

Global performance management research report: Implications for the public sector

June 25, 2009



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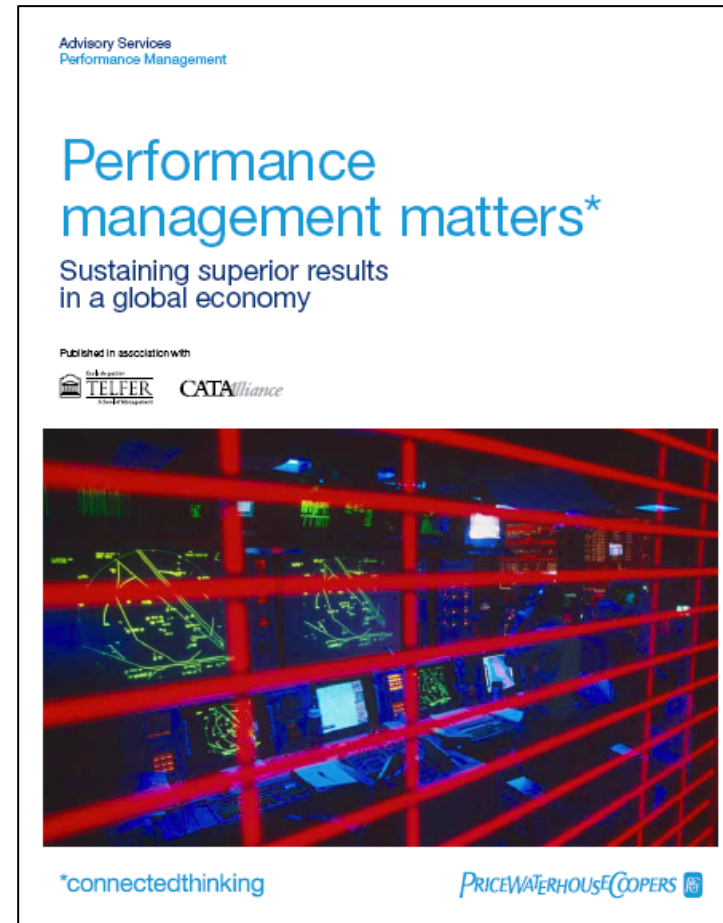
Agenda

- Research objectives
- Methodology and profile of research participants
- Key findings and implications
- A call to action
- Some thoughts on implementation approaches
- Q&A

Performance management matters

Sustaining superior results in a global economy

- Research focused on both public and private sectors
- 1st report published June 2, 2009 - focus was primarily private sector, but explored public sector at a higher level
- Focus today is to dig deeper into the public sector data
- Follow-up public sector and industry reports are under consideration



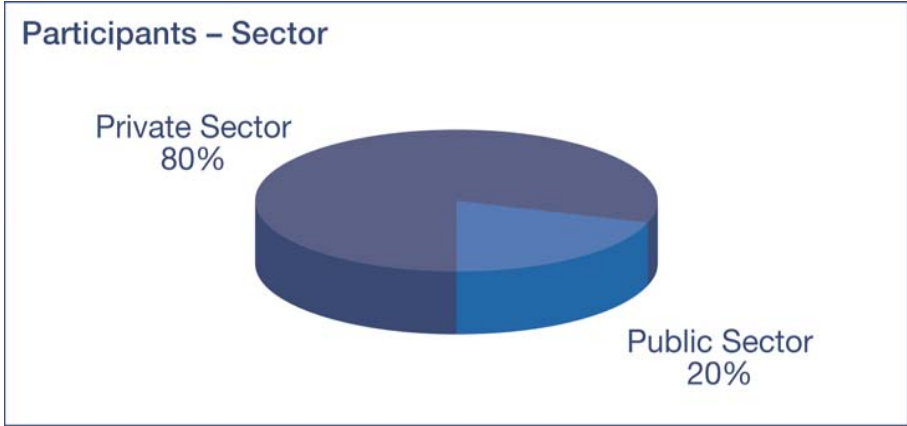
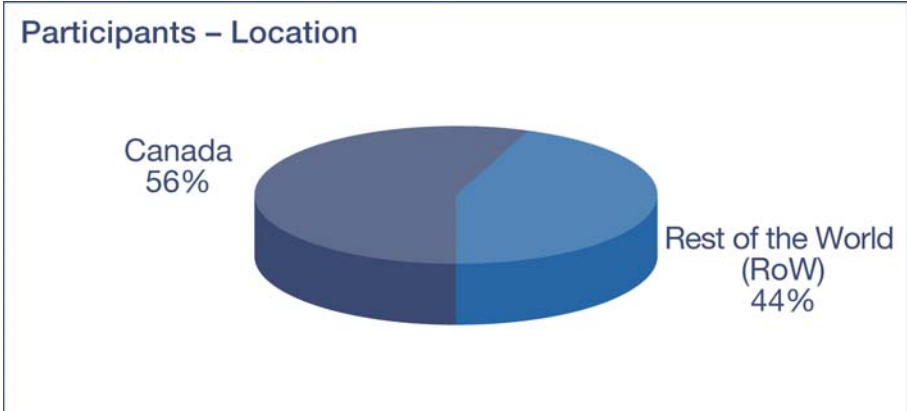
Our research objectives

Find answers to some fundamental questions:

- Do effective Performance Management (PM) practices drive superior performance?
- If so, what aspects of PM contribute the most value?
- Do they contribute equally in both a thriving economy and downturns?
- Is PM the same for everyone or does it need to respond to unique issues in different sectors or sizes of organization?
- What do you need to do from a very practical, pragmatic perspective to implement an effective PM program?

