Advisory Services
Performance Management

Driving strategy into sustainable performance*

Is your organization aligned?

Strong leadership and management, a motivated and engaged workforce, and sound business practices enabled by effective processes, tools and collaboration are essential. Having an effective framework to tie it all together in a cohesive, integrated way is the key to success and an aligned organization.

What is Performance Management and why is it important for your organization?

In today's business environment, several factors affect how well your organization performs.

To start off, attracting and retaining top talent is a key ingredient of success. Tightened labour markets and global shifts in demographic, ethnic and cultural compositions have increased the level of competition for the best people. Successful organizations retain their people by engaging them in a way that ensures their personal goals, objectives and aspirations are aligned with the organization.

Another key ingredient of success is the ability to identify and align the right performance drivers for growth, and proactively pinpoint and address root causes of performance challenges. Often, individual divisions or functional areas have their own agendas and priorities—it can be a considerable challenge to have all these areas aligned to one common goal.

To address these challenges, many powerful management tools and techniques have been developed to help achieve a high performance organization. The problem, however, is that these tools and techniques are usually applied as "point solutions" without the benefit of a holistic approach. Performance Management is an effective solution that immediately improves performance and, more importantly, creates an environment that sustains it.

The PwC approach

PricewaterhouseCoopers (PwC) has developed a holistic version of the Performance Management (PM) model—one that clearly outlines the steps you can take to create value, not just for your shareholders, but also for all stakeholders including customers, employees, suppliers and other partners. It allows organizations to approach performance management holistically because, in our experience, growth opportunities and performance issues do not only pertain to one functional area, party or process—they impact the whole organization. The PM framework helps organizations support the design and implementation of performance management practices that drive accountability, superior performance and value creation.

In order to reflect the needs of organizations that operate in different sectors such as health care, privately owned companies, municipal governments, and the broader public sector, PwC has developed tailored versions of the PM model.

Our professionals can help you develop a clear understanding of the players who have a stake in high performance. They will outline what actions must be taken to achieve improved value. We can also help you strike the right balance between external and internal activities and initiatives that are designed to create value for your clients.

Our approach to PM will allow you to look beyond the financial and operational aspects of your organization. It can harmonize the way your people, processes, technology and plans work together to support your organization's goals and objectives. The ultimate value of our approach is that it allows you to enhance performance by successfully executing growth initiatives, reducing costs and achieving efficiency.

To deliver this value, we focus on the enablers that must be present to successfully adopt sustainable performance management (i.e. solid performance culture, effective governance, reliable and useful data, technology enablement, effective processes and established skills and capabilities).

We will work with your people to understand and diagnose the root causes of performance issues that inhibit your organization's success. With this knowledge and our collective experience, we will then work with you to tailor and implement the right solutions for your organization.

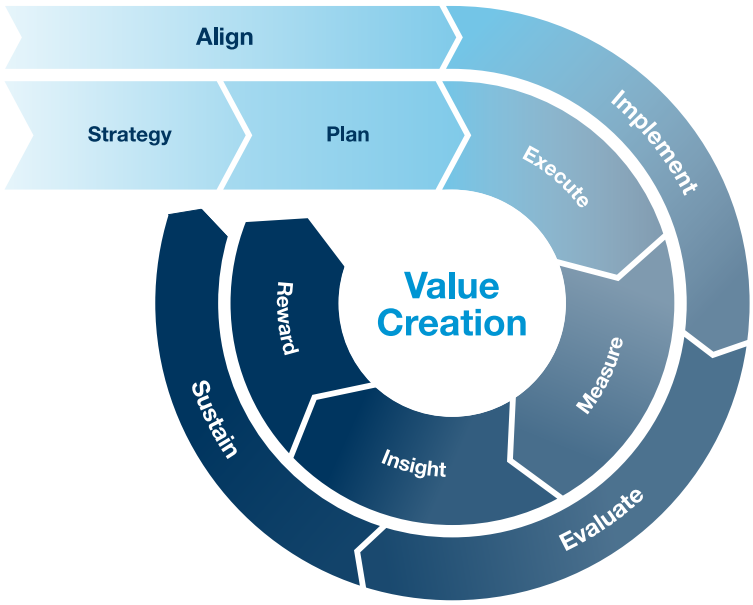
We understand that organizations must develop and execute their strategies in ways that are sensitive and respectful of the environment. We will assess your organization's impact on the environment, and suggest processes and initiatives that are cost effective and environmentally-friendly.

