Three Levels of Performance Management

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The tangible value of strategy management comes from successfully achieving a desired vision and goal(s) as laid out in an organization’s strategic plan. The process by which you monitor and evaluate the achievement of desired outcomes is called performance management. This process accounts for all organizational activities taking place to ensure the organization’s strategic goal(s) and objectives are met in an effective and efficient manner. Performance management is best thought of as comparing the organization’s “Actual Results” against “Desired Results.” Any discrepancy, where “Actual” falls short of “Desired”, constitutes (by definition) a performance improvement zone requiring attention. (See Figure 1)

Figure 1: Performance Improvement Zone
A performance improvement zone can appear at three different levels of performance. Level 1 is the overall goal to be achieved.

For example, a leading state-level commodity organization in the US soybean industry (Illinois Soybean Association) has a goal of 600 million bushels of Illinois soybeans being “utilized” on an annual basis by 2020. This highlights their strategic focus for Level 1 performance management. (See Figure 2)

Figure 2: Illinois Soybean Demand Markets

Source: USDA, Informa Economics
Level 2, also strategically focused, accounts for specific Objectives, Key Performance Indicators (KPIs) and a desired target level of performance each indicator associated with a particular goal. Level 3 is operational and covers initiatives, programs and projects and their associated outputs and outcomes of performance. (See Figure 3)

**Figure 3: Three Levels of Performance Management**

Level 1 is the center of the bulls-eye. Each year the Illinois Soybean Association takes a careful look at progress being made toward their primary strategic goal. This occurs by examining factual information, KPI performance levels, as well as subjective analysis available to the board and senior management team.

Level 2 is the ongoing process by which the Association periodically reviews and approves a carefully selected set of strategic objectives, prioritized KPIs, weightings, and desired performance targets for each KPI. Then on a regular basis, KPIs are tracked and actual results are reported to gauge whether desired performance is being achieved.

On a parallel track Level 3 initiatives, programs and projects are annually prioritized by committees, approved by Association leadership and executed by the staff to generate results that rise to the desired level of KPI performance meeting or exceeding Level 2 Targets. In reality it takes many projects “pulling together” to achieve a targeted level of performance for a given Key Performance Indicator.
For each approved initiative, program or project, a Level 3 “scope specific” performance management plan is developed detailing appropriate project outputs and outcomes of performance to be tracked from start to completion. Level 3 measures help determine how well ONE particular initiative, program or project is doing while Key Performance Indicators show how all relevant initiatives, programs and projects TOGETHER are working to meet a specific strategic objective. Throughout the life of a particular Level 3 program or project, the Association staff and/or contractors manage the project, give feedback and exert influence to achieve the desired level of project performance.

How does KPI Tracking, Reporting, Evaluating and Learning Processes work at Level 2 and Level 3?

**Level 2:** At Level 2 one needs to think of performance management as an ongoing process where an organization periodically approves a carefully selected set of specific strategic objectives, prioritized key performance indicators (KPIs), and defines weightings and desired target ranges of performance for each KPI. Then, and only then, KPI performance results are tracked and reported against, on a scheduled basis, to see if the desired performance levels are being achieved. (See Figure 4)
For example, are soybean yields increasing in Illinois? If KPI level progress (in this case > average yield for Illinois as a state) is noted it is important to understand what is contributing to that progress. Leaders may or may not be able to attribute progress to efforts made by the organization. Still it must better understand what is impacting the KPI in order to align its efforts and make course corrections over time. If the organization determines progress is not being made within a reasonable amount of time, it must understand why. Were our specific tactics not effective? Did the team apply the wrong type of effort? Were factor(s) beyond its control playing a major influence? The key is to learn from experience and adjust the organizations’ plan as necessary to positively impact performance.