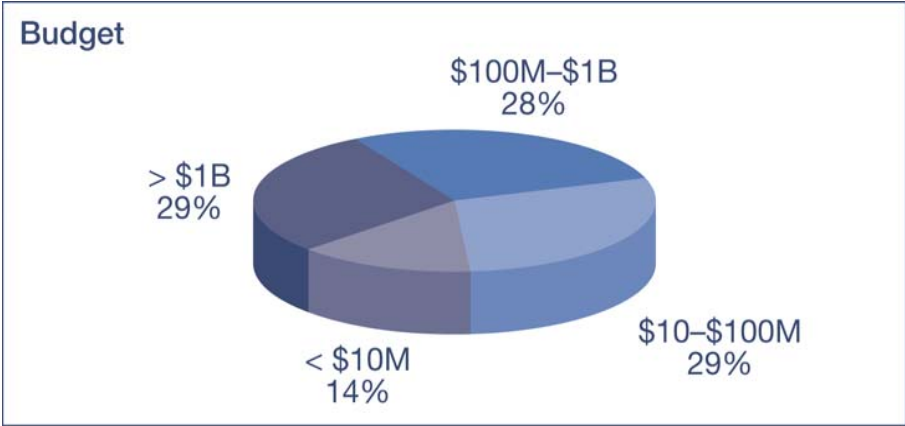
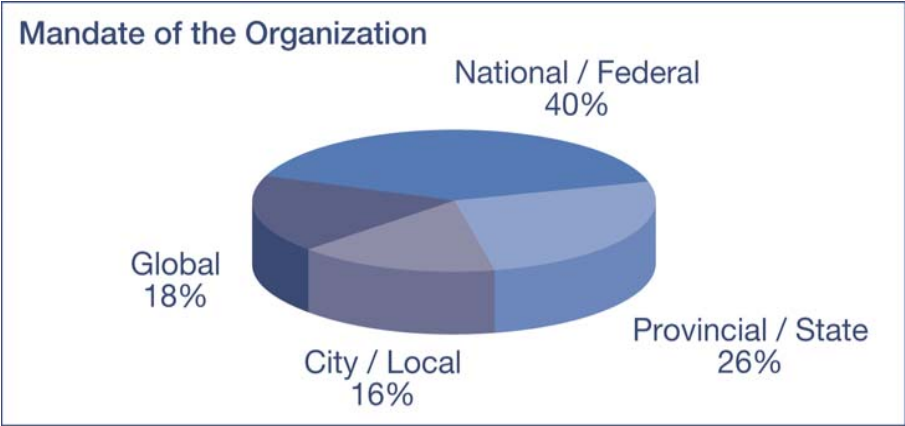
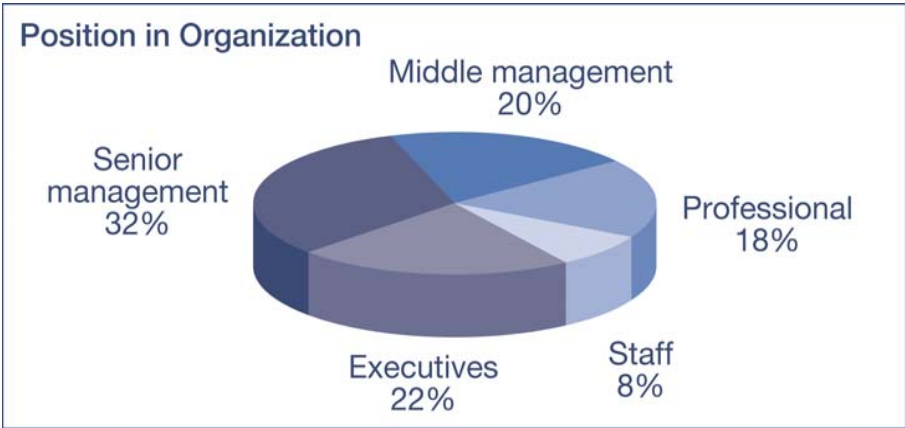
Profile of survey participants

- 419 completed surveys
- 12 in-depth interviews
- Timeframe:
 - Fall '08 (survey)
 - Winter '09 (interviews)
- Global, but Canada-centric
- Public and private sectors



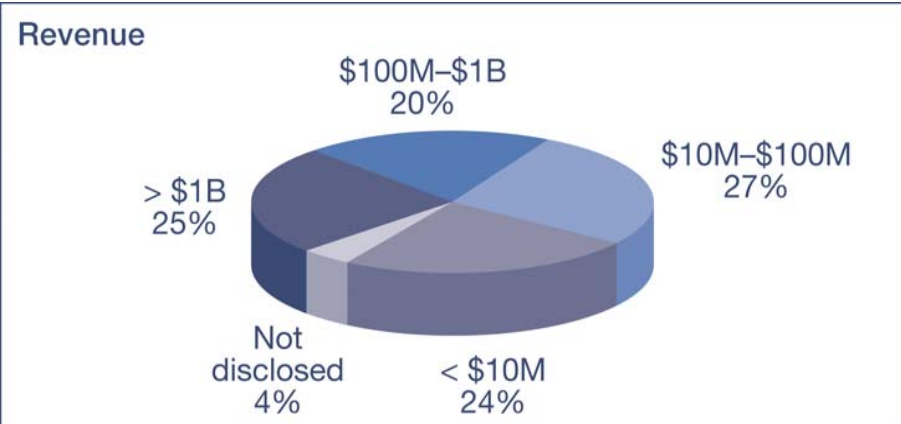
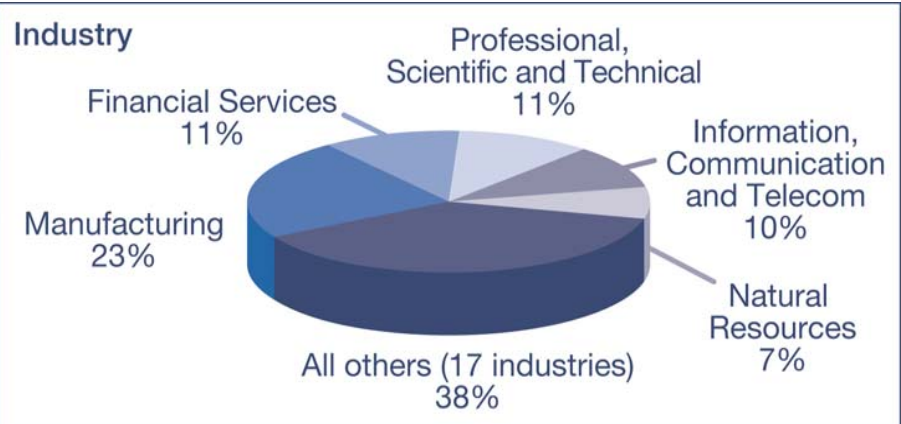
Public Sector participants

- Executive/management focus
- Good mix of size and mandate



Private Sector participants

- Respondents:
 - Board members
 - Executives
 - Managers
- 24 industries
- All sizes