At PwC, our cross-functional, multi-disciplinary teams offer deep industry knowledge and expertise, proven methodologies and tools, and project management skills to help achieve your organization's goals and objectives. Our approach to working with you is rooted in a collaborative style that is designed to engage your people, coordinate with your resources and enable the transfer of knowledge to help sustain a culture based on high performance.

Performance Management (PM)
Driving strategy into sustainable performance*

Key Players

- CEO & Board of Directors
- CFO & Finance
- CIO & Information Technology
- COO & Operations
- CHCO & Human Capital
- CMO, Sales & Marketing
- CRO & Risk Management



Create value for...

Shareholders & Stakeholders	Clients & Customers	Employees	Suppliers & Partners

...while reducing the organization's negative impact on the environment.

Key Enablers

- Leadership
- Communication
- People & Performance Culture
- Customer & Supplier Collaboration
- Governance
- Business Processes
- Information

*connectedthinking

PRICEWATERHOUSECOOPERS

It’s about creating value…

Creating value is the ultimate goal of organizations. Value creation is optimized when it is considered from the viewpoint of all relevant parties.

For **shareholders and stakeholders**, value is gained through:

- Superior annual return on invested capital;
- Superior return on capital from sale or liquidation of assets;
- Outperforming peer organizations and market expectations;
- Creating sustainable competitive advantages;
- Liquidity;
- Brand sustainability and enhancement; and
- Delivery of products and services that are achieved on the basis of an acceptable environmental plan.

For **clients and customers**, value is gained through:

- Responsiveness to client and customer needs (product/service attributes driven by client and customer needs);
- Consistency of client and customer experience;
- Effective client and customer interactions;
- Appropriate level of quality for products and services (best quality versus best price versus best total value);
- Product/service prices that reflect value delivered;
- Effective processes for problem resolution;
- An approach to creating lifetime relationships; and
- Innovative products and services.

For **employees**, value is gained through:

- Opportunities for learning, growth and advancement;
- A safe and respectful work environment;
- Fair compensation and benefits;
- Recognition and reward for exceptional contribution;
- An appropriate work/life balance;
- Being part of a winning team;
- Interesting and challenging roles; and
- Employee engagement: enabling employees to align their personal goals with organizational goals.

For **suppliers and partners**, value is gained through:

- Fair price for goods and services;
- Prompt payment for goods and services;
- Effective communications;
- Collaboration on enhancing the value/supply chain; and
- Fair share of wealth creation for partners.

Our PM framework includes four stages

1. Align

The align stage is used to develop a fundamental link between your organization's strategy and its plans to achieve value.

Strategy

Our professionals can help develop, refresh or improve your strategy development processes by:

- Developing or revising your vision or mission statements;
- Identifying and defining your organization's value drivers;
- Developing an industry value stream map that becomes an important input to your strategy development;
- Undergoing a strengths, weaknesses, opportunities, threats (SWOT) analysis;
- Developing your organization's growth or value maximization strategy; and
- Developing your organization's strategy map.

Plan

Drawing on the expertise from our various practice areas, we can help develop and establish processes for the following planning tools to ensure they address your organization's goals and objectives:

- Organizational design;
- Key performance indicator targets;
- Scenario models;
- Business plans;
- Planning for tactical initiatives;
- Operating and capital budgets; and
- Tactical initiatives.

2. Implement

The implement stage is used to develop actionable and measurable plans. Our collaborative approach can bring together the right blend of subject matter expertise, functional competencies and industry knowledge to work with your organization's management and staff teams.

Execute

A plan is not effective if it is not properly executed. To ensure your plans achieve the intended benefits, we can help:

- Design and implement an accountability model;
- Design and implement an integrated program management office;
- Design and execute change management programs;
- Prepare business cases for planned initiatives;
- Design and implement a benefits tracking and benefits management approach; and
- Design and help execute planned and approved initiatives.

Measure

Performance measures are only useful if they offer insights that are actionable and are properly linked to compensation, reward and recognition programs. We can help you create an effective measurement approach by:

- Defining appropriate financial and operational performance measures;
- Designing and introducing processes that enhance the quality, effectiveness and timeliness of your performance measures and financial, statutory, management, operational and executive reports; and
- Designing and implementing scorecards and management dashboards to help management oversee more effectively.

