



Performance Management Guidelines

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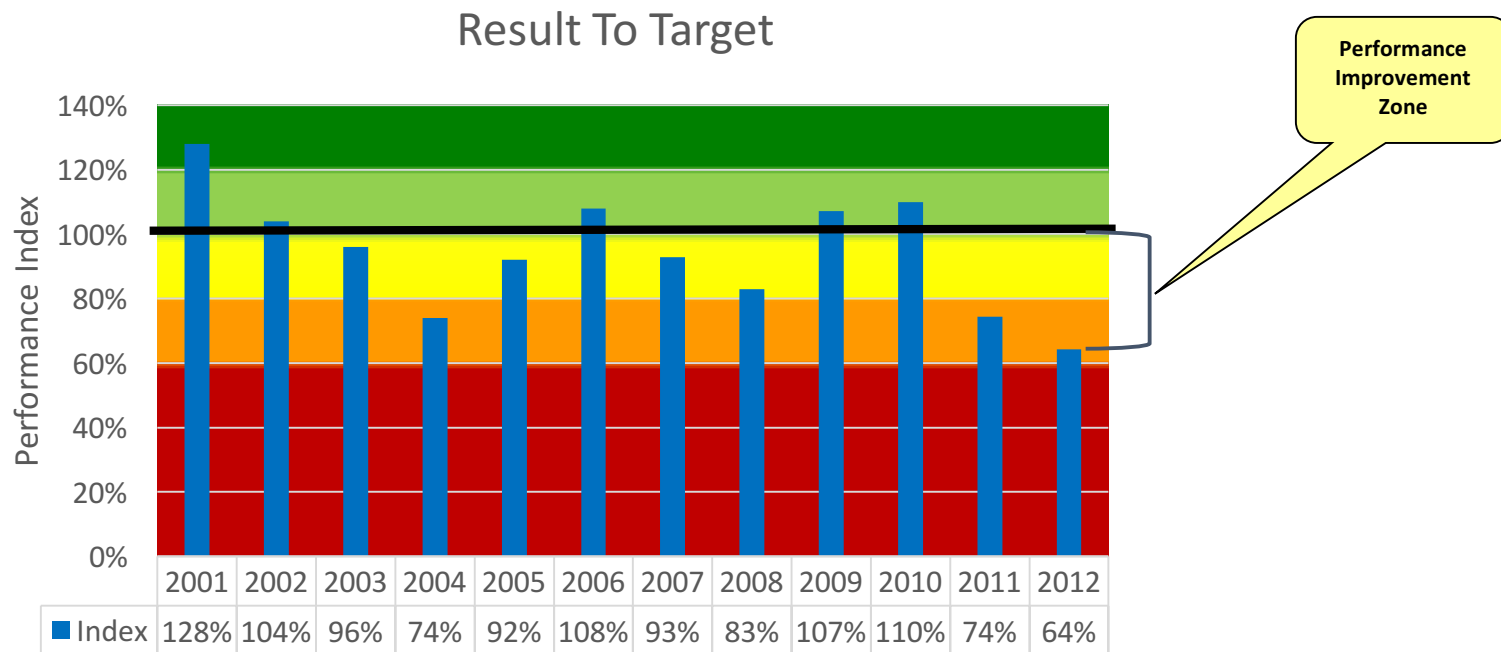
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look before you leap

Introduction:

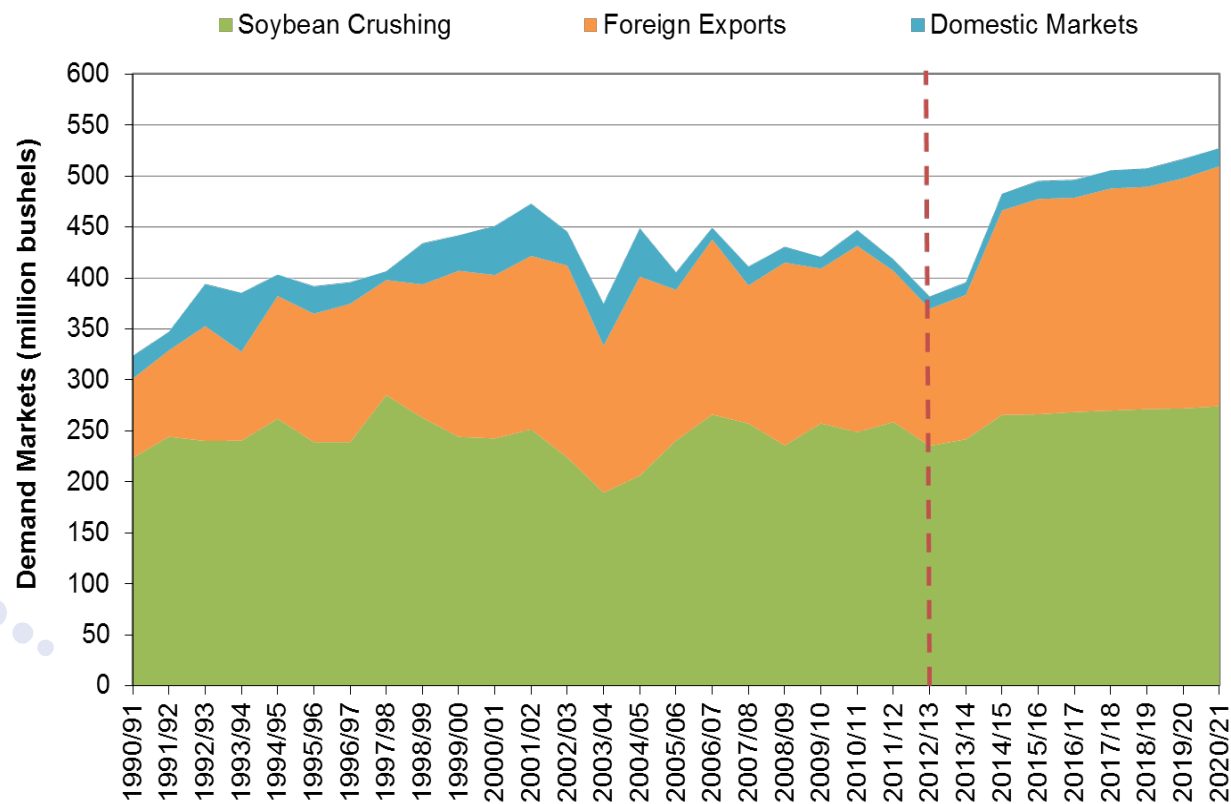
Ultimately, the tangible value of strategy management is derived from successfully achieving a particular commodity organization's vision and goal(s) as set forth in the strategic plan of the organization. The process of "achieving" these desired organizational outcomes is called **performance management**. It includes all organizational activities aimed at ensuring the organization's strategic goal(s) and objectives are met in an effective and efficient manner. Performance management can be thought of as comparing the organization's "actual results" against its "desired results." Any discrepancy, where actual is less than 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 (the Illinois Soybean Association) has a goal of 600 million bushels of Illinois soybeans being “utilized” annually by 2020 (see Attachment 1). This is their focus for Level 1 performance management (see Figure 2).

