

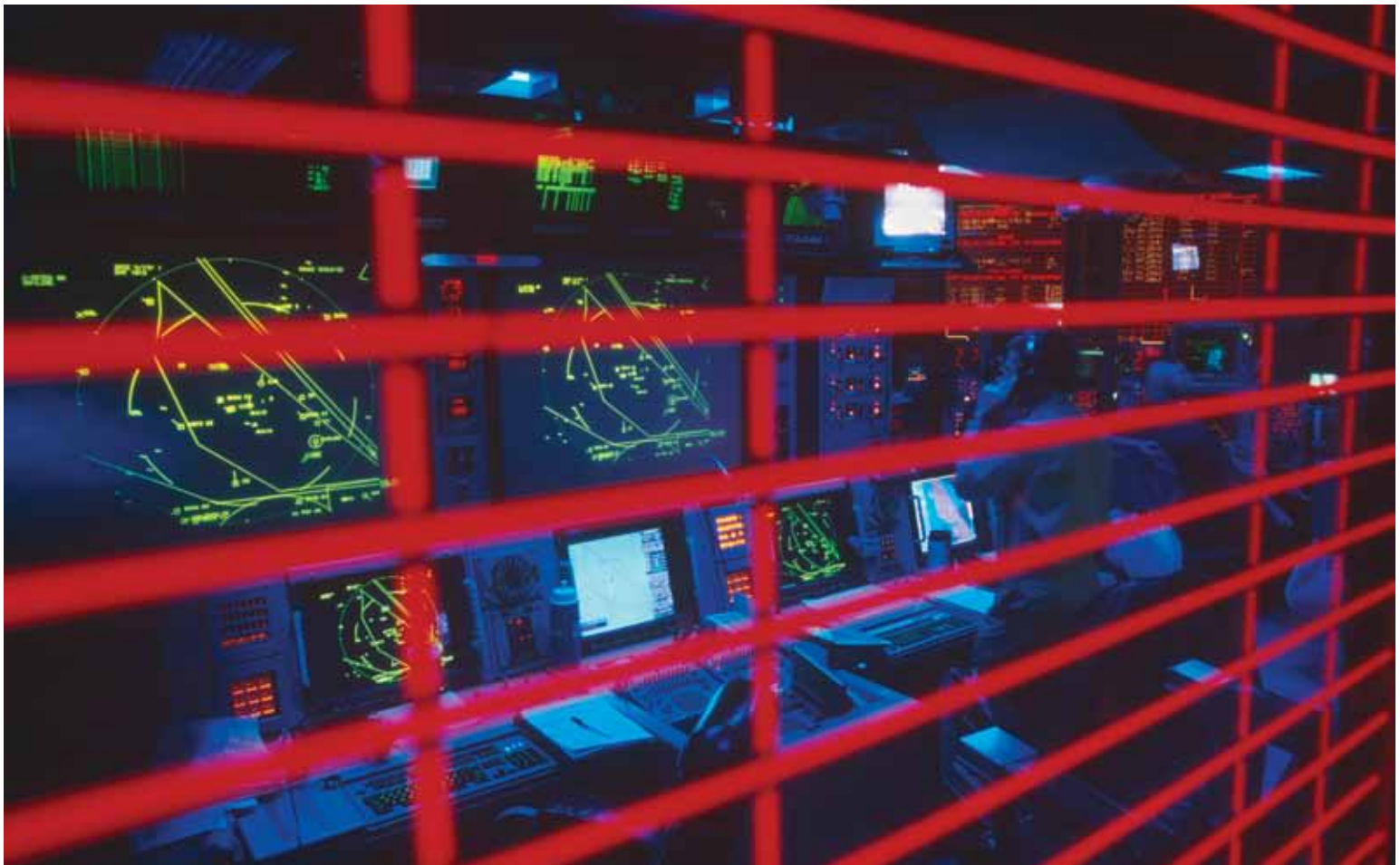
Performance management matters*

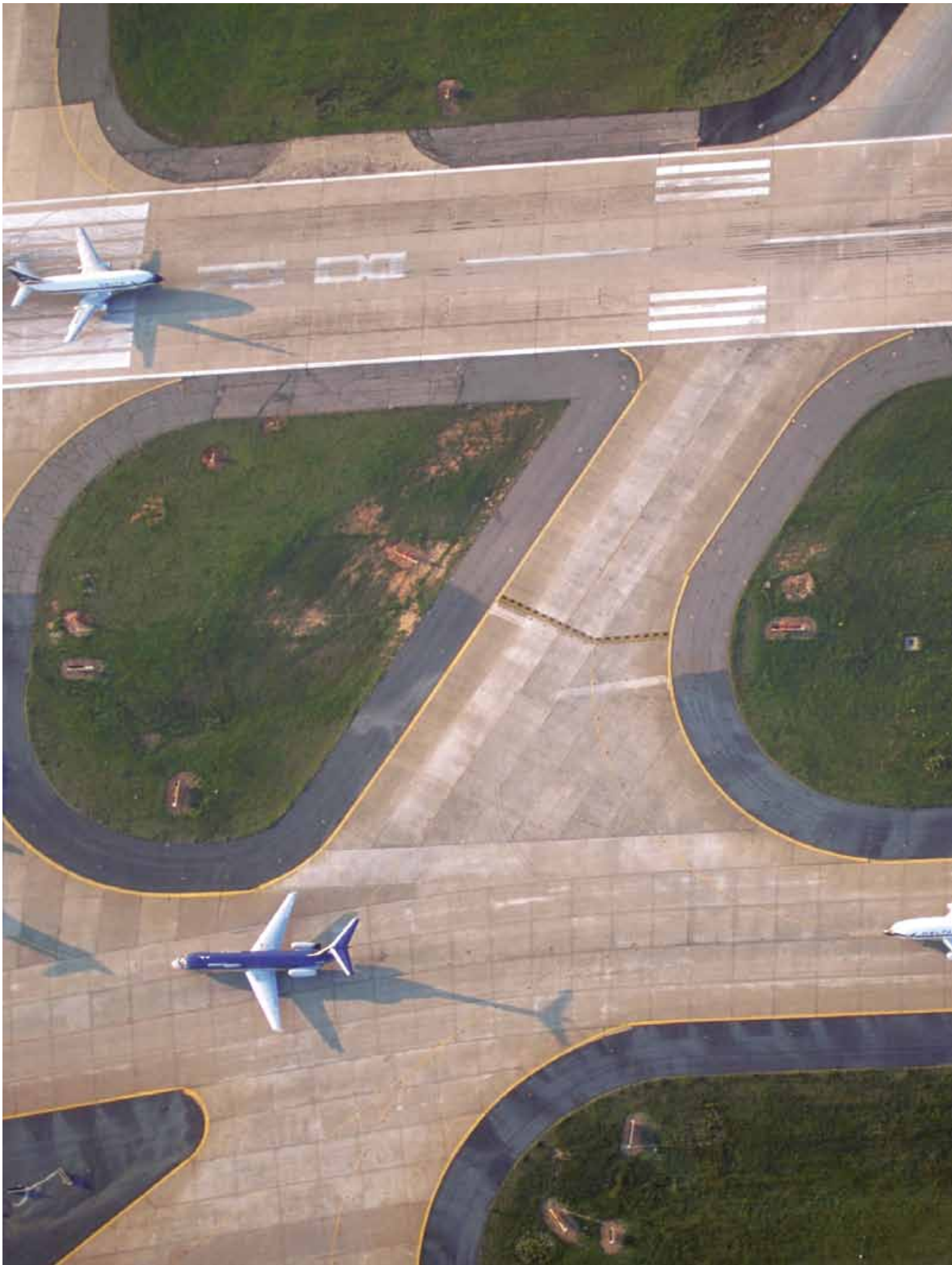
Sustaining superior results
in a global economy

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Sustaining superior results in a global economy

Message from PricewaterhouseCoopers'
Canadian Performance Management Leader

June 2009

On behalf of the teams from PricewaterhouseCoopers LLP (PwC), the Telfer School of Management at the University of Ottawa and CATAAlliance, I am pleased to enclose our research study report on performance management, entitled *Performance management matters: Sustaining superior results in a global economy*.

The objective of our study is to help both private and public sector organizations gain a deeper understanding about the impact that a well managed and deployed performance management approach can have on the overall performance of an organization.

Our report contains a concise and practical set of recommendations that is based on our analysis of the survey data and the interviews that we conducted for the study. We believe the adoption of the recommendations will help management become more effective in implementing effective performance management practices and programs at their organizations.

I hope you will find this report timely and useful in considering your organization's own strategic use of performance management. For more information on Performance Management Services provided by PwC, please visit www.pwc.com/ca/pm or contact me directly.

If you would like to learn more about the sponsoring organizations for this study, please visit their respective websites:

- PricewaterhouseCoopers – www.pwc.com/ca
- Telfer School of Management – www.telfer.uOttawa.ca
- CATAAlliance – www.cata.ca

Yours sincerely,



Philip E. Townsend
Partner, Advisory Services
Performance Management Services Leader, Canada



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01 Executive summary

With increasing demands on their time, management teams must prioritize effectively and focus maximum attention on activities that drive superior performance. To assist with this, many organizations have implemented a wide variety of performance management (PM) practices, but there have been varying degrees of success. This has caused some to question whether or not a strong PM approach has sufficient payback to merit a significant degree of management focus.

In addition, all organizations are currently being challenged to manage effectively through the current economic recession brought on by the global financial crisis. As a result, the importance of effective PM practices has been heightened even further.

We therefore set out to obtain the answers to some very fundamental questions:

- Do effective PM practices play a significant role in driving superior performance?
- If so, what aspects of PM contribute the most value to these results?
- Do these practices contribute equally in both good times and downturns?
- Is PM the same for everyone or does it need to respond to unique issues in different sectors or sizes of organization?
- What do you need to do from a very practical, pragmatic perspective to implement an effective PM program?

While there have been many studies that define “best practices” in managing certain aspects of performance, there has been limited research that looks at PM in a comprehensive and integrated way and correlates specific practices with superior strategic, competitive, operational and financial outcomes. Our objective was to fill this gap.

To accomplish this objective, we conducted a comprehensive online survey of over 400 senior leaders in both the public and private sector. We followed this up with 12 in-depth interviews to explore certain key issues in more detail. The survey was conducted in late 2008, as the global financial crisis created an unprecedented sell-off in stock markets around the world, and the interviews were conducted in early 2009 in the midst of the global recession.

What emerged were clear conclusions that we believe represent a call to action for all organizations, regardless of their current level of performance, or whether the economy is thriving or in a financial crisis.

Key conclusions

01 Effective PM practices drive superior performance

We segregated our survey responses into high, medium and low performers. While we defined high performance in terms of financial performance versus the competition, we found that this group also outperformed low performers by 54% on average across seven different key objectives. For example, the high performers were:

- 67% more successful in entering new markets;
- 61% more successful in generating growth through innovation; and
- 51% more successful in introducing new products.

To understand what was driving this success, we compared the PM approach within the high and low performer groups. In order to conduct this comparison, we asked survey respondents to evaluate the effectiveness of various PM practices within their organizations. We then analyzed the correlation between these practices and various strategic, operational and financial outcomes.

We found that high performers were 26% more effective on average across 46 specific leading practices related to planning, analytics, performance measurement, talent management and use of technology. While low performers were employing or attempting to employ similar strategies, they were not as effective. But we also found that some of these 46 practices were contributing more value than others, and it was therefore possible to create a profile of high performance organizations. This is discussed further in our second key conclusion.

Not only are high performers executing more effectively on their PM practices, they are achieving much greater benefit from these efforts. High performers rated the contribution of these practices 31% higher on average across 11 different strategic, competitive, operational and financial outcomes. The focus on effective PM practices is a key driver in generating these superior outcomes.

01 Executive summary

02 High performance is driven by seven key PM practices

In analyzing the high and low performer groups in greater detail, we were able to identify seven key practices that contribute the most value in terms of creating a successful PM program that drives superior results. These include:

Taking a broad, holistic approach: High performers look at their business from a broader perspective than low performers, and build their PM programs to respond to this more holistic view. They place greater focus on issues such as evaluating management and staff performance, creating brand image and loyalty, generating employee satisfaction and improving service quality and customer satisfaction. The only area where high and low performers were comparable was in core issues such as competitive pricing and reducing the cost structure. In today's world, these are "table stakes" that in and of themselves will not create a sustainable competitive advantage in the marketplace.

Creating linkages, integration and alignment: High performers were 16% more effective in overcoming challenges related to linkages and integration across their PM practices. In addition, despite their focus on a broader array of business drivers, they were 25% more effective in aligning their measurement and reporting systems with the key business drivers most relevant to them. We also noted that high performers are 44% more effective in "cascading" accountability for these business drivers through the use of relevant and controllable performance metrics at all levels of the organization. Through these linkages, high performers are better able to drive organization-wide focus on achieving overall strategic and operational objectives.

Building broad support for the PM effort: Cultural resistance is often cited as one of the key barriers to a successful PM program, and our research supported this view. High performing organizations were on average 13% more effective in obtaining senior management support, building consensus and buy-in, overcoming cultural resistance and the fear of change, and breaking down internal silos to achieve agreement on what needs to be done. Without this broad base of support, counterproductive "pockets of resistance" can easily form.

Adopting high value planning practices: We identified three specific planning practices where high performers reported 31% greater effectiveness overall. These included value stream mapping, vision, mission and values statements, and environmental or social responsibility plans. In a world of rapid change characterized by "disruptors" such as technology breakthroughs, demographic shifts and macroeconomic events such as major currency and commodity price fluctuations, these tools assist high performers in remaining relevant and competitive, and in driving brand value.

Turning analytics into a competitive advantage: High performers are 43% more effective in their use of alerts or warning systems, driver-based forecasting and data-mining. These techniques enable them to manage by exception and be proactive rather than reactive to emerging issues and opportunities.

Developing advanced PM technology capabilities: While basic spreadsheet tools are still predominant across all groups, high performing organizations report 23% greater effectiveness in their implementation and use of some of the more advanced forms of PM technology, such as dashboards and business intelligence tools that enable them to turn analytics into a competitive advantage.

Avoid making it too complicated: While high performing organizations employ a wide variety of advanced practices and tools, part of the reason they are successful is that they avoid the potential pitfall of overcomplicating things. For example, they are 12% more effective in avoiding the "analysis paralysis" pitfall, largely through a focus on managing by exception through effective metrics and dashboards, rather than producing monthly or quarterly packages of information that answer virtually every question that could be asked.

03 A PM program is equally critical in both good times and downturns

Organizations with weaker PM programs are more inwardly focused and concerned about yesterday's results than on the future direction of the organization. As a result, they are less likely to identify emerging opportunities or threats and less able to react in a sound fact-based manner. In addition, they are more likely to react to situations, such as the current downturn, with a "knee-jerk" approach to slashing costs, which may compromise future success in better times.

In contrast, organizations with strong PM programs are better equipped to forecast emerging risks and manage more proactively to mitigate the impact. For example, one organization interviewed for our study was able to leverage its "worst-case scenario" planning capability to quickly and nimbly reposition its focus to a lower risk area as the current downturn unfolded. Another organization was able to take advantage of the downturn by upgrading its talent pool in a way that further improved long-term prospects.

In addition, organizations with strong PM programs are better equipped to manage costs strategically, and when required, make difficult choices in a way that minimizes the impact on the long term. For example, by using effective scenario modelling techniques, one organization was better able to prioritize and focus scarce resources on the areas that would drive the greatest benefit.

04 Effective PM programs are similar (but not the same) across multiple industries

We analyzed our high performer group by industry sector, broken out into manufacturing, financial services, information and communication technology, professional services, natural resources and “all other”.

We found that the seven leading practices identified in our second conclusion apply consistently across all major industry sectors in our analysis. This suggests that while there will be differences in the execution, these leading practices are “universal truths” about what is important, regardless of industry. For example, certain key business drivers will vary in relative importance across different industries; however, the need to effectively measure these drivers and to cascade accountability via relevant and controllable metrics is a consistent hallmark of high performing organizations in all industries.

05 PM challenges are greatest in large, complex organizations

We also analyzed our high performer group by size (revenue tier based on the US dollar being regarded as the common currency for comparison purposes). As with the breakout by industry, we found that our leading practices held regardless of the size of the organization; however, we also noted that large organizations face much greater challenges than small ones in maintaining overall effectiveness of their PM programs. For example:

- Measurement capabilities improve with size, but not fast enough to keep pace with the increasing complexity of the business. While large organizations are 11% more effective in their measurement of key business drivers, the gap between the importance of these drivers and the effectiveness of these measures is actually 37% worse in large organizations.
- Large size creates greater challenges in building a broad-based consensus, as “silos” begin to appear across the organization.

We also noted that as organizations grow and evolve, they reach certain “tipping points” where significant overhauls of the PM program are required to keep them relevant and in-line with leading practices. For example, we found that organizations with revenues between \$100 million and \$1 billion were the most challenged in driving benefits from their PM programs. Often, these organizations experience profound transition as they grow and mature from a small organization that can be effectively managed by a close-knit group of individuals to a larger more complex business model requiring wholesale changes in their approach to PM.

06 PM in the public sector —not as different as you might think

Our survey questions were modified for public sector respondents to reflect key differences in the primary objectives and motivation of such organizations as compared with the private sector. However, many of the same concepts still hold—public sector organizations have strategies and plans, they must execute effectively against those plans, they measure and report on performance, and they need to attract and retain good people to help them achieve their goals.

As such, we found that many of the characteristics of high performing public sector organizations were similar to high performing private sector companies. For example, we found a high degree of correlation between high performance in the public sector and certain key PM practices, such as:

- Effective linkage between strategy, plans and budgets;
- Effective use of certain high value planning practices such as vision, mission and values statements and environmental or social responsibility plans;
- Effective use of advanced analytical techniques such as alerts, data-mining and driver-based forecasting; and
- Effective use of advanced PM technologies such as dashboards and business intelligence tools.

07 Canadian PM practices are less robust than in the rest of the world (RoW), but Canada is better at overcoming potential barriers

When comparing only high performance organizations, Canada lags RoW in terms of the effectiveness of their PM practices in a number of the areas we identified as contributing the greatest value to the overall PM program. These include:

- **Taking a broad, holistic approach** – RoW high performers placed 14% greater importance overall on a broad array of business drivers, and in addition, reported 5% higher overall effectiveness of their performance measures and management reporting related to these drivers.
- **Adopting high value planning practices** – Canada lags by 8% overall, with the largest gaps noted in use of value stream mapping and environmental or social responsibility plans;
- **Turning analytics into a competitive advantage** – Canada lags by 3% in this area; and
- **Developing advanced PM technology capabilities** – Canada lags by 8% in this area.

This lack of technological adoption is not unique to PM applications alone, and has a demonstrated impact on the nation's productivity levels overall. The Conference Board of Canada grades Canada as a "C", ranking 8 out of 17 countries in labour productivity growth¹.

On the other hand, Canadian high performers were more effective than RoW high performers in the following key areas:

- **Creating linkages, alignment and integration** – Canadian high performers outperformed RoW high performers by 3% in terms of ability to overcome barriers in this area;
- **Building broad support for the PM effort** – Canada outperformed RoW by 11% overall in this area, most notably in the area of senior management support for the PM effort; and
- **Avoid making it too complicated** – Canada outperformed RoW by 12% in terms of avoiding this potential barrier to success.

These findings suggest that there is further room for improvement in the high performer groups in both Canada and RoW.

A call to action

There is a clear correlation between effective PM practices and superior performance versus the competition. Low and average performing organizations therefore should examine their overall PM approach, particularly in the seven key practices we identified as having the greatest impact. However, our analysis indicates that there are still considerable opportunities for even high performing organizations to improve overall performance through further improvement in PM practices.

