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The CAM-I Performance Management Maturity Framework

CAM-I Confidential

Global Leadership in Cost, Process and Performance Management



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Performance Management Interest Group

CAM-I recognized the need to develop a standardized and integrated view of Performance Management. The interest group has developed a practical framework that will allow any organization to assess its level of performance management maturity.

The framework consists of a core group of Enablers and four levels of Maturity. This provides a model relevant to all organizations in optimizing their business results.

More importantly, in addition to the maturity framework, the research recommends specific improvement techniques to assist in areas of performance that require enhancement. At the same time, the research cautions attempts to implement new techniques without taking into consideration the organization's capability of effecting change.



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Performance Management Maturity Framework

The full version of this deliverable is for Members only and you can contact Ashok Vadgama, CAM-I President at

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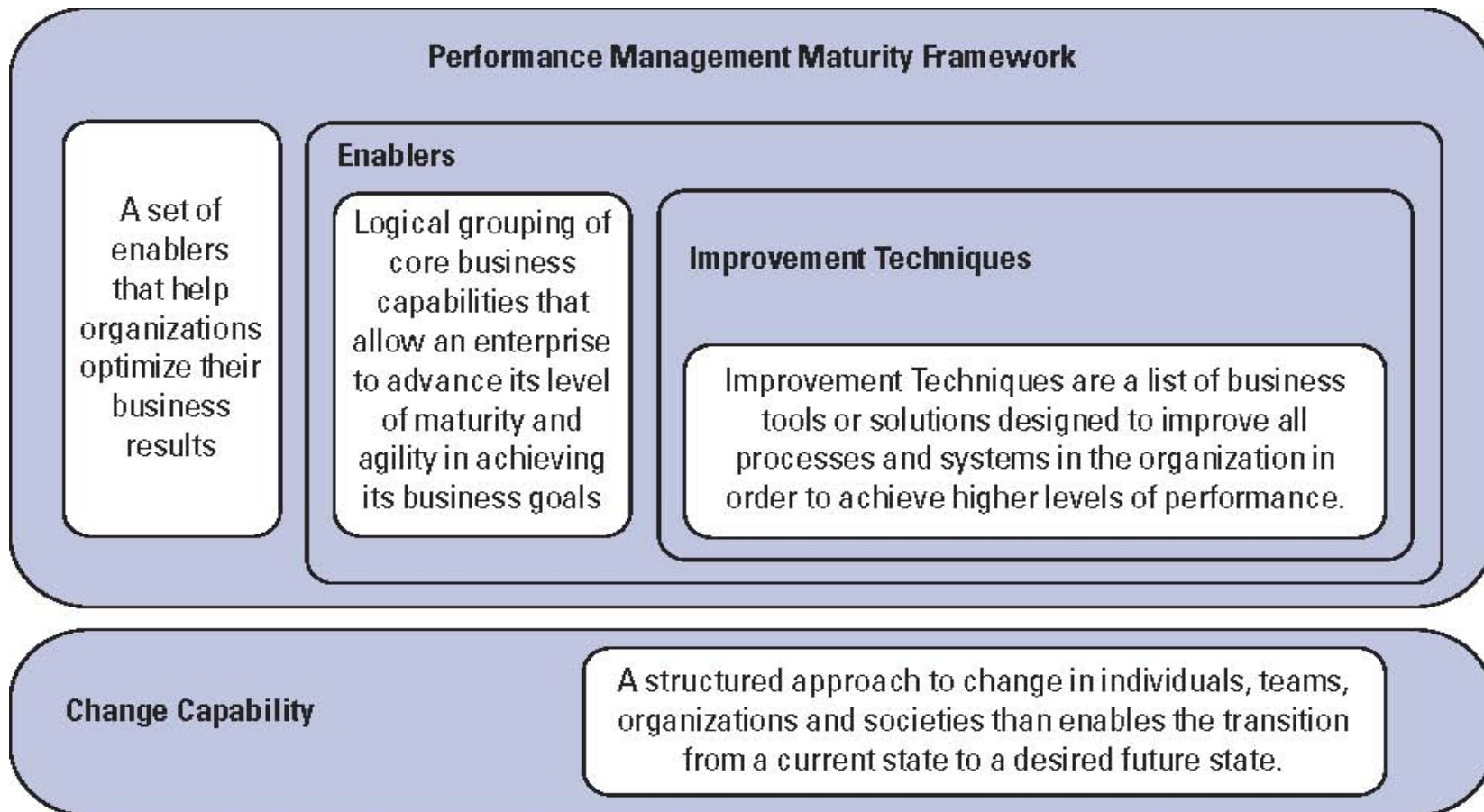
or call him at 512-296-6872 for more information



