

‘Connected Performance’: A New Approach to Managing and Improving Performance in Organisations

Alan Meekings*, Simon Povey** and Andrew Scott***

Past academic research in the field of performance measurement and management has tended to focus more on what to measure rather than how to manage performance. Moreover, few organisations are aware of the full potential benefits of re-thinking the way they manage performance and improvement. This situation had led us to develop and codify a framework for managing and improving performance in organisations which we call ‘Connected Performance’ and which we describe in this paper. This framework is based on a unique combination of concepts, methods and techniques, and offers many advantages over traditional approaches to performance management. Not only does it help organisations produce better quality outcomes without increasing cost, but also it generates enthusiasm, learning and quicker adaptation.

Field of Research: Management

1. Introduction:

The art and science of managing the performance, adaptation and improvement of organisations should be much more important in the 21st century than it currently is. The result is the waste of opportunities, resources and human talent on a grand scale. We expect our domestic appliances, cars and mobile phones to work at peak efficiency, with all their component parts giving of their best. Why do we demand less when it comes to our organisations¹? Moreover, the impact of this waste in human endeavour is magnified because customer expectations are rising and the global economy is developing at an unprecedented rate. Today, the ability of organisations to learn, adapt and improve is more important to their survival than ever before. As management consultants, we see waste everywhere in organisations. This has puzzled us over the years, because we see no corresponding shortage of intelligent, open-minded and dedicated managers, nor, indeed, highly-respected business schools researching and teaching the techniques of modern management.

*Alan Meekings, Landmark Consulting, UK, alan.meekings@landmarkconsulting.co.uk

**Simon Povey, Landmark Consulting, UK, simon.povey@landmarkconsulting.co.uk

***Andrew Scott, Landmark Consulting, UK, andrew.scott@landmarkconsulting.co.uk

So what is going wrong? The short answer, from a performance management perspective, is two-fold:

- First, there are some crucial elements missing from current theory and practice in this field. Hence, rather like a recipe with missing ingredients, it is hardly surprising that the final product can taste very different from what was intended; and
- Second, successful implementation holds the key to liberating the full potential of performance measurement and management. For example, when you buy a new washing machine, you get no value from it until: (a) a suitable place is found for the new machine; (b) it is appropriately plumbed-in and plugged-in; and (c) the water taps and electricity are turned-on. We explored this analogy in more detail in an earlier paper (Meekings and Povey, 2006).

2. Definitions

The terms 'performance' and 'performance management' can mean very different things to individuals and organisations. Hence, for clarity, we need to define what we mean by these two terms:

- By 'performance', we mean the ability of an organisation – of any kind – to generate high quality outcomes consistently, reliably and for the minimum input, and to adapt appropriately to changes in the real world; and
- By 'performance management', we mean the effective implementation of strategic, corrective or improvement actions, based on decisions made with full insight into current and potential performance.

We have observed that organisations who excel in terms of 'performance management', both acting strategically and delivering improved outcomes from finite resources, tend to exhibit the following, key characteristics:

- (1) They have an explicit mechanism for managing performance, rather than merely reporting on performance;
- (2) They engender performance management throughout the organisation (and across interfaces with partners), rather than devolving responsibility to a few individuals; and
- (3) They learn from experience, and then adapt both how the work gets done and how they are organised and managed in response to changing circumstances and changing customer or client perceptions of value².

We term the collection of these characteristics 'Connected Performance'. Let us explain why.

3. Common Shortcomings

Over the years, we have observed a pattern of shortcomings in the way performance measurement and management is typically deployed. For instance:

- Strategic performance goals are set, either internally or externally, but these goals are disconnected from operational line management and the decision-making that affects day-to-day operations;
- Performance is reported, often to external stakeholders or by a special performance reporting group, but the reports produced are disconnected from the issues that actually drive organisational performance, adaptability and improvement;
- Managers are expected to make decisions to improve performance but are disconnected from the belief that this is central to their role – whether expressed in job descriptions, personal objectives or simply the prevailing culture around how accountability is devolved;
- Those who can make improvements happen are disconnected from: (a) necessary insights into the levers that could make a real difference to performance; and (b) essential feedback showing the true impact of the actions they take;
- The reactive culture of organisations is disconnected from the need for regular, incremental, continual performance improvement;
- Organisational units and performance improvement teams are disconnected from each other, whereas they ought to be coming together to address complex, cross-functional or cross-agency performance issues; and
- ‘Performance’ is seen as an individual attribute – often assessed by a hierarchical ‘individual performance appraisal’ process – rather than as predominantly a team attribute and the product of the system in which individuals work. As a consequence, individual performance is disconnected from collective performance, and also from systemic performance improvement.

Moreover, even when the necessary managerial motivation exists to improve performance, there is typically no mechanism in place for encouraging action or for tracking, guiding and supporting the improvement process.

4. Connected Performance

Our response to these shortcomings has been to develop a framework for Connected Performance which can be implemented straightforwardly and sustainably in any organisation, such that it becomes part of its fabric and integral to how the organisation operates. This framework is illustrated at Figure 1 below:

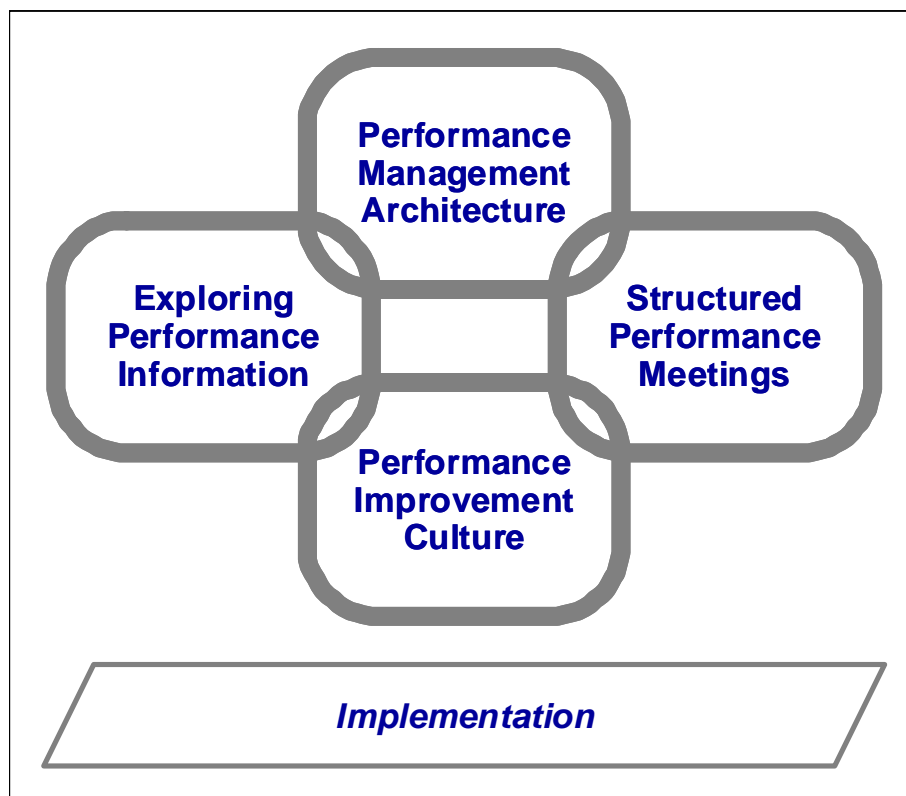


Figure 1: 'Connected Performance' Framework

Let us now expand on each of the five elements in this framework in turn.

5. Performance Management Architecture

Developing a performance management architecture addresses two key questions: (a) who needs to come together to review what, when, why and how; and (b) how differing levels of review can be made to integrate and inter-relate. We covered these questions in more detail in an earlier paper (Meekings, 2004). This element in the framework is essential for ensuring that the effective management of performance is undertaken in the most appropriate way throughout the organisation and across the interfaces with partners. It is also essential as a way of differentiating how various levels in an organisation add value most appropriately. Note that, when we use the term 'level' in this context, we do not imply status in the organisation but rather decision-making scope and accountability.