High, average and low performers

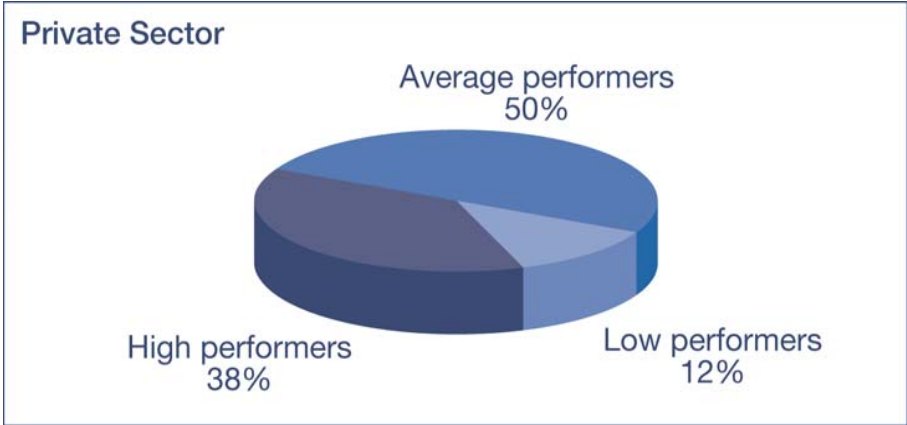
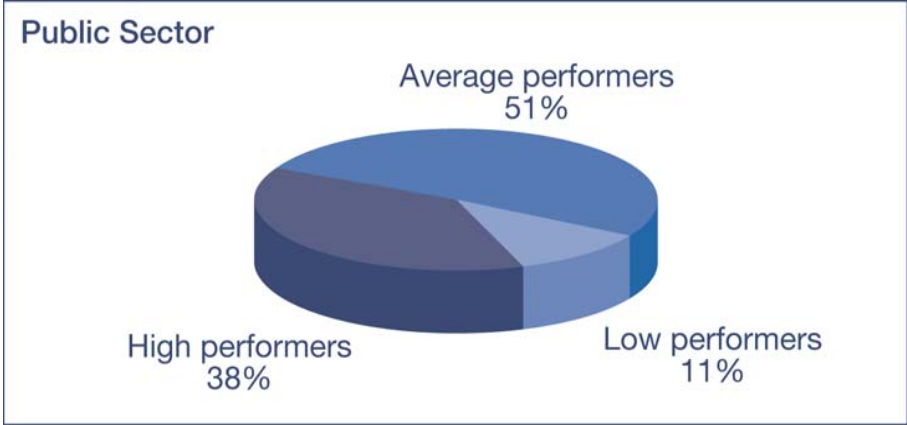
Public Sector:

- Self-reported performance relative to plan or budget

Private Sector:

