# CNO Foreword

Today, the men and women of the United States Navy face challenges like never before.  Deployed at sea and ashore all around the globe, they are expected to fight and win the long war on terror, remain prepared for large-scale conventional campaigns, help defend the homeland and provide humanitarian assistance in the wake of natural disasters.

As leaders, we must strive to preserve their ability to accomplish all these vital missions.  We must give them – and their families – every tool, every system, and every weapon we can to ensure their success.  As the 2006 Quadrennial Defense Review makes clear, "The complex strategic environment of the 21$^{st}$ century demands greater integration of forces, organizations and processes, and closer synchronization of actions."
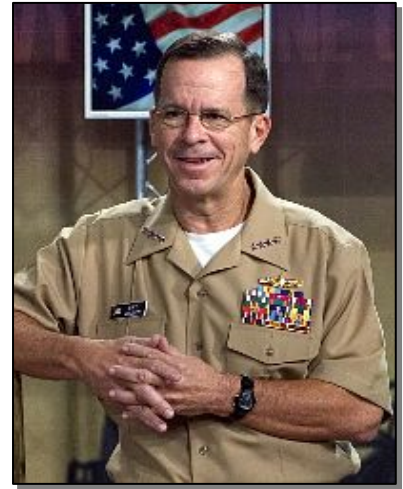
That's where Sea Enterprise, our Navy's business transformation initiative, comes in.  At its core, Sea Enterprise is about improving combat readiness.  It's about coming to work every day willing to change, willing to adopt and adapt new concepts in process improvement and resource allocation – all of which produce efficiencies.

The Navy Performance Excellence Guidebook is designed to help foster this change.  It provides leaders a management framework to guide their commands through a perpetual cycle of improvement, including a five-step strategic planning process with an easy-to-use performance excellence self-assessment.  Though crafted "in house" by Navy experts, the Guidebook draws extensively from collaboration with outside agencies and organizations from whose own transformation initiatives we can learn.

Think of this resource as a playbook for success.  I encourage you to read it, share it, and use it with your shipmates.  Let it inspire you and inform you as you seek to improve our combat readiness through Sea Enterprise.

Thank you for your service.

M.G. MULLEN
Admiral, U.S. Navy
Chief of Naval Operations

# Navy Performance Excellence Guidebook

## *Frequently Asked Questions:*

**Goal:** Institutionalize a management framework for Navy business planning and continuous organizational improvement.

**What is the Navy Performance Excellence Guidebook (NPEG)?**
- A non-prescriptive framework that helps reduce variance in planning (asks "how" a process is done vice directing you how to do it)
- A self-assessment that drives better execution and continuous improvement
- A tool to help leaders close gap between strategy formulation and execution

**Why do we need the NPEG?**
- Helps organizations focus on increasing value to their customers and reducing waste
- Makes us better leaders of our people and stewards of taxpayer dollars
- Improves Navy-wide return on investment and cost-wise readiness

**How do other Navy transformation efforts fit within NPEG?**
- NPEG is an overarching framework for strategic planning and management
- NPEG is a management system that *integrates* other Navy transformation efforts, such as Lean Six Sigma, NSPS, and Sea Warrior
- Helps leaders determine what transformation efforts are best for them

**Is this the next "Flavor-of-the-Month?"**
- No. NPEG was developed "by Navy, for Navy" and has the support of senior leadership. Nevertheless, NPEG must stand on its inherent value
- NPEG is not mandatory. However, good planning and smart execution are
- The NPEG Self-Assessment is based on the proven framework of Malcolm Baldrige (adapted for Navy application)
- Repeat the process annually to drive performance excellence

**How will the results of the NPEG be used?**
- NPEG's self-assessment scores are for internal use to provide leaders insight for planning purposes
- Self-assessment results can be of great value, but is useless without honesty
- NPEG focuses on maturing the enterprise; weaknesses are viewed as opportunities for improvement
- When complete, NPEG produces a Strategic Plan, but the journey is as is important as the product (can align with fiscal cycles as input to PPBE)
- Provide feedback to improve NPEG at the Sea Enterprise website http://usn.hq.navy.mil/SeaEnterprise
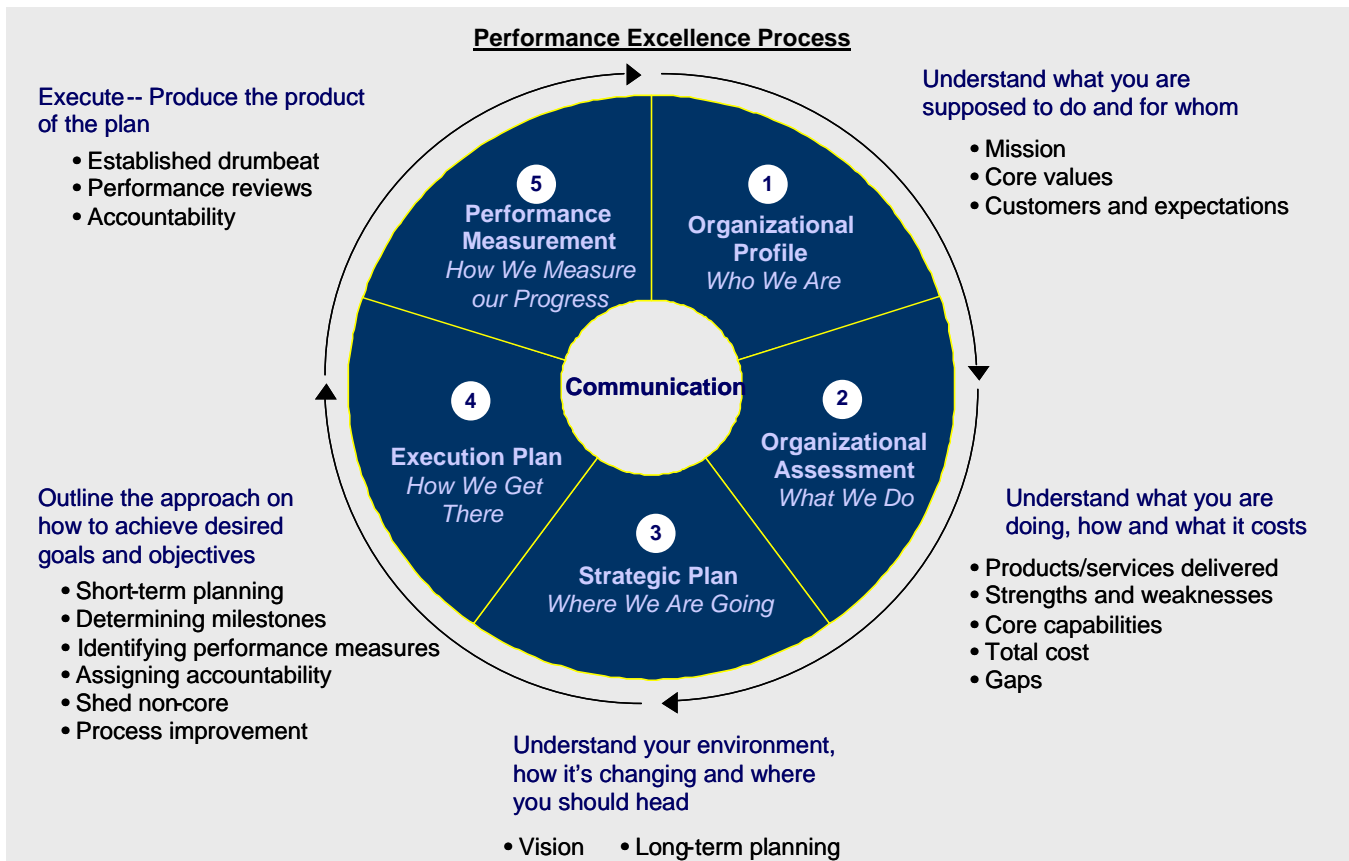
# Table of Contents

# Introduction

The demands on Navy leaders today are tremendous: we must win the war on terrorism, while simultaneously pursuing transformation in an increasingly austere fiscal environment. This Navy Performance Excellence Guidebook was developed *"by Navy for Navy"* to provide our leaders with an easy-to-use framework for performance excellence. In short, the tools in this Guidebook provide a management system that will help leaders guide their organizations through an ongoing cycle of improvement. Note that the Navy Performance Excellence Guidebook is meant as a command tool that complements, not conflicts with, ongoing enterprise maturity efforts. This Guidebook will:

- Help leaders self-assess their management system performance
- Coalesce the results into a Strategic Plan (Execution Plan included)
- Identify opportunities for improvement, and leverage core strengths
- Jump-start and integrate change initiatives
- Provide consistency of focus over time
- Institutionalize a common framework for improvement.

This Guidebook is organized into five sections. Each section corresponds to the five steps of the Performance Excellence Process below:

**Performance Excellence Process**

Execute-- Produce the product of the plan
- Established drumbeat
- Performance reviews
- Accountability

Understand what you are supposed to do and for whom
- Mission
- Core values
- Customers and expectations

**5** Performance Measurement *How We Measure our Progress*

**1** Organizational Profile *Who We Are*

Communication

**4** Execution Plan *How We Get There*

**2** Organizational Assessment *What We Do*

**3** Strategic Plan *Where We Are Going*

Outline the approach on how to achieve desired goals and objectives
- Short-term planning
- Determining milestones
- Identifying performance measures
- Assigning accountability
- Shed non-core
- Process improvement

Understand what you are doing, how and what it costs
- Products/services delivered
- Strengths and weaknesses
- Core capabilities
- Total cost
- Gaps

Understand your environment, how it's changing and where you should head
- Vision    - Long-term planning

Step 1: Organizational Profile: *Who we are*
Step 2: Organizational Assessment: *What we do*
Step 3: Strategic Plan: *Where we are going*
Step 4: Execution Plan: *How we get there*
Step 5: Performance Measurement: *How we measure our progress*

Each step has various outputs, but the two major products are the Self-Assessment results, and a Strategic Plan (includes the Execution Plan). Some organizations may find they are already doing many of the recommendations in this Guidebook. That's expected. The potential of this Guidebook is to *integrate* those activities into a comprehensive management system.

# Overview

*So what is it that we are really after?* – Improved execution that drives performance excellence! By completing the Self-Assessment Guide in Step 2, leaders will gain a comprehensive understanding of their organization's "health" in key elements that comprise high-performance organizations. In fact, the questions in the Self-Assessment Guide parallel the five sections of the Performance Excellence Process (see below). Results of the Self-Assessment provide input to planning. The Execution Plan is aided by selected outputs from each of the five steps, and a template is provided at the end of Step 4:

*What is the Self-Assessment Guide?* The Self-Assessment Guide gives leaders a "quick-look" score to baseline their organization. The questions are grouped into the 19 Navy Performance Excellence Criteria (see sidebar next page). Each Criteria has related topics, which the questions are designed to address. Unique to this Guidebook are the Scoring Tables, which let users assign a maturity score (1-5) to each question. The Scoring Tables are intended to help users differentiate the concept in the question and provide insight on how to mature their organizations. The tables further describe attributes in a consistent graduation of evidence; that a systematic approach is developed, that it is deployed, that learning (or a feedback loop) is occurring, and that the approach is integrated well into the organization. Use the tables to accelerate the Self-Assessment process, then plan to return to questions that need further exploration. Action planning for weak areas will be addressed in Step 3, Strategic Planning.

*How Do We Score Ourselves?* The accompanying spreadsheets allow users to enter their Self-Assessment scores (1-5) from each table described above. The points assigned correlate to a maturity level (also 1-5) for each of the five steps in the Performance Excellence Process. When complete, the spreadsheet will automatically tabulate a score that indicates the organization's overall maturity stage (I-VIII).

*Why an Execution Plan?* An Execution Plan is a critical step toward improving strategic execution, which will create a more efficient and effective Navy. Execution Plans will:

- Provide a comprehensive, consistent way of looking at and understanding organizations and how they relate to the overall vision of the Navy
- Help organizations understand and articulate their role in helping the Navy achieve its goals
- Provide a better understanding of an organization's current capabilities, strengths, gaps, and what it should consider no longer doing
- Serve as a vehicle for incorporating best business practices
- Provide a framework for execution

# How it All Fits Together

The below graphic illustrates the relationship between the Self-Assessment Guide and the Performance Excellence Process:

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**5-Step Self-Assessment**

**Step 1. Organizational Profile, Strategic Direction**
1.1  Senior leadership
1.2  Governance & Social Responsibility
1.3  Customer and Mission Area Knowledge
1.4  Customer Relationships & Satisfaction

**Step 2. Organizational Assessment**
2.1  Measurement, Analysis, and Review of Organizational Performance
2.2  Information & Knowledge Management

**Step 3. Strategic Plan**
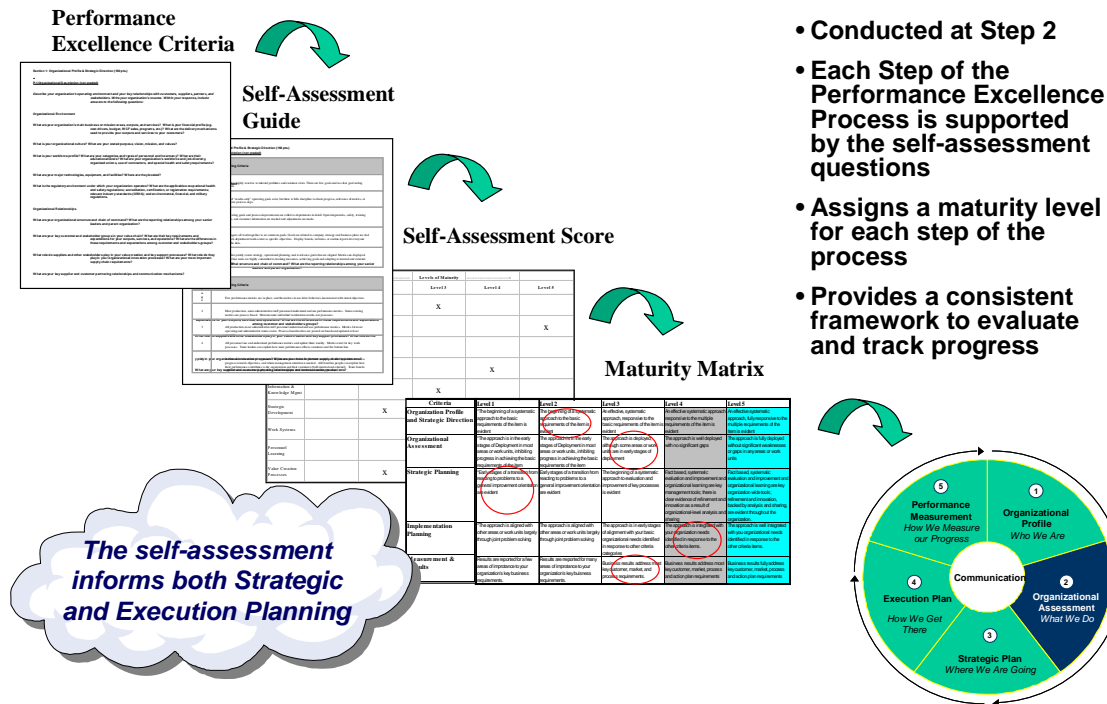3.1  Strategy Development

**Step 4. Execution Plan**
4.1  Work Systems
4.2  Personnel Learning & Motivation
4.3  Personnel Well-being & Satisfaction
4.4  Value Creation Processes
4.5  Support Process & Operational Planning
4.6  Strategy Deployment

**Step 5. Performance Measurement & Results**
5.1  Output & Service Outcomes
5.2  Customer Focused Results
5.3  Financial Results
5.4  Human Resource Results
5.5  Organizational Effectiveness Results
5.6  Leadership & Social Responsibility Results

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## *Navy Performance Excellence Guidebook*
### Self-Assessment supports informed planning



- **Conducted at Step 2**
- **Each Step of the Performance Excellence Process is supported by the self-assessment questions**
- **Assigns a maturity level for each step of the process**
- **Provides a consistent framework to evaluate and track progress**

*The self-assessment informs both Strategic and Execution Planning*

# Why Use This Performance Excellence Guidebook?

Sea Enterprise is our Navy's business transformation initiative. It was launched in 2001 as a key enabler of the Sea Power 21 vision. Thus far, Sea Enterprise has touched a broad spectrum of our Navy, and we have made significant progress within and across the Echelon II commands. The Echelon II visit program revealed that our Navy has made great strides toward further improving the efficiency and effectiveness of our business processes. However, that visit program also revealed the need for a common management framework that leaders can apply to close the gap between strategic formulation and execution, not only at the EII level, but throughout their subordinate organizations. The process and framework in this Guidebook offers that common management approach and business language.

The Performance Excellence Process and Self-Assessment Guide were developed in-house after researching business planning methods, combining strengths from several validated management practices (Malcolm Baldrige, Capability Maturity Matrix models, and Systems Framework Analysis), and assistance from subject matter experts.

The Self-Assessment criteria and questions are derived from the new government criteria for Malcolm Baldrige in order to link this tool to an existing infrastructure of expertise and training that can be readily accessed. Malcolm Baldrige, developed by industry and academic experts, is a proven framework for performance improvement that is widely used in industry and increasingly in government. However, it is important to stress that this is not an award or competition. If your organization is already using Malcolm Baldrige, that's good. You may or may not find this Self-Assessment more effective, but you will need to make that determination.

Nevertheless, this Guidebook is provided as a tool for Navy leaders to improve their organization's planning and execution in a consistent manner across the enterprise. The Self-Assessment criteria and planning process outlined in this Guidebook will institutionalize effective execution planning, as well as provide leaders a consistent framework to monitor execution and performance.

By institutionalizing a cyclic process for performance excellence, the Navy is emphasizing the importance of generating tempo in its ongoing business transformation. Sea Enterprise is about knowing what aspects of our operations add value, what aspects don't, and what new capabilities we need to add in order to be more effective and efficient. The NPEG is therefore a strategic imperative of Sea Enterprise. Leaders across our Navy must constantly ask: *"Do we know what we are doing? Do we need to be doing it? Does it add value? How do we measure success?"* The Navy Performance Excellence Process will help leaders answer these questions, and take action to:

- Reduce or eliminate non-value added activity
- Address areas that need improvement
- Identify and leverage core strengths

- Align activity to focus on what adds the most value.

Use of this Guidebook will assist leaders in making better decisions about how to continuously improve their organizations and deliver value in the most efficient manner.

# The Senior Leader's Role

This Guidebook represents a management framework. However, it is not a substitute for leadership. In fact, the senior leader plays a pivotal role in making this Guidebook an effective tool. The senior leader must embrace this effort, nurture it, and act as the overall champion. This Guidebook should be used repetitively to drive significant improvement in waves with each iteration of the NPEG cycle. Such usage will allow the senior leadership team to better manage innovation, focus on a select handful of key initiatives, resource them properly, and drive them through execution.

The senior leader must take ownership of the two main outputs: the Self-Assessment and the Strategic Plan. Keep in mind that this effort is more about the journey than the destination. The Strategic Plan is a "living document" not a coffee table book.

The senior leader must also communicate that use of this Guidebook does not imply that we simply replace old methods and expectations, but rather that each of us has a personal responsibility to look for ways to improve what we do and what we know. The framework of the Guidebook gives us an opportunity to engage our people in the transformation process, which builds trust and empowers people with the chance to make a difference. When done right, everyone will feel and act like owners of our Navy and will be seeking improvements everyday.

Lastly, leverage this tool to initiate the change management process and challenge your people to embrace their personal role in Sea Enterprise. Remind them of the growing responsibility each of us has to learn to "*master change*" as a competency for effective leadership in our Sea Power 21 Navy.

# Now What?

<u>Get started!</u>  We can assess ourselves and study our organizations into perpetuity. However, unless we do something with the information, such assessments and studies are a waste of time and effort. The Performance Excellence Process will give you the information on which you need to take action. The tools in this Guidebook provide a mechanism for measuring and evaluating your organization's progress. With sustained use, the Navy Performance Excellence Guidebook will become more and more familiar, to a point when it just becomes *"how we do business around here."*

# Getting Started

Using the Navy Performance Excellence Guidebook for Self-Assessment and improvement is optional. However, performance excellence in a rapidly changing environment is not. Below are a few of the many reasons for undertaking the Navy Performance Excellence Guidebook's self-assessment and execution planning tool.

- Your fiscal environment and operations are driving a need to change
- You want to validate the effectiveness of your current plan using proven management practices
- The Self-Assessment questions are based on the new Malcolm Baldrige government criteria to leverage the existing infrastructure of practitioners and experts both in industry and government
- Your organization is among the best in the Navy, and you want to make sure it stays that way

Using the Navy Performance Excellence Guidebook can help your organization:

- Integrate and energize improvement initiatives
- Align resource planning (PPBE) with strategic objectives
- Manage knowledge better and boost organizational learning
- Focus on common goals and track progress
- Identify core strengths to leverage, opportunities for improvement, and non-value added activities to reduce or eliminate

With the Navy Performance Excellence Guidebook, senior leadership can:

- Assess the entire organization introspectively, under a common framework and using common business lexicon
- Ask the right questions, such as *Do we know what we are doing? Does it make sense? Is it measurable? Does it add value?*
- Foster a culture of continuous improvement

This Guidebook is structured around the five steps of the Navy Performance Excellence Process described in the next section. The goal is to create a meaningful Strategic Plan (includes the Execution Plan) that embodies key elements from the various outputs of each of the five steps. Let's start by defining the Execution Plan and why it is important.

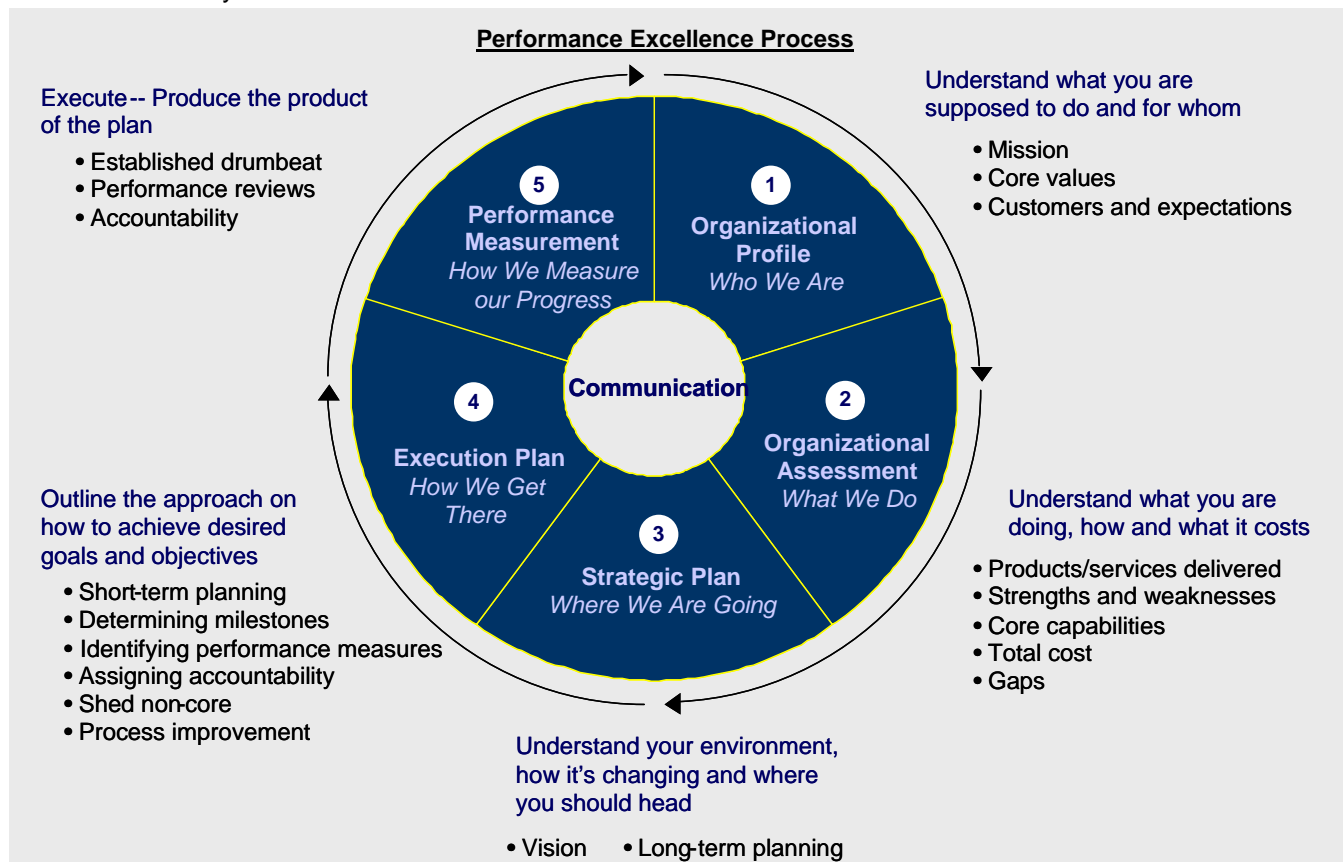# The Navy Performance Excellence Process: A Summary

The five-step Performance Excellence Process is a management framework. There are various outputs in each step, but all are aimed at producing an actionable Strategic Plan. The Strategic Plan includes an Execution Plan that defines the organization, evaluates its performance, outlines its near-term goals (relative to the Strategic Plan), and highlights a plan for achieving goals. The Execution Plan is an annual product that explains for the coming year how the organization will address the near term, consistent with the longer term strategic plan (3-5 years). The Execution Plan will give your organization guidance on work and other specific initiatives that must be integrated to achieve objectives. Keep in mind that the output of this process is an Execution Plan that is a "living document," not a coffee table book. Volume is not as important as process, and the journey is more important than the destination.

Why:
- Provides a comprehensive, consistent way of looking at and understanding commands and how they relate to the overall vision of the Navy
- Helps commands understand and articulate their role in helping the Navy achieve goals
- Provides a better understanding of current business capabilities, strengths, and gaps
- Serves as a vehicle for incorporating best business practices
- Helps optimize the PPBES process to deliver better strategic planning for the overall Navy.
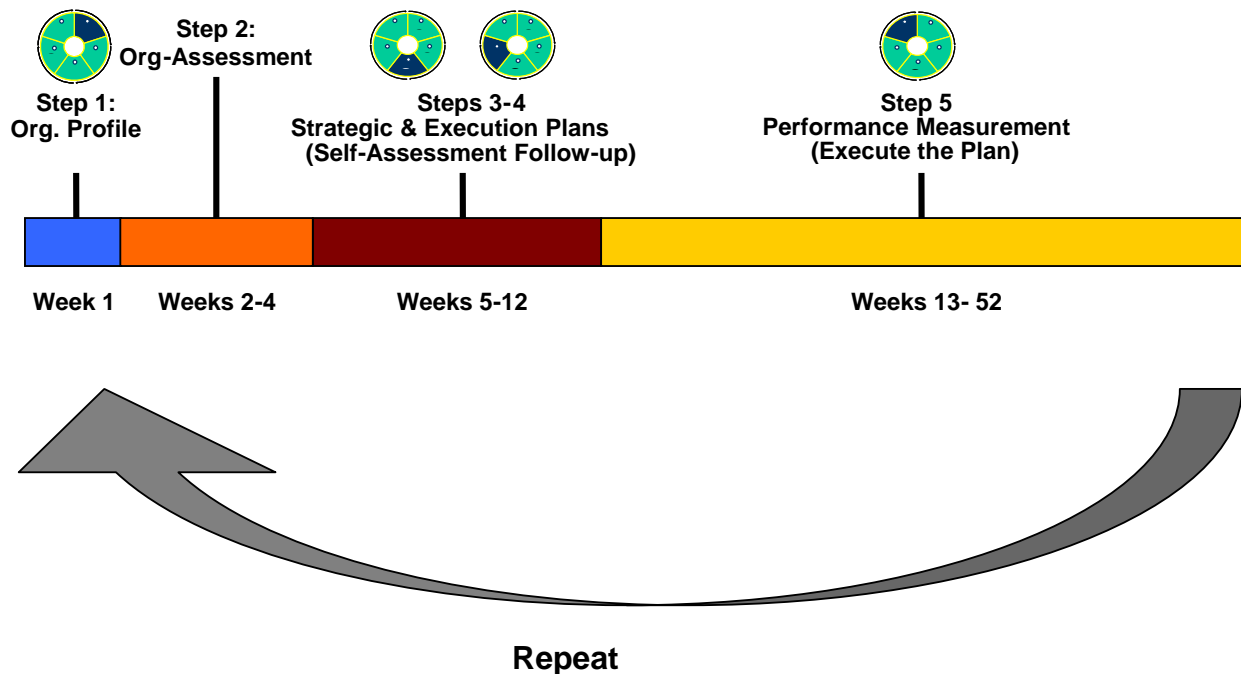
Process:
- Each phase of the Performance Excellence Process is supported by "how to" steps as well as "assessment questions" and a self-scoring guide
- Easy to use
- Provides a consistent framework to evaluate and track progress
- Scores can be rolled-up to provide an objective overall measure of organizational performance.

**Performance Excellence Process**

Execute -- Produce the product of the plan
- Established drumbeat
- Performance reviews
- Accountability

Understand what you are supposed to do and for whom
- Mission
- Core values
- Customers and expectations

5 **Performance Measurement** *How We Measure our Progress*

1 **Organizational Profile** *Who We Are*

**Communication**

4 **Execution Plan** *How We Get There*

2 **Organizational Assessment** *What We Do*

3 **Strategic Plan** *Where We Are Going*

Outline the approach on how to achieve desired goals and objectives
- Short-term planning
- Determining milestones
- Identifying performance measures
- Assigning accountability
- Shed non-core
- Process improvement

Understand what you are doing, how and what it costs
- Products/services delivered
- Strengths and weaknesses
- Core capabilities
- Total cost
- Gaps

Understand your environment, how it's changing and where you should head
- Vision
- Long-term planning

# Timeline for Using this Guidebook

The Navy Performance Excellence Guidebook describes an annual process. The below notional timeline is provided to help set a general expectation for the amount of time you should spend in each of the five steps. The point is to not get stuck in the upfront steps for too long. For example, the Self-Assessment in Step 2 is designed to be completed in 2 to 3 weeks, but you could spend months on this step alone. Get a baseline and move on. Step 3, Strategic Planning, is the time for your team to re-visit weak areas identified in Step 2 during the Self-Assessment, and set priorities on your strategic objectives. Step 4 identifies the required actions necessary to achieve the desired outcomes of the long-term Strategic Plan and metrics to monitor performance, while Step 5 monitors performance relative to the plan. The Execution Plan is a compilation of key outputs from Steps 1 through 4. The whole process begins again after a year, and will likely be much more streamlined with each subsequent iteration.

Below is a suggested timeline:



**Step 1:** **Step 2:** **Steps 3-4** **Step 5**
**Org. Profile** **Org-Assessment** **Strategic & Execution Plans** **Performance Measurement**
**(Self-Assessment Follow-up)** **(Execute the Plan)**

**Week 1** **Weeks 2-4** **Weeks 5-12** **Weeks 13- 52**

**Repeat**

Read on to learn how to use the Organizational Profile (Step 1) and conduct the Self-Assessment (Step 2).

# Using the Organizational Profile (Step 1)
*(Maximum Length: 5 pages)*
*(Recommended Completion Time: 4-5 days)*

The Organizational Profile is the starting point for the Guidebook. It is a snapshot of your organization and the key challenges you face. Writing the Organizational Profile can help ensure a common understanding of what is important for your organization, key influences, and where the organization is headed.

If through preparing an Organizational Profile, you identify topics for which conflicting, little, or no information is available, we recommend delaying the start of your Self-Assessment in Step 2 until the Organizational Profile is completed. These gaps can be the starting point for action to develop a better understanding of your organization. To complete the Organizational Profile, you should review the Organizational Profile questions listed for Step 1. Prepare responses to the two parts, "Organizational Challenges" and "Organizational Description."

**Business Terminology**
Business terms, such as "customers," "process," "sustainability," and "value chain," are presented throughout the Organizational Profile and the Self-Assessment that follows. For definitions of these and other key terms, see the Glossary in Appendix A.

The use of business terms is not meant to indicate the Navy is trying to operate as an actual business. The Navy does not exist to make a profit, but all organizations exist to provide *value*. We generally do not communicate in these terms. Rather, business terminology is used in this Guidebook to develop a common lexicon among Navy leaders to improve the Navy's enterprise management. The terms listed in the glossary are proposed as a starting point for this framework.

As an example, the term "customers" is particularly prevalent throughout the Organizational Profile and Self-Assessment. The term refers to the recipient of your organization's outputs, programs, or services. Having a customer focus should integrate an organization's strategic direction, its value creation processes, and its operational results. Customers may exist both within and outside of your organization. Some of you may be unfamiliar with thinking of customers as applied to the Navy, but this term and others defined in the glossary invite a different conversation into your organization. This is intentional and healthy.

# Using the Self-Assessment (Step 2)
*(Recommended Completion Time: 2-3 weeks)*

After completing the Organizational Profile in Step 1 and closing any information gaps, your organization will be ready to conduct the Self-Assessment in Step 2.

The Self-Assessment is divided into the same five steps as the Performance Excellence Process. Within each step are specific Criteria (for example, 1.1 Senior Leadership). Questions in each Criteria focus on specific aspects of the subject. An "amplification" section is provided for each question along with clarifying notes as applicable. A Scoring Table is provided for each question (level 1-5). From this table, the score is entered in the spreadsheet (on CD) to determine a composite score for each Criteria. Scores are further compiled to determine maturity levels for all five steps of the Performance Excellence Process. An overall maturity band (level I-VIII) is assigned when complete. In total, there are 95 sets of Self-Assessment questions.

The following are two basic steps for conducting a Self-Assessment:

1. Senior leadership identifies whether the whole organization or a specific segment will be assessed.

   *Recommended output:* A memorandum to senior members of the organization that defines the purpose and scope of the assessment to be conducted.

2. Senior leadership appoints a small cross-functional team of trusted agents that represents the organization. This team is assigned to read the Navy Performance Excellence Criteria and evaluate the organization using the Scoring Tables and spreadsheets. For each Scoring Table, the assessment team should select the maturity level (1-5) that best describes the organization. The accompanying CD contains a spreadsheet that allows the team to input the scores from each of the question sets. Note: In the Self-Assessment, written responses and supplementary documentation are not necessary. The Self-Assessment Follow-up requires such documentation, however.

   *Recommended output:* The points assigned correlate to a maturity level (also 1-5) for each of the 5 sections of the Self-Assessment. This spreadsheet helps you map the organization's strengths and opportunities for improvement on a maturity

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**5-Step Self-Assessment**

**Step 1. Organizational Profile, Strategic Direction**
1.1  Senior leadership
1.2  Governance & Social Responsibility
1.3  Customer and Mission Area Knowledge
1.4  Customer Relationships & Satisfaction

**Step 2. Organizational Assessment**
2.1  Measurement, Analysis, and Review of Organizational Performance
2.2  Information & Knowledge Management

**Step 3. Strategic Plan**
3.1  Strategy Development

**Step 4. Execution Plan**
4.1  Work Systems
4.2  Personnel Learning & Motivation
4.3  Personnel Well-being & Satisfaction
4.4  Value Creation Processes
4.5  Support Process & Operational Planning
4.6  Strategy Deployment

**Step 5. Performance Measurement & Results**
5.1  Output & Service Outcomes
5.2  Customer Focused Results
5.3  Financial Results
5.4  Human Resource Results
5.5  Organizational Effectiveness Results
5.6  Leadership & Social Responsibility Results

matrix in written format. When complete, the spreadsheet will automatically tabulate a score that indicates the organization's overall maturity stage (I-VIII). <u>Note</u>: Research has shown that it typically takes 5 to 6 years for an organization to become world class for most Criteria after implementing the lessons learned from this type of Self-Assessment. For further information on how the Scoring Tables were constructed, see Appendix F.

# Using the Self-Assessment Follow-up

*(Completion Time will vary by usage of the Follow-up and maturity of the organization)*
*(Estimated Length: 1 page per question set)*

Based on the results of the Self-Assessment and the senior leader's judgment of the additional value of continued analysis, you may elect to pursue the Self-Assessment Follow-up during Step 3. This option may be particularly useful for those organizations that have not yet conducted a thorough review.

The Self-Assessment should have given you a starting point on the road to identifying your opportunities for improvement and your strengths. The Self-Assessment Follow-up will give you a chance to more objectively analyze your weaknesses and substantiate your strengths through written responses to the Self-Assessment questions. Note: For easier reading, you will find the Criteria and questions in Appendix B.

Detailed below are suggested steps for conducting a Self-Assessment Follow-up. Your organization, however, may decide that only certain areas warrant a more comprehensive assessment.

1. Senior leadership selects champions for each of the five sections of the Self-Assessment to oversee the preparation of responses to the questions. Ideally, these champions should be drawn from the team that conducted the Self-Assessment, so they are knowledgeable about the reasoning behind the organization's Self-Assessment scores. If they have not already done so, champions should update the Organizational Profile.

   *Recommended output:* A memorandum communicated throughout the organization that defines the purpose, scope, and timeline of the Self-Assessment Follow-up to be conducted. Updated Organizational Profile, if necessary.

2. The five champions select a team for their assigned sections. These teams collect information and data for responding to the Criteria questions in their respective sections.

   In your responses to Process questions (Sections 1-4), ensure you utilize the ADLI (Approach-Deployment-Learning-Integration) technique described in Appendix C. In your responses to Results questions (Section 5), ensure that you evaluate your results against the factors listed in Appendix C.

   *Recommended output:* Written responses and supplementary documentation, if necessary, for each question set in the Navy Performance Excellence Criteria. You should expect to write approximately one page per question set. For example, one page for *"How do you recruit, hire, and retain new employees?"* and one page for *"How do you ensure employees represent the diverse ideas, cultures, and thinking of your hiring community?"*

3. Section teams share their answers to their Criteria questions with other teams and finalize their findings by reaching consensus. Together, the teams identify key strengths and gaps in section responses.

   *Recommended output:* A formal written report to senior leadership that integrates all of the responses to the Criteria questions. After reviewing the report, senior leadership and Self-Assessment participants should have a common understanding of what the organization is doing.

4. Each Section team creates and communicates to senior leadership an Improvement Plan based on their answers to the Criteria questions and organizational priorities.

   The POA&M Worksheet (see Appendix D) may help your section teams develop an Execution Plan and set priorities by listing your strengths, opportunities for improvement, and non-value-added activities. The Scoring Tables from Tab C may also be of assistance in helping the teams decide what next steps to take and what goals to achieve.

   *Recommended output:* An Improvement Plan that identifies what activities you should continue, what you should increase or replicate, what you should improve, and what you should reduce or discontinue.

5. The organization then revisits the Self-Assessment. Doing so will either validate or cause a revision of the scores previously obtained. Senior leaders, champions, and teams evaluate how they have conducted the Self-Assessment and Follow-up. They should also think about ways to improve the Self-Assessment process in the future.

   *Recommended output:* Revised Self-Assessment Scores. A memorandum communicated throughout the organization that summarizes the results of the Self-Assessment and the Improvement Plan.

6. Consult Appendix G for additional resources.

# Step 1: Create an Organizational Profile

**Performance Excellence Process**



An organization should have a primary purpose with capabilities and outputs provided to customers, both internal and external.

An effective *Organizational Profile* will communicate the organization's primary purpose and how it supports the Navy's mission. The "Organizational Profile" is the primary output of Step 1. This profile serves as the starting point for the Self-Assessment and outlines the organization's core enabling capabilities, and primary outputs. It will also segment the organization's customer base and describe key customer requirements.

To further assist in the creation of the profile, a list of pertinent questions follows in this section.

## Process for Creating an Organizational Profile & Strategic Direction

| Steps to Completion | Primary Outputs | Considerations |
|---|---|---|
| Review identity of the organization and what it does | Mission Statement Core Values | ■ Changes in business focus caused by internal or external factors |
| List all the major funding lines, appropriations, cost drivers, etc. | Cost Profile | ■ TOA<br>■ Manpower<br>■ Overhead<br>■ Other Costs |
| List the products and services created for both external *and* internal customers | Outputs & Services | ■ Products or services that provide value to customers<br>■ May be produced internally or outsourced to an external provider |
| Consider the most logical way of differentiating between customer types | Customer Segmentation | ■ Customers can be segmented based on several factors<br>■ Differences in requirements, products/services delivered, geography, etc. |
| Outline the factors that the customer values most when "purchasing" the product or service from the organization | Customer Requirements | ■ Customer priorities<br>■ Changes in requirements<br>■ Differences by customer segment |

# The Organizational Profile Guide

The Organizational Profile provides an overview of your organization. It addresses your key operating environment, your key organizational relationships, your strategic challenges, and your approach to performance improvement. The importance of the Organizational Profile is two-fold:

1. It provides a context for understanding your organization before undertaking the Self-Assessment and Self-Assessment Follow-up.