All too often, we find that everyone in an organisation – from chief executive to front-line management – is focused on this year's budget and yesterday's performance. For instance, at Rover Cars in the mid-1990s, their chief executive demanded to have yesterday's sales figures faxed to him first thing every morning. He would then frequently call the head of their National Sales Centre for an explanation as to why, say, sales of Minis were down the day before. None of these sales figures were presented in Statistical Process Control (SPC) format, highlighting daily variation,

cyclical during the week or seasonality across the year. Hence their chief executive's frequent inquiries resulted in a huge amount of unnecessary and inevitably-fruitless effort in trying to 'explain' incidents that were already 'lost in the noise' of predictable variation, cyclical and seasonality. As we now know, Rover Cars has since gone out of business. Frankly, their chief executive should have been adding value at a different level from the head of the National Sales Centre. Moreover, arguably it might have been helpful if he had learned more about SPC from Rover's earlier collaboration with Honda. Sadly, this sort of compression of decision-making levels in organisations is all too common. For example, when we first started working with a new client, one middle manager said to us, "I'll bet you £1,000 that nothing will come of this. Every time we've made decisions to improve things in the past, senior management have undone it." Within two weeks, he and his fellow managers had embraced Connected Performance with enthusiasm and improved performance was evident. Obviously, we never called-in his bet.

6. Exploring Performance Information

One of the key differences between reporting performance and managing performance is the ability to investigate and understand root causes. Connected Performance ensures that all teams can: (a) share the same view of the world; (b) rapidly assimilate information visually; (c) explore the root causes of identified performance issues; and (d) monitor the impact of the decisions they make and the actions that follow. Many organisations employ central teams of information analysts, tasked to answer questions posed to them by managers by exploring performance data, often using specialised 'business intelligence' software tools. There is nothing necessarily wrong with this. However, it can never be a substitute for the ability of everyone in the organisation, from front-line staff and supervisors to senior executives, to explore performance issues for themselves.

This point is often overlooked. Yet it is actually fundamental to the ability of teams to learn and grow in confidence in taking decisions and implementing actions. Information presented in time-series charts, highlighting variation, cyclical and seasonality, is readily assimilated by teams in discussions, whereas tabular data can be impenetrable or confusing (Meekings and Povey 2006). In reality, though, not all performance information is easily measurable or can be readily expressed in time series charts. For example, emergency services (such as police, fire, ambulance and breakdown services) can often derive actionable insights by displaying the demand for their services geographically and then looking for 'hot spots' or relevant time-of-day information, so as to aid decision-making about the positioning of services.

7. Structured Performance Meetings

Structured performance meetings are based on a concept that we call 'Issues, Decisions and Actions' (IDA). IDA is shorthand for a cycle of performance planning comprising:

- Exploring and drawing insights from performance information;

- Using these insights to identify critical issues worthy of attention, in priority order;
- Thinking about potential innovations or improvements;
- Deciding on actions accordingly;
- Implementing agreed actions; and
- Monitoring the impact of these actions, and responding accordingly.

Beneficial action is the only lever that can correct a downward slide in performance or deliver fundamental improvement. However, performance improvement actions are essentially arbitrary unless they are founded on well-informed decisions – in other words, decisions informed by facts and tested through action, rather than being based on anecdote or supposition. The best way of reaching informed decisions is for groups with expertise, ownership and responsibility jointly to explore the facts and develop appropriate solutions. The term ‘IDA’ somehow seems to encapsulate this way of thinking about problems and their solutions. Structured performance meetings are essentially a means of implementing team-based problem solving, informed by key insights into actual performance and underlying drivers. These meetings have a pre-defined frequency, agenda, process, style, time-contract and method of recording issues, decisions and actions. Working with groups where routine face-to-face meetings are impractical (such as customer advisers and their supervisors in call centres; clinical professionals and their team leaders in ambulance services; or maintenance engineers and their managers in repair services) has led us to develop approaches specifically suited to teams who cannot routinely break-off from their work to meet in person to discuss issues as a whole group.

