline." As he defines it, "A company achieves a performance discipline when the risks of high performance have largely been eliminated and all that remains is hard work."[9] With this discipline, organizations can set an objective and know they will achieve it because they have the confidence that they will perform to plan. As Bob Baker, Vice President, Mobil, puts it, "I firmly believe that if I change one measure on my scorecard, change will happen."

Premier Bankcard, a leading credit card provider, provides a good example of the ability to execute on strategy. The company enables its employees to reach their goals with maximum predictability and confidence.

> We have a process we implement as the month is coming to a close called 'the Goal.' Managers had already decided their goal for the month, how many and which type of applicants they want approved. Now as the month progresses, they have real time stats showing them where they are against the goal. That was something they didn't have previously during the month or during the day—to know that 20,000 or 200,000 was the right number based on various dynamic contributing factors throughout the month . . . to know that this is the most profitable number—right here, right now. To know that we start getting a diminishing return if it goes higher than this and being able to come in at the right number with predictability provides us with a competitive advantage.[10]

When companies commit to a strategy and communicate "This is how we win," and can align execution with corporate objectives, they begin to create a Culture of Performance. Beyond communicating their strategy, best-practice companies are able to instill in the minds of their employees the discipline of execution, enabling their people to become the "agents of change" across the organization. This moves the organization from disconnected pockets of decisions made in silos to informed decision making tied to common and aligned objectives.

Performance improvement should be an empowering and strategic focus for the entire company. Strategy execution takes a coordinated and aligned organization, from top to bottom, side to side. As Allen Emerick, Director of IT at Skanska, a top five global leader in construction services with annual revenues of $17 billion, says, "We believe that performance management is for every individual in the organization because every individual needs to be able to make better, more informed decisions." At Skanska, they execute on strategy—they do what they say they are going to do.

Power to Compete

Up to now, we've talked about how companies can manage themselves better internally. But how do you know if your best is good enough? Even if you are predictably achieving 100% of your goals, that still may be 50% of your competition's performance. Companies need to have context for their metrics outside of the organization to ensure they are not only performing well, but performing better than the competition, and giving customers a reason to buy their products and services, and shareholders a reason to buy their stock.

To do this, companies need to benchmark results against the rest of the industry and make the fact that they execute better on these metrics a competitive advantage. For example, say you're a services company and your goal is a 20% operational margin, which means the difference between the cost of providing services versus the income associated with delivering services is 20%. But your number one competitor has an operational margin of 30%. In order to grow you have to operate better than your competitor. Beating your competitor on profitability means your goal is not 20%; it is now anything above 30%, all other factors being equal. By focusing on beating this new margin objective internally, you're creating a proof point that you're beating the competition. You're operating better than they are, and the fact that your margin is higher is proof of that. What are the associated customer benefits? Customers have higher confidence in your operational effectiveness—that you will deliver quality services on time and within budget. This helps you secure your base and win customers because you can say with confidence that you're operationally better than the customer's alternatives.

"Making better decisions faster potentially means millions of dollars to us over the course of a year" says Skanska's Emerick.[11] But Skanska goes a step further to compete more effectively. Not only do they have the information to tell them what their profit margin is, but they also have industry benchmarks to show the context of this performance versus their competition. Finally, they have the ability to forecast their performance versus the competition to define success for their shareholders. Internally, they are able to communicate plans with what they call "outperform" objectives—which, when met, enable them to exceed stakeholder expectations and win. Hospitality leader Hilton Hotels has a similar metric approach that they refer to as "perfection."

The power to compete doesn't just exist in the private sector. Public-sector organizations like the Development Bank of Southern Africa (DBSA) compete for public support, government aid, and private-sector sponsorship. The DBSA is a good example of how to align to public objectives that stakeholders have defined as success.