3. Evaluate

The evaluate stage uses the data derived from properly constructed measurement systems to monitor progress against a defined strategy and plan. The objective is to proactively identify issues, challenges and opportunities that require management's attention.

Measure

Utilizing the measurement approach designed in the measure stage, we help you track progress against the goals and targets established in the plan stage. We can also help you evaluate progress by leveraging your measurement framework to create:

- Initiative reports and assessments;
- Personal goals and performance reports for management and staff; and
- Enterprise, strategic business unit and department-level performance reports.

Insight

To ensure your decisions are based on a good understanding of your organization's current state and that efforts deliver the intended benefits, we can help you assess your activities and programs by:

- Conducting peer-to-peer benchmarking;
- Preparing forecasts or designing processes required for effective forecasting;
- Designing and implementing business and performance analytics; and
- Designing and implementing financial and operational alerting systems.

Our teams have access to benchmarking tools in the human capital area (Saratoga®), and process benchmarking and best practices (Global Best Practices®). These tools can help your organization understand how your processes and functional areas compare to other organizations.

4. Sustain

The sustain stage focuses on the actions your organization must adopt to ensure your performance management culture becomes fully integrated into its day-to-day operations.

Insight

To help you make the right decisions based on measured data, we can develop processes and management disciplines that will enable effective:

- Initiative continuance/termination protocols;
- Mid-course correctional actions;
- Performance dialogue and communications; and
- Management/employee feedback and coaching sessions.

Reward

To motivate effective behaviours, reward and compensation systems must be aligned to organizational goals and performance measures.

Our teams can help you bring the right blend of human capital management expertise and design compensation packages that are tax effective for your organization and people. With our in-depth experience in human resources, we can help you design and introduce:

- Reward schemes;
- Compensation systems; and
- Management/employee development programs that support your business strategy to motivate and manage employee performance.

These schemes, systems and programs will enable your organization to attract and retain top performers—the key to your organization's long term success and survival in an increasingly complex and challenging business environment. We can also integrate your reward and compensation strategies.

What key enablers are required for successful PM implementation?

For PM to effectively improve and sustain performance, a number of key enablers must be in place. Some of these key enablers relate to your organization's cultural attributes while others pertain to areas of infrastructure that must be present to support our recommended holistic approach. We have defined the required enablers under the following categories:

Leadership

Leadership is the single most important enabler of a successful performance management approach. Some of the key attributes of strong leadership include:

- Tone from the top;
- Leadership skills development plans;
- Leadership training;
- Development of "leaders of leaders";
- Visibility and accessibility;
- Leading by example;
- Managing by exception; and
- Fact-based decision making.

Communication

Effective communication drives teamwork, collaboration and alignment across the organization. It is the network through which information is shared and synergy is obtained. Some key attributes of effective communication include:

- Communication plans;
- Communication style;
- Consultation with stakeholders;
- Upward feedback;
- Stakeholder management plans;
- Transparency (accessible strategy, plans and performance); and
- Change management plans.

People and performance culture

A key driver of an organization's success is employing people with the appropriate skills and capabilities, and maintaining a performance culture that effectively harnesses those skills and capabilities. In many respects, performance culture can be described as an "organizational state of mind" whereby the organization develops an environment that fosters, rewards and sustains a desire and capability to enable the organization to operate at high performance levels. The attributes of this enabler are defined below:

- Enterprise and personal goals alignment;
- Employee engagement and motivation;
- Climate for innovation and action;
- Coaching, mentoring and performance evaluation;
- Skills development;
- Career planning;
- Work/life quality;
- Talent management;
- Subject matter experts and centres of excellence;
- Cross functional teams; and
- Appropriate use of external talent pools.

Customer and supplier collaboration

Successful organizations collaborate effectively with both customers and suppliers. These customers and suppliers can be either internal or external to the organization. Collaboration involves regularly seeking input and feedback, and working collaboratively to improve the value delivered to these stakeholders and to the organization. Some of the tools and techniques used to accomplish this are:

- Supplier performance metrics;
- Service level agreements;
- Customer satisfaction surveys;
- Customer conferences;
- Supplier conferences;
- Complaint handling processes; and
- Defect handling processes.