2. The CNO or other senior Navy leaders may use the Organizational Profile to understand your organization during site visits.

**Directions**
Your organization should write responses to the questions in Organizational Challenges and Organizational Description. Five pages is the estimated length of those responses. The estimated time to complete the Organizational Profile is 4-5 days. Unlike the Self-Assessment, the Organizational Profile questions are not scored.

While preparing an Organizational Profile, you may identify topics for which conflicting, little, or no information is available. It is possible that your first Self-Assessment may be temporarily delayed until the Organizational Profile is completed. These gaps can be the starting point for action to develop a better understanding of your organization.

**Overview of Organizational Challenges Questions**
These questions address the environment in which your organization operates and the key strategic challenges that your organization faces. It also addresses how you approach performance improvement and organizational learning. The aim is to understand your key organizational challenges and your system for sustaining progress.

**Overview of Organizational Description Questions**
These questions address the key characteristics and relationships that shape your organizational environment. They also address your organization's governance system. The aim is to set the context for your organization prior to undertaking the Self-Assessment.

Use of such terms as "purpose," "vision," "mission," and "values" varies depending on the organization, and some organizations may not use any of these terms. Nevertheless, you should have a clear understanding of the essence of your organization, why it exists, and where your senior leaders want to take the organization in the future. This clarity enables you to make and implement strategic decisions affecting the future of your organization.

**Organizational Challenges**
*Describe your organization's operational environment, your key strategic challenges, and your system for performance improvement. Within your response, include answers to the following questions:*

a. Operational Environment

1. What is your operational tempo? Where is your organization in the delivery of readiness? What are major operational challenges for your organization?

2. What are the principal factors that determine your success? What are any key changes taking place that affect your operations?

3. What are your sources of comparative data? What are your sources of comparative data for analogous processes outside the Navy (such as benchmarking)? What limitations, if any, are you facing in obtaining these data?

b. Strategic Challenges

1. What are your key financial, operational, and human resource strategic challenges? What strategic challenges are associated with your organizational sustainability and readiness? How do you know if your organization is relevant?

c. Performance Improvement System

1. How do you maintain an overall organizational focus on performance improvement, for both individual and organizational learning? How do you achieve systematic evaluation and improvement of key processes?

**Organizational Description**
*Describe your organization's operating environment and your key relationships with customers, suppliers, partners, and stakeholders. Write your organization's resume. Within your response, include answers to the following questions:*

a. Organizational Environment

1. What are your organization's main business or mission areas, outputs, and services? What is your financial profile (such as cost drivers, budget, WCF sales, and programs)? What delivery mechanisms do you use to provide outputs and services to your customers?

2. What is your organizational culture? What are your stated purpose, vision, mission, and values?

3. What is your workforce profile? What are your categories and types of personnel and how many? What are their educational levels? What are your organization's workforce and job diversity, organized unions, use of contractors, and special health and safety requirements?

4. What are your major technologies, equipment, and facilities? Where are they located?

5. What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; relevant industry standards; and environmental, financial, and military regulations.

b. Organizational Relationships

1. What is your organizational structure and chain of command? What are the reporting relationships among your senior leaders and parent organization?

2. What key customer and stakeholder groups are in your value chain? What are their requirements and expectations for your outputs, services, and operations? What are the differences in these requirements and expectations among customer and stakeholders groups?

3. What role do suppliers and other stakeholders play in your value creation and key support processes? What role do they play in your innovation processes? What are your most important supply chain requirements?

4. What are your key supplier and customer partnering relationships and communication mechanisms?

# Step 2: Conduct an Organizational Assessment

**Performance Excellence Process**



Assessment is based on performance. An overall organizational assessment analyzes the organization's strengths, weaknesses, opportunities, and capabilities.

An effective *Organizational Assessment* will indicate whether the organization is achieving its performance targets (from prior year). The assessment should provide an enterprise-wide view of the organization's strengths and weaknesses in capability development and outline key trends impacting the organization. It should also identify capabilities that the organization must develop to become more effective and efficient.

Results from the Self-Assessment included in this section feed into the Strategic Planning process in Step 3.

## Process for Assessing an Organization

| Steps to Completion | Primary Outputs | Considerations |
|---|---|---|
| Evaluate the organization's overall performance relative to metrics and outcomes defined in prior year's plan | Performance Assessment | ■ Unexpected successes or failures relative to last year's objectives<br>■ Review progress on principle assessment areas |
| Assess what you do | Proper Outputs and Services Delivered | ■ Review whether you are doing what the customer wants<br>■ Linkage of all costs to outputs and services |
| Assess the organization's performance against customer expectations given the current operating model | Customer Feedback Assessment | ■ Changes in customer requirements<br>■ Differences in customer requirements by customer segment |
| Identify any capability gaps that limit the organization's ability to achieve its goals | Gap Analysis | ■ Current weaknesses and opportunities for capability development<br>■ Exposure created by each gap and the best process to close the gap |
| Synthesize strengths, weaknesses, and trends to outline key opportunities and threats | SWOT Analysis | ■ Strength and sustainability of each capability<br>■ Organization's ability to leverage each distinctive capability<br>■ Impact that identified trends are expected to have particularly given organization's strengths and weaknesses |
| List the organization's primary capabilities and determine if they are core, managing, or enabling in nature | Capability Model | ■ Focus on capabilities *NOT* the organization chart<br>■ All capabilities are critical to the organization's success<br>■ Core capabilities describe what the organization "does" – they produce the products and services delivered to customers |

# Core Values and Concepts of the Self-Assessment

The Self-Assessment Guide that follows is built on the following set of interrelated Core Values and Concepts:

- Visionary leadership
- Customer-driven excellence
- Organizational and personal learning
- Valuing personnel and partners
- Agility
- Focus on the future
- Managing for innovation
- Management by fact
- Social responsibility
- Focus on results and creating value
- Systems perspective.

These values and concepts are embedded beliefs and behaviors found in high-performing organizations. They are the foundation for integrating key performance and operational requirements within a results-oriented framework that creates a basis for action and feedback.

**Visionary Leadership**
Your organization's senior leaders should set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders should ensure the creation of strategies, systems, and methods for achieving performance excellence. The values and strategies should help guide your organization's activities and decisions. Senior leaders should inspire and motivate your entire workforce, and encourage all personnel to contribute, to develop and learn, and to be innovative.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and personnel recognition. As role models, they reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

**Customer-Driven Excellence**
Quality and performance are judged by an organization's customers. Thus, your organization must take into account all output and service features and characteristics and all modes of customer access that contribute value to your customers. Such behavior leads to customer satisfaction. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires. Value and satisfaction may be influenced by many factors throughout your customers' overall experience with your organization. These factors include your

organization's customer relationships, which help to build trust and confidence. Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, these factors contribute to your customers views of your organization, so they are important parts of customer-driven excellence. In addition, your organization's success in recovering from defects, service errors, and mistakes is crucial to building customer relationships. Customer-driven excellence is a strategic concept. It demands constant sensitivity to changing and emerging customer and mission area requirements and to the factors that drive customer satisfaction. It demands listening to your customers. Therefore, customer-driven excellence demands awareness of developments in technology, as well as rapid and flexible responses to customer and environmental changes.

**Organizational and Personal Learning**
Achieving the highest levels of organizational performance requires a well-executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and significant change, leading to new goals and approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source; (4) is focused on building and sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant, meaningful change. Sources for learning include ideas from personnel, research and development (R&D), customer input, best-practice sharing, and benchmarking. Organizational learning can result in (1) enhancing value to customers through improved outputs and services; (2) developing opportunities to add value to customers; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle-time performance; (5) increasing productivity of personnel who stay with your organization, (6) organizational cross-functional learning, (7) building your organization's knowledge assets, and (8) improving environment for innovation. Thus, learning is directed not only toward better outputs and services, but also toward being more responsive, adaptive, innovative, and efficient—raising the value of your organization and giving your personnel satisfaction and your organizations motivation to excel.

**Valuing Employees and Partners**
An organization's success depends increasingly on the diverse backgrounds, knowledge, skills, creativity, and motivation of all its personnel and partners. Valuing personnel means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high-performance work practices tailored to personnel with varying workplace and home-life needs. Major challenges in the area of valuing personnel include (1) demonstrating a commitment to the success of your employees, (2) providing recognition, (3) offering development within your organization, (4) sharing your organization's knowledge so personnel can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages reasonable risk taking and innovation, and (6) creating a supportive environment for a diverse workforce. Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships could

include labor-management cooperation, where appropriate. Partnerships with personnel could entail personnel development, cross-training, or new work organizations, such as high performance work teams. Internal partnerships also could involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing. External partnerships could be with customers, suppliers, and nonprofit organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Partnerships could permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of your partners to address common issues. Successful internal and external partnerships develop longer-term objectives, creating a basis for mutual investment and respect. Partners should address the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions.

## Agility

Success in today's ever-changing, global environment demands agility—a capacity for rapid change and flexibility. The Navy stands to gain from more rapid, flexible, and customized responses to demands for Naval presence. Navy organizations face ever-shorter cycles for improved outputs and services, and are increasingly being asked to respond rapidly to new or emerging threats. Major improvements in response times often require simplification of work units and processes or the ability for rapid changeover from one process to another. Cross-trained and empowered personnel are vital assets in such a demanding environment. A major success factor in meeting these challenges is the innovation cycle time. All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

## Focus on the Future

In today's competitive environment, creating a sustainable organization requires understanding the short- and long-term factors that affect your organization and mission area. Pursuit of performance excellence requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, personnel, suppliers, partners, and stakeholders; the public; and your community.

Your organization's planning should anticipate many factors, such as customer's expectations, new partnering opportunities, personnel development and succession planning, technological developments, evolving information technology environment, changes in customer and mission area, evolving regulatory requirements, and changes in community needs. Strategic objectives and resource allocations need to accommodate these influences.

## Managing for Innovation

Innovation means making meaningful change to improve an organization's outputs, services, programs, processes, and operations and to create new value for the organization's stakeholders. Innovation should lead your organization to new

dimensions of performance. Innovation is no longer strictly the purview of research and development departments; it is important for all aspects of your operations and processes. Organizations should be led and managed so that innovation becomes part of the learning culture. Innovation should be integrated into daily work and supported by your performance improvement system. Innovation builds on the accumulated knowledge of your organization and its personnel. Therefore, the ability to rapidly disseminate and capitalize on knowledge is critical to driving organizational innovation.

**Management by Fact**
Organizations depend on the measurement and analysis of performance. Such measurements should derive from needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management. Performance measurement should include customer, output, and service performance; benchmarking performance; supplier, personnel, cost, and financial performance; and governance and compliance. Data should be segmented by output categories, and personnel groups to facilitate analysis. Analysis refers to extracting larger meaning from data and information to support evaluation, decision-making, and improvement. Analysis entails using data to determine trends, projections, and causes and effects that could not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, accomplishing change management, and comparing performance with "best practices" benchmarks.

A major consideration in performance improvement and change management involves the selection and use of performance measures or indicators. The indicators you select should best represent the factors that lead to improved customer, operational, financial, and ethical performance. A comprehensive set of measures or indicators tied to customer and organizational performance requirements represents a clear basis for aligning all processes with your organization's goals. Through the analysis of data from your tracking processes, the measures or indicators themselves may be evaluated and changed to better support your goals.

**Social Responsibility**
An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse effects from operations, transportation, use, and disposal of waste. Effective planning should prevent problems, provide for a forthright response when problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many Navy organizations, the output or service design stage is critical from the point of view of public responsibility. Effective design strategies should anticipate

growing environmental concerns and responsibilities. Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement "beyond mere compliance." They should also stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct is a requirement and should be monitored by the organization's governance structure. Practicing good citizenship refers to leadership and support—within the limits of an organization's resources—of publicly important purposes. Such purposes could include pursuing environmental excellence, practicing resource conservation, performing community service, and improving operating practices. Leadership as a citizen in the community also entails influencing other organizations, private and public, to partner for these purposes. Managing social responsibility requires the use of effective measures and leadership responsibility for those measures.

**Focus on Results and Creating Value**
An organization's performance measurements should focus on key results. Results should be used to create and balance value for your key stakeholders—customers, employees, stakeholders, suppliers, partners, the public, and the community. By creating value for your key stakeholders, your organization becomes more relevant in today's Navy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy should include key stakeholder requirements. This will help ensure that plans and actions meet differing stakeholder needs and avoid adverse effects on any stakeholder. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and long-term priorities, monitor actual performance, and provide a clear basis for improving results.

**Systems Perspective**
The Performance Excellence Process provides a systems perspective for managing your organization and its key processes to achieve results. The 19 Performance Excellence Criteria in Self-Assessment form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organizational synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and building on key requirements, including your strategic objectives and Execution Plan. Alignment means using the key linkages among requirements in the Self-Assessment criteria to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment, so that the individual components of your performance management system operate in a fully interconnected manner. A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on results. A systems perspective also includes using your measures, indicators, and organizational knowledge to build your key strategies. It means linking those strategies with your key processes and aligning your resources to improve overall performance and satisfy customers and stakeholders. Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.

# The Self-Assessment Guide

**Directions**

This Self-Assessment Guide is designed to give users a baseline of where their organizations are with respect to the Performance Excellence Criteria. It follows the five Performance Excellence Process steps.

Each page of this Self-Assessment Guide is dedicated to one question set (highlighted in gray), followed by the Self-Assessment Scoring Table. The Notes section offers additional insight and explanation you should read prior to scoring. Now read the table. Make a subjective assessment relative to the statement you just read and which maturity level best describes your organization today. Be honest! It defeats the purpose of this tool to inflate answers.

The accompanying scoring spreadsheets provided on CD allow users to enter their scores (1-5) from each table. The points assigned correlate to a maturity level (also 1-5) for each of 19 Criteria and the 5 steps of Performance Excellence Process. When complete, the spreadsheet will automatically tabulate a final score that indicates your organization's overall maturity stage (I-VIII).

This Self-Assessment is intended to be completed in 2-3 weeks. It serves as the starting point for further objective exploration as described in the "Getting Started" section. It is recommended that the senior leader of the organization assign a small group to complete this assessment. Selection of personnel is important. The senior leader should select personnel that assure the results are representative of the organization, and credible.

After completing the Self-Assessment and discussing the results, it is highly recommended the organization continue with the Self-Assessment Follow-up to obtain more objective responses, and develop a deeper understanding of the organization's strengths, opportunities for improvement, and areas on non-value-added activity. The Self-Assessment Follow-up, in combination with the Performance Excellence Process, forms the basis of a sound management system that will continuously drive improved performance.

Good Luck!

**Step 2: Organizational Assessment**

# Self-Assessment Questions for Step 1: Organizational Profile and Strategic Direction

You have already completed your Organizational Profile and are now ready to begin the first section of the Self-Assessment in Step 2. This Self-Assessment is divided into the same five steps of the Performance Excellence Process. During this assessment, four Criteria will be examined.

## 1.1 Senior Leadership

This Criteria examines the key aspects of your senior leaders' responsibilities. It examines how your senior leaders set and communicate the organization's vision and values. It focuses on their actions to create and sustain a high-performance organization.

## 1.2 Governance & Social Responsibility

This Criteria examines key aspects of your organization's governance system. It also examines how your organization fulfills its public responsibilities, how your senior leaders ensure that you behave legally and ethically, and how your senior leaders and employees encourage and practice good citizenship.

## 1.3 Customer & Mission Area Knowledge

This Criteria examines your organization's key processes for gaining knowledge about your current and future customers, and your mission areas, with the aim of offering relevant outputs and services; understanding emerging requirements, needs, and expectations; and keeping pace with mission changes and new ways of operating.

## 1.4 Customer Relationships and Satisfaction

This Criteria examines your organization's processes for building customer relationships and determining customer satisfaction, with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

# Summary of Level 5 Characteristics for Step 1

Mission, vision, and values are clear. Leaders "walk the talk" with respect to organizational direction and ethical standards. As a result, subordinates follow their example. A performance-oriented culture of ethical behavior that is self-regulating has emerged. Innovation is emphasized as the engine of continuous improvement, but efforts are focused on clear strategic objectives and goals.

A systematic approach is in place to surface new ideas, and periodically review the best for implementation. This process recognizes contributors and high performance so future leaders are identified early.

Succession planning is an important part of the senior leader's role in developing promising leaders and preserving long-term continuity. Being empowered by leaders, as well as the experience of empowering others, is viewed as a key element of success. This requires close interaction, so communication skills are emphasized and taught to leaders.

Many communication venues are used to ensure access to information that is timely and relevant. Communication enables concerns to be addressed early, making room for rational decision-making. Genuine concern for personnel well-being is clear, which transfers to concern for the command to valued as "an agent of community benefit."

Leaders understand the civic responsibility they have to the community that they live in and interact with. Environmental and regulatory compliance are measured as a part of organizational performance. This connection to the "external stakeholders" of the organization is linked to a clear customer identification process. Customer relationship management defines customer needs to help focus on value. Customer feedback is sought and integrated into operations on a continuous basis.

With few exceptions, leaders do not have direct impact on organizational outcomes; their influence is felt through the systems and processes they establish and manage. Therefore, the basic management task of leaders can be summarized as follows: gathering and using information, planning strategically, effectively managing and developing personnel, and designing well-oiled processes for producing critical outcomes related to customer (and stakeholder) needs.

<u>**Criteria**</u>

**1.1 Senior Leadership** – Vision and Values

**Question A:** How do your leaders approach their responsibility for setting expectations and deploying the mission?

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**Amplification:**
How do senior leaders set organizational direction, vision, and values? How do senior leaders develop and deploy the organization's vision and values through your leadership system, to all personnel, to key suppliers and partners, and to customers and stakeholders? How do their personal actions reflect a commitment to the organization's values?

Note: Organizational vision should set the context for strategic objectives and action plans. Success requires a strong orientation to the future and a commitment to improvement, innovation, and organizational sustainability. Increasingly, this orientation requires creating an environment for empowerment, agility, and learning.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We have no clear organizational mission, vision, or values. Leadership focuses on the organization's short-term survival, and manages by directive. Senior leadership initiatives are driven by personal career motivations. Employees are expected to follow shifting direction and handle daily problems as they arrive. Suppliers and partners are not engaged in any way with the organization's mission. "Kissing up and kicking down" is the norm. |
| 2 | We have long-term organizational mission, vision, or values, but they are not widely applied. Some leaders set expectations that are future oriented, and drive initiatives tied to organizational improvement and values, but there is no consistency across the senior leaders. Employees don't see the organization's stated values reflected in their daily work or communications. Suppliers and partners only react to what is asked of them and may make suggestions for improvement. |
| 3 | Our mission, vision, and values are clear to all personnel. Most senior leader actions and initiatives consistently reflect those values. Employees, suppliers, and partners understand the organization's goals and are actively working to achieve them to some extent. Employees, for the most part, understand the organization's values and goal, and feel that they are reflected in their daily work and communications. |
| 4 | Organization is purposeful and focused because senior leaders consistently and constantly communicate their vision and values to all internal and external customers. Senior leadership is unified and consistent in all initiatives and communications. The organization has a strong orientation to the future and improvement, with employees encouraged to make decisions and pursue change. Employees feel that their daily work life and communications reflects the organization's goals and values. |
| 5 | All employees have a strong identification with the mission, vision, and values of the organization and are committed to its goals. Senior leadership is consistent in initiatives and direction regardless of changes in leadership. People think and act like "owners of the business," in their decision-making and communications. An infectious continuous improvement culture has evolved within the organization. Employees are confident in their ability to pursue learning, make decisions, and make changes to improve their organization, confident that their decisions will be supported. |

## Criteria

**1.1 Senior Leadership** – Vision and Values

**Question B:** How do senior leaders promote an environment that fosters and requires legal and ethical behavior?

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**Amplification:**
Note: Standards of conduct should be clear and deployed throughout the organization. The standards are generally integrated into personnel development from indoctrination to leadership evaluation, and are part of performance expectations.

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| Score | Scoring Criteria |
|:---:|---|
| 1 | We have no evidence of documented or promulgated standards for legal and ethical behavior. Standards of conduct and ethical expectations are not addressed in any of the organization's personnel processes. |
| 2 | We provide some basic standards of conduct awareness training in our organization to meet legal, DoD, and Navy requirements. |
| 3 | Basic awareness program is supplemented by program promotion and command support for its enforcement, including reporting mechanisms. Most personnel are aware of the standards. We track and investigate incidents in a fact-based approach. |
| 4 | Employees know that ethical and legal behavior is a prerequisite for all. Standards of conduct expectations leave no room for doubt, and are embedded in training and performance assessments. Leaders participate in and help develop the metrics (such as using surveys and telephone tip lines) for measuring legal and ethical standards application. A process for dealing with and identifying ethical lapses exists. |
| 5 | Legal and ethical behavior is a given in our organization. We integrate legal and ethical responsibility training at all levels, so we know what is expected, and it is integral to our performance assessment and advancement system. Senior leaders actively lead by example, and when occurrences of unethical behavior happen, they immediately address the problem in a systematic and unbiased manner. We measure results and report occurrences in broad-based communications, such as newsletters, town halls, and all hand meetings. |

## Criteria

**1.1 Senior Leadership** – Vision and Values

**Question C:** How do the organization's leaders create a sustainable and relevant organization with performance improvement, accomplishment of strategic objectives, innovation, and organizational agility?

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**Amplification:**
How do senior leaders create a sustainable and relevant organization? How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, innovation, and organizational agility? How do they create an environment for organizational and personnel learning?

Note: A sustainable organization is capable of addressing current needs and possesses the agility and strategic management to prepare successfully for its future and mission environment. In this context, the concept of innovation includes both technological and organizational innovation to succeed in the future. Problems or crisis are used to teach and energize the workforce for change and personal learning.

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| Score | Scoring Criteria |
|:---:|---|
| 1 | Maintenance of the organizational status quo is preferred. No mechanism exists for identifying future goals and changes that the organization faces to help the organization prepare for the future. No work force involvement or education process for problem solving or improvement activities exists. |
| 2 | Some leaders and managers use innovative approaches within their areas of responsibility to prepare for the future and organize to meet objectives. The organization, as a whole, is slow to change and adapt and does not have a planning process for looking forward. The workforce has isolated "islands of excellence," where improvement activity and innovation are evident, but it is not consistent across the organization or recognized by leadership. |
| 3 | A regular planning process exists to look at upcoming changes and mission demands, and consider how the organization must change to be successful. Current results are compared with desired results, and innovations and ongoing employee learning are planned to improve the current results. There is a willingness to change quickly throughout most of the organization. Problem solving teams are formed to evaluate ways to eliminate reoccurring problems or to change processes to work better across the whole organization. |
| 4 | A planning process exists to identify and plan for upcoming changes and opportunities to improve organization performance, including changing technological requirements. Current results are compared with desired results and activities initiated to improve results. Problems are addressed through process changes, and there is a willingness to change throughout the organization. The work force participates in work activities and problem solving teams designed to improve the organization's performance. |
| 5 | A leadership driven, ongoing planning process exists to identify opportunities and plan changes to adapt the organization and improve performance while absorbing changes to mission demands easily. Current results are constantly compared with desired results and activities initiated to improve results as soon as opportunities are identified. Senior leadership actively participates on improvement teams. Employees actively and universally participate in learning and work activities designed to improve organizational performance. New technology is fully considered and implemented in support of the organization's mission. |

## Criteria

**1.1 Senior Leadership** – Vision and Values

**Question D:** How do leaders personally participate in succession planning and the development of future organizational leaders?

> **Amplification:**
> Note: Succession planning should be an ongoing process for key management and technical personnel. The approach involves the senior leader with key management staff in periodic reviews.
> A plan is maintained that ensures the future of the organization is in good hands.

| Score | Scoring Criteria |
|:---:|---|
| 1 | We pay little attention to succession planning. Our senior leaders generally see no farther than their own tenures. |
| 2 | We seek to identify some talented personnel in order to further advance their potential for leadership in a systematic and timely manner. Yet, no formal succession and development plans exist. |
| 3 | We have developed a pool of successors for some of our key technical and upper management positions. Organization uses a systematic approach to identify high performers, and programs exist to support the development of future executives. Most of these high performers have begun to gain exposure for their next job. |
| 4 | We designate all our key positions and we identify a succession process for each. Our senior leaders make personnel development a regular topic of discussion with subordinate leaders as part of their performance review. A succession plan is an integral part of our organization's human capital strategy. |
| 5 | Extensive talent development and manager rotation enables our organization to provide many successors to key departmental positions. Leaders at every level regard the development of subordinates as one of their primary duties and management holds leaders accountable as such. We use competitive programs to rapidly develop exceptional performers and to promote retention of talent. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**1.1 Senior Leadership** – Communication & Organizational Performance

**Question E:** How do the organization's leaders promote improvement, communicate with personnel, promote teamwork, and empower others to do what needs to be done?

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**Amplification:**
How do senior leaders communicate with, empower, motivate personnel, and promote teamwork throughout the organization? How do senior leaders encourage frank, two-way communication? How do senior leaders take an active role in personnel reward and recognition to reinforce high performance and a customer and mission focus?

Note: Leaders become personally involved by directly leading projects, promoting teamwork, and empowering others. They also set expectations for success and publicly reward success. Open interaction and communication can take many forms from "all hands" meetings to electronic methods.

</div>

| Score | Scoring Criteria |
|:---:|:---|
| 1 | Employees rarely see or receive communication from senior leaders except for large, all employee events. Most communications from the leadership are one way. Expectations are not clear for most employees other than to do their daily work. An employee recognition program may exist, but doesn't drive or recognize real improvement efforts. No employee feedback program exists. |
| 2 | Some planned activities and informal interaction occur, but employees rarely interact with most leaders. The expectation that employees will participate in improvement activities is not commonly communicated. Senior leaders sometimes provide tangible help to improvement ideas but generally, while encouraging, don't participate in those efforts. An employee recognition program exists and recognizes true improvement efforts. A feedback program for employees exists. |
| 3 | Leaders are frequently visible in the work area. They check progress, organize, and provide support for improvements. Improvements are planned activities with leaders actively participating and promoting open dialogue. All employees are urged to participate in improvement activities, although such participation is optional. Improvements occur in team environments, and teams celebrate local successes. Senior leaders have multiple methods of hearing from and communicating with employees. A meaningful recognition and reward program is in place. |
| 4 | Leaders are active in planning, structuring and implementing process improvement projects "on the floor" as part of a well-deployed, command-wide improvement program. Leaders see their job as support for implementing the teams' improvement ideas. It is an organizational assumption that all employees will participate in improvement activities. Senior leadership celebrates successes throughout the organization, and promulgates lessons learned. A meaningful recognition and reward program is in place. |
| 5 | Leaders recognize that the major reason for their existence is to make it easier and cheaper for employees to create valued outputs and services for customers. Improvement activities are continuous and led by our organization's leaders. All employees are expected to participate in improvement activities, and are recognized in performance evaluations for that participation. An organization-wide reward program is in place to reinforce high performance and customer focus. |

**Step 2: Organizational Assessment**

## Criteria

**1.1 Senior Leadership** – Communication & Organizational Performance

**Question F:** How do the organization's leaders focus on action to accomplish objectives, improve performance, and attain the organization's vision?

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**Amplification:**

How do senior leaders create a focus on action to accomplish the organization's objectives, improve performance, and attain the vision? How do senior leaders communicate an enterprise perspective to balance value for customers and other stakeholders in their organizational performance expectations?

Note: A focus on action considers both the employees and the hard assets of the organization. It includes ongoing improvements in productivity that may be achieved through eliminating waste or reducing cycle time, and it might use techniques such as Lean-Six Sigma and Theory of Constraints. It also includes the actions to accomplish the organization's strategic objectives.

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| Score | Scoring Criteria |
|:-----:|------------------|
| 1 | The organization has no planning process that considers customers and balanced organization objectives; it does not communicate its objectives to employees; and it has no defined methodology or systematic action achievement plan. |
| 2 | A planning process is in place that identifies projects and associated objectives, and although the projects and objectives are communicated, there is little follow-up throughout the year. The process does not drive any action. |
| 3 | The organization has a robust planning process with defined objectives. These are communicated to all employees and results are tracked and reviewed with employees. The programs or methods for achieving these objectives are defined, including projects and techniques. The process focuses on action somewhat. |
| 4 | Senior leaders actively participate in defining the organization's Execution Plan, which includes defining objectives, metrics, projects, and spending such that the process produces objectives that meet the organization's mission. These objectives and the methods for attaining them are communicated to all employees. Senior leaders from all functional areas actively participate in activities initiated to achieve objectives and personally work to ensure objectives are met. The techniques and methods for achieving objectives are identified. Results are monitored by senior leaders regularly and employees are held accountable for results. This process focuses and drives the organization's efforts. |
| 5 | Senior leaders from all functional areas actively participate in defining the organization's Execution Plan, including objectives, metrics, and projects that support the plan. The objectives and methods, including the methodology and techniques for achieving objectives, are defined and champions identified. Specific techniques are defined and employee education programs are planned to ensure capability to use the techniques exists. Senior leaders participate in activities designed to meet objectives, results are monitored real time, and employees are held accountable for results. This process encompasses, focuses, and defines the action plans for meeting organization objectives. |

<u>**Criteria**</u>

**1.2 Governance & Social Responsibility** – Organizational Governance

**Question A:** How does the organization evaluate its governance system?

---

**Amplification:**
How does your organization address the following key factors in your governance system?
- Accountability for leadership's actions
- Fiscal accountability
- Operational accountability
- Independence in internal and external assessments
- Integrity of actions with respect to governing regulations

Note: An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) legal and regulatory requirements, and (3) risk factors. Addressing these areas requires establishing measures or indicators that senior leaders track in their performance reviews. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in laws and regulations.

---

| Score | Scoring Criteria |
|---|---|
| 1 | Our senior leaders do not have an approach for identifying and monitoring governance practices within the organization. Governance goals are to ensure minimum compliance, but no measurement processes exist. |
| 2 | The organization has designated functions to ensure governance issues are addressed and the organization stays compliant with requirements. |
| 3 | Designated organizational functions exist to support governance issues as well as ensure the methods of compliance and support are ethical and accurate. Policies and procedures are routinely disseminated for use by employees, and integrated into most training venues. Leaders rely on internal assessments of the organization. |
| 4 | Organization leadership is interested in governance issues and includes them in the planning process. Designated organizational functions exist to support governance issues and ensure that methods of compliance and support are ethical and accurate. Governance metrics exist and are reviewed, and organization communications support compliance. Internal and external assessments are used to determine compliance and progress, and to gain comparable information. Leadership develops sound guidelines that are reflected by the integrity of decisions at senior levels. |
| 5 | Policies, organizational structure, leadership attitudes and governance mechanisms reflect the values and integrity of the organization. Governance metrics exist and are monitored by senior leaders. Leadership clearly identifies and monitors governance practices by use of internal and external assessments, the results of which are public knowledge. The organization is fully aware of standards and practices applicable to its functions about accountability because they are integrated into training, established in individual evaluations, reflected in balanced scorecards, reviewed by senior-level boards, and frequently communicated by the senior leader. |

**Step 2: Organizational Assessment**

## Criteria

**1.2 Governance & Social Responsibility** – Organizational Governance

**Question B:** How does the organization evaluate performance of senior leaders and how do the leaders use performance evaluations to improve their leadership?

> **Amplification:**
> How do you evaluate the performance of the senior leader? How do you evaluate the performance of members of the senior leadership team? How do senior leaders use performance reviews to improve both their personal leadership effectiveness and the leadership system?
>
> Note: Leadership performance evaluation may be supported by peer reviews, or 360 feedback, formal performance management reviews, formal or informal employee and other stakeholder feedback, and surveys. For some, external advisory boards could be used to evaluate the performance of senior leaders and the governance board.

| Score | Scoring Criteria |
|:---:|---|
| 1 | Our senior leaders assume that their next promotion will occur regardless of the organization's current performance. We do not provide input from the organization or customers in assessing the performance of members of the senior leadership team. We do not focus on performing internal assessments to objectively understand and improve leadership performance. |
| 2 | Higher echelon has a performance assessment system in place for the senior leader, which rates the success of the organization. However, the evaluation is top-down and fosters short-term success at the expense of the longer-term health of the organization and employees. Outside leadership pressures senior leaders for performance, which drives decisions that "mortgage the future to pay for the present." Employees provide some feedback, but the feedback is often not welcome. |
| 3 | We have a systematic performance-based management system in place, which includes an evaluation mechanism for senior leadership effectiveness beyond the immediate higher echelon's opinion, and that provides feedback for improving effectiveness. |
| 4 | Organization has an evaluation system for its leaders in place and it is linked to the organization's performance and provides feedback on subordinates. Feedback and assessment tools are used to measure and drive improvements in leader effectiveness. |
| 5 | Employee input is sought in the evaluation process of the senior leader. Organization tracks command performance and assessment results and these provide input into the senior leader's evaluation and recommendation for promotion. Feedback is integrated into individual development plans. Leaders use feedback to adjust their performance and drive improved organizational performance. |

## Criteria

**1.2 Governance & Social Responsibility** – Legal and Ethical Behavior

**Question C:** How does the organization anticipate, evaluate, and rectify the adverse impacts of operations on surrounding communities and the environment?

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**Amplification:**
How do you address any adverse impacts on the community and environment of your operations? How do you anticipate public concerns with current and future operations? How do you prepare for these concerns in a proactive manner, including using resource-sustaining processes? What are your key compliance processes, measures, and goals for achieving and surpassing regulatory and legal requirements? What are your key processes, measures, and goals for addressing associated risks?

Note: Your organization should anticipate monitoring the cost of outputs, programs, and services, and perceptions about stewardship of its resources. Resource-sustaining processes could include use of "green" technologies, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or recycling of by-products or wastes.

---

| Score | Scoring Criteria |
|---|---|
| 1 | Organization does not consider societal concerns or the local community in its planning processes or operations. Minimum compliance with local law and regulation is the goal. No operating measures exist for environmental or regulatory compliance issues. |
| 2 | Organization has environmental and regulatory compliance assessment processes in place, and its planning process considers the cost of environmental and community issues separately as a process and budget items. Cost reduction and performance improvement in those areas may be considered. |
| 3 | A formal environmental and regulatory compliance policy and assessment is in place to address all major and minor environmental, regulatory and community issues. The organization anticipates environmental and community concerns systematically and works to mitigate them with community outreach. The planning and budget process, as well as command leadership, encourage and support changes in policy and technology that reduces command regulatory risk and improves its social benefit. |
| 4 | Organization has independent functional responsibility assigned to ensure environmental and regulatory compliance proactively, and actively conduct assessments and work to improve compliance. It measures and mitigates the risks of operations that adversely influence the environment and community and actively seeks community input. The planning and budget process, as well as command leadership, encourage and support changes in policy and technology that reduces command regulatory risk and improves its social benefit. |
| 5 | Environmental and regulatory policy is managed independently, and compliance is integrated with organizational plans and goals, and promoted to supplier and customer partners. Risk measurement mitigates adverse impacts on the environment and community. Functional responsibility is assigned to ensure environmental and regulatory compliance, and assessments are performed to improve compliance. Community input is actively sought. The planning and budget process, as well as command leadership, encourage and support changes in policy and technology that reduces command regulatory risk and improves its social benefit. |

**Step 2: Organizational Assessment**

## Criteria

**1.2 Governance & Social Responsibility** – Legal and Ethical Behavior

**Question D:** How does the organization use mechanisms for promoting and monitoring of ethical behavior by all personnel? How are breaches handled?

> **Amplification:**
> How does your organization promote and ensure ethical behavior in all interactions? What are your key processes and measures or indicators for enabling and monitoring ethical behavior in your governance structure, throughout your organization, and in interactions among personnel, customers and stakeholders? How do you monitor and respond to breaches of ethical behavior?
>
> Note: Measures or indicators of ethical behavior could include instances of ethical conduct breaches and responses, survey results on employee perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. They also could include evidence that policies, staff training, and monitoring systems are in place with respect to conflicts of interest and proper use of funds.

| Score | Scoring Criteria |
|-------|------------------|
| 1 | Ethical standards are nonexistent and no ethical awareness training is in place. Exposure to the risk of unethical behavior affecting the organization is high. Senior leadership does not discuss ethics and no ethics reviews are in place. |
| 2 | An ethics training course is in place. A reactive management philosophy responds to breaches in ethics on an individual case basis, but no violation reporting mechanism is in place. Some standards on ethics exist, but they are informally and inconsistently applied. Exposure to risk is high. A minimal publicity program exists. |
| 3 | Formal policies and training on ethics are in place. These policies allow the organization to anticipate possible areas in which breaches of ethical standards may occur and provide guidelines for future action. They also ensure that the organization analyzes the risk of ethics breaches. An ethics publicity program is in place including employee communication vehicles. A reporting mechanism is in place. |
| 4 | Adherence to ethical standards is systemic within the organization. Senior leadership actively discusses the importance of ethics within and in all organization interactions. A reporting system is in place and a functional responsibility assigned. The organization's planning process includes an analysis of the risk of ethics breaches. An ethics publicity program is in place including multiple communication channels. |
| 5 | Adherence to ethical standards is systemic throughout the organization and is expected in all transactions, both internally and with external organizations. Ethics polices are all-inclusive, integrated with organizational plans and goals, and promoted to supplier and customer partners. Monitors and responds to all ethics breaches in a consistent and timely manner, and a fully functioning, quick reacting reporting system is in place. Risk measurement allows the organization to mitigate adverse impacts of breaches of ethical standards. Senior leadership actively discusses and models ethical behavior, and the organization's promotion of ethical standards is robust and consistent. |

<u>**Criteria**</u>

**1.2 Governance & Social Responsibility** – Support of Key Local Communities

**Question E:** How does the organization, particularly senior leaders, actively support and help to improve local communities?

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**Amplification:**
How does the organization actively support and strengthen your key local communities? How do you identify those communities and determine areas of emphasis for organizational involvement and support? What are your key local communities? How do your senior leaders and your employees contribute to improving these communities?

Note: Areas of community support include efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.

---

| Score | Scoring Criteria |
|:---:|:---|
| 1 | Our organization has not identified key local communities and determined areas of emphasis for organizational involvement and support. Senior leadership does not contribute to improving local communities. |
| 2 | Organization has identified some key local communities and determined areas of emphasis for organizational involvement. The organization's approach to supporting communities, however, has been limited in practice. Senior leadership has only partially participated in identifying which local communities are important or devising a strategy for supporting and strengthening them. |
| 3 | Policy exists to systematically identify which key local communities and areas of emphasis should receive organizational support. Senior leadership participates in identifying these communities and invests time in efforts to strengthen them. There is strong communication within the organization regarding efforts on behalf of local communities. |
| 4 | Organization and its senior leadership identify, support and strengthen all key local communities. A sustained high level of organizational and visible senior leadership involvement in support of local communities exists. External communication of organizational goals for community support initiatives is conducted, and ongoing results are monitored by the organization. |
| 5 | External organizations recognize our organization as a leader for work in support of key local communities. Senior leaders are active participants in local community organizations and internally are visible supporters of local communities. Local community support goals and areas of emphasis are targeted for organizational support to maximize the effectiveness of resources, and monitor results on an ongoing basis. External communication of organizational progress and success in achieving goals with respect to community support initiatives is robust. |

<u>**Criteria**</u>

**1.3  Customer & Mission Area Knowledge** – Customer and Operational Knowledge

**Question A:** How well does the organization know its customers and relate capabilities to these customers?

---

**Amplification:**
How do you identify your customers? How do you communicate your outputs and services to your customers for current and future requirements? How do you communicate your organization's capabilities?

Note: If your outputs are delivered to end-use customers via other organizations (e.g., those that are part of your "value chain," such as a higher echelon or a distribution network), customer groups should include both the end users and these intermediate organizations.