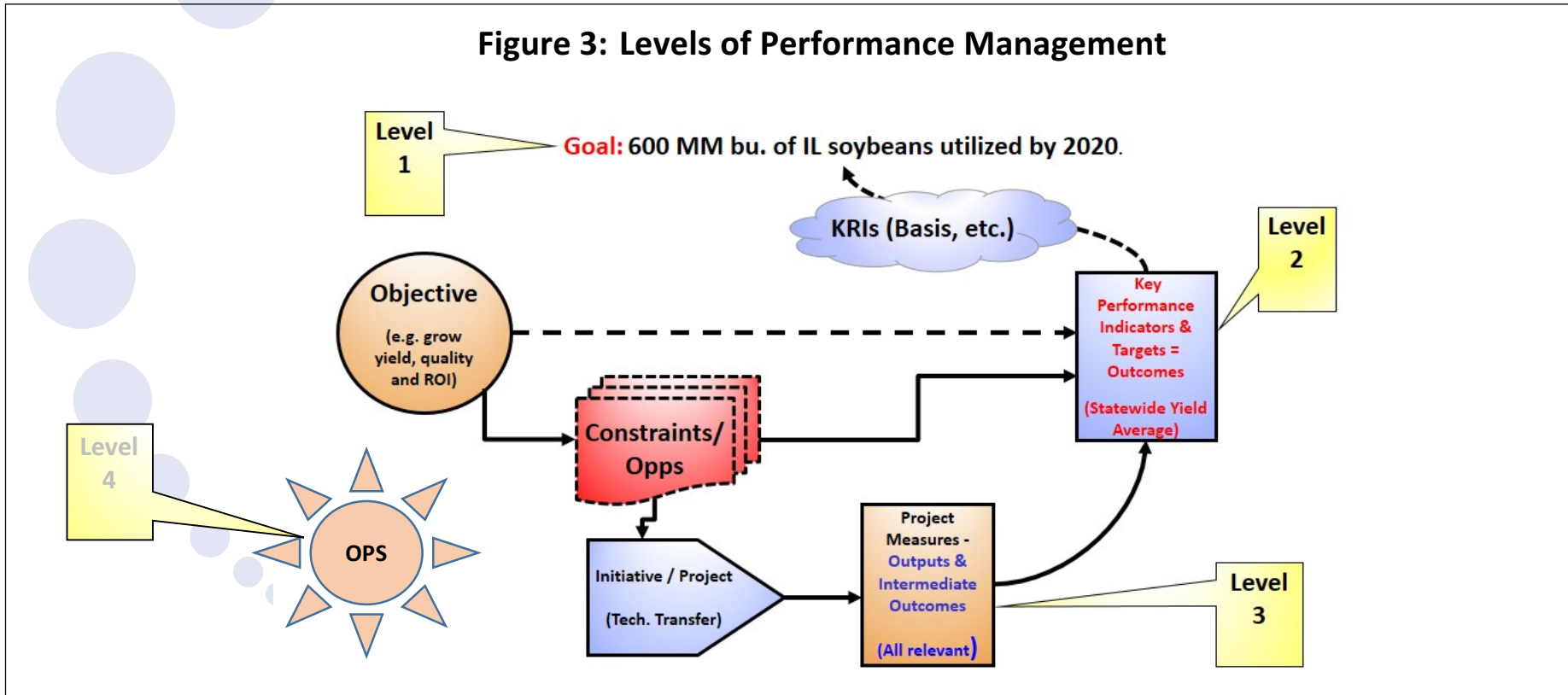
Figure 2: Illinois Soybean Demand Markets



Source: USDA, Informa Economics

Level 2 is also strategic and covers the 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. *Level 4 is essential to performance management too. It is the ongoing improvement of operational processes that support execution of the strategy, e.g. accounting, HR, IT, etc. For the purpose of this paper, Level 4 performance management has not been included (see Figure 3).*

Figure 3: Levels of Performance Management



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

Level 2 is essential to performance management. It is an ongoing process where 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 the desired performance level is being achieved. Key result indicators (KRIs) are noted as well. A KRI is a broad-based macro-indicator the Association monitors, likely does not impact, yet wishes to monitor, i.e. basis.¹

On a parallel track, and annual basis, “constraints” and “opportunities” are identified for each objective, then Level 3 initiatives, programs and projects are prioritized by committees, approved by the Association’s board and executed by the staff to over time achieve the desired level of KPI performance, i.e. Level 2 Targets. In reality, it generally takes many projects “pulling together” to achieve a targeted level of performance for one KPI. For each approved initiative, program or project, a Level 3 “scope specific” performance management plan is recommended. It requires that appropriate project outputs and outcomes of performance be defined, tracked and reported against, as a particular plan of work is executed and ultimately “evaluated.” 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.