Effective governance

Every organization needs to adopt an effective framework for providing proper governance over the decision making processes that are used by the organization. The definition of "effective governance" in the context of performance management is broad, and brings in all of the practices, activities and processes that will contribute to a comprehensive way of providing effective governance for the organization, including:

- Governance over PM methodologies, practices, processes and systems;
- Regulatory compliance;
- Governance model and processes;
- Enterprise-wide risk management;
- Business continuity plan;
- Disaster recovery plan;
- Stakeholder management;
- Internal controls; and
- Internal audit.

Business processes

All organizations require processes to be in place to support the organization. Some are common across all industries and lines of business, while others are very specific to the sector or organization. Processes support the internal operations of the organization, while others are customer-facing in nature. Effective processes in principle and in application respect the attributes that are listed below:

- Processes based on "voice of the customer" and "voice of the business";
- Integrated processes through end-to-end process thinking and design;
- Processes with optimized workflow;
- Processes that have quality outputs at acceptable cost and cycle time; and
- Effective linkage across the full range of PM processes and practices.

Information

If an organization is going to have fact-based decisions as part of its business management structure, then information is the foundation of those decisions. Information results from the transformation of data that is captured through the organization's systems and technology, and includes:

- A strong data model;
- An effective chart of accounts structure;
- Appropriate business dimensions definition (product channel, geographic);
- Data warehouse/data mart;
- A "Single source of the truth";
- Data management (completeness, quality, privacy, retention/archiving, security and ownership);
- Application architecture;
- Technical infrastructure;
- Technology management;
- Intuitive user interfaces; and
- Collaboration tools.

Whether the key enabler is a "state of mind" or a specific enabling capability or tool, PwC can help your organization assess, design, select, plan for and implement the tools and mechanisms necessary to successfully enable your organization's performance management approach.

Our professionals have extensive knowledge and experience in the critical aspects necessary to ensure successful change in your organization, as well as being able to provide advice and guidance in areas such as information technology, data modeling, financial modeling, and cost and fee model development. We have experience with the tools that are available from leading technology solution providers in the areas of financial reporting, budgeting and forecasting, activity-based costing, business analytics and intelligence. We also have access to PM tools that can be used to operationalize your management dashboards and scorecards. We objectively provide this experience and knowledge to your organization to help ensure that you make the right decisions regarding technology enablement.

Who are the key players and what are their roles to ensure successful PM implementation?

For any initiative or approach to be effective, it must have champions and sponsors who understand the importance of delivering value to the organization. Through our experience, we have defined the appropriate set of PM champions, activities and behaviours to achieve high performance. In your organization, these titles and responsibilities may vary but the following categorization is intended to communicate the key themes of sponsorship and responsibility:

Chief Executive Officer and Board of Directors

- Establishes a strong working relationship between the Board of Directors and members of the executive management team; addresses the need for good governance, effective risk management and growth of value creation by the organization;
- Sets the right tone at the top with regard to the importance of measurements;
- Demands transparency with regard to alignment of strategic and tactical plans;
- Demands the establishment of performance measures to evaluate performance of executive, management and staff;
- Demands appropriate balance for short-term results, longer term value creation and acceptable environmental impact;
- Demands a performance culture that helps management and staff perform their jobs more effectively and with higher levels of job satisfaction; and
- Provides oversight and application of an effective governance model.

Chief Financial Officer and Finance

- Establishes and sustains a culture of measurement. The CFO may also take on the role of chief performance officer;
- Bridges the gap between members of the executive management team;
- Increases finance's role to provide analytical support to the organization, including support for the development of business cases;
- Champions the use of performance measures that reflect the voice of the business;
- Elevates the role of finance to a business partner;
- Champions a strong internal controls framework; and
- Provides oversight to the tax planning and compliance function.

Chief Information Officer and Information Technology

- Champions the support for a strong IT infrastructure to enable high quality data collection and security, and strong workflows enabled by effective technology;
- Champions the implementation and sustainability of effective technology to deliver actionable information through dashboards and alerts to management;
- Champions the implementation and sustainability of effective user-friendly technology that enables business analytics and offers insight for planning and decision support; and
- Champions the support for effective knowledge management systems.

