The CAM-I Performance Management Framework

HOW TO EVALUATE AND IMPROVE ORGANIZATIONAL PERFORMANCE

EXECUTIVE OVERVIEW

CPA
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The Consortium for Advanced Management—International (CAM-I) Performance Management Interest Group

About CAM-I

The Consortium for Advanced Management—International (CAM-I) is a research organization consisting of sponsoring companies and academia who work in collaboration to study and solve management problems and critical business issues common to the group in the areas of cost, process, and performance management. More information here: www.cam-i.org

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1. The CAM-I Performance Management Framework

Performance Management is the practice of using business methodologies, processes and systems to drive successful business performance.

Performance management is mentioned and discussed in almost all facets of business. The demand for improved performance and increased accountability has triggered increased expectations in the management of performance. This has brought about diverse views as to what constitutes performance management. Phase I research conducted by CAM-I's Performance Management Interest Group (PMIG) addressed this issue by developing and publishing a standardized and integrated view of performance management which identifies factors that affect and improve business performance. Industry experts recognized the Emerging Issues Paper published by CAM-I and CPA Canada as a breakthrough in the field of performance management. The paper provided a holistic methodology and toolset for improving any organization's business performance, regardless of size or industry.

In order to flush out and improve the details of the methodology and toolset in Phase II of the research, the PMIG:

- reviewed the framework elements with specific subject matter experts
- conducted workshops and assessment surveys for different industries in various countries
- integrated the framework as a key component of the research of other CAM-I interest groups

This publication is an executive summary of the improved Performance Management Framework (PMF) developed as a result of this ongoing research.

The CAM-I PMF represents a generic model that can be adapted and refined to meet the specific needs of any organization, industry, or sector. It is a tool for organizational discovery that enables any business to be better prepared to achieve long term performance by uncovering obstacles to implementation before it undertakes improvement initiatives. Organizations can optimize their investment in valuable resources by using the PMF to focus on improving key business capabilities and achieving business goals.

The PMF provides eight distinct implementation steps for improving performance. The steps enable organizations to identify the business areas that have the greatest need for improvement. Various assessment tools support each of the implementation steps, providing users with a deeper understanding of what drives performance.

The eight components of the PMF are described in the following sections.
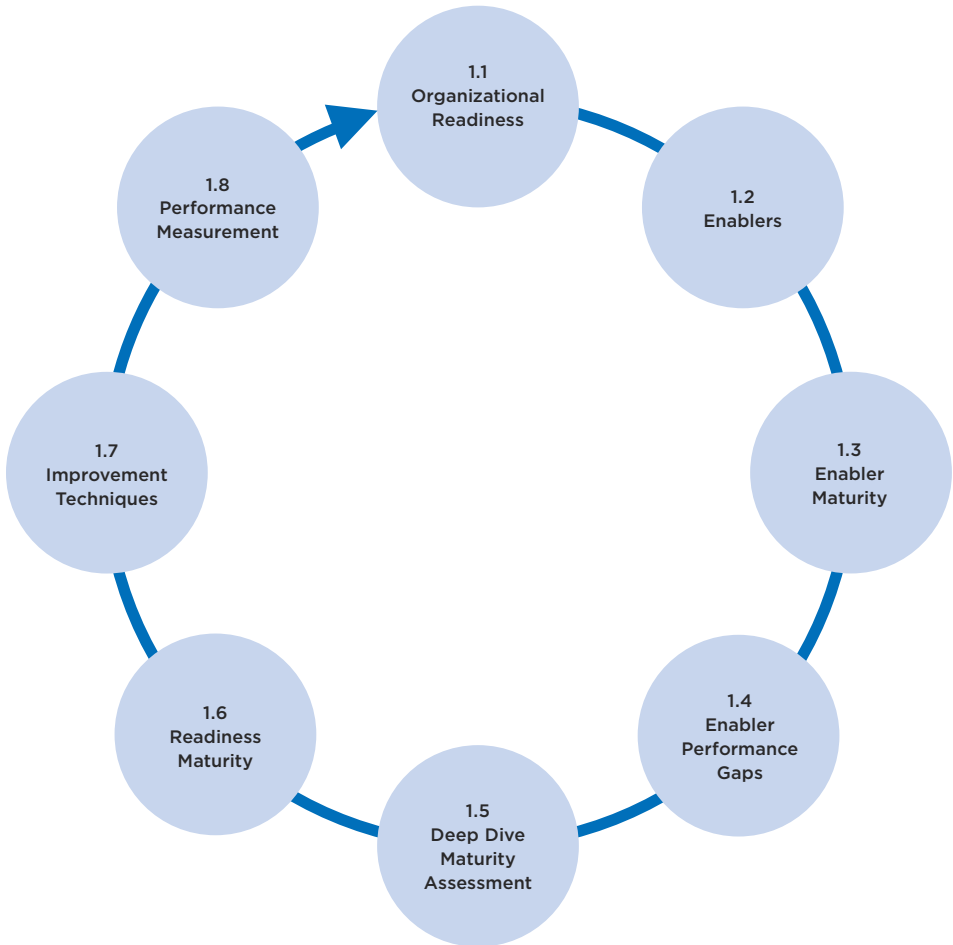
1.1 Organizational Readiness