**Level 3**: At Level 3 the organization focuses on evaluating initiatives, programs or projects through to completion to determine if execution was effective in achieving the agreed upon outputs/outcomes or level of performance at the operational level. Central to evaluating any initiative, program or project is an accurate assessment of performance against the desired outcomes established when the initiative, program or project was originally approved, in this case by the Illinois Soybean Association. As with Level 2 it is important to distinguish what is working from what is not before final, evaluative judgments are made. In many strategic initiatives, programs or projects a desired measure reveals incremental change of target audience behavior from one level of performance (A) to the next level of performance (B) via a specific message of change. (See Figure 5)

**Figure 5: US Pork in Europe Project Outcomes**

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>% of targeted soybean processors aware of the higher yield and lowering processing costs of US Pork</th>
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<tbody>
<tr>
<td>Awareness Knowledge</td>
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<tr>
<th>Stage 2</th>
<th>% of targeted soybean processors convinced that US Pork offers higher profit potential</th>
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<tbody>
<tr>
<td>Accepting Responsibility</td>
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<tr>
<th>Stage 3</th>
<th>% of targeted soybean processors who try US Pork</th>
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<tr>
<td>Conviction to Take Action</td>
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<tr>
<th>Stage 4</th>
<th>% of targeted soybean processors who buy US Pork; sales to targeted processors</th>
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<tbody>
<tr>
<td>Take Action</td>
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<tr>
<th>Stage 5</th>
<th>% of targeted processors who process primarily US Pork; sales</th>
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<tbody>
<tr>
<td>Take Consistent Action</td>
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In this example, disinterested evaluators are engaged to ask such questions as “Did behavior change?” “Why did behavior change or not change?” “What did the Association learn?” “How should the Association adjust its program going forward?” Answers to these evaluative questions provide the basis for making changes to the initiative or for guiding future investment decisions. Keep in mind initiative, program or project evaluation has two major purposes: first to improve performance or execution, second to determine if the initiative, program or project should be continued, discontinued, or the funding level decreased/increased.

In Level 3 performance management, the leadership team must value the role program planning and management plays in the entire process. If initiatives, programs or projects are approved before complete program descriptions, objectives, key performance indicators, and tactical outcomes are established, it makes it impossible to do a fair evaluation of performance and more difficult for the organization to approve such projects in the future. Organizational program planners must be diligent in their efforts to understand:

1. strategic and tactical environments they are targeting
2. assumptions they are making about the environment in terms of constraints and opportunities
3. activities they believe are best suited to achieve the targeted outcomes of performance

It should always be kept in mind that progress is only measured in relation to matters over which the organization has some level of control and influence over. With this in mind it is absolutely critical that organizational focus be on the right set of initiative, program and project measures. This level of management has been well summarized by Agralytica Inc. in their work on “Results-Oriented Management.” (See Figure 6)

**Figure 6: Project Evaluation Drives Learning (Level 3)**

![Figure 6: Project Evaluation Drives Learning (Level 3)](image-url)
Two types of underlying assumptions need to be examined as part of any evaluation process. First is the causal assumption, i.e., “Is the right solution (initiative, program or project) being applied to the problem or objective at hand?” Second is the prescriptive assumption, i.e., “Is the project being carried out in a manner that will contribute to solving the problem or meeting the objective?”

A primary outcome a leadership team must seek from any initiative, program or project is to “learn” from its execution to adapt and modify its planning moving forward to positively impact KPI performance at Level 2 of the performance management program. In the case of the Illinois Soybean Association (ISA) it must be innovative and thoughtful in their selection of appropriate Level 3 measures at the program planning stage. With metrics in place, ISA annually communicates realistic contributions to achieving their desired goal of 600 MM bushels of Illinois soybeans being utilized annually (as food for people and animals, biofuel, industrial, etc.) by the year 2020. (See Figure 7)

In summary, performance management is focused on creating the internal capability to develop a management system which supports strategic learning, common sense decision making and the efficient reporting of performance. There is no question a strong commitment from the board, down and through the senior management team is required for this set of strategic management practices to be of lasting value.