Chief Operating Officer and Operations

- Sets the right tone at the top with regard to the importance of measurements;
- Demands a performance culture that helps management and staff perform their jobs more effectively and with higher levels of job satisfaction;
- Champions the cascading of performance measures and dashboards through all levels of the organization;
- Promotes an understanding of how lower level measures are linked and aligned with overall strategic and tactical plans/measures;
- Offers an understanding to lower levels of the linkages between various functional work cells;
- Supports the adoption of performance measures that reflect the voice of the customer and voice of the business; and
- Executes the business plan effectively at the strategic and tactical levels.

Chief Human Capital Officer and Human Capital

- Fosters an alignment of performance evaluation systems to reflect links between organizational goals, personal goals, performance measurement systems, and reward and recognition systems;
- Fosters strong processes/protocols for recruiting the right people and retaining top talent;
- Fosters policies, processes, procedures and climates for leadership development, employee feedback and coaching, and employee training and development; and
- Fosters a rigorous approach to succession planning.

Chief Marketing Officer, Sales and Marketing

- Insists on performance measures and reward/recognition systems that help secure profitable revenues;
- Champions the definition and use of performance measures that promote and measure brand recognition;
- Champions the adoption of performance measures that measure total and lifetime client value;
- Champions the adoption of performance measures that reflect the voice of the client; and
- Focuses on sales volume and client value.

Chief Risk Officer and Risk Management

- Champions the use of performance measures that reflect a balance between profitable growth and appropriate enterprise risk management practices;
- Champions a strong regulatory compliance framework;
- Focuses on risk-adjusted profitability measurement;
- Focuses on early recognition of emerging risks to the enterprise; and
- Identifies appropriate risk mitigation strategies and tactics.

PwC's approach to working with a client organization

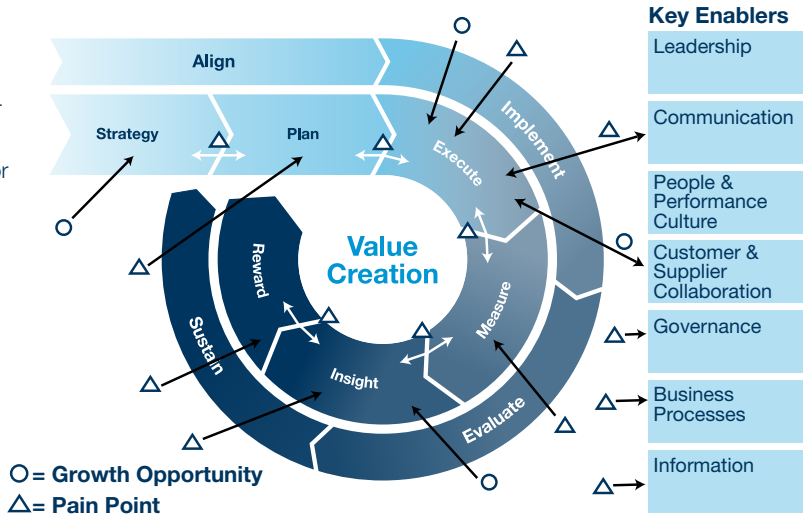
You cannot create value and sustain high performance without uncovering the root causes of suboptimal performance and addressing them effectively. Our professionals can work with you to help exploit growth opportunities or address specific "pain points," regardless of which part of the PM framework you choose to address first. As part of our approach to work on initiatives that will improve performance, we deliver additional value by painting a vision for sustainable performance management, one that effectively describes the journey and connects the approach with management's actions.

Recognizing that PM efforts typically start as targeted efforts, we begin the process by understanding your organization's goals, aspirations and growth opportunities. We then work with your management team to develop an understanding of your growth and performance challenges, which gives us an appreciation for the issues that are preventing your organization from realizing its goals and objectives.

From there, we determine how the "pain point" aligns with other relevant elements of the PM framework. This approach helps you develop strong business cases and implement systems that drive accountability, decision support and operational execution. It helps your management team make informed decisions to launch and complete necessary initiatives on time and on budget, and most importantly, achieve the targeted benefits and outcomes.

1.
Gain an understanding of your organization's goals and objectives.

2.
Gain basic understanding of the areas for growth opportunities or areas causing performance challenges (symptoms identification) and how they relate to the performance management model.