Making it real: guidance on implementation

A practical, pragmatic approach is to start by defining a clear vision that describes how performance will be managed within a realistically achievable timeframe (i.e. one to three years depending on the size and complexity of the organization), and then identifying the gap between this vision and the current state of the PM approach. A sound implementation is typically based on a step-by-step approach to closing the gap in smaller, manageable components that deliver new capabilities and value on a regular basis every two to three months. The first few steps in this journey should focus on addressing the gaps related to the seven key PM practices that drive the greatest overall value.

This systematic, step-by-step approach to implementation delivers short-term value and clearly establishes the return on investment (ROI). In addition, it builds momentum and consensus across the organization, and makes it easier as each step is taken. Organizations that attempt to do it all with a single "mega" project ending in a "big bang" of change often end up with a costly and ineffective result.

It is also important to note that the "vision" is not a fixed destination. As the organization grows and changes, the details of the PM approach need to evolve with it and a continuous improvement effort is necessary. Many organizations have responded by implementing a chief performance officer (CPO) role to provide guidance on the ongoing evolution, and to ensure that each component of the program, in all parts of the organization, is properly aligned and integrated with all others.

1. http://www.conferenceboard.ca/HCP/Details/Economy/measuring-productivity-canada.aspx#Reduce_gap

02 Introduction

While there have been many studies that define “best practices” in managing certain aspects of performance, there has been limited research that looks at PM in a comprehensive and integrated way and correlates specific practices with superior strategic, competitive, operational and financial outcomes—until now.

Robert Kaplan and David Norton popularized the notion of PM as a distinct set of methods and processes within an organization. Over the years, PM has grown and evolved to encompass an even wider variety of management practices, tools and techniques. This evolution has been to such an extent that today there seems to be no universally agreed upon definition of “performance management”. In fact, there is not even agreement on the term itself. Terms such as corporate PM, business PM, enterprise PM, or others refer to the same basic concept.

For the purposes of this study, we have taken a very broad perspective and considered PM to encompass the full range of management practices and tools that can be used to drive sustainable long-term value creation within any type of organization. Viewed from this broad perspective, virtually all organizations have implemented PM practices in some way, shape or form. Some have done it very well, some have had mixed results and others have struggled to see any real value in terms of improved organizational performance.

In addition, implementing an effective PM program is not easy—it takes time, money and management focus. This has caused some organizations to question if it is worth the effort.

The objective of this research study was therefore to answer a few fundamental questions:

- Do effective PM practices play a significant role in driving superior performance?
- If so, what aspects of PM contribute the most value to these results?
- Do these practices contribute equally in both strong markets and downturns?
- Is PM the same for everyone or does it need to respond to unique issues in different sectors or sizes of organization?
- What do you need to do from a very practical, pragmatic perspective to implement an effective PM program at your organization?

In order to answer these key questions, we conducted an online survey targeted to senior leaders in both the public and private sectors. We received a total of 419 completed surveys, including 339 from private sector companies and 80 from public sector organizations.

As shown in Figure 1, 90% of private sector responses came from board members, executive and management ranks. Twenty-four different industries are represented in our sample, which includes a mix of companies of all sizes, from the very largest to the very smallest. While responses were received from 22 countries, 57% came from Canada and an additional 20% were from Japan. The demographic profile of our public sector respondents was similar: Seventy-six were at least middle management and the geographic coverage was multinational but Canada-centric.

Following completion of the survey portion of our research, we conducted follow-up, in-depth interviews with 12 respondents to probe deeper into the issues that emerged from our analysis of the survey data.

Our survey was conducted during the fall of 2008 as the global financial crisis wreaked havoc on stock markets and financial institutions worldwide. Our follow-up interviews were conducted in early 2009, as the impact of the financial crisis spread into a global economic recession. The fact that the study was undertaken during this period affords a unique opportunity to understand how organizations are applying and thinking about PM.

Further details of our methodology and the profile of our survey respondents can be found in Appendix 1.

Figure 1 Origin of Responses

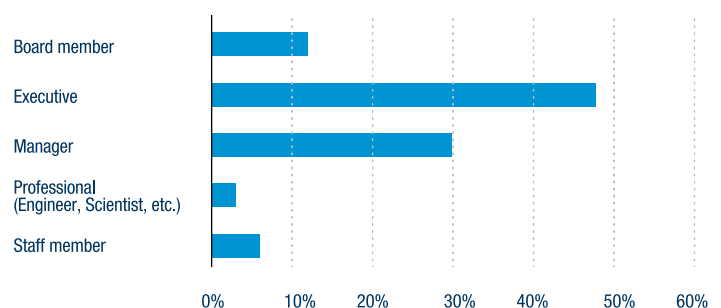


Figure 2 How successful has your organization been in the following areas?

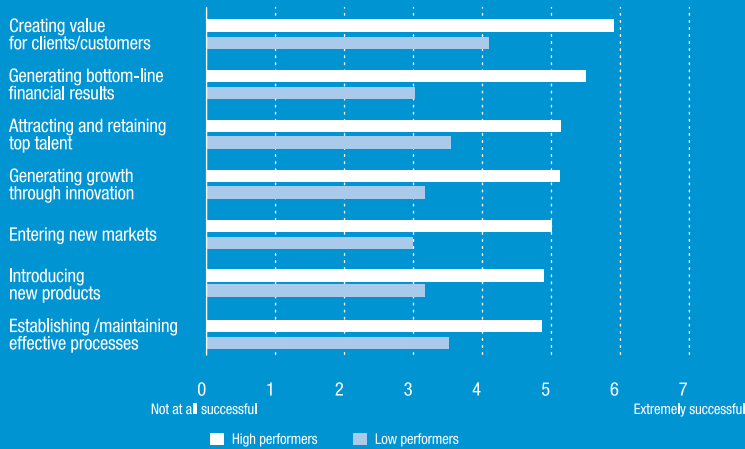


Figure 3 How would you characterize the strategic focus of your company?

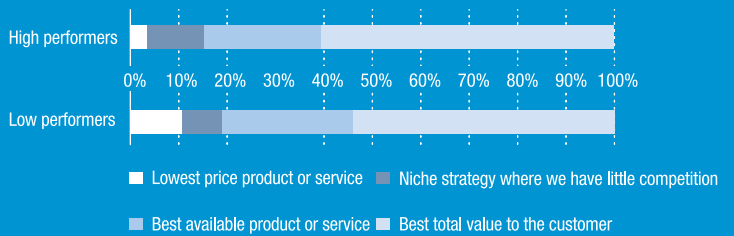


Figure 4 Overall effectiveness of PM practices

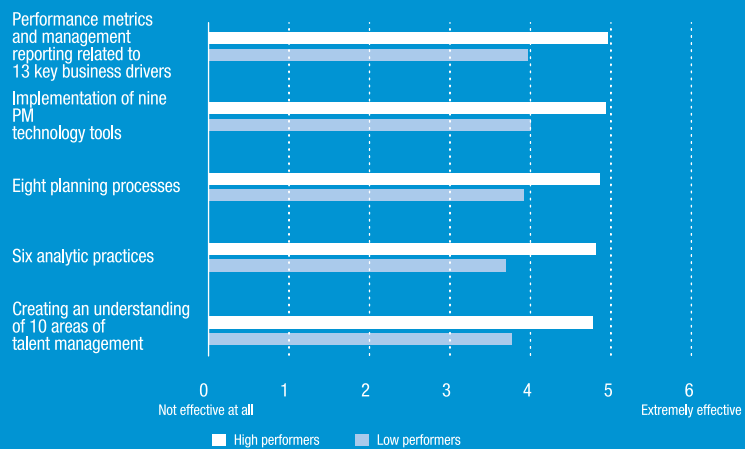
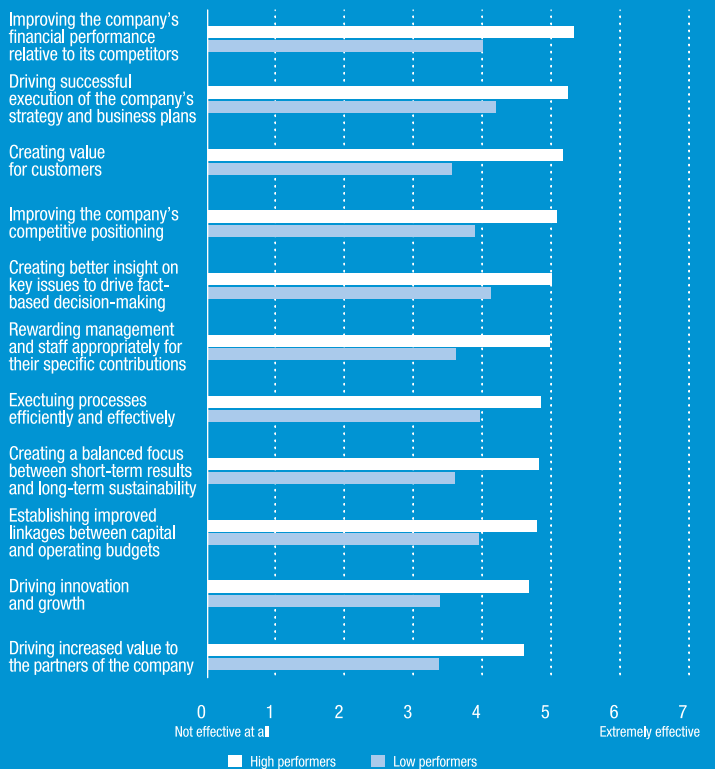


Figure 5 On an overall basis, how effective have all of your PM practices and tools been in contributing to your results in the following areas?



03 Does PM drive high performance?

The answer to this is an emphatic “yes”. Our research demonstrated a strong correlation between effective PM practices and superior performance.

To arrive at this conclusion with respect to private sector companies, we segmented the sample of 339 responses into high, average and low performers based on their self-assessed company performance relative to their competition².

We also found that the top performers were more successful not only in financial terms, but also across a number of strategic and operational perspectives (Figure 2).

We looked first at strategic focus to determine if there were material differences that might account for superior performance, but we did not find anything significant enough to account for the substantial differences in performance. Rather, we found that in both groups, the predominant strategies were either “best total value to the customer” or “best product or service” (Figure 3).

Interestingly though, low performers were slightly more likely to be pursuing a “lowest price” strategy, while the high performers were slightly more likely to pursue a niche strategy in order to differentiate themselves and thereby protect margins.

We then correlated and compared how the high and low performer groups rated the effectiveness of their organizations in a wide variety of PM practices, and how those practices contributed to organizational success in terms of 11 different strategic, operational and financial outcomes.

Through our analysis we found that the high performer group had implemented virtually all of their PM practices in a more effective manner than the low performer group, and these organizations credited their PM programs with a much higher overall contribution to organizational success.

Specifically, we asked respondents to rate the effectiveness of the PM practices in a total of 46 areas related to planning, analytics, performance metrics and management reporting, talent management and use of technology. On an overall basis, high performers rated the effectiveness of their practices in these areas to be 26% higher on average than the low performers (Figure 4).

We also wanted to understand how these practices were contributing to organizational success in a variety of strategic, operational and financial ways. As shown in Figure 5, our survey respondents reported that the top five contributions of effective PM practices are:

- Improving performance relative to the competition;
- Driving successful execution of strategy;
- Creating value for customers;
- Improving the company’s competitive positioning; and
- Creating better insight to drive fact-based decision-making.

On an overall basis, the high performer group indicated that they are receiving 31% greater contribution from their PM programs as compared with the low performer group.

“Using a performance management system is one the best ways to drive performance, manage expectations, and increase employee satisfaction within an organization.”

Derek Cardy, CFO, RapidMind Inc.

2. This segmentation was based on responses to the following question: “Overall, how would you say your organization has performed relative to the competition?” High performers were defined as those who rated their organization either a 6 or 7 on a 7 point scale (1 = “poor performance” and 7 = “excellent performance”). Low performers rated their organization 3 or lower.

“You get performance from what you inspect, not from what you expect”

Robert G. Coffey, Chair of the Board of Trustees,
InterRent REIT



04 High performance is driven by seven key PM practices

When we analyzed the survey data at a more detailed level, we found much larger differences between high and low performing organizations in certain areas compared to others. As a result, we were able to identify seven critical success factors that drive an effective PM program.

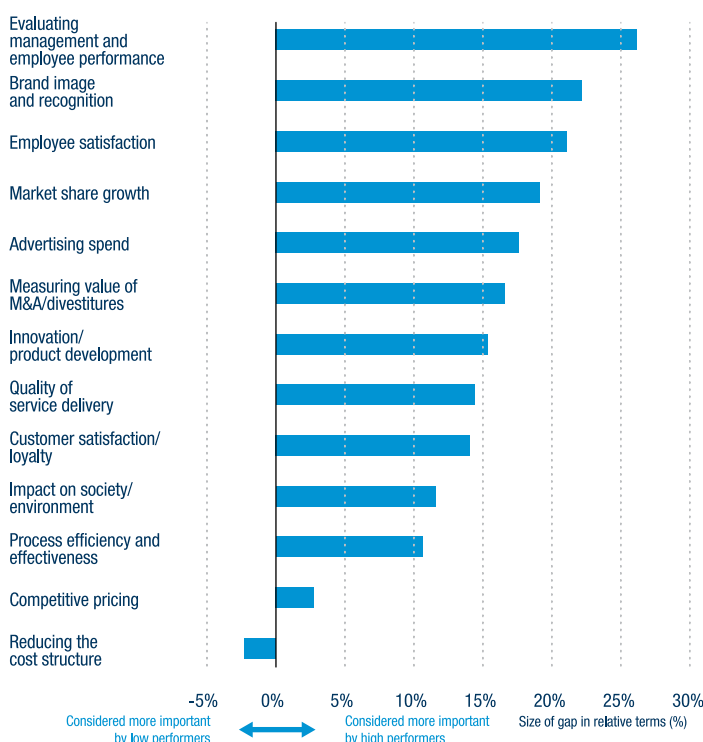
These include:

- Taking a broad, holistic approach;
- Creating linkages, integration and alignment;
- Building broad support for the PM effort;
- Adopting high value planning practices;
- Turning analytics into a competitive advantage;
- Developing advanced PM technology capabilities; and
- Avoid making it too complicated.

4.1 Taking a broad, holistic approach

As we saw in Figures 2, 3 and 4, high performance organizations make effective use of a wide variety of PM practices, tools and techniques to drive successful achievement of their strategic, operational and financial objectives. To do this, they place higher importance and emphasis on a broader array of business drivers and focus their PM approach to effectively manage these drivers (Figure 6).

Figure 6 Relative importance of key business drivers



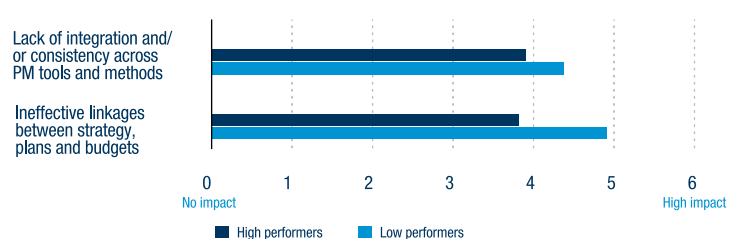
Both high and low performers place roughly equal emphasis on basic, fundamental business drivers such as competitive pricing and managing the cost structure. However, high performers also focus more attention on other important drivers of success. For example, they rate the importance of brand image 22% higher than low performers, employee satisfaction 21% higher, product/service innovation 15% higher, service quality 14% higher and customer satisfaction 14% higher.

4.2 Creating linkages, integration and alignment

High performers are also more effective in creating linkages, integration and alignment across all aspects of their PM approach. We looked at three specific aspects of this as outlined below.

Creating linkages and integration: Both groups reported significant challenges in terms of linking planning and budgeting to strategy and in achieving integration and consistency across the various elements of their PM program. However, despite the focus on a greater array of business drivers, high performers were far more effective in overcoming these challenges to minimize the impact (Figure 7).

Figure 7 Minimizing the impact of alignment and integration barriers



“It’s the holistic approach that makes things work well”

Robert G. Coffey, Chair of the Board of Trustees, InterRent REIT

04 High performance is driven by seven key PM practices

Aligning measurement with business drivers: One way that high performers accomplish this is through more effective measures and management reporting practices, and better alignment of measurement tools with the relative importance of each business driver.

“Our performance metrics used to focus on financial results, but this was driving behaviour inconsistent with our strategy. Service quality and customer experience are the key differentiators that drive our success. If we focus on those, the dollars will look after themselves.”

John Rothschild, Chairman & CEO, Prime Restaurants of Canada Inc.

On an overall basis, high performers rated the effectiveness of their measurement practices 25% higher than low performers (Figure 8). In addition, when we measured the gap between importance of a key business driver and effectiveness of the measurement approach related to that driver, we found that the unfavourable gap for low performers was more than double the gap noted for high performers.

Cascading accountability: Not only are high performers better at aligning their performance measurement approach with the key drivers of business success, they are also significantly better at cascading responsibility and accountability for these key drivers throughout the organization. While we found that both high and low performers utilize balanced scorecards at roughly equal rates, high performers reported that the measures used on these scorecards are much more relevant to, and controllable by, the individual or team that is being measured (Figure 9).

Figure 8 Effectiveness of measures and management information related to key business drivers

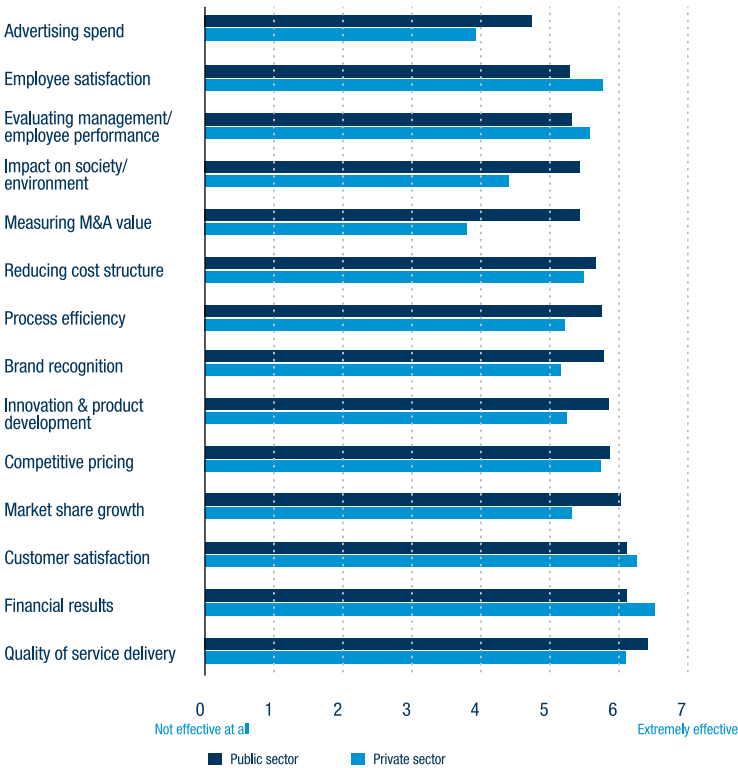
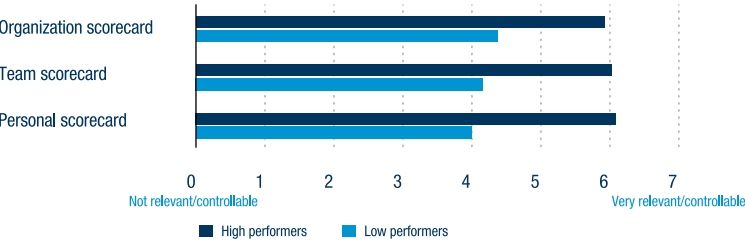


Figure 9 Cascading accountability through relevant and controllable measures



4.3 Building broad support for the PM effort

An effective PM program will typically result in a strong PM culture within the organization; however, there may be significant barriers to overcome in order to achieve this. High performing organizations were on average 13% better in overcoming challenges related to:

- Senior management support;
- Building consensus and buy-in;
- Overcoming cultural resistance and the fear of change; and
- Breaking down silos to achieve agreement on what needs to be done.