Organizational readiness is the ability of a business to adapt to change and tackle new initiatives in a positive and constructive manner.

We know from our collective experience within CAM–I and within its member organizations that new initiatives related to performance management have, in general, had a disappointing record of success and sustainability. The summary of this research shows that one of the main reasons implementations fail is that organizations are simply "not ready for change" (i.e., lacking organizational readiness). Therefore, the PMIG recommends that, before beginning any application of the PMF, it is essential to review the organization's implementation readiness.

Table 1 illustrates the five criteria used to assess an organization's readiness to implement the PMF.

Table 1. Organizational Readiness Criteria

Readiness Criteria	Definition
Adaptability	The ability to adjust and effectively respond to an environmental stress or pressure
Commitment	An organizational capability that exists when individuals commit themselves to a course of action until it is achieved
Communication	The means for organizational knowledge sharing and transparency
Engagement	An inclusive process characterized by trust, honesty, and integrity that motivates both staff and stakeholders to independently take responsibility and empower action to influence desired outcomes
Leadership	A dynamic relationship between leaders and collaborators based on a common purpose in which all stakeholders are moved to higher levels of motivation and execution

The assessment is conducted using four levels of evidence of readiness:

1. Absent
2. Minor
3. Moderate
4. Considerable

If the results of the assessment indicate that evidence of readiness is absent from any of the criteria, the framework should not be undertaken until these criteria can be improved. Various CAM-I methodologies and tools are referenced to assist in this area.

An overall assessment result of minor, moderate, or considerable evidence will determine the depth to which the PMF can be successfully implemented (as explained in section 1.6).

1.2   Enablers

Enablers are a logical grouping of core business capabilities that allow an enterprise to advance its level of maturity and agility in achieving its business goals.

Enablers are the foundation upon which organizations grow and change. The following 13 enablers, as shown in Table 2, ensure that the PMF can be applied consistently to all types of business.

Table 2. Enablers of Performance Management

Enabler	Definition
Business/Operational Management	How well an organization mobilizes a plan of action to achieve strategic goals
Customer Relationship Management	How well an organization builds and maintains interpersonal relationships
Environmental Management	How well an organization balances the integration of business reality with social and environmental responsibilities
Financial Management	How well an organization understands, leverages, and optimizes financial results
Human Capital Management	How well an organization optimizes the performance of individuals
Information Management	How well an organization leverages data
Innovation Management	How well an organization identifies great ideas and puts them into practice
Knowledge Management	How well an organization leverages intellectual capital for internal efficiency and competitive success
Organizational Management	How well an organization creates a culture of success
Process Management	How well an organization executes tasks
Risk Management	How well an organization anticipates opportunities and mitigates problems to create a competitive advantage
Strategic Management	How well an organization identifies direction and success
Supply Chain Management	How well an organization operates as a seamless enterprise