- Self-reported performance relative to the competition

Our focus: identifying PM practices that differentiate high and low performers



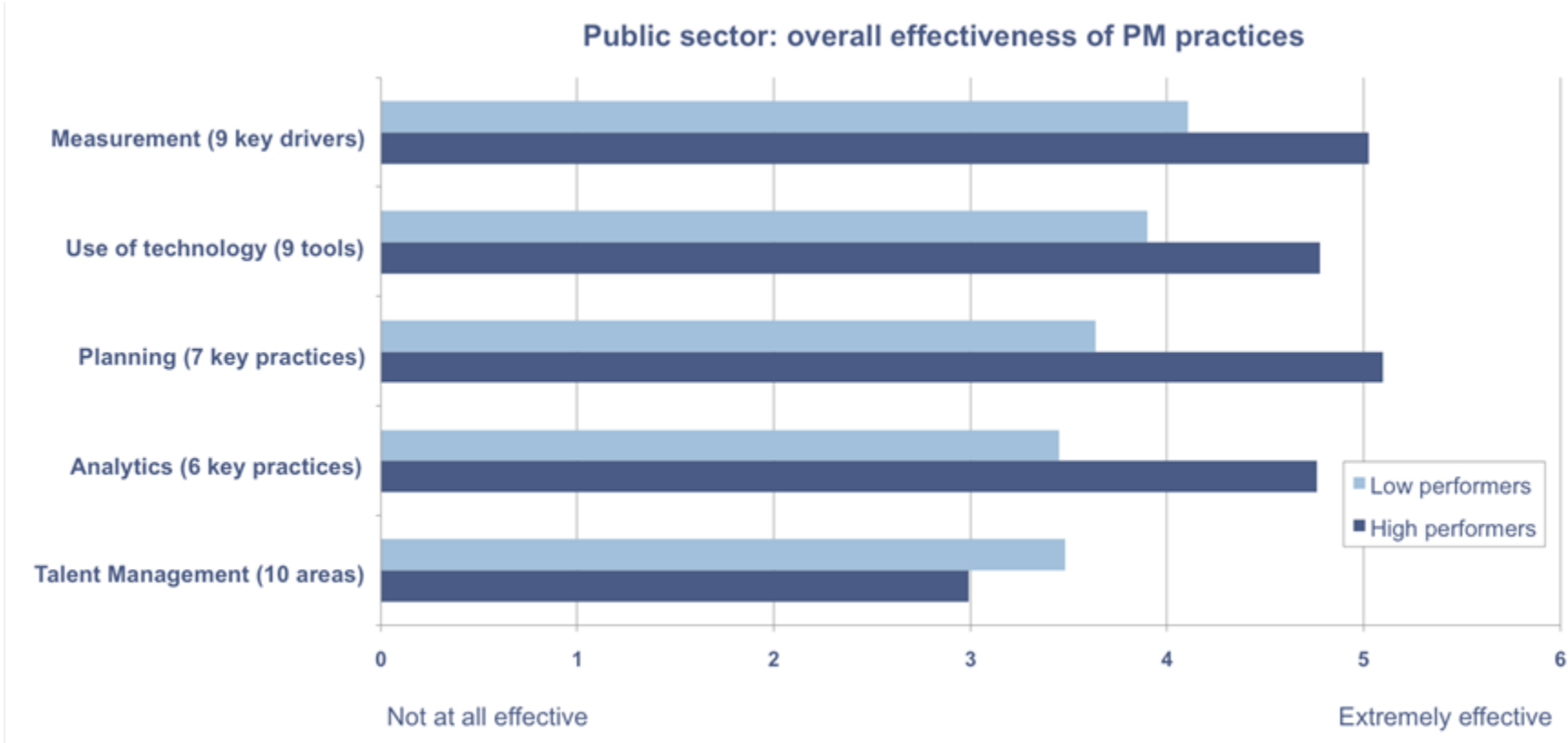
Key public sector findings



Key conclusion #1

Effective PM practices drive superior performance

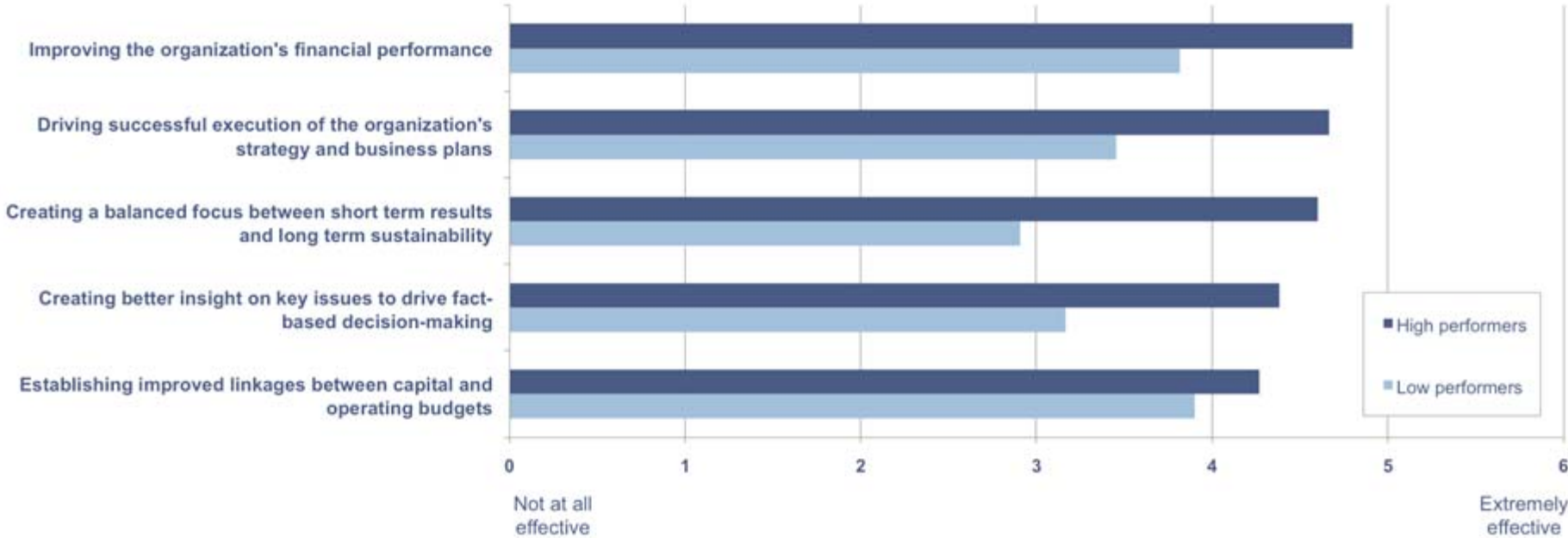
High performers are 22% more effective *on average* across 41 PM practices related to:



Effective PM practices drive superior performance

Effective PM practices contribute 30% more to overall success *on average* in 10 key areas. Top 5 include:

Public sector - effectiveness of PM practices in contributing to key outcomes



But . . . high performers are not yet reaping as much benefit as their private sector counterparts

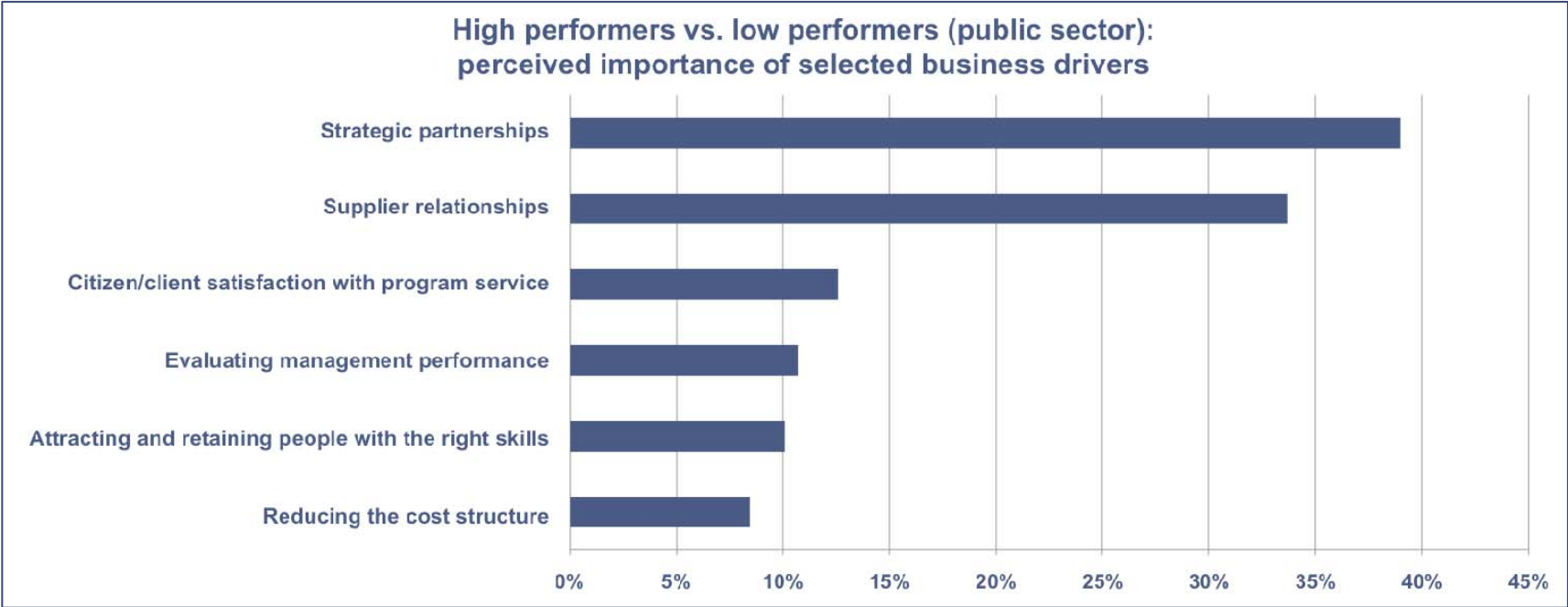
- Private sector high performers report 15% greater benefit from their PM programs
- Effectiveness of talent management is a key issue, but other material differences include:
 - 9% greater focus on the importance of a broad array of business drivers
 - 5% more effective in overall planning practices
 - 12% more effective in creating linkages, integration and alignment