An effective change management program is therefore an essential ingredient in driving a PM program forward (Figure 10).

4.4 Adopting high value planning practices

It was not particularly surprising that high performers reported they are most effective in the way they create and utilize business plans and budgets. However, what distinguishes them most from low performers is the way they use three other tools as reflected in Figure 11.

Figure 10 Minimizing impact of barriers to broad-based support for the PM program

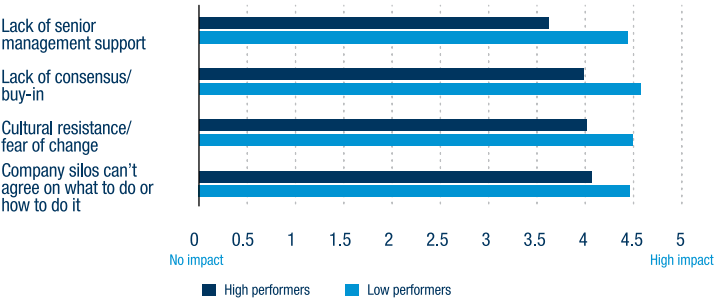
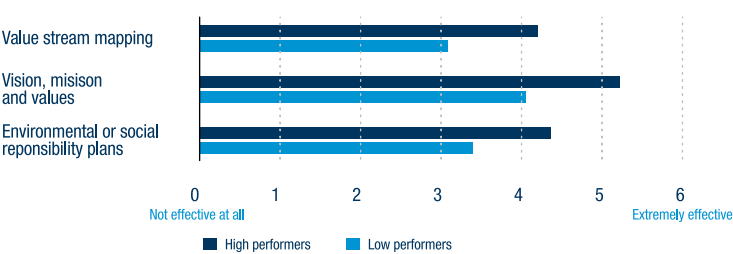


Figure 11 High-value planning practices



Value stream mapping is a tool used by 61% of high performers, and can be very useful in identifying and planning for a fundamental repositioning of a company within its industry value chain. The need for this kind of redefinition of “the business we are in” is often due to industry “disruptors”, such as new technology breakthroughs that threaten to make old products and services obsolete, but can also result from macro-economic issues such as long-term changes in currency exchange rates that threaten competitiveness, shifts in demand or customer preferences from events such as the current global economic crisis.

While high performers reported 36% greater effectiveness in their use of value stream mapping, only 61% reported using this tool. As such, we believe there is a significant opportunity for further performance improvement for those organizations that have not yet developed this aspect of their PM capabilities.

“There should always be a “driver” who should be in charge of communicating, leading, follow-up and finally evaluating the initiative”

Germán Escobar Cuevo, Accounting and Tax Manager, Empresa de Telecomunicaciones de Bogotá S.A. ESP

In contrast, vision, mission and values statements are reportedly used by over 95% of companies in both the high and low performer groups; however, high performers report 29% greater effectiveness from their efforts in this area. This is supported by our own anecdotal observations of uneven levels of quality in the approach taken to the definition and use of vision, mission and organizational values. For some companies, they are merely marketing statements for external consumption, while others actively embed the essence of these statements in their “organizational DNA” to drive strategy and overall direction.

Almost 80% of the high performer group reported that they have adopted formalized environmental and social responsibility plans, reflecting the increasing awareness and global focus on climate change and resource sustainability issues. While low performers also report high adoption rates in this area, they are not nearly as effective in their approach. We believe that global focus on these issues will continue to increase, and that improving capabilities in this area should therefore be a priority.

4.5 Turning analytics into a competitive advantage

High performers reported higher adoption rates and an impressive 43% higher effectiveness rating in terms of three key analytical methods that help them to drive superior performance. These methods include:

Effective data-mining techniques

Effective data-mining techniques help organizations to identify new revenue and cost reduction opportunities and to better understand their client and customer base. High performers are 49% more effective in this area than low performers (Figure 12).

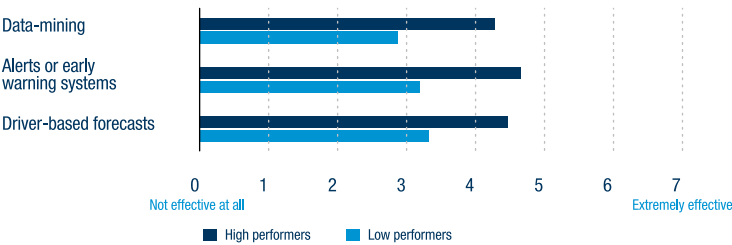
Effective use of alerts and early warning systems

The effective use of alerts and early warning systems helps executives and managers to “manage by exception” and to be more proactive in identifying and addressing emerging issues or opportunities. High performers are 46% more effective in this area than low performers.

Effective driver-based forecasting models

Effective driver-based forecasting models provide management with more reliable insight into where the company is headed and can also be used for scenario modelling to test the impact of strategic and tactical options under consideration. High performers reported 34% greater effectiveness in this area than low performers.

Figure 12 Analytic practices that distinguish high performer from low performers



4.6 Developing advanced PM technology capabilities

Not surprisingly, spreadsheet tools are predominantly used in both adoption rates and reported effectiveness for the high and low performer groups. However, on an overall basis, high performers reported 23% greater effectiveness in their implementation of more advanced forms of technology to support their PM programs. Each of the four tools shown in Figure 13 provide significant advantages over traditional paper-based reports in terms of further supporting the creation of advanced analytical capabilities discussed.

The largest gap between the high and low performers was in the use of more advanced online reporting tools that provide drilldown capability to make ad-hoc analysis easier and more efficient for even non-technical users. High performers reported 49% greater effectiveness in their use of these tools as compared with low performers. Tools that are commonly used among high performers include:

Business intelligence tools

Business intelligence tools are a key enabler of data-mining and also offer significant advantages in improving the overall effectiveness and efficiency of analytical processes. High performers reported 41% greater effectiveness in their use of these tools.

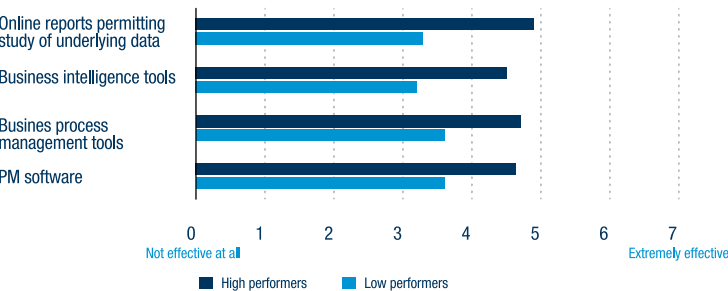
Business process management tools

Business process management tools help companies to monitor the cost, quality and cycle time of key processes, and thereby assist in identifying improvement opportunities that ultimately improve overall performance. High performers reported 31% greater effectiveness in their use of these tools.

Dashboard and scorecard tools

Dashboard and scorecard tools assist users in focusing on what is really important, so they can make better fact-based decisions and manage by exception. High performers reported 29% greater effectiveness in their use of these tools.

Figure 13 Effectiveness of key PM technologies



4.7 Avoid making it too complicated

While high performing organizations employ a wide variety of advanced practices and tools in their PM programs, part of the reason they are successful is that they avoid the potential pitfall of overcomplicating things:

- They focus on generating information that assists in managing by exception, rather than routinely producing monthly or quarterly reporting packages that answer virtually every conceivable question that may be asked. This latter approach can lead to “analysis paralysis” due to too much information. High performing organizations are 12% more effective in minimizing the impact of this, despite their holistic approach to implementing an integrated, aligned PM program and their focus on a broader array of key business drivers (Figure 14).
- High performers also take a more pragmatic approach to implementing what they need most, rather than implementing everything. As such, they are 10% more effective in avoiding the “it takes too long to implement” syndrome.
- High performers also invest the time and energy to properly plan for the data they need, and where it is not readily available, make use of the best available proxy data. As a result, they are 10% more effective in avoiding difficulty in obtaining the data they need.

As a result of these activities, high performers experience no greater difficulty than low performers in understanding the complexity of their broader, more holistic and effective approach to PM.

4.8 Conclusion

Our research has demonstrated that if organizations effectively address the seven critical success factors we have outlined, they will be much more likely to have a successful PM program that drives superior results. However, we also questioned if there were critical differences when comparing different types of organizations or if these critical success factors were “universal truths” applicable to all organizations in all sectors. The following sections of this report evaluate the similarities and differences across multiple dimensions, including:

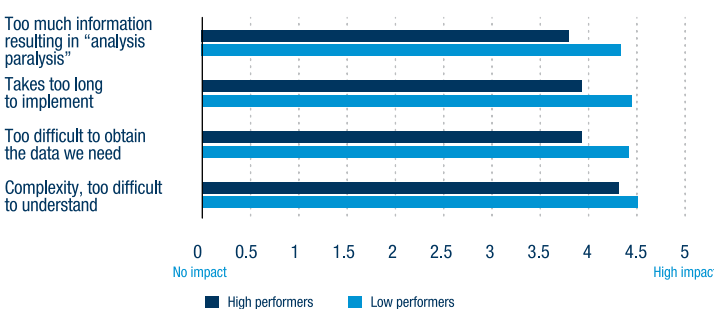
- Different industries
- Different sizes of companies
- Private companies versus publicly-traded enterprises
- Public sector versus the private sector
- Canada versus RoW

In addition, given the turbulent economic times that existed during the course of our research, we also questioned how effective PM practices were under a “stress-test” scenario. This is examined in more detail in the following section of this report.

“The approach we take to getting departments to implement our performance management practices is to make it meaningful to them—we use everyday language to help them participate in the process”

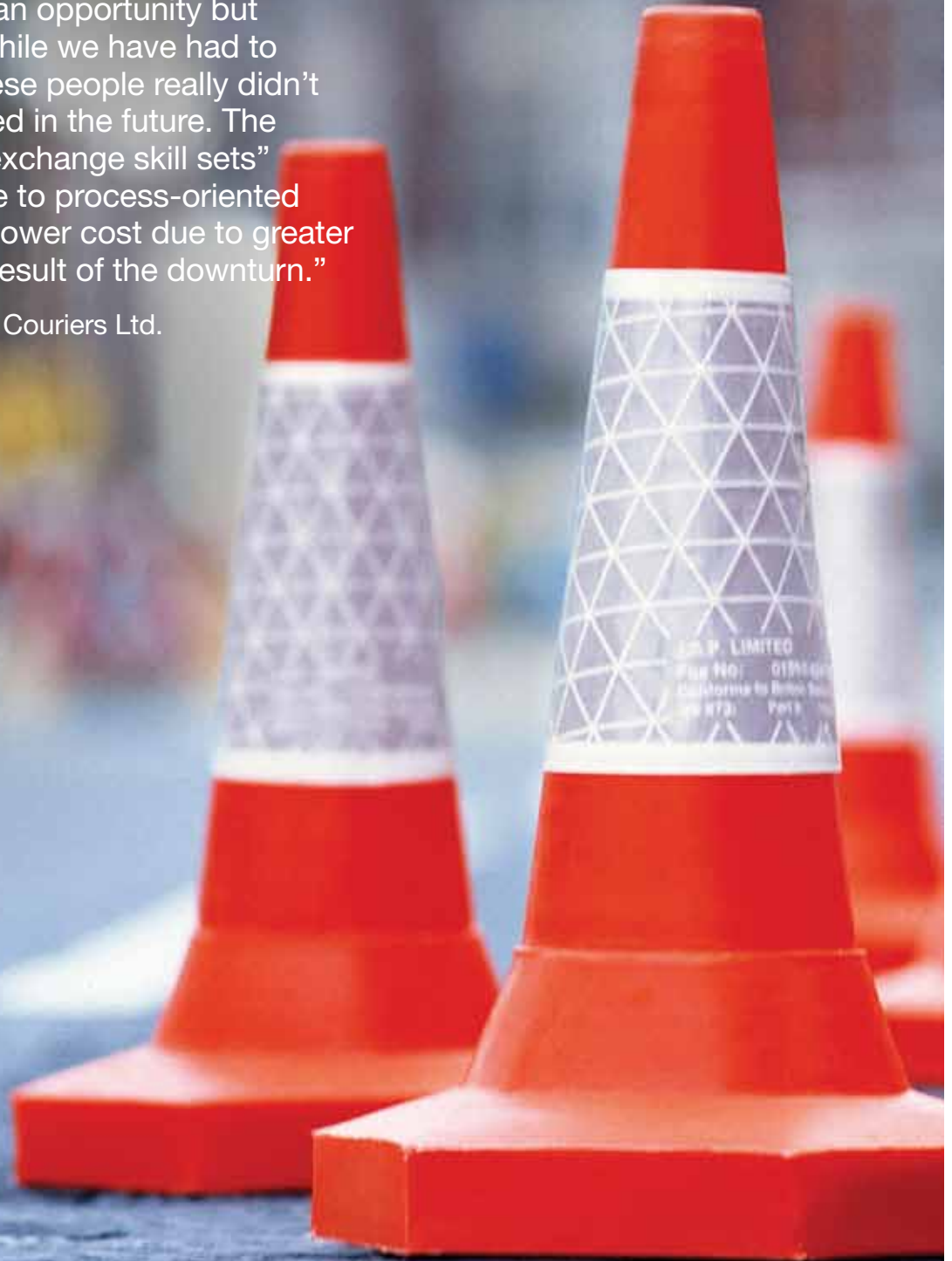
Jennifer Jennax, Manager of Corporate Planning, City of St. Albert

Figure 14 Avoid making it too complicated



“The current downturn is an opportunity but with some constraints. While we have had to reduce staffing levels, these people really didn’t have the skills we will need in the future. The opportunity is for us to “exchange skill sets” from task-oriented people to process-oriented people, perhaps at even lower cost due to greater availability of talent as a result of the downturn.”

Marian Plante, CFO, Cardinal Couriers Ltd.



05 A strong PM program is equally critical in both good times and downturns

Our research revealed that organizations with more advanced PM practices are taking strategic and tactical actions that we believe are more likely to help them not only weather the current economic downturn, but also be better positioned for success as conditions improve. This contrasts with the typical “knee-jerk” reactions that we often see with organizations having less advanced PM capabilities.

Some examples of these approaches and their potential implications include:

Action	Potential implications
Layoffs (often sales and service staff)	Loss of quality employees and institutional knowledge
Budget cuts throughout the organization	Lower future sales and/or reduced service quality
Discretionary expense freezes	Lean and fat functions equally penalized
Cancellation, delay or scale back of important projects	Loss of competitive positioning
Reduction of program spends (e.g. R&D, marketing, training, etc.)	Failure to achieve long-term strategic objectives

With this type of approach, cost reductions are often temporary and do not fundamentally solve the underlying issues that need to be addressed. In addition, these types of approaches can result in a downward spiral of performance that can jeopardize the survival of the organization.

On the other hand, many of those with more advanced PM capabilities are able to take a more strategic and tactically sound approach to managing through the current situation.

Some specific examples that were identified through the interview process for the study include:

- A large chain of restaurants is remaining focused on its core quality and customer service strategies to obtain an increased share of the shrinking consumer expenditure on restaurant meals, rather than implementing aggressive staff reductions to maintain short-term profit margins.
- A large residential property manager is using its scenario modelling capabilities to identify “minimal”, “normal” and “enriched” scenarios from which key decision-makers can make better informed choices about what is important.
- A municipal government has used its PM capabilities to demonstrate the impact of various programs on communities in order to better prioritize spending within a tightened budgetary situation.
- A promotional products company cited the value of its forecasting capabilities that helped it identify and plan for a “worst case scenario”. As a result, they had contingency plans in place to reposition their focus to areas least impacted by the downturn.

- A courier company views the current situation as “an opportunity with some constraints”. While not immune from the need for staffing reductions, they are able to mitigate this through focusing on process improvement, better leveraging of recent technology investments and “sharing the pain” programs (such as reductions in overall benefit levels). In addition, they are re-evaluating the skills they will need to drive the company forward in the future and see this as an opportunity for an overall skills upgrade. As a result, layoffs are focused on those staff who are not viewed as having the skills that will be required in the future and the company is confident that they will be able to find the skills they need (at more attractive salaries) due to the improving buyer’s market for talent.

The current economic downturn has identified weaknesses in certain areas in organizations that otherwise had reasonably advanced PM practices. The following examples were identified through the interview process for the study.

- A software company reports that its scorecards have provided good insight into key decisions that need to be made, but also confirms that management has increased the frequency of its review of key metrics in order to be even more proactive and vigilant in their monitoring of current conditions.
- A municipal government noted that the economic downturn revealed that their current planning process is too rigid and lacks sufficient flexibility to respond quickly to the speed of change in economic conditions. As a result, they have identified changes, including the inclusion of more forward-looking economic indicators into their planning and reporting processes.

Based on these observations, we believe that organizations with advanced PM capabilities will be better positioned to weather the current economic downturn with less pain than their counterparts and will emerge in an even stronger competitive position as a result.

“Too many companies have the wrong focus—cutting costs in areas that will hurt future growth”

Robert G. Coffey, Chair of the Board of Trustees, InterRent REIT

Figure 15 Effectiveness of measures and management information related to key business drivers

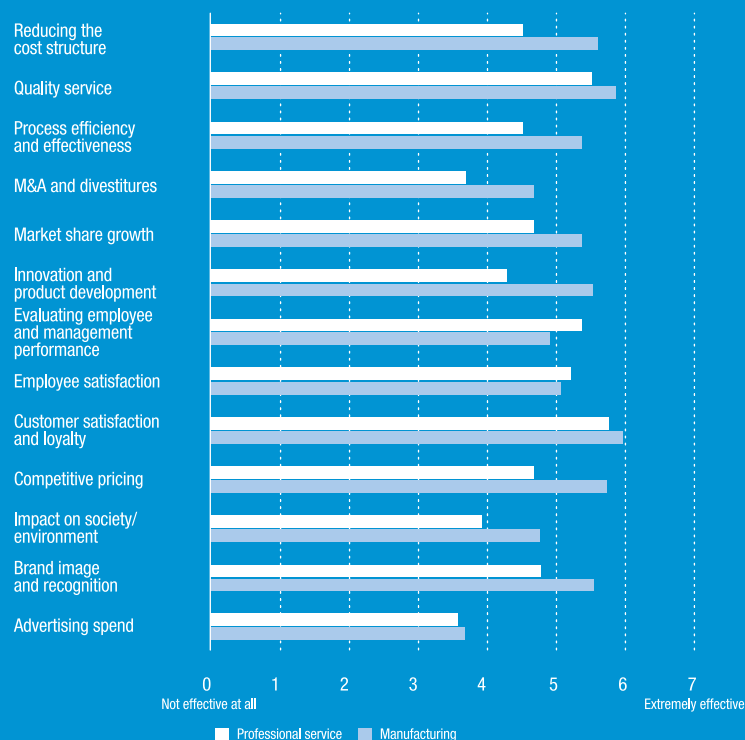


Figure 16 Importance of key business drivers

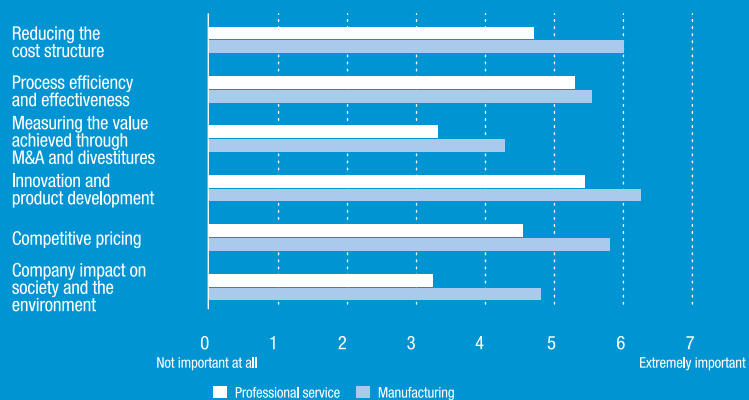
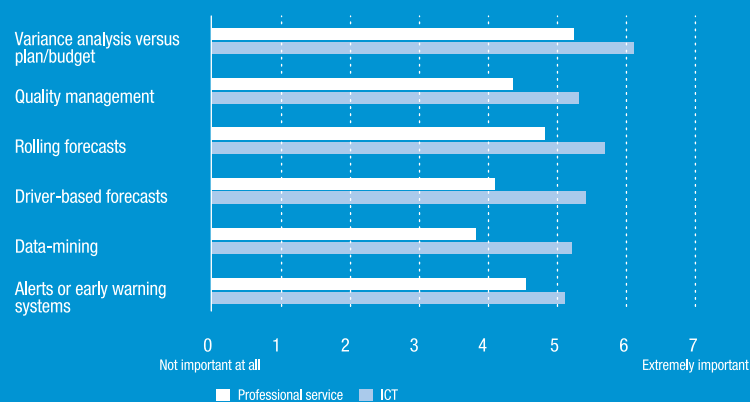


Figure 17 Use of analytic practices



06 Universal truths and key differences

6.1 Effective PM programs are similar (but not the same) across all industries

We explored whether PM practices differed according to industry. A breakdown of the numbers of companies in each of the industries participating in the survey is shown in Figure 18.