8. Performance Improvement Culture

Culture is another term that means different things to people. The phrase ‘the way we do things around here’ encapsulates what we mean by this term. From a Connected Performance perspective, the key to creating a successful performance management culture is setting the expectation that insights into issues or opportunities for improvement will actually be turned into appropriate decisions and actions. Indeed, one organisation with whom we worked turned this idea into the mnemonic ‘ABC’, as shorthand for, “If you have the Authority to act, and your intended action will be both Beneficial to customers or the organisation and Compliant with policy and regulations, then why not act now?”

Essentially, the person at the top of the organisation (or, indeed, any level within it) must explicitly communicate the expectation that managers and their teams will make fact-based decisions about performance, take action accordingly and learn from the results of their actions. In practice, this is easier to achieve than it sounds³. We call this ‘creating the necessary updraught of management attention’ (Meekings, 2004). It is an essential ingredient in the Connected Performance framework as it instils the necessary motivation and confidence in staff, at all levels, that the new

way of managing performance will be accepted, supported and sustained on a continuing basis.

9. Implementation

Connected Performance is a universally applicable framework. However, every organisation is bound to start from its own unique situation. Hence – to use our earlier analogy of washing machines and kitchens – Connected Performance has to be plumbed-in appropriately. Inevitably, the gap between an initial start-state and potential end-state will differ for every organisation. Some organisations, for instance, will already be competent at team-based decision-making, whereas others will not. Many will have good performance reports but not the facility for staff at all levels to explore for themselves the real drivers and opportunities for performance improvement. Others may not even have useful performance reporting in place at the outset. Our experience is that:

- Structuring and implementing an effective performance management framework in organisations, and capturing the resulting benefits, can be achieved surprisingly quickly, inexpensively and sustainably; however
- Creating the necessary updraught of management attention depends critically on the willingness and determination of the person at the top of the organisation (or, indeed, any subsidiary part of the organisation) to make performance management matter. It is rare, if not impossible, for effective performance management to percolate from the bottom up.

There are many obstacles to implementing Connected Performance in organisations. It takes experience in design and leadership in implementation to overcome these obstacles. Arguably, this is the ‘art’ in the ‘art and science’ of performance management. We would be happy to share our experience in how to deliver successful, sustainable implementation of what we call Connected Performance.

10. Conclusions

Changing the way performance and improvement are managed can unlock the waste in opportunities, resources and human talent so prevalent, yet largely unrecognised, in organisations today. Based on our experience of helping clients change the way their organisations are managed, we have developed and codified a comprehensive and integrated framework called Connected Performance. This framework works in practice largely because:

- (1) It specifically addresses the common causes of ‘disconnected performance’;
- (2) It introduces new ingredients, such as our ‘performance management architecture’;
- (3) It brings together all essential ingredients in an integrated recipe, which itself is novel; and

- (4) It is tailored and implemented – or plumbed-in, as we would say – in a manner specifically suited to the starting circumstances of each specific organisation.

Not only does this framework help organisations produce better quality outcomes without increasing cost, but also it generates enthusiasm, learning and quicker adaptation. We believe it has many advantages over traditional concepts in the field of performance measurement and management, and we offer it as a contribution to the growing body of knowledge in this specialist field.

References

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End-Notes

¹ Domestic appliances, cars and mobile phones are products of human design and depend on co-operation and collective endeavour for their creation and delivery. Although we are not arguing that organisations should be viewed as machines, it is interesting, though, that society seems to be less demanding of organisations, which similarly depend on human creativity, co-operation and collective endeavour, than it is of its machines.

² The concept of 'customer value' implies more than merely 'meeting customer expectations' or 'ensuring customer satisfaction'. In essence, customer value needs to be assessed from the perspective of underlying 'customer purpose' (Barlow, Parry and Faulkner, 2005).

³ Making performance planning and review matter does not depend on personal charisma or inspirational leadership, largely because the insights emerging from the data do the talking. Hence, Connected Performance is within the grasp of anyone who senses its potential benefits and is prepared to take accountability for grabbing the performance planning and review process and making it work properly.