High performance is driven by 7 key PM practices

1. Take a broad, holistic approach
2. Create linkages, integration and alignment
3. Build broad support for the PM effort
4. Create discipline and rigour around planning practices
5. Use effective analytics to drive “management by exception”
6. Develop advanced PM technology capabilities
7. Avoid making it too complicated

1. Take a broad, holistic approach

- All groups focus on managing costs – budgetary pressures force this
- However, high performers place 16% greater importance **on average** across 9 other key business drivers, including:



2. Create linkages, integration and alignment

Public sector high performers are:

- 12% better at creating linkage between strategy and plans
- 11% better at cascading accountability through relevant and controllable metrics
- But, they are no better at creating integration and alignment across all aspects of their PM programs

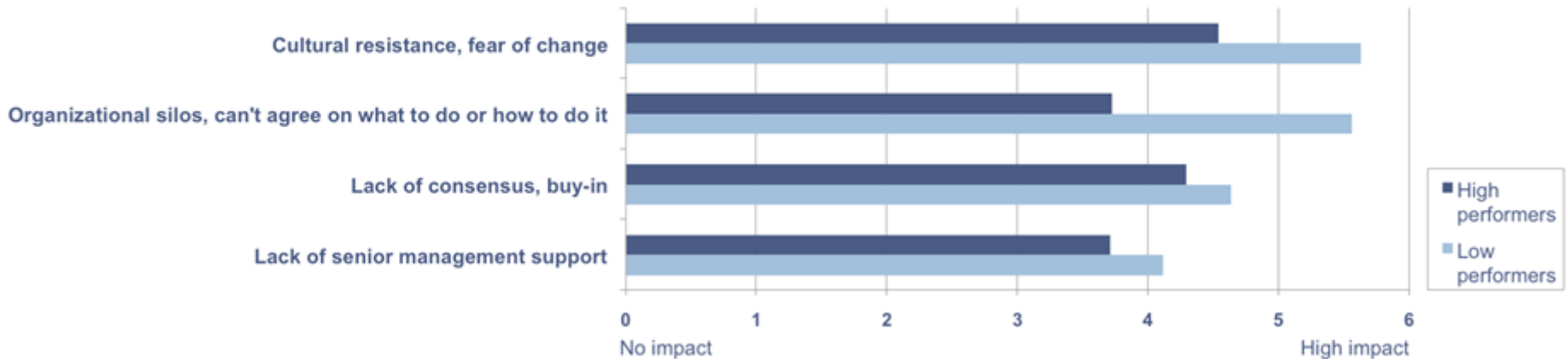
There is room for improvement compared to private sector:

- In the private sector, high performers outperform low performers by **26%** across these 3 areas
- High performers outperform public sector high performers by **12%**

3. Build broad support for the PM effort

- High performers were 18% better at overcoming resistance, fear of change, and achieving organization-wide support and buy-in for the PM effort
- Overcoming cultural resistance is still a key challenge

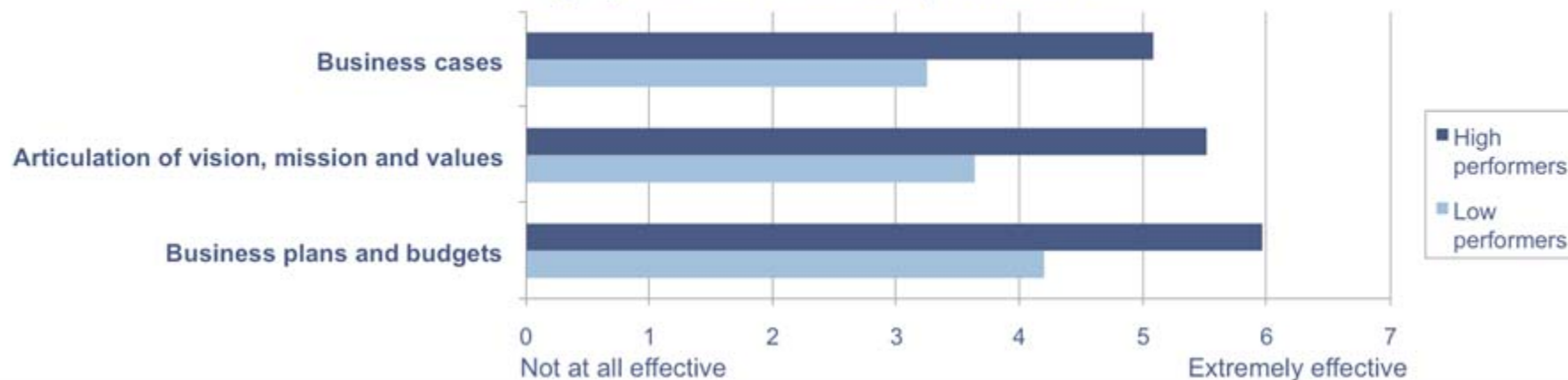
Public sector: minimizing the impact of barriers to broad-based support for the PM program