The ratio of high to low performers was reasonably consistent across all industries. Professional services was the only exception from this overall trend where 55% of companies were rated as high performers.

In general, we found that the seven key drivers of an effective PM program identified in the overall research were also applicable on a consistent basis across all industries; however, there were a few important differences in the way that certain practices are applied in different industries.

Taking a broad, holistic approach

Key drivers such as customer satisfaction, quality of service delivery and employee satisfaction tend to be common to all industries—certain other drivers are more important in specific industries than in others. However, regardless of industry and the relative importance of specific drivers, high performers tend to measure what matters and to measure this effectively.

The significant differences in this area were noted between high performers in the manufacturing and professional services industries. Figure 15 shows that manufacturers have higher effectiveness in their ability to measure across a broad array of key business drivers.

Significant gaps are noted for reducing the cost structure, process efficiency and effectiveness, M&A and divestures, innovation and product development.

However, professional services firms also rated many of these drivers to be less important than manufacturers, as shown in Figure 16. This figure provides at least a partial explanation for the differences noted

in the effectiveness of measures. Given the challenging environment in which these manufacturers operate, it is not surprising that they need a broad base of measures to keep track of a wide variety of factors that could influence overall performance.

Turning analytics into a competitive advantage

The key difference noted in this area was that firms in the information, communication and telecommunications (ICT) industry used analytic practices slightly more effectively than other firms but significantly more so than firms in the professional services industry. Figure 17 shows the differences between these two industry segments.

The largest differences shown are for the use of driver-based forecasts and data-mining. Driver-based forecasting is useful for planning in complex operating environments. Data-mining is an approach used to analyze large volumes of performance information searching for patterns to better inform management decisions. Relative to the professional services industry, firms in ICT face more complex operating environments: multiple products, multiple markets, rapidly changing product lines and intense competition for market share. Thus the use of these techniques is likely better suited to this rather complex environment.

This is not to say that professional services firms operate in non-competitive environments, but the challenges of product development, delivery and customer relationship management is likely more complex in the ICT environment. Accordingly, the ways that the ICT sector manages complexity and uses analytic approaches most likely mirrors the complexity of the operating environment.

Figure 18 High performers by industry

Industry	Number of high performers/ number in segment	Percentage	Rating: Performance versus competition (out of 7)
All industries	121/337	35.0%	6.32
Manufacturing	31/92	33.6%	6.23
Financial services	14/38	36.8%	6.50
Information, communication and telecommunications	11/34	32.3%	6.27
Professional services	20/36	55.5%	6.25
Natural resources	7/24	29.0%	6.14

Developing advanced PM technology capabilities

Similar results are noted for the use of PM technology. The ICT industry appears to adopt such technology more readily. Overall average effectiveness for all industries was 4.99 (on a 7 point scale). Companies in the ICT rated their implementation effectiveness at 5.71, which was 25% higher than high performers in natural resources. Figure 19 shows the differences between these two groups.

The main differences relate to tools such as online reports, databases, business process management and business intelligence. Since only seven companies in the natural resource industry were in the high performer group, the results might not be completely representative. However, a consistent pattern of technology/tool adoption for companies in the ICT industry does appear to exist.

Creating linkages, integration and alignment

Professional services firms excelled in this area, particularly with respect to their ability to cascade relevant and controllable metrics to all levels of the organization. Figure 20 shows how high performing professional services firms compare to financial services organizations, which rated lowest among all the high performer groups in this area.

This result suggests that, although professional services firms lagged the average somewhat with respect to the overall effectiveness of measures, they paid close attention to the use of relevant measures for accountability at all levels in the organization.

Conclusions

We can draw two main conclusions from this analysis. First, professional services organizations demonstrated the largest differences relative to general practices of high performers. We might attribute this to the fact that business models of these organizations might not be as complex and thus a broad-based series of measures is not as critical as for product-based companies (e.g. manufacturing and ICT). Second, familiarity appears to breed adoption at least in the case of ICT firms where we surmise that the relatively higher take-up of PM technologies is related to the fact that these firms have a better understanding of the technology than other firms.

However, these types of differences were relatively minor and are explainable by specific industry characteristics. More importantly, we noted that across all of the industry groups we analyzed, there was a strong correlation between superior performance and the same seven key PM practices that we identified within the total survey sample.

Figure 19 Implementation of PM technologies

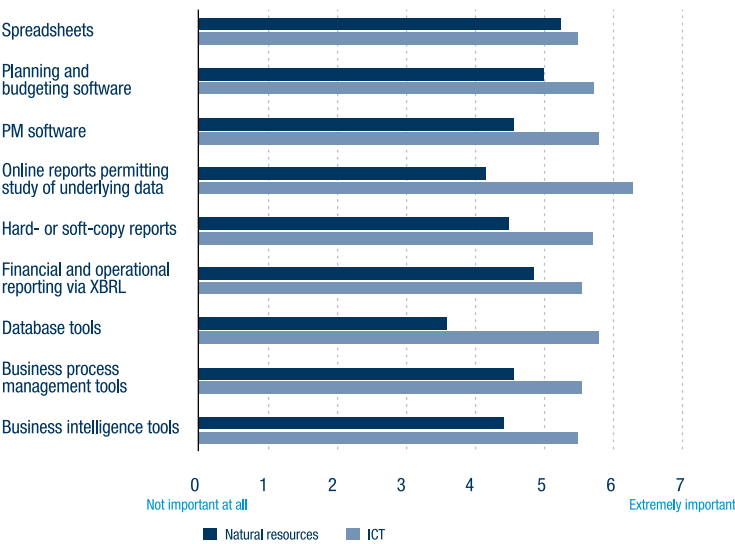
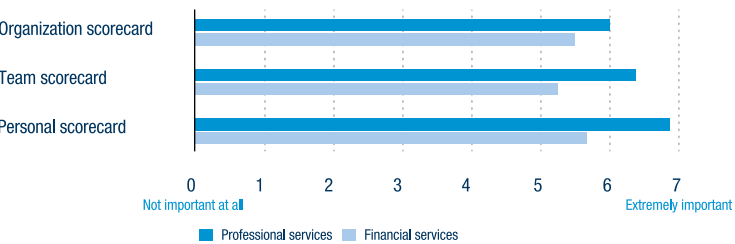


Figure 20 Cascading relevant and controllable metrics to all levels of the organization



6.2 PM challenges are greatest in large, complex organizations

Our overall private sector sample contained a mix of companies in all size ranges. We therefore classified the high performance group into four subgroups by size to identify similarities and differences that exist in terms of driving superior performance. We found that the same seven critical success factors applied in all four size tiers, but there were some important differences in the details.

Interestingly, we found that bigger is not always better—the complexity of the largest organizations presented significant challenges and obstacles not faced by smaller and medium-sized organizations.

Definition of revenue tiers

We divided the top performers into four revenue tiers (\$USD) as shown in Figure 22.

Within this high performing group, there was very little difference across the tiers in terms of overall performance versus the competition (average scores ranged between 6.24 and 6.41). However, it was interesting to note that the overall contribution of PM practices to these results was actually 8% higher in the two

smaller tiers than it was in the two larger tiers. While this difference is relatively small, it reinforces our conclusion that PM is not just for larger companies—effective PM practices play an important role in the success of organizations of all sizes.

Additionally, the broad, holistic approach is relevant in all size ranges. As reflected in the chart below, there is a great deal of consistency across all four revenue tiers in terms of the effectiveness of PM practices in virtually all areas, suggesting that a holistic approach to PM is a key element of successful organizations of all sizes.

Interestingly, the most challenged group appears to be medium-sized organizations (revenue between \$100 million and \$1 billion). In our experience, companies of this size are often undergoing profound transition as they grow and mature from a small organization that can be effectively managed by a close-knit handful of individuals to a larger, more complex business model requiring a whole new PM approach (Figure 24, next page).

Within the four major categories in Figure 21, performance measurement practices were rated as having the highest effectiveness, while talent management practices received the lowest overall scores. While the demographically driven “race for talent” has been temporarily impacted by the current financial crisis and recession, this lack of relative focus on talent management issues may have significant longer term implications and is viewed as an area of opportunity, even for top performing organizations.

Figure 21 Contribution of overall PM practices to organizational success

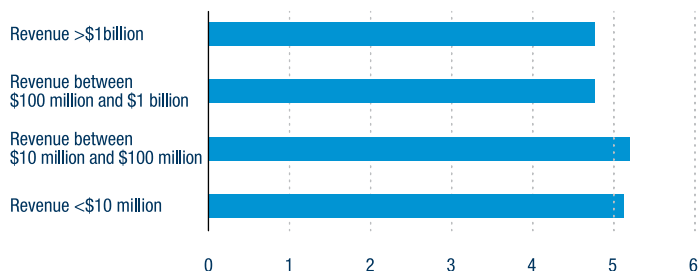
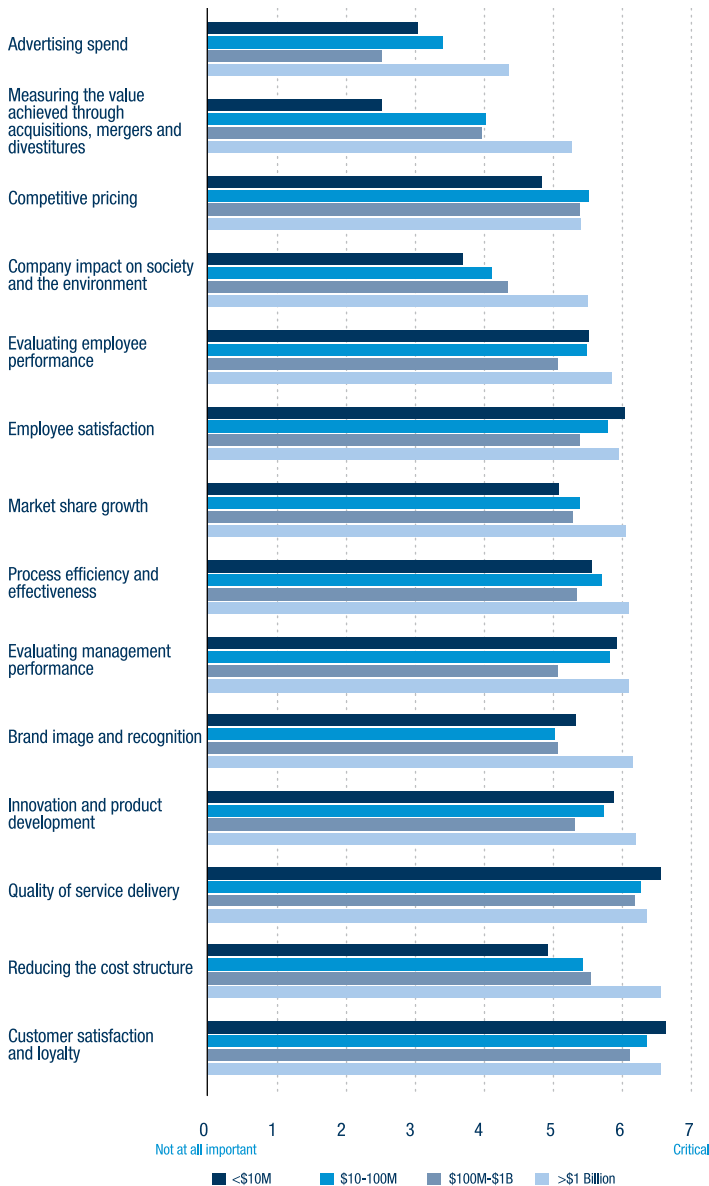


Figure 22 High performing private sector companies by revenue tier

Revenue tier (USD)	Total # of survey responses	Number of high performers	% of high performers by revenue tier
Revenue >\$1 billion	84	20	24%
Revenue between \$100 million and \$1 billion	68	29	43%
Revenue between \$10 million and \$100 million	90	37	41%
Revenue below \$10 million	80	25	31%
Subtotal	322	111	34%
Did not disclose revenue	15	10	67%
Total private sector responses	337	121	36%

Figure 23 Relative importance of business drivers by revenue tier


In addition, our survey results indicate that small and medium-sized companies tend to have more effective talent management practices than larger organizations. While this in part reflects the fact that smaller companies place greater importance on employee satisfaction as a key driver of results as compared with very large companies, we believe that the larger companies may be underestimating the importance of employee engagement and satisfaction in driving overall performance.

Complexity of the PM program increases with size and complexity of the business

Very large companies are faced with a more complex set of business drivers and place much greater importance across a broad range of business drivers as compared with their smaller and medium-sized counterparts.

Companies with revenues greater than \$1 billion rated the importance of 14 different business drivers to be 25% higher on average as compared with companies having revenues of under \$10 million. Similarly, these very large companies reported 17% greater importance on average as compared with the two medium-sized revenue tiers.

This focus on a broad range of business drivers is likely reflective of the greater complexity inherent in large organizations, which in turn makes their PM approach more complex and challenging.

Measurement capabilities improve with size, but not fast enough to keep pace with the increased complexity of the business

Very large companies also reported 11% greater overall effectiveness of their performance metrics and management reporting related to these key business drivers. However, when we looked at the gap between importance of drivers and effectiveness of measures in that area, the average gap was actually 37% worse for the very large organizations as compared to the small organizations, due to their much higher overall importance ratings (Figure 23).

Figure 24 Effectiveness of PM practices

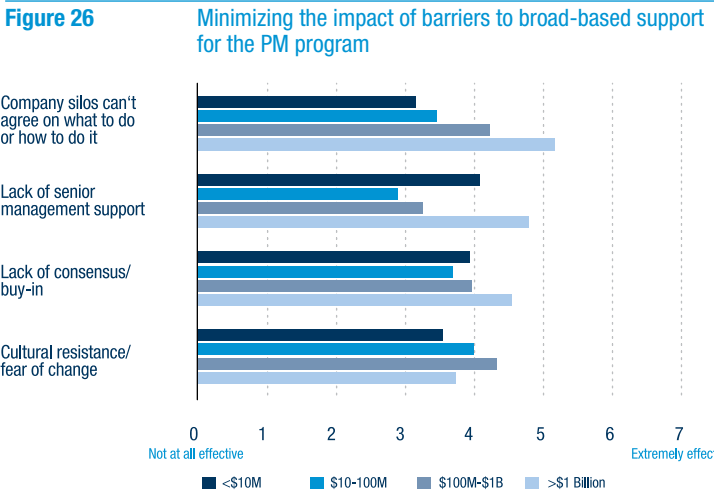
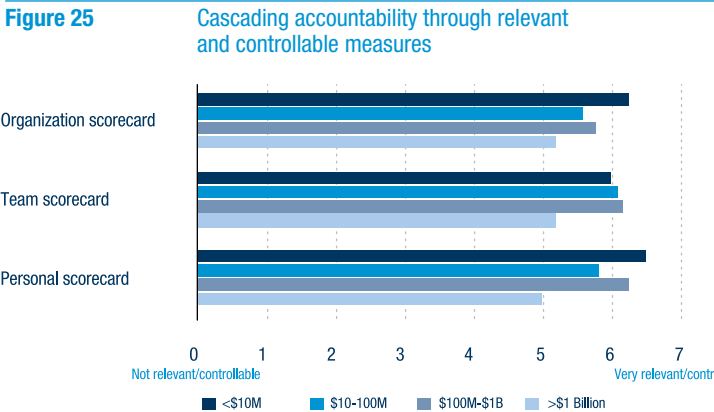
How effectively are these items utilized in your company?	Revenue >\$1 billion	Revenue between \$100 million and \$1 billion	Revenue between \$10 million and \$100 million	Revenue <\$10 million
Performance measures and management information	5.34	4.75	5.04	4.95
Planning and analysis practices	4.89	4.67	4.88	4.80
Talent management practices	4.29	4.01	4.85	4.76
Technology-based tools	5.26	4.51	5.01	4.89
Average of above categories	4.95	4.49	4.95	4.85

Cascading accountability is harder in large organizations

The challenge in cascading accountability increases with the size of the organization. Very large organizations also experience less success in cascading accountability from the organizational level down to individual and team scorecards. This is likely due in part to the greater challenge they experience in measuring and reporting on a more complex set of business drivers. As a result, the relevance and controllability of metrics on individual scorecards is substantially lower than in small companies (Figure 25).

Larger size creates greater challenges in building broad-based consensus

With larger size comes increased potential for company silos to lead to greater challenges in building consensus and senior management support for the PM effort. However, overcoming cultural resistance among the rank and file is far less difficult in relative terms. For these top performing organizations, a strong PM culture is more likely to already have been achieved, as they successfully grew through earlier stages of the growth and maturity curve (Figure 26).



Strong planning and analysis capabilities across all sizes of organization

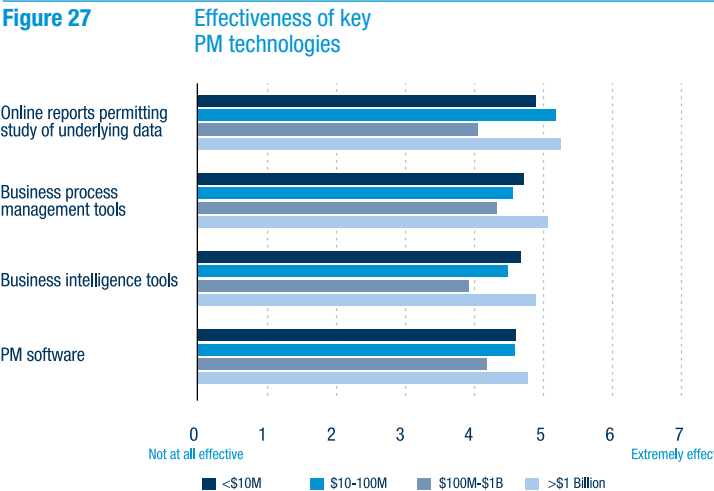
As previously noted, the high performer group overall shows much higher effectiveness ratings in certain key planning and analytical capabilities and we found this to be consistent across all four revenue tiers within the group. The importance of these capabilities in driving superior performance appears to be a “universal truth” across all sizes of organization.

The challenge in matching system capabilities to organization size

As mentioned earlier, companies with revenues in the \$100 million to \$1 billion range typically undergo a profound transition to a much more complex business model requiring a whole new PM approach (Figure 27).

This is clearly reflected in terms of key systems capabilities, where they are the most challenged of any of the revenue tiers. Often, a complete overhaul or major upgrade of systems is required to handle the increased volume and complexity of the business.

Effective implementation of these systems upgrades in a way that supports the holistic, integrated and aligned approach to PM is therefore a key factor in maintaining top performer status as the company continues to grow.





Overcoming complexity is the biggest challenge faced by very large organizations

Clearly, very large organizations face far greater challenges in managing complexity within their PM programs. It therefore takes them longer to change, and with their increased technology capabilities can come an overwhelming amount of information that can lead to “analysis paralysis” (Figure 28).