---

| Score | Scoring Criteria |
|-------|------------------|
| 1 | Customer identification and definition efforts are not in place. Basic outputs and services are provided as usual. No communication plan has been established that describe the organization's capabilities to customers; the organization's customers are assigned, they have no choice. |
| 2 | Organization has identified and defined external customers and their needs, but it does not maintain a formal system. Outputs and services are communicated upon request via basic methods. Organization's outputs and services are standard offerings to all customers. |
| 3 | Customer identification and definition methodology is in place for both internal and external customers and includes current information and methods of interaction. A methodology for communicating available capabilities and planning for meeting future requirements exists, but it is not fully implemented or up to date. A strategy is in place for communicating the organization's capabilities to all customers. |
| 4 | All internal and external customers and their individual needs are identified and defined using a clear and concise methodology. A systematic approach and well-defined plan communicate the organization's outputs and services to customers The organization utilizes methods such as off-site meetings, customer visits, newsletters, and electronic means to communicate its capabilities. Outputs are adapted to individual customers. |
| 5 | A comprehensive customer identification and definition system is in place for both internal and external customers. Up-to-date information pertaining to available outputs and services to customers are regularly communicated. The organization has an interactive, two-way, and constant communication path with all customers to understand their requirements and plan for organization capabilities to support those needs. This approach is integral to the organization's planning process. |

## Criteria

**1.3 Customer & Mission Area Knowledge** – Customer and Operational Knowledge

**Question B:** How well does the organization use feedback from its customers (internal, external) regarding value, cost, and quality to become more customer focused?

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**Amplification:**
How do you listen and learn to determine key customer requirements and changing expectations (including output and service features) and their relative importance to customer decisions? How do your determination methods vary for different customers (internal vs. external)? How do you use information and feedback from current customers regarding the quality and cost of your output or service? How do you use this information and feedback to become more customer focused?

Note: Output and service features refer to all the important characteristics of outputs and services and to their performance throughout their life cycle. This includes all customers' use and interaction experiences with your organization that influence use and relationship decisions. The focus should be on features that affect customer needs. Those features might include cost, reliability, value, delivery, timeliness, ease of use, requirements for hazardous materials use and disposal, customer or technical support, and the support relationship.

---

| Score | Scoring Criteria |
|---|---|
| 1 | The organization has no feedback methodology for capturing customer's requirements and changing expectations or adapting to meet them. No identifiable system exists for measuring the organization's output's value in the minds of our customers. |
| 2 | Some listening and learning methods are employed to access customer feedback, including identifying output and service features and their relative importance and value to customers. Information and feedback from current customers are summarized and considered by the organization, but they are not a primary driver of change to output and services. |
| 3 | A feedback methodology is employed to determine key customer requirements and expectations (including output and service features). Information and feedback from current customers is considered, and changes to output and services may be made as a result of this analysis. |
| 4 | A feedback methodology specific to each distinct class of customer is in place to determine key requirements and expectations (including output and service features) and their relative importance and value to the customer. Feedback is continuously gathered and used to adapt output and services to changing customer requirements. |
| 5 | A comprehensive customer relation management methodology addresses all key customer requirements and expectations and their relative importance to output and service decisions. Metrics on feedback from current customers regarding the quality, value, and cost of the organization's outputs and services are collected and used to improve customer support. Customer feedback is continuously considered and customers are an integral part of the planning process. A separate team reviews the metrics and determines ways of becoming more customer-focused using the data. |

## Criteria

**1.3 Customer & Mission Area Knowledge** – Customer and Operational Knowledge

**Question C:** How well does the organization keep listening and learning methods current with operational needs and directions, including changes in external environment?

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**Amplification:**
How do you keep your listening and learning methods current with operational needs and directions, including changes in your external environment?

Note: Listening and learning include gathering and integrating survey data, focus group findings, web-based data, and other data and information that affect customer satisfaction and relationship decisions. Keeping your listening and learning methods current with needs and directions also could include use of newer technology, such as web-based data gathering.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | Listening and learning methods for determining market conditions and key customer requirements are ad hoc and informal. Changes in the organization's external environment are not considered. |
| 2 | Several listen and learn methods are in place, but they are essentially one way outreach efforts, such as surveys, and are done at infrequent intervals. The results are considered informational, but aren't reviewed or used as part of the operational planning process. |
| 3 | A variety of listening and learning methods are in place, and take advantage of the latest technology to provide customers with a feedback tool. Regular reports of gathered data are promulgated within the organization and are considered, but are not integrated into the operational planning process. |
| 4 | Data from a variety of sources, including the use survey data and online feedback, ensure the organization is listening and learning from the customer real time. Data are considered and closely evaluated to identify changes in the external environment as they occur, and their implications for the organization's operational planning. Data are also reviewed as part of the operational planning process. |
| 5 | Real-time customer surveillance data from a variety of sources are used to identify changes in the external operating environment. A specific function is tasked with "keeping up with the customer." The organization's planning process uses the data to modify its operational plans and to drive changes. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**1.4 Customer Relationships and Satisfaction** – Customer Relationship Building

**Question A:** How do you build relationships with customers to meet and exceed their expectations, while improving financial performance?

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**Amplification:**
Note: This criteria emphasizes how you obtain actionable information from customers. That information can be tied to key output, service, and processes, and used to determine cost and revenue implications for setting improvement goals and priorities for change.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | Requests for products and services are received and filled without understanding or differentiating among individual customers or their needs. No customer relationship development efforts are made to identify requirements data or ways to improve customer support at lower cost or with improved financial performance. |
| 2 | Customer outreach efforts involve direct contact with customers to better determine their service needs and actionable items for the organization to improve our performance, possibly with greater efficiency and effectiveness. |
| 3 | We meet regularly with customers to identify their current and future requirements, and set service objectives. We derive useful information for our organization to meet the customer's needs more effectively, but more efficiently such that we improve performance at lower cost and greater efficiency. Customer feedback is sought directly to determine whether changes implemented are having the desired result. |
| 4 | Partnering relationships have been developed with key customers. New products, new service offerings, and optimized delivery channels are developed with assistance from customers. With input from key customers, performance metrics are used to monitor mission objectives, and identify opportunities for improvements. These efforts translate into improved financial performance and efficiency metrics. |
| 5 | We leverage our knowledge of best practices to introduce changes and work closely with partner customers to be more effective in the achievement of their goals. Integrated teams with customers are formed to improve output delivery processes. Customers are educated on emerging trends and jointly develop solutions to their changing operational environment. Customer requirements are linked back to the organization's strategic and operational planning process. Performance is regularly benchmarked against that of other military services, public-sector organizations, and selected industry organizations to achieve best-in-class product and service delivery. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**1.4 Customer Relationships and Satisfaction** – Customer Relationship Building

**Question B:** How does the organization respond to customer comments and complaints, ensure that it resolves them effectively, and perform improvement efforts?

| Amplification: |
|---|
| How do your customers contact you to seek information, interact, and make complaints? How do you manage customer complaints? How do you ensure that complaints are resolved effectively and promptly? How do you minimize customer dissatisfaction? How are complaints aggregated and analyzed for use in improvement?<br><br>Note: Complaint aggregation, and analysis should lead to effective elimination of the causes of complaints and to the setting of priorities for process, product, and service improvements. Successful outcomes require deployment of information throughout the organization. |

| Score | Scoring Criteria |
|:---:|---|
| 1 | We don't inform our customers of how to communicate complaints. Complaints are assigned as action items, but no aggregation or root cause analysis is conducted. No tracking of contacts made or responses provided. |
| 2 | Customers have multiple channels to voice dissatisfaction or to make specific complaints. Organization has developed and is beginning to implement processes for recording complaints, assigning responsibility for resolution, and escalating responsiveness when deemed necessary. Most customer complaints are recorded for follow up. |
| 3 | A well-defined process is in place to handle customer complaints and to make it easy for the customers to submit them through a variety of channels. All complaints receive a response. Targeted response times for resolution, depending on the nature of the complaint and the criticality of customer need exist. An escalation process is in place to increase responsiveness based on customer requirements. A set of individual and organizational performance metrics are tracked on a regular basis. |
| 4 | We have a well-defined process in place for handling customer complaints and to make it easy to submit them through a variety of channels. Each complaint is followed with a customer satisfaction survey to determine the quality of resolution. Organization tracks and analyzes all customer complaints and its responsiveness, identifies trends in customer complaints, performs root-cause analysis to address common issues, and provides long-term solutions. |
| 5 | Organization has an open, two-way communication with customers, and it uses complaints to solicit their proactive involvement in evaluating product and service offerings, and providing improvement suggestions. Complaints are used as a starting point for driving internal improvement, communicating results throughout the organization, and forming teams to improve systems and processes to eliminate the sources of complaints. Performance is benchmarked against like organizations and industry leaders. Best practices and emerging technology are incorporated to communication with customers and to address their concerns. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**1.4 Customer Relationships and Satisfaction** – Customer Satisfaction Determination

**Question C:** How does the organization track customer satisfaction and how does it use customer problems to improve processes?

| Amplification: |
| --- |
| How do you determine customer satisfaction and dissatisfaction? How do these methods differ among customer groups (internal vs. external)? How do you ensure that your measurements capture actionable information for use in exceeding customers' expectations? How do you use customer satisfaction and dissatisfaction information for improvement?<br><br>Note: Determining customer satisfaction and dissatisfaction could include use of surveys, formal and informal feedback, customer histories, complaints, win analysis, and transaction completion rates. That information could be gathered on the Internet, through personal contact or a third party, or by mail. |

| Score | Scoring Criteria |
| :---: | --- |
| 1 | Customer satisfaction is not measured. Organization has no formal customer satisfaction measurement process. Customer issues are addressed on a case-by-case basis, and some of those issues lead to improvements in quality or performance. |
| 2 | Customer satisfaction is measured indirectly and infrequently for external customers only, but we do not track trends. Some of these efforts capture information for improving processes and customer satisfaction. |
| 3 | Customer satisfaction is regularly measured utilizing a variety of measurement tools. Trends and internal and external customer groups have different measurement processes, which are used to improve customer support efforts. |
| 4 | Customer satisfaction is frequently and systematically measured using a variety of means. Our organization tracks and analyzes trends in those measures, and differentiate among all key customer groups, both internal and external. Measurement processes capture information that is used to drive improvement efforts through operational plans; performance data are compared with that from other organizations to help identify opportunities for improvement. |
| 5 | Customer satisfaction is frequently and systematically measured. Organization tracks and analyzes related trends, differentiates among all key customer groups including internal and external, and captures information that is routinely used to drive improvement activity. Data from direct customer contact derived are used to improve performance. Performance data are compared with one or more world-class organizations to help identify opportunities for improvement. Customer satisfaction data are utilized in operational plans to develop and budget enhancements directly linked to improving delivery performance. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**1.4 Customer Relationships and Satisfaction** – Customer Satisfaction Determination

**Question D:** How do you determine your organization's customer satisfaction levels?

| Amplification: |
|---|
| Note: Customer satisfaction measurements could include both a numerical rating scale and descriptors for each unit on the scale. Actionable customer satisfaction measurements provide useful information about specific output and service features, delivery, relationships, and transactions that affect your customers' actions. |

| Score | Scoring Criteria |
|---|---|
| 1 | Customer satisfaction levels are not measured except with informal, anecdotal conclusions. |
| 2 | A quantifiable or attribute scale is used in a simple customer satisfaction measurement tool that is delivered infrequently. Data are not specific to different attributes or performance areas, but does provide a general measure of customer satisfaction. |
| 3 | Multiple customer satisfaction measurement vehicles are used to provide quantifiable or attribute data specific to different performance areas, such that improvement efforts can target specific areas to improve. |
| 4 | A detailed customer satisfaction measurement process is used to systematically measure levels and trends in various performance areas. Actionable data are provided from those areas and used to drive improvement. Accurate measurement data allow operational planning and budgeting processes to use outputs to identify and plan process, system, and technological improvements. |
| 5 | A detailed, ongoing customer satisfaction process is used to systematically measure levels and trends in customer satisfaction in various performance areas. Customer satisfaction measurement is assigned to a specific function, with both quantifiable and attributable data collected that accurately pinpoints areas of weakness. Actionable data are used to drive improvement. Management conducts trend analysis and compares results to those from one or more other competitive organizations. Management uses the data to organize improvement teams and projects. Customer satisfaction measures provide accurate data that drives operational planning and budgeting of process, system and technological improvements that will improve customer satisfaction. |

## Criteria

**1.4 Customer Relationships and Satisfaction** – Customer Satisfaction Determination

**Question E:** How do you keep your approaches to determining satisfaction current with operational needs and directions?

| | |
|---|---|
| **Amplification:** |
| Note: Customers may be assigned or may be required to use your organization, and relationships may be short term. For those organizations, relationship building could be focused on meeting and exceeding expectations during the short-term relationship, resulting in positive comments to other people, including key stakeholders of your organization. |

| Score | Scoring Criteria |
|---|---|
| 1 | No process exists to differentiate customers or identify new customers, or for managing new relationships. |
| 2 | New customers are informally identified but their needs are assumed to be the same as those of other customers. No special effort is made to identify the requirements of new customers. |
| 3 | A new customer identification process exists such that new customers assigned to the organization are identified and their requirements defined. |
| 4 | A formal process exists that identifies new customers, polls them on their requirements, and documents their needs. This review is then compared with current output and delivery processes to ensure that the customer's requirements can be met satisfactorily. New customer requirements are input into the organizations systems systematically to ensure all internal requirements are met. |
| 5 | A formal process exists that identifies new customers, ensures a high-level outreach effort is in place, and that the new customer is assigned full support accountability. New customer requirements are fully defined and documented in a formal process, and a review mechanism exists to ensure that those requirements can be met. New customer requirements are input into the organizations systems systematically to ensure all internal requirements are met. New customer satisfaction specific survey mechanisms are in place. |

# Self-Assessment Questions for Step 2: Organizational Assessment

Step 2 of the Self-Assessment focuses on assessing how well your organization determines its strengths, weaknesses, and opportunities through data collection and analysis. The purpose of this step is to ensure proper collection and analysis of information is occurring, which directly influences the quality of Strategic Planning in Step 3. This, in turn, will lead to better design of human resource systems and organizational processes (Step 4) to support your Strategic Plan. By itself, information analysis and measurement do not affect operational results or customer satisfaction. It is incumbent upon leadership to act upon data *through* the other system dimensions of Strategic Planning, human resource development and management, and organizational processes to effect desired outcomes.

For Step 2, only two Criteria will be examined:

## 2.1 Measurement, Analysis, and Review of Organizational Performance

This Criteria examines your organization's selection, management, and use of data and information for performance measurement, analysis, and review in support of organizational planning and performance improvement. The aim of measurement, analysis, and review is to guide your organization's process management toward the achievement of key organizational results and strategic objectives, and to anticipate and respond to rapid or unexpected organizational or external changes.

## 2.2 Information and Knowledge Management

This Criteria examines how your organization ensures the availability of high-quality, timely data and information for all your key users—personnel, suppliers and partners, collaborators, and customers. It also examines how your organization builds and manages its knowledge assets, with an objective of improving organizational efficiency, effectiveness, and innovation.

# Summary of Level 5 Characteristics for Step 2:

Leadership clearly understands that its effect on organizational outcomes is mediated through the system that the organization uses. Quality information, measurement, analysis and knowledge management are the lifelines of effective planning and decision-making.

Organizational assessment is a data-driven process. Therefore, senior leaders place a premium on investing in systems that enable greater access and availability of real-time information to personnel, as well as customers, suppliers, and stakeholders. Reliable information provides flexibility to adapt to changing circumstances and to identify gaps in needed capabilities.

Information draws from all types of sources both internal and external: customer-related, financial, economic, operational, and comparative. Information systems, including software and hardware, are updated to ensure currency and ease of use. These systems provide a systematic process to periodically assign priorities to identified weaknesses, better leverage strengths and best practices, and improve performance. Prioritized findings become the focus of innovation efforts to align organizational effort with the highest potential return. Performance measurement enables performance management.

The focus of this information collection is on providing useful data and an effective management system. This system provides the knowledge people need to do their work, improve processes and products, communicate and share information to advance organizational learning, and develop innovative solutions that add value to customers. System security is a focus given the nature of our mission, and the dependency of the organizational effectiveness on information.

Level 5 organization leaders employ a quality improvement strategy that first depends on gathering and utilizing information ("management by fact"). Through assessment of organizational performance, this knowledge contributes to the development of an effective Strategic Plan. It takes discipline on the part of leadership to make upfront investment in information systems and information gathering to enable better fact-based decision-making, and to resist the temptation to jump directly into Strategic Planning.

<u>**Criteria**</u>

**2.1 Measurement, Analysis, and Review of Organizational Performance** – Performance
Measurement

**Question A:** How does the organization select, collect, align, and integrate its metrics to track daily
performance and achievement of strategic objectives and action plans? To what extent do
managers and employees understand and use performance metrics to monitor processes?

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**Amplification:**
How do you select, collect, align, and integrate data and information for tracking daily operations and
overall organizational performance, including progress relative to strategic objectives and action plans?
What are your key organizational performance measures? How do you use these measures to support
organizational decision-making, innovation, and improve both efficiency and effectiveness?

Note: Performance measurement is used in fact-based decision-making for setting and aligning
organizational directions and resource use at the work unit, key process, departmental, and organizational
levels.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | We have few to no performance metrics in place. Metrics may be reported monthly as results, but they are not used to monitor processes or to drive operational planning. |
| 2 | A complete set of metrics is established based on the organization's opinion of what is important to measure, and are used to monitor daily performance including processes. Some managers systematically use performance metrics and data to monitor work unit results and drive operational planning and support decision-making. |
| 3 | Metrics have been established based on the organization's mission and customer requirements. Metrics are used to monitor daily performance and progress toward strategic objectives and achievement of action plans. Key parts of the organization understand and systematically use performance metrics to monitor process effectiveness and outputs. |
| 4 | Metrics have been established based on an understanding of the organization's mission and customer requirements, and are thoroughly established and balanced throughout the organization. Metrics are used to systematically monitor daily performance and progress toward strategic objectives and achievement of action plans. Most functional areas of the organization use metrics to monitor progress, as well as process efficiency and effectiveness. Metrics are used to drive operational planning. |
| 5 | We use an integrated and balanced performance measurement system based on an analysis of organization mission and customer needs to systematically monitor daily performance and ensure planned progress toward strategic objectives and achievement of action plans. The system is used throughout the organization, and employees who need it have easy access to performance measurement information. All front-line employees can explain how their performance contributes to the success of the organization and their customers (both internal and external). A fact-based systematic evaluation and improvement approach is used to drive innovation, achievement of best practice performance, and operational planning. |

**Step 2: Organizational Assessment**

## Criteria

**2.1 Measurement, Analysis, and Review of Organizational Performance** – Performance Measurement

**Question B:** How do you select and ensure the effective use of key comparative data for operational and strategic decision-making and innovation? How do you measure cost savings?

| Amplification: |
|---|
| Note: Comparative data and information are obtained by benchmarking and by seeking competitive comparisons. Benchmarking refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization's field. Comparisons relate your organization's performance to that of similar organizations providing similar outputs and services. |

| Score | Scoring Criteria |
|---|---|
| 1 | Data from similar organizations or organizations with similar processes are identified to monitor performance. These data are not systematically used to determine changes required to improve operational performance. |
| 2 | We have established an effective approach to selecting comparative data to support operational decision-making. Similar organizations or organizations with similar processes have been identified and data obtained and examined to understand their relative performance. The data may be used to initiate performance improvement projects. |
| 3 | A systematic process is used for identifying organizations to benchmark, selecting comparative data, and ensuring its use for driving operational and strategic decision-making and innovation. Performance metrics include comparative data with the benchmarks. |
| 4 | We use an effective and systematic process for identifying organizations to benchmark, selecting comparative data, and ensuring its effective use in driving operational and strategic decision-making and innovation. Relationships have been established for gathering benchmark data. All performance metrics incorporate comparative data, and key metrics include benchmark or best practice comparisons. Comparisons are included in performance analysis, and used to promote personal and organizational learning. Applicable staff and stakeholders have access to performance results, including comparisons. |
| 5 | An effective and systematic process is used for identifying organizations to benchmark, selecting comparative data, and ensuring its effective use in driving operational and strategic decision-making and innovation. Comparative data are collected through participation in professional organizations, attendance at conferences, trade journals, and relationships with other, similar organizations. Best-in-class benchmark data are actively shared throughout the organization. All performance metrics incorporate comparative data, and most metrics include benchmark or best practice comparisons to set targets. Comparisons are included in performance analysis, and used to promote personal and organizational learning. Performance results, including comparisons, are made available to all applicable staff and stakeholders. |

## Criteria

**2.1 Measurement, Analysis, and Review of Organizational Performance** – Performance Measurement

**Question C:** How does the organization keep its performance measurement system current with its operational needs and directions?

> **Amplification:**
> How do you keep your performance measurement system current with operational needs and directions? How do you ensure that your performance measurement system is sensitive to rapid or unexpected organizational or external changes?
>
> Note: Organizational performance reviews should be informed by organizational performance measurement and guided by the strategic objectives and action plans. The reviews should also be informed by external assessments.

| Score | Scoring Criteria |
|:---:|---|
| 1 | Performance measurement system is kept current with operational needs only by reacting to changes after the metric is no longer relevant. Changes to our system occur either after the fact or when a senior leader establishes a new metric or eliminates a current one. |
| 2 | Performance measurement system is periodically updated, often based on suggestions from selected employees. |
| 3 | Performance measurement system is updated as part of a normal management review process. Changes in the organization or mission may result in changes in the performance metrics if necessary; senior leaders consider the relevance of metrics on an ongoing basis. |
| 4 | An effective process is used to systematically assess the performance measurement system and to identify necessary updates. A proactive approach is used to identify unexpected organizational and external changes that may affect metrics. Senior leaders consider the relevance of metrics on an ongoing basis. All updates are made across the entire organization. |
| 5 | An effective, proactive approach is used to systematically assess the performance measurement system and identify necessary updates across the enterprise. Performance metric sets are compared with benchmark organizations to ensure relevance. The same approach is used to identify unexpected organizational and external changes that may affect the metrics. Senior leaders consider the relevance of metrics on an ongoing basis. All updates are made across the entire organization. The system has no significant gaps and is integrated with enterprise objectives. |

## Criteria

**2.1 Measurement, Analysis, and Review of Organizational Performance** – Performance Analysis and Review

**Question D:** How does the organization review and analyze organizational performance and capabilities? How does it assess its ability to respond to changing organizational needs and challenges in the operating environment?

| Amplification: |
|---|
| How do you review organizational performance and capabilities? How do your senior leaders participate in these reviews? What analysis do you perform to support these reviews and to ensure that the conclusions are valid? How do you use these reviews to assess organizational success, operational performance, and progress toward strategic goals? How do you use these reviews to assess your organization's ability to rapidly respond to changing organizational needs and challenges in your operating environment?<br><br>Note: Analysis includes examining trends, organizational and technology projections, comparisons, cause and effect relationships, and correlations intended to support your performance reviews, help determine root causes, and set priorities for resource use. Accordingly, analysis draws on all types of data: customer-related, financial and economic, operational, and competitive. |

| Score | Scoring Criteria |
|---|---|
| 1 | Management reviews of organizational performance and capability are irregularly scheduled with no defined, standard agenda. Organizational reviews are driven by short-term demands. |
| 2 | A regular management review process is used to monitor organizational performance and detect the need to improve capability as a result of external changes. Some of our senior leaders participate in that process. |
| 3 | Regular management reviews are held using a standard agenda, which includes performance and customer data, and assesses progress against objectives established for operational performance, progress against long- and short-range plans, and organizational capability needs. Many of our senior leaders routinely participate in these reviews, so they are aware of changing organizational needs. |
| 4 | Regular management reviews are held using a standard agenda, which includes performance and customer data, and assesses progress against objectives established for operational performance, progress against long- and short-range plans, and organizational capability needs. All senior managers attend, and assessments of changes in the external environment are a standard part of the agenda. The analyses are fact-based, include comparison data, and address evaluation and improvement steps to incorporate identified improvements into performance actions. The organization's ability to accommodate changing organizational needs and operating environment challenges are systematically considered. |
| 5 | Regular management reviews are held using a standard agenda, which includes performance and customer data, and assesses progress against objectives established for operational performance, progress against long- and short-range plans, and organizational capability needs. All our senior leaders participate in these reviews. The analyses are fact-based, include benchmark and best practice data, external environment assessments, and evaluation and improvement steps to incorporate identified improvements into performance actions. The organization's ability to rapidly accommodate changing organizational needs and operating environment challenges are systematically considered. |

Step 2: Organizational Assessment

<u>**Criteria**</u>

**2.1 Measurement, Analysis, and Review of Organizational Performance** – Performance Analysis and Review

**Question E:** How does the organization use organizational performance reviews as inputs to the strategic planning process and innovation?

| **Amplification:** |
| --- |
| How do you translate organizational performance review findings into priorities for continuous and breakthrough improvement and into opportunities for innovation? How are these priorities and opportunities deployed to work group and functional operations throughout your organization? How are the priorities and opportunities deployed to your suppliers, partners, and stakeholders to ensure organizational alignment?<br><br>Note: The results of organizational performance analysis and review should contribute to your organizational strategic planning. |

| Score | Scoring Criteria |
| :---: | --- |
| 1 | The results of management reviews are turned into action items and assigned to individuals for completion. Follow-up by senior managers may not occur. |
| 2 | Management reviews create minutes with action items assigned to functions or teams. Subsequent meetings review the status of action items. Metrics are reviewed to see if action items are having any effect on performance. |
| 3 | Management reviews include evaluation of action items, projects, and improvement steps, and are used to identify appropriate priorities for the future. Process changes and improvement opportunities identified in meetings are passed to the appropriate function or team to take the lead on implementation. Project and action item tracking mechanisms are in place. Suppliers, partners, and stakeholders are made aware of the organization's priorities. Subsequent meetings review progress and metrics to evaluate the effects of implemented changes. |
| 4 | Management reviews include customers, suppliers and stakeholders, and they systematically address performance data, action items, projects, and improvement steps. Performance data are used to establish priorities and ensure that they are aligned and integrated with those at the enterprise level. Teams are formed with suppliers, partners, and stakeholders to drive performance improvement. Projects and their tracking mechanisms are in place, and part of management reviews. Subsequent meetings review progress and metrics to evaluate the effects of implemented changes. Meeting results feed into the strategic planning process, including budgeting. |
| 5 | Management reviews include customers, suppliers and stakeholders, and they systematically address performance data, action items, projects, and improvement steps. Priorities are systematically reviewed to ensure that they are aligned and integrated with those at the enterprise level and stimulate innovation, and that resource allocation is appropriate to support improvement activities. Suppliers, partners, and stakeholders participate in reviewing the results, and include them in resulting improvement activities. Teams are formed with suppliers, partners, and stakeholders to drive performance improvement. Projects and their tracking mechanisms are in place. Subsequent meetings review progress and metrics to evaluate the effects of implemented changes. Results of these reviews are fed back into our strategic planning process, including budgeting. |

<u>**Criteria**</u>

**2.2 Information and Knowledge Management** – Data and Information Availability

**Question A:** How do you make needed data and information available? How do you make them accessible to personnel, suppliers, partners, customers, and stakeholders?

| Amplification: |
| --- |
| Note: Data and information availability are of growing importance as the Internet, e-business, and e-commerce are used increasingly for organization-to-organization communication, interactions and as intranets become more important as a major source of internal communications. |

| Score | Scoring Criteria |
| --- | --- |
| 1 | We are beginning to assess the availability of data and information to our staff; all departments handle information management to suit their individual needs. |
| 2 | An effective approach has been established for identifying the data and information needs of employees. Our senior leaders make some data and information available to employees. |
| 3 | Data and information are systematically identified that needs to be available to employees, suppliers, partners, and stakeholders. Effectiveness of approach is periodically assessed by asking for feedback from employees, suppliers, partners, and stakeholders. Systems are in place to routinely exchange electronic data with suppliers, partners, customers, and stakeholders. |
| 4 | An effective process is in place to assess the availability of data and information for employees, suppliers, partners, and stakeholders. Most of our senior leaders routinely participate in this assessment, which includes evaluation and improvement steps for identifying alternatives for the future, including new technology. Data are routinely shared electronically with suppliers and partners. |
| 5 | An effective, proactive approach is used to systematically assess the availability of data and information; suppliers, partners, and stakeholders are routinely involved in the development of that data and information. An ongoing evaluation process determines information access needs, and the IT function is part of the review. Information exchange among suppliers, customers, and stakeholders is effective and open. Data and information are systematically reviewed to ensure that they are aligned and integrated with those at the enterprise level. Best practice information is routinely used to identify opportunities for improvement. |

<u>**Criteria**</u>

**2.2 Information and Knowledge Management** – Data and Information Availability

**Question B:** How does the organization develop and ensure reliable, secure, and user-friendly hardware and software availability?

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**Amplification:**
How do you ensure that your hardware and software are reliable, secure, and user friendly? How do you ensure the continued availability of data, information, and hardware and software systems in the event of an emergency?

Note: Organizations should carefully plan how they will continue to provide data and information in the event of either a natural or man-made disaster. These plans should consider the needs of all of the organization's stakeholders, including employees, customers, suppliers, partners, and collaborators. They should also be coordinated with the organization's overall plan for continuity.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | Organization is beginning to be concerned with hardware and software reliability, security, and user friendliness. System data are backed-up, but not regularly. |
| 2 | An effective approach has been established for assessing the reliability, security, and user-friendliness of the organization's computer hardware and software. A backup system is installed and an operations continuity plan addresses IT requirements for the organization. |
| 3 | The reliability, security, and user-friendliness of the organization's computer hardware and software are systematically assessed. Many senior leaders routinely participate in these assessments, which focus on weaknesses. Redundant systems have been installed to ensure all users continued access. Customers, suppliers and other stakeholders are considered in business continuity planning. |
| 4 | An effective process is used to systematically assess the reliability, security, and user-friendliness of the organization's computer hardware and software. Most senior leaders routinely participate in these assessments to ensure that they are aligned and integrated with those at the enterprise level. Suppliers, partners, and stakeholders are invited to participate and review the results that are used to drive performance improvement. Results of these reviews are fed back into the strategic planning process. Redundant systems and backup procedures ensure data access. |
| 5 | An effective, proactive approach is used to systematically assess the reliability, security, and user-friendliness of the organization's computer hardware and software. Approach also includes all suppliers, partners, and stakeholders in the development and deployment of improvements. All senior leaders routinely participate in these assessments, which include evaluation and improvement steps for identification of improvements for the future. Improvement opportunities are routinely reviewed to ensure that they are aligned and integrated with those at the enterprise level; IT improvement is part of the strategic planning process. Best practice information is used to compare the assessment results with benchmarks. |

**Step 2: Organizational Assessment**

## Criteria

**2.2 Information and Knowledge Management** – Data and Information Availability

**Question C:** How does the organization keep its data and availability mechanisms current?

> **Amplification:**
> How do you keep your data and information availability mechanisms, including software and hardware systems, current with needs and technological changes?
>
> Note: Data and information are especially important in your organization's networks, alliances, and supply chains. Your responses to these Criteria should take into account this use of data and information and recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.

| Score | Scoring Criteria |
|:---:|---|
| 1 | Data and information availability mechanisms are dictated by the IT department, which makes all changes and updates. |
| 2 | IT department periodically assesses data and information availability mechanisms based on its knowledge of the Execution Plan, new technologies and changes in the operating environment; it also solicits suggestions for updates from selected employees. |
| 3 | IT department participates in the planning process to ensure hardware and software systems required are planned and budgeted. Organization systematically assesses data and information availability mechanisms to ensure updates are current with technological changes in the operating environment. It also solicits suggestions for updates from all users and some stakeholders. Data and information availability need analyses considers quality assurance and speed in the information delivery systems. |
| 4 | All major improvement projects, operating initiatives, and strategic planning processes consider technology, and the required hardware and software support. Information mapping and data quality control are considered against changing operational needs on an ongoing basis. Information system has no significant gaps compared to current standards for data and information availability mechanisms. |
| 5 | An effective, proactive approach is used to systematically assess the currency of data and information availability mechanisms against mission needs and directions, and with technological changes in the organization's operating environment. All strategic decisions include analysis of data and information availability needs and the IT department has a strategic planning responsibility. Suppliers, customers, and stakeholders are integrated into IT planning and systems. Organization's information system matches established industry benchmarks. |

<u>Criteria</u>

**2.2 Information and Knowledge Management** – Organizational Knowledge Management

**Question D:** How does the organization maximize performance through knowledge management? How does the organization use management tools and methods for transferring workforce knowledge?

---

**Amplification:**
How do you manage organizational knowledge to accomplish the following:
- Collection and transfer workforce knowledge
- Transfer relevant knowledge among customers, suppliers, partners, and stakeholders
- Identify, share, and implement best practices.

Note: The focus of an organization's management system must be on providing the knowledge that employees need to do their work; improving processes, products, and services; keeping current with changing mission needs and directions; and developing innovative solutions that add value for the customer.

---

| Score | Scoring Criteria |
|---|---|
| 1 | Organization's knowledge management process consists of replacing employee knowledge when their departure is imminent and providing training in response to specific individual needs. |
| 2 | A systematic approach is used when the organization's knowledge management system is reviewed. Some senior leaders participate in those reviews. A SWOT analysis is periodically performed to help decision-makers to review how well the organization collects and transfers workforce knowledge; transfers knowledge between stakeholders; and molds the training, succession, and hiring plans to ensure reduced risk of knowledge loss. |
| 3 | A systematic process is used when the organization's knowledge management system is reviewed, and when analyzing its mechanisms for transferring and maintaining knowledge among all stakeholders. Many senior leaders routinely participate in these reviews. Reviews are fact-based, driven by one function that is responsible for analysis and control, and include improvement steps for identified shortfalls or risk of knowledge shortfalls. Organization is aware of changes in its operating environment. |
| 4 | An effective, ongoing process is used to systematically review the organization's progress against objectives for collecting and transferring workforce knowledge and for analyzing mechanisms for transferring and maintaining organization knowledge. The reviews are part of the strategic planning process and they stress the use of fact-based data, and include evaluation and improvement steps to incorporate identified shortfalls into performance actions. Improvement steps include modifying the organization's training, succession and hiring plans. Organization's ability to accommodate challenges in an operational environment is systematically assessed. When performance gaps are discovered during these reviews, solutions are quickly identified to eliminate risk of knowledge loss. |
| 5 | An effective, proactive, and ongoing process is used to systematically define the organization's knowledge requirements and evaluate them against an inventory of knowledge assets. This analysis is used to evaluate progress against objectives for collecting and transferring workforce knowledge and analyzing mechanisms for transferring and maintaining organization knowledge. These analyses are part of the strategic planning function, are fact-based, and include benchmark and best practice data, and steps to correct identified shortfalls in training, succession, and hiring plans. The organization's ability to rapidly accommodate changing organizational needs and challenges in an operating environment are well proven. When performance gaps are discovered during the analyses, solutions are quickly identified, reviewed, and incorporated into related processes. |

<u>**Criteria**</u>

**2.2 Information and Knowledge Management** – Data, Information, and Knowledge Quality

**Question E:** How does the organization ensure that performance data, information, and organizational knowledge are accurate, accessible, reliable, timely, and secure?

> **Amplification:**
> How do you ensure the following properties of your data, information, and organizational, knowledge:
> - Accuracy and accessibility
> - Integrity and reliability
> - Timeliness
> - Security and confidentiality.
>
> Note: Managing information can require a significant commitment of resources, particularly when the sources of data and information grow dramatically. Providing accurate data in a user-friendly, secure format can greatly improve the efficiency and effectiveness of organizations.

| Score | Scoring Criteria |
|:---:|---|
| 1 | No coherent strategy exists for ensuring that data, information, and organizational knowledge are accurate, accessible, reliable, timely, and secure. |
| 2 | Although the organization does not have a defined approach toward ensuring accuracy, accessibility, reliability, timeliness, and security of information, some areas have data collection efforts that meet their needs. |
| 3 | Information quality is aligned with the needs of the organization. Implementation of this strategy is evident throughout most areas; IT has primary responsibility for the integrated data provision strategy. |
| 4 | Strategy to ensure quality of information is integrated with organizational needs. Accuracy, accessibility, reliability, and security of data, information, and organizational knowledge are systematically ensured throughout all areas such that significant inaccuracies in information, information blockage (other than for security reasons), and security failures are rare. Integration of information needs is an operational focus. |
| 5 | Inaccuracies in information, information blockage, and security failures do not exist because the organization has systematically learned from past instances. Information and best practices on information and knowledge management are shared throughout the organization. IT manages data collection and provision efforts to ensure quality of data. |

# Self-Assessment Questions for Step 3: Strategic Planning

The purpose of Step 3 is to assess your existing strategic planning process. A good strategic planning process will outline a long-term (3-5 years) path through stated objectives consistent with the mission of the organization. The process should guide decisions on priorities and development of capabilities. Since "you get what you measure," the performance metrics associated with objectives must be carefully chosen. For Step 3, only one Criteria will be examined:

**3.1 Strategic Development:**

This Criteria examines how your organization sets strategic directions and develops your strategic objectives to guide and strengthen your overall performance, competitiveness, and future success.

# Summary of Level 5 Characteristics for Step 3:

Strategic planning at high-performance organizations is much less of a traditional closed-door, boardroom process. Leaders know that their process must include considerations from employees who are close to action and know where problems and opportunities exist. This internal "accounting" of performance is assessed in context with the changing environment to anticipate how the organization will be affected, how it responds, and what actions are needed to meet objectives.

A systematic process is evident that accounts for customer needs, changing technology, regulatory changes, financial requirements (constraints), and potential threats. Objectives are determined to meet the goals of the organizations. Accountability (or a champion) is assigned for goals and objectives and timetables assigned to set expectations.

An important part of effective strategic planning is to account for the human dimension. A Strategic Plan often forecasts coming change. Change induces stress and requires adept skill at change management, and change communication.

The Strategic Plan becomes the foundation for organizational design considerations (Step 4). An effective Strategic Plan sets the stage for assessment of system considerations, such as human resource development, work (value creation) processes, and support processes, which are evaluated and adjusted to support the Strategic Plan.

<u>**Criteria**</u>

**3.1 Strategic Development** – Strategy Development Process

**Question A:** How does the organization use a systematic strategic planning process to guide decisions and continuously improve performance?

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**Amplification:**
How does your organization conduct its strategic planning? What are the key process steps? Who are the key participants? How does your planning process account for continuous improvement and identify potential blind spots? What are your short- and long-term planning time horizons? How are these time horizons set? How does your strategic planning process address these time horizons?

Note: Strategy development refers to your organization's approach (formal or informal) to preparing for the future. Strategy development uses various types of forecasts, projections, options, scenarios, or other approaches to envision the future for purposes of decision-making and resource allocation. Strategy development may involve key suppliers, partners, customers, and stakeholders.

</div>

| Score | Scoring Criteria |
|---|---|
| 1 | Strategy is limited to creating sufficient outputs and services to avoid budget cuts and keep the doors open. No formal strategy or risk assessments are considered during decision-making. No guidance exists and procedures and participants are undefined. |
| 2 | Our strategic plan is distributed to reporting units and departments for implementation. Participants are identified, but have little involvement in the plan's preparation. Plan is often unused and left "on the shelf." |
| 3 | A defined strategic planning process, with identified time frames, exists. The plan is deployed annually; some units and departments use it to set objectives. The plan is aligned with organization needs, but it lacks an enterprise-wide perspective. |
| 4 | Our strategic planning process is robust and clearly links desired effects and financial performance to the Navy's "value chain." Threats and opportunities are identified in the process, which integrates new needed capabilities, workforce skills, technology, customer service, and productivity improvement. Tradeoffs and risk analyses are often conducted to improve strategic decision-making. |
| 5 | Strategic planning process is effective and systematic. The plan is a living document, and all personnel are familiar with it and understand their roles in achieving its objectives. Threats and opportunities are identified in the process. Senior leaders actively monitor progress and receive feedback from line employees. Plan guides all major decisions, divestitures, expenditures, choices of improvement projects, and productivity improvement targets. Strategic plan policies are integrated into specific unit-level work goals and improvement efforts. Tradeoffs and risk analyses are routinely performed to improve strategic decision-making. |

**Step 2: Organizational Assessment**

## Criteria

### 3.1 Strategic Development – Strategy Development Process

**Question B:** How does the organization identify strengths, weaknesses, opportunities, and threats during its strategic planning process?

---

**Amplification:**
How do you ensure that strategic planning addresses the key factors listed below? How do you collect and analyze data and information pertaining to these factors as part of your strategic planning process:
- Your organization's strengths, weaknesses, opportunities, and threats
- Your organization's value chain
- Early indications of major shifts in technology, trends or new concepts, or the regulatory environment
- Long-term organizational sustainability, readiness, capabilities, and relevancy in national emergencies
- Your ability to execute the strategic plan and achieve desired effects
- Your determination of cost savings targets.