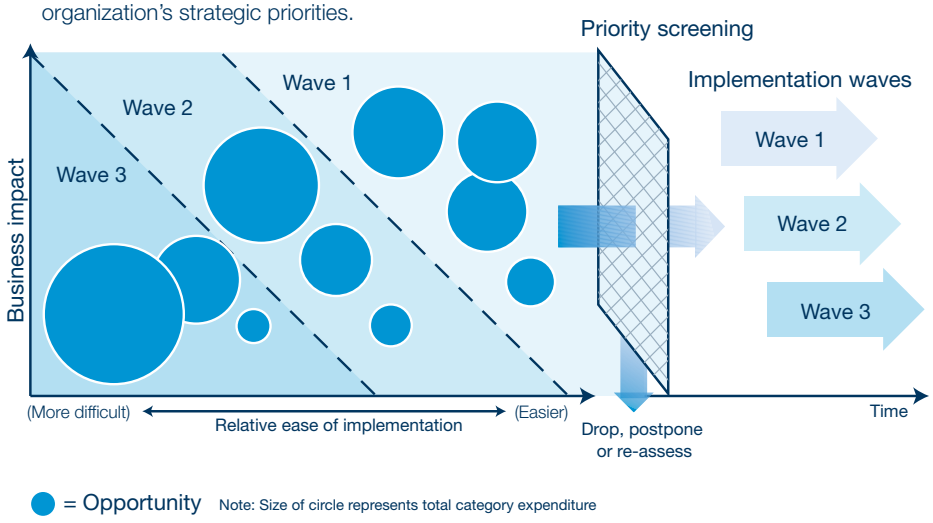


3.
Perform a high level analysis using PwC's Performance Management Review diagnostic.

4.
Analyze cause and effect relationships, and identify root causes and performance drivers.

5.
Identify potential performance improvement opportunities and define initiatives to address identified root causes and opportunities.

6. Develop a business case for each potential opportunity and rank them based on your organization's strategic priorities.



7.
Integrate the opportunities into the business plan and budget and develop an implementation roadmap considering organizational capacity, business process and technology.

8.
Implement the selected opportunities with a solid project and program management methodology; monitor, measure and realize the planned benefits, and enable organizational change.

PwC guiding principles

We use the following guiding principles to help you embed effective PM practices in the way your organization is managed:

- Establishing clear PM goals and business sponsorship;
- Identifying key business drivers to set a foundation for future planning, reporting and analysis;
- Developing quick wins with tactical deployment, while keeping the longer term vision intact;
- Planning for flexible business changes;
- Engaging business and functional expertise in the operating model development in finance and other operational areas;
- Addressing data, quality and integration issues; and
- Standardizing and leveraging leading PM tools for financial planning, consolidation, reporting, analytics and dashboards.

Proven tools and methodologies

We have a growing body of proven tools and methodologies that will help you drive positive change in a collaborative and cost-effective manner:

- Our professionals are supported by a growing body of leading practices and tools we can share with your organization;
- Performance Management Review[1] and Employee Engagement surveys offer insights on launching initiatives aimed to achieve and sustain a high performance organization. These tools can help your executive team quickly assess your employees' opinions on the management and measurement of your organization's financial and operational performance;
- Communication strategies and management approaches help to successfully launch and sustain your organization's performance management initiatives; and
- Executive workshops and coaching sessions help drive strategy into sustainable performance.

1 For more information regarding PwC's Performance Management Review and the benefits associated with conducting this diagnostic, please see our Performance Management Review brochure.

www.pwc.com/ca/pm

Who to call

Vancouver

Scott McLean
604 806 7113
scott.mclean@ca.pwc.com

Scott Fitzsimmons
604 806 7112
scott.w.fitzsimmons@ca.pwc.com

Calgary

Randy Watt
403 509 6651
randy.d.watt@ca.pwc.com

Winnipeg

Robert Reimer
204 926 2442
robert.j.reimer@ca.pwc.com

Toronto

Philip Townsend
416 941 8220
philip.e.townsend@ca.pwc.com

Stuart Smith
416 869 2324
j.stuart.smith@ca.pwc.com

Ottawa

Roxanne Anderson
613 755 8702
roxanne.l.anderson@ca.pwc.com

Montreal

Caroline Emond
514 205 5103
caroline.emond@ca.pwc.com

Sebastien Doyon
514 205 5382
sebastien.doyon@ca.pwc.com

Halifax

P. Philip Clarke
902 491 7445
p.philip.clarke@ca.pwc.com

Printed on paper recycled from 100% post-consumer waste.

© 2008 PricewaterhouseCoopers LLP. All rights reserved. “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.

4928-0708