4. Create discipline and rigour around planning practices

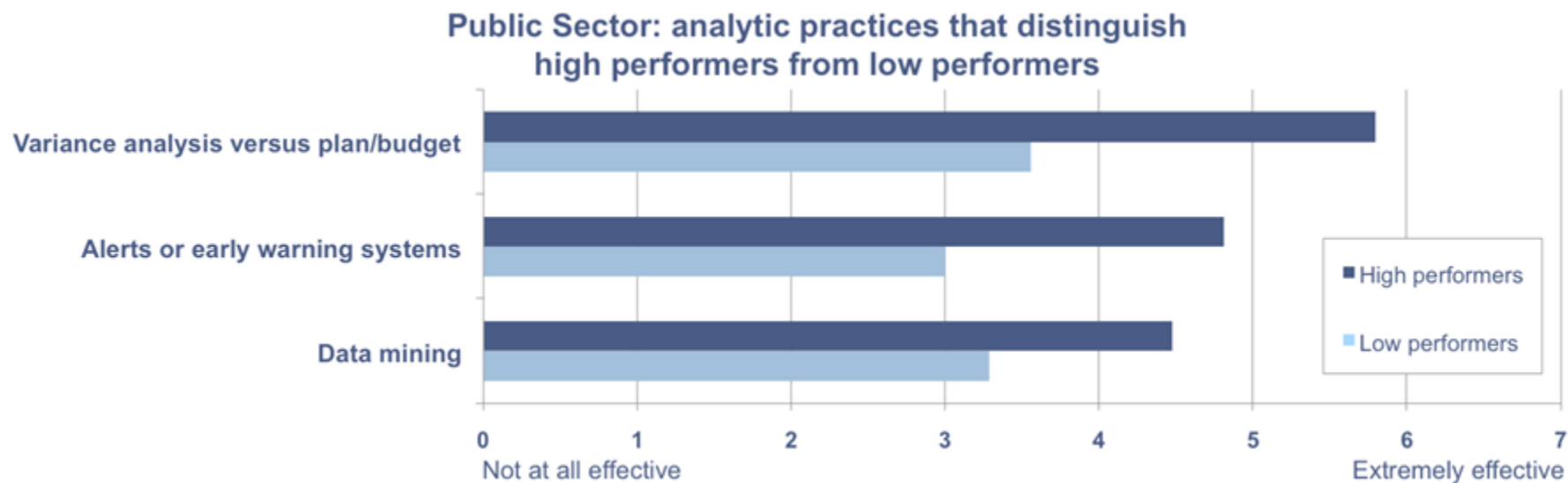
- High performers are 49% more effective in 3 key areas of planning
- Low performers are particularly challenged around business case development - political directives sometimes short circuit good intentions

Public sector: planning practices that distinguish high performers from low performers



5. Use effective analytics to drive “management by exception”

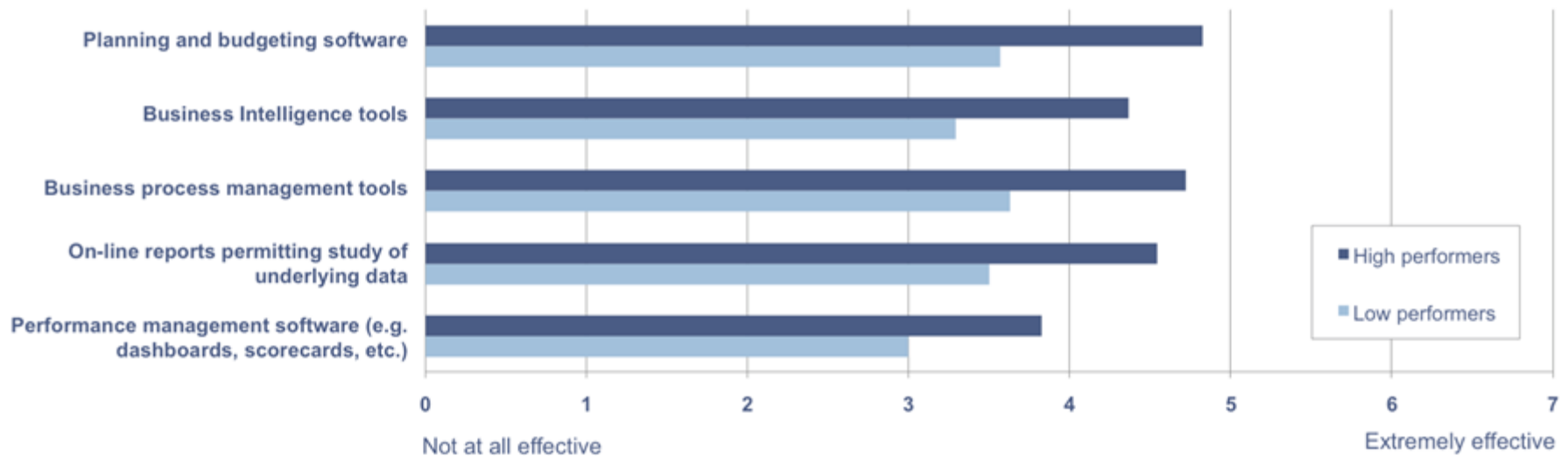
- High performers are 53% more effective in 3 key analytical approaches
- Result: they are better enabled to proactively identify and act upon emerging opportunities and threats



6. Develop advanced PM technology capabilities

- Spreadsheets are still “king”, but . . .
- Good planning and effective analytics are enabled by more sophisticated PM tools

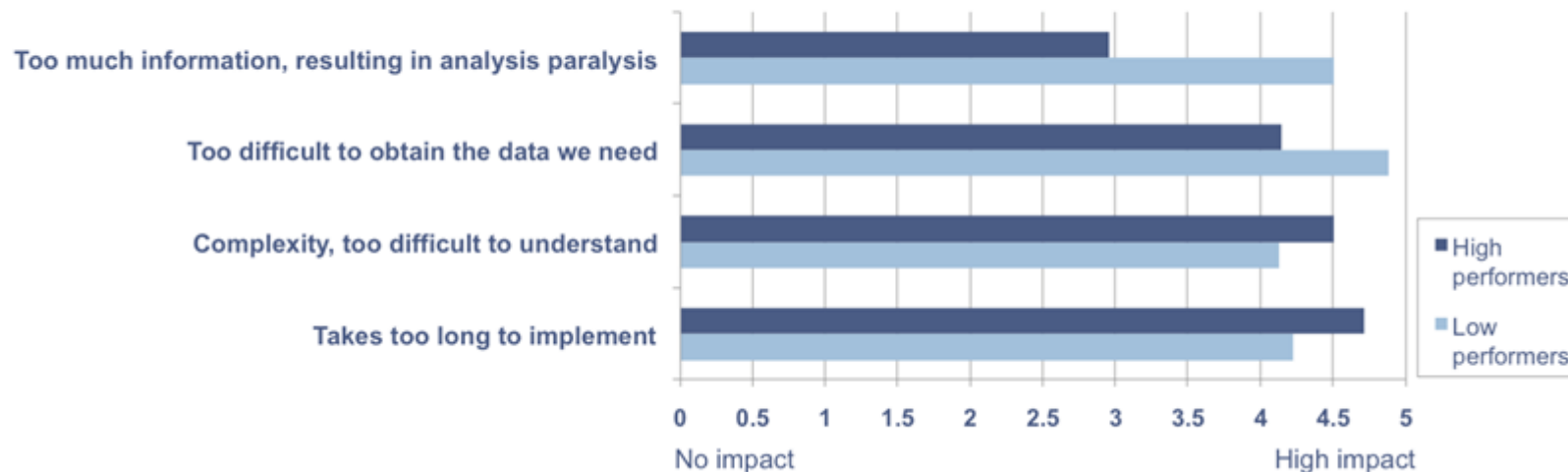
Public sector: PM technologies that distinguish high performers from low performers