Note: Your organization's strengths, weaknesses, opportunities, and threats should address all factors that are key to its future success, including your customer and mission area needs, expectations, and opportunities; your environment and your capabilities relative to your value chain; technological and other key innovations or changes that could affect your outputs and services and how you operate, as well as the rate of that innovation; your human and other resource needs; your opportunities to redirect resources to higher priorities; potential risks; and changes in the national or global economy and security.

---

| Score | Scoring Criteria |
|---|---|
| 1 | No systematic approach to strategic planning exists. Our senior leaders believe that the traditional approach to operating will still work, if we do it "right." |
| 2 | Some strengths, weaknesses, opportunities, and threats are identified, but they are not put into a framework to ensure thoroughness and validity. Senior leaders give "lip service" to new concepts, but make few significant changes. Forces from the outside drive all major changes: Organization reacts to changes and uses data subjectively to support independent agendas. |
| 3 | Some SWOT analysis is performed. Data collection is emphasized to support objective determination. Most senior leaders understand their major customers' needs and know how to satisfy them. Some new approaches and opportunities are included in the plan because of data-driven conclusions and needed capabilities. Ability to execute the plan against available resources is measured. |
| 4 | Senior leaders systematically revisit the value chain to validate objectives, required partnerships, supplier and customer relationships, and strategy. SWOT analysis results address external factors and formulate new advanced concepts to ensure the organization remains capable. Process drives regular review to keep the plan current with changing requirements and direction. Reviews consider available resources against current and future organizational needs to ensure objectives can be met. |
| 5 | Strategic planning process systematically, comprehensively, and accurately assimilates a host of external factors such as customer needs, trends, new technology implications, and regulatory changes with the organization's strengths and weaknesses to identify new opportunities and address potential threats. Process identifies capabilities and defines resource needs required to achieve objectives, and considers entire value chain from suppliers to customers. Metrics are used to effectively track progress, ensure accountability to the objectives, and maintain relevancy to customers. |

<u>**Criteria**</u>

**3.1 Strategic Development** – Strategic Objectives

**Question C:** How does the organization define strategic objectives and establish timetables for their accomplishment?

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**Amplification:**
What are your key strategic objectives and your timetable for accomplishing them? What are your most important goals for these strategic objectives?

Note: Strategic objectives that address key challenges could include rapid response requirements, readiness goals, specific joint ventures, Web-based information management, and output and service quality enhancements. Responses should focus on your specific challenges—those most important to your ongoing success and to strengthening your organization's overall performance.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | Objectives are discussed, but no one defines and promulgates key objectives. Process has no timetable for key strategic objectives, nor does it address implementation challenges. |
| 2 | Some key objectives are identified, but objectives and challenges are not discussed with stakeholders. Few timetables are established and only a few key objectives have defined goals. |
| 3 | Most key objectives are defined. Some objectives and challenges are discussed with stakeholders. Timetables are established for most objectives; most key objectives have clear goals, but not necessarily measurable ones. Specific projects or resources are identified to overcome the challenges to meeting objectives, but their accomplishment is not set to a timetable or integrated into a monitored plan. |
| 4 | All key objectives are defined and their key challenges addressed. An achievable timetable has been established for each of the objectives and goals. Most key objectives have clear and measurable goals. Each of the challenges is considered and the resources and projects necessary to overcome them have been considered. |
| 5 | All key objectives are defined clearly and completely and key challenges are addressed, in cooperation with customers and suppliers. An aggressive, achievable timetable has been established for each objective and goal. Clear and measurable goals exist for the key objectives. An organizational advocate (or champion) has been established for each objective and goal, as appropriate. An integrated resource and project plan has been developed to ensure all challenges will be overcome. |

<u>**Criteria**</u>

**3.1 Strategic Development** – Strategic Objectives

**Question D:** How do the organization's strategic objectives specifically address the organizational challenges in its Organizational Profile?

**Amplification:**
How do your strategic objectives address the challenges identified in your Organizational Profile? How do you ensure that your strategic objectives balance short- and long-term challenges and opportunities? How do your strategic objectives balance the needs of all key stakeholders?

Note: Strategic objectives that address key challenges could include rapid response requirements, readiness goals, specific joint ventures, Web-based information management, and output and service quality enhancements. Responses should focus on specific challenges, those most important to your ongoing success and to strengthening your organization's overall performance.

| Score | Scoring Criteria |
|-------|------------------|
| 1 | Strategic objectives do not address organizational challenges from the Organizational Profile. Objectives do not address balancing short- and long-term challenges nor those associated with stakeholders needs. A systemic approach to identify those challenges is not in place. |
| 2 | No process for engaging key stakeholders in the organization's challenges. Organizational Profile captures only some challenges. Consideration of short- and long-term challenges and opportunities suffers from an undeveloped enterprise perspective. |
| 3 | Process for developing the Organizational Profile is in place and addresses most challenges. Strategic objectives are consistent with those in the profile. Most senior leaders understand the tradeoffs required to balance short- and long-term objectives. Strategic planning process is designed to account for internal and external challenges identified in the Organizational Profile through a collaborative approach with employees and external stakeholders. |
| 4 | All senior leaders fully understand the challenges the organization faces. The challenges are identified in the Organizational Profile, which is a key management tool because it communicates clearly and succinctly what employees and external stakeholders need to know about the organization. Short- and long-term challenges and opportunities are integrated into operational priorities, balancing the needs of all stakeholders. |
| 5 | Strategic planning process systematically identifies clear objectives that are directly related to the challenges identified in the Organizational Profile. Organizational assessment identifies short- and long-term opportunities for improvement, which are also integrated into strategic plan objectives. This combined approach carefully and thoroughly balances short- and long-term challenges and opportunities with the needs of all stakeholders. |

**3.1 Strategic Development** – Strategic Objectives

**Question E:** How does the organization's strategic planning process incorporate planning for change management? How does it address the cultural challenges the organization may face in executing the strategic plan?

| | |
|---|---|
| **Amplification:** |
| How does your organization conduct its change management planning? What are the key process steps? Who are the key participants? How does your change management process account for key strategic objectives and the challenges they present? |
| |
| Note: Strategic planning process often results in a change in direction for an organization. Thus, good strategic planning requires an understanding of change management. These considerations should include establishing a sense of urgency, defining the guiding coalition, developing a vision and strategy, preparing a communication plan and an engagement strategy, generating short-term wins, and establishing milestones to consolidate change. |

| Score | Scoring Criteria |
|:---:|---|
| 1 | Strategic planning process exists, but it does not account for the human dimension of the change process. Our organization views employees as part of the problem; a clear "us" versus "them" atmosphere exists. |
| 2 | Some change management steps are addressed in the planning process. A guiding coalition and a communication plan are being developed. |
| 3 | Change management strategy with clear steps to support key strategic objectives exists. Most senior leaders understand their role in bringing about change, but trust is still an issue. Some employees are still convinced that the strategy is just another "change of the month." |
| 4 | All senior leaders understand key steps in the change management strategy. Organization views change management as a core competency for all senior leaders. Strategic planning process is open so all employees and stakeholders have input to the objectives. Strategic plan includes a communication and change management plan. |
| 5 | Strategic planning and change management are synonymous. Senior leaders have adopted collaborative processes that are widely inclusive. A clear sense of co-ownership in the organization's future exists, which inspires self-generated actions. Organization functions as a team because senior leaders fully understand their role in making all employees successful. |

# Self-Assessment Questions for Step 4: Execution Planning

This portion of the Self-Assessment focuses on your execution planning. The Execution Plan, which is near-term, describes "how" your organization will operate in the coming year to stay on the intended path of your Strategic Plan. These considerations necessitate choices and changes to organizational systems. For Step 4, six Criteria will be examined:

### 4.1 Work Systems

This Criteria examines how your organization's work and jobs enable employees and the organization to achieve high performance.

### 4.2 Personnel Learning and Motivation

This Criteria examines the education, training, and on-the-job reinforcement of the knowledge and skills of your employees. It also examines your organization's systems for motivation and career development, with the aim of meeting the ongoing needs of employees and a high-performance workplace.

### 4.3 Personnel Well-Being and Satisfaction

This Criteria examines how your organization maintains a work environment and a support climate that contribute to the well-being, satisfaction, and motivation of all employees.

### 4.4 Value Creation Processes

This Criteria examines your organization's key product, service, and business processes, with the aim of creating value for your customers and other key stakeholders, and improving your mission and implementation performance.

### 4.5 Support Processes

This Criteria examines your organization's key support processes and execution planning with respect to your management control program and fiscal management. The aim is to improve your overall implementation performance.

### 4.6 Strategy Deployment

This Criteria examines how your organization converts strategic objectives into Execution Plans and how it measures progress. The aim is to ensure that your strategies are successfully deployed for goal achievement.

# Summary of Level 5 Characteristics for Step 4:

The Execution Plan provides an integrated view of how an organization will operate for the coming year. In this regard, high-performance organizations place great emphasis on the process of execution planning as a means of refocusing resources on the areas that contribute most to organizational outcomes.

Research into high-performance organizations shows that human resource development and management, and management of work system processes have the greatest impact on outcomes. Leaders recognize that the desired outcomes for the organization, such as improved efficiency, achieving goals, low-error rates, and continuous improvement, are directly affected by having human resource systems as well as operational processes and procedures in place and aligned to support the Strategic Plan.

Organizational capability factors such as systems that select, reward, and develop employees, and that systematically organize core technologies and production processes are the most important factors in accounting for performance results. The impact of leadership direction is mediated through these systems.

These systems include value creation processes, as well as internal support processes that enable value to be delivered to customers—the organization's first priority. Moreover, the organization's execution planning process sheds non-valued-added systems and processes, and reduces cycle time and cost.

A good Execution Plan identifies key systems and processes required for outcome success relative to customers. To improve these systems and processes, an organization must first understand and control them. Effective senior leaders typically approach outcome improvement in a six-step process:
1. Identify your product or service
2. Identify your customers and what they think is important
3. Identify your own human resource needs
4. Define your process for doing the work
5. Eliminate the weaknesses in your process
6. Improve the process by analyzing and measuring it

The Execution Plans of high-performance organizations are oriented toward service to their customers. Customer focus along with the necessary processes and procedures to achieve that focus is viewed as a prerequisite to high-quality performance.

<u>**Criteria**</u>

**4.1 Work Systems** – Organization and Management of Work

**Question A:** How does the organization reduce waste and costs, improve customer satisfaction, embrace innovation, promote cooperation, and reward initiative?

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**Amplification:**
How do you organize and manage work and jobs, including skills, to promote innovation, initiative, empowerment, cooperation, and organizational culture? How do you organize and manage work and jobs, including skills, to reduce costs and waste, improve customer satisfaction, and achieve agility to meet your implementation needs?

Note: "Your organization's work" refers to how your employees are organized—work teams, process teams, project teams, customer-action teams, problem-solving teams, center of excellence, functional units, remote workers, cross-functional teams, and departments—and managed.

---

| Score | Scoring Criteria |
|---|---|
| 1 | The organization's senior leaders are not interested in opinions. Reducing waste and cost is not a priority because leadership believes there is no waste. Status quo is the norm. |
| 2 | Organizational structure has some focus on innovation. Cooperation, initiative, and empowerment emerge in areas where management is less concerned. Some awareness of waste and the need to reduce costs exists. |
| 3 | Organization is designed to enable work in an environment that fosters innovation, cooperation, initiative, and empowerment. Organizational goals promote cost savings, waste reduction, improvement in customer satisfaction, and responsiveness to operational needs. Some metrics are used to monitor improvement. |
| 4 | Senior leaders consider alternatives and view cost reduction and waste as key metrics of their performance. Pilot projects are used to focus innovation in areas that need improvement. Organizational targets exist for cost savings, improvement in customer satisfaction, and responsiveness to operational needs. Structured management processes promote the achievement of these goals. |
| 5 | Innovation is central to ongoing change. A team approach is used to manage work and tackle tough challenges. Culture promotes a work environment that demands cooperation. Senior leaders reward initiative that advances the success of the entire organization. Strategy and direction are clear and line supervisors are empowered to act autonomously under the "commander's intent." Organizational performance is continuously measured and tracked. Success lessons are widely shared and knowledge is routinely sought from high-performance organizations. |

## Criteria

**4.1 Work Systems** – Organization and Management of Work

**Question B:** How does the organization develop and implement systems that enable it to capture ideas from diverse personnel and knowledge from external sources?

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**Amplification:**

How do your work systems capitalize on the diverse ideas, cultures, and thinking of your employees and of the local communities and external sources with which you interact?

Note: Capitalizing on diverse ideas and thinking can be aided by the integration of internal and external knowledge, and facilitated by valuing shared knowledge and being open to knowledge from outside. Research shows that the major barriers to internal knowledge transfer are knowledge-related factors such as the recipient's lack of capacity to accept new ideas and a laborious and distant relationship between the source and recipient.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | No consideration is given to diversity of ideas, culture, or thinking within the organization, or credence to external sources. Only the boss's ideas matter. |
| 2 | Organization has some open communication and ideas flow vertically within its stricture, but there is limited sharing of ideas or little effort to use new ideas from outside sources. Some encouragement of new ideas. |
| 3 | Organization's culture encourages the sharing of ideas and thoughts from employees. Some sharing of information with external sources such as schools and similar organizations occurs. Diversity of the workforce is causing senior leaders to rethink human capital strategies and recruiting and hiring criteria. Internal LAN is being updated to share ideas and collaborate across disparate locations. |
| 4 | Organization's culture promotes and values fresh thinking. New work processes encourage the sharing of ideas and thoughts of employees throughout the organization. Training includes visits to other organizations, which are frequently used to benchmark performance. Structured processes are used for collecting and disseminating information across the organization. Some ability to measure and leverage the diversity of employees, and those of other organizations. |
| 5 | Organization's culture and work processes rely on the sharing of ideas and open communication. Challenging thought is encouraged. Structured processes for collecting and disseminating information across the organization exist. Diversity is viewed as aligning employee strengths with the needs of the organization. Systems exist to help identify the most talented employees. |

<u>**Criteria**</u>

**4.1 Work Systems** – Organization and Management of Work

**Question C:** How does the organization encourage open and effective communication and skill sharing across all work units?

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**Amplification:**
How do you use achieve effective communication and skill sharing across work units, teams, jobs, and locations?

Note: Jobs refers to responsibilities, authorities, and tasks of individuals. In some work systems, a team may share jobs.

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| Score | Scoring Criteria |
|---|---|
| 1 | Little communication exists throughout the organization. Employees focus on doing their jobs and then on going straight home. |
| 2 | Some programs have been established to formalize communication and awareness of knowledge and skills among employees. Some cross-functional teams are being used because of pressure to improve. |
| 3 | Some skill sharing is encouraged. Training is offered to develop effective communication skills, with most parts of the organization electing to participate and adopt the programs. Tools provide some visibility of the skills within the organization; the tools are used when needed. |
| 4 | Development of communication skills is strongly encouraged. Formal programs and required training for all employees exist. A database of their skills and talents is used to identify needed employees. A formal knowledge sharing process is used to track their performance. |
| 5 | Organization's communication venues reach every employee. All employees have the ability to contribute to and search those venues for information. Training programs are required. Other organizations benchmark us for performance. The best practices in communication and knowledge management from like organizations are routinely sought. Senior leaders understand the difference between communication and marketing: real communication occurs at an individual level, which requires skills, compassion, and genuine concern for employees. Organization creates trust and the desire for employees to share their skills and talents for the benefit of the team. |

<u>**Criteria**</u>

**4.1 Work Systems** – Personnel Performance Management System

**Question D:** How does your personnel performance management system, including feedback to personnel, support high-performance work and contribute to the achievement of your Execution Plans?

| Amplification: |
|---|
| Note: High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing needs and requirements. High-performance work also requires ongoing education and training, as well as information systems that ensure proper information flow. |

| Score | Scoring Criteria |
|---|---|
| 1 | A formal personnel performance management system exists, but it is seldom used. |
| 2 | Some key employee performance objectives are identified. All employees are evaluated, but the evaluations vary widely across the organization. Performance needs to be better linked to results, and customer feedback is seldom used to improve productivity. Some specific performance-related goals exist, but no effective plan for achieving them has been developed. |
| 3 | An effective evaluation system is in place, but encourages a different set of behaviors than what senior leaders desire. Most key employees have performance objectives and receive periodic formal feedback. Key performance objectives exist for the organization, but few measures have been established, so employees cannot see how they contribute to meeting the objectives. |
| 4 | All key employee performance objectives have been defined in terms of organizational objectives. Milestones for each performance goal have been established; those milestones feed individual progress milestones. All key performance objectives have champions assigned and their success is tied to organizational success. Productivity, reducing waste, improving effectiveness and efficiency, reducing cycle times, are all linked to individual performance. |
| 5 | All key employee performance objectives are clearly and completely defined. Performance management system links individual performance to compensation. Expectations of employees are in alignment with the performance management system. Aggressive but achievable milestones have been set for all performance objectives. Mission or operational performance has been linked to customer satisfaction. Individual performance is based upon product or service quality, and other factors related to customer needs. |

## Criteria

**4.1 Work Systems** – Personnel Performance Management System

**Question E:** How does your personnel performance management system support a customer and readiness focus? How do your compensation, recognition, and reward and incentive practices reinforce high-performance work?

> **Amplification:**
> Note: Compensation, recognition, and related reward and incentive practices include promotions and bonuses that may be based on performance, skills acquired, and other factors. In government organizations, such as the Navy, compensation systems are set by law or regulation. Since recognition can include monetary and non-monetary, formal and informal, and individual and group mechanisms, reward and recognition systems still permit flexibility.

| Score | Scoring Criteria |
|:---:|:---|
| 1 | Senior leaders are inconsistent between what they say is important and what they evaluate. Team performance is espoused, but individuals vie against each other at the expense of the unit. |
| 2 | Organization's performance measurement system supports a readiness focus, but readiness is not well integrated into performance objectives. Compensation, recognition and reward, and incentive programs reinforce "readiness at any cost." |
| 3 | Organization's fitness and evaluation system reinforces a focus on meeting customer needs for the right readiness, at the right cost. A set of tools and processes that communicate these goals to employees is being developed. Most incentives are directed toward individuals, but some effort is being made to reward team leaders of high-performance work units. Culture is shifting to value a different set of leadership traits. |
| 4 | A systematic, well-defined program for implementing performance management is deployed across the organization. A set of tools and processes are being used that reinforce a focus on meeting customer needs with respect to the right level of readiness at the right cost. The skills, characteristics, and behaviors required from employees that align with stated objectives and performance goals have been identified and communicated. These requirements are constantly re-evaluated as customers needs change over time. A well-defined set of metrics is being used for evaluating employees in their support of theses goals. |
| 5 | Organization's performance management system is well defined. It provides feedback on both organizational and employee performance. Supervisors routinely receive feedback on the performance of their employees. Training for senior leaders incorporates extensive material on providing feedback and coaching. Performance management system differentiates among various levels of performance. It focuses on strategic objectives that focus on maintaining high levels of readiness. Feedback includes external inputs. System requirements are continually evaluated as needs change. A comprehensive rewards program exists for employees, which recognizes performance consistent with stated values and goals. |

<u>**Criteria**</u>

**4.1 Work Systems** – Hiring and Career Progression

**Question F:** How do you identify characteristics and the skills needed by personnel?

| Amplification: |
| --- |
| Note: In some organizations, this identification may be a process defined by regulation or law. |

| Score | Scoring Criteria |
| --- | --- |
| 1 | No formal process exists for matching job requirements with the right skill and knowledge. |
| 2 | Processes have been identified for determining the prerequisite skills and knowledge for some positions. Some parts of the organization are using these processes when hiring new employees. Requirements for some key uniformed positions are communicated to BUPERS. |
| 3 | A formal hiring process exists that includes steps for establishing necessary skills for position; identifying the prerequisite characteristics, skills, and knowledge required for individual positions and job classifications; and performing a formal assessment of potential candidates against these prerequisites. Most of the organization has implemented these steps in their hiring practice. Before a uniformed candidate is sent to fill a key military billet, a candidate list is requested from the detailer. |
| 4 | Organization has a formal process for analyzing skills needed and number of positions. Position descriptions are less prescriptive, and more descriptive of required ability. Process is implemented throughout the entire organization. Effectiveness of the hiring process and ability to hire the right candidates are tracked and measured. Detailers routinely send senior leaders a list of candidate personnel for key billets prior to writing orders. |
| 5 | Talent determination is integrated into the organization's HR practices. Employees help to shape the skills they require. Job responsibilities and expectations are clearly communicated throughout the organization. The hiring process is a major factor in organization performance improvement. Results are routinely compared with those other organizations and best practices are adopted when appropriate. Our organization is viewed by candidates as a plumb job for professional development. |

<u>**Criteria**</u>

**4.1 Work Systems** – Hiring and Career Progression

**Question G:** How do you recruit, hire, and retain new personnel? How do you ensure that the personnel represent the diverse ideas, cultures, and thinking needed for your desired workforce?

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**Amplification:**
Note: Hiring should include and capitalize on diversity factors. In some organizations, this process may be defined by regulation or law.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | Hiring process does not address the need for bright, young, talented personnel. |
| 2 | Organization has some objectives for recruiting, hiring, and retaining key personnel, but uses informal processes to attain those objectives. Some incentives have kept talented employees from leaving. Organization has discussed the need for diversity in the workforce, but it does not address the need during the hiring process. Diversity is viewed simply as racial balance. |
| 3 | Most of the organization's key objectives for recruiting, hiring, and retaining outstanding employees are defined. Although it follows a process that addresses the recruiting, hiring, and retention of outstanding employees, the organization still lacks a formal strategy. Processes are in place to fast-track, highly talented employees; diversity is a consideration in these processes. Diversity is being redefined to focus on capabilities and background. |
| 4 | All key objectives to recruit, hire, and retain outstanding employees are included in the strategic plan. The objectives are linked to customer value creation. Formal, integrated processes, which address the recruiting, hiring, and retention of outstanding employees, are in place. Diversity is defined as the collective strengths each employee brings to the organization. Retention programs are developed with input from employees. |
| 5 | Formal, integrated processes exist that address the recruiting, hiring, and retention of outstanding employees. All employees view themselves as potential recruiters for the organization; they also are made aware of the numerous programs offered the organization. Senior leaders understand the importance of good word-of-mouth advocates. Employees are aware of the intense competition for talented, bright, and motivated personnel. Organization's programs are recognized as the standard to beat; they also are routinely updated with best practices from other organizations. |

<u>Criteria</u>

**4.1 Work Systems** – Hiring and Career Progression

**Question H:** How do you accomplish effective succession planning for leadership and management positions? How do you manage effective career progression for all employees throughout the organization?

| Amplification: |
| --- |
| Note: The requirements of high-performance work necessitate attention to succession planning and hiring profiles. Hiring and career progression planning should focus on future sustainability and readiness of the organization. |

| Score | Scoring Criteria |
| --- | --- |
| 1 | Career progression is not actively managed. Succession planning for leadership and management positions is still based on the good-old-boy network. |
| 2 | Some goals have been developed for managing career progression and succession planning across the organization. Career paths are known, but most are not documented. Some processes exist that enable employees to participate in managing their career growth. Metrics are not tracked on the organization's success in providing career development or succession planning. |
| 3 | Goals are defined for succession planning, career development, and leadership development. Formal processes exist that involve both managers and individual employees in goal setting and career development activities. Performance metrics have been established for assessing the effectiveness of these processes. |
| 4 | Goals are defined for succession planning, career development, and leadership development, and linked to overall strategic plans. Formal processes and tools exist that involve both managers and individual employees in goal setting and career development activities. Training is provided to all participants on how to use the tools effectively. Progression of employees throughout their careers is tracked and feedback provided to ensure the effectiveness of their performance. Senior leaders help identify employees with high potential. |
| 5 | Senior leaders help identify employees with high potential for leadership opportunities as part of succession planning. Managers are measured on their ability to track the progression of employees and provide feedback to ensure the effectiveness of employee performance. Retention and subordinate development are integrated into leadership performance evaluations. Organization is widely admired for its ability to develop leaders and consistently put the right senior leaders in place. |

## Criteria

**4.2 Personnel Learning and Motivation** – Personnel Education Training and Development

**Question A:** How does the organization use education and training of personnel to achieve objectives and address key needs associated with organizational performance management?

> **Amplification:**
> How do personnel education and training contribute to the achievement of your Execution Plans? How do your personnel education, training, and development address your key needs associated with organizational performance measurement, performance improvement, and technological change? How does your education and training approach balance short- and long-term organizational objectives with personnel needs for development, ongoing learning, and career progression?
>
> Note: These needs include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; meeting customer requirements; accomplishing process analysis and simplification; reducing waste and cycle time; and setting priorities based on strategic alignment or cost-benefit analysis. Education needs also include advanced skills in new technologies or basic skills, such as reading, writing, language, arithmetic, and computer usage.

| Score | Scoring Criteria |
|:---:|---|
| 1 | Education and training are not aligned with the needs of the organization. Training return on investment is neither considered nor tracked. |
| 2 | Education, training, and career development activities are aligned somewhat to performance measurement. In some areas, the needs of the organization are balanced with the development needs of employees. No formal measures of the effectiveness of employee education exist. |
| 3 | Employees identify some requirements for their development; other requirements are based on the organization's mission and needed capabilities. A formal planning process ensures that the needs of the organization are balanced with the needs of employee development, ongoing learning, and career development. Most employees participate in this planning process. Most measures of effectiveness are not widely used. |
| 4 | Requirements for employee development are based on capabilities needed to fulfill the organization's mission. They are updated as strategic objectives and the short- and long-term operational needs of the organization change. A formal planning process is tied to organizational planning in which the needs of the organization are balanced with employee needs for development, ongoing learning, and career development. Tools are used to track the planning and accomplishment of personnel development activities. The entire organization participates in this planning process. All employees have individual development plans. |
| 5 | Education and training requirements are clearly linked to mission and advance the needs of the individual. Organization continually benchmarks education, training, and development processes to ensure they meet its needs and those of all employees. Training and education are viewed as vital elements of the organization's development of its intellectual capital. Although the organization's per capita budget for training is high, its ROI is defendable. The organization considers that its needs and those of its employees are the same. |

## Criteria

**4.2 Personnel Learning and Motivation** – Personnel Education, Training, and Development

**Question B:** How does the organization address key organizational needs in such areas as new personnel orientation, diversity, ethical practices, workplace environment and safety, and management and leadership development?

> **Amplification:**
> How do your education, training, and development address your key organizational needs associated with new personnel orientation, diversity, ethical practices, and management and leadership development? How do personnel education, training, and development address your key organizational needs associated with personnel, workplace, environmental, and safety?
>
> Note: Depending on the nature of your organization's work, personnel responsibilities, and the stage of organizational and personal development, education and training needs may vary greatly.

| Score | Scoring Criteria |
|:---:|:---|
| 1 | Little education and training are provided for new personnel orientation, diversity, ethical practices, workplace, environmental, safety, and management and leadership development. |
| 2 | A system exists that integrates required training for ethics and other mandatory training. Some of the specific organizational needs are identified along with the necessary personnel development activities required to support those needs. There are no formal measures in place to determine the effectiveness of this training. |
| 3 | A formal process identifies the specific education, training, and development needs. Training is mandatory for some topics, and most personnel comply. A new personnel orientation program is in place, including diversity, ethical practices, workplace, environmental, safety, and management and leadership development. Most personnel are encouraged to participate in development activities that assist the organization in meeting these needs. The effectiveness of some development activities are periodically assessed. |
| 4 | A formal process exists that includes some cooperation with personnel to identify the specific education, training, and development activities they need to meet organizational needs. Important topic areas such as diversity, ethical practices, workplace, environmental, safety, and management and leadership may be addressed during new personnel orientation. Regular training program includes the same topics, but they are tailored for leaders at various stages of the organization. A planning process identifies and schedules the individual personnel development needs; the results of those individual development activities are measured and tracked. |
| 5 | A formal process exists that includes close cooperation with personnel to identify the specific education, training, and development activities they need to meet organizational needs. Important topic areas such as diversity, ethical practices, workplace, environmental, safety, and management and leadership are addressed during new personnel orientation. Organizational capabilities are formally reviewed and integrated with feedback about customer's needs. All personnel development activities are measured and tracked. All education, training, and personnel development processes are continually benchmarked. Training and education are a central part of CI strategy. |

**Step 2: Organizational Assessment**

## Criteria

**4.2 Personnel Learning and Motivation** – Personnel Education Training and Development

**Question C:** How does the organization receive input on its personnel's education, training, and development needs?

---

**Amplification:**
How do you seek and use input from personnel and their supervisors and managers on education, training, and development needs? How do you incorporate your organizational learning and knowledge assets into your education and training?

Note: Your organization should utilize some form of a feedback mechanism for input into education, training, and development needs. Current organizational learning and knowledge assets should be complemented and/or utilized through education and training.

---

| Score | Scoring Criteria |
|-------|-----------------|
| 1 | We do not formally solicit input from personnel. There is no sharing of organizational learning or knowledge through formal education or training. It's "every man for himself." |
| 2 | We informally solicit input from some personnel regarding education, training, and development needs. We informally incorporate this input in the planning for education, training, and personnel development activities. There is some incorporation of organizational learning and knowledge through our education and training efforts. |
| 3 | We formally survey most of our personnel, and their supervisors and managers to solicit input on their development needs. We have developed a formal planning process in which we assess the input received against requirements to determine future education, training, and development. We use the planning process across most of the organization, which includes some customer perspectives. We have begun to identify specific organizational knowledge assets and are planning to incorporate them in future training activities. |
| 4 | We regularly provide a formal survey to all of our personnel, and their supervisors and managers to solicit input on their development needs. This survey also allows personnel to provide feedback on quality of current training. We measure our ability to provide the right activities to meet the stated development needs. We have an ongoing process to systematically capture intellectual capital throughout the organization and incorporate it though methods/tools that are readily available to all staff. |
| 5 | We regularly provide a formal survey to all of our personnel, their supervisors and managers to solicit input on their development needs, and the quality of our training and education programs. We use a formal planning process across the entire organization, in which we regularly assess the input received to determine future education, training, and development activities of various constituents. We measure our ability to provide the right activities that are able to meet the stated development needs. We have an ongoing process to systematically capture intellectual capital throughout the organization and incorporate it through methods/tools, which are readily available to all staff. We have dedicated staff to centralize the process of knowledge management, and intellectual capital sharing. |

**4.2 Personnel Learning and Motivation** – Personnel Education Training and Development

**Question D:** How does the organization deliver education and training programs to personnel?

---

**Amplification:**
How do you deliver education and training? How do you seek and use input from personnel and their supervisors and managers in determining your delivery approaches? How do you use both formal and informal delivery approaches, including mentoring and other approaches?

Note: Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as other types of delivery. Training also might occur through developmental assignments within or outside your organization.

---

| Score | Scoring Criteria |
|---|---|
| 1 | We rarely conduct training, and when it is done we use limited methods, like Quarters or require all hands to attend a class whether or not the topic is applicable. |
| 2 | We provide most of our training through formal delivery methods. In some parts of the organization there are informal delivery approaches as well. We have begun to explore a systematic approach to training and delivery across multiple channels. We have informally surveyed some of our personnel and their supervisors for their input. |
| 3 | We have developed a systematic approach to delivery of education and training, employing both formal and informal methods across a variety of delivery channels. We occasionally will solicit feedback from our personnel and their managers and supervisors to assess our approach and delivery and incorporate their feedback, where possible. We set performance goals for personl satisfaction and training effectiveness and measure on a regular basis. |
| 4 | We have developed a systematic approach to delivery of education and training, employing a variety of delivery channels (on-the-job, classroom, computer-based). We regularly provide a formal survey to our personnel and their managers and supervisors to solicit feedback proactively on our approach as well as to garner new ideas for delivery methods. We set performance goals for personnel satisfaction and training effectiveness and measure on a regular basis. We track trends and address gaps or areas of improvement. We provide training specific to job needs, and track ROI based-on supervisor feedback. |
| 5 | We have developed a systematic approach to delivery of education and training, employing a variety of delivery channels (on-the-job, classroom, computer-based). We participate in industry visits to expose the organization to the latest technologies and /or methodology for training and education delivery. We regularly provide a formal survey to our personnel and their managers and supervisors to solicit feedback proactively on our approach and garner new ideas for delivery methods. We set performance goals for personnel satisfaction and training effectiveness and measure on a regular basis. We track trends and address gaps or areas of improvement. |

## Criteria

**4.2 Personnel Learning and Motivation** – Personnel Education Training and Development

**Question E:** How does the organization reinforce on the job knowledge and skills of personnel to ensure that they retain knowledge and skills for long-term organizational use?

> **Amplification:**
> How do you reinforce the use of new knowledge and skills on the job and retain this knowledge for long-term organizational use? How do you systematically transfer knowledge from departing and retiring personnel?
>
> Note: An organization's knowledge management system should provide the mechanism for sharing the knowledge of personnel and the organization to ensure that high performance work is maintained through transitions. Each organization should determine what knowledge is critical for its operations and should then implement systematic processes for sharing this information. This is particularly important for implicit knowledge (i.e., knowledge personally retained by your people)

| Score | Scoring Criteria |
|:---:|:---|
| 1 | Knowledge resident with specific personnel is essentially lost when they depart or retire. |
| 2 | Some managers reinforce the use of new knowledge and make an effort to ensure that personnel share knowledge for long-term organizational use. Knowledge resident within a specific person is often lost when they depart but some make a specific effort to pass knowledge along to someone else. |
| 3 | Most managers reinforce the use of new knowledge. We make an effort to ensure personnel share knowledge with other personnel and the organization to ensure that high performance work is maintained over time. We retain knowledge resident within a specific personnel when they depart or retire because personnel generally share their knowledge during the course of their careers. We work to avoid the "indispensable man" syndrome. |
| 4 | We have systematic approach to knowledge management. Our knowledge management system strongly reinforces leadership's intent to provide access to needed information, on the job skills training, and to systematically document and retain such knowledge for long-term organizational continuity. Systematically documenting such knowledge ensures we retain knowledge when personnel depart or retire. |
| 5 | Our organization's knowledge management system provides the mechanism for sharing the knowledge of personnel and the organization to ensure that high performance work is maintained over time. We have a systematic approach to determine what knowledge is critical for operations and processes for sharing this information. We reinforce the use of new knowledge and skills, and ensure departing or retiring personnel leave a legacy in the form of the continued use of the knowledge and skills they developed during their service to the organization. |

## Criteria

**4.2 Personnel Learning and Motivation** – Personnel Education Training and Development

**Question F:** How do you evaluate the effectiveness of education and training, taking into account individual and organizational performance?

**Amplification:**
Note: When you evaluate education and training, you should see effectiveness measures as a critical part of the evaluation. Such measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/benefit analysis of the training. For example, Black Belt training in Lean Six Sigma requires successful project completion experience before certification is awarded.

| Score | Scoring Criteria |
|-------|-------------------|
| 1 | No formal evaluation of training effectiveness exists. We shotgun training across the command to meeting required delivery minimums. |
| 2 | We informally evaluate the effectiveness of education and training. Supervisors and managers assess the impact of education and training on individual performance. We have begun to evaluate the effectiveness of education training to overall performance. |
| 3 | We have begun to deploy a formal, systematic approach to evaluating the effectiveness of the education and training we provide to our personnel. We set goals for attaining improvement of individual personnel performance and evaluate the impact of education and training on achieving those goals. We have a set of performance metrics, which reflect the impact of education and training, and we track those metrics over time. Individual and supervisor feedback is sought on training effectiveness. |
| 4 | We have deployed, across the organization, a formal, systematic approach to evaluating the effectiveness of the education and training we provide to our personnel. We set goals for attaining improvement of individual personnel performance and evaluate the impact of education and training on achieving those goals. We have linked the education and training activities we provide, to the achievement of organizational goals. We have a process by which we evaluate the effectiveness of those activities in helping the organization to achieving its goals. We have a set of performance metrics, which reflect the impact of education and training, and we track those metrics over time. |
| 5 | We have deployed, across the organization, a formal, systematic approach to evaluating the effectiveness of the education and training we provide to our personnel. We use the results of the evaluation to improve our effectiveness over time. We set goals for attaining improvement of individual personnel performance and continually improve upon our education and training to have a greater impact on performance. We have linked the education and training activities we provide, to the achievement of organizational goals. We have a process by which we evaluate and improve upon the effectiveness of those activities in helping the organization to achieving its goals. We have a set of performance metrics that reflect the impact of education and training and we track those metrics over time. We continuously seek sources of best practices to implement and we effect improvements throughout training and education. |

## Criteria

**4.2 Personnel Learning and Motivation** – Motivation and Career Development

**Question G:** How do you involve personnel to motivate* them and to develop and utilize their full potential?

> **Amplification:**
> Note: Factors inhibiting motivation should be understood and addressed by your organization. Further understanding of these factors could be developed through personnel surveys or exit interviews with departing personnel.

| Score | Scoring Criteria |
|:---:|---|
| 1 | We have no formal policy to encourage personnel. Motivation is based on "fear". We do not offer incentive programs. Input from frontline personnel is not considered useful nor is sought. |
| 2 | We employ incentive programs, but personnel may not understand the goals. Some staff participates in personal development. Some leaders understand the importance in involving people in developing solutions to improvement challenges in order to generate ownership, but this is personality dependent vice taught. |
| 3 | We have formal values in our organization that encourage involvement. Leaders view collaborative input as vital to effective planning. We align motivational programs with organizational goals. Most of our staff participates in the development program. Our policies are translated into an engagement strategy. This engagement strategy details the importance of "hands-on" leadership and suggests methods that are situation appropriate. |
| 4 | Managers drive the incentive process in alignment with the organization's goals and vision. We develop departmental targets with personnel involvement. All personnel are in the development program. A winning team spirit is evident throughout the organization. Leaders get results by involving people and getting commitment. The engagement strategy has now evolved into a "leadership style" as part of our organization's culture. Strategic plans are no longer the domain of boardrooms, and senior leaders actively seek input from all personnel on ideas, challenges, and resources necessary for success. |
| 5 | We have world-class motivational program with involvement by all personnel. We operate under the premise that every person joined the Navy for a chance to lead, and we give them that opportunity. Leaders promote education and career development. Our senior leader genuinely wants us all to be "wildly successful" and relentlessly charges his senior leadership team with viewing themselves as the champions of their people's success. "Management by walking around" is the norm, and the result is that all people feel and act like owners of the organization. |

<u>**Criteria**</u>

**4.2 Personnel Learning and Motivation** – Motivation and Career Development

**Question H:** How does the organization help its personnel attain their job, career, and learning objectives?

| Amplification: |
|---|
| How does your organization use formal and informal mechanisms to help personnel attain job and career-related development and learning objectives? How do managers and supervisors help personnel attain job and career-related development and learning objectives?<br><br>Note: To help personnel realize their full potential, organizations may use individual development plans prepared with each person that address his or her career and learning objectives. |

| Score | Scoring Criteria |
|---|---|
| 1 | We have few if any formal mechanisms for helping personnel attain job and career-related objectives. Managers are swamped in day-to-day workload and have little time to coach. |
| 2 | We have some formal and informal (mostly informal) mechanisms for helping personnel attain job and career-related development and learning objectives. Some managers and supervisors take the initiative to help personnel attain job development and learning objectives by being actively involved with their people. |
| 3 | The organization has several formal and informal mechanisms for helping personnel attain job and career-related development and learning objectives. Most managers and supervisors actively help personnel attain their objectives, because they have taken the time to know their personnel and document individual development plans. |
| 4 | The organization systematically uses a coordinated suite of formal and informal mechanisms to help personnel attain their career and learning objectives. Managers and supervisors have many resources at their disposal and have the authority to take action on behalf on their people's learning needs. |
| 5 | The organization establishes job and career-related development and learning objectives for positions and functions, systematically uses a coordinated suite of formal and informal mechanisms to help personnel attain them, and prioritizes promoting personnel who attain them. Managers and supervisors guide subordinates' development, aggressively apply the many resources at their disposal to help personnel attain job and career-related development and learning objectives, and vigorously endorse personnel for positions of increasing authority and responsibility when they attain required objectives. The result is that all personnel feel constantly "employable" vice simply employed. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**4.3 Personnel Well-Being and Satisfaction** – Work Environment

**Question A:** How do you ensure workplace preparedness for disasters or emergencies?

| | |
|---|---|
| **Amplification:**<br>Note: An emergency might be weather-related, utility-related, or due to a local or national emergency. | |

| Score | Scoring Criteria |
|---|---|
| 1 | We have not invested time or effort in planning or preparing for disasters or emergencies. The only instructions we have are per federal and local law and filed somewhere in the front office. |
| 2 | Some personnel groups or work units have conducted limited planning initiatives for disasters or emergencies, but preparations are generally the result of an individual manager's initiative. We post basic written instructions throughout the facility for emergency actions. Some units keep recall bills, but it is not a requirement. |
| 3 | We have written disaster and emergency plans. We post instructions for emergencies and plant safety and hazardous material. We train personnel and test personnel for compliance. Routine drills are held. Recall bills are now required. There is a sense that leadership does this because they care, not just because it is required to do. |
| 4 | We integrate systematically disaster and emergency planning and preparations into activities. We conduct routine practice sessions or exercises to assure personnel knowledge and correct actions are taken. We periodically evaluate plans and procedures to ensure we are prepared to respond to disasters and emergencies successfully. Lessons learned from drills and other actual emergencies are reviewed to improve our programs. |
| 5 | Our command disaster preparedness plan is a model for others. Leaders genuinely care about the welfare of the people. Our command preparedness includes household preparedness plans that help personnel consider what they need to have in place in their personal lives for emergency situations. When drills are held, we hold "hot wash-up" sessions to capture lessons and integrate them into the next drill. Learning is constant from our indoctrination programs to our community outreach program. Our personnel are leading and instructing the community on how to react to disasters and emergencies the community may face. We provide expertise to help ensure appropriate community plans are prepared, and we actively promote and participate in community preparations and exercises. |

**Step 2: Organizational Assessment**

<u>**Criteria**</u>

**4.3 Personnel Well-Being and Satisfaction** – Personnel Support and Satisfaction

**Question B:** How does the organization monitor the well-being, satisfaction, and motivation of its personnel?

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**Amplification:**
How do you determine the key factors that affect personnel well-being, satisfaction, and motivation? How are these factors segmented for a diverse workforce and for different categories and types of personnel?