Not every organization will have a strong focus in all 13 areas, but will need to be successful in the areas where focus is required. Organizations should review and rank the above list of enablers to reflect priorities. This will allow the organization to focus its valuable resources on improvement initiatives that will achieve the highest return on investment.
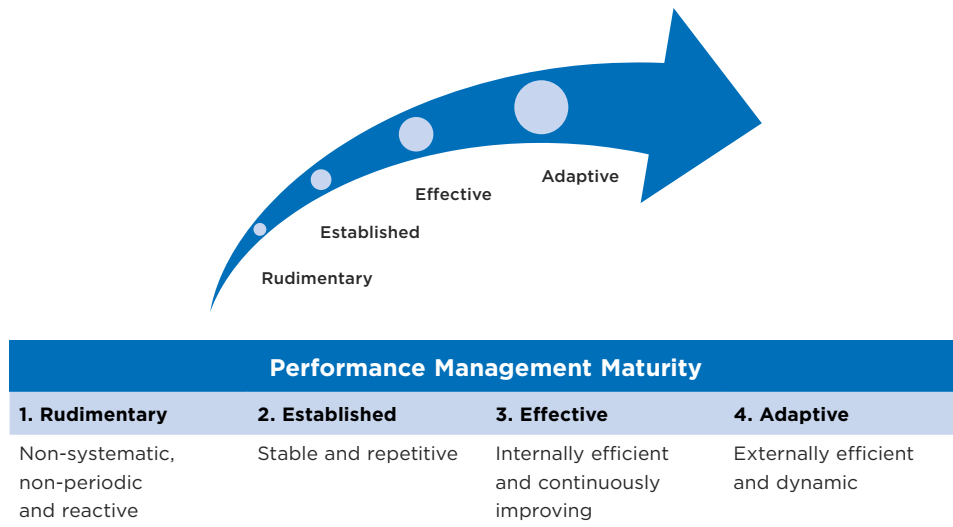
1.3   Enabler Maturity

> Enabler maturity demonstrates increasing levels of effectiveness, facilitating greater business success and higher performance.

The PMF provides a logical approach to assessing the maturity of an organization's enablers. Understanding the maturity of its enablers gives the organization insight into how and why it performs as it does.

Organizations can be at different stages of maturity for each of the enablers within the PMF. Therefore, to get an accurate picture of where an organization stands in relation to performance management, the PMF has chosen four maturity levels, as shown in Figure 1. Each enabler can be described in sequential levels of improved performance and maturity growth.

Figure 1. Enabler Maturity Level Descriptions

Performance Management Maturity			
1. Rudimentary	2. Established	3. Effective	4. Adaptive
Non-systematic, non-periodic and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic

When assessing the maturity of each of the enablers for a specific organization, it is important to note that not all require the same level of attention. Therefore, not all will be required to reach Adaptive maturity (Level 4).

1.4   Enabler Performance Gaps

> Enabler performance gaps are obstacles to the organization's execution capability, and are identified using the framework's maturity level assessment.

Using the four levels of maturity described in Section 1.3, an organization's first-pass assessment is conducted for each of the 13 enablers. The assessment is made for both the *Actual* (current state) and *Needed* (future state) levels of maturity so that gaps in enabler performance can be identified. These gaps identify the enablers that should be analyzed further. An example of a completed enabler maturity assessment is shown in Table 3.

Table 3. Example of completed enabler maturity assessment

Enablers/ Maturity Levels	Level One Rudimentary — Non-systematic, non-periodic and reactive	Level Two Established — Stable and repetitive	Level Three Effective — Internally efficient and continuously improving	Level Four Adaptive — Externally efficient and dynamic
Business/ Operational Management			A & N	
Customer Relationship Management			A & N	
Environmental Management		A & N		
Financial Management				A & N
Human Capital Management			A ——————▶	N
Information Management				A & N
Innovation Management	A ——————▶ N			
Knowledge Management	A ——————▶ N			
Organizational Management		A ——————▶	N	
Process Management		A ——————————————▶		N

Enablers/ Maturity Levels	Level One Rudimentary	Level Two Established	Level Three Effective	Level Four Adaptive
	Non-systematic, non-periodic and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Risk Management	A ──────────► N			
Strategic Management		A ──────► N		
Supply Chain Management			A & N	

A		Actual Maturity Level
N		Needed Maturity Level
		Meeting or Above Needed Maturity
		Less than Needed Maturity
		Seriously Below Needed Maturity

In this example, Process Management and Risk Management have been identified as the enablers with the largest maturity gaps. These should be analyzed in more detail as discussed in the following section.