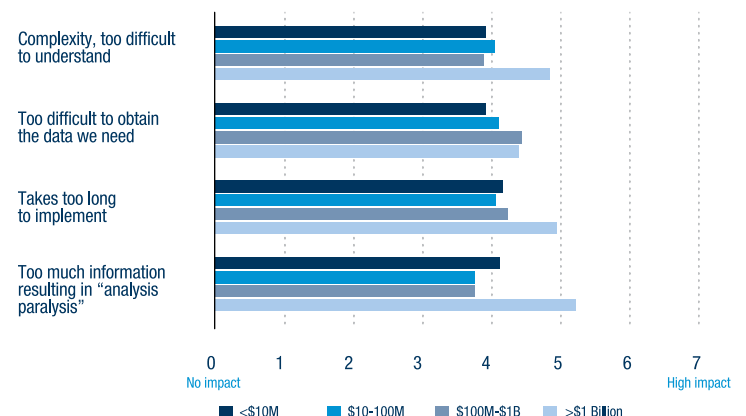
Implications for large and small organizations

The seven key success factors of an effective PM program that drive superior results are applicable across all size ranges. However, as companies grow and mature throughout their life cycle they also need to address the following factors related to size:

- **Start early** – effective PM practices are just as important in small companies as they are in large ones.
- **Evolve the PM approach** – as key business drivers change over time, continually update management reporting to reflect important new business drivers, and update how accountability is cascading throughout the organization by reflecting these new drivers in individual goal setting, performance evaluation and linkages to incentive compensation programs.
- **Motivate cross-organizational teamwork** – minimize the potential for organizational silos to develop by implementing cross-functional teams and including appropriate metrics and targets in individual and team goals.
- **Keep it simple** – periodically reevaluate the overall structure of management reporting and streamline or eliminate items that have become redundant. Do not assume that specific reports should continue to be generated because “that’s what we’ve always done”.
- **Watch for tipping points** – plan for and take action where the growth and maturity of the company indicates the need for a more complete overhaul of practices and tools.

Figure 28

Avoid making it too complicated



6.3 Private companies versus publicly-traded enterprises

In comparing the different PM practices and impacts on both private companies and publicly-traded enterprises, two key trends became obvious:

- In many instances, the results for both of these groups are paralleled in the finding on company size—the majority of private companies are smaller organizations and publicly-traded enterprises are typically much larger. As such, some of the findings here are impacted more by size than by whether they are privately owned or publicly-traded enterprises.
- The second trend (which could be closely linked to the first one), is that after costs, private companies tend to be more focused on the human aspect of PM and find greater effectiveness and better strategic applications through customer and employee satisfaction.

Alternately, publicly-traded enterprises (also after costs) were much more focused on realizing the fullest potential of the operational and process efficiencies that PM practices provide.

Profile of high performers

Of the 337 private sector participants in our survey, 128 (38%) were private companies, and the remaining 198 (59%) were publicly-traded enterprises. Eleven respondents identified that they did not know their company's status.

Using our definition of high performers as those who scored 6 or 7 on a 7 point scale (with 1 being poor performance and 7 high), we identified a total of 35 (27%) private companies and 82 (41%) publicly-traded enterprises, whose respondents rated their firms as high performers in relation to their competition.

As anticipated, publicly-traded enterprises were typically much larger organizations than their private company counterparts (Figure 29).

Figure 29 Number of employees: Private companies versus publicly-traded enterprises

Company size	Publicly-traded?		
	Yes	No	Don't know
Less than 10	3	34	2
10 to 99	10	59	2
100 to 249	9	39	2
250 to 999	16	27	3
1,000 to 4,999	37	28	1
5,000 to 9,999	15	6	1
Over 10,000	38	5	0
Totals	128	198	11

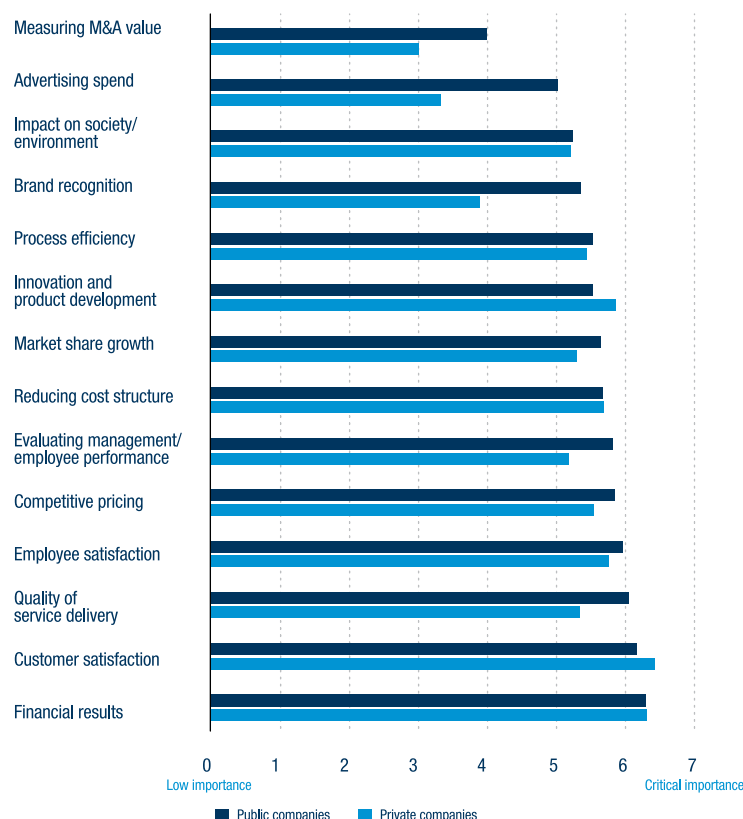
6.3.1 People versus process focus

Taking a broad, holistic approach

Both private companies and publicly-traded enterprises identified the common importance of the majority of the performance drivers identified in the study, and each shared customer satisfaction, quality service delivery and innovative product development as common top five performance drivers.

Rounding out the top five, private companies placed greater importance on talent management drivers such as measuring employee satisfaction and performance, whereas publicly-traded enterprises placed greater emphasis on reducing costs and increasing efficiency in an apparent bid to placate their stockholders demands. As demonstrated in Figure 30, on an overall basis, publicly-traded enterprises assigned a greater level of importance to a broader array of key business drivers.

Figure 30 Importance of measures and management information on related key business drivers



The results of Figure 31 clearly demonstrate that while high performers in both groups report being highly effective in measuring their key drivers, publicly-traded enterprises for the most part, reported higher overall effectiveness in most areas.

In Figures 30 and 31, we see the emergence of the trend for smaller private companies to be more effective in measuring the human aspects of their operations, such as assessing employee and customer satisfaction, while at the same time being more effective at managing their financial results (likely due to smaller teams and less complexity in reporting/tracking processes).

Figure 31 Effectiveness of measures and management information related to key business drivers



Building broad support for the PM effort

In looking at developing the required support for implementing effective PM practices, private companies were more likely to face lesser levels of resistance overall. Again, these findings support the recurring theme that larger publicly-traded enterprises are difficult to effectively manage given their larger diversified employee base, hierarchical and jurisdictional conflicts, and difficulty in securing appropriate senior management buy-in for measures that impact the whole organization (Figure 32).

Avoid making it too complicated

These results show that larger publicly-traded enterprises face proportionately greater challenges in managing complexity within their PM programs than smaller, more agile private companies. Conversely, those relatively smaller private companies would be expected to face greater difficulty in simply applying the proper resources to managing their PM practices (Figure 33).

Figure 32 Minimizing the barriers

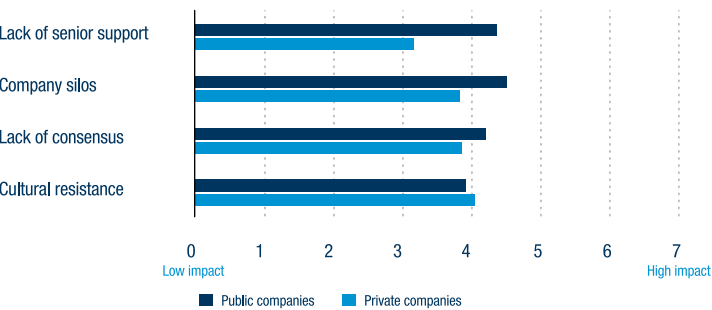
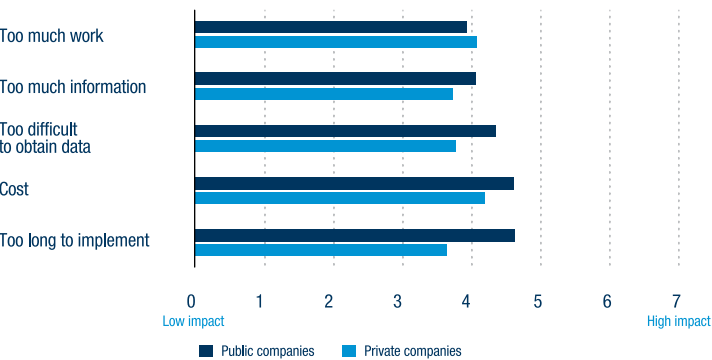


Figure 33 Avoid making it too complicated



6.3.2 Publicly-traded enterprises
—some unique issues

Given the unique reporting and governance needs facing publicly-traded enterprises, the survey asked these organizations a series of unique questions. The following responses are those provided by the high performing companies only.

As identified in Figure 34, publicly-traded enterprises are concerned that the requirements for more public disclosure of performance measures gives up too much information to the competition. A clear majority identified this was a major concern, with over 58% of companies providing a rating of 6 or 7—the highest ratings representing level of concern.

We also asked publicly-traded enterprises to identify who, in their opinion, should be primarily responsible for monitoring PM in their organization—management, the board of directors or both. As revealed in Figure 34, in most instances, both groups were identified as needing to share responsibility for the majority of monitoring needs. It is only at the product service quality and employee engagement levels where management was seen as being the most effective source for monitoring.

“Information about your own company in your competitors’ hands is dangerous. There are increasing demands and expectations for publicly-traded companies to disclose more and more information...while much of this disclosure is necessary and serves the greater good, there are also examples where it creates a situation that can drive up costs. For example, the disclosure of executive compensation could be argued to be a factor in driving up compensation costs in the executive ranks.”

Robert G. Coffey, Chair of the Board of Trustees, InterRent REIT

Figure 34 Threat of competitive position to disclosure needs

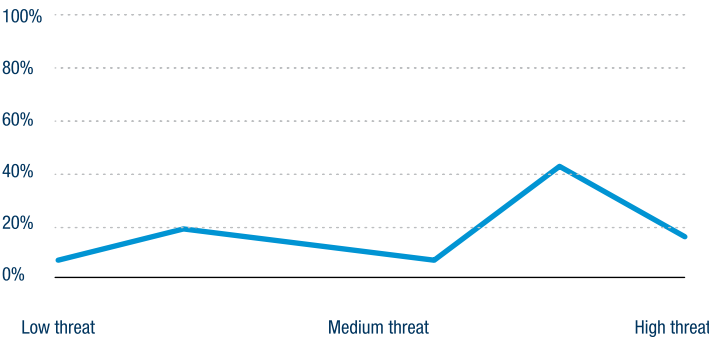
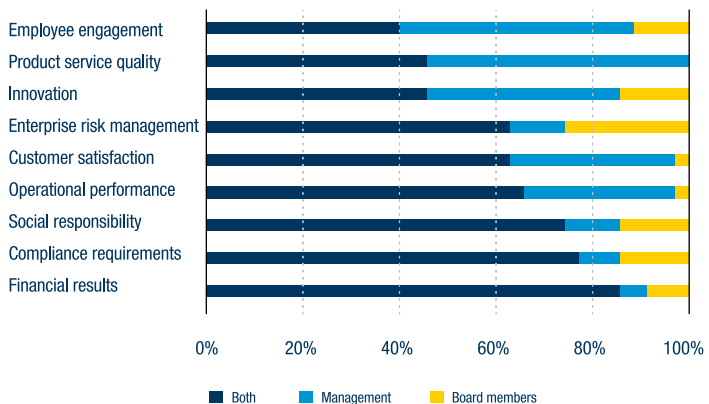


Figure 35 Responsibility for monitoring PM



6.4 PM in the public sector—not as different as you might think

To gather insight into the public sector environment, we modified a number of the survey questions. For example, most public sector organizations do not compare themselves to competitors in the way that private sector companies do. We therefore changed questions focused on competition or business results to be more relevant to public sector managers. High performers were therefore identified based on their performance versus plan or budget, rather than their performance versus their competition, as was the case with private sector companies.

Twenty-seven out of the 80 (33.8%) public sector organizations who responded indicated that they were high performers (i.e. they rated their performance against plan 6 or 7 on the 7 point scale). The average performance rating for this group was 6.39 on the 7 point scale. Fifteen organizations identified themselves as low performers (average performance rating of 1.47 on the 7 point scale).

We then examined the differences between high and low performers in terms of the seven key practices that we found to be driving superior performance in private sector companies to determine if these same seven factors apply in the public sector as well.

We found that for the most part, what is important in the private sector is also important in the public sector. Clear differences could be seen between high and low public sector performers in each area. We did, however, identify some meaningful nuances in the following PM practices:

- Creating linkages, integration and alignment;
- Use of planning and analytic practices; and
- Effective implementation of key PM technologies.

Creating linkages, integration and alignment

Figure 36 shows that little difference exists between the two groups on the level of integration among PM tools and methods (note that this question asked about barriers, therefore lower values indicate that the item in question was less of an obstacle to the implementation of PM practices). A substantial difference is noted in the ability to create linkages between strategy, plans and budgets. Over the past few years, many public sector organizations have developed frameworks for linking strategic outcomes of the agency to operational plans and budgets. The evidence suggests that these approaches do indeed influence performance.

Adopting high value planning practices

In the public sector version of the survey, we did not specifically ask about value stream mapping since it is not a practice used by many public sector organizations. Figure 37 shows responses for the planning practices we inquired about. We noted that marked differences exist between high and low performers across all practices.

Figure 36 Minimizing the impact of alignment and integration barriers

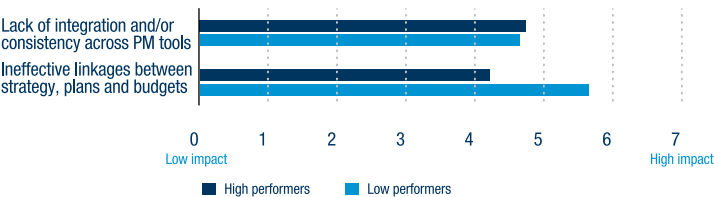
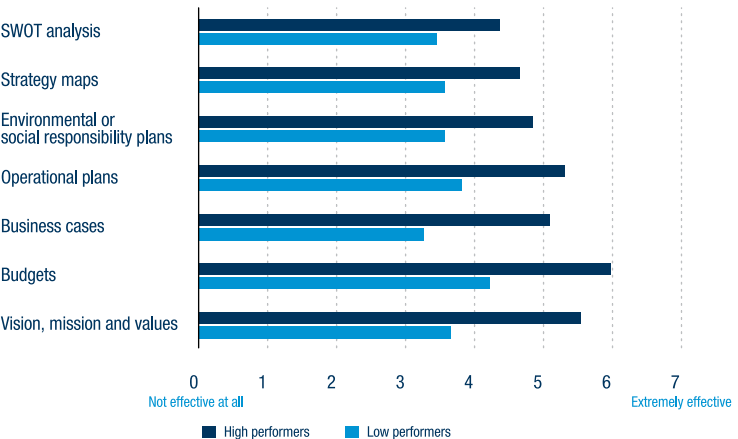


Figure 37 Adopting high-value planning practices

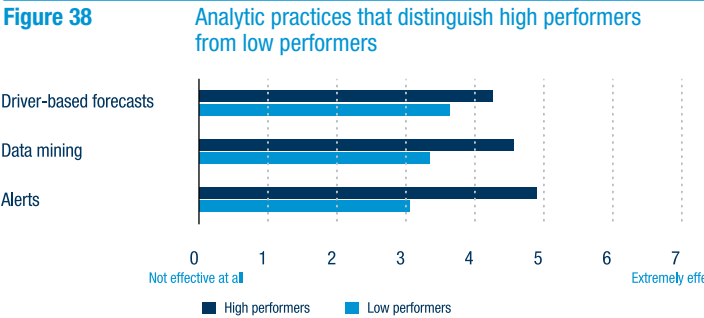


The differences between the effectiveness of vision, mission and values as well as budgets and business cases are especially large. Clear articulation of an organization’s vision and mission can help to provide a sound context for the agency’s strategic outcomes. Further, the use of budgets and business cases help to translate strategic outcomes into realistic day-to-day plans.

The data suggests that high performers are effectively linking strategy to operations through the use of these approaches. In addition, high performers are more effective at the implementation of systematic planning approaches such as strategy maps and SWOT analyses.

Turning analytics into competitive advantage

The use of advanced analytic tools can help an organization gain insight into relatively complex operational issues. Figure 38 shows that high performers are slightly more effective in using driver-based forecasting as a tool to analyze key factors that influence organizational performance. When it came to data-mining and alerts however, we noted a fairly substantial difference between the two groups. High performers are relatively more effective in using alerts to help managers focus on key performance issues. They also are better at applying data-mining to examine performance information in more detail.



Developing advanced PM technology capabilities

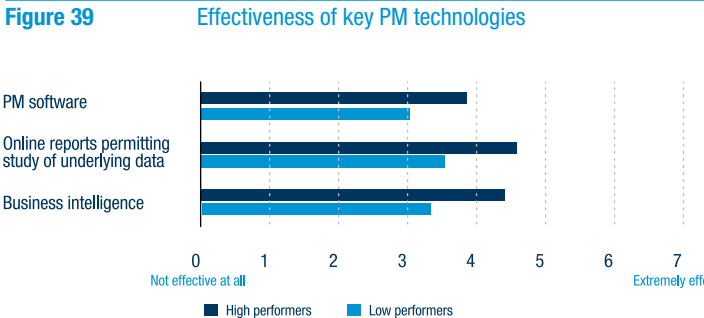
High performers reported that they were relatively more successful at implementing PM technologies to support organizational PM. Figure 39 shows these responses.

These results are consistent with those mentioned earlier in this section: public sector high performers tend to be better at implementing PM technologies. The use of PM software, online reports and business intelligence helps managers organize large amounts of data thereby facilitating managerial decision-making. These findings suggest that public sector high performing organizations are deriving benefits from these tools.

In conclusion, one of the key differences between high and low public sector organizations is the implementation of a variety of PM practices. These tools, however, would be of little use without a clear understanding of the overall strategic outcomes of the organization. Indeed, the data shows that high performers are able to reduce barriers to alignment especially as it relates to linkages between strategy, plans and budgets. These findings suggest that the overall governance framework in high performance public sector organizations is well-articulated, forming a sound base for the effective application of PM practices.

“The sense of urgency in the private sector is hard to recreate in the public sector. . . performance management can be a surrogate for creating this sense of urgency”

Reg Alcock, former President of the Treasury Board of Canada



6.5 Canadian PM practices are less robust than the rest of the world (RoW), but Canada is better at overcoming potential barriers

While Canadian high performers were found to be generally lagging in their overall effectiveness of their PM practices compared to RoW, their ability to better overcome traditional PM barriers and avoid complication in their management and delivery are clear advantages.

The results also identify that Canada is slightly lagging RoW in its adoption of PM technology, which for a nation as technologically advanced and highly educated as Canada seems counterintuitive to the outcomes. But, this could provide some explanation for the lag in effectiveness Canadian high performers realize in their PM practices.

Profile of high performers

There were 337 private sector companies that participated in this global study. Of these, 191 (57%) were Canadian, and the remaining 146 (43%) formed RoW sample.