Note: Specific factors that might affect your personnel's well-being, satisfaction, and motivation include effective personnel problem or grievance resolution; safety factors; employees' view of management; personnel training, development, and career opportunities; personnel preparation for changes in technology or the work organization; the work environment & conditions; management's empowerment of employees; information sharing by management; workload; cooperation and teamwork; recognition; services and benefits; communications; job security; compensation; and equal opportunity.

---

| Score | Scoring Criteria |
|-------|------------------|
| 1 | We assume supervisors know how to motivate personnel and look after their well-being and satisfaction. Our service members are viewed as "free labor". |
| 2 | Some managers have a good sense of key factors affecting personnel well-being, satisfaction, and motivation, but we do not have an inclusive list that forms standards for the organization. There is no overarching goal to make the organization a "great place to work" but some leaders understand that they are only as good as their people. |
| 3 | Most managers have created files of key factors relating to their people's well-being, satisfaction, and motivation, but we do not systematically document and validate an inclusive enterprise-wide list. However, senior leaders are no longer viewing the success of others as anomalies, and are informally benchmarking internally in an effort to raise the standards of their own success as a leader. However, the senior leader has challenged the organization to meet certain indicators of well-being, satisfaction, and motivation. |
| 4 | We systematically identify key factors affecting personnel well-being, satisfaction, and motivation across the enterprise. Our goal is to become a "great place to work". We integrate personnel feedback into our leadership and management approach. Flexibility is important to our workforce. A good balance between work-life and home-life is a strategic goal of the organization. We ask our people for input on what makes their work fulfilling. |
| 5 | We systematically identify key factors affecting personnel well-being, satisfaction, and motivation throughout the enterprise and segment them for a diverse workforce by different categories of work and types of personnel. We integrate processes for keeping this list current as input to our strategic planning, performance evaluation, and managers' training to ensure our culture truly reflects that "our people are our greatest asset," - not just give it lip service. Individual Development Plans include these factors. The expectation is to make our work-life balance a win/win for the individual and the organization. |

<u>**Criteria**</u>

**4.3 Personnel Well-Being and Satisfaction** – Personnel Support and Satisfaction

**Question C:** How does the organization tailor its personnel services, benefits, and policies to the needs of a diverse workforce?

| Amplification: |
|---|
| How do you support your personnel via services, benefits, and policies? How are these tailored to the needs of a diverse workforce and different categories and types of personnel?<br><br>Note: Approaches for personnel support might include providing counseling, career development and employability services, recreational or cultural activities, non-work related education, day care, job rotation or sharing, special leave for family responsibilities or community service, and flexible work hours and location. |

| Score | Scoring Criteria |
|---|---|
| 1 | Our services, benefits, and policies serve only a small portion of our workforce. Feedback is provided by personnel but is largely ignored. |
| 2 | We tailor some of our services, benefits, and policies to serve the needs of our workforce, but our tailoring process is primarily a function of reacting to individual complaints and validating them, rather than a systematic initiative to ensure our services, benefits, and policies serve the needs of a diverse workforce. |
| 3 | We tailor most of our services, benefits, and policies to serve the needs of our workforce, but we have not systematically validated all services, benefits, and policies to ensure they collectively serve the needs of everyone. Career development, family needs, etc., are still viewed predominantly as a personal issues. |
| 4 | We have systematically validated all our human resources services, benefits, and policies to ensure they collectively serve the needs of a diverse workforce and different categories and types of personnel. We continually solicit feedback from employees and evaluate their effectiveness. When our personnel win, our organization wins, and we strive to achieve a healthy balance between the needs to the organization and the needs of the individual. |
| 5 | Our services, benefits, and policies are widely admired and a key factor in drawing top talent into the organization. We earn some of the many awards offered annually by various organizations measuring workforce policies. We regularly update our services, benefits, and policies to adapt to changing dynamics in our workforce and ensure our services, benefits, and policies remain world-class. Our range of options and dedication to the individual results in some of the best recruitment, promotion rates, and retention figures in the Navy. |

**Step 2: Organizational Assessment**

## Criteria

**4.3 Personnel Well-Being and Satisfaction** – Personnel Support and Satisfaction

**Question D:** How does the organization develop measures and indicators of personnel well-being, satisfaction, and motivation?

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**Amplification:**
What informal and formal assessment methods and measures do you use to determine personnel well-being, satisfaction, and motivation? How do these methods and measures differ across a diverse work-force and different categories and types of personnel? How do you use other indicators, such as personnel retention, absenteeism, grievances, safety, and productivity, to assess and improve personnel well-being, satisfaction, and motivation?

Note: Measures and indicators of well-being, satisfaction, and motivation might include data on safety and absenteeism; the overall turnover rate; the charitable contributions of personnel, e.g., to the Combined Federal Campaign, grievances, and other job actions; insurance costs; workers' compensation claims; and the results of surveys. Survey indicators of satisfaction might include employee knowledge of job roles, personnel knowledge of organizational direction, and personnel perception of empowerment and information sharing.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We don't measure personnel well-being, satisfaction, and motivation. People are viewed as an expense to reduce. |
| 2 | Some managers make an effort to determine personnel well-being, satisfaction, and motivation, but they mostly use informal assessment methods or measures to determine these factors. We collect indicators, but little effort is made to use them to assess or improve personnel well-being, satisfaction, and motivation. |
| 3 | Most managers attempt to determine personnel well-being, satisfaction, and motivation. We have formal assessment methods or measures to determine these factors. These results are developing into measures of leadership performance, We collect data, and most managers review them to some extent to assess and improve personnel well-being, satisfaction, and motivation. |
| 4 | We use both informal and formal assessment methods and measures to systematically determine personnel well-being, satisfaction, and motivation. We collect data regarding such indicators as personnel retention, absenteeism, grievances, safety, command climate, and productivity. |
| 5 | Our leadership develops measures of personnel well-being, satisfaction, and motivation through direct involvement with the workforce. Surveys are used but nothing beats management by walking around. We use data regarding such indicators as personnel retention, absenteeism, grievances, safety, and productivity to provide early indicators of problems and focus follow-up assessment activity. The measures are used to evaluate leadership performance. We provide regular feedback to employees, and leaders regarding these measures. These measures are integrated into our Strategic Planning to ensure action is taken. |

<u>**Criteria**</u>

**4.3 Personnel Well-Being and Satisfaction** – Personnel Support and Satisfaction

**Question E:** How do you relate assessment findings to key results to identify priorities for improving the work environment and personnel support climate?

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**Amplification:**
Note: Your organization should have a mechanism that utilizes the feedback from your personnel surveys to improve the work environment. Progress on improving the work environment should be communicated to all personnel.

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| Score | Scoring Criteria |
|---|---|
| 1 | Assessment findings are just a check in the block. The attitude from leadership is "if you don't like your job, then find another place to work." |
| 2 | Some assessment findings are related to key results, but few priorities are set for improving the work environment and personnel support climate. Furthermore, timetables and plans for how to achieve the key results are rarely established. |
| 3 | Most assessment findings are related to key results and some priorities have been set for improving the work environment and personnel support climate. Timetables and plans for how to achieve key results are usually established, but measures of success are generally not. Survey data is collected, but not results and subsequent actions are not well communicated back to personnel. |
| 4 | All of our assessment findings we relate to our key results and clear priorities have been set for improving the work environment and personnel support climate. Timetables and plans for how to correct weaknesses are established along with measures of success. Champion's are assigned to key initiatives, but everyone feels that creating a good working environment is an "alls hands" effort. |
| 5 | Leadership has established a collaborative vision of the ideal work environment. In addition to surveys, leaders want to know what they can do to make their people "wildly successful." Our assessments then target ways to move the organization in this direction. This is integrated into our Strategic Plan. Timetables and plans for how to achieve results are established along with measures of success for each. Efforts to improve the workplace environment act as a feedback loop between leaders and personnel. Actions are clearly related to organizational goals. |

**Step 2: Organizational Assessment**

<u>Criteria</u>

## 4.4 Value Creation Processes

**Question A:** How does the organization identify, understand, and define success for all of its key outputs, services, and value creation processes?

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**Amplification:**
How does your organization determine its key value creation processes? What are your organization's key outputs, services, and business processes for creating or adding value? How do these processes contribute to organizational success? How do you determine key value creation process requirements, incorporating input from customers, suppliers, partners, and stakeholders?

Note: Your key value creation processes are those most important to producing your primary outputs and "running your operations". They are the processes that involve the majority of your organization's employees and produce customer and stakeholder value. They include the processes through which your organization adds the greatest value to its outputs and services. They also include the processes most critical to adding value to the organization itself. Key value creation processes differ greatly among organizations, depending on many factors. These factors include the nature of your outputs and services, how they are produced and delivered, technology requirements, customer and supplier relationships and involvement, outsourcing, the importance of R&D, the role of technology acquisition, information and knowledge management, supply chain management, legislative mandates, and marketing. To completely and concisely identify your key value creation processes, you might want to use a tabular format.

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| Score | Scoring Criteria |
|---|---|
| 1 | We have not defined key value creation processes. There are many people who come to work each day and do what they do because "that's just the way it's always been done." |
| 2 | We utilize a practical structure for identifying some key outputs, services and value creation processes. We know how processes contribute to our success, but differentiate which add value and are more important than others. |
| 3 | We are aware of what creation processes are important to our mission. We have a process for determining with our customer their needs, which informs our value determination efforts. Our organization communicates with our stakeholders and understands what adds value. Leadership planning processes yield clear objectives but are not well linked to specific value added outputs. |
| 4 | We utilize a practical structure for identifying all key outputs, and services, which determines our value creation processes. We know how these identified value creation processes contribute to our success. To improve the process, we must first have the process under control. We adapt our requirement determination process to incorporate input from customers, suppliers, partners, and/or stakeholders. We are able focus more resources and people on value creation because we have reduced non-valued added activity. |
| 5 | Our organization has systematic approach to identify what our outputs are and matches those to our customers. This process includes internal coordination with our suppliers, customers, and stakeholders to map all of our value streams and value chain. All outputs and processes not directly connected to these value stream maps are divested, and resources re-directed to areas that are providing the most value added to our customers, suppliers, and stakeholders. We define success in terms of "right force, right readiness, right cost" is as much defined by our customer, as by our own leadership. |

<u>**Criteria**</u>

**4.4 Value Creation Processes**

**Question B:** How does the organization identify and meet key requirements for value creation processes and uses continuous improvement techniques?

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**Amplification:**
What are the key requirements for these processes? How do you design these processes to meet all the key requirements? How do you continuously improve your value creation processes to achieve better performance, to reduce variability, to improve outputs and services, and to keep the processes current with operational needs and directions?

Note: To achieve better process performance and reduce variability, you might implement methods such as a Lean Enterprise System, Six Sigma methodology, use of new industry standards, or other process improvement tools. Process requirements are often defined in terms of quality, cycle time, and cost.

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| Score | Scoring Criteria |
|---|---|
| 1 | We have not identified any key requirements for our value creation processes. Cost is not a concern. Continuous improvement is just another means to cut head count. |
| 2 | We use some process improvement techniques to identify key requirements for the value creation process. Certain quality standards are being driven, as are cost goals. We may understand our mission, but don't yet have a full grasp on customer demand for our outputs and services. |
| 3 | We understand and identify key requirements for value creation processes. We use a structure that designs processes to meet certain requirements. Customer demand is better understood, thus we have adjusted our capacity accordingly. Now we can begin to Lean the processes that matter because we understand what the customer values and the cost drivers. |
| 4 | We understand and identify key requirements for value creation processes in cooperation with our customers. We continually improve all our value creation processes through formal CPI techniques. We look to other organizations to compare and improve our value creation processes and continuous improvement model. We focus on improving quality, reducing cost and cycle time which delights our customers. |
| 5 | Our organization has a systematic process for determining our value creation processes: 1) Identify your product or service; 2) Identify your customers and what they think is important; 3) Identify your own human resource needs; 4) Define the process for doing the work; 5) Mistake-proof the process; 6) Improve the process by analyzing and measuring it. We know what our quality goals are, cycle-time targets, and costs should be. Other organizations benchmark our processes. We redirect resources to where they add the most value. We benchmark others and are a model for other Navy organizations. |

## 4.4 Value Creation Processes

**Question C:** How does the organization incorporate new technology, organizational knowledge, and agility into its value creation processes?

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**Amplification:**
How do you incorporate new technology, organizational knowledge and the potential need for agility into the design of these processes?

Note: This could include e-technology for sharing information with suppliers, partners, and collaborators; communicating with customers; and giving them continuous (24/7) access and automated information transfer from in-service outputs requiring maintenance in the field.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | We are reactive in the face of change. We informally use organizational knowledge (more like tribal pass-down). Our processes remain constant in the face of changing requirements. |
| 2 | We incorporate technology when it becomes a crisis. We have a process to incorporate organizational knowledge into our value creation processes, through training. We have considered the agility of some of our processes, and determined that if isn't broke, why fix it? |
| 3 | We have a formal structure to consider the adequacy of our technology in many of our value creation processes. Suggestions for new technology enter a review process. We have a systematic approach to including organizational knowledge when we redesign value creation processes. We are looking at most of our value creation processes to improve agility. |
| 4 | Our leadership encourages exploration of new technology. From this, we have a formal structure to consider current technology against new technology to determine its use a certain value creation process. Where we identify technological deficits, we have a plan to upgrade the system. We include resident organizational knowledge through collaborative systems. We examine all of our value creation processes to improve agility through empowerment of those in charge of them. |
| 5 | We have a formal experimentation program to pilot new technology in a constant search for performance excellence. Through benchmarking other similar processes, we discover where we are behind and how to leverage other successes. Our HR systems enable us to find resident talent that can assist in process improvement. We know where our talent is. We have internal best practice forums to share ideas and improve organizational learning. Process agility is a factor of empowerment to make changes at a local level and speed of approval changes to policies affecting execution. Leadership puts pressure on managers to constantly improve technology, training, empower employees, to improve quality, reduce cost and cut cycle times. |

<u>**Criteria**</u>

**4.4 Value Creation Processes**

**Question D:** How does the organization use productivity, efficiency and effectiveness measures in the design and implementation of its value creation processes?

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**Amplification:**
How do you integrate cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of value creation processes? How do you implement these processes to ensure they meet desired effects? What are your key performance measures or indicators used for the control and improvement of your value creation processes?

Note: For many organizations, supply chain management is a growing factor in achieving productivity goals and organizational success. Suppliers, partners, and collaborators are receiving increasing strategic attention as organizations reevaluate their core functions. Suppliers' processes should fulfill 2 purposes: to help improve the performance of suppliers and partners and, on specific actions, also to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection, with the aim of reducing the total number of suppliers and increasing preferred supplier agreements.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | Cost has not typically been a consideration, thus we do not have methods to target cost drivers in our value creation processes. Productivity is confused with how many emails are answered per day. |
| 2 | We have defined productivity, and have some measures that help us design our value creation processes. Our customers alerted us (complained about) poor response time, so we added measures of cycle time to improve our throughput. This is reflective our reactive vice proactive approach to improving what we do. |
| 3 | Effectiveness measures are focused around readiness. Productivity and efficiency measures are used by most of our leaders to improve our value creation processes. We are gaining a better understanding of the difference between an output (delivered product or service) and its outcome (desired effect). We have begun to differentiate efficiency measures (cost) from effectiveness measures (readiness). Our customers are now evaluating our performance in these terms. |
| 4 | We use a wide variety of measures and indicators for the design of all of our value creation processes. Through CPI techniques, we identify ways to control and improve of our value creation process. Our customer's feedback of the quality of our outputs and services is integrated into our process design to ensure we meet or exceed requirements. |
| 5 | We use a wide variety of customer-centric measures and indicators for the design of all of our value creation processes. We have designed a process to ensure that the effects of these measures on our process are desirable. Measures for the control and improvement of our value creation process are routinely reviewed. We compare the types of measures we look at to those measured by best in class organizations. Our customers feedback of the quality of our outputs and services is integrated into our process design to ensure we meet or exceed requirements and expectations and deliver value in the most efficient manner. |

## 4.4 Value Creation Processes

**Question E:** With respect to value creation processes, how do you foster innovation and continuous improvement (CI) at all levels of the organization?

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**Amplification:**
To what extent does the organization express a commitment to innovation and CI? How your organization provides people with the time, resources, and infrastructure to drive innovation and CI? How are improvements and lessons learned shared with other organizational units and processes to drive organizational learning and innovation?

Note: This question is closely related to 4.5(a)(2), but includes not just better quality from your customers' perspectives, but also better financial and operational performance – such as productivity – from your other stakeholders' perspectives. Process improvement approaches include 1) sharing successful strategies across your organization to drive learning and innovation; 2) performing process analysis and research (e.g. optimization experiments); 3) conducting technical research and development; 4) benchmarking; 5) using alternative technology; and 6) using information from customers of the process both within and outside your organization. Process improvement approaches might utilize financial (budget) data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign ("re-engineering") of processes.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | Change is viewed as "the flavor of the month." Innovative ideas or dialogue is not encouraged. We focus on resolving crises and have little time to pursue improvement. |
| 2 | We achieve some innovation and CI at some levels within the organization largely through efforts of enlightened individuals. There are a few "success stories" where people have made improvements. We share lessons learned informally within the organization. |
| 3 | We achieve continuous improvement in most levels of the organization. Most of our staff shows commitment to innovation and CI. We have adequate resources for these efforts in most areas. We have several "success stories" because of cross-functional or cross level teams. We use a process to share lessons learned throughout the organization. |
| 4 | We work together across all levels of the organization to create opportunities for innovation and drive CI on a scheduled basis. Our staff shows commitment to innovation through a dedicated budget for pilot ideas. We have time, resources and infrastructure to support the CI process. The majority of our organization participates in CI projects, for example, lean six-sigma or kaizen events, or a CI project affects them. We execute CI plans on realistic timelines. |
| 5 | We have a leader that champions and clearly communicates strategy for CI. Our Strategic Plan puts forth a clear vision, and how innovation is necessary to move in that direction. We have dedicated time, resources, training, and infrastructure to the CI process. The environment is open to CI ideas arising spontaneously from individuals and teams at all levels. We systematically evaluate these ideas for possible implementation. Our managers see their job as making work faster, better, and easier for front-line people. Our leaders involve suppliers and customers in CI. We execute CI plans on aggressive yet realistic timelines. Our innovative CI plans would serve as best practices for other organizations. |

<u>**Criteria**</u>

## 4.4 Value Creation Processes

**Question F:** How does in-process management ensure key process outputs are met? How is stakeholder input used for in-process management?

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**Amplification:**
How does your day-to-day operation of these processes ensure meeting key process requirements? How are in-process measures used in managing these processes? How are customer, supplier, partner, and stakeholder input used in managing these processes?

Note: In-process measurements and interactions require the identification of critical points in process for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | In-process controls are random. We have not linked customer requirements and input to our processes. Rejection of products only occurs at the point of delivery. |
| 2 | We monitor measures of outputs, and some in-process measures. We use informal input from customers, suppliers, partners and stakeholders when managing processes. Random sampling at various milestones is now occurring. |
| 3 | Our management system ensures we meet most requirements of key processes. We use a formal process control system to monitor outputs and in process measures of most key processes on a regular basis. In process rejections are reducing finished product defect rates. We formally communicate with most of our customers, suppliers, partners and stakeholders to gain input for managing critical points in our value creation processes. |
| 4 | Our management system has established critical measures at in-process observation points. Process variance is being reduced, as is cycle-time. We use a formal process control system to monitor various inputs at steps in our value creation processes. We formally communicate with all of our customers, suppliers, partners and stakeholders to gain input for managing processes to reduce complexity and the potential for mistakes/errors. |
| 5 | Our management system incorporates techniques like Lean Six Sigma to reduce both cycle-time and variance. Leaders constantly integrate customer feedback to spark ideas for improvement. We have established SOPs to guide leaders across the enterprise and update these procedures per feedback from personnel. We use innovative techniques to drive innovation and empower our people to improve our processes, often on the spot. Our in-process controls and audits virtually prevent all defective products and services from ever reaching the customer. |

## 4.4 Value Creation Processes

**Question G:** How does the organization minimize the cost of quality?

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**Amplification:**
How do you minimize the overall costs associated with inspections, tests, and process or performance audits? How do you prevent defects and rework, and minimize failure costs?

Note: Audits should emphasize preventative activities such as first article inspections, periodic sampling, real time process audits, initial quality planning, and process capability studies. The specific types of audits will vary by organization.

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| Score | Scoring Criteria |
|---|---|
| 1 | We do not us a formal auditing system to minimize costs associated with inspections, tests, and external audits. We have reactive quality activities. |
| 2 | We have a limited auditing system for some of our processes, but our data feedback is inconsistent. We use inspection operations for a few processes only. We focus on correcting deficiencies rather than prevention activities, therefore cost of quality is still not well defined. |
| 3 | We use a formal auditing system for most of our processes. We receive useful feedback from the audits. This system is defined and the costs for it are known. Our QA team is factored into this cost, as well. Most departments lead their own correction and prevention activities, as QA is trying to create a self-directed, de-centralized program. |
| 4 | We use a formal auditing system based on best practices. The QA staff maintains an objective perspective while the staff is trained in similar techniques to QA themselves. We give our cross-functional QA team members tools and time to perform audits whose costs are known. Staff throughout the organization leads corrective and preventive activities as a cost of doing business. The QA process is no less subject to CI scrutiny than any of our other processes. |
| 5 | Our organization's leadership champions the minimization of costs related to inspections, tests, and audits. Our formal auditing QA system emphasizes preventative activities such as first article inspections, periodic sampling, real time process audits, initial quality planning, and process capability studies. We integrate these activities into responsibilities of staff at all levels of the organization. Leaders measure cost-of-quality as a performance metric against quality. |

## Criteria

### 4.4 Value Creation Processes

**Question H:** How does the management system handle and dispose of non-conforming process output?

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**Amplification:**
How does the quality management system include provisions for handling and disposition of non-conforming process output, including corrective and preventative actions plus assurance of the implementation of such actions?

Note: When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We have no provisions in the system that addresses non-conforming process outputs. If the customer doesn't complain about it, we assume all is well. |
| 2 | We write provisions for addressing some common non-conforming outputs. We examine the root cause and apply corrective action for some problem outputs. Yet these actions are rarely documented and integrated into SOPs. |
| 3 | In accordance with the management system, we use a formal procedure for handling and disposing non-conforming output. We develop and implement corrective actions for most problem outputs. Individuals take it upon themselves to do occasional audits. Some work areas are now tracking metrics that measure process quality. |
| 4 | In accordance with the management system, we use a formal procedure for handling and disposing all non-conforming output. We develop and implement corrective actions for all problem outputs. We have a system where individuals or teams do regular audits of irregularities to eliminate further problems. We identify the root cause and use mistake-proofing methodologies to eliminate future problems. We formally integrate lessons into our Training programs to prevent future irregularities. We consider other organization's methodologies in developing our processes. |
| 5 | We systematically address any non-conforming issues as part of our in-process management. Non-conforming outputs are re-used to the maximum extent possible after extensive root-cause analysis exploration. Our QA system includes individuals or teams who do regular audits of irregularities to eliminate further problems. We develop and implement corrective actions for all problem outputs. We identify the root cause and use mistake-proofing methodologies to eliminate future problems. We document all results of investigations and make these easily accessible to relevant parties. We formally communicate outcomes and changes to processes as a result of the investigative process. Our system displays the flexibility to respond to changing problems and it can easily transfer to other Navy organizations. |

## 4.4 Value Creation Processes

**Question I:** How does the organization capture and reinvest cost savings?

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**Amplification:**
How do you capture cost savings at all levels of the organization? How are savings returned for reinvestment? How are savings made visible to your organization and to higher echelons?

Note: Cost savings is referring to discussions regarding savings targets. Reinvestment in this context refers to savings returned to the enterprise. Throughout this assessment, savings are assumed to be the by-product of doing business better, not cost reduction at the expense of effectiveness or personnel well-being (i.e., "cutting corners").

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| Score | Scoring Criteria |
|---|---|
| 1 | We rarely achieve cost savings. In fact, our costs grow inexplicably every year. As a rule of thumb, we budget for our future fiscal years based on past cost plus 5%. |
| 2 | We achieve some cost savings at some levels within the organization. There are a few "success stories" where people have made improvements that yield savings. People within the organization know we have savings at the end of the year because there is a last minute data call at the end of the fiscal year for unfunded requirements. |
| 3 | Most of the organization achieves some cost savings. There is a systematic approach to collecting information regarding cost savings. There is a planned review of budget execution and tracking of projected savings targets. Most of our staff show commitment to improvement that yields savings. We have a process to collect savings internally and a process to determine "wants versus need," whereby internal needs are evaluated against enterprise needs. |
| 4 | We work together across all levels of the organization to create opportunities for cost savings and reinvestment on a routine basis. Our staff shows commitment to improvements that yields savings. We have a clear understanding of how the organization fits into the enterprise value chain. Therefore, we have a relative sense of the benefit of reinvesting within our organization versus reinvesting within the enterprise. Our organization has a process to set aside funds for enterprise reinvestment. Funds we reinvest in our organization are visible and defendable. Our financial reporting process ensures such visibility. |
| 5 | We have a leader that champions and clearly communicates cost savings strategies. Our staff shows commitment to drive CI, such as setting productivity improvement targets, which yields significant cost savings. We work together across all levels and functions to make the organization affordable to our customers. We have dedicated time, resources and infrastructure to the savings review and reinvestment process. The environment is open to discussion about priorities to ensure clear differentiation between organization "wants and needs" and CNO investment priorities. We systematically differentiate wants from needs. Our innovative cost savings strategies would serve as best practices for other organizations. |

<u>**Criteria**</u>

**4.5 Support Processes**

**Question A:** How does the organization determine its key support processes?

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**Amplification:**
What are your key processes for supporting your value creation processes? How do you determine key support process requirements, incorporating input from internal and external customers, and suppliers, partners, and stakeholders? What are the key requirements for these processes?

Note: Your key support processes are those that are considered most important for support of your organization's value creation processes (such as product and service delivery), personnel, and daily operations. These might include facilities management, legal, human resource, project management, and administration processes. Support process design requirements usually do no depend significantly on product and service characteristics, but rather on your internal requirements.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We have not implemented a support process identification activity. We are aware of the concept but no practical applications occur. Support processes exist to meet perceived requirements. |
| 2 | Some parts of our organization identify their key support processes. We collect and incorporate requirements informally from suppliers, stakeholders and customers into our processes. |
| 3 | Most areas of our organization have identified their key support processes. We collect and incorporate requirements from suppliers, stakeholders and customers into our processes through a formal request process. |
| 4 | All areas of our organization have identified key support processes through a value stream mapping activity. We collect and incorporate all requirements input from suppliers, stakeholders and customers into our processes through their participation in the design and review process. We benchmark our support processes with other organizations. |
| 5 | All areas of our organization identify key support processes through a value stream mapping process. We collect and incorporate requirements from suppliers, stakeholders and customers into our process. We have customers and suppliers participate in our improvement activities. We compare ourselves to a best in class organization to see if we have similar key support processes identified. Different support processes work together to prevent sub-optimization of outputs. |

**Step 2: Organizational Assessment**

## Criteria

### 4.5 Support Processes

**Question B:** How does the organization use a system to ensure that processes meet all key requirements and that new technology and organizational knowledge are incorporated into such processes?

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**Amplification:**
How do you design these processes to meet all the key requirements? How do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these processes?

Note: This could include e-technology for sharing information with suppliers, partners, and collaborators; communicating with customers; and giving them continuous (24/7) access and automated information transfer from in-service outputs requiring maintenance in the field.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | Process owners define the requirements for their processes, and watch for opportunities to improve them through their own knowledge or initiative. Processes are easy to change because there are no controls, but easily become unusable as requirements outstrip the process. |
| 2 | Support processes are designed to meet a given set of requirements considered by the process owner. Informal information seeking may identify new technology, which will, or someone in the organization, who will improve the process design. The support processes can begin to fail as requirements outstrip the process. |
| 3 | Support process design includes an adequacy review of technology by the IT department. We have a systematic approach to including organizational knowledge when we redesign support processes. We are looking at most of our support processes to improve agility. |
| 4 | We have a formal structure to consider the adequacy of technology in all of our support processes. Where we identify technological deficits, we have a plan to upgrade the system. We have a systematic approach to including organizational knowledge when we redesign support processes and we can cite examples of organizational knowledge that has improved those processes. We examine all of our support processes to improve agility. Where we identify processes resistant to change, we develop a formal plan to address the potential process. |
| 5 | We have a formal structure to consider the adequacy of technology in all of our support processes. Where we identify technological deficits, we have a plan to upgrade the system. We have a systematic approach to including organizational knowledge when we redesign support processes and we can cite examples of organizational knowledge that has improved those processes. We examine all of our support processes to improve agility. Where we identify processes resistant to change, we develop a formal plan to address the potential process. We use innovative methods to identify technological solutions and simplify support processes. We create an environment where we continually share organizational knowledge to prevent sub-optimization and processes constantly benefit. |

<u>**Criteria**</u>

**4.5 Support Processes**

**Question C:** How does the organization utilize a wide range of efficiency and effectiveness measures in the design of its support processes? How does it implement processes to ensure that the effects are desirable and that they meet design requirements?

| Amplification: |
| --- |
| How do you incorporate cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of these processes? How do you implement these processes to ensure they meet design requirements? What are your key performance measures or indicators used for the control and improvement of your support processes?<br><br>Note: For many organizations, supply chain management is a growing factor in achieving productivity goals and organizational success. Suppliers, partners, and collaborators are receiving increasing strategic attention as organizations reevaluate their core functions. Supplier processes should fulfill 2 purposes: to help improve the performance of suppliers and partners and, on specific actions, also to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection with the aim of reducing the total number of suppliers and increasing preferred supplier agreements. |

| Score | Scoring Criteria |
| :---: | --- |
| 1 | Support processes are not "designed." They have been developed over time. |
| 2 | Support processes are designed or reengineered with the output in mind, and the performance measure for that output defined. Support processes are implemented and then we see what the performance measure does. SOPs are written for the support process. |
| 3 | Support process outputs and measures are defined prior to design, and target performance levels are identified. Support processes are designed and tested by the process owner prior to going live. No support process is implemented until target output levels are reached. SOPs are written for the support process. |
| 4 | Support process outputs and measures are defined prior to design, and target performance levels are identified. A cross-functional team flowcharts and documents new support processes, focusing on the elimination of any non-value added time. Support processes are designed and tested by the process owner prior to going live, and customers and/or suppliers are included in the test. No support process is implemented until target output levels are reached. |
| 5 | Support process outputs and measures are defined prior to design, and target performance levels are identified. A cross-functional team, which includes representatives from suppliers to and customers of the support process, flowcharts and documents new support processes, focusing on the elimination of any non-value added time. Similar processes from benchmark organizations are used as models for process development. Support processes are designed and tested by the process owner prior to going live, and customers and/or suppliers are included in the test. No support process is implemented until target output levels are reached. |

<u>Criteria</u>

### 4.5 Support Processes

**Question D:** How does your day-to-day operation of key support processes ensure meeting key performance requirements?

| Amplification: |
| --- |
| Notes: Key support processes must be coordinated and integrated to ensure efficient and effective linkage and performance. |

| Score | Scoring Criteria |
| --- | --- |
| 1 | We use support processes that have developed over time. The quality of support depends on the individuals operating the support processes. |
| 2 | Our support processes are documented and SOPs exist for how they are supposed to operate. Failures of the support process are not visible in any systematic way, and changes to support processes to improve performance as a result of the failure depend on individual heroics. |
| 3 | Our support processes are documented and flowcharts exist for each. Interaction points between support processes are identified, and owners of support processes are identified. Failures of any support process are documented and the root cause or failure in the process is identified and corrected. |
| 4 | Our support processes are documented and flowcharts exist for each. Interaction points between support processes are identified, and owners of support processes are identified. Support process owners define inputs and outputs required for each process to work effectively. Periodic performance reviews are conducted with process owners and improvement opportunities are actively solicited to drive support process improvement. |
| 5 | Our support processes are documented and flowcharts exist for each. A master flowchart for all support processes showing their interaction points exists, and owners of support processes are identified. Support process owners define inputs and outputs required for each process to work effectively. Periodic performance reviews are conducted with process owners and improvement opportunities are actively solicited to drive support process improvement. Cross-functional teams work on improvement activities targeted at the support process. Support process performance data is reviewed by senior leadership to ensure effective performance. |

**Step 2: Organizational Assessment**

## Criteria

### 4.5 Support Processes

**Question E:** How does the management system incorporate input and ensure that in-process measures of support processes are monitored?

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**Amplification:**
How are in-process measures used in managing these processes? How are customer, supplier, partner, and stakeholder input used in managing these processes, as appropriate?

Note: In-process measurements and interactions require the identification of critical points in process for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance.

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| Score | Scoring Criteria |
|---|---|
| 1 | No formal in process measures exist. We do not monitor process controls nor have critical points in the process been formally identified. |
| 2 | Some in process measurement points have been identified for our support processes, developed over time as a reaction to some problem, and in-process measures have been set up at these points. No formal SOPs exist for these inspections. We use informal input from customers, suppliers, partners and stakeholders to define what should be monitored. |
| 3 | Support process maps have been documented and critical points requiring in-process measures are in place for all support processes. In-process measures have been set up at these points. SOPs exist for these inspections. We solicit informal input from customers, suppliers, partners and stakeholders to define what should be monitored. |
| 4 | Support process maps have been documented and critical points requiring in-process measures are in place for all support processes. In-process measures have been set up at these points and the data from these measures are reviewed during management reviews. SOPs exist for these inspections. We solicit informal input from customers, suppliers, partners and stakeholders to define what should be monitored. Data from the in-process measures is used to initiate improvement activities, both informal and formal. We benchmark our support processes and performance measures against similar organizations. |
| 5 | We use a rigorous formal process control system to monitor in process measures of all key support processes. In process measures are set up and monitored continuously. Results are reviewed on an ongoing basis, and are used to drive corrective actions and activities to reduce process variation. We use a variety of people, including customer and supplier reps, to initiate and participate in improvement activity. Improvement activity results are confirmed through data reviews. We share key in process measures with all suppliers, customers and stakeholders. We use innovative techniques to improve our process. We benchmark our support processes and performance measures against similar organizations, and activity reach out to learn from other organizations by direct observation, or through various learning channels such as seminars, books and membership in professional organizations. |

## Criteria

### 4.5 Support Processes

**Question F:** How does the internal auditing system for support processes work in your organization? In addition, how does the organization use preventive activities to minimize overall cost of quality?

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**Amplification:**
How does the internal auditing system establish and include the addressing, correction and prevention of deficiencies? How do you minimize overall costs associated with inspections, tests, and process or performance audits, as appropriate? How do you prevent defects and rework in your support processes?

Note: Many types of audits can be performed, i.e., training or financial audits. The specific types of audit will vary by organization.

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| Score | Scoring Criteria |
|:-----:|------------------|
| 1 | We do not have a formal corrective or preventive action system to document and address deficiencies when identified in support processes. We do not have a cost of quality (internal audits, inspections, test, preventive, and failure costs) to identify opportunities to reduce costs or an audit process for support processes. We address problems as they occur. |
| 2 | We document deficiencies when found and focus on correcting deficiencies, rather than prevention activities. We have some limited auditing of our support processes, but our data feedback is inconsistent. We have some cost of quality data and work to reduce the costs of quality through informal changes and the budgeting process. |
| 3 | We have a formal auditing system and review most of our support processes. We document and pursue both corrective and preventive deficiencies and track them for resolution. Most departments lead their own correction and prevention activities. We have a cost of quality reporting system, which compiles preventive, audit and failure cost data. |
| 4 | We have a detailed cost of quality measurement system. We also use a formal auditing system. We give our cross-functional team members the tools and time to perform audits. Staff throughout the organization document and participate in corrective and preventive activities. Cost of quality data is used to target corrective and preventive actions to minimize costs. We regularly revise our internal auditing process to reflect input from staff and customers of our services. Support processes are regularly improved as a result of the audits. |
| 5 | Our organization's leadership champions the internal auditing system. Our formal auditing system emphasizes preventive activities, which we integrate into responsibilities of staff at all levels of the organization. We have a detailed cost of quality measurement system, which reflects the cost improvements of implemented changes to the processes. We regularly revise our internal auditing process to reflect input from staff and customers of our services. We share appropriate information with customers to increase awareness and implement further improvements. We apply innovative techniques to reduce the number of outside inspections, tests, and audits that occur. Our process could serve as a role model for other organizations in the Navy. |

**Criteria**

## 4.5 Support Processes

**Question G:** How does the quality management system handle non-conforming support process output and adjustment to any corrective and preventative action processes (if any)?

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**Amplification:**
How does the quality management system include provisions for handling and disposition of non-conforming process output, including corrective and preventative actions plus assurance of the implementation of such actions?

Note: When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We do not have provisions that address non-conforming support process outputs. Disparate practices and numerous business systems function in a stovepiped, duplicative, nonintegrated environment that contributes to inefficiency. |
| 2 | We write provisions for addressing some common non-conforming outputs. We examine the root cause and apply corrective action for some problem outputs. |
| 3 | In accordance with the quality management system, we use a formal procedure for handling and most disposing non-conforming output. We develop and implement corrective actions for most problem outputs. Individuals take it upon themselves to do occasional audits. |
| 4 | In accordance with the quality management system, we use a formal procedure for handling and disposing all non-conforming output. We develop and implement corrective actions for all problem outputs. We have a system where individuals or teams do regular audits of irregularities to eliminate further problems. We identify the root cause and use mistake-proofing methodologies to eliminate future problems. We document all results of investigations. We formally communicate information to prevent future irregularities. We consider other organization's methodologies in developing our process. |
| 5 | We have a system to immediately address any non-conforming issue. In accordance with the quality management system, we use an aggressive formal procedure for handling and disposing all non-conforming output. We develop and implement corrective actions for all problem outputs. We have a system where individuals or teams do regular audits of irregularities to eliminate further problems. We identify the root cause and use mistake-proofing methodologies to eliminate future problems. We document all results of investigations and make these easily accessible to relevant parties. We formally communicate information to prevent future irregularities internally and to any externally relevant parties. We communicate with other similar organizations to improve our approach continually. Our approach to non-conforming process output prevention and implementation is innovative. Our system displays the flexibility to respond to changing problems and we could transfer it to other Navy organizations. |

<u>**Criteria**</u>

**4.5 Support Processes**

**Question H:** With respect to support processes, how do you foster innovation and continuous improvement (CI) at all levels in the organization?

| Amplification: |
|---|
| How do you improve your support processes to achieve better performance, to reduce variability, and to keep them current with mission needs and directions? To what extent does the organization provide people with the time, resources, and infrastructure to drive CI? How are improvements and lessons learned shared with other organizational units and processes to drive organizational learning and innovation?<br><br>Note: Four approaches frequently used are (1) process analysis and research, (2) benchmarking, (3) use of alternative technology, and (4) use of information from customers of the processes. Together, these approaches offer a wide range of possibilities, including minor process modification and complete redesign ("re-engineering") of processes. |

| Score | Scoring Criteria |
|:---:|---|
| 1 | We express doubts about change, innovation, and CI. We focus on resolving crises and have little time to pursue CI proactively. |
| 2 | We achieve some innovation and CI at some levels within the organization. There are a few "success stories" where people have made support process improvements through voluntary effort. We share lessons learned informally within the organization. |
| 3 | We achieve continuous improvement in support processes in most levels of the organization. Most of our staff shows commitment to CI. We have adequate resources and management support to investigate and implement new ideas and technology. We have cross-functional or cross level teams created to pursue process improvements. We have a communication methodology to share lessons learned throughout the organization. |
| 4 | We work together across all levels of the organization to create opportunities for innovation and drive CI on a scheduled basis. Execution planning includes resources to actively learn, investigate and implement new idea or technology. Our staff shows commitment to innovation. We have dedicated time, resources and infrastructure to the CI process. The majority of our organization's members participate in a CI project or team, for example lean six-sigma or kaizen events. We plan for and execute CI plans on realistic timelines. |
| 5 | We have a leader that champions and clearly communicates strategy for CI. Our staff shows commitment to CI and innovation. Execution planning includes resources to actively learn, investigate and implement new idea or technology. We work together across all levels and functions of the organization to drive CI. We have dedicated time, resources and infrastructure to the CI process, and driving improvement is a basic expectation of organization leaders and managers. The environment is open to CI ideas arising spontaneously from individuals and teams at all levels and can translate them into action quickly. We evaluate these ideas systematically for possible implementation. Our managers see their job as making work faster, better, and easier for front-line people. Our leaders involve suppliers and customers in CI. We execute CI plans on aggressive yet realistic timelines. Our innovative CI plans would serve as best practices for other organizations. |

<u>**Criteria**</u>

**4.5 Support Processes**

**Question I:** To what extent does the organization have an appropriate system to provide adequate financial resources and align resources with strategic objectives?