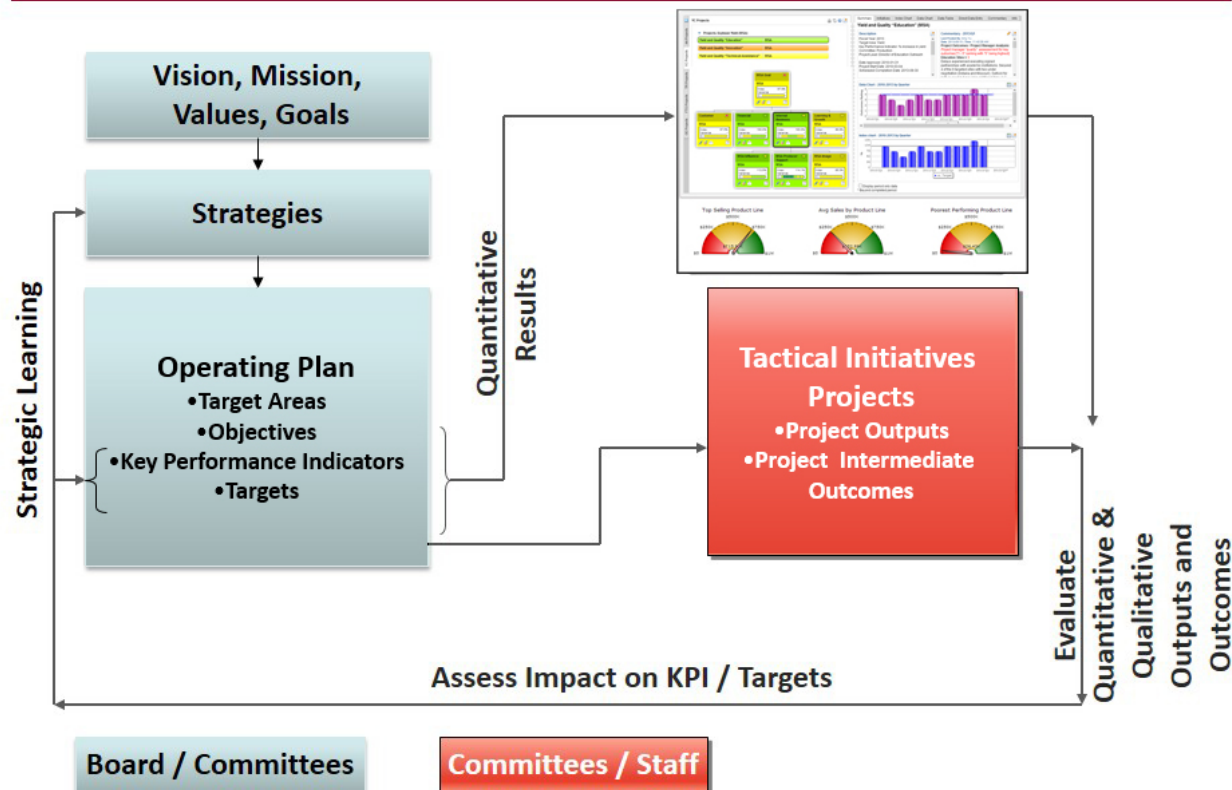
It is important to recognize that performance management is not a precise science. Global disruptive change (e.g. weather, political turmoil, etc.) often occurs which cannot be controlled. In most situations, qualitative factors must be given significant consideration when judging whether a Level 3 project is working, or when completed successfully in driving Level 1 and Level 2 performance. It is Level 1 and Level 2 performance that an organization ultimately seeks to influence. This takes time and requires leaders to take a long-run view.

How do KPI Tracking, Reporting, Evaluating and Learning Processes actually work for 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 KPI’s, weightings and desired target ranges of performance for each KPI. Then actual KPI results are then tracked and reported against, on a scheduled basis, to see if the desired performance levels are being achieved (see Figure 4).

¹ Basis is the difference between the cash price and the futures price of a given commodity on a given futures exchange.