Figure 1

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FRAMEWORK





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Performance Management vs. Performance Measurement

Two terms often used interchangeably are Performance Management and Performance Measurement. Before performance can be improved, Performance Management concepts need to be in place before measuring performance. For the purpose of this research initiative, PMIG (Performance Management Interest Group) is using the following definitions:

Performance Management is the practice of organizing, integrating, automating, and analyzing business methodologies, processes, and systems to drive successful business performance.

Performance Measure – The specific representation of a capacity, process, or outcome deemed relevant to the assessment of performance.

Performance Measurement – The process of developing measurable indicators that can be systematically tracked to assess progress made in achieving predetermined goals.



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Key Components Behind The Concept

Performance Enablers: Recognition that every organization is made up of functions and elements of its business that are both unique and common.

Performance Management Maturity Levels: Recognition that not all organizations perform Enablers the same way, or with the same efficiency or effectiveness. Those that demonstrate higher levels of effectiveness, contributing to greater business success, represent organizations performing at higher “maturity.”

Performance Management Improvement Techniques: Recognition that action is needed to improve Performance Enablers..

Change Capability: Recognition that implementing improvement initiatives to enhance performance has had, in general, a disappointing record of success and sustainability.



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Performance Management Enablers





Performance Management Enabler Elements

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Performance Management Enablers			
Enablers of Performance Management	Definition	Elements	Attributes / Characteristics
Business / Operational Management	A system of actions, communications and controls for developing and executing plans to achieve strategic goals and objectives. ³	<ul style="list-style-type: none"> • Establish priorities • Set targets • Identify key projects • Resource allocation • Shared services • Operational planning and budgeting • Capital planning and budgeting • Project management • Monitor/measure 	<ul style="list-style-type: none"> • Alignment • Accountability • Transparency • Ownership
Customer Relationship Management	A combination of policies, processes, and strategies implemented by an organization to unify its customer interactions, build customer relationships, and provide a means to track customer information. ⁴	<ul style="list-style-type: none"> • Customer segmentation • Customer intelligence • Customer database • Communication 	<ul style="list-style-type: none"> • Responsiveness • Integration • Continuity
Financial Management	The management of financial resources to support accountability and stewardship. ⁵	<ul style="list-style-type: none"> • Financial accounting and control • Financial analysis (e.g., variance analysis) • Managerial accounting (e.g., cost management) • Internal controls • Financial reporting 	<ul style="list-style-type: none"> • Transparency • Integrity • Timeliness • Reliability • Review periodicity • Advisory



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Performance Management Enabler Elements