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**Amplification:**
How does your organization ensure adequate financial resources are available to support your operations? How do you determine the resources needed to meet current financial obligations? How do you ensure adequate resources are available to support major new investments?

Note: Many types of analyses can be performed to ensure adequacy of financial resources and support current operations and investments. The specific types of analyses will vary by organization.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We use an informal approach for resource decisions and capital expenditures. We base our decisions on the previous year's resource and capital expenditures. |
| 2 | Our upper management reviews large expenditures formally. Smaller financial resource decisions continue to occur informally. Our focus on value is on identifying activity we can reduce as waste, and apply funds to more key value creation processes. |
| 3 | We formally review most financial resource decisions. We align most resources with strategic objectives. Our organization is focusing on what adds value and what does not. Non-value added activity is being reduced. Value added activity is clearer and thus a higher percent of our funding goes to creating value. |
| 4 | We formally review all financial resource decisions. We align all resources with strategic objectives. We have a plan to cover all current obligations. We have funds set aside for major new investments as necessary, which were identified as value added. Higher funding authority has gained more trust in requests because our organization has a reputation for delivering value in the most efficient manner. |
| 5 | We formally review all financial resource decisions. We ensure all resources are aligned with strategic objectives. We have an aggressive yet realistic plan to cover all current obligations. We have funds set aside for major new investments as necessary, which were identified as value added. Our budgeting and planning processes review all customer needs and potential support contingencies. We work with our suppliers and customers to prevent sub-optimization of resources, and improve the predictive value of our budgeting process. We have a unique and innovative financial resource process that would be valuable to other Navy organizations. |

Criteria

## 4.5 Support Processes

**Question J:** How does the organization assess and plan for risks, including financial risks and emergencies?

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**Amplification:**
How do you assess the financial risks associated with your current operations and major new investments? How do you ensure continuity of operations in the event of an emergency?

Note: An emergency might be weather-related, utility-related, or due to a local or national emergency. Efforts to ensure the continuity of operations in an emergency should consider all facets of your organization's operations that are needed to provide outputs or services to customers. You should consider both your value creation and your key support processes in your planning. Your organization's mission and your customers' needs and requirements will guide the specific level of service that you will need to provide. Your continuity of operations efforts should be coordinated with your efforts to ensure data and information availability.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | We do not do risk assessments as a normal part of the capital investment strategy. We do not have an emergency response plan to ensure continuity of operations in the event of an emergency. |
| 2 | We do risk assessments as a normal part of the capital investment strategy. . We have some basic documented emergency plans for a couple potential emergencies. |
| 3 | We have a robust financial risk planning process that we use for most current operations and most major new investments such that we understand the financial risk and exposure of the organization to loss of revenue or assets. We document emergency plans to ensure business continuity and occasionally update them. |
| 4 | We have a robust financial risk planning process that we use for most current operations and most major new investments such that we understand the financial risk and exposure of the organization to loss of revenue or assets. We regularly consider possible emergencies and actively contingency plan. We create detailed emergency planning documentation. We create specific assignments for each of our staff in the case of an emergency. We communicate across levels of the organization about financial risks and emergency planning. We also communicate with our suppliers and customers to prevent suboptimal planning. |
| 5 | We use a robust financial risk planning process for all current operations and major new investments such that we understand the financial risk and exposure of the organization to loss of revenue or assets. We regularly consider possible emergencies. We create detailed emergency planning documentation. We create specific assignments for each of our staff in the case of an emergency. We communicate across levels of the organization about financial risks and emergency planning. We also communicate with our suppliers and customers to prevent suboptimal planning. We regularly train staff in financial risk management and emergency planning. We run test scenarios. We compare our techniques with those of best in class organizations |

## Criteria

### 4.5 Support Processes

**Question K:** How does management recognize what portion of its cost is direct labor, material, overhead, general and administrative?

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**Amplification:**
How does management review the apportionment levels periodically?

Note: One type of accounting analysis that can be performed to recognize apportionment of costs is activity-based costing.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We have no formal breakdown or analysis of cost drivers, and do not apportion costs to departments, processes or categories. We monitor spending against budget categories only. |
| 2 | We have available spending data by budget category and roll up spending into organization wide categories (direct labor, material, overhead, general administrative). We do some analysis of cost drivers and spending. Our management is the primary user of data from finance and accounting. |
| 3 | We maintain a structured system to control and record financial data for most recent years and categories (direct labor, material, overhead, general administrative), down to the department level. We design the reporting format for decision making by management and process owners. When our management makes decisions with cost consequences, they are readily apparent. |
| 4 | We maintain a structured system to control and record financial data and assign costs to categories (direct labor, material, overhead, general administrative) down to the department level. Some value stream mapping with cost data assigned to processes has occurred. We design the reporting format for decision-making by management and process owners, and have some understanding of cost drivers. When our management makes decisions with cost consequences, they are readily apparent. Changes in processes are reflected in cost data. Our management reviews cost apportionment levels frequently. We create detailed reports on a routine basis and we provide them to all process owners. |
| 5 | We maintain a structured system to control and record financial data and assign costs to categories (direct labor, material, overhead, general administrative) down to the department level. We design the reporting format for decision making by management and process owners. All value stream processes have had costs assigned. When our management makes decisions with cost consequences, they are readily apparent. Changes to processes show up in the cost data such that improvements can be financially quantified. Our management reviews apportionment levels frequently. We create detailed reports on a routine basis and we provide them to all process owners. We share relevant financial information with customer and supplier partners. We routinely report all costs, which describe the value chain, to all levels of the organization. We compare our system to a best in class organization. |

## Criteria

**4.6 Strategy Deployment** – Execution Plan Development and Deployment

**Question A:** How does the organization develop Execution Plans with customers and stakeholders, and evaluate whether those plans meet their operational expectations?

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**Amplification:**
How do you develop and deploy Execution Plans to achieve your key strategic objectives? How do you allocate resources to ensure accomplishment of your Execution Plans? How do you ensure that the key changes resulting from your Execution Plans can be sustained? How do you establish and deploy modified Execution Plans if circumstances require a shift in plans and rapid execution of new plans? What are your key short- and long-term implementation objectives? What are the key changes in your outputs and services, and how you operate?

Note: Deployment of Execution Plans might include key partners, collaborators, and suppliers. Those plans should have the flexibility to adjust for changes in requirements and in objectives (both short and long term) to ensure that output, services, and mission needs are met.

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| Score | Scoring Criteria |
|---|---|
| 1 | There is no established process or practice for developing execution planning in order to achieve the strategic plan objectives. We do not define and promulgate key objectives throughout the organization specifically regarding Execution Plans, nor consider accountability for accomplishment, resources and timetables required. |
| 2 | There are limited processes and /or practices in place for developing execution planning in order to achieve the strategic plan objectives. Timetables are created but adherence is not monitored. There is limited means of allocating resources to the plans through the budget process, and limited flexibility to adjusting plans when situations arise. |
| 3 | There are formal processes and/or established practices in place for developing Execution plans tied to the strategic plan. Our plans include the appropriate resource allocation, accountability is established, and they provide some level of flexibility for change. We define most of our execution planning goals, including our ability to meet output, services, and mission requirements. Timetables are established and monitored, and we are able to provide some measurement of our goal attainment. |
| 4 | There are well-defined and repeatable processes and practices in place for developing execution plans as an outcome of the strategic planning process. The plans detail resource allocation and are flexible to adapt to change, enabling a shift in plan and rapid application of new plans as situations arise. Accountability for accomplishment is clearly defined and timetables are monitored. |
| 5 | A well-defined, fully integrated process is in place for developing execution plans as part of the strategic planning process, which includes all organization stakeholders. We build the Execution Plan to anticipate contingencies, and we link to other organizations for support as needed. Accountability is established, resource requirements defined, and timetables monitored. |

## Criteria

**4.6 Strategy Deployment** – Execution Plan Development and Deployment

**Question B:** How does the organization base its human resources plans upon short- and long-term implementation objectives and plans?

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**Amplification:**
What are your key human resource plans that derive from your short- and long-term strategic objectives and Execution Plans?

Note: Execution Plans should include human resource plans that are aligned with and support your overall strategy. Examples of possible human resource plan elements are 1) a redesign of your work organization and jobs to increase employee empowerment and decision making; 2) initiatives to promote greater labor-management cooperation, such as union partnerships; 3) initiatives to foster knowledge sharing and organizational learning; 4) modification of your compensation and recognition systems to recognize team, organizational, customer, or other performance attributes; or 4) education and training initiatives

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | There is no established linkage between developing human resource plans and attaining the strategic objectives of the organization. |
| 2 | We have limited processes and /or practices in place for linking human resources plans to attainment of strategic objectives or Execution Plans. The strategic or execution plan is created and provided to the HR department, but it is left to individual departments to figure out their own HR plans for their department to support it. |
| 3 | We have organization wide processes in place for development of human resource plans and we link them to the attainment of short and longer-term strategic objectives and Execution Plans. Most planning for human resources follow these processes, linking human resource plans to Execution Plans. Hiring, training, and other HR initiatives are planned for the entire organization. |
| 4 | We have processes in place for development of human resource plans we link to the attainment of short and longer-term strategic objectives and Execution Plans. We tightly link the development of human resource plans to the development of these strategic objectives and to the Execution Plans. We roll up and link the goals and metrics for human resources directly to specific goals and metrics of the Execution Plan. We track measurements over time and incorporate feedback to continuously improve the human resource planning process. |
| 5 | We have processes in place for development of human resource plans that we link to the attainment of short and longer-term strategic objectives and Execution Plans. We tightly link development of human resource plans to the development of these strategic objectives and to the Execution Plans. We roll up and link the goals and metrics for human resources directly to specific goals and metrics of the Execution Plan. We compare results with those of other organizations regularly. Where appropriate, we adopt and incorporate changes to the planning process. The organization structure is changed to accommodate changing requirements, and enterprise wide HR planning includes external assessments of pay, recognition, hiring, etc., strategies to ensure that Human Resources support the attainment of strategic goals. |

## Criteria

**4.6 Strategy Deployment** – Execution Plan Development and Deployment

**Question C:** How does the organization use key performance measures for tracking the progress of Execution Plans, reinforcing our organizational alignment, and addressing all key mission areas and stakeholders?

---

**Amplification:**
What are your key performance measures or indicators for tracking progress on your Execution Plans? How do you ensure that your overall Execution Plan measurement system reinforces organizational alignment? How do you ensure that the measurement system covers all key mission areas and stakeholders?

Note: Through a tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to that of comparable organizations and relative to its own targets or stretch goals. Such tracking serves as a key diagnostic management tool.

---

| Score | Scoring Criteria |
|-------|------------------|
| 1 | No performance indicators are used for measuring progress against Execution Plans or as measures of relative performance against benchmarks. |
| 2 | We have limited performance measurement for evaluating progress on Execution Plans covering some of the key mission areas, which senior leaders use. Some performance measures or indicators reinforce organizational alignment or drive changes when necessary. We do not address all key mission areas or stakeholders in our performance measures. |
| 3 | We have a well-defined approach for the establishment of key performance metrics to measure and evaluate progress against Execution Plans. They are regularly reviewed by senior leaders and have defined targets. All the organizations key mission areas are measured. The organization is realigned if performance measures indicate the need. |
| 4 | We have a well-defined approach and process for establishment of key performance measures, with which the entire organization evaluates progress against Execution Plans. These performance measures cover all key mission areas and have external benchmarks set up for each of them, as well as targets. Performance measure trends and rate of change are considered to determine whether improvement is occurring quickly enough, or whether organizational realignment may be necessary to achieve improvement. |
| 5 | We have a well-defined process for establishment of key performance metrics to measure and evaluate progress against Execution Plans. The entire organization performs this evaluation. A systematic approach exists to ensure that the performance measures used directly link organizational alignment to the attainment of progress on the plans. Targets are set as well as external benchmarks. The rate of improvement as well as rate of progress is considered. We ensure that performance measurements represent all stakeholders and key mission areas. Where we identify gaps in performance or opportunities for improvement, we take immediate action. |

## Criteria

**4.6 Strategy Deployment** – Performance Projection

**Question D:** How does the organization track short- and long-term performance projections using the same metrics that we use for tracking the progress of Execution Plans?

> **Amplification:**
> For the key performance measures or indicators identified in 4.1(a)(3), what are your performance projections for both your short-and longer-term planning time horizons? How does your projected performance compare with the projected performance of comparable organizations? How does it compare with key benchmarks, goals, and past performance, as appropriate? If there are current or projected gaps, how will you address them?
>
> Notes: Measures and indicators of projected performance might include changes resulting from new ventures; organizational acquisitions or mergers; new value creation; market entry and shifts; new legislative mandates, legal requirements, or industry standards; and significant anticipated innovations in outputs, services, and technology.

| Score | Scoring Criteria |
|:---:|:---|
| 1 | No systematic approach exists for projecting future performance for key performance measures. Performance measures do not have short or long term projections for them in place. The organization does not know where it plans to be. |
| 2 | We have short term and long-term projections for our performance measures in place identifying where we hope to get. Limited reviews to compare current performance against past performance and benchmarks are conducted, but Execution Plans aren't changed to address potential shortfalls. |
| 3 | We have a systematic approach and processes, which enable projecting and predicting future performance for most key performance measures. Well-defined processes and practices exist to compare many current performance indicators against benchmarks, past performance or to comparable organizations. Leadership and stakeholders have some ability to ascertain gaps in performance and make accurate predictions of future performance. Execution Plans are changed to address gaps in performance. |
| 4 | A systematic approach and integrated process exists to enable projecting and predicting future performance for all key performance measures. Well-defined repeatable processes and practices exist to compare current performance against benchmarks, past performance or to comparable organizations. Leadership and stakeholders refine data and measures to ascertain gaps in performance and make accurate predictions of future performance. Our leadership positions itself to make adjustments to short- and long-term plans to meet performance objectives. |
| 5 | A proactive and systematic approach and integrated process exists to enable projecting and predicting future performance for key performance measures. Well-defined repeatable processes exist to compare current performance against benchmarks, past performance or to comparable organizations on an ongoing basis and utilize feedback to re-plan for success. Leadership and stakeholders react to key indicators to make highly accurate predictions of future performance. Leadership positions itself to make real time adjustments to short and long-term plan, assess implications in variability and to re-plan to meet short-term and long-term performance objectives. |

# Self-Assessment Questions for Step 5: Performance Measurement

This final portion of the self-assessment evaluates your Performance Measurement and results monitoring. For Step 5, the below six Criteria will be examined:

**5.1 Output and Service Outcomes:**

This Criteria examines your organization's key output and service outcomes, with the aim of delivering output and service quality that leads to mission success and customer satisfaction.

**5.2 Customer Focused Results:**

This Criteria examines your organization's customer-focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and has developed integrated feedback, as appropriate.

**5.3 Financial Results:**

This Criteria examines your organization's key financial results, with the aim of understanding your key cost drivers, challenges and opportunities. Measures reported in this Criteria are those usually tracked by senior leadership on an ongoing basis to assess your organization's financial health.

**5.4 Human Resource Results:**

This Criteria examines your organization's human resource results, with the aim of demonstrating how well your organization has been creating and maintaining a productive, learning, and caring work environment for all personnel.

**5.5 Organizational Effectiveness Results:**

This Criteria examines your organization's other key operational performance results not reported in Items 5.1–5.4, with the aim of achieving organizational effectiveness and process efficiency.

**5.6 Leadership and Social Responsibility Results:**

This Criteria examines your organization's key results in the areas of leadership and societal responsibilities, with the aim of maintaining a fiscally responsible, ethical organization that is a good citizen to its communities and the taxpayer.

# Summary of Level 5 Characteristics for Step 5:

Top organizations monitor a limited number of specific measures that relate directly to objectives specified in the Strategic Plan and Execution Plan. Too much information can distract from what is important and waste time on non-value added monitoring ("measure what matters").

Leadership champions data driven decisions. "Prove it" is part of the strategy and is pushed down to every level. Managers are trained to use analytical tools and know they must come armed with evidence and the quantitative arguments to support their arguments. Without "profit" to drive bottom-line incentive for efficiency, managers know and use analytics to wring every last drop of value from processes.

Performance Measurement for high performing organizations help leaders keep abreast of the "health" of the organization, both internally, and to external customers and stakeholders. Large organizations often form an "Office of Strategy Management" to monitor and ensure execution of strategy. An enterprise approach is developed around core outputs and support processes to ensure critical data and other resources are well managed, and that different parts of the organization can share data easily without the impediments of inconsistent formats, definitions, and standards.

Top organizations define performance in terms that relate to outcomes important to their customers (satisfaction and dissatisfaction, quality), stakeholders (social responsibility) and internal measures of effectiveness (productivity, financial, supply chain, R&D, personnel well-being). These measures are systematically reviewed and integrated back into the organization's decision-making and planning processes to drive improvements and resourcing decisions.

Techniques vary, but many leverage information technology applications to integrate real time data (dashboards) and facilitate distributed reviews or key measures (balanced scorecard). Significant investment is necessary in adequate systems but those that do not record history are doomed not to learn from it. Effective measurement over time enables forecasting and improved planning processes. Management use of comparative measures to benchmark results against similar organizations is also used to determine relative success.

Lastly, leaders understand that competition for scare resources places higher emphasis on the need for proficiency in measurement and analysis. Existing personnel may required extensive training, so emphasis is placed on acquiring quantitative skills in new hires. In the end, people and strategy, as much as information, give such organizations strength.

## Criteria

### 5.1 Output and Service Results

**Question A:** How does the organization track current levels and trends in key measures of output and service performance that are important to customers?

---

**Amplification:**

What are your current levels and trends in key measures or indicators of output and service performance that are important to your customers? How do these results compare with other similar organizations?

Note: Output and service results reported should relate to the key output, program, and service features identified as customer requirements or expectations in your Organization Profile based on information gathered in Items 1.3 and 1.4. The measures or indicators should address factors that affect customer preference. For some, output or service performance measures might be mandated by your funding sources. These measures should be reported and identified in your response to this criteria.

---

| Score | Scoring Criteria |
|:---:|---|
| 1 | We do not have measures of outputs and service performance and therefore have no current or trend data. No comparisons with other similar organizations are occurring. |
| 2 | We track outputs and service performance levels for some key measures defined by us as being important to our customers, and have current data and trends for those measures, for one or more business areas in the organization. Our success is judged by us based on results and our belief in what is a good, average, excellent, performance. |
| 3 | We track outputs and service performance levels for most key measures that have been defined as important to our customers for most business areas in the organization. We also track output and performance trends for these key measures. We determine key measures based on what customer feedback tells us they need or want. We have established levels of success for our measures based on what our research of similar organizations' results indicate. |
| 4 | We track outputs and service performance levels and trends for all key measures that are important to our customers for all relevant business areas in the organization. We regularly review our performance measures and compare our results to those of one or more other similar organizations to identify opportunities for improvement. We determine key measures by periodically and proactively asking customers what they want or need and defining them in our organizational profile. . |
| 5 | We track outputs and service performance levels and trends for all key measures that are important to our customers and for all business areas in the organization. Our management team regularly reviews our performance information and we compare our results to competitive or similar high performance organizations to identify opportunities for improvement. We determine key measures by involving customers in our performance measure definition efforts to accurately identify what their wants, needs, and expectations are, and continually measure them accurately and on an ongoing basis with good measurement tools. |

<u>**Criteria**</u>

**5.2 Customer Focused Results**

**Question A:** How does the organization track current levels and trends in key measures or indicators of customer satisfaction and dissatisfaction?

---

**Amplification:**
What are your current levels and trends in key measures or indicators of customer satisfaction and dissatisfaction?

Note: Customer satisfaction and dissatisfaction results reported in this Item should relate to the customer groups and segments discussed in the organization profile and Item 1.3 and to the determination methods and data described in Item 1.4. Measures and indicators of customers' satisfaction with your outputs and services relative to customers' satisfaction with comparable organizations might include relevant data and information on customer satisfaction and dissatisfaction; customer complaints, complaint management, effective complaint resolution; objective information and data from your customers and from independent organizations.

---

| Score | Scoring Criteria |
|:---:|:---|
| 1 | No measures of customer satisfaction and dissatisfaction other than informal or anecdotal exist. We are in the early stages of defining key measures of customer satisfaction and dissatisfaction, and do not monitor current data or trend information. |
| 2 | We measure customer satisfaction and dissatisfaction for some customers using surveys. We have current results but no trend data. We do not compare our results with measurements from similar organizations. Our measures help us to estimate overall customer satisfaction and dissatisfaction levels but we cannot differentiate between various customer groups. |
| 3 | We measure and track customer satisfaction and dissatisfaction levels and trends, for most customers, using a number of measures. Our measures enable us to differentiate between various customer groups. We acquire customer satisfaction data from similar organizations for the same measures we evaluate and compare. |
| 4 | We regularly measure, track, and analyze customer satisfaction and dissatisfaction levels and trends for all our customers using a comprehensive set of measures. Our measures enable us to differentiate customer satisfaction and dissatisfaction for all relevant customer groups including internal and external customers. We regularly review customer satisfaction and dissatisfaction information and compare our results to those of one or more other organizations. We determine customer satisfaction and dissatisfaction by periodically conducting customer satisfaction surveys or acquiring data using other methods. We evaluate trends over time. |
| 5 | We frequently and systematically measure, track, and analyze customer satisfaction and dissatisfaction levels and trends for all our customers using a comprehensive set of measures. Our measures enable us to differentiate effectively customer satisfaction and dissatisfaction for all relevant customer groups including internal and external customers and to quickly isolate the root causes of any dissatisfaction. We regularly review customer satisfaction information and compare our results to those of competitive or similar high performance organizations to identify opportunities for improvement. We determine customer satisfaction by systematically conducting surveys, utilizing other methods, and direct customer contact. We evaluate trends over time and actively use learning methods such as visits to benchmark organizations and participation in professional organizations to acquire techniques, which will improve our customer satisfaction measures. |

<u>**Criteria**</u>

## 5.2 Customer Focused Results

**Question B:** How does the organization track current levels and trends in key measures or indicators of customer-perceived value?

**Amplification:**
What are your current levels and trends in key measures or indicators of customer-perceived value?

Note: This Criteria focuses on all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include customer-perceived value based on quality and cost, any awards, and recognition from customers and/or independent rating organizations.

| Score | Scoring Criteria |
|:---:|---|
| 1 | No measures of customer perceived value other than informal or anecdotal exist. We are in the early stages of defining key measures of customer perceived value, and do not monitor current data or trend information. |
| 2 | We measure customer perceived value for some customers using relative rating surveys. We have current results but no trend data. Our information helps us to estimate overall customer perceived value, but we have customer or independent rating to substantiate our findings. |
| 3 | We measure and track customer perceived value, for most customers, using a number of measurement tools including relative rating surveys, and acquired industry information. Our measures have been defined with customer input and enable us to clearly define what our customers perceive as valuable to them. |
| 4 | We regularly measure, track, and analyze customer-perceived value levels and trends for all our customers using a significant set of measures, which they helped define as important. We engage with customers to determine key factors influencing their perceptions of value. Our measures enable us to differentiate customer-perceived value for all relevant customer groups including internal and external customers. When possible, we acquire independent organization's ratings, and participate in customer rating activities and award programs. |
| 5 | We frequently and systematically measure, track, and analyze customer-perceived value levels and trends for all our customers on an ongoing basis using a comprehensive set of measures. Our measures enable us to effectively differentiate customer-perceived value for all relevant customer groups including internal and external customers and to quickly isolate the root causes of any related problem areas. We determine customer-perceived value by conducting systematic surveys and by involving customers in our definition efforts. We seek out innovative tools and techniques to help us align our operations to meet and exceed customers' value expectations. We leverage best practices across our organization to continuously improve the value we offer our customers. When possible, we acquire independent organization's ratings, and participate in customer rating activities and award programs. |

<u>**Criteria**</u>

## 5.3 Financial Results

**Question A:** How does the organization track current levels and trends in key measures or indicators of financial performance? In addition, how does the organization identify cost drivers and link costs to outputs?

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**Amplification:**
What are your current levels and trends in key measures or indicators of financial performance, including aggregate measures of return and cost savings targets? What are your total costs? What are your cost drivers? Link cost to outputs.

Note: Responses might include aggregate measures such as return on investment (ROI), asset utilization, total cost, efficiency savings by mission area, productivity measures, and financial activity measures. Measures should relate to the financial management approaches described in Criteria 4.2. Additional measures might include performance to budget, reserve funds, cost avoidance or savings, administrative expenditures as a percentage of budget, and overhead cost.

---

| Score | Scoring Criteria |
|:---:|---|
| 1 | We do little to measure financial performance for the business areas of the organization. We are in the early stages of defining key financial performance measures. We have a cost accounting system but we have not fully thought through performance in terms of aggregate measures of return, cost savings targets, or total costs. In addition, we have not identified our cost drivers or linked costs to outputs. |
| 2 | We have a few key measures that we use to track levels of financial performance for some business areas of the organization. We use our cost accounting system and some informal tools to collect financial data. Our financial measures help us to understand our financial performance for at least one business area in the organization. We have some financial measures relating to return, cost savings targets, and total costs. We identify some cost drivers and link their costs to outputs. |
| 3 | We measure and track levels and trends of financial performance for most business areas of the organization. We use structured financial management systems and tools to collect financial data and to help us to understand our financial performance for most business areas in the organization. We measure return on investment, cost savings targets, and total costs for most business areas and we identify related cost drivers and link their costs to outputs. |
| 4 | We systematically measure, track, and analyze our levels and trends of financial performance for all business areas of the organization. We use sophisticated financial management systems and tools to collect financial data and to help us to understand our financial performance for all business areas in the organization. Management regularly reviews financial information to see which business areas are efficient and which are not. We measure return, cost savings targets, and total costs for all business areas; we identify related cost drivers and we link all cost drivers to outputs. |
| 5 | We systematically and continuously measure, track, and analyze our levels and trends of financial performance for all business areas of the organization. We use state-of-the-art financial management systems and tools to collect financial data and to help us to understand and precisely manage our financial performance for all business areas in the organization. Management systematically reviews financial information to see which business areas are efficient and which are not. We precisely measure return, cost savings targets, and total costs for all business areas; we identify related cost drivers, and we accurately link all costs to outputs. Value streams are mapped and costs assigned. We carefully review financial data and compare our results to those of competitive or similar high performance organizations to identify opportunities for improvement. |

## Criteria

### 5.3 Financial Results

**Question B:** How does the organization track current levels and trends in key measures or indicators of operational performance?

---

**Amplification:**
What are your current levels and trends in key measures or indicators of operational performance?

Note: All key areas of financial performance should be evaluated against their relative contribution to operational performance. Financial performance is part of effectiveness.

---

| Score | Scoring Criteria |
|:---:|---|
| 1 | We do little to measure operational performance for the various operations within the organization. We are in the early stages of defining key operational performance measures. We have a rudimentary system for operations management based on the approaches that have evolved over time. |
| 2 | We have some key measures that we use to track levels of operational performance for some business operations. We link some operations to other performance indicators such as customer satisfaction, customer-perceived value, financial performance or to achieving organizational goals and objectives. Our measures help us to understand operational effectiveness for some key operations. |
| 3 | We measure and track levels and trends of operational performance for most business areas of the organization. We use a number of structured systems and tools to collect operational data and to help us to understand our operational effectiveness. We manage operations as a system and we link most operations to other performance indicators such as customer satisfaction, customer-perceived value, financial performance or to achieving organizational goals and objectives. Our measures help us to understand operational effectiveness for most key operations. |
| 4 | We systematically measure, track, and analyze levels and trends of operational performance for all business areas of the organization. We use various tools to collect operational data and to help us to understand and manage operational effectiveness for all business areas in the organization. We manage operations as an integrated system and we link all operations to other performance indicators such as customer satisfaction, customer-perceived value, financial performance and to achieving organizational goals and objectives. Management systematically reviews operational information to assure operations meet or exceed defined goals and objectives. |
| 5 | We systematically measure, track, and analyze our levels and trends of operational performance for all business areas of the organization. We use state-of-the-art and innovative tools to collect operational data and to help us to understand operational effectiveness for all business areas in the organization. Operations function as a fully integrated system and we link all operations to other performance indicators such as customer satisfaction, customer-perceived value, financial performance or to achieving organizational goals and objectives. Management systematically uses operational measures to assure operations meet or exceed defined goals and objectives. We systematically use operational data to help us continuously improve our operational effectiveness. We carefully review operational data and compare our results to those of competitive or similar high performance organizations to identify opportunities for improvement. We constantly use what we learn to help us improve our operational effectiveness. |

## 5.4 Human Resource Results

**Question A:** How does the organization track work system performance and effectiveness of its human resources with measures/indicators?

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**Amplification:**
What are your current levels and trends in key measures or indicators of work system performance and effectiveness?

Note: Results reported in this criteria should relate to activities described in Criteria 4.2. Your results should be responsive to key process needs described in Section 4 and to your organization's Execution Plans and human resource plans. Appropriate measures and indicators of work system performance and effectiveness might include key survey results, simplification of jobs and job classifications, rotations, work layout improvements, retention and promotion rates.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | We do little to measure work system performance or the effectiveness of human resources. We are in the early stages of defining key measures for work system performance and effectiveness of human resource management effectiveness. |
| 2 | We have some standard measures defined for some areas, such as retention rates, to track current levels of work system performance and the effectiveness of human resource management processes. Current levels are known, but trend data is not reviewed. |
| 3 | We systematically measure and track levels and trends for work system performance and human resources effectiveness for most areas of the organization. We use structured tools to collect work system performance and human resources effectiveness data and have a range of measures defined. We use the data to evaluate the effectiveness of the human resource and work management processes. |
| 4 | We measure and track levels and trends for work system performance and human resources process effectiveness for all areas of the organization. We use sophisticated approaches and tools to collect data. We use the data and track trends to measure the effectiveness of the work management and human resource processes, and look for improvements in those measures as a result of changes in the processes. |
| 5 | We systematically measure, track, and analyze levels and trends for work system performance and human resources effectiveness for all areas of the organization. We use state-of-the-art and innovative approaches and tools to collect data and to help us to understand and manage work system performance and human resources effectiveness for all business areas. Senior leadership systematically reviews the measures to assure that changes in work management and human resource processes are showing up in the measures. Work management and human resource processes are linked to the measures. We compare our performance and effectiveness results to those of competitive or similar high performance organizations to identify opportunities for improvement. |

**Step 2: Organizational Assessment**

<u>Criteria</u>

**5.4 Human Resource Results**

**Question B:** How does the organization track indicators of personnel learning and development?

| Amplification: |
| --- |
| What are your current levels and trends in key measures or indicators of personnel learning and development?<br><br>Note: Appropriate measures and indicators of personnel learning and development might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training rates. |

| Score | Scoring Criteria |
| --- | --- |
| 1 | We do little to capture personnel learning and development information. Personnel learning and development result from each individual's own initiative. We are in the early stages of defining a system to monitor personnel learning and development. |
| 2 | We have some capability to track levels of personnel learning and development. We use some indicators and tools for monitoring personnel learning and development for some of our people. Our indicators and tools help us to promote personnel learning and development. |
| 3 | We measure and track levels and trends of personnel learning and development for most of our people and in most areas of the organization. We use structured approaches and tools to collect personnel learning and development data. We effectively use the data to drive personnel learning and development. |
| 4 | We systematically measure and track levels and trends of personnel learning and development for all of our people and in all areas of the business. We use efficient and effective approaches and tools to collect personnel learning and development data. We analyze the data and use the data to improve personnel learning and development performance and to meet defined learning and development goals and objectives. |
| 5 | We systematically measure, track, and analyze levels and trends of personnel learning and development for all of our people and in all areas of the organization. We use state-of-the-art approaches and tools to collect personnel learning and development data. We effectively use the data to drive our people in improving personnel learning and development performance and meet or exceed defined learning and development goals and objectives. We compare our personnel learning and development results to those of competitive or similar high performance organizations to identify opportunities for improvement. |

<u>**Criteria**</u>

## 5.4 Human Resource Results

**Question C:** How does the organization track current levels and trends in key measures of personnel well being, satisfaction, and dissatisfaction?

---

**Amplification:**
What are your current levels and trends in key measures or indicators of personnel well being, satisfaction, and dissatisfaction?

Note: Appropriate measures of personnel well-being and satisfaction might include data on safety and absenteeism; the overall turnover rate; the turnover rate for key personnel; personnel charitable contributions; grievances, and other job actions; compensation claims; and results of surveys. Survey indicators of satisfaction might include personnel knowledge of job roles, personnel knowledge of organizational direction, and personnel perception of empowerment and information sharing.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | No formal procedure is in place to measure personnel well-being, satisfaction, and dissatisfaction. Informal feedback goes through the management chain. |
| 2 | Some indicators or measures have been defined for elements of personnel well-being, satisfaction, and dissatisfaction. Current data and levels are known, trends are not tracked. |
| 3 | A set of indicators or measures have been defined to cover elements of personnel well-being, satisfaction, and dissatisfaction. Most indicators or measures are tracked over time and examined for trends. |
| 4 | All indicators or measures have been defined to cover personnel well-being, satisfaction, and dissatisfaction. All indicators are tracked over time and examined for trends. Results of measures, trends and comparison are utilized to drive contributing process improvements, or changes in organization management methods. |
| 5 | All indicators or measures have been defined to cover elements of personnel well-being, satisfaction, and dissatisfaction. Indicators are tracked over time and examined for trends. All indicators or measures are compared to competitive/best in class organizations. Results of measures, trends and comparison are utilized to drive contributing process improvements, or changes in organization management methods. Feedback from measures/indicators is incorporated into personnel support and satisfaction programs. |

## 5.5 Organizational Effectiveness Results

**Question A:** How does the organization track current levels and trends in key measures or indicators of the operational performance of your key value creation processes? This includes productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency:

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**Amplification:**
What are your current levels and trends in key measures or indicators of the operational performance of your key value creation processes? Include productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency.

Note: Measures might include reduced internal responsiveness indicators, such as cycle times, production flexibility, lead times, and time to customer; improved performance of administrative and other support functions; operation-specific indicators, such as success rates, innovation rates and increased use of e-technology, product and process yields, Six Sigma initiative results; supply chain indicators, such as reductions in inventory, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; and third-party assessment results, such as external inspections/audits.

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| Score | Scoring Criteria |
|---|---|
| 1 | We do little to measure the operational performance of our key value creation processes. We have considered measures or indicators such as productivity, cycle time, and supplier / partner performance, but have not put any formal measurement discipline in place. |
| 2 | We measure the operational performance for some of our key value creation processes. We measure levels of performance for these key processes but do not track related trends. Our metrics include productivity, cycle time, supplier / partner performance for some key processes. We also use some other measures of performance, effectiveness, and efficiency. |
| 3 | We measure the operational performance for most of our key value creation processes. We measure levels of performance for these key processes and we track their related trends. Our metrics include productivity, cycle time, supplier / partner performance for most key processes. We also use other measures of performance, effectiveness, and efficiency that yield valuable data. |
| 4 | We have mapped and measure the operational performance for all our key value creation processes. We measure levels of performance for these key processes and we track their related trends. Our metrics include productivity, cycle time, supplier / partner performance for all key processes. We also use other measures of performance, effectiveness, and efficiency that yield valuable data. We compare our results with one or more similar or competitive organizations to help identify opportunities for improvement. |
| 5 | We have mapped and measure the operational performance for all our key value creation processes. We measure levels of performance for these key processes and we track their related trends. Our metrics include productivity, cycle time, supplier / partner performance for all key processes. We also use other measures of performance, effectiveness, and efficiency that yield valuable data. We compare our results with one or more world-class organizations to help identify opportunities for improvement. We create linkages that focus our attention on achieving comparable performance to that of best in class organizations. We manage our value creation processes as an integrated system. |

<u>**Criteria**</u>

**5.5 Organizational Effectiveness Results**

**Question B:** How does the organization track current levels and trends in key measures or indicators of the operational performance of your other key processes (such as administrative, support, or financial operations)? This includes productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency:

| **Amplification:** |
| --- |
| What are your current levels and trends in key measures or indicators of the operational performance of your other key processes? Include productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency. <br><br> Note: Results reported in Item 5.5 should address your key operational requirements as presented in the Organizational Profile and in Criteria 4.5 and 4.6. Provide key information for analysis and review of your organizational performance (Criteria 2.1) and should provide the operational basis for output and service outcomes (Criteria 5.1), customer-focused outcomes (Criteria 5.2), and financial (Criteria 5.3). |

| Score | Scoring Criteria |
| :---: | --- |
| 1 | We do little to measure the operational performance of our other key processes that are not part of the value creation chain. We have considered measures or indicators such as productivity, cycle time, and supplier/partner performance, but have not put any formal measurement discipline in place. |
| 2 | We measure the operational performance for some of our other key processes. We measure levels of performance for these key processes but do not track related trends. Our metrics include productivity, cycle time, supplier/partner performance for some key processes. We also use some other measures of performance, effectiveness, and efficiency. |
| 3 | We measure the operational performance for most of our other key processes. We measure levels of performance for these key processes and we track their related trends. Our metrics include productivity, cycle time, supplier/partner performance for most key processes. We also use other measures of performance, effectiveness, and efficiency that yield valuable data. |
| 4 | We measure the operational performance for all our other key processes. We measure levels of performance for these key processes and we track their related trends. Our metrics include productivity, cycle time, supplier/partner performance for all key processes. We also use other measures of performance, effectiveness, and efficiency that yield valuable data. We compare our results with one or more similar or competitive organizations to help identify opportunities for improvement. |
| 5 | We measure the operational performance for all our other key processes. We measure levels of performance for these key processes and we track their related trends. Our metrics include productivity, cycle time, supplier/partner performance for all key processes. We also use other measures of performance, effectiveness, and efficiency that yield valuable data. We compare our results with one or more world-class organizations to help identify opportunities for improvement. We create linkages that focus our attention on achieving comparable performance to that of best in class organizations. We manage all our processes as an integrated system. We develop and use innovative methods to improve performance and increase customer satisfaction. Our innovative approaches are considered best practices and provide a role model for other organizations. |

<u>**Criteria**</u>

**5.6 Leadership and Social Responsibility Results**

**Question A:** How does your organization make use of metrics for tracking the effectiveness of your organizational, change management, and Execution Plan strategies?

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**Amplification:**
What are your results for key measures or indicators of accomplishment of your organizational strategy, change management goals, and Execution Plans?

Note: Frequently, these progress measures can be discerned by first defining the results that would indicate end-goal success (desired effects) in achieving the strategic objective and then using that measure to define intermediate measures.