1.5   Deep Dive Maturity Assessment

> Deep dive maturity assessment is a more detailed evaluation of the maturity of enablers that have been identified with performance gaps.

As illustrated in Table 3, the enabler maturity assessment requires an understanding of four maturity levels for each of the 13 enablers.

In Phase I of the research, the PMIG developed descriptions for each maturity level/enabler "cell" to articulate a given condition or state of performance for the enabler. In Phase II of the research, to assist with a more detailed ("deep dive") maturity assessment, descriptions for each "cell" have been further stratified into six categories:

1.   Alignment
2.   Data
3.   Frequency
4.   Procedures
5.   Resource
6.   Systems

Table 4 shows an example of the category descriptors for the four maturity levels of the enabler, Process Management.

Table 4. Example—Deep Dive Category Descriptors for Process Management

Performance Management Enabler Maturity					
Enablers of Performance Management	Category	Level One: Rudimentary *Non-systematic, non-periodic, and reactive*	Level Two: Established *Stable and Repetitive*	Level Three: Effective *Internally efficient and continuously improving*	Level Four: Adaptive *Externally efficient and dynamic*
Process Management	**A** Alignment	Processes are **not linked** with plans or strategic objectives	Key processes are **linked** to plans, goals, and strategic objectives	Processes are **actionable** through compliance and controls	Processes are **engrained** in organizational strategies and mission
	D Data	Data is **unreliable** and focused only on inputs	Data collection methods are **reliable**	Output measures for managing processes are **accessible**	Data is **deployed** to fully support process change
	F Frequency	Process use is **random** and reactive	Processes are **scheduled** and consistent	Processes are **timely** and integrated to ensure operating effectiveness	Process flexibility is **instantaneous**, ensures operating efficiency

Performance Management Enabler Maturity					
Enablers of Performance Management	Category	Level One: Rudimentary *Non-systematic, non-periodic, and reactive*	Level Two: Established *Stable and Repetitive*	Level Three: Effective *Internally efficient and continuously improving*	Level Four: Adaptive *Externally efficient and dynamic*
Process Management	**P** **Procedures**	Procedures are **undocumented** causing minimal compliance	Procedures are **documented** and consistent	Procedures are **understood**, providing for effectiveness	Procedures include **adjustments** to allow for process feedback
	R **Resources**	Specific resources for process management are **unplanned**	Resources are identified, **budgeted** for, and used for compliance	**Appropriate** resources drive internal process improvement	Resources are **flexible** and drive external process improvement
	S **Systems**	Systems for process management are minimal and **ineffective**	Systems are **functional** and used to standardize process measurement	Systems are w**Integrated** and allow for streamlining processes	**Interactive** monitoring of processes exists for continuous efficiency

The maturity of enablers with performance gaps are analyzed in more detail using the deep dive category descriptors. At the same time, an assessment of category maturity can also be determined. For example, the assessment may show that a particular category (e.g., Resources) is well below acceptable maturity for all enablers. This would indicate a need for a focused examination of this aspect of the organization's performance management.

The objective of this framework component is to clearly determine which enablers or categories have the greatest need for enhancement in order to provide a focused approach for choosing the most appropriate improvement initiatives.

1.6   Readiness Maturity

> Readiness maturity is a structured approach to determine the most likely level of enabler maturity that can be achieved based on the evidence of organizational implementation readiness.