Dave Evans, Executive Coordinator, Group Risk Assurance Division for DBSA, explains:

> Our government has a 10 year plan called "The People's Contract" which was put together in 2004. There are measures that

> have to do with reducing poverty levels, and the number of households without access to clean water and electricity. We also have the UN Millennium Development Goals which relate to things like reducing mother mortality from childbirth, improving education—percentage of females in school—hygiene, health (with diseases like malaria and AIDS), sanitation, etc. The Balanced Scorecard gives us a framework to see how we're impacting against those goals. The report of how we're doing on our Balanced Scorecard is a separate section in our annual report and is vetted by our external auditors.[12]

External benchmarks are important indicators of the bank's effectiveness relative to the other options that their stakeholders may have for development activity. Dave continues:

> Our scorecard contains benchmarks that relate to maintaining targets with international rating agencies (like Moody's), which provide ratings of creditworthiness of organizations like ours who sometimes seek to raise money on the global markets. Benchmarking also shows up with global risk standards, like Basel II. Those who are processing loans look at things like turnaround times for appraisals relative to the competition. Sometimes this is from benchmarks, sometimes from surveys to understand how we compare to the competition.[13]

Culture of Performance

As industries continue to move more and more to information-based work, empowering the information worker becomes a greater responsibility. A Culture of Performance needs to be created that enables the individual to make good decisions to better serve customers, the company, and other stakeholders. You can have the right people, the right processes, the most enabling technology, but each of these alone no longer delivers strong competitive advantage. As the Balanced Scorecard Collaborative warns, you can have great people effectively executing the wrong things. The key is to make sure you can effectively execute the right things. "The main thing is to keep the main thing the main thing."[14]

Organizations achieve a competitive advantage when they develop a culture that fosters improved performance—one that holds facts in high regard; one that is customer-centric; one that competes from a common playbook, makes data-driven decisions, and promotes cross-group collaboration, alignment, and execution.

Capgemini's Short often discusses the processes, methodologies, metrics, and technologies that enable the "Intelligent Enterprise." He uses a line that we love—*"It's time to put the 'I' back into IT"* (Information back into Information Technology)—to underscore how "masters of performance management" view information as a critical corporate asset.[15]

The people who decide to develop an organization's performance management capability cite an interesting motivator: organizational credibility. They know what they don't know—and they know what capabilities they lack that they feel they should have. Rather than accepting that their organization is simply not going to be able to model multiple business scenarios to anticipate results and easily support strategic decision making, they take action to deliver these capabilities. They are driven to answer their own burning questions, and after they have experienced the benefits, they want to empower others across the organization with this ability as well.

"I want the credibility both internally and with our customers—the retailers who distribute our products—that our capabilities are world class and we're the most capable business partner they can possibly have. When they propose hypothetical scenarios and new ideas on how to package products for retail distribution, I want our people to be knowledgeable and flexible enough to brainstorm with them with absolute confidence that we're not only meeting their needs, but our own as well," says Randy Benz, CIO of Energizer Holdings, Inc., a leading global manufacturer and provider of batteries and flashlights (under the Energizer and Eveready brands) and the second largest manufacturer of wet-shaving products (under the Schick and Wilkinson Sword brands). While other organizations may accept their limitations, Energizer is ensuring they can exceed expectations and compete more effectively.

When it comes to organizational competition, the company that removes employees' information limitations and provides them with the information capabilities they need to excel at their jobs gives itself the best chance of winning.

The right people, tools, and processes will not deliver results if they are executed in an environment that does not support them. They become as ineffective as an organ rejected by the host body. Effective performance management delivers competitive advantage by enabling a Culture of Performance—managing performance must become a part of the organization's DNA. As companies develop a Culture of Performance, their performance improvement initiatives move from initiatives to simply, "how we do things around here."

Leading companies like Expedia are developing a culture of performance by building performance management capabilities into the new hire training every employee attends—it becomes a part of how Expedia operates and communicates.

> Every new employee goes through training on 'what is performance management?' and how to do it at Expedia. They are asked what groups they are joining and they are shown how to manage and even build their own scorecards for their respective jobs. They understand how performance is managed and communicated for their respective team and how this impacts organizational objectives.[16]

And they are recognizing the results.

> We're extremely fast at making decisions now. Before, we were really flying blind. The competitive advantage is like night and

> day. If you could see where we were with our lack of reporting capabilities, and now the way the business talks in terms of "reds, yellows, and greens." It's truly an impressive feat for Expedia . . . we're developing a Culture of Performance and it's a real differentiator."[17]

CONCLUSION

In this chapter we have discussed why organizations are interested in managing performance. We have noted the role of executive commitment to improve performance as well as the importance of intelligent execution over strategy alone. Finally, we have introduced the six stages of performance management value. We will come back to these stages and enable you to determine your organization's stage later in this book. However, before organizations can diagnose their stage, they need to first understand and assess performance management capabilities.