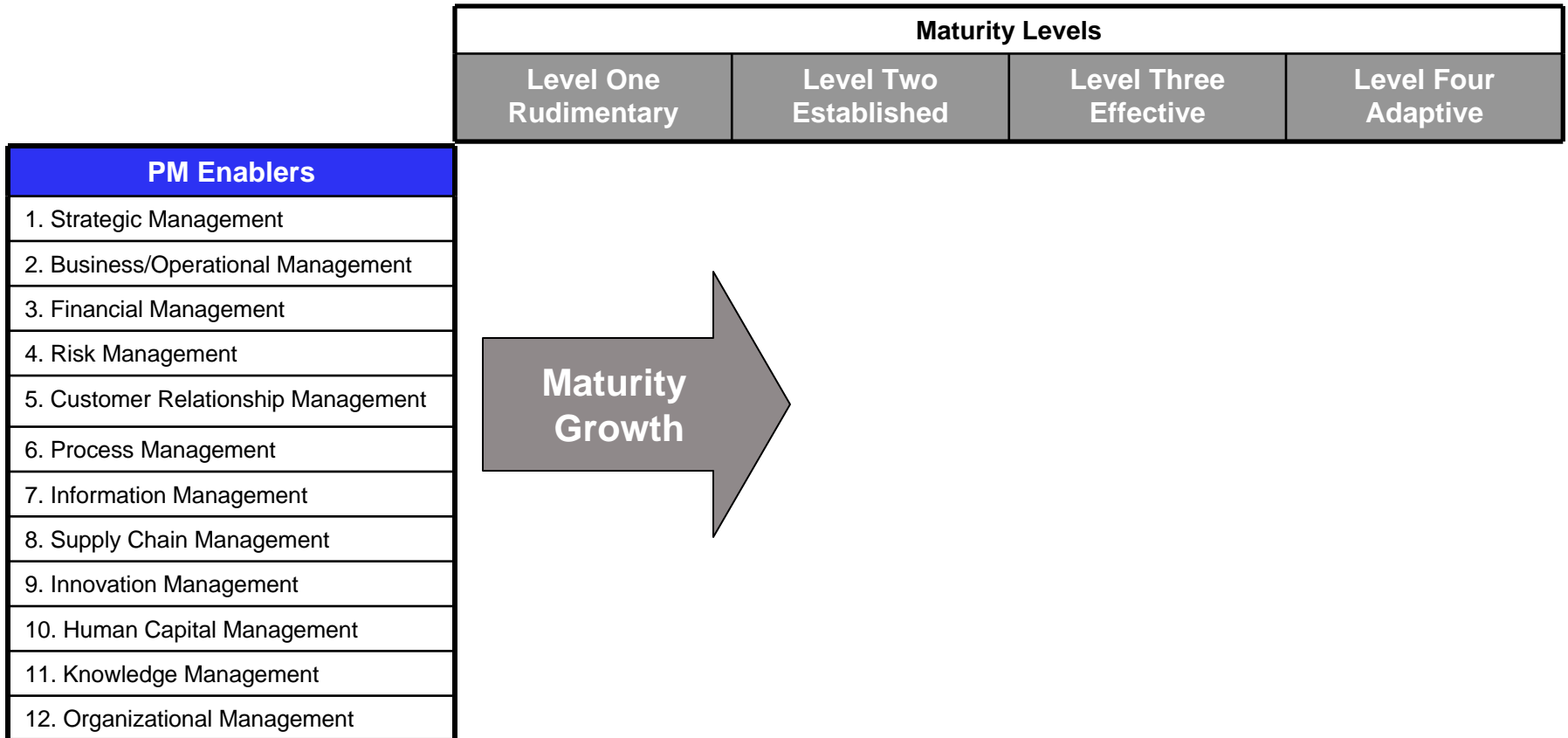
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PM Maturity Framework





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Performance Management Enabler Maturity