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| Score | Scoring Criteria |
|-------|-----------------|
| 1 | We do little to measure accomplishment related to organizational strategy, change management strategy, and Execution Plans. We are considering such measures as part of strategy development and planning discussions. Currently we rely on informal feedback. |
| 2 | We have some measures or indicators of performance that we track through time related to accomplishing some parts of our organizational strategy, change management strategy, or Execution Plans. |
| 3 | We have most measures and indicators needed to enable us to track levels and trends related to our accomplishments for most elements of our organizational strategy, change management strategy, and Execution Plans. |
| 4 | We have and use all necessary measures and indicators needed to track levels and trends related to accomplishments for all elements of our organizational strategy, change management strategy, and Execution Plans. We compare our results with one or more similar or competitive organizations to help identify opportunities for improvement. |
| 5 | We use a complete and comprehensive set of measures and indicators to continuously track and analyze levels and trends related to all relevant accomplishments for all elements of our organizational strategy, change management strategy, and Execution Plans. We compare our accomplishment results with one or more world-class organizations to help identify opportunities for improvement. We create linkages that focus our attention on achieving comparable execution performance to that of best in class organizations. We manage all our organizational strategy, change management strategy, and Execution Plans as an integrated system. We develop and use innovative approaches related to accomplishing our organizational strategy, change management strategy, and Execution Plans. |

<u>**Criteria**</u>

**5.6 Leadership and Social Responsibility Results**

**Question B:** How does the organization measure and track indicators of ethical behavior and stakeholder trust in the senior leaders and overall governance and also how does it track indicators of breaches ethical behavior by all levels of employees?

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**Amplification:**
What are your results for key measures or indicators of ethical behavior and of stakeholder trust in the senior leaders and governance of your organization? What are your results for key measures or indicators of breaches of ethical behavior?

Note: Measures or indicators of ethical behavior might include instances of ethical conduct breaches and responses, survey results on personnel perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. They also might include evidence that policies, staff training, and monitoring systems are in place with respect to conflicts of interest and proper use of funds.

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| Score | Scoring Criteria |
|-------|------------------|
| 1 | We do little to measure or track ethical behavior and stakeholder trust in the senior leaders or of overall governance. We have little or no system for tracking indicators of breaches in ethical behavior by employees at any level. Currently we rely on informal feedback regarding unethical behaviors. |
| 2 | We have and use some measures or indicators of ethical behavior and stakeholder trust in the senior leaders and for overall governance. We have a minimal system for tracking indicators of breaches in ethical behavior by employees at any level. We have a defined and documented process for employee feedback regarding unethical behaviors. |
| 3 | We define and use most measures or indicators to track ethical behavior and stakeholder trust in the senior leaders and for overall governance. We have a formal system for tracking indicators of breaches in ethical behavior by employees at any level. We have a defined, documented, and widely communicated process and channels for identifying and reporting unethical behaviors. |
| 4 | We have a complete set of measures or indicators needed to track all key areas relating to ethical behavior, stakeholder trust in the senior leaders, and overall governance. We use a formal and comprehensive system for tracking any breaches in ethical behavior by employees at any level. We have a defined, documented, and widely communicated process and channels for identifying and reporting unethical behaviors. We train all employees in ethical behavior and in their responsibilities regarding unethical behaviors. We compare our ethics program and metrics with one or more similar or competitive organizations to help identify opportunities for improvement. |
| 5 | We have a complete and comprehensive set of measures or indicators needed to track and analyze all areas relating to ethical behavior and stakeholder trust in the senior leaders, and overall governance. We use a world-class system for tracking any breaches in ethical behavior by employees at any level. We have effective processes and robust channels for identifying, reporting, and discouraging unethical behaviors. We train all employees in ethics and their responsibilities in preventing unethical behaviors. Employees are involved in setting and promoting the highest ethical standards. We regularly compare our ethics program and metrics with that of best in class organizations to help identify opportunities for improvement. We create linkages that focus our attention on achieving an ethics track record equal to that of best in class organizations. |

**5.6 Leadership and Social Responsibility Results**

**Question C:** How does the organization track trends in key measures or indicators for internal and external fiscal accountability?

**Amplification:**
What are your key current findings and trends in key measures or indicators of fiscal accountability, both internal and external?

Note: Responses to might include financial statement issues and risks, cost overruns, important internal and external auditor recommendations, and management's responses to these matters. For some organizations, results of GAO audits also might be included.

| Score | Scoring Criteria |
|:---:|---|
| 1 | We do little to measure or track internal and external fiscal accountability. We have little or no system for tracking indicators of internal and external fiscal accountability at any level. Currently we rely on each individual to exercise internal and external fiscal accountability and to report breaches. |
| 2 | We have and use some measures or indicators of internal and external fiscal accountability for some areas of the organization. We have a minimal system for tracking internal and external fiscal accountability and for reporting breaches in accountability. We have a defined and documented policy for internal and external fiscal management. |
| 3 | We have and use most measures or indicators needed to track internal and external fiscal accountability for most areas of the organization. We have a formal system for tracking indicators of internal and external fiscal accountability by employees at most levels, including an internal audit process. We have a defined, documented, and widely communicated policy regarding internal and external fiscal accountability. |
| 4 | We have a complete set of measures or indicators needed to track all key areas relating to internal and external fiscal accountability for all areas of the organization. We use a formal and comprehensive system for tracking of internal and external fiscal accountability at all relevant levels in the organization. We have a defined, documented, and widely communicated policy and process for managing and assuring internal and external fiscal accountability. We compare our internal and external fiscal accountability program and metrics with one or more similar or competitive organizations to help identify opportunities for improvement. |
| 5 | We have a complete and comprehensive set of measures or indicators needed to track and analyze all areas relating to internal and external fiscal accountability. We use a world-class system for tracking any breaches in internal and external fiscal accountability by employees at any level. We have effective processes and robust channels for identifying, reporting, and discouraging unethical behaviors related to internal and external fiscal accountability. We develop and use innovative approaches to foster the highest internal and external fiscal accountability behavior. |

<u>**Criteria**</u>

**5.6 Leadership and Social Responsibility Results**

**Question D:** How does the organization look at measures or key indicators of regulatory and legal compliance? In addition, how does the organization look for important trends in compliance?

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**Amplification:**
What are your results for key measures or indicators of regulatory and legal compliance?

Note: Regulatory and legal compliance results should address requirements described in 1.2b. Personnel-related occupational health and safety results (e.g., OSHA-reportable incidents) should be included.

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| Score | Scoring Criteria |
|:---:|:---|
| 1 | We do little to measure or track indicators of regulatory and legal compliance. We have little or no system for tracking indicators of regulatory and legal compliance at any level. Currently we rely on each individual for regulatory and legal compliance, and to report breaches. |
| 2 | We have and use some measures or indicators of regulatory and legal compliance for some areas of the organization. We have a minimal compliance program for tracking regulatory and legal compliance and for reporting breaches in compliance. We have a defined and documented policy addressing regulatory and legal compliance. |
| 3 | We have and use most measures or indicators needed to track regulatory and legal compliance for most areas of the organization. We have a formal compliance program for tracking indicators of regulatory and legal compliance by employees at most levels. We have a defined, documented, and widely communicated policy regarding regulatory and legal compliance, as well as a training program. We track important trends in regulatory and legal compliance indicators. |
| 4 | We have a complete set of measures or indicators needed to track all key areas relating to regulatory and legal compliance for all areas of the organization. We use a formal and comprehensive system for tracking regulatory and legal compliance at all relevant levels in the organization. We have a defined, documented, and widely communicated policy and process for managing and assuring regulatory and legal compliance. We train all employees in regulatory and legal compliance and in their responsibilities regarding related behaviors. We compare our regulatory and legal compliance program and metrics with one or more similar or competitive organizations to help identify opportunities for improvement. |
| 5 | We have a complete and comprehensive set of measures or indicators needed to track and analyze all areas relating to regulatory and legal compliance. We use a world-class system for tracking any breaches in regulatory and legal compliance by employees at any level. We have effective processes and robust channels for identifying, reporting, and discouraging unethical behaviors related to regulatory and legal compliance. We train all employees in regulatory and legal compliance and their responsibilities in preventing related unethical behaviors. We regularly compare our regulatory and legal compliance program and metrics with that of best in class organizations to help identify opportunities for improvement. |

# Sample Scoring Sheets

This section gives samples of the following scoring sheets associated with the Self-Assessment:

- Maturity Matrix Cover Sheet
- Scoring Input
- Criteria Scores
- Overall Maturity Score.

See the accompanying CD for these scoring sheets in Microsoft Excel format. Use the Scoring Input for the Self-Assessment. The software will automatically tabulate and display your Criteria Scores and Overall Maturity Score. Your Criteria Scores can be mapped to the Maturity Matrix Cover Sheet to give you a summary of your organization's capabilities within the context of the Performance Excellence Process.

# Step 3: Develop a Strategic Plan

**Performance Excellence Process**



An effective Strategic Plan should propose a path (3-5 years) and specific choices toward achieving the organization's vision. It should set objectives for achieving the organization's vision, emphasizing the development of capabilities that are most critical to success. It should also help set priorities for development of capabilities and state specific measures for each objective—measures that are observable, specific, directional, and prioritized.

The plan should resonate with employees and customers alike. Outcomes should be tied to achieving effectiveness goals and efficiency targets (savings).

The primary output of Step 3 is the Strategic Plan. Other outputs, which are outlined below (see Appendix E for examples), will help you develop your organization's Strategic Plan. This information prepares you for Step 4: your action plan (Execution Plan) for the coming year, part II of the Strategic Plan.

## Process for Developing a Strategic Plan

| Steps to Completion | Primary Outputs | Considerations |
|---|---|---|
| Set a clear direction and make necessary choices towards achieving the vision | Vision | ■ Critical success factors<br>■ 3-5 year outlook |
| Translate the organization's strategy into outcomes/strategic goals that are applicable to the entire organization. Develop external communication points | Outcomes/ Strategic Goals, Organizational Guidance, and Communication Plan/Playbook | ■ Growth in internal capability development<br>■ Development of new products and services<br>■ Internal and external collaboration & communication<br>■ Cross-functional coordination and integration<br>■ Investments in people and skills<br>■ Desired Effects |
| Identify specific and measurable objectives that are directly related to each of the outcomes/strategic goals | Objectives and Metrics Execution Plan (see Step 4) | ■ Timeframe for completion of goals<br>■ Specifically defined measurable targets for each goal and objectives<br>■ Savings targets<br>■ Who is responsible for each goal and objective |
| Assess relevancy of previous version of strategy | Decision to Revise Organizational Strategy | ■ Scope of change in vision |

# Strategic Planning Guidance

You have finished Steps 1 and 2, and are now ready to start your strategic planning process. Simply put, strategic planning determines where an organization is going over the next 3-5 years or more, how it's going to get there and how it'll know if it got there or not. The focus of a Strategic Plan is on the entire organization. The second half of the Strategic Plan is the Execution Plan (Step 4), which focuses on the near-term actions to support the goals of the Strategic Plan for the coming year. These documents should be combined as one overall plan for the organization.

There are a variety of perspectives, models and approaches used in strategic planning. The way that a Strategic Plan is developed depends on the nature of the organization's leadership, culture, complexity of the organization's environment, size of the organization, expertise of planners, etc. Goal-based planning is probably the most common, and starts with focus on the organization's mission, vision, and goals to work toward the mission, strategies to achieve the goals, and action planning (i.e., the Execution Plan: who will do what and by when).

Strategic planning often starts by examining organizational environment, identifying issues (which you did in Steps 1 and 2) facing the organization, strategies to address those issues, and possible actions. Start by using the organization's vision and values from Step 1. Quite often, an organization's Strategic Planners already know much of what will go into a Strategic Plan. However, development of the Strategic Plan greatly helps to clarify the organization's plans and ensure that key leaders are all "on the same script." Far more important than the Strategic Plan document, is the *planning process* itself.

## Benefits of Strategic Planning

- Clearly defines the purpose of the organization and establishes goals and objectives around core outputs consistent with the mission
- Communicates those goals and objectives of the organization to its constituents
- Develops a sense of ownership
- Ensures the most effective use is made of the organization's resources by focusing the resources on key priorities
- Provides a base from which progress can be measured and establishes a mechanism for informed change when needed
- Brings together reasoned efforts important to building direction as to where an organization is going

# When Should Strategic Planning Be Done?

Our Navy is comprised of many organizations whose operating environment can vary greatly. Frequent planning is best in an organization whose outputs and services must respond to a rapidly changing environment. Generally, most Navy organizations will benefit from preparing a formal Strategic Plan every 3 years then revisiting the plan annually via their Execution Plan. Consider the following guidelines:

- Strategic planning should be done when a command is just getting started
- Strategic planning should also be done in preparation for a major change
- Strategic planning should be reviewed once a year with the Execution Plan in order to be ready for the coming fiscal year. The full strategic planning process should be conducted on average every 3 years
- Progress of the plan should be reviewed at least on a quarterly basis

# Preparation For Strategic Planning

Many managers spend most of their time "fighting fires" in the workplace. It can be very difficult to stand back and take a hard look at what to accomplish and how to accomplish it. The following guidelines may help you to get the most out of your strategic planning experience:

- The real benefit of the strategic planning process is the process, not the plan document
- There is no "perfect" plan, learn from what you're doing to enhance what is done the next time around
- The strategic planning process is usually not an "aha!" experience. It's like the management process itself—it's a series of small moves that together keep the organization doing things right as it heads in the right direction
- In planning, things usually aren't as bad as you fear nor as good as you'd like
- Start simple, but start!

# When to Use a Facilitator to Help You With Planning?

You may want to consider using a facilitator from outside of your organization if:

- Your organization has not conducted strategic planning before
- For a variety of reasons, previous strategic planning was not deemed to be successful
- There appears to be a wide range of ideas and/or concerns among organization members about strategic planning and current organizational issues to be addressed in the plan
- There is no one in the organization who possesses sufficient facilitation skills

- No one in the organization feels committed to facilitating strategic planning for the organization
- Leaders believe that an inside facilitator will either inhibit participation from others or will not have the opportunity to fully participate in planning themselves
- Leaders want an objective voice, i.e., someone who is not likely to have strong predispositions about the organization's strategic issues and ideas

## Who Plays a Role in the Planning Process?

Senior leader engagement in strategic planning is optimal. Consideration should also be given to other members who represent key groups of stakeholders (customers, suppliers, own staff, Chain of Command). Consider the following guidelines when developing the team:

- The commanding officer should be included in (if not lead) the planning group, and should drive development and execution of the plan
- Establish clear guidelines for membership, for example, those directly involved in planning, those who will provide key information to the process, those who will review the plan document, those who will authorize the document, etc.
- If the commanding officer cannot be present, consider including in the group at least one designated person who has authority to make strategic decisions. For example, to select which goals will be achieved and how
- Ensure that as many stakeholders as possible are involved in the planning process
- Involve those who are responsible for composing <u>and</u> executing the plan
- Involve someone to administrate the process, including arranging meetings, helping to record key information, helping with flipcharts, monitoring status of pre-work, etc.
- Consider having the above administrator record the major steps in the planning process to help the organization conduct its own planning when the plan is next updated

In general, where there's doubt about the need for an individual's engagement in the process, it's often best to involve them. It's worse to exclude someone useful than it is to have one or two extra people in planning—this is true in particular with organizations where members often do not have extensive expertise about the organization and its outputs or services.

## What Does the Planning Process Look Like?

New planners usually want to know how many meetings will be needed and what is needed for each meeting, i.e., they want a procedure for strategic planning. The number of meetings depends on whether the organization has done planning before, how many strategic issues and goals the organization faces, whether the culture of the

organization prefers short or long meetings, and how much time the organization is willing to commit to strategic planning. Attempt to complete Step 3 in at most three weeks, or momentum will be lost and the planning effort may fall apart.

The most important factor in ensuring complete attendance to planning meetings is evidence of strong support from senior leaders. Therefore, leaders should consider a) issuing clear direction that they strongly support and value the strategic planning process, and b) being visibly involved in the planning process.

## Example Planning Process

The planning process will vary greatly depending on the size of an organization and its operating environment, however this example is offered as a general idea of what you can do.

1. A recommended first step is to start with an off-site. It is often important to remove distractions to ensure quality outcomes. Consider introductions, explanations of the organization's benefits from strategic planning, the organization's commitment to the planning process, the facilitator's overview of the planning process, and the commanding officer's explanation of who will be involved in the planning process. In the off-site, the organization may then begin the next step in planning, whether this be visiting their mission, vision, values, etc., or identifying current issues and goals to which strategies will need to be developed. Planners are asked to think about strategies before the next step.
2. The second step might focus on finalizing strategies to address each issue. A subcommittee can be charged to draft the planning document, which includes things like updated mission, vision, and values, and also finalized strategic issues, goals, and strategies. This document is distributed before the third step.
3. In the third step, planners can exchange feedback about the content and format of the planning document. Feedback is incorporated in the document and it is distributed before the next step.
4. The fourth step is a final review to seal the deal and get commitment. It may not require the same levels of participation, e.g., previous staff work helps achieve tentative buy-in, and the final review by senior leaders completes the process.

Note, too, that the staff may take this document and establish a draft yearly Execution Plan which details what strategies will be implemented over the next year, who will do them, and by when.

## How Do We Ensure Execution of the Plan?

A frequent complaint about the strategic planning process is that it produces a document that ends up collecting dust on a shelf—the organization ignores the precious information depicted in the document. The purpose of the Execution Plan is to highlight near-term actions and review progress on an annual basis.

***The following guidelines will help ensure that the plan is executed:***

- When conducting the planning process, involve the people who will be responsible for executing the plan. Use a cross-functional team (representatives from each of the major organization's outputs or service) to ensure the plan is realistic and collaborative
- Ensure the plan is realistic. Continue asking planning participants "Is this realistic? Can you really do this?"
- Organize the overall Strategic Plan into a smaller annual Execution Plan
- In the execution section in the plan, specify and clarify the plan's execution roles and responsibilities. Be sure to detail particularly the first 90 days (address this in the Execution Plan), and regular reviews of status
- Translate the required actions into expectations for success and personnel performance reviews
- Communicate the role of follow-ups to the plan. If people know they will be regularly reviewed, people tend to do their jobs before they're checked on
- Outline responsibilities for maintenance of the Plan (Who has the authority to recommend changes? Who can approve them?). Providing this guidance as a component of the Plan makes the document more agile and minimizes the likelihood it will become a "dust gatherer"
- Specify the periodicity of formal reviews and updates to the Plan
- Be sure to document and distribute the plan, as well as results of reviews
- Large organizations might consider assigning a portion of the planning staff execution monitoring duties
- The commanding officer's support of the plans is a major driver to execution
- Use the Performance Excellence Process each year as a mechanism to ensure consistent review of goals and objectives, particularly as senior leaders turn over

Fore more information on strategic planning see Appendix E and/or consider options from other sources. Planning methods that are oriented for non-profit organizations may be more applicable than processes oriented for for-profit.

It is common for organizations (both in and outside of Navy) to suffer from a disconnect between strategy formulation and strategy execution. The NPEG is designed to close this gap because it forms the basis of a near-term strategy execution process. While many organizations have a Strategic Plan, they lack a coherent approach to manage the execution of those plans. That coherent approach is what this NPEG refers to as the Execution Plan.

The Execution Plan is the near-term goals, objectives, and tasks to be achieved in the coming year. The next section, Step 4, will guide you through the assembly of your Execution Plan and suggest various components to include. Don't forget to refer back to the Self-Assessment in Step 2 to capture process goals you may have, as well as results indicators you need to track to ensure execution success!

# A Strategic Plan Template (Part I)

This section outlines the suggested components of a Strategic Plan. Note that this Guidebook refers to the Strategic Plan and Execution Plan as two different things, but when complete they should be viewed together as one document where the Execution Plan is just "section 2" of the Strategic Plan.

While the Strategic Plan is focused on the long-term (3-5 years), the Execution Plan is the annual "action plan" necessary to move the organization in the direction set forth by the Strategic Plan. The Strategic Plan should be a relatively concise, high level document that gives the reader a clear understanding of the purpose the organization serves, a vision of where it is headed, values, guiding principles, the organization's profile, what its provides, its long-term goals, and strategies employed to achieve them.

Suggested components of a Strategic Plan include:

## Mission:

A good mission statement describes the overall *purpose* of the organization, and how it relates to higher strategy (e.g., Navy Strategic Plan, CNO Guidance, or the next higher echelon). It is a concise and unambiguous description of the overall function of an organization. The mission answers the question, "What is this organization attempting to accomplish?" The mission might define customers or markets served, distinctive competencies, or technologies used.

## Vision:

The Vision should vividly describe the desired future state of your organization. Consider attributes of when the organization is operating at its best as it effectively carries out its operations. The vision describes where the organization is headed, what it intends to be, or how it wishes to be perceived in the future.

## Guiding Principles:

A set of principles that define good practice and professionalism for the intended purpose of the organization. While *values* can be collaboratively developed with the workforce, the Guiding Principles are normally the domain of the senior leader to define, and are used to set the leadership culture for the organization. The Guiding Principles should reflect the values of the organization (Although the Values of our Navy are well know, *honor, courage, commitment*, it is important to spend time interpreting how these values apply to a given command and the mission).

# Organizational Profile:

The profile should give the reader a brief overview of the components of the organization (background, leadership, resources, locations) and consider high-level elements of your business profile (budget, personnel, core business lines, major initiatives, readiness indicators, etc). Consider information gathered from Step 1 as appropriate. An organizational chart may also be useful to show alignment to core outputs and services, as well as lines of responsibility.

# Products and Services:

What are your core outputs and services? Describe these and why they are important. Describe how are you organized to produce these products and services.

# Strategic Goals (Desired Effects):

These are the long-term goals/outcomes and key tenets of what the organization aims to achieve. They are what the organization must do supremely well to become what it wants to be (critical success factors, core competencies). These goals or Desired Effects ought to guide resource allocation and redistribution. Be sure to assign responsibility for each goal.

# Strategies:

Strategy relates *how* we intend to achieve our goals. Note here the major strategies employed to achieve each strategic goal.

# Assessment of Risks:

Every organization faces risk. For each goal and associated strategy, you may want to highlight some of the key risks and challenges you face. If not addressed openly, readers may assume that you are unaware of any drawbacks. As examples, risks to your organization could include one or more of the following:

- Challenges of organizational realignment
- Dependence on organizations with long lead times or short life cycles
- Ability to respond to budget changes and to fluctuations in demand for products or services
- Dependence on a small number of customers for the majority of your output
- Challenges of effectively managing your operations, including your ability to control processes, costs, and change
- Impact on your financial situation resulting from substantial cuts in funding, costs of components, and capabilities, and from production difficulties
- Changes in OPTEMPO

- Changes in government regulations
- Ability to utilize available capacity
- Exposure to potential litigation
- Dependence on the continued trend of outsourcing
- Ability of your customers to transfer funds to you for outputs or services
- Supply shortages of required components
- Dependence on key personnel

Once the strategic planning is complete, the next step is action planning for the coming year. What needs to be done now? Who is responsible for doing it? Is it measurable? What is required to be successful? This annual action planning is the Execution Plan, and is the subject of the next section, Step 4. Think of it as a working document because it details the organization's current focus and is updated every year. The point is to take the time to detail actions, responsibility, and resources necessary to achieve your Strategic Goals, and monitor progress.

# Step 4: Form an Execution Plan

**Performance Excellence Process**



The Execution Plan is Part II of the Strategic Plan, and describes specific actions your organization will undertake in the coming year.

An effective Execution Plan provides functional-level detail that directly supports the organization's vision, strategy, and goals for capability development. It should convey the inter-dependencies between various functional areas and the organization's vision, strategy, and goals. The plan should describe the best combination of employees, processes, technology, and infrastructure required to build the capabilities. The plan may also propose methods for experimenting with new strategies to demonstrate "proof of concept" before they are implemented throughout the organization. It should describe how the organization will change as a new capability evolves as well as identify the financial impact of reaching target goals and outcomes. Finally, the Execution Plan should designate accountability and detail the performance measures that will be used to track progress.

The template that follows, as well as Appendix E, will give you a starting point for your Execution Plan.

## Process for Developing an Execution Plan

| Steps to Completion | Primary Outputs | Considerations |
|---|---|---|
| Describe capability development goals for the organization and link to functional area-specific goals | Execution Plan– Goals/Milestones | ■ Capability development objectives<br>■ Cross-functional dependencies<br>■ Available functional area capabilities and resources |
| Identify specific desired outcomes to correlate with each goal | Execution Plan– Outcomes | ■ Timeframe for completion of goals<br>■ Numeric targets for each goal & metrics<br>■ Financial vs. non-financial targets<br>■ Short vs. long term targets<br>■ Easy to achieve vs. "stretching" targets |
| Identify key metrics/effects to measure the organization's ability to realize its goals and outcomes | Key Performance Metrics | ■ Synchronization of strategic plan with operational key performance metrics |
| Determine the ROI for major initiatives and justify the recommended approach | Business Case Analysis | ■ Timeframe for achievement of benefits<br>■ Alternative approaches to developing capability<br>■ Impact on people, processes, technology |
| Define structure, resources, and infrastructure developments that will support capability development | Execution Plan– Resources | ■ Changes required in systems, people, processes and culture, shed non -core<br>■ Actions in sequence vs. parallel<br>■ Pilot projects, process improvement |
| Create a financial plan to estimate the costs associated with developing capabilities and meeting the target outcomes | Execution Plan– Financials | ■ Additional headcount and infrastructure support<br>■ Time to completion<br>■ Savings targets |
| Launch pilot projects to experiment with new strategies or tactics | Pilot Programs | |

# A Strategic Plan Template (Part II)

## The Execution Plan

This section outlines the suggested contents of an effective annual Execution Plan. Recall the purpose of the Execution Plan is to detail near-term actions for the coming year for your Strategic Plan objectives. It should be viewed as "section 2" of your Strategic Plan. Appendix E provides additional guidance on developing your organization's Execution Plan.

**Current Year** *(Where we are headed)*
At a minimum, address the following in your current-year discussion as they relate to your Strategic Plan goals:

- Current year goals (4-6)
- Strategies to achieve the goals
- Tasks (4-6) to execute each strategy
- Major new initiatives and/or pilot programs
- Major investments

Be sure to assign responsibility and due dates for each goal, and if applicable for each sub task. From Step 2, don't forget to include any process goals identified during the Self-Assessment, and results indicators you desire to track and monitor progress. "You get what you measure", so be deliberate in your choice of strategic metrics that will indicate performance towards your goals.

**Operations** *(How we do it)*
The operations section should give the reader a general understanding of how you create your services and/or outputs and deliver them to your customers. You have already spent time considering your strengths, weaknesses, opportunities, and threats. Your goals and strategies reflect where your organization will direct its attention. How you operate should also reflect this understanding (e.g., alignment around what really matters). Also, consider reporting on past performance, if you have already created your Execution Plan (e.g., did you achieve what you set out to do?).

**Financial Plan** *(How we pay for it)*
The financial section of your Execution Plan should include a basic cost profile. Consider including estimates of the costs associated with developing new capabilities and meeting target outcomes. It should set achievable savings targets and other appropriate cost goals, and show financial linkages from budget to output. Note metrics to be used to monitor financial performance.

**Step 4: Form an Execution Plan**

**Management of the Plan** *(How we update it)*
This Execution Plan serves as a framework for execution and fostering continuous improvement. It is an document that forms a stable framework for decision-making and action, while retaining the flexibility to adjust as your organization pursues its goals. You should annually review this plan, and monitor progress quarterly. Remember, this is the working (or living) document of the Strategic Plan. Finally, ensure that clear accountability is assigned for managing the plan and who is authorized to make adjustments to goals and objectives.

**Appendix**
While you don't want the appendix to your Execution Plan to overshadow the body, it offers a great opportunity to include valuable information that supports the direction of your organization and gives the reader further clarification. You may want to include detailed descriptions of some of your major new initiatives, for example, which would give readers an opportunity to learn more about your organization's direction. You could also include key communication points, and how you intend to address the challenges of addressing concerns regarding any major change initiatives.

Congratulations on completing your Strategic Plan!

# Step 5: Measure Performance

**Performance Excellence Process**



Success is determined by evaluating performance and assessing its effect (including financial) on the products, services, and outputs provided by the organization.

Effective Performance Measurement must explicitly state what is being measured (effectiveness and efficiency goals), and focus on the most critical measures. This process provides information on progress toward meeting the right goals and achieving the right outcomes. Customer satisfaction and financial performance are critical.

Output from this process should be used to make decisions in this Performance Excellence Process cycle. See the Appendix for more about choosing the right metrics.

## Process for Implementing Performance Measurement

| Steps to Completion | Primary Outputs | Considerations |
|---|---|---|
| Adjust key performance metrics | Adjustments of Key Performance Metrics | ■ Internal performance measurements vs. expected performance measurements |
| Measure, monitor and report progress towards the key performance indicators on a regular basis | Performance Measurement Assessment | ■ Optimal combination of performance metrics for monitoring strategy<br>■ Target audience<br>■ Desired communication vehicle (paper-based, email, dashboard, etc.)<br>■ Frequency and method of publication (daily vs. weekly, automated vs. manual) |

# The Appendix

## Appendix A – Glossary
*Creating a Common Navy Business Language*

This Glossary of key terms defines and briefly describes terms used throughout this Guidebook that are important to performance management.

**Activity Based Costing**
This term refers to a management accounting system that assigns cost to products based on the amount of resources used (including floor space, raw materials, machine hours, and human effort) in order to design, order, or make a product.

**Alignment**
This term refers to consistency of plans, processes, information, resource decisions, actions, results, and analysis to support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals.

**Analysis**
This term refers to an examination of facts and data to provide a basis for effective decisions. Overall organizational analysis guides the management of processes toward achieving key business results and toward attaining strategic objectives.

**Anecdotal**
This term refers to information that lacks specific methods, measures, deployment mechanisms, and evaluation/improvement/learning factors. Anecdotal information frequently uses examples and describes individual activities rather than systematic processes.

**Approach**
This term refers to the methods used by an organization to address the Navy Performance Excellence Criteria requirements. Approach includes the appropriateness of the methods requirements and the effectiveness of their use.

**Balanced Scorecard**
This term refers to a strategic management system used to drive performance and accountability throughout the organization. The scorecard balances traditional performance measures with more forward-looking indicators in four key dimensions: financial, integration/operational excellence, employees, and customers.

**Baseline Measure**
This term refers to a statistic or numerical value for the current performance level of a process or function. A baseline needs to be taken before improvement activities are

begun to accurately reflect the rate of improvement or new level of attainment of the performance being measured.

**Basic Requirements**
This term refers to the topic Criteria users need to address when responding to the most central concept of a Criteria. Basic requirements are the fundamental theme of those Criteria.

**Benchmarks**
This term refers to processes and results that represent best practices and performance for comparative activities, inside or outside the Navy. Organizations benchmark to understand the current dimensions of world-class performance and to achieve "breakthrough" improvement.

**Capability Model**
This term refers to a clear depiction of an organization that captures the high-level capabilities and functions of each part of the organization, while illustrating the interdependencies between the various capabilities

**Change Agent**
This term refers to a natural leader who actively supports the transformation to CI. The person in an organization that can affect change. This is the person who leads/directs that organization on goals and expectations and holds lower levels of management accountable for accomplishment of those expectations.

**CI or CPI**
This term refers to Continuous Process Improvement – a comprehensive philosophy of operations that is built around the concept that there are always ways in which a process can be improved to better meet the needs of the customer and that an organization should constantly strive to make those improvements.

**Culture Change**
This term refers to a major shift in attitudes, norms, sentiments, beliefs, values, operating procedures, and behavior of a group or organization.

**Customer**
This term refers to the users of your organization's outputs, programs, or services. Customer focus impacts and should integrate an organization's strategic directions, its value creation processes, and its operational results. Customers may exist both within and outside of your organization. For example, FFC's customers are the Component Commanders.

**Customer Relationship Management**
This term refers to a philosophy that puts the customer at the design point; it is being customer-centric. It should be viewed as a strategy rather than a process. It is designed to understand and anticipate the needs of current and potential customers.

**Cycle Time**
The term refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving overall performance.

**Deployment**
This term refers to the *extent* to which an approach is applied in addressing the requirements of a Navy Performance Excellence Criteria. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant work units throughout the organization.

**Domain**
This term refers to the dollars, people, and things associated with each Warfighting Enterprise.

**Diversity**
This term refers to personal differences, e.g., race, religion, and ideas. Capitalizing on diversity provides enhanced opportunities for high performance and customer, personnel, and community satisfaction.

**Efficiency**
This term refers to the capability of acting or producing effectively with a minimum amount of quantity of waste, expense, or unnecessary effort. Efficiency is often confused with effectiveness. Unlike effectiveness, efficiency is a measurable concept (ratio of output to maximal possible output).

**Effectiveness**
This term refers to how well a process or a measure addresses its intended purpose. Determining effectiveness requires (1) an evaluation of how well the approach is aligned with organizational needs and how well the approach is deployed or (2) an evaluation of the outcome of the measure used. In the Navy, readiness metrics are a measure of effectiveness.

**Empowerment**
This term refers to giving personnel the authority and responsibility to make decisions and take actions. Empowerment is aimed at enabling personnel to improve processes and increase productivity, and to improve the organization's performance results.

**Enterprise**
This term refers to the collection of organizations, people, and resources formed to create and deliver products to customers.

**Enterprise Architecture**
This terms refers to a design for the arrangement and interoperation of business components (e.g., policies, operations, infrastructure, information) that together make up the enterprise's means of operation. Our *Navy enterprise architecture* refers to the arrangement and interoperation of Warfighting Enterprises and the Provider/Enabler commands that together make up the *Navy Enterprise's* means of operation.

**Enabler (Provider)**
This term refers to activities that manage value streams (people, dollars, things) supporting Warfighter Enterprises, with linked and common processes/metrics.

**Ethical Behavior**
This term refers to how an organization ensures that all its decisions, actions, and stakeholder interactions conform to the organization's moral and professional principles. These principles define "right" from "wrong." Senior leaders should act as role models for these principles of behavior.

**Gap Analysis**
This type of analysis is used to examine the "gap" or "difference" between what the customer has asked for and what the organization can deliver. Gaps can also exist if the delivery of the product or service is done inefficiently or ineffectively.

**Goals**
This term refers to a future condition or performance level that one intends to attain. Goals are ends that guide actions. Quantitative goals, or "targets," include a numerical point or range. The term "stretch goals" refers to desired major improvements, usually in critical areas.

**Governance**
This term refers to the system of management and controls exercised by your senior leaders. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

**High-Performance Work**
This term refers to work processes used to systematically pursue ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time performance. High-performance work results in improved service for customers.

**"How" Questions**
This term refers to the processes that an organization uses to accomplish its mission requirements. In responding to "how" questions, descriptions should include information such as approach (methods and measures), deployment, learning, and integration factors.

**Innovation**
This term refers to making meaningful change to improve outputs, programs, services, processes, or organizational effectiveness and to create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, or product that is novel or new to its proposed application.

**Integration**
This term refers to the harmonization of plans, processes, information, resource decisions, actions, results, and analyses to support organization-wide goals. Effective integration is achieved when the individual components of a performance management system operate as a fully interconnected unit.

**Just-in-time**
This term refers to a strategy for inventory management in which raw materials and components are delivered from the vendor or supplier immediately before they are needed in the transformation process.

**Kaizen**
This Japanese term means continuous improvement, taken from the words 'Kai' meaning continuous and 'Zen' which means improvement.

**Kanban**
This Japanese term means "signal." It is one of the primary tools of a Just-in-time system. The kanban signals a cycle of replenishment for production and materials in order to maintain an orderly and efficient flow of materials. It is usually a printed card that contains specific information, such as part name, description, quantity, etc.

**Key**
This term refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The Criteria, for example, refer to key challenges, key plans, key processes, and key measures —those that are most important to your organization's success.

**Knowledge Assets**
This term refers to the accumulated intellectual resources of your organization. It can be in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, or capabilities. Knowledge assets are the "know how" that your organization has available to use.

**Lead Time**
This term refers to the interval of time between the established need for something and its successful delivery.

**Leadership System**
This term refers to how leadership is exercised throughout the organization; it is the basis for and the way key decisions are made, communicated, and carried out. It

includes structures and mechanisms for the selection and development of leaders and managers.

**Lean**
This term refers to a systematic approach to identify waste, focus activities on eliminating it, and maximize (or make available) resources to satisfy other requirements.

**Learning**
This term refers to new knowledge or skills acquired through evaluation, study, experience, and innovation. The Criteria include two distinct kinds of learning: organizational and personal.

**Levels**
This term refers to numerical information that places or positions an organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

**Measures and Indicators**
This term refers to numerical information that quantifies input, output, and performance dimensions of processes, outputs, programs, projects, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

**Mission**
This term refers to a concise and unambiguous description of the overall function of an organization. The mission answers the question, "What is this organization attempting to accomplish?" The mission might define customers or markets served, distinctive competencies, or technologies used.

**Mission Statement**
This term refers to a concise statement that outlines the identity of the organization and what it does. This term refers to learning that should be embedded in the way an organization operates.

**Navy Enterprise**
This term refers Senior Navy strategic decision forum focused on improving productivity for current and future readiness through integration of supported Warfighter Enterprises.

**Non-Value-Added Activity (NVAA)**
This term refers to any activity that takes time, materiel, or space, but does not add value to the output or service from the customer's perspective. For example, inspections or reviews normally are non-value-added because they are checking to see whether the work was done right in the first place. A non-value-added process step violates at least one of the following criteria: the customer is willing to pay for this activity; it must be

done right the first time; the action must somehow change the output or service in some manner.

**Organizational Learning**
Organizational learning is achieved through research and development, evaluation and improvement cycles, personnel and stakeholder ideas and input, best practice sharing, and benchmarking.

**Outcome**
This term refers to the impact of an output. An outcome is the measure of an output's influence or result on the system.

**Output**
This term refers to a tangible product or service that is produced by an organization and provided to a customer or stakeholder.

**Partners**
This term refers to those key organizations or individuals who are working with your organization to achieve a common goal or to improve performance. Typically, partnerships are formal arrangements for a specific aim, such as to achieve a strategic objective or to deliver a specific output or service.

**Performance**
This term refers to results and outcomes obtained from processes, outputs, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations.

**Performance Excellence**
This term refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning.

**Performance Measure**
This term refers to a measurable characteristic of an output, service, process, or operation the organization uses to track and improve performance. The measure or indicator should be selected to best represent the factors that lead to improved customer, operational, and financial performance.

**Performance Projections**
This term refers to estimates of future performance, which can serve as a key management tool. Projections may be inferred from past performance, may be predicted based on changes in a dynamic environment, or may be goals for future performance.

**Personal Learning**
This term refers to individual learning that is achieved through education, training, and developmental opportunities. The aim of personal learning is to further individual growth.

**Personnel**
This term refers to all people who contribute to the delivery of an organization's outputs and services, including all paid personnel (e.g., permanent, part-time, temporary, and contract employees supervised by the organization).

**Process**
This term refers to linked activities with the purpose of producing an output or service for a customer (user) within or outside the organization. Processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and controls steps. In knowledge work, such as strategic planning, R&D, and analysis, process implies general understandings regarding competent performance, such as timing, options to be included, evaluation, and reporting.

**Productivity**
This term refers to measures of the efficiency of resource use. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resource tradeoffs—is beneficial.

**Purpose**
This term refers to the fundamental reason that an organization exists. The primary role of purpose is to inspire an organization and guide its setting of values. Purpose is generally broad and enduring.

**Resource Allocation**
This term refers to assigning assets to meet identified missions according to established priorities.

**Results**
This term refers to outputs and outcomes achieved by an organization in addressing the requirements of the Navy Performance Excellence Criteria.

**Return on Investment (ROI)**
This term refers to the ration between the predicted or computed savings or cost avoidance (the return) that will result from some action and the cost of completing the action (the investment). The time value of money should be taken into account.

**Savings**
This term refers to money left over at the end of the execution year not the out years. Throughout this Guidebook, savings are assumed to be the by-product of doing

business better, not cost reduction at the expense of effectiveness or personnel well-being.

**Segment**
This term refers to a part of an organization's overall customer, mission area, output or service line, or personnel base. Proper segmentation is critical to identifying the needs of different customer, mission area, and personnel groups and to tailoring outputs, services, and programs to meet their needs.

**Senior Leaders**
This term refers to the person at the top of an organization's chain of command and his/her senior management group or team.

**Stakeholders**
This term refers to all groups that have influence on an organization or are affected by an organization's actions and success (generally 3 groups – customers, suppliers, and personnel). Examples of key stakeholders might include customers, personnel, partners, suppliers, taxpayers, policy makers, Congress, providers, and local communities.