This is why we now turn our attention to the capabilities that deliver this success. The six stages are the goals of managing performance—and they are the typical evolution that companies will go through on their path to the Culture of Performance. The capabilities are what enable organizations to go through these stages.

1

Appendix

In addition to the intended benefits of improving organizational performance, performance management also offers unintended benefits. These ancillary benefits can be as beneficial to the organization as the targeted performance improvement and are great examples of the impact of creating a Culture of Performance, not just implementing separate people, process, or technology changes alone.

Great thinkers, past and present, have offered thoughtful pearls of wisdom that, shown through a performance management prism, can illuminate further the power and potential that comes with a Culture of Performance:

> After all is said and done, more is said than done.
>
> *Aesop*

Strategy execution and results are the primary benefit of managing performance. The side benefit is creating a culture which respects results and fosters accountability.

> We can have facts without thinking but we cannot have thinking without facts.
>
> *John Dewey (1859–1952)*

Creating an organizational culture that values facts can be challenging when "gut feel" has been the decision support tool of record. However, it's difficult to argue against a verifiable fact. Creating a fact-based culture provides the added benefit of making better, data-driven decisions.

> The great thing about fact-based decisions is that they overrule the hierarchy.
>
> *Jeff Bezos, Founder, Amazon.com*

Many companies find that moving from decisions based on emotion and politics to decisions made on facts and reliable data neutralizes the political charge within an organization. The culture of respect for facts must get interwoven into the thread of the organization. With verifiable facts, which groups adhere to, organizations can remove the degrading effects of multiple theories and strategies that result from an environment "where facts are few, experts are many."[18]

> We each have only enough strength to complete those assignments that we are fully convinced are important.
>
> *Johann Wolfgang von Goethe*

The increased focus that is enabled by the introduction of performance management within an organization is immensely valuable. When we know what the organization is trying to accomplish and how our work contributes to it, it is much easier to identify what contributions are the most prioritized and what work is less impactful.

> Technology is dominated by two types of people: those who understand what they do not manage, and those who manage what they do not understand.
>
> *Archibald Putt*

Performance management allows the accurate reporting of both group and personal impact to organizational objectives such that both the boss and the employee understand not only how the company is performing, but also how the group and individual are contributing.

> Things do not just happen; things are made to happen.
>
> *John F. Kennedy*

Miracles are better explained when we are actively managing performance as we are able to see contribution and account for our success . . . and replicate miraculous results!

> Good marketers measure.
>
> *Seth Godin*

Performance management also introduces accountability to departments within an organization for whom measured impact may not be well known. This allows for better allocation of resources and investments toward these departments as return on investment and impact are better understood.

> There is nothing so useless as doing efficiently that which should not be done at all.
>
> *Peter Drucker*

Focusing and executing on the wrong things is a common, damaging problem for many organizations. Performance management does not just introduce good new habits—it can also get rid of old habits that were detrimental to performance.

> If the only tool you have is a hammer, you tend to see every problem as a nail.
>
> *Abraham Maslow*

To an organization without data and facts, every issue may be solved with the same blind inaccuracy, and solutions to singular problems can be overextended to apply to various complex problems.

> It is a very sad thing that nowadays there is so little useless information.
>
> *Oscar Wilde*

This may be the lament of a few who formerly got by through obfuscating the facts with misinformation or hiding from accountability in misprioritized initiatives.

> Deprived of meaningful work, men and women lose their reason for existence; they go stark, raving mad.
>
> *Fyodor Dostoevsky*

While employees often get concerned when first introduced to performance metrics, it's always rewarding to see the recognition of the benefits it provides them: They can defend themselves with data, they can make more informed decisions, and they can ensure their good work is accounted for—all of which help to arm the employee in performance reviews as well as increase the feeling of contribution and value to the organization. In this way, performance management can provide a morale boost and "power to the people."

Notes

1. Discussion with Thomas Beyer, Global Government Administration Competency Leader, Bearing Point.
2. Conversation with Tom Davenport, November 2007.
3. Capgemini Intelligent Enterprise CXO Survey, December 2007.
4. Linda Barrington, Henry Silvert, and Rachel Ginsberg, *CEO Challenge 2006: Top 10 Challenges* (The Conference Board, November 2005).
5. See http://online.barrons.com/public/main.
6. *Translating Strategy into Action*, joint study by Renaissance, *CFO* magazine, and Business Intelligence, 1996.
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