Figure 4: KPI Tracking, Reporting, Evaluating and Learning (Level 2)

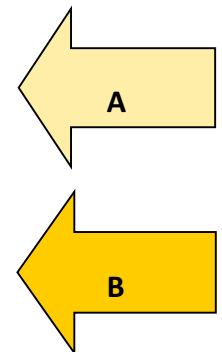


For example, are soybean yields going up in Illinois? If KPI level progress is noted it is important to understand what is contributing to that progress. Leaders may or may not be able to attribute progress to efforts made by the organization. Still, it must better understand what is impacting the KPI in order to realign its efforts and make course corrections where appropriate. If the organization determines progress is not being made within a reasonable amount of time, it must understand why. Is it because specific efforts were 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 once they are complete to determine if the 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 understand what is working and what is not working before final, evaluative judgments are made. In many strategic initiatives, programs or projects the desired measure reveals an 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: Illinois Cover Crop Outcomes

Stage 1 Awareness Knowledge	% of Illinois producers aware of cover crops value
Stage 2 Accepting Responsibility	% of Illinois soybean producers interested in learning how cover crops offer higher profit potential
Stage 3 Conviction to Take Action	% of Illinois soybean producers who indicate they will plant cover crops in one or more trial fields in 2014
Stage 4 Take Action	% of Illinois soybean producers who actually plant cover crops in 2014
Stage 5 Take Consistent Action	% of Illinois soybean producers who plant cover crops on an annual basis



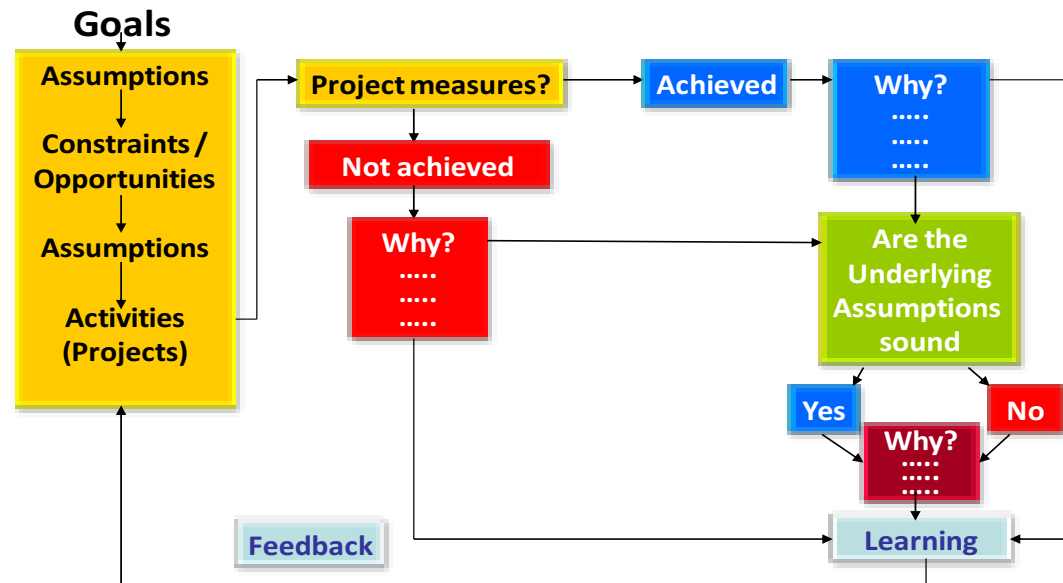
In this example, objective evaluators are engaged to ask such questions as “Did behavior change?”, “Why did behavior change or not change?”, “What did the Association learn?” or “How should the Association adjust its program going forward?” Answers to these evaluative questions provide the basis for making changes to the initiative or for guiding future investment decisions. Keep in mind initiative, program or project evaluation has two major purposes: the first is to improve performance or execution; the second to determine if the initiative, program or project should be continued, discontinued or the funding level decreased/increased.