Performance Management Enabler Maturity				
Enablers of Performance Management	Level One: <i>Rudimentary</i>	Level Two: <i>Established</i>	Level Three: <i>Effective</i>	Level Four: <i>Adaptive</i>
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Business / Operational Management	<ul style="list-style-type: none"> • Elements are performed on an ad hoc and tactical basis • Business and operational plans are not related to organization's strategic plan • Budget formulation process is not integrated with any formal planning processes and seen largely as a finance function 	<ul style="list-style-type: none"> • Planning process is cohesive and closed loop with some relationships to the organizational strategic plan but is not fully integrated • Reflects consensus view of enterprise objectives • Budget formulation process is decentralized to all areas responsible for revenue/ expenditure generation with oversight by the finance function 	<ul style="list-style-type: none"> • Operational plans are well understood by employees and where they can contribute • Budget formulation process is seen as a key function within all areas responsible for revenue / expenditure generation • Budget process is complementary to planning initiatives and planning outcomes are monitored and measured 	<ul style="list-style-type: none"> • Operational plans are fully integrated with suppliers, customers, and employees • Planning enables employees to be proactive • Plans & budgets are based on rolling forecasts and not limited to an annual event • Measurement and accountability of plan performance is in place • Best practices



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Performance Management Enabler Maturity

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	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Business / Operational Management (continued)	<ul style="list-style-type: none"> Limited input during budget preparation provided by areas responsible for revenue generation and expenditure commitments No resource allocation based on the strategic plan Focused on correcting historical deficiencies 	<ul style="list-style-type: none"> Budget process refers to planning initiatives but is not fully integrated Rudimentary resource allocation based on the strategic plan 	<ul style="list-style-type: none"> Efficient resource allocation based on the strategic plan 	



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Performance Management Enabler Maturity- Financial Management

Enablers of Performance Management	Level One: <i>Rudimentary</i>	Level Two: <i>Established</i>	Level Three: <i>Effective</i>	Level Four: <i>Adaptive</i>
	Non-systematic, non-periodic, and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic

<ul style="list-style-type: none"> • Financial accounting is governed more by habitual practice rather than by supporting and being connected to enterprise strategy • Financial control is used primarily by the accounting department as a tool to determine departmental compliance • Financial analysis and review of results (reporting) are performed largely by accounting staff as opposed to areas that have budget or expenditures 	<ul style="list-style-type: none"> • Financial accounting and control is used jointly by the department responsible • Financial analysis (budget vs. actual) is performed regularly by the department responsible and the finance function • Some simplistic managerial accounting methods in place 	<ul style="list-style-type: none"> • Financial accounting and control is integrated into ongoing operations • Financial analysis is based on direct linkage to inputs and activities • Managerial accounting methods used for monitoring and improving business operations 	<ul style="list-style-type: none"> • Financial accounting and control is fully integrated across all departmental operations and is aligned with the enterprise strategy • Managerial accounting is owned equally by all areas within the organization and uses sophisticated methods used for optimizing business results
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Performance Management Improvement Techniques

Purpose and Use

Improvement techniques are a list of business tools or solutions designed to improve all processes and systems in the organization in order to achieve higher levels of performance.

The concept of using an improvement technique to improve performance is not new. In fact, numerous books and publications have been written over several decades that present and promote uncounted ways organizations can improve performance.



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Performance Management Improvement Technique

	Performance Management Improvement Technique
1	Benchmarking
2	Activity Based Management
3	Capacity Management
4	Target Costing
5	Balanced Scorecard
6	Business Intelligence
7	Lean/Six Sigma
8	Value Chain
9	Business Process Re-engineering
10	Just In Time



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Performance Management Improvement Techniques

Improvement Technique Category	Definition	Specific Techniques	Value Provided in Improving Performance
Business Process Re engineering	The radical redesign of a process, product, or service (as opposed to the incremental improvement associated with continuous improvement efforts). ¹⁹	Business Process Modeling Process Simulation Rightsizing	Enables the organization to become stronger and more successful in the marketplace by greatly simplifying a process, product, or service.
Capacity Management	A process used to manage utilization of all assets to ensure that current and future business requirements are met in a cost-effective manner. ²⁰	Throughput Analysis Capacity Planning Constraint Analysis Capital Justification / Assessment Demand/Workload Forecasting Return On Investment Analysis	Optimizes performance efficiency by minimizing idle capacity. Assists with operational planning and forecasting of future capacity requirements in justifying financial investments.
Lean/Six Sigma	Business improvement methodology that focuses on quality through speed (Lean) and eliminating defects (Six Sigma). ²¹	Lean Operations Six Sigma Just in Time Kanban Kaizen Total Quality Management ISO 9000 Total Productive Maintenance Continuous Process Improvement Root Cause Analysis	Enables organizations to better allocate resources to value-added activities and improve quality. Focuses on efficiency improvements to streamline and optimize operational performance.