7. Avoid making it too complicated

- Public sector high performers not as strongly differentiated in this area as their private sector counterparts, except . . .
- They are 23% better at avoiding “analysis paralysis” due to too much information
- Key is to focus on the “right” information for decision making, rather than reams of unneeded reports on everything

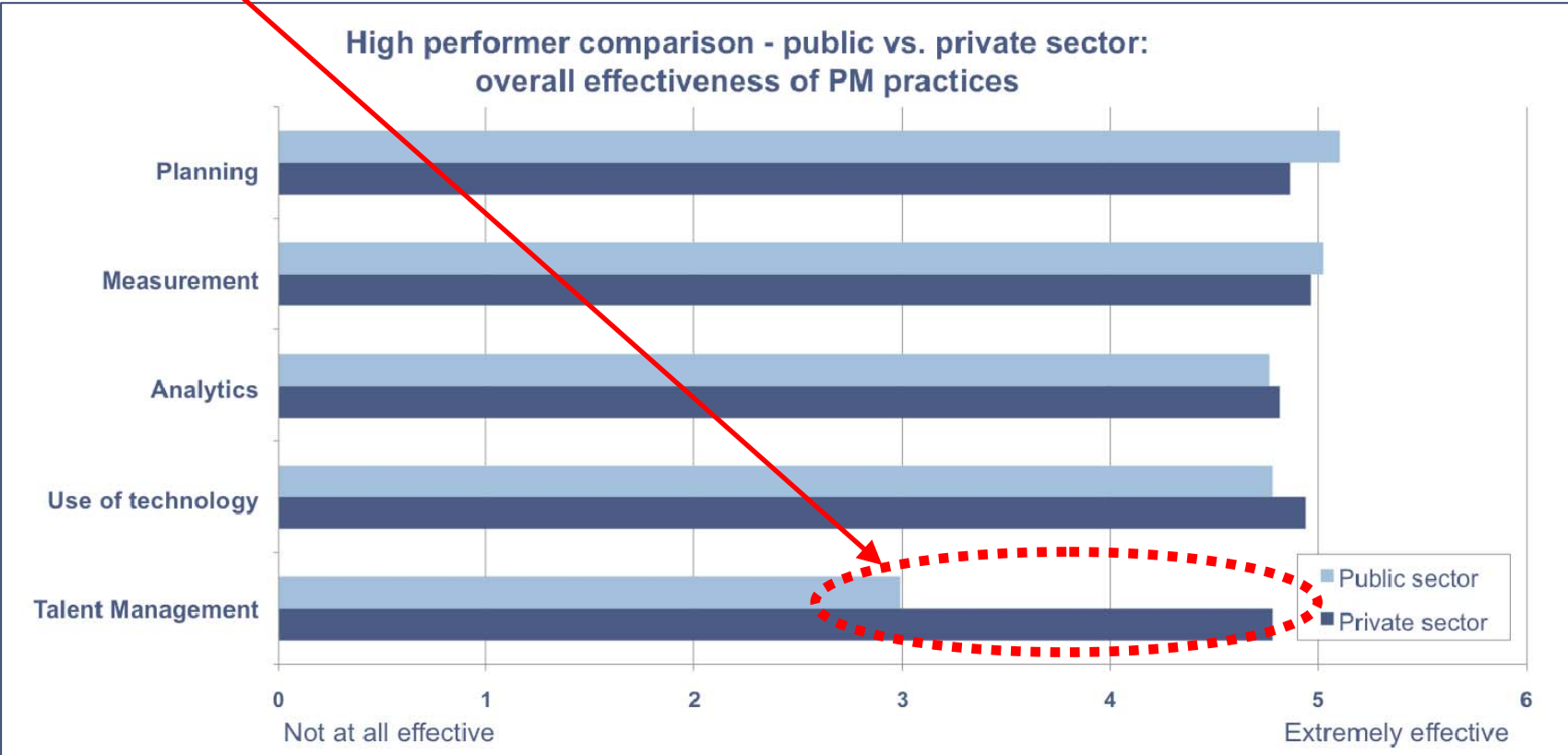
High performers better able to avoid complexity as a barrier to a successful PM program



Key conclusion #4

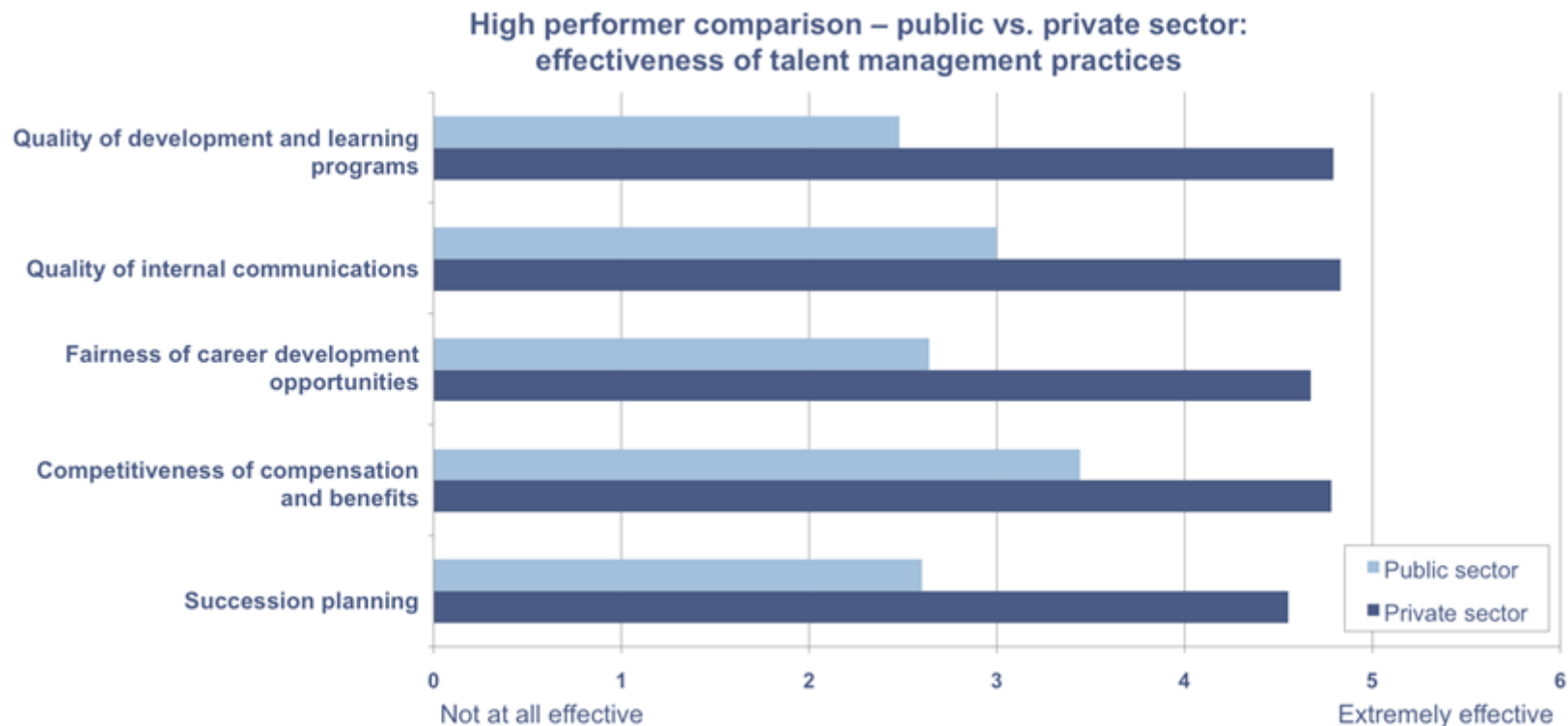
Effectiveness of talent management is the most significant gap between public and private sector high performers