Using our definition of high performers, we identified a total of 76 (40%) Canadian and 45 (31%) from RoW private sector respondents who rated their firms as high performers in relation to their competition.

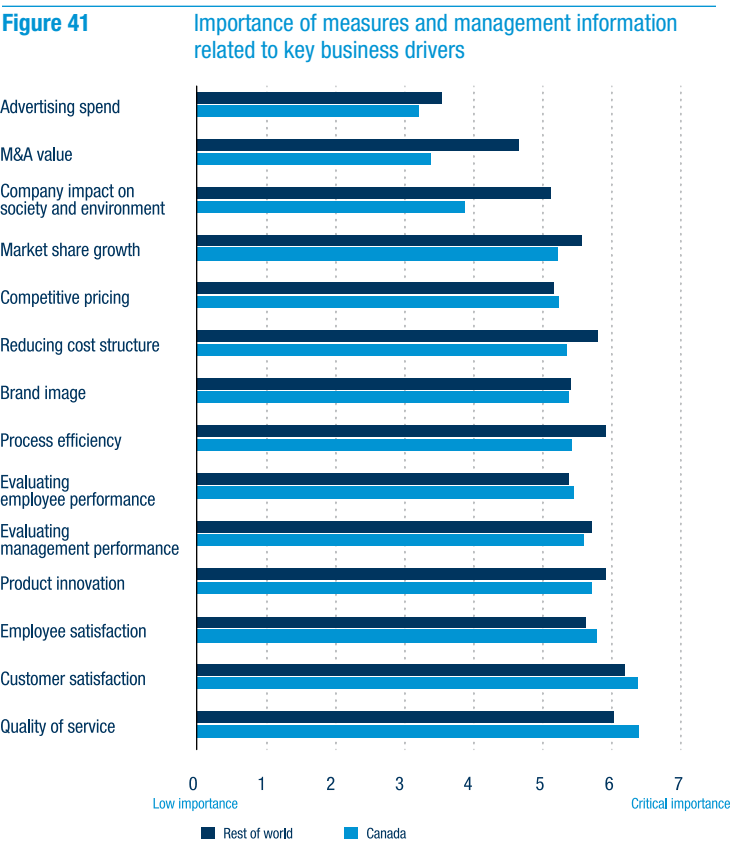
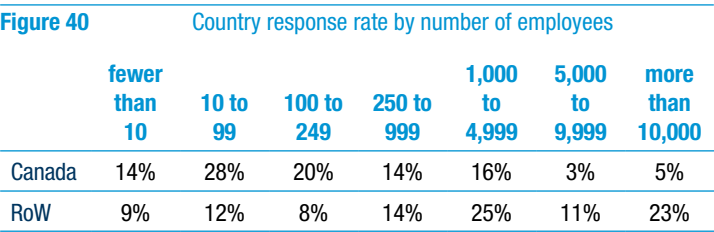
Canadian firms were also notably smaller than RoW by a significant margin (Figure 40).

Taking a broad, holistic approach

We asked respondents to identify the importance level of key drivers of their organization. There is a clear alignment among both groups with respect to the importance that customer satisfaction and product/service quality play in their organizations, but the next areas of focus vary distinctly, with Canada focused on employee-centric management and satisfaction drivers, while RoW are focused on further enhancing process and cost efficiencies (Figure 41).

This could be explained by RoW being more intent on attracting foreign customers through the offering of lower cost products and services and greater productivity, while Canadian companies focus on managing the talent and knowledge needed to develop new products and services.

Canadian companies rated their impact on society and the environment relatively low compared to that of the RoW—further demonstration of the apparent disconnect between a perceived Canadian value and its actual level of focus in the workplace.

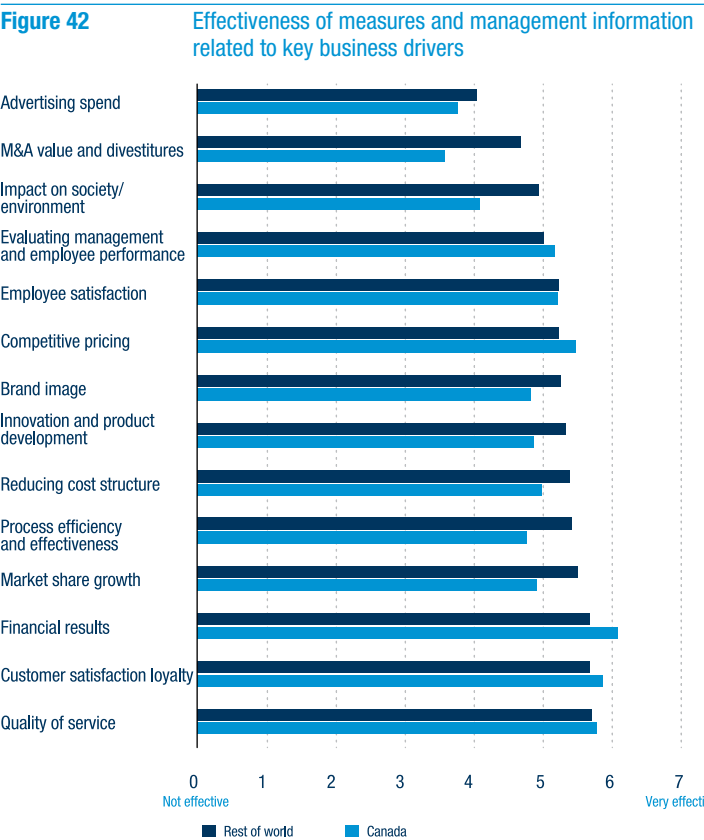


Creating linkages, integration and alignment

In looking at how respondents rated the effectiveness of performance measures relative to the importance of their business drivers, Canada lags behind RoW.

Canadian companies have a slight edge in effectively managing financials, employee and client satisfaction, and employee performance. These are positive findings since they are measures identified as key priority drivers for Canadian firms.

However, the fact that Canadian firms are so clearly lagging RoW in their ability to effectively measure performance across other key drivers should give cause for concern and provide further evidence identifying why Canada seems persistently faced with a lack of productivity and innovation in the workplace. In fact, this is further supported in the rather significant gaps demonstrated in the results for process efficiencies and innovation/product development measures detailed in Figure 42.



Building broad support for the PM effort

Both Canada and RoW identified similar levels of moderate impact in overcoming the traditional hurdles required for implementing effective PM practices. The one noticeable advantage for Canadian companies is their ability to attract the proper levels of senior management support. This can likely be attributed to the fact that Canadian company respondents were primarily smaller-sized firms with less hierarchy and smaller core management teams to work with (Figure 43).

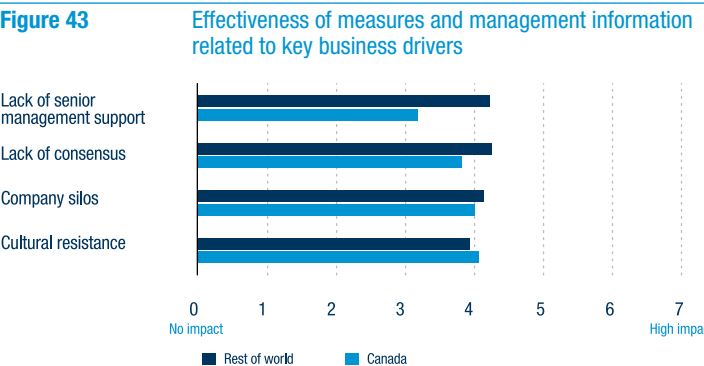
Planning and analytic practices

There is a strong alignment in ranking for all of the identified planning and analytic practices and a continuation of the trend of realizing a greater effectiveness of these practices by RoW participants.

Approximately one third of both Canada and RoW organizations use balanced scorecards, and the majority identified having between 4 and 7 measures on a typical scorecard. However, it is interesting to note that over half of Canadian organizations identified having more than 7 measures compared to only 30% of RoW. This observation may suggest that Canadian high performers are tracking too many performance measures at once causing managers and employees to lose sight of which measures contribute directly to strategic objectives.

Developing advanced PM technology capabilities

While both Canada and RoW high performance organizations are still heavily reliant on the basic tools for PM such as spreadsheets and hard- and soft-copy reports, it is equally clear that Canadian companies are not making as effective use of the many other existing technology-based options as compared to RoW.



This is also evidenced by the number of respondents identifying that they did not use the noted technology at all. In most of the technologies identified above, anywhere from one quarter to one fifth of all Canadian respondents identified not using them, rising to over 40% with extensible business reporting language (XBRL) tags.

This lower adoption of PM technologies could also be part of the reason for Canada's apparent lagging in PM effectiveness compared to RoW (Figure 44).

This lack of technological adoption is not unique to PM applications alone, and has a demonstrated impact on the nation's productivity levels overall. The Conference Board of Canada grades Canada as a "C", ranking 8 out of 17 countries in labour productivity growth³. The full report identifies that countries with greater technology investments generally realize higher productivity growth and that Canada's investment in machinery and equipment as a percentage of gross domestic product (GDP) is among the lowest of its peer countries.

Avoid making it too complicated

While both respondent groups shared rather similar mid-level impact by these PM barriers, Canadian companies were typically less likely to be as adversely impacted as those in RoW (Figure 45).

Much of this difference can potentially be attributed to the relatively smaller size of Canadian companies, which subsequently results in their experiencing less challenge in implementing and managing effective PM practices across a flatter, less complex organizational structure.

"As part of the executive team's performance plans, we incorporate individual specific metrics that they have more control over, as well as corporate metrics that represent the broader performance of the company. This gives them a greater feeling of control and reduces barriers to implementation."

Derek Cardy, CFO, RapidMind Inc.

Figure 44 Technological use and adoption

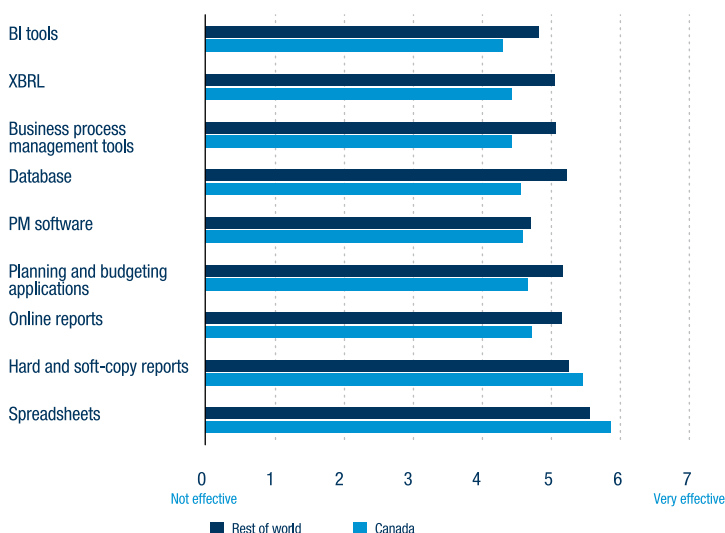
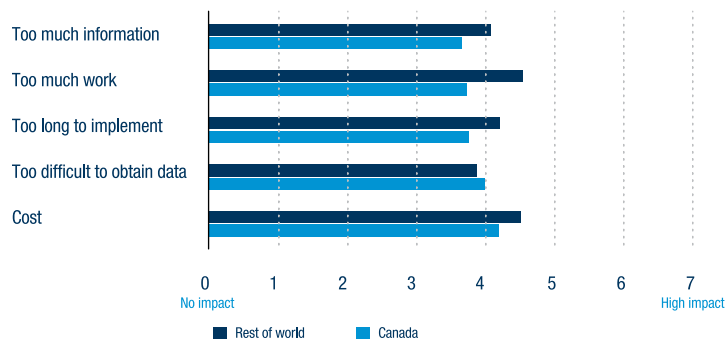


Figure 45 Avoid making it too complicated



3. http://www.conferenceboard.ca/HCP/Details/Economy/measuring-productivity-canada.aspx#Reduce_gap

07 Making it real: guidance on implementation

Implementing an effective PM program may appear to be a daunting task. If it can be said that nothing of value is achieved without effort, this is certainly true of PM.

However, our research demonstrates that the worst approach is to do nothing. As we have seen, low performing organizations are characterized by significantly less effective PM programs.

A practical, pragmatic approach is to start by defining a clear vision that describes how performance will be managed within a realistically achievable timeframe (i.e. one to three years, depending on the size and complexity of the organization), and then identifying the gap between this vision and the current state of the PM approach. A sound implementation is typically based on a step-by-step approach to closing the gap in smaller, manageable components that deliver new capabilities and value on a regular basis every two to three months. The first few steps in this journey should focus on addressing the gaps related to the seven key PM practices that drive the greatest overall value.

This systematic, step-by-step approach to implementation delivers short-term value and clearly establishes the “ROI”. In addition, it builds momentum and consensus across the organization and makes it easier as each step is taken. Organizations that attempt to do it all with a single “mega” project ending in a “big bang” of change often end up with a costly and ineffective result.

It is also important to note that the “vision” is not a fixed destination. As the organization grows and changes, the details of the PM approach need to evolve with it, and a continuous improvement effort is necessary. Many organizations have responded by implementing a chief performance officer (CPO) role to provide guidance on the ongoing evolution, and to ensure that each component of the program, in all parts of the organization, is properly aligned and integrated with all others.



Appendices

Appendix A

Demographics

Figure A1 Respondents by country

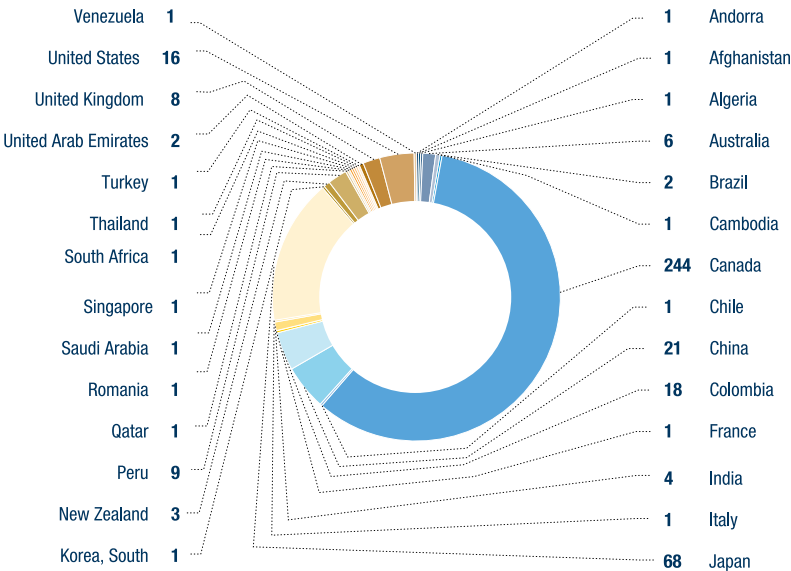


Figure A2 Respondents by Canadian province

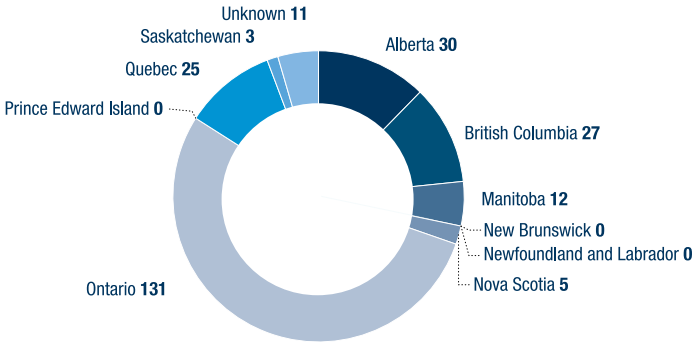


Figure A3 Number of employees

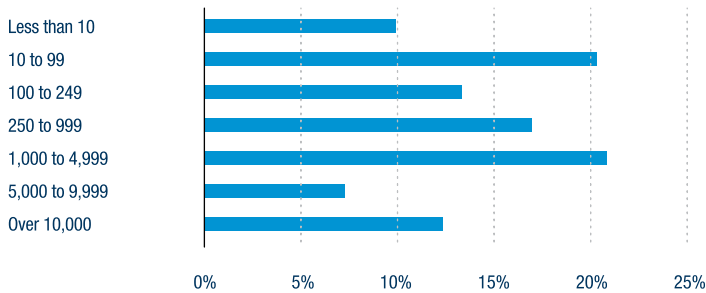


Figure A4 Private sector revenue

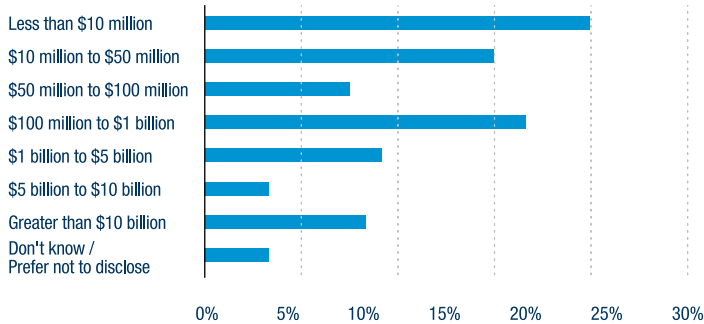
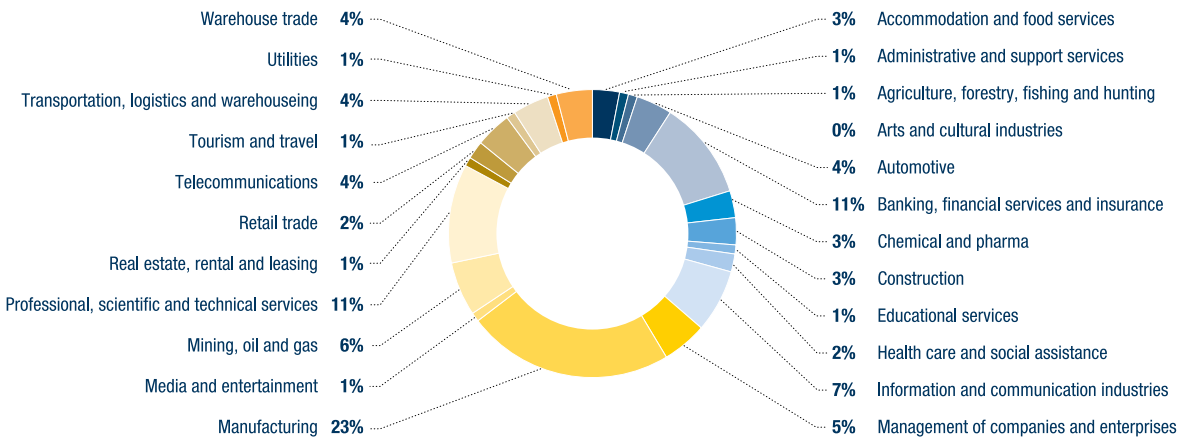


Figure A5 Private sector industry breakdown



Geographic location of the organization

Performance management matters: Sustaining superior results in a global economy is based on 419 responses received from 29 different countries (Figure A1). The responses are mainly represented by Canada (58%), Japan (16%), China (5%), Colombia (4%) and the United States (4%).

There is a large representation from Canada, with 244 responses (Figure A2). These responses represent 10 different provinces, including Ontario (53%), Alberta (12%), British Colombia (11%) and Quebec (10%).

Size of the organization

Number of employees

The respondents that participated in *Performance management matters: Sustaining superior results in a global economy* represented organizations of all sizes. The following graph (Figure A3) includes the entire survey population.