The Readiness Maturity Matrix (Table 5) has been developed and refined as an extension of the organizational readiness assessment, as discussed in section 1.1. The matrix helps an organization determine the most likely enabler maturity level it can expect to reach when undertaking improvement initiatives. This allows the organization to avoid undertaking initiatives when success is unlikely or impossible.

Table 5. Readiness Maturity Matrix

		Enabler Maturity Level			
		Rudimentary	Established	Effective	Adaptive
Evidences of Readiness	**Considerable**	Likely	Likely	Likely	Likely
	Moderate	Likely	Likely	Likely	Unlikely
	Minor	Likely	Likely	Unlikely	Not possible
	Absent	Not possible	Not possible	Not possible	Not possible

Likely	
Unlikely	
Not possible	

For example, if the "Evidence of Readiness" is *Minor,* the achievability of each "Enabler Maturity Level" is as follows:

- *Rudimentary* and *Established* are **Likely**
- *Effective* is **Unlikely**
- *Adaptive* is **Not Possible**

Using the results of the Readiness Assessment from section 1.1, the level of assessed readiness will identify the most likely level of enabler maturity an organization can reach using the improvement techniques described in section 1.7.

1.7   Improvement Techniques

> Improvement techniques are business tools or solutions designed to aid the organization in achieving higher levels of performance.

The PMIG undertook a thorough investigation of improvement techniques using various sources and publications. This research identified more than 50 of the most relevant techniques used by organizations today to improve performance. Using collective knowledge, subject matter experts, surveys, and the experiences of CAM–I members, these were grouped into nine key Improvement Technique Categories for use in the PMF in Table 6.

Table 6. Improvement Technique Categories

Improvement Technique Category	Definition
Activity-Based Management	A discipline focusing on the costing and management of activities within business processes, with the goal of continuously improving the value received by customers
Balanced Scorecard	A concept of identifying the cause and effect activities required for a company to meet its objectives in terms of vision and strategy
Benchmarking	A systematic and continuous measurement process used to compare an organization with other organizations
Business Analytics	A set of strategies, processes, technologies, and tools that integrate data and transform it into useful information
Business Process Reengineering	The radical redesign of a process, product, or service
Capacity Management	A process of managing the utilization of all assets to ensure business requirements are met in a cost-effective manner
Lean/Six Sigma	A business improvement methodology that focuses on quality through speed (Lean) and eliminating defects (Six Sigma)
Target Costing	A market-driven costing system in which targets are set by considering customer requirements and competitive offerings
Value Chain	The sequence of business activities that add value to a product or service

The first step in assessing the Improvement Technique Categories is to determine the level of success that any of the techniques has already had in improving organizational performance. This will assist with the technique selection process later in the assessment and help ensure the organization selects the best improvement aid.

The PMIG identified and mapped specific improvement technique categories to each enabler at maturity levels where the technique would most likely begin to help an organization improve that specific enabler's performance. An example of this mapping is shown in Table 7 for the enabler Process Management.

**Table 7. Example of Improvement Technique Category Mapping
for Process Management**

Enablers	Techniques Categories	Enabler Maturity Level			
		1	2	3	4
Process Management	Activity-Based Management		A ⟶		
	Benchmarking	A ⟶			
	Business Process Reengineering	A ⟶			
	Capacity Management	A ⟶			
	Lean/Six Sigma		A ⟶		
	Value Chain		A ⟶		

In the example, six of the nine Improvement Technique Categories have been identified to help improve Process Management maturity. For a technique to be most effective, it is recommended that the starting maturity level for improvement should be one level after the Actual (A) maturity level. Specifically, Benchmarking, Business Process Reengineering, and Capacity Management would help to improve the Process Management Enabler's maturity beyond Level 1. Activity-Based Management, Lean/Six Sigma and Value Chain are techniques the organization in this example would use if its actual assessment of Process Management maturity was currently Level 2 and it wished to advance to maturity Level 3 or beyond.

Using this mapping, enablers identified as having the greatest need for enhancement (as defined in section 1.5) in conjunction with the highest likely-achievable maturity level (as identified in section 1.6) will point to the

most appropriate improvement technique categories. This approach enables an organization to identify and focus on the best improvement technique for the greatest performance gap need.