Gap is 37%!!!



Details

- Public sector high performers are 36% less effective in attracting and retaining key people (compared to private sector)
- There is a need to close the overall 40% gap in 5 key talent management practices



Compensation is important in recruitment, but much less so in retaining and *engaging* key people

Attraction	Retention	Engagement
1. Competitive base pay	1. Organization retains people with needed skills	1. Senior management interest in employee well-being
2. Work/Life balance	2. Quality of people decisions	2. Opportunities to learn & develop new skills
3. Challenging work	3. Relationship with boss	3. Improved skills & capabilities
4. Career advancement opportunities	4. Work/Life balance	4. Good employer reputation
5. Salary increases linked to performance	5. Good employer reputation	5. Input into decision making
6. Learning & development opportunities	6. Salary criteria is fair & competitive	6. Pay determination is fair & consistent
7. Competitive benefits & pensions	7. Opportunity to learn & grow	7. Organization focuses on customer satisfaction

Source: Towers Perrin, 2005 Global Workforce Study
 Global performance management research report: Implications for the public sector
 PricewaterhouseCoopers LLP

Impact of *engaged* employees – discretionary effort

Effort that your employees are capable of contributing

Effort any employee will contribute because you pay them



A strong PM program is equally critical in both a stable economy and downturns

- Low performers are more likely to take “knee jerk” reactions and responses in the face of economic crisis
 - e.g. across-the-board program cuts
- Organizations with advanced PM capabilities are better positioned to take a strategic approach to weathering the storm
- They are better able to:
 - Articulate and defend program outcomes
 - Prioritize scarce resources based on fact-based cost/benefit analysis
 - Manage costs more effectively to deliver best value at lowest cost

A call to action for the public sector

- Low performers can improve significantly through adoption of a holistic and integrated PM program
- Significant opportunities exist even for high performers:
 - Effectiveness of talent management practices of particular concern
 - Need for further improvement in:
 - Linkages, integration and alignment across the PM program
 - More focus on a broader array of business drivers
 - Overall effectiveness of planning practices

Making it real – some thoughts on implementation

- PM requires “tone from the top” endorsement and support
- Don’t try to fix everything at once
- Start with a clear PM vision to be achieved in 1-3 years
- Prioritize based on benefit vs. cost, complexity and time
- Avoid “big bang” approaches - break it down into chunks that deliver value in stages every 2-4 months
- Implement in chunks, but make sure each piece is integrated and aligned with all others
- Adopt a continuous improvement approach - regard PM as a journey rather than a destination

Advisory Services
Performance Improvement

Performance management matters*

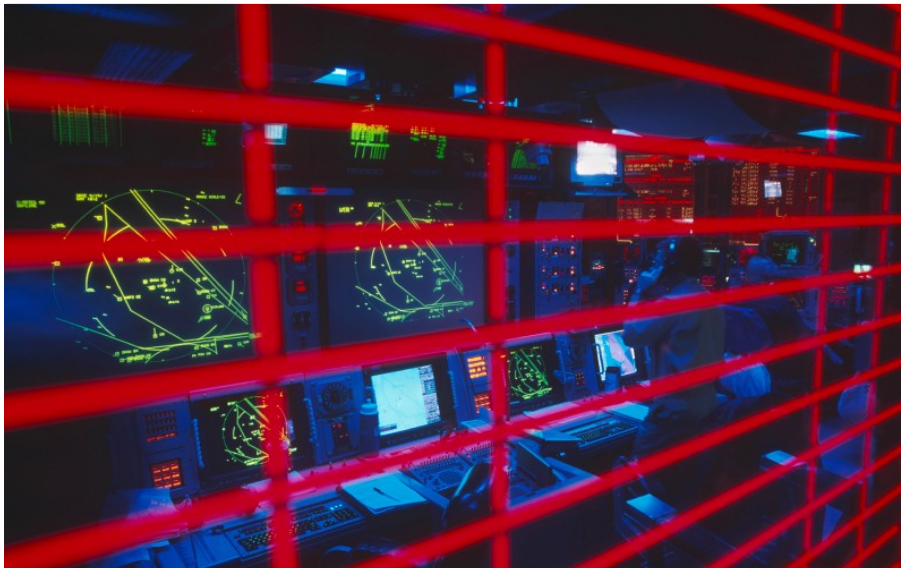
Sustaining superior results in a global economy

Executive summary

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*connectedthinking

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Thank you.

Who to call

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

Greg Richards
richards@telfer.uottawa.ca
613-562-5800 ext. 2611

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

Kevin Wennekes
kwennekes@cata.ca
613 236 6550 ext. 3