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Performance Management Interest Group

Identify PM Improvement Techniques

For each Enabler, show which Improvement Techniques could help to improve Maturity Level :

	Performance Management Maturity Level			
	Level One Rudimentary	Level Two Established	Level Three Effective	Level Four Adaptive
Enablers of Performance Management	non-systematic, non-periodic and reactive	stable and repetitive	internally efficient and continuously improving	externally efficient and dynamic

Example:

Business/Operational Management				
				Benchmarking
			Activity Based Management	
			Capacity Management	
				Target Costing
				Balanced Scorecard
				Business Intelligence
			Business Process Re-engineering	



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Performance Management Enabler Levels Using Improvement Techniques

	Activity-Based Management	Balanced Scorecard	Benchmarking	Business Intelligence	Business Process Re-Engineering	Capacity Management	Lean/Six Sigma	Target Costing	Value Chain Analysis
Business/Operational Management	L2	L3	L3	L3	L3	L2		L4	
Customer Relationship Management			L3		L3			L3	L3
Financial Management	L2		L3			L2		L4	
Human Capital Management			L3		L3	L3			
Information Management	L2	L3		L2		L2			
Innovation Management			L2	L2	L3			L3	L2
Knowledge Management				L2					
Organization Management			L3		L2	L3			
Process Management	L3		L2		L2	L2	L3		L3
Risk Management		L2				L3			
Strategic Management		L3	L3					L3	
Supply Chain Management	L3		L3			L3	L3	L4	L2



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CAM-I and Change

The integration of this research with the ongoing Performance Management research led to the decision to treat Change Management in a more holistic way. Therefore, we recommend that, before charging off to identify which techniques should be adopted to improve performance, it is essential to review the organization's capability to adapt to change, depicted in Figure 5 Integration of Performance Maturity and Change Capability.



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Integration of Performance Maturity and Change Capability