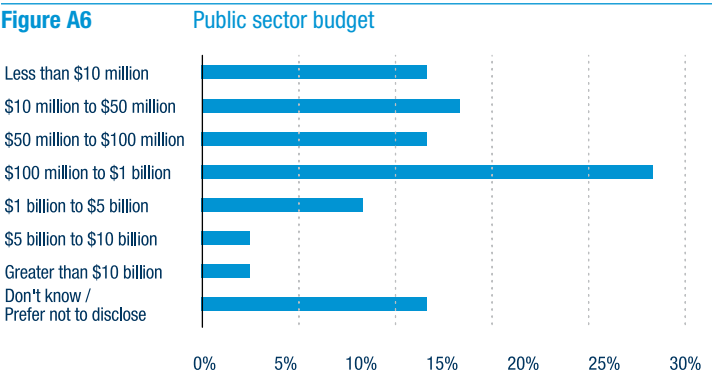
Figure A3 shows that respondents were well dispersed, with the participation of small organizations (i.e. less than 10 employees), as well as very large organizations (i.e. more than 10,000 employees), and a good representation of all sizes.

Annual revenue

Based on annual company revenue, our survey population was diverse (Figure A4). Twenty-four percent of the respondents work in companies with revenue of less than \$10 million while 10% work in companies with revenue greater than \$10 billion.

Annual budget

Based on their annual budget, public sector respondents are employed in organizations of all sizes (Figure A6). A majority fell into the \$100 million to \$1 billion range, while only 6% work for organizations with a budget greater than \$5 billion.



Focus/mandate of the organization

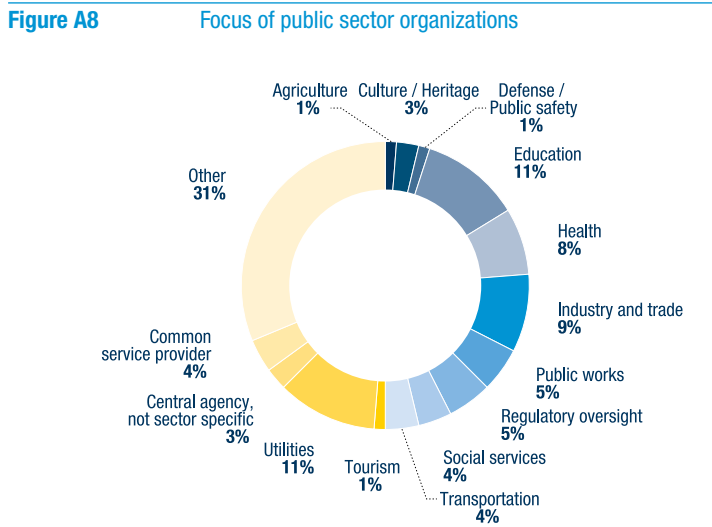
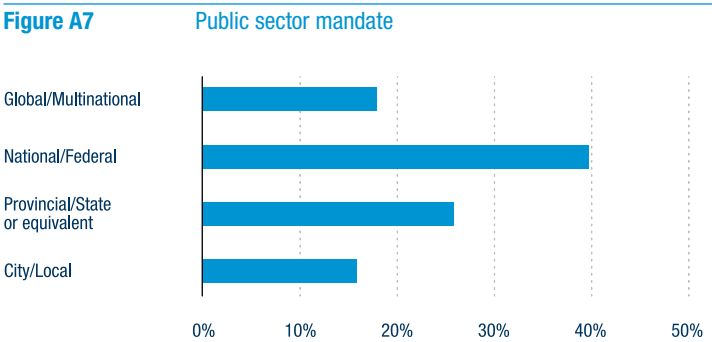
Private sector

The private sector survey population represents 24 different industries (Figure A5). The majority of respondents are in the manufacturing industry (23%), followed by the banking, financial services and insurance industry (11%), and the professional, scientific, and technical services industry (11%).

Public sector

The public sector survey population indicates participation from all levels of government (Figure A7).

Public sector respondents represent organizations from over 15 different areas of focus (Figure A8), including other areas such as economic development, research, urban development and technologies. These focus areas were listed by respondents who selected “other”.



Position within the organization

Private sector

The following graph represents areas of the company where our private sector respondents are employed (Figure A9). Responses were received from various areas, having the most participation from employees in the finance/accounting area (32%), followed by the CEO/President/Owner/Partner level (24%).

While we welcomed respondents from all positions, we received a very high percentage of responses from senior management representatives (Figure A10). Respondents from the executive level and above correspond to 60% of the responses. This number increases to 90% if we include manager level and above.

Figure A9 Area of the company they worked in

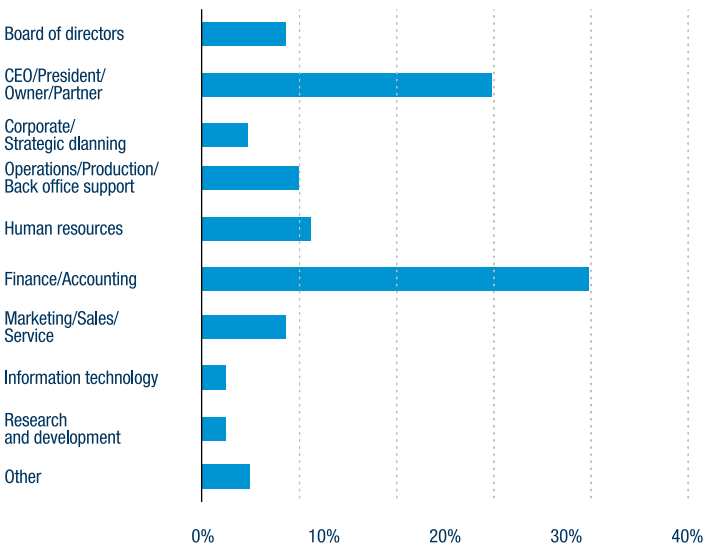
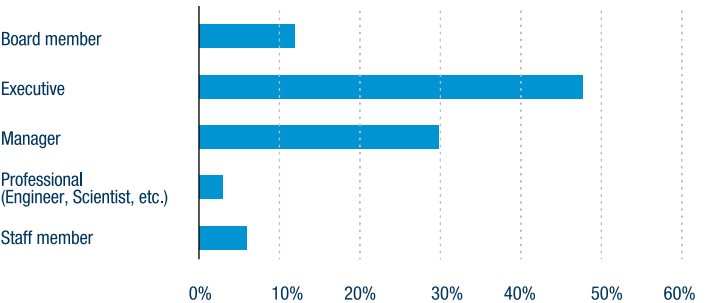


Figure A10 Private sector positions



Public sector

Similar to the private sector, the following graph represents departments of the public organization where respondents are employed (Figure A11). The largest participation comes from the finance/accounting department (28%), followed by the administration department (21%) and human resources department (11%).

The public sector survey population also had high representation from senior management. Respondents from the senior management level and above correspond to 56% of the responses, and the number increases to 76% if we include middle management respondents (Figure A12).

Figure A11 Department of the public sector they worked in

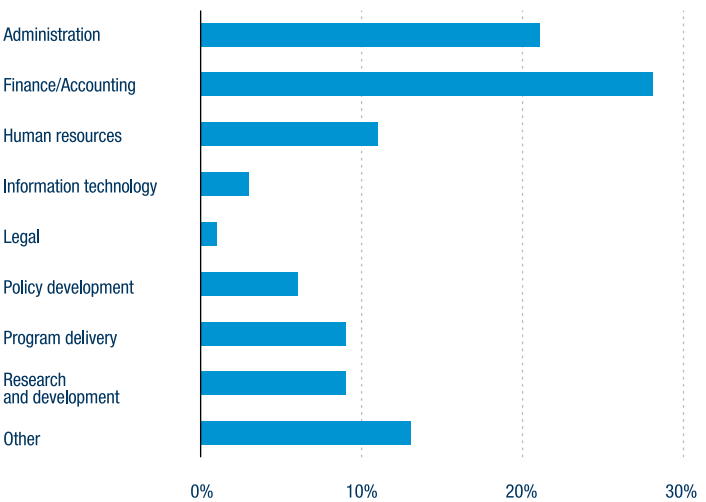
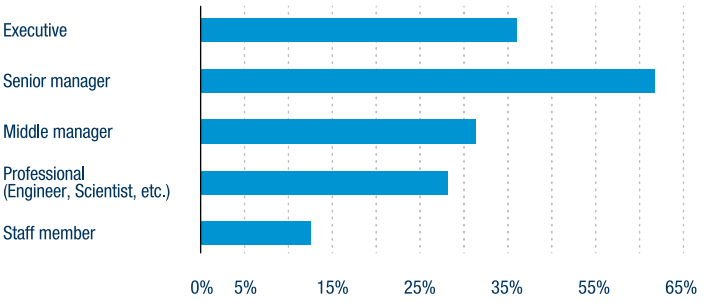


Figure A12 Public sector positions



Appendix B

Methodology overview

The research team officially began this project in June of 2008. The team worked together to develop and refine a comprehensive set of survey questions and an online survey tool that:

- Was subjected to a three stage testing process where subject matter specialists and stakeholders rigorously tested the survey to ensure that all questions were easily understood, there were no errors in either grammar/punctuation and all information provided was factually correct and complete;
- Consisted of 26 to 36 questions for the private sector and 25 to 32 questions for the public sector—the actual number of questions a respondent was asked depended on the answers provided as based on a conditional branching logic model. For example, one question asked of private sector respondents was, “Has your company made significant changes to the performance measures it uses within the past few years?” If they responded “yes” then this follow-up question was asked: “What were the factors that drove the company to make these changes?” If they responded “no” or “don’t know” then they were not asked the follow-up question;
- Required respondents to answer all questions before advancing through to complete the survey;
- Provided an area where respondents had to self-identify themselves in order to receive an executive summary of the final report or to be contacted for an interview; and
- Provided a notice that the information in the survey was being collected and treated on a confidential basis.

Each respondent was asked to answer a series of closed-ended questions consisting of multiple choice, ordinal and categorical types that explored the following areas:

- Background information of their organization;
- Background information of their individual role;
- Strategic context and focus of their organization;
- The effectiveness of performance measures and management information in their organization;
- The effectiveness of PM practices in their organization;
- Barriers to implementation in their organization; and
- Information systems and technology investment in their organization.

The study queried a sample of 337 private sector professionals and 80 public servants in the online survey that was conducted between September 19 and November 30, 2008.

Part of the study methodology included in-person or telephone interviews of survey respondents to further explore their organization’s PM practices. A standard set of questions were asked of 12 interviewees. The interviews varied slightly based on the responses provided by the interviewee, and some specific areas of interest were explored further based on the knowledge and experience of the interviewee.

Appendix C

Survey questions

Please note that the survey contained branching logic and as a result, individual participants were not necessarily asked to respond to every question.

Private sector survey

Background information

1. Which sector does your company or organization belong to?

- a. Private sector
- b. Public sector
- c. Not-for-profit sector

2. Where is the office in which you work located?

Province, state, or equivalent:

3. How many employees work for your company?

- a. Less than 10
- b. 10 to 99
- c. 100 to 249
- d. 250 to 999
- e. 1,000 to 4,999
- f. 5,000 to 9,999
- g. Over 10,000

4. What was your company's total revenue in US dollars last year?

- a. Less than \$10 million
- b. \$10 million to \$50 million
- c. \$50 million to \$100 million
- d. \$100 million to \$1 billion
- e. \$1 billion to \$5 billion
- f. \$5 billion to \$10 billion
- g. Greater than \$10 billion
- h. Don't know/prefer not to disclose

5. How long has your company been in operation?

- a. Less than one year
- b. One to five years
- c. Five to 10 years
- d. More than 10 years
- e. Don't know

6. Which industry best describes the sector in which the majority of your company operates or participates?

- a. Accommodation and food services
- b. Administrative and support services
- c. Agriculture, forestry, fishing and hunting
- d. Arts and cultural industries
- e. Automotive
- f. Banking, financial services and insurance
- g. Chemical and pharma
- h. Construction
- i. Educational services
- j. Healthcare and social assistance
- k. Information and communication industries
- l. Management of companies and enterprises
- m. Manufacturing
- n. Media and entertainment
- o. Mining, oil and gas
- p. Professional, scientific and technical services
- q. Real estate, rental and leasing
- r. Retail trade
- s. Telecommunications
- t. Tourism and travel
- u. Transportation, logistics and warehousing
- v. Utilities
- w. Waste management
- x. Wholesale trade

7. In which area of your company do you work?

- a. Board of directors
- b. CEO/President/Owner/Partner
- c. Operations/Production/Back office support
- d. Human resources
- e. Finance/Accounting
- f. Marketing/Sales/Service
- g. Information technology
- h. Research and development
- i. Legal
- j. Health and safety
- k. Other

8. What is your position in the company?

- a. Member of board of directors
- b. Executive
- c. Manager
- d. Professional (Engineer, Scientist, etc.)
- e. Supervisor
- f. Staff member

Current performance of your company

9. Overall, how would you say your company has performed over the past year?

Rate performance from 1 (poor) to 7 (excellent).

- a. Relative to business plan or budget
- b. Relative to the competition

10. How successful has your company been in the following areas?

Rate success from 1 (not at all successful) to 7 (extremely successful).

- a. Attracting and retaining top talent
- b. Creating value for clients/customers
- c. Entering new markets
- d. Establishing or maintaining efficient and effective internal processes
- e. Introducing new products
- f. Generating bottom-line financial results
- g. Generating growth through innovation

Strategic context and focus

11. How would you characterize the strategic focus of your company?

- a. The best available product or service
- b. The lowest priced product or service
- c. Best total value to the customer
- d. Niche strategy where we have very little competition
- e. Don't know

12. How important are each of these business drivers to the success of your company?

Rate importance from 1 (not at all important) to 7 (critical).

- a. Advertising spend
- b. Brand image and recognition
- c. Company impact on society and the environment
- d. Competitive pricing
- e. Customer satisfaction and loyalty
- f. Employee satisfaction
- g. Evaluating employee performance
- h. Evaluating management performance
- i. Innovation and product development
- j. Market share growth
- k. Measuring the value achieved through acquisitions, mergers and divestitures
- l. Process efficiency and effectiveness
- m. Quality of service delivery
- n. Reducing the cost structure

13. Please evaluate the effectiveness of your performance measures and management information in these areas:

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Advertising spend
- b. Brand image and recognition
- c. Company impact on society and the environment
- d. Competitive pricing
- e. Customer satisfaction and loyalty
- f. Employee satisfaction
- g. Evaluating management and employee performance
- h. Financial results
- i. Innovation and product development
- j. Market share growth
- k. Measuring the value achieved through acquisitions, mergers and divestitures
- l. Process efficiency and effectiveness
- m. Quality of service delivery
- n. Reducing the cost structure

14. Overall, would you say that the performance metrics used in your company are:

- a. Mostly focused on actual results achieved in the past
- b. Mostly focused on the future—predictive metrics and the drivers of future results
- c. A balanced combination of each
- d. Don't know

15. How stable or volatile is your industry across the following dimensions?

Rate stability from 1 (stable) to 7 (volatile).

- a. Changes in the competitive landscape
- b. Changes in the marketplace for products we sell/deliver
- c. Changes in the regulatory and political environment related to environmental issues
- d. Political or macroeconomic changes in the markets we serve
- e. Technology-driven changes to our products/services

16. When developing forecasts, guidance or other forward looking information, how important are non-financial performance measures to your company?

Scale: 1 – 7 (Not important – Critical) with “Don't know” option

17. Does your company trade on the stock exchange?

- a. Yes
- b. No
- c. Don't know

18. To what extent are you concerned that requirements for more public disclosure of performance measures gives up too much information to the competition?

Scale: 1 – 7 (Not at all concerned – Very concerned) with “No opinion” option

19. In your opinion, who should monitor performance measures for the following: management, the board of directors, or both?

- a. Compliance requirements
- b. Customer satisfaction
- c. Employee engagement
- d. Enterprise risk management
- e. Financial results
- f. Innovation
- g. Operational performance
- h. Product service quality
- i. Social responsibility

Private sector survey CONTINUED

20. How would you rate the quality of the performance management information provided to your board of directors in the following areas?

Rate quality from 1 (poor) to 7 (excellent).

- a. Customer satisfaction
- b. Employee engagement
- c. Enterprise risk management
- d. Financial results
- e. Impact on the environment
- f. Innovation
- g. Operational performance
- h. Product service quality
- i. Social responsibility

Company performance management practices

21. How effectively are the following planning practices utilized in your company?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Articulation of vision, mission and values
- b. Budgets
- c. Business cases
- d. Business plans
- e. Environmental or social responsibility plans
- f. Strategy maps
- g. SWOT analysis
- h. Value stream mapping

22. How effectively are the following analytic practices utilized in your company?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Alerts or early warning systems
- b. Data-mining
- c. Driver-based forecasts
- d. Rolling forecasts
- e. Quality management approaches
- f. Variance analysis versus plan/budget

23. Does your company use balanced scorecards?

- a. Yes
- b. No
- c. Don't know

24. How many performance measures are on a typical scorecard in your company?

- a. 1 - 3
- b. 4 - 7
- c. 8 - 12
- d. 13 - 20
- e. More than 20
- f. Don't know

25. Are scorecards cascaded from the enterprise level, to the business unit level, and to individual employees in your company?

- a. No, we have only one scorecard for the overall company
- b. Partially, some areas/people have their own scorecards
- c. Yes, scorecards are fully cascaded throughout the entire company
- d. Don't know

26. Do the performance measures used in these scorecards measure activities or outcomes that are relevant and controllable by the person or group being measured?

Rate from 1 (not relevant/controllable) to 7 (very relevant/controllable).

- a. Measures on my personal scorecard are:
- b. Measures on my team or departmental scorecard are:
- c. Measures on all other scorecards in our company are:

27. From your perspective, how effectively have the following technology-based tools been implemented in your company?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Business intelligence tools
- b. Business process management tools
- c. Database tools
- d. Financial and operational reporting via XBRL
- e. Hard- or soft-copy reports distributed internally
- f. Online reports permitting study of underlying data
- g. Performance management software (e.g. dashboards, scorecards, etc.)
- h. Planning and budgeting software
- i. Spreadsheets (e.g. Excel)

28. How have the systems identified in the previous question contributed to the efficiency and effectiveness of your performance management practices?

Select all that apply.

- a. Better alignment of effort across the company
- b. Better monitoring of performance
- c. Better product/service quality
- d. Better understanding of key business drivers
- e. Better use of performance data
- f. Earlier detection of emerging issues and opportunities
- g. Enables management by exception
- h. Faster company planning cycles
- i. Improved accountability
- j. Improved fact-based decision-making
- k. Improved risk management
- l. Internal benchmarking to identify best practices that can be transplanted
- m. They have not contributed to the efficiency and effectiveness of our performance management practices
- n. Other

29. Listed below are examples of barriers that some companies have experienced when implementing performance management practices. For each of the potential barriers, please assess the barrier based on your company's experience.

Rate the impact that each barrier has had on your company's performance management practices from 1 (no impact) to 7 (high impact).

- Company silos - can't agree on what to do or how to do it
- Complexity, too difficult to understand
- Cost
- Cultural resistance, fear of change
- Ineffective linkages between strategy, plans and budgets
- Lack of consensus, buy-in
- Lack of integration and/or consistency across performance management tools and methods
- Lack of senior management support
- Takes too long to implement
- Too difficult to obtain the data we need
- Too much information resulting in "analysis paralysis"
- Too much work or effort
- Unionized environment

Information systems

30. How important are the following objectives in driving your technology investments?

Rate importance from 1 (not at all important) to 7 (critical).

- To enhance ability to achieve strategic objectives
- To help us manage our people more effectively
- To improve communication capabilities
- To improve financial management and reporting capabilities
- To improve internal administrative processes
- To improve service delivery capabilities
- To improve the efficiency or effectiveness of operational processes
- To make our company more competitive
- To support performance management capabilities

31. How frequently is the overall information systems/information technology plan updated?

- Annually
- Every two years
- Every three years
- Whenever required - no specific time frame
- Don't know

32. How are information technology investment decisions made in your organization?

- Primarily driven by business users
- Primarily driven by the information technology group
- Driven by a combination of business users and the information technology group
- Don't know

Company performance management practices

33. Has your company made significant changes to the performance measures it uses within the past few years?

- Yes
- No
- Don't know

34. What were the factors that drove the company to make these changes?

Please select all that apply.