The PMF was developed as a generic approach for all organizations so the recommended improvement techniques for any enabler are simply meant to provide guidelines and suggestions for investigating improvement mechanisms.

The framework provides the user with a means to choose and implement the most applicable management technique to produce an improvement in enabler maturity, and thus increase the organization's overall performance. It is the success of this implementation that an organization would measure (as described in the following section) to gain a greater understanding and assessment of the effort employed.

1.8   Performance Measurement

> **Performance measurement is the practice of tracking quantifiable and relevant outcomes to provide an objective assessment of performance.**

Frequently, organizations use the terms "performance management" and "performance measurement" interchangeably. Indeed, many organizations start a performance management initiative by defining and tracking measures (often referred to as Key Performance Indicators) without a real understanding of the enablers behind these measures.

This research emphasizes the need for organizations to understand performance management concepts before measuring performance. In the PMF, performance measurement as a means of assessing improvement is just one of the PMF methodology components.

The framework provides the user a means for choosing and implementing the most applicable management technique to improve enabler maturity, and thus improve the organization's overall performance. It is measuring this improvement that would help an organization gauge the success of an implementation.

The PMF provides a guide for organizations to determine the most appropriate performance measures for the associated enabler, bearing in mind that a balanced set of measures (e.g. time, cost, quality) should always be considered. For guidance, the PMF provides a list of suggested measures for each enabler.

The PMF also provides a diagnostic capability for existing or proposed measures, as illustrated in Table 8.

Table 8. Performance Measures and Maturity Levels

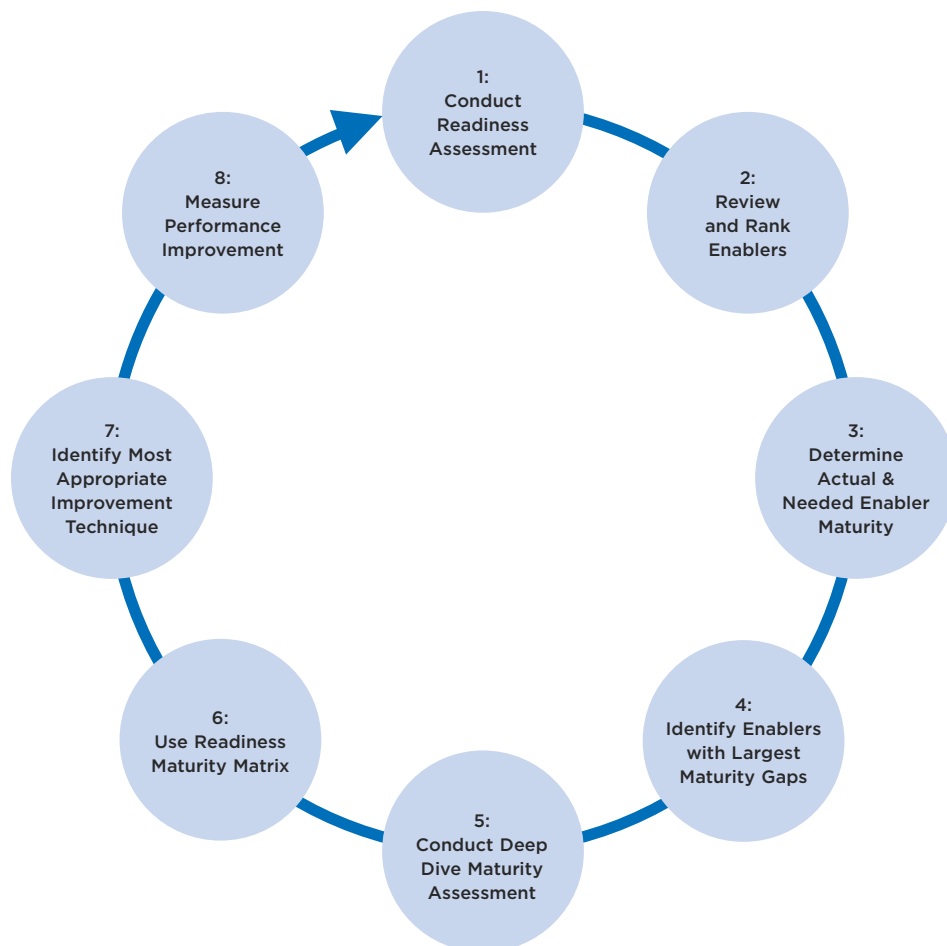| Enabler Maturity	Level One: Rudimentary	Level Two: Established	Level Three: Effective	Level Four: Adaptive
How the measure is dealt with	Not tracked consistently	Tracked	Internal analytics (e.g., variances, trends, correlations)	External analytics (e.g., benchmarked; internal & external factor correlations)