**State of the Art**
This term refers to the highest level of development, as of a device, technique, or professional field, achieved at a particular time.

**Strategic Challenges**
This term refers to those pressures that exert a decisive influence on an organization's likelihood of future success. Strategic challenges generally are externally driven, but can also be internally driven.

**Strategic Goals, Objectives, Metrics**
This term refers to the key tenets of how the organization will achieve its vision. They are what the organization must do supremely well to become what it wants to be (critical success factors, core competencies). They guide resource allocations and redistributions.

**Strategic Plan**
This term refers to a plan containing a long-term (3-5 years or more) vision, goals, and strategies to reach that vision. Strategic planning should predict and describe the most likely future strategic environment and define the military capabilities required.

**Supply Chain Management (SCM)**
This term refers to proactively directing the movement of goods from raw materials to the finished output delivered to customers. SCM aims to reduce operating costs, lead times, and inventory and increase the speed of delivery, output availability, and customer satisfaction.

**Sustainability**
This term refers to your organization's ability to address current mission areas and to have the agility and strategic management to prepare successfully for your future operating environment. Sustainability also has a component related to preparedness for real-time or short-term emergencies.

**SWOT Analysis**
A SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats) refers to a structured group technique useful in identifying the internal and external forces that drive an organization's need for and ability to implement change.

**Systematic**
The term "systematic" refers to approaches that are well-ordered, repeatable, and use data and information so learning is possible. Approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity.

**Trends**
This term refers to the numerical information that shows the direction and rate of change for an organization's results. Trends provide a time sequence of organizational performance.

**Value**
This term refers to the perceived worth of an output, service, process, asset, or function relative to cost and to possible alternatives. Organizations use value considerations to determine the benefits of various options relative to their costs, such as the value of various outputs and services to customers.

**Value Chain**
This term refers to a framework of how organizations receive inputs, add value to the inputs through various processes and activities, and provide outputs to customers. The value chain is an analysis tool for strategic planning, with the ultimate goal of maximizing value creation while minimizing costs.

**Value Creation**
This term refers to processes that produce benefit for your customers and for your organization. They are the processes most important to "running your operations" — those that involve the majority of your personnel and that generate your outputs, services, and positive results for your stakeholders.

**Values**
This term refers to the guiding principles and behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce the desired organizational culture. Values help the organization accomplish its mission and attain its vision in an appropriate manner.

**Vision**
This term refers to the desired future state of your organization. The vision describes where the organization is headed, what it intends to be, or how it wishes to be perceived in the future.

**Warfighter Enterprise**
This term refers to collaborative teams focused on delivering warfighting capability to Navy Components and Combatant Commanders; and increasing productivity across their Domain at reduced cost.

**World-Class**
This term refers to being of the highest caliber in key elements of organizational performance.

**Work Systems**
This term refers to how your personnel are organized to accomplish your mission and your strategic objectives; how job responsibilities are managed; and your processes for communication and hiring, performance management, compensation, recognition, and succession planning.

# Appendix B – The Navy Performance Excellence Criteria

These questions, previously presented in the Self-Assessment, are listed in here for two purposes. One, the concise format allows senior leaders to handle the Navy Performance Excellence Criteria without the encumbrance of the Scoring Tables. Two, should your organization decide to conduct the Self-Assessment Follow-up, this format of questions may prove to be more readable than the format used in the Self-Assessment. Refer to Tab A for directions to the Self-Assessment Follow-up.

**Section 1: Strategic Direction (170 pts.)**

<u>1.1 Senior Leadership (70 pts.)</u>

*Describe how senior leaders guide and sustain your organization. Describe how senior leaders communicate with people and encourage high performance. Within your response, include answers to the following questions:*

    a. Vision and Values

        1. How do senior leaders set organizational direction, vision and values? How do senior leaders develop and deploy the organization's vision and values through your leadership system, to all personnel, to key suppliers and partners, and to customers and stakeholders? How do their personal actions reflect a commitment to the organization's values?

        2. How do senior leaders promote an environment that fosters and requires legal and ethical behavior?

        3. How do senior leaders create a sustainable and relevant organization? How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, innovation, and organizational agility? How do they create an environment for organizational and personnel learning?

        4. How do leaders personally participate in succession planning and the development of future organizational leaders?

    b. Communication and Organizational Performance

        1. How do senior leaders communicate with, empower, motivate personnel, and promote teamwork throughout the organization? How do senior leaders encourage frank, two-way communication throughout the organization? How do senior leaders take an active role in personnel reward and recognition to reinforce high performance and a customer and mission focus?

2. How do senior leaders create a focus on action to accomplish the organization's objectives, improve performance, and attain the vision? How do senior leaders communicate an enterprise perspective to balance value for customers and other stakeholders in their organizational performance expectations?

### 1.2 Governance and Social Responsibilities (15 pts.)

Describe your organization's governance system. Describe how your organization addresses its responsibilities to the public, ensures ethical behavior, and practices good citizenship. Within your response, include answers to the following questions:

a. Organizational Governance

1. How does your organization address the following key factors in your governance system?

- Accountability for leadership's actions
- Fiscal accountability
- Operational accountability
- Independence in internal and external assessments
- Integrity of actions with respect to governing regulations

2. How do you evaluate the performance of the senior leader? How do you evaluate the performance of members of the senior leadership team? How do senior leaders use performance reviews to improve both their personal leadership effectiveness and the leadership system?

b. Legal and Ethical Behavior

1. How do you address any adverse impacts on community/environment of your operations? How do you anticipate public concerns with current and future operations? How do you prepare for these concerns in a proactive manner, including using resource-sustaining processes? What are your key compliance processes, measures, and goals for achieving and surpassing regulatory and legal requirements? What are your key processes, measures, and goals for addressing associated risks?

2. How does your organization promote and ensure ethical behavior in all your interactions? What are your key processes and measures or indicators for enabling and monitoring ethical behavior in your governance structure, throughout your organization, and in interactions between personnel, customers and stakeholders? How do you monitor and respond to breaches of ethical behavior?

c. Support of Key Local Communities

    1. How does your organization actively support and strengthen your key local communities? How do you identify key local communities and determine areas of emphasis for organizational involvement and support? What are your key local communities? How do your senior leaders and your personnel contribute to improving these communities?

1.3 Customer and Mission Area Knowledge (40 pts.)

*Describe how your organization determines requirements, expectations, and preferences of customers and stakeholders to ensure the continuing relevance of your outputs and services and to develop new opportunities. Within your response, include answers to the following questions:*

a. Customer and Operational Knowledge

    1. How do you identify your customers? How do you communicate your outputs and services to your customers for current and future requirements? How do communicate your organization's capabilities?

    2. How do you listen and learn to determine key customer requirements and changing expectations (including output and service features) and their relative importance to customer decisions? How do your determination methods vary for different customers (internal vs. external)? How do you use relevant information and feedback from current customers regarding the quality and cost of your output or service? How do you use this information and feedback to become more customer focused?

    3. How do you keep your listening and learning methods current with operational needs and directions, including changes in your external environment?

1.4 Customer Relationships and Satisfaction (45 pts.)

*Describe how your organization builds relationships to satisfy customers and to develop new opportunities. Describe also how your organization determines customer satisfaction. Within your response, include answers to the following questions:*

a. Customer Relationship Building

    1. How do you build relationships with customers to meet and exceed their expectations?

2.  How do your customers contact you to seek information, interact, and make complaints? How do you manage customer complaints? How do you ensure that complaints are resolved effectively and promptly? How do you minimize customer dissatisfaction? How are complaints aggregated and analyzed for use in improvement?

b.  Customer Satisfaction Determination

1.  How do you determine customer satisfaction and dissatisfaction? How do these determination methods differ among customer groups (internal vs. external)? How do you ensure that your measurements capture actionable information for use in exceeding customers' expectations? How do you use customer satisfaction and dissatisfaction information for improvement?

2.  How do you follow up with customers on outputs, services, and transaction quality to receive prompt and actionable feedback?

3.  How do you keep your approaches to determining satisfaction current with operational needs and directions?

**Section 2: Organizational Assessment (90 pts.)**

2.1 Measurement, Analysis, and Review of Organizational Performance (45 pts.)

*Describe how your organization measures, analyzes, aligns, reviews, and improves its performance at all levels and in all parts of your organization. Within your response, include answers to the following questions:*

   a.  Performance Measurement

       1.  How do you select, collect, align, and integrate data and information for tracking daily operations and for tracking overall organizational performance, including progress relative to strategic objectives and action plans? What are your key organizational performance measures? How do you use these data and information to support organizational decision-making, innovation, and to improve both efficiency and effectiveness?

       2.  How do you select and ensure the effective use of key comparative data for operational and strategic decision making and innovation? How do you measure cost savings?

       3.  How do you keep your performance measurement system current with operational needs and directions? How do you ensure that your performance measurement system is sensitive to rapid or unexpected organizational or external changes?

   b.  Performance Analysis and Review

       1.  How do you review organizational performance and capabilities? How do your senior leaders participate in these reviews? What analysis do you perform to support these reviews and to ensure that conclusions are valid? How do you use these reviews to assess organizational success, operational performance and progress relative to strategic plans and action plans? How do you use these reviews to assess your organization's ability to rapidly respond to changing organizational needs and challenges in your operating environment?

       2.  How do you translate organizational performance review findings into priorities for continuous and breakthrough improvement and into opportunities for innovation? How are these priorities and opportunities deployed to work group and functional-level operations throughout your organization to enable effective support for their decision-making? When appropriate, how are the priorities and opportunities deployed to your suppliers, partners, and stakeholders to ensure organizational alignment?

<u>2.2 Information and Knowledge Management (45 pts.)</u>

*Describe how your organization ensures the quality and availability of needed data and information for personnel, suppliers, partners, customers, and stakeholders. Describe how your organization builds and manages its knowledge assets. Within your response, include answers to the following questions:*

a. Data and Information Availability

   1. How do you make needed data and information available? How do you make them accessible to personnel, suppliers, partners, customers, and stakeholders?

   2. How do you ensure that hardware and software are reliable, secure, and user friendly? How do you ensure the continued availability of data and information, including the availability of hardware and software systems, in the event of an emergency?

   3. How do you keep your data and information availability mechanisms, including your software and hardware systems, current with needs and directions and with technological changes in your operating environment?

b. Organizational Knowledge Management

   1. How do you manage organizational knowledge to accomplish the following:
      • The collection and transfer of workforce knowledge
      • The transfer relevant knowledge from/to customers, suppliers, partners, stakeholders
      • The rapid identification, sharing, and implementation of best practices

c. Data, Information, and Knowledge Quality

   1. How do you ensure the following properties of your data, information, and organizational, knowledge:
      • Accuracy and accessibility
      • Integrity and reliability
      • Timeliness
      • Security and confidentiality

**Section 3: Strategic Planning (40 pts.)**

3.1 Strategic Development (40 pts.)

*Describe how your organization establishes its strategy and strategic objectives, including how you address your strategic challenges. Summarize your organization's key strategic objectives and their related goals. Within your response, include answers to the following questions:*

a. Strategy Development Process

1. How does your organization conduct its strategic planning? What are the key process steps? Who are the key participants? How does your planning process account for continuous improvement and identify potential blind spots? What are your short- and longer-term planning time horizons? How are these time horizons set? How does your strategic planning process address these time horizons?

2. How do you ensure that strategic planning addresses the key factors listed below? How do you collect and analyze relevant data and information pertaining to these factors as part of your strategic planning process:
   - Your organization's strengths, weaknesses, opportunities, and threats
   - Your organization's value chain
   - Early indications of major shifts in technology, trends or new concepts, or the regulatory environment
   - Long-term organizational sustainability, readiness, capabilities, and relevancy in national emergencies
   - Your ability to execute the strategic plan and achieve desired effects
   - Your determination of cost savings targets

b. Strategic Objectives

1. What are your key strategic objectives and your timetable for accomplishing them? What are your most important goals for these strategic objectives?

2. How do your strategic objectives address the challenges identified in response to organizational challenges in your Organizational Profile? How do you ensure that your strategic objectives balance short- and longer-term challenges and opportunities? How do your strategic objectives balance the needs of all key stakeholders?

3. How does your organization conduct its change management planning? What are the key process steps? Who are the key participants? How does your change management process account for key strategic objectives and the challenges they present?

**Section 4: Execution Plan and Support (250 pts.)**

4.1 Work Systems (35 pts.)

*Describe how your organization's work and jobs enable personnel and the organization to achieve high performance. Describe how compensation, career progression, and related workforce enable personnel and the organization to achieve high performance. Within your response, include answers to the following questions:*

a.  Organization and Management of Work

1.  How do you organize and manage work and jobs, including skills, to promote cooperation, initiative, empowerment, innovation, and your organizational culture? How do you organize and manage work and jobs, including skills, to reduce costs and waste, improve customer satisfaction, and achieve agility to keep current with implementation needs and to implement your Execution Plans?

2.  How do your work systems capitalize on the diverse ideas, cultures, and thinking of your personnel and the local communities and external sources with which you interact?

3.  How do you use achieve effective communication and skill sharing across work units, teams, jobs, and locations?

b.  Personnel Performance Management System

1.  How does your personnel performance management system, including feedback to personnel, support high-performance work and contribute to the achievement of your Execution Plans?

2.  How does your personnel performance management system support a customer and readiness focus? How do your compensation, recognition, and related reward and incentive practices reinforce high-performance work and a customer and readiness focus?

b.  Hiring and Career Progression

1.  How do you identify characteristics and the skills needed by potential personnel?

2.  How do you recruit, hire, and retain new personnel? How do you ensure that the personnel represent the diverse ideas, cultures, and thinking for your desired workforce?

3. How do you accomplish effective succession planning for leadership and management positions? How do you manage effective career progression for all personnel throughout the organization?

## 4.2 Personnel Learning and Motivation (25 pts.)

*Describe how your organization's personnel education, training, and career development support the achievement of your overall objectives and contribute to high performance. Describe how your organization's education, training, and career development building personnel knowledge, skills, and capabilities. Within your response, include answers to the following questions:*

a. Personnel Education Training and Development

1. How do personnel education and training contribute to the achievement of your Execution Plans? How do your personnel education, training, and development address your key needs associated with organizational performance measurement, performance improvement, and technological change? How does your education and training approach balance short- and longer-term organizational objectives with personnel needs for development, ongoing learning, and career progression?

2. How do your personnel education, training, and development address your key organizational needs associated with new personnel orientation, diversity, ethical practices, and management and leadership development? How do personnel education, training, and development address your key organizational needs associated with personnel, workplace, environmental, and safety?

3. How do you seek and use input from personnel and their supervisors and managers on education, training, and development needs? How do you incorporate your organizational learning and knowledge assets into your education and training?

4. How do you deliver education and training? How do you seek and use input from personnel and their supervisors and managers in determining your delivery approaches? How do you use both formal and informal delivery approaches, including mentoring and other approaches?

5. How do you reinforce the use of new knowledge and skills on the job and retain this knowledge for long-term organizational use? How do you systematically transfer knowledge from departing and retiring personnel?

6. How do you evaluate the effectiveness of education and training, taking into account individual and organizational performance?

b. Motivation and Career Development

1. How do you involve personnel to motivate them and to develop and utilize their full potential?

2. How does your organization use formal and informal mechanisms to help personnel attain job- and career-related development and learning objectives? How do managers and supervisors help personnel attain job- and career-related development and learning objectives?

4.3 Personnel Well-Being and Satisfaction (25 pts.)

*Describe how your organization maintains a work environment and a personnel support climate that contributes to the well-being, satisfaction, and motivation of all personnel. Within your response, include answers to the following questions:*

a. Work Environment

1. How do you ensure and improve workplace health, safety, security, and ergonomics in a proactive manner? How do personnel take part in these improvement efforts? What are your performance measures or improvement targets for each of these key workplace factors? What are the significant differences in these workplace factors and performance measures or targets if different personnel groups and work units have different work environments?

2. How do you ensure workplace preparedness for disasters or emergencies?

b. Personnel Support and Satisfaction

1. How do you determine the key factors that affect personnel well-being, satisfaction, and motivation? How are these factors segmented for a diverse workforce and for different categories and types of personnel?

2. How do you support your personnel via services, benefits, and policies? How are these tailored to the needs of a diverse workforce and different categories and types of personnel?

3. What informal and formal assessment methods and measures do you use to determine personnel well-being, satisfaction, and motivation? How do these methods and measures differ across a diverse work-force and different categories and types of personnel? How do you use

other indicators, such as personnel retention, absenteeism, grievances, safety, and productivity, to assess and improve personnel well-being, satisfaction, and motivation?

4. How do you relate assessment findings to key results to identify priorities for improving the work environment and personnel support climate?

4.4 Value Creation Processes (70 pts.)

*Describe how your organization identifies and manages its key processes for creating value and achieving success. Within your response, include answers to the following questions:*

a. Value Creation Processes

1. How does your organization determine its key value creation processes? What are your organization's key outputs, services, and business processes for creating or adding value? How do these processes contribute to organizational success? How do you determine key value creation process requirements, incorporating input from customers, suppliers, partners, and stakeholders?

2. What are the key requirements for these processes? How do you design these processes to meet all the key requirements? How do you continuously improve your value creation processes to achieve better performance, to reduce variability, to improve outputs and services, and to keep the processes current with operational needs and directions?

3. How do you incorporate new technology, organizational knowledge and the potential need for agility into the design of these processes?

4. How do you integrate cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of these value creation processes? How do you implement these processes to ensure they meet desired effects? What are your key performance measures or indicators used for the control and improvement of your value creation processes?

5. How do you foster innovation and continuous improvements at all levels of the organization? How are improvements and lessons learned shared with other organizational units and processes to drive organizational learning and innovation?

6.  How does your day-to-day operation of these processes ensure meeting key process requirements? How are in-process measures used in managing these processes? How are customer, supplier, partner, and stakeholder input used in managing these processes?

7.  How do you minimize the cost of quality, i.e. overall costs associated with inspections, tests, and process or performance audits? How do you prevent defects and rework, and minimize failure costs?

8.  How does the quality management system include provisions for handling and disposition of non-conforming process output, including corrective and preventative actions plus assurance of the implementation of such actions?

9.  How do you capture cost savings at all levels of the organization? How are savings returned for reinvestment? How are savings made visible to your organization and to higher echelons?

4.5 Support Processes and Execution Planning (50 pts.)

*Describe how your organization manages its key processes that support your value creation processes. Describe your processes for financial management and continuity of operations in an emergency. Within your response, include answers to the following questions:*

a.  Support Processes

1.  How does your organization determine its key support processes? What are your key processes for supporting your value creation processes? How do you determine key support process requirements, incorporating input from internal and external customers, and suppliers, partners, and stakeholders? What are the key requirements for these processes?

2.  How do you design these processes to meet all the key requirements? How do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these processes?

3.  How do you incorporate cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of these processes? How do you implement these processes to ensure they meet design requirements? What are your key performance measures or indicators used for the control and improvement of your support processes?

4. How does your day-to-day operation of key support processes ensure meeting key performance requirements?

5. How are in-process measures used in managing these processes? How are customer, supplier, partner, and stakeholder input used in managing these processes, as appropriate?

6. How does the internal auditing system establish and include the addressing, correction and prevention of deficiencies? How do you minimize overall costs associated with inspections, tests, and process or performance audits, as appropriate? How do you prevent defects and rework in your support processes?

7. How does the quality management system include provisions for handling and disposition of non-conforming process output, including corrective and preventative actions plus assurance of the implementation of such actions?

8. How do you improve your support processes to achieve better performance, to reduce variability, and to keep them current with mission needs and directions? How are improvements and lessons learned shared with other organizational units and processes to drive organizational learning and innovation?

b. Execution Planning

1. How does your organization ensure adequate financial resources are available to support your operations? How do you determine the resources needed to meet current financial obligations? How do you ensure adequate resources are available to support major new investments?

2. How do you assess the financial risks associated with your current operations and major new investments? How do you ensure continuity of operations in the event of an emergency?

3. How does management recognize what portion of its cost is direct labor, material, overhead, general and administrative? How does management review the apportionment levels periodically?

## 4.6 Strategy Deployment (45 pts.)

*Describe how your organization converts its strategic objectives into Execution Plans. Summarize your organization's Execution Plans and related key performance measures or indicators. Project your organization's future performance on these key performance measures or indicators.*

c. Execution Plan Development and Deployment

1. How do you develop and deploy Execution Plans to achieve your key strategic objectives? How do you allocate resources to ensure accomplishment of your Execution Plans? How do you ensure that the key changes resulting from your Execution Plans can be sustained? How do you establish and deploy modified Execution Plans if circumstances require a shift in plans and rapid execution of new plans? What are your key short- and longer-term implementation objectives? What are the key changes in your outputs and services, and how you operate?

2. What are your key human resource plans that derive from your short and longer-term strategic objectives and Execution Plans?

3. What are your key performance measures or indicators for tracking progress on your Execution Plans? How do you ensure that your overall Execution Plan measurement system reinforces organizational alignment? How do you ensure that the measurement system covers all key mission areas and stakeholders?

d. Performance Projection

1. For the key performance measures of indicators identified in 4.1(a)(3), what are your performance projections for both your short-and longer-term planning time horizons? How does your projected performance compare with the projected performance of comparable organizations? How does it compare with key benchmarks, goals, and past performance, as appropriate? If there are current or projected gaps, how will you address them?

**Section 5: Performance Measurement (450 pts.)**

5.1 Output and Services Outcomes (100 pts.)

*Summarize your organization's key output and service performance results. Segment your results by output and service types and groups, customer groups, and market segments, as appropriate. Include appropriate comparative data. Provide data and information to answer the following questions:*

a. Output and Service Results

What are your current levels and trends in key measures or indicators of output and service performance that are important to your customers? How do these results compare with other similar organizations?

5.2 Customer-Focused Results (70 pts.)

*Summarize your organization's key customer-focused results, including customer satisfaction and customer-perceived value. Segment your results by output and service types, customer, and mission area, as appropriate. Include appropriate comparative data. Provide data and information to answer the following questions:*

a. Customer-Focused Results

1. What are your current levels and trends in key measures or indicators of customer satisfaction and dissatisfaction?

2. What are your current levels and trends in key measures or indicators of customer-perceived value?

5.3 Financial Results (70 pts.)

*Summarize your organization's key financial performance results. Include appropriate comparative data. Provide data and information to answer the following questions:*

a. Financial Results

1. What are your current levels and trends in key measures or indicators of financial performance, including aggregate measures of return and cost savings targets? What are your total costs? What are your cost drivers? Link cost to outputs.

2. What are your current levels and trends in key measures or indicators of operational performance?

5.4 Human Resource Results (70 pts.)

*Summarize your organization's key human resource results, including work system performance and personnel learning, development, well-being, and satisfaction. Segment your results to address the diversity of your workforce and the different types and categories of personnel. Include appropriate comparative data. Provide data and information to answer the following questions:*

   a.  Human Resource Results

      1.  What are your current levels and trends in key measures or indicators of work system performance and effectiveness?

      2.  What are your current levels and trends in key measures or indicators of personnel learning and development?

      3.  What are your current levels and trends in key measures or indicators of personnel well-being, satisfaction, and dissatisfaction?

5.5 Organizational Effectiveness Results (100 pts.)

*Summarize your organization's key operational performance results that contribute to the improvement of organizational effectiveness. Segment your results by output and service types and groups and by mission area. Include appropriate comparative data. Provide data and information to answer the following questions:*

   a.  Organizational Effectiveness Results

      1.  What are your current levels and trends in key measures or indicators of the operational performance of your key value creation processes? Include productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency.

      2.  What are your current levels and trends in key measures or indicators of the operational performance of your other key processes? Include productivity, cycle time, supplier and partner performance, and other appropriate measures of effectiveness and efficiency.

5.6 Leadership and Social Responsibility Results (40 pts.)

*Summarize your organization's key governance, senior leadership, and social responsibility results, including evidence of ethical behavior, fiscal accountability, legal compliance, and organizational citizenship. Segment your results by mission area. Include appropriate comparative data. Provide data and information to answer the following questions:*

a.  Leadership and Social Responsibility Results

1.  What are your results for key measures or indicators of accomplishment of your organizational strategy, change management goals, and Execution Plans?

2.  What are your results for key measures or indicators of ethical behavior and of stakeholder trust in the senior leaders and governance of your organization? What are your results for key measures or indicators of breaches of ethical behavior?

3.  What are your key current findings and trends in key measures or indicators of fiscal accountability, both internal and external?

4.  What are your results for key measures or indicators of regulatory and legal compliance?

5.  What are your results for key measures or indicators of organizational citizenship in support of your local communities?

# Appendix C – Criteria Response Guidelines

**Guidelines for Responding to Process Questions:**
"Process" refers to the methods your organization uses to address the requirements of Steps 1-4 of the Self-Assessment. Within your responses, the four factors you should use to evaluate process are Approach, Deployment, Learning, and Integration (A-D-L-I).

"Approach" refers to
- the methods used to accomplish the process
- the appropriateness of the methods to the Criteria requirements
- the effectiveness of your use of the methods
- the degree to which the approach is repeatable and based on reliable data and information (i.e., systematic)

"Deployment" refers to the *extent* to which
- your approach is applied in addressing Item requirements relevant and important to your organization
- your approach is applied consistently
- your approach is used by all appropriate work units

"Learning" refers to
- refining your approach through cycles of evaluation and improvement
- encouraging breakthrough change to your approach through innovation
- sharing refinements and innovations with other relevant work units and processes in your organization

"Integration" refers to the *extent* to which
- your approach is aligned with your organizational needs identified in other Criteria Item requirements
- your measures, information, and improvement systems are complementary across processes and work units
- your plans, processes, results, analyses, learning, and actions are harmonized across processes and work units to support organization-wide goals

**Guidelines for Responding to Results Questions:**
"Results" refers to your organization's *outputs and outcomes* in achieving the requirements of Step 5. Within your responses, the four factors you should use to evaluate results are
- your current level of performance
- rate (i.e., slope of trend data) and breadth (i.e., how widely deployed and shared) of your performance improvements
- your performance relative to appropriate comparisons and/or benchmarks
- linkage of your results measures to important customer, output and service, mission area, process, and action plan performance requirements
- identified in your Organizational Profile and in Process Items

# Appendix D – POA&M Worksheet

You are currently in an excellent position to identify your organization's key strengths, key opportunities for improvement (OFIs), and non-value added activities (NVAAs) that can be reduced or altogether discontinued. Having just completed the Self-Assessment Follow-up, you can accelerate your improvement journey by doing a self-analysis.

Use this worksheet to list your key strengths, key OFIs, and NVAAs. Start by identifying one or two strengths, one or two OFIs, and one or two NVAAs for each Section. For those of high importance, establish a goal and a plan of action.

| Section | Importance High, Medium, Low | For High-Importance Areas | | | |
|---|---|---|---|---|---|
| | | Stretch (Strength), Improvement (OFI), or Reduction (NVAA) Goal | What Action Is Planned? | By When? | Who Is Responsible? |
| **Section 1—Organizational Profile & Strategic Direction** | | | | | |
| *Strength* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Opportunities for Improvement* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Non-value Added Activities* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| **Section 2—Organizational Assessment** | | | | | |
| *Strength* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Opportunities for Improvement* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Non-value Added Activities* | | | | | |
| 1. | | | | | |
| 2. | | | | | |

Appendix

| Section | Importance High, Medium, Low | For High-Importance Areas | | | |
|---|---|---|---|---|---|
| | | Stretch (Strength), Improvement (OFI), or Reduction (NVAA) Goal | What Action Is Planned? | By When? | Who Is Responsible? |
| **Section 3—Strategic Planning** | | | | | |
| *Strength* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Opportunities for Improvement* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Non-value Added Activities* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| **Section 4—Execution Plan & Support** | | | | | |
| *Strength* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Opportunities for Improvement* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Non-value Added Activities* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| **Section 5—Performance Measurement & Results** | | | | | |
| *Strength* | | | | | |
| 1. | | | | | |
| 2. | | | | | |

| Section | Importance High, Medium, Low | For High-Importance Areas | | | |
|---|---|---|---|---|---|
| | | Stretch (Strength), Improvement (OFI), or Reduction (NVAA) Goal | What Action Is Planned? | By When? | Who Is Responsible? |
| *Opportunities for Improvement* | | | | | |
| 1. | | | | | |
| 2. | | | | | |
| *Non-value Added Activities* | | | | | |
| 1. | | | | | |
| 2. | | | | | |

# Appendix E – Examples of Outputs in Steps 1-5

## Step 1 Organizational Profile - Mission Statement

**What is a Mission Statement?** Think of a mission statement as a cross between a slogan and an executive summary (if not directed by a higher authority). An effective mission statement should be able to tell your organizational story and ideals in less than 30 seconds. The mission statement should be a clear and succinct representation of the organization's purpose for existence.

**How should I write a Mission Statement?** Here are some basic guidelines in writing a mission statement:
- A mission statement should say who your organization is, what you do, what you stand for and why you do it.
- An effective mission statement is best developed with input by all the members of an organization.
- The best mission statements tend to be 3-4 sentences long.
- Avoid saying how great you are, what great quality and what great service you provide.
- Examine other organization's mission statements, but make certain your statement is you and not some other organization. That is why you should not copy a statement.
- Make sure you actually believe in your mission statement, if you don't, it's a lie, and your customers will soon realize it.

> Examples:
>
> The Tennessee Emergency Management Agency's (TEMA) Mission Statement:
>
> *TEMA is responsible for ensuring the establishment and development of policies and programs for emergency management at the state and local levels. This responsibility includes the development of a statewide capability to mitigate against, prepare for, respond to, and recover from the full range of emergencies, both natural and technological.*
> **http://www.tnema.org/Agency/Default.htm**

## Step 1 Organizational Profile – Customer Segmentation

**What is Customer Segmentation?**
Customer Segmentation divides the total potential customer base into discrete groups that share similar characteristics (Service, rank/rate, gender, location, dependent status, etc). The goal of customer segmentation is to know your customers better, and to use that knowledge to enhance the value of the products or services your organization provides. It can be a powerful means to identify unmet customer needs. Products and services can be targeted to meet the needs of underserved segments of the population, thus increasing the total value delivered by the organization at a fairly low cost. Segmentation allows the organization to prioritize development efforts, customize marketing efforts, choose product or service options and configurations, optimize distribution channels, and set appropriate pricing levels.

**How do I Segment my Customers?**
Here are some basic guidelines for Customer Segmentation:

- Divide the market into meaningful and measurable segments according to customers' needs, their past behaviors or their demographic profiles;
- Continually update the segments; try to think of new ways to slice-and-dice the potential customer base;
- Include behavioral factors – people that share demographic traits do not always act alike;
- Target segments according to their potential and your ability to serve them;
- Invest resources to tailor product, service, marketing and distribution programs to match the needs of each target segment;
- Measure performance of each segment and adjust the segmentation approach over time as market conditions change decision making throughout the organization.

## Step 2 Organizational Assessment – Performance Assessment

**What is Performance Assessment?**

A Performance Assessment asks the question "How are doing?" A Performance Assessment uses the Key Performance Metrics (KPMs) established for the organization to gauge whether the organization is meeting its objectives and improving its execution. By comparing the current value of the KPMs to last period's, and to the target value, leadership can determine what is working, and where challenges remain.

**How do I Conduct a Performance Assessment?**

Here are some basic guidelines for conducting a Performance Assessment:

- Key Performance Metrics (see Step 5) must be linked to the mission, quantifiable, and should remain relatively stable over time;
- Gather the required information to calculate the KPMs;
- If extra-ordinary or one-time events impacted on the KPMs, their effects can be discounted to look at the underlying trends;
- Compare the values of each KPM to the previous period's values to note the trend over time;
- Compare the values of each KPM to the established targets to determine whether goals were achieved;
- Any shortfalls or declines in performance should be investigated to find the cause. Corrective actions should then be planned and executed.
- Significant variations, even on the positive side, should also be investigated. If the cause for a large positive result can be identified, it should be used as an example to improve future performance.
- A summary report of all KPMs, their variances, causes, and actions should be provided to leadership and kept as a reference.

## Step 2 Organizational Assessment – Customer Feedback Assessment

**What is a Customer Feedback Assessment?**

Satisfying customers is very often one of the key goals of an organization. Internal performance metrics may not be relevant if customers are unhappy (if that is the case, your KPMs probably need to be re-considered). A Customer Feedback Assessment provides a direct indication of how well you are satisfying your customers. It should be simple and easy for a customer to complete, yet should be thorough enough to provide actionable information.

**How do I Conduct a Customer Feedback Assessment?**

Here are some basic guidelines for conducting a Customer Feedback Assessment:

- How the Assessment is conducted will vary greatly depending on who the customer is, where they are located, and how the product or service is delivered. The most important consideration is to make it convenient to the customer to provide the feedback; otherwise, only a highly motivated customer will provide feedback, which will skew the results.
- One portion of the Assessment should be directed; that is, it should ask the customer to evaluate specific aspects of his experience on a numerical scale. This will allow for overall averages to be calculated and trends to be discovered.
- The customer should also be encouraged to freely express his opinions, suggestions, recommendations, or complaints. This will allow specific problem areas or especially good performances to be identified much better than the numerical scores.
- Customer Feedback Assessments should be part of the overall customer relationship process. A customer should not be required to file the same complaint with two different offices.

## Step 2 Organizational Assessment – SWOT Analysis

SWOT Analysis is an effective way of identifying your Strengths and Weaknesses, and of examining the Opportunities and Threats you face. What makes it particularly powerful is that with a little thought, it can help you uncover opportunities that you are well placed to take advantage of. And by understanding your weaknesses, you can manage and eliminate threats that would otherwise catch you unaware. To carry out a SWOT Analysis, write answers to the following questions:

### SWOT Analysis

| Strengths | Weaknesses |
|---|---|
| • What advantages do you have?<br>• What do you do well?<br>• What relevant resources do you have access to?<br>• What do other people see as your strengths?<br>• Consider this from your own point of view and from the point of view of the people you deal with. Don't be modest. Be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths! | • What could you improve?<br>• What do you do badly?<br>• What should you avoid?<br>• Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible. |
| **Opportunities** | **Threats** |
| • Where are the good opportunities facing you?<br>• What are the interesting trends you are aware of?<br>• Useful opportunities can come from such things as:<br>  o Changes in technology and markets on both a broad and narrow scale<br>  o Changes in government policy related to your field<br>  o Local Events<br>• Look at your strengths and ask yourself whether these open up any opportunities.<br>• Look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them. | • Operational irrelevance<br>• Lack of technological capability<br>• Lack of coherent strategy<br>• International weapons proliferation<br>• Declining human resources retention rates<br>• Lack of defense foresight<br>• Ineffective external communications |

Carrying out this analysis will often be illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective.

**Example – Defense SWOT Analysis** - The example described below is not all encompassing, nor is it intended to give direction in other organizational SWOT analysis:

| Defense SWOT Analysis | |
|---|---|
| **Strengths** | **Weaknesses** |
| • Foreign Government Relationships<br>• Professionalism<br>• Tactical Operations<br>• Military Diplomacy<br>• Resource Stewardship<br>• Change Management<br>• Human Resource Policy and Management<br>• Transparency<br>• Leading Edge Technology | • Government Engagement<br>• Capital Equipment Program<br>• Change Management<br>• Enterprise Applications<br>• Strategic Planning<br>• External and Internal Collaboration and Communication |
| **Opportunities** | **Threats** |
| • Focus core capabilities<br>• Leverage resources<br>• Develop integrated management environment<br>• Harness emerging capabilities<br>• Develop closer ties with allies<br>• Improve procurement<br>• Re-examine traditional military roles<br>• Restructure force to be more agile in global arena | • Operational irrelevance<br>• Lack of technological capability<br>• Lack of coherent strategy<br>• International weapons proliferation<br>• Declining human resources retention rates<br>• Lack of defense foresight<br>• Ineffective external communications |

## Step 2 Organizational Assessment– Value Chain Analysis

The value chain categorizes the generic value-adding activities of an organization. The "primary activities" examples include: inbound logistics, production, outbound logistics, services, and maintenance. The "support activities" examples include: administrative infrastructure management, human resources management, R&D, and procurement. The costs and value drivers are identified for each value activity. The value chain framework quickly made its way to the forefront of management thought as a powerful analysis tool for strategic planning. Its ultimate goal is to maximize value creation while minimizing costs. For further information, see Michael Porter's 1985 book, *Competitive Advantage: Creating and Sustaining Superior Performance*, New York, NY The Free Press
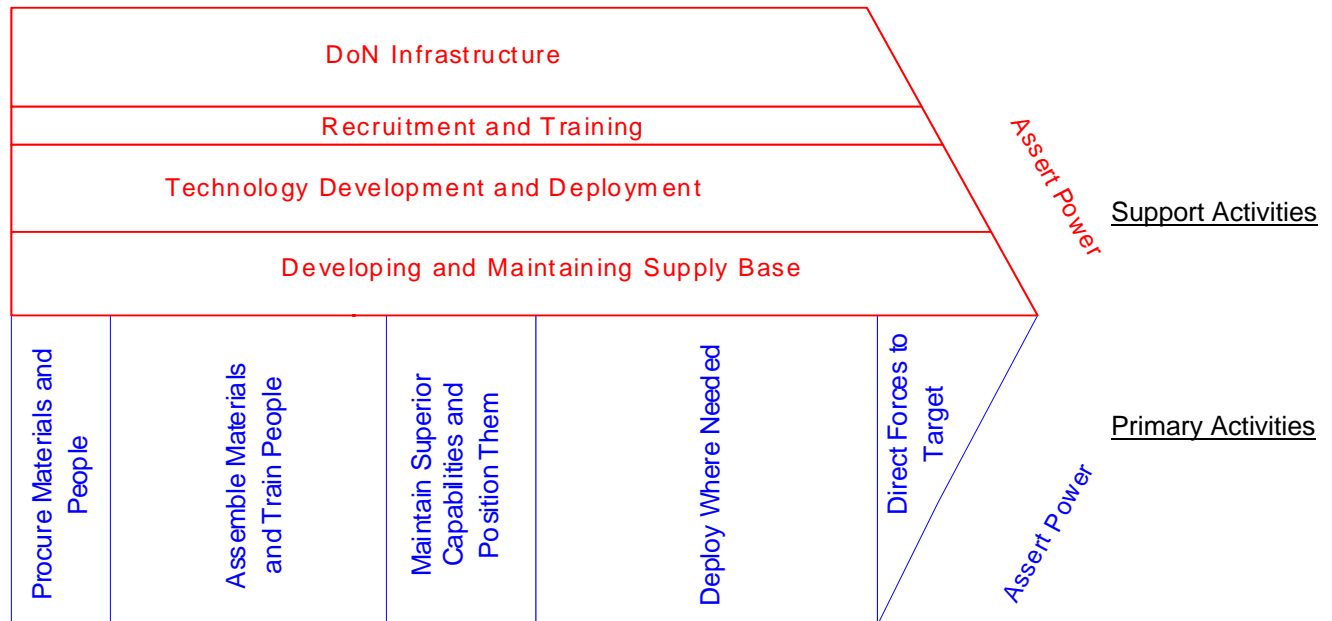


## Step 2 Organizational Assessment– Capability Model

**Why determine an organization's capabilities?** Organizations are often faced with the issues of getting a product or service out to customers quickly and efficiently. Organizations spend a great deal of time and money trying to understand what their customers want. Unfortunately, once they answer those questions and decide what to develop based on external conditions, they neglect to understand what they can produce effectively and efficiently based on internal conditions. The impact of not understanding your internal development capabilities before embarking on a new development effort can be drastic. Organizations who have taken a casual approach often experience many problems during the development cycle such as severe pain in pipeline management, frequent slippage in release dates, and unnecessary rework in product definition.

**Capability Model**: An example of determining and/or reviewing an organization's capabilities is via a model.

The first step is to get smart about your organization's existing capabilities. Just as the athlete needs to know his physical condition before he enters a race, so must an organization know the condition of its own capabilities before it embarks on building a new product or service? So the question is, "how do you know what you know"? Or, in other words, how do you develop an understanding of the knowledge and capabilities that are already within your organization?

**Example of Capabilities**: Three general categories below are listed for identifying capabilities of an organization.
- Leadership/Management Capabilities
  - Capabilities involved with steering, driving, motivating, and leading the enterprise
- Core Capabilities
  - Core Capabilities are the basic and most central activities that form the essence of the organization. They encompass the organization and describe "what" the organization does. Core capabilities create the products and services delivered to customers.
- Enabling Capabilities
  - Capabilities involved with supporting and enabling the enterprise.