To have a full appreciation of Level 3 performance management, the leadership team must recognize the essential role program planning and management play in the entire process. If initiatives, programs or projects are approved before complete program descriptions, objectives, KPIs, and outcomes are established it makes it virtually impossible to do a fair evaluation of performance and conceptually more difficult for the organization to approve such projects in the future. Organizational program planners must be diligent in their efforts to understand:

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

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

Figure 6: Project Evaluation Drives Learning (Level 3)



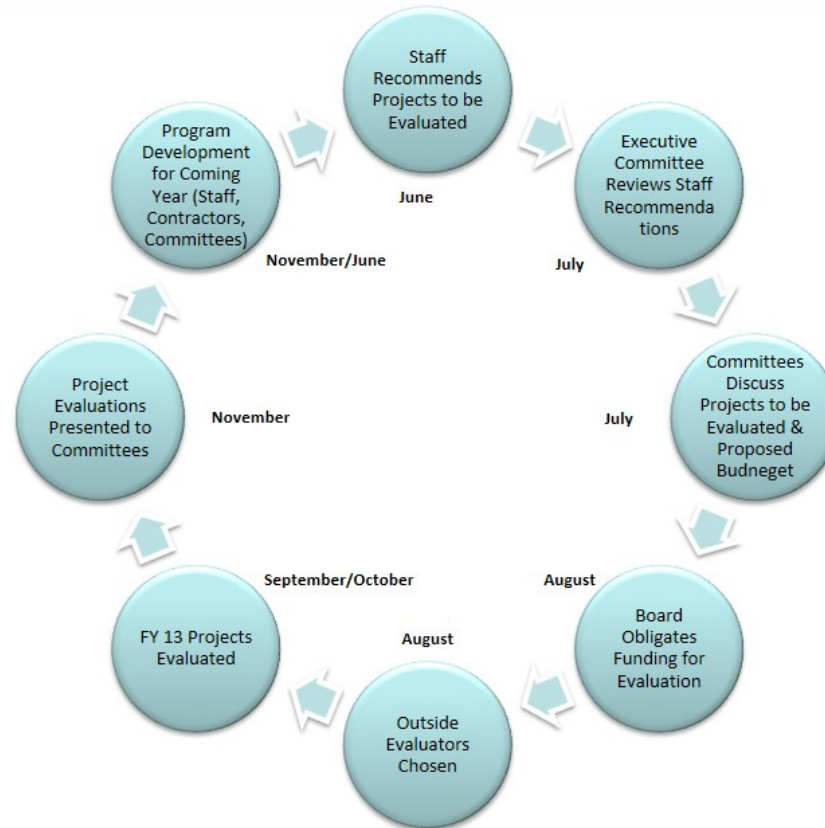
Source: ©Agralytica, Results-Oriented Management – Page 92

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 any leadership team must seek from any initiative, program or project is to “learn” from 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, it must be innovative and thoughtful in their selection of appropriate Level 3 measures at the program planning stage. By doing this, the Association can periodically communicate realistic contributions to achieving their desired goal of 600 MM bushels of

utilization. To make Level 3 performance management operational it is helpful to think of an evaluation process unfolding over a one year period (see Figure 7).

Figure 7: Evaluation Process and Timeline (Level 3)



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.

Goal: Overall Utilization

Key Performance Indicator > *# of bushels of Illinois soybeans utilized*

ISG/ISB 2020 "High Target" > *600 million bushels of Illinois soybeans utilized*



Understanding Utilization*

Here are the general relationships, variables and formulas:

- **Utilization = Disappearance**
- **Disappearance = Seed Use + *Net Exports + Crush**
*The term "export" means Illinois out-shipments leaving the state (some of which could ultimately leave the U.S.)
- **Supply = *Carry-Out + Production**
*The term "carry-out" stands for ending stocks still on hand
- **Production = Yield x Harvested Acres**

*Anything affecting one or more of the variables from the "Supply" or "Demand" perspectives will affect achieving the "high target" 600 million bushel outcome by year 2020.

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and membership dollars.