Change Capability

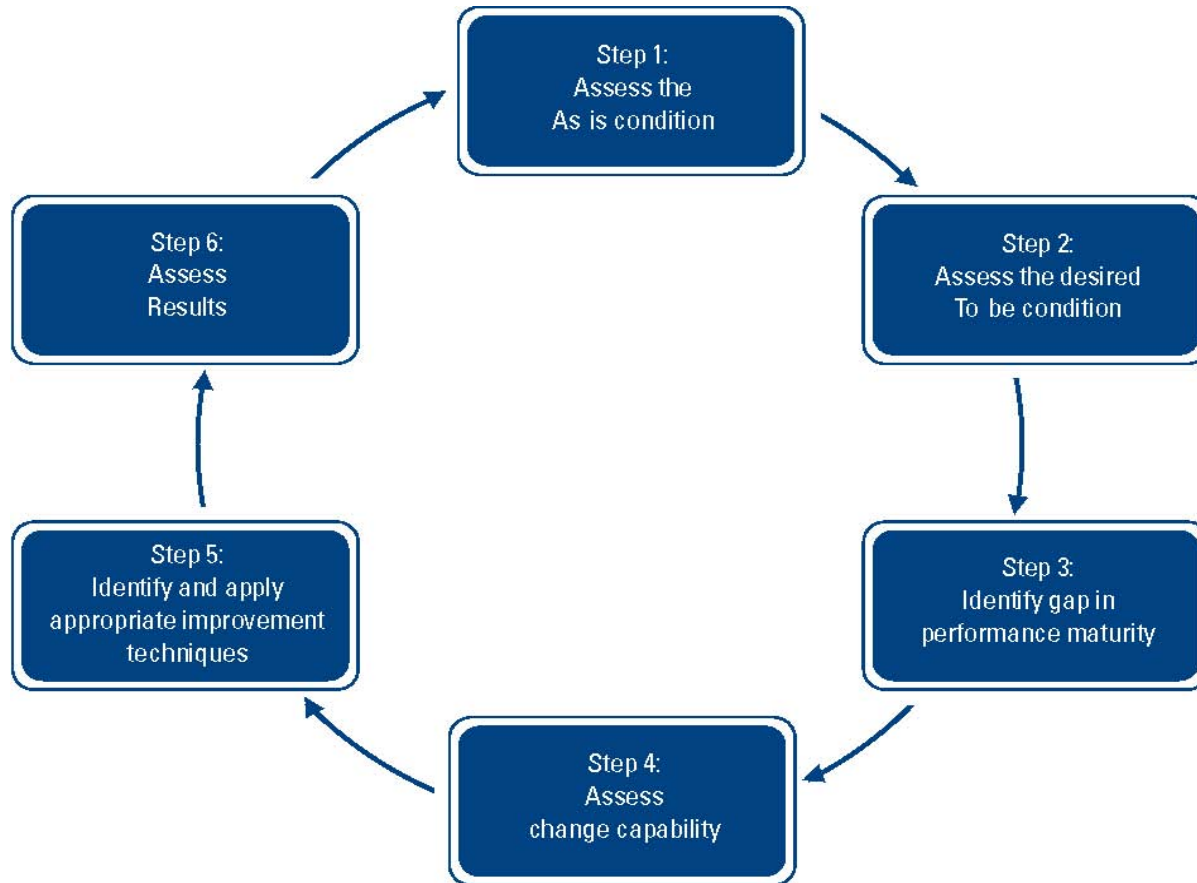
A structured approach to change in individuals, teams, organizations and societies that enables the transition from a current state to a desired future state.

			PM Maturity Level			
			1	2	3	4
			Rudimentary	Established	Effective	Adaptive
Change Capability	5	Fully Implemented	Grey	Grey	Green	Green
	4	Considerable	Grey	Green	Green	Green
	3	Moderate	Grey	Green	Green	Yellow
	2	Minor Evidence	Green	Green	Yellow	Red
	1	Absence	Purple	Yellow	Red	Red



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Recommended Approach on Using Performance Maturity as a six step approach





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Example - Maturity Assessment Results

Enablers \ Maturity Levels	Level One: <i>Rudimentary</i>	Level Two: <i>Established</i>	Level Three: <i>Effective</i>	Level Four: <i>Adaptive</i>
	Non-systematic, non-periodic and reactive	Stable and repetitive	Internally efficient and continuously improving	Externally efficient and dynamic
Business/Operational Management			A & D	
Customer Relationship Management			A & D	
Financial Management				A & D
Human Capital Management			A	D →
Information Management				A & D
Innovation Management	A	D →		
Knowledge Management	A	D →		
Organizational Management		A	D →	
Process Management		A		D →
Risk Management	A		D →	
Strategic Management		A	D →	
Supply Chain Management			A & D	

A	Actual Maturity Level
D	Desired Maturity Level
	Meeting or Above Desired Maturity
	Less than Desired Maturity
	Seriously Below Desired Maturity



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Example - Change Capability vs Maturity Results

			PM Maturity Level			
			1	2	3	4
			Rudimentary	Established	Effective	Adaptive
Change Capability	5	Fully Implemented	Overkill	Overkill	Likely	Likely
	4	Considerable	Overkill	Likely	Likely	Likely
	3	Moderate	Overkill	Likely	Likely	Unlikely
	2	Minor Evidence	Likely	Likely	Unlikely	Not Possible
	1	Absence	Stuck	Unlikely	Not Possible	Not Possible

 Overkill	 Likely	 Unlikely	 Not Possible	 Stuck
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Change Capability
A structured approach to change in individuals, teams, organizations and societies that enables the transition from a current state to a desired future state.