Together, the performance measures and diagnostic capabilities provide a mechanism for assessing improvement initiative gains.

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2. Recommended Implementation Approach

The PMF establishes a conceptual methodology for evaluating and identifying potential improvements in business performance. Organizations can use the recommended eight-step continuous approach (see Figure 2) to implement the PMF.

As discussed in the PMF methodology, the PMIG has developed various assessment tools to support each of the implementation steps. The approach can be executed internally or with external assistance at any step. The cost/benefit of either approach must be weighed against an organization's priorities and its need to improve performance.

Figure 2. The Eight Continuous Implementation Steps of the CAM-I PMF

1:
Conduct
Readiness
Assessment

2:
Review
and Rank
Enablers

3:
Determine
Actual &
Needed Enabler
Maturity

4:
Identify Enablers
with Largest
Maturity Gaps

5:
Conduct Deep
Dive Maturity
Assessment

6:
Use Readiness
Maturity Matrix

7:
Identify Most
Appropriate
Improvement
Technique

8:
Measure
Performance
Improvement

3. Conclusion

Every organization, whether private or public, must be concerned with performance management to be successful. Leading organizations continually gauge their performance maturity and make adjustments where necessary to stay ahead of competitors. This said, there are as many different views on performance management as there are organizations.

Organizations can gain a deeper knowledge of how to assess and improve their performance management capability by using the eight components of the PMF:
1. Organizational Readiness
2. Enablers
3. Enabler Maturity
4. Enabler Performance Gaps
5. Deep Dive Maturity Assessment
6. Readiness Maturity
7. Improvement Techniques
8. Performance Measurement

The recommended eight-step implementation process provides a logical method of using these components within any organization.

Adopting the CAM-I PMF provides the following benefits:
*   creates a common understanding of the current and future performance capability of the organization
*   provides transparency and awareness of which areas in the organization are performing below expectations
*   establishes a common frame of reference for necessary organizational improvement

- provides focus and confidence in beginning key improvement initiatives, especially when resources are scarce
- informs direction for the selection of appropriate performance measures
- reduces cost and improves performance by eliminating/decreasing inefficiencies
- serves as a sound management tool for leadership development and awareness

The PMF is being recognized by subject matter experts as a breakthrough in the field of performance management. It has already been used as a performance framework in conjunction with other CAM-I research group initiatives:

- Health Care
- Environmental Sustainability
- Integrated Risk and Crisis Management
- Integration—The Foundation for Continuous Organizational Improvement

The CAM-I PMF provides a holistic implementation framework that aims to evaluate and improve any organization's business performance using one consistent approach, regardless of size or industry.

4. References

The PMIG leveraged the following publications when developing this Executive Summary:

- *The Performance Management Maturity Framework*
  CAM-I/CPA Canada Emerging Issues Paper, 2010
- *Chasing Change: Building Organizational Capacity in a Turbulent Environment*
  Robert C Thames, Douglas W. Webster, John Wiley & Sons, Inc., 2008
- *Chronic disease care: Applying a performance management maturity framework to improve diabetes care in a hospital setting*
  CAM-I Health Care Interest Group, 2011
- *Integration — The Foundation for Continuous Organizational Improvement*
  CAM-I, 2012
- CAM-I Environmental Sustainability Interest Group