Performance Management by Any Other Name Still Works the Same

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by Mark Graham Brown

Why is it that every business fad and management program has to be abbreviated with three-letter acronyms? This has been going on a long time, and it keeps getting more annoying and confusing. It might have started with MBO -- Management by Objectives, and now we have an endless array of confusing programs and acronyms, with some of them meaning the same thing.

Part of it seems to boil down to the fact that there are just not that many new ideas, so consultants have to keep things fresh by re-packaging old programs like TQM with a new name like Continuous Process Improvement (CPI). "I thought we cancelled that stupid TQM program back in 1999?" "We did, this is CPI and it is very different." Sounds like a *Dilbert* cartoon, doesn't it?

Performance Management

Back in the late 1970s when I started my career, I was a performance management consultant. We had a well-defined discipline and a set of tools for diagnosing the causes of performance problems and implementing improvement programs. Often clients already had a solution in mind ("We need a training course") before they heard what was causing the performance problem. But we had lots of different solutions to propose that included technology, measurement/feedback, incentives/consequences, and even changing work processes. We studied master performers and compared them to mediocre performers to determine that often subtle differences in behaviors or capabilities made a big difference in outcomes.

Over the years, performance management took a back burner to newer approaches and programs like Six Sigma and TQM. I had to change my business cards from "Performance Management Consultant" to "TQM Consultant." A new theoretical model and set of tools emerged and was implemented first in manufacturing but eventually to service companies, government, schools and most recently in healthcare.

BSCs

In the early 1990s a new trend began to gain popularity: Balanced Scorecards, or BSCs. (I guess they thought they needed three letters and did not want to use BS as the title.) Balanced Scorecard is an approach to measuring the performance of an organization that goes way beyond simply tracking lagging financial indicators like sales and profits. Having a balanced set of measures meant having measures of other dimensions such as people, customers, operations and even suppliers. It also meant having a mix of leading (cholesterol) and lagging (heart attack) measures.

This approach to measuring performance has become part of the way most organizations measure performance today, and just about everyone from big corporations to small non-profits have a more balanced set of metrics than they did 20 years ago. What most realized, however, was that the mere act of measuring a dimension of performance does not necessarily make it improve. Weighing yourself each morning does not help you lose an ounce. However, having accurate measures of various aspects of organizational performance is a prerequisite to improving.

I wrote three books on Balanced Scorecards and had that as a key consulting service for a number of years, but most organizations already have a BSC today -- time for some new business cards.

Full Circle

If you stay in the consulting business long enough you realize that things eventually come back in favor. Just like those thin ties and suits with skinny lapels from the 1960s and early 1970s that are now cool again, so too is performance management. Of course, we need a new name to change it up a bit and make the old-timers think this is something different than what they may recall from the 1970s and 1980s. The consultants decided that we need three letters, and they tried Performance Management System, but PMS is probably not a good name for a management program even though most of them cause much discomfort. So, they settled on either EPM, BPM, or CPM.

The problem with good acronyms is that they are often already taken. If you Google EPM, you get all kinds of listings, like "Efficient Portfolio Management" and some drug for horses, but the first page on Google includes nothing about business performance. The next one they tried was "BPM", but it turns out that one stands for "Business Process Management," which is basically the old TQM stuff with a new name. I suppose they also considered Organizational Performance Management as well, but OPM means Office of Personnel Management to most people, so that one got scrapped.

What was left was CPM, or "Corporate Performance Management." Try Googling that one, and you will get "cost per mile," "continuous passive motion," "certified purchasing manager," or the name of a specific advertising and marketing metric -- "cost per 1,000 impressions." Nowhere did I see any reference to "corporate performance management."

What is (Business, Corporate, or Enterprise) Performance Management?

A definition I found on Google is pretty confusing and adds even more acronyms:
"Corporate performance management (CPM) is the area of business intelligence (BI) involved with monitoring and managing an organization's performance, according to key performance indicators (KPIs) such as revenue, return on investment (ROI), overhead and operational costs. CPM is also known as business performance management (BPM) or enterprise performance management (EPM).
"Historically used within finance departments, CPM software is now designed to be used enterprise-wide, often as a complement to business intelligence systems. CPM software includes forecasting, budgeting and planning functions, as well as graphical scorecards and dashboards to display and deliver corporate information. A CPM interface usually displays figures for key performance indicators so that employees can track individual and project performance relative to corporate goals and strategies. Some companies use established management methodologies with their CPM systems, such as balanced scorecard or Six Sigma."
Let me see if I can make sense of it for you. A performance management system is comprised of the following components:

1. **A plan** that includes goals, objectives and key strategies for achieving them. This might be a more longer-reaching strategic plan or a shorter-term operational plan.
2. **Resources**, which include a budget, a skilled staff, tools, technology, facilities and other resources needed to perform well.
3. **Metrics** that include a variety of different measures and targets linked to both strategy for the future and operational success. This suite of metrics might be called BSCs, KPIs, a scorecard, a dashboard, or all of the above.
4. **Review and Analysis** -- processes need to exist for regularly reviewing and analyzing performance data to identify opportunities for improvement and do problem diagnoses, providing the reviewers with business intelligence.
5. **Actions and Strategies**, including projects, initiatives, programs, or activities designed to improve or maintain various areas of performance. These also need to be monitored on a regular basis (the more often the better) to determine if actions are producing the desired results.
6. **Consequences**, i.e., systems of rewarding and recognizing achievements of goals, objectives and performance targets. To be effective, consequences need to be personal, powerful, and clearly linked to performance.

A Nearly-Perfect Performance Management System

Every day thousands of flights land safely around the globe. Airlines have about as close to zero defects in taking off, flying and landing jets safely as could ever be expected. There is no secret to how this is achieved. Flying an aircraft is a nearly perfect performance management system.
First of all, there is always a detailed flight plan so the pilots know the route, destination and are alerted to any weather or airport delay issues. Pilots themselves are thoroughly screened and receive excellent training. They are provided with adequate fuel, hopefully a well maintained aircraft, and other resources like coffee and food. Cockpits are designed with excellent metrics, and gauges allow pilots to review and analyze performance in real time so as to adjust their flight plan and strategy for arriving at the destination on time.
Finally, there are pretty severe and personal consequences to making a mistake for a pilot. Bad performance could result in a fiery death and good performance means you get to fly another day. Most pilots I know really enjoy flying. So, there you have a nearly perfect performance management system. If organizations ran this way, we would see a lot better corporate performance.
Regardless of what acronym you use to describe your system for managing organizational performance, it is important to include all six of the components I mentioned. Over 30+ years of consulting experience, the two areas that are the most frequent cause of problems are unreliable metrics and a lack of powerful consequences (positive and negative) to ensure people are accountable for performance.

Incidentally, my business card now just says "Management Consultant."

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