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Another Example

Enablers/Technique Categories	Technique Categories								
	Activity-Based Management	Balanced Scorecard	Benchmarking	Business Intelligence	Business Process Re-Engineering	Capacity Management	Lean/Six Sigma	Target Costing	Value Chain Analysis
Business/Operational Management	L2	L3	L3	L3	L3	L2		L4	
Customer Relationship Management			L3		L3			L3	L3
Financial Management	L2		L3			L2		L4	
Human Capital Management			L3		L3	L3			
Information Management	L2	L3		L2		L2			
Innovation Management			L2	L2	L3			L3	L2
Knowledge Management				L2					
Organization Management			L3		L2	L3			
Process Management	L3		L2		L2	L2	L3		L3
Risk Management		L2				L3			
Strategic Management		L3	L3					L3	
Supply Chain Management	L3		L3			L3	L3	L4	L2

As shown, the Enabler, Process Management, can use six different Technique Categories to improve maturity, and Risk Management can use two. Since Capacity Management was identified as a Technique Category that could improve both Process Management and Risk Management, the management team decided to investigate this Improvement.



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Further Research and PMMF Development

The PMMF represents a framework that portrays a collective and comprehensive view of the factors that affect business results. Being the result of collaborative research and debate, it represents an unbiased point of view of performance management, not scripted to sell or “pitch” a new product, yet it’s a conceptual framework that has great potential for continued development in order to provide practical application for businesses. As is, the framework is a useful tool for thinking about improving performance, but success in applying the framework will be enhanced through subsequent efforts.



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Further Work

Assessment Tool – To effectively apply and utilize the concepts presented in the PMMF, a diagnostic assessment tool or capability could be used to greatly enhance the value of the PMMF to organizations. By developing survey questions that “test” respondents’ answers against the defined maturity levels, the PMMF can be applied to a broad audience. In addition, a survey tool can be crafted in a manner that helps mitigate potential skewing of results where a respondent knowingly or unknowingly answers questions biased towards an intended maturity level.

Case Study Assessment – A case study application of the PMMF with organizations on a trial basis would serve the purpose of testing the content of the framework against real business situations to help refine the description and content of the maturity levels.



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Further Work

Improvement Techniques Database – An important distinction in this PMMF is the differentiation between Enablers and Improvement Techniques. The former represents an inherent capability performed by an organization; the latter represents a means by which an Enabler is improved. The PMIG developed an initial database that correlates appropriate improvement techniques within the maturity framework. Further developing and refining this database will serve as a critical tool to help guide an organization in identifying the most appropriate means of maturing performance.

Performance Measures – Just as the content of the maturity levels can be refined through case study assessment, the framework can be further refined by identifying types of metrics that are in use at different maturity levels. The current content provides a descriptive depiction of maturity; adding quantitative or qualitative metrics will help provide a more concise understanding and measurement of maturity levels.



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Further Work

Benchmarking Capability – If an assessment tool is developed to survey organizations on maturity levels, this could serve as the basis for creating a database of results that could be used for benchmarking purposes. By profiling organizations (by industry, size, market, etc.), the results could be used for comparative analysis of like organizations.

Industry-specific performance framework – The PMMF has been developed without emphasis or focus on any specific industry. As such, the language is “generic,” and might not highlight industry-specific issues. The current framework could easily be rewritten for specific industries or uses that would allow the use of industry-relevant information in order to provide more meaningful results for organizations.



Performance Management Maturity Framework - Conclusion

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Every organization, whether privately operated or publicly managed, must be concerned with performance management to be successful. Leading organizations are continually gauging their performance maturity and making adjustments where necessary to stay ahead of their competition. Without question, performance management has many different views, in fact as many as there are organizations. The Performance Management Maturity Framework provides the ability for organizations to holistically assess their performance maturity and understand the most effective means to improve performance, using one consistent approach.