- A decline in customer/client retention or customer satisfaction
- A demand from a board member or the CEO for greater visibility and accountability
- A major compliance failure
- A sharp decline in employee satisfaction/employee engagement or employee retention
- An overhaul of the compensation program
- Competition for capital
- Introduction of a breakthrough product/service by a competitor
- Mergers, acquisitions, or divestitures
- More demand for expanded reporting
- Need for a greater understanding of how to measure non-financial drivers of performance
- Need for more stringent control
- New regulatory requirements
- Public relations crisis
- Recommendations received from internal audit or audit function
- Significant increase in competition
- Significant increase in customer power
- Significant security threat

Private sector survey CONTINUED

35. How effective are your performance measures in helping to understand the following?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Competitiveness of compensation and benefits
- b. Diversity of workforce
- c. Fairness of career development opportunities
- d. Fairness of employee terms and conditions
- e. Quality of development and learning programs
- f. Quality of health and safety provisions
- g. Quality of internal communications
- h. Retention of valued employees
- i. Success of recruitment practices
- j. Succession planning

36. On an overall basis, how effective have all of your performance management practices and tools been in contributing to your results in the following areas:

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Creating a balanced focus between short-term results and long-term sustainability
- b. Creating better insight on key issues to drive fact-based decision-making
- c. Creating value for customers
- d. Delivering increased value to the partners of the company (suppliers, alliance members, etc.)
- e. Driving innovation and growth
- f. Driving successful execution of the company's strategy and business plans
- g. Establishing improved linkages between capital and operating budgets
- h. Executing processes efficiently and effectively
- i. Improving the company's competitive positioning
- j. Improving the company's financial performance relative to its competitors
- k. Rewarding management and staff appropriately for their own specific contributions to company success

Public sector survey

Background information

1. Which sector does your company or organization belong to?

- a. Private sector
- b. Public sector
- c. Not-for-profit sector

2. Where is the office in which you work located?

Province, state, or equivalent:

3. How many employees work for your organization?

- a. Less than 10
- b. 10 to 99
- c. 100 to 249
- d. 250 to 999
- e. 1,000 to 4,999
- f. 5,000 to 9,999
- g. Over 10,000

4. What was your organization's total budget in US dollars last year?

- a. Less than \$10 million
- b. \$10 million to \$50 million
- c. \$50 million to \$100 million
- d. \$100 million to \$1 billion
- e. \$1 billion to \$5 billion
- f. \$5 billion to \$10 billion
- g. Greater than \$10 billion
- h. Don't know/prefer not to disclose

5. How is your organization funded?

- a. Appropriations from tax payers
- b. Charging for the services we provide (cost recovery)
- c. Funding from other levels of government
- d. Combination of the above

6. The mandate of your organization is:

- a. Global/Multinational
- b. National/Federal
- c. Provincial/State or equivalent
- d. City/Local

7. Which sector best describes the focus of programs delivered by your organization?

- a. Agriculture
- b. Culture/Heritage
- c. Defense/Public safety
- d. Environment
- e. Education
- f. Fisheries/Oceans
- g. Foreign affairs/International relations
- h. Health
- i. Industry and trade
- j. Legal
- k. Parks and recreation
- l. Public works
- m. Regulatory oversight
- n. Social services
- o. Transportation
- p. Tourism
- q. Utilities
- r. Veterans affairs
- s. Central agency, not sector specific
- t. Common service provider
- u. Other

8. Where do you work in your organization?

- a. Administration
- b. Finance/Accounting
- c. Human resources
- d. Information technology
- e. Legal
- f. Policy development
- g. Program delivery
- h. Research and development
- i. Other

9. What is your position in the organization?

- a. Executive (head of the organization and direct reports)
- b. Senior manager (two levels from head of the organization)
- c. Middle manager (three levels from the head of the organization to supervisor)
- d. Professional (Engineer, Scientist, etc.)
- e. Staff member

Current performance of your organization

10. Overall, how would you say your organization has performed over the past year relative to plan or budget?

Scale: 1 – 7 (Poor – Excellent) with “Don't know” option

11. How effective has your organization been in the following areas?

- a. Attracting and retaining top talent
- b. Creating high quality programs
- c. Creating new programs or services
- d. Delivering value for money
- e. Delivering quality service
- f. Improving material and contract management
- g. Improving process cycle times
- h. Improving productivity through innovation
- i. Improving talent management
- j. Reducing process costs

Public sector survey CONTINUED

Strategic context and focus

12. How would you characterize the strategic focus of your organization?

- The focus is primarily on effectiveness: delivering the right programs and services to the right people
- The focus is primarily on efficiency: delivering good programs and services while carefully controlling costs
- Balanced combination of efficiency and effectiveness
- Don't know

13. How important are each of the following to the success of your organization?

Rate importance from 1 (not at all important) to 7 (critical).

- Attracting and retaining people with the right skills
- Citizen/client satisfaction with program/service delivery
- Citizen/client satisfaction with program structure
- Evaluating employee performance
- Evaluating management performance
- Reducing the cost structure
- Strategic partnerships
- Supplier relationships

14. Please evaluate the effectiveness of your performance measures and management information in these areas:

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- Attracting and retaining people with the right skills
- Citizen/client satisfaction with program/service delivery
- Citizen/client satisfaction with program structure
- Financial results
- Reducing the cost structure
- Strategic partnerships
- Supplier relationships

15. Overall, would you say that the performance measures used in your organization are:

- Mostly focused on actual results achieved in the past
- Mostly focused on the future-predictive metrics and the drivers of future results
- A balanced combination of each
- We do not use performance measures
- Don't know

16. How stable or volatile is your sector across the following dimensions?

Rate stability from 1 (stable) to 7 (volatile).

- Availability of skilled resources
- Changes in client/citizen expectations
- Changes in the regulatory and political situation related to environmental issues
- Competition from other jurisdictions
- Political or macroeconomic changes affecting the sector
- Technology-driven changes

17. When developing strategic plans, how important are non-financial performance measures to your organization?

Scale: 1 – 7 (Not at all important – Critical) with “Don't know” option

Organization performance management practices

18. How effective have the use of the following planning practices been for your organization?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- Articulation of vision, mission and values
- Budgets
- Business cases
- Operational plans
- Environmental or social responsibility plans
- Strategy maps
- SWOT analysis

19. How effective have the use of the following analytic practices been for your organization?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- Alerts or early warning systems
- Data-mining
- Driver-based forecasts
- Rolling forecasts
- Quality management approaches
- Variance analysis versus plan/budget

20. Does your organization use balanced scorecards?

- Yes
- No
- Don't know

21. How many performance measures are on a typical scorecard in your organization?

- 1 - 3
- 4 - 7
- 8 - 12
- 13 - 20
- More than 20
- Don't know

22. Are scorecards cascaded from the organizational level, to the work unit level, and to individual employees in your organization?

- No, we have only one scorecard for the overall organization
- Partially, some areas/people have their own scorecards
- Yes, scorecards are fully cascaded throughout the entire organization
- Don't know

23. Do the performance measures used in these scorecards measure activities or outcomes that are relevant and controllable by the person or group being measured?

Rate from 1 (not relevant/controllable) to 7 (very relevant/controllable).

- a. Measures on my personal scorecard are:
- b. Measures on my team or departmental scorecard are:
- c. Measures on all other scorecards in our organization are:

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Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Business intelligence tools
- b. Business process management tools
- c. Database tools
- d. Financial and operational reporting tools
- e. Hard- or soft-copy reports distributed internally
- f. Online reports permitting study of underlying data
- g. Performance management software (e.g. dashboards, scorecards, etc.)
- h. Planning and budgeting software
- i. Spreadsheets (e.g. Excel)

25. How have the systems identified in the previous question contributed to the efficiency and effectiveness of your performance management practices?

Select all that apply.

- a. Making important information readily available and easy to access
- b. Making it easy to analyze and understand key performance issues
- c. Reducing cycle time of key processes
- d. Reducing error rates
- e. Reducing manual effort
- f. Reducing/eliminating disputes about whether important data/information is correct
- g. They have not contributed to the efficiency and effectiveness of our performance management practices

26. Listed below are examples of barriers that some organizations have experienced when implementing performance management practices. For each of the potential barriers, please assess the barrier based on your organization's experience.

Rate the impact that each barrier has had on your organization's performance management practices from 1 (no impact) to 7 (high impact).

- a. Cost
- b. Complexity, too difficult to understand
- c. Cultural resistance, fear of change
- d. Ineffective linkages between strategy, plans and budgets
- e. Lack of consensus, buy-in
- f. Lack of integration and/or consistency across performance management tools and methods
- g. Lack of senior management support
- h. Organizational silos - can't agree on what to do or how to do it
- i. Takes too long to implement
- j. Too difficult to obtain the data we need
- k. Too much information resulting in "analysis paralysis"
- l. Too much work or effort
- m. Unionized environment

Information systems

27. How important are the following objectives in driving your technology investments?

Rate importance from 1 (not at all important) to 7 (critical).

- a. To enhance ability to achieve strategic objectives
- b. To help us manage our people more effectively
- c. To improve communication capabilities
- d. To improve financial management and reporting capabilities
- e. To improve internal administrative processes
- f. To improve service delivery capabilities
- g. To improve the efficiency or effectiveness of operational processes
- h. To make our company more competitive
- i. To support performance management capabilities

28. How frequently is the overall information systems/information technology plan updated?

- a. Annually
- b. Every two years
- c. Every three years
- d. Whenever required - no specific time frame
- e. Don't know

29. How are information technology investment decisions made in your organization?

- a. Primarily driven by users
- b. Primarily driven by the information technology group
- c. Driven by a combination of users and the information technology group
- d. Driven by externally mandated procurement policy or specifications
- e. Don't know

Public sector survey CONTINUED

Organization performance management practices

30. Has your organization made significant changes to the performance measures it uses within the past few years?

- a. Yes
- b. No
- c. Don't know

31. What were the factors that drove the organization to make these changes?

Please select all that apply.

- a. A decline in citizen/client satisfaction with the programs/services we provide
- b. A demand for expanded reporting
- c. A demand for increased transparency
- d. A demand from executives for greater visibility and accountability
- e. A demand from political level for greater visibility and accountability
- f. A need for a greater understanding of how to measure non-financial drivers of performance
- g. A sharp decline in employee satisfaction/employee engagement or employee retention
- h. An overhaul of the compensation program
- i. Focus on coordinated service delivery with other organizations (public or private)
- j. Legislation related to administrative procedures in our organization
- k. Need for more stringent control
- l. Public relations crisis
- m. Recommendations received from internal audit or audit function
- n. Significant change in mandate
- o. Significant reorganization
- p. Significant security threat
- q. Other

32. How effective are your performance measures in helping to understand the following?

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Competitiveness of compensation and benefits
- b. Diversity of workforce
- c. Fairness of career development opportunities
- d. Fairness of employee terms and conditions
- e. Quality of development and learning programs
- f. Quality of health and safety provisions
- g. Quality of internal communications
- h. Retention of valued employees
- i. Success of recruitment practices
- j. Succession planning

33. How effectively have your performance management practices contributed to results in the following areas:

Rate effectiveness from 1 (not at all effective) to 7 (extremely effective).

- a. Creating a balanced focus between short-term results and long-term sustainability
- b. Creating better insight on key issues to drive fact-based decision-making
- c. Creating value for users of your services/programs
- d. Delivering increased value to the partners of the organization (suppliers, alliance members, etc.)
- e. Driving innovation and growth
- f. Driving successful execution of the organization's strategy and business plans
- g. Establishing improved linkages between capital and operating budgets
- h. Executing processes efficiently and effectively
- i. Improving the organization's financial performance
- j. Rewarding management and staff appropriately for their own specific contributions to the organization's success

Appendix D

Sponsoring organizations

About PricewaterhouseCoopers LLP

PricewaterhouseCoopers' business consulting professionals provide clients with the confidence to succeed by helping them anticipate, create and manage change. Whether clients are proactively implementing change or reacting to an unplanned event, we leverage our firm's resources, deep industry experience and functional acumen. We address issues impacting our clients across the areas of operations, finance, controls, technology, risk, acquisitions, divestitures, restructuring, financing and merger integration.

The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice. In Canada, PricewaterhouseCoopers LLP (www.pwc.com/ca) and its related entities have more than 5,200 partners and staff in offices across the country.

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

About CATAAlliance

CATAAlliance is Canada's leading, most influential and entrepreneurial technology alliance. It is committed to growing the global competitiveness of its members—80 per cent of which are currently active exporters.

The common purpose that unites the membership is CATAAlliance's commitment to members' business growth. With offices across the country, we are focused on the provision of business services and government relations programs that conserve and leverage member resources. Because members are action-oriented businesses, CATA responds with action when members need specific services or activities. The "Traditional Champion" of Canadian research and development, CATAAlliance's mission is to stimulate "Global Business Growth" through the forces of Canadian innovation and strategic partnerships.

About the Telfer School of Management

The Telfer School of Management at the University of Ottawa is uniquely positioned to link with and learn from Canada's leaders.

With some 3,600 students, 200 full- and part-time faculty and 20,000 alumni, the Telfer School of Management is a diverse and vibrant environment in which students, faculty, researchers and alumni can forge rewarding lifelong relationships. The Telfer School of Management is located in the new Desmarais Building—an impressive 12-storey structure that features a variety of cutting-edge facilities.

Our distinctive programs include: Bachelor of Commerce, MBA, MHA, Executive MBA and MSc programs. The Telfer School of Management is accredited by AACSB and AMBA, ranking us among the best business schools worldwide.

Located in the heart of Canada's capital and offering a broad range of outstanding research and teaching programs in both of our country's official languages, the University of Ottawa is Canada's university.

Appendix E

The research team



Philip E. Townsend, CMA, CIA, BCom (Honours)
Partner, PricewaterhouseCoopers LLP

Philip is a Partner in the Advisory Services practice of PwC and leads the Performance Management practice for PwC Canada. He is part of the Performance Improvement practice working in the Toronto office and is a member of PwC's global team responsible for services in the performance management area.

Philip works with clients in both the public and private sectors in a number of industry settings to help them improve the performance of their operations. He specializes in the area of performance management by helping organizations adopt leading practices that will assist them in effectively translating strategy into action. Philip has presented at conferences and has been interviewed by the media on numerous occasions related to how successful organizations can benefit from a holistic, integrated approach to performance management. He is the PwC partner sponsoring the Global Performance Management Research Report.

Philip joined the firm in 1996 and was admitted to partnership in July 2000. He is a Certified Management Accountant (CMA) and a Certified Internal Auditor (CIA) and received his BCom (Honours) degree from the University of Manitoba in 1977. Prior to joining PwC, he worked in both the private and public sectors for approximately 20 years in senior positions where he was responsible for performance improvement initiatives.



Stuart Smith, MBA, FICB, BCom
Vice President, PricewaterhouseCoopers LLP

Stuart is a Vice President in the Advisory Services practice of PwC. He is part of the Performance Management practice working in the Toronto office.

Stuart works with clients in both the public and private sectors to design and implement performance management solutions that build organizational value. He provides thought leadership by bringing best practice insight, lessons learned and innovative, leading edge concepts. He works collaboratively with clients to transform these external insights into optimal solutions that recognize the unique opportunities, limitations and priorities faced by each client.

Stuart has over 29 years of industry and consulting experience in Canada and the US; the past 15 years have been devoted to all aspects of performance measurement and management. His specific areas of focus include performance management framework development; strategy development and strategic planning process design; planning, budgeting and forecasting; balanced scorecard and performance metric design; performance reporting and analysis; activity-based costing and profitability measurement; and finance function transformation.

Prior to embarking on a consulting career in 2000, Stuart had a 20-year career with a major Canadian financial institution, including executive-level roles in performance management. Stuart holds an MBA from the University of Toronto, Rotman School of Management, and is a Fellow of the Institute of Canadian Bankers (FICB).



Alfredo J. Remy, MBA, BSc (Honours)
Manager, PricewaterhouseCoopers LLP

Alfredo is a Manager in the Advisory Services practice of PwC. He is part of the Performance Improvement practice working in the Toronto office and is a member of PwC's global team responsible for services in the performance management area.

Focusing on all aspects of performance management, Alfredo assists his clients in different areas, including operational analysis, organizational design, process reengineering, systems selection and implementation, balanced scorecard and performance metric design and change enablement. He has proven experience providing guidance and support through complete business transformation initiatives.

Alfredo graduated from Purdue University in 1993, with a BSc (Honours) in Industrial Engineering and obtained his MBA in 1997. He joined the firm in 2005. Prior to joining PwC, Alfredo held senior positions in different industries. He has over fifteen years of industry and consulting experience in South America, the US and Canada.



Gregory Richards, MA, MBA, PhD, FCMC
Cognos Professor of Performance Management, University of Ottawa Telfer School of Management

Greg Richards is the Cognos Professor of Performance Management at the University of Ottawa's Telfer School of Management. In this role, he teaches courses on Organizational Performance Management and Management Consulting.

Prior to his posting at the Telfer School, he worked as a senior manager and management consultant in both the public and private sectors. His current research interests include organizational learning, high performing organizations, the impact of performance management technologies on organizational effectiveness, technologically-enabled management process innovation and the use of decision-frameworks to improve business intelligence capability.

Appendix E

The research team



Kevin A. Wennekes
Vice President – Research,
Canadian Advanced Technology Alliance

Kevin Wennekes is Vice President – Research for the Canadian Advanced Technology Alliance (CATAAlliance). He is responsible for developing and executing “impact” research projects for the advancement of technology-based industries and Canadian economic growth.

Since 2007, Kevin has also been CATAAlliance’s Canadian Executive Champion for China, where he is responsible for developing and executing trade and investment opportunities in collaboration with CATAAlliance’s offices in Shenzhen and Wuxi. In addition, Kevin has spearheaded Canadian Pavilions at major international tradeshows and has been a keynote speaker for Canadian receptions and panel discussions for venues such as the Canada-BC Pavilion in Beijing and the historic Great Hall of the People.

In his five years with CATAAlliance, Kevin has conducted over 30 different studies and personally published over a dozen research papers on topics including ICT adoption practices among Canadian first responders, IT security, global sourcing and supply chains, developing a Canadian brand, high performance computing and procurement practices and reform.



Brent Wennekes, BBA
Projects Director, Canadian Advanced Technology Alliance

Brent Wennekes is Projects Director for the Canadian Advanced Technology Alliance (CATAAlliance). He is responsible for driving superior results for many research projects, events and communications goals. Brent also serves the Canadian Association of Internet Providers (CAIP), a division of CATAAlliance, where he assists the President in managing the Association, as well as takes ownership of and drives specific projects of importance to CAIP members.

Prior to his current position with CATAAlliance, Brent earned a diploma from Algonquin College’s Public Relations program, as well as a BBA from Acadia University. While earning his post-secondary education, Brent ran his own business and worked as consultant to a research and human resources management company, played varsity basketball and was an active member of his community.

Appendix F

Acknowledgements

The study project team would like to acknowledge and thank those individuals that took time to complete our survey. We would also like to thank those individuals that conducted interviews as part of the information gathering process, some of whom have been quoted in our report.

The project team would also like to acknowledge and thank the following individuals that contributed to the development and preparation of the report:

- Christine Walters, Senior Manager, Advisory Marketing, PwC Management Services LP
- Jill Lising, Coordinator, Advisory Marketing, PwC Management Services LP
- Carolyn Forest, Senior Manager, Media Relations, PwC Management Services LP
- Mark Sampson, Manager, e-Marketing, PwC Management Services LP
- Jessica Steinberg, Manager, Communications, PwC Management Services LP
- Kelly Nicoll, Design Manager, Marketing, PwC Management Services LP
- Qu Sun, CATAChina, Chief Representative
- Takeshi Shiina, Director, Advisory Services, PwC Japan

Appendix G

Contact information

For more information about this study, please contact any one of the following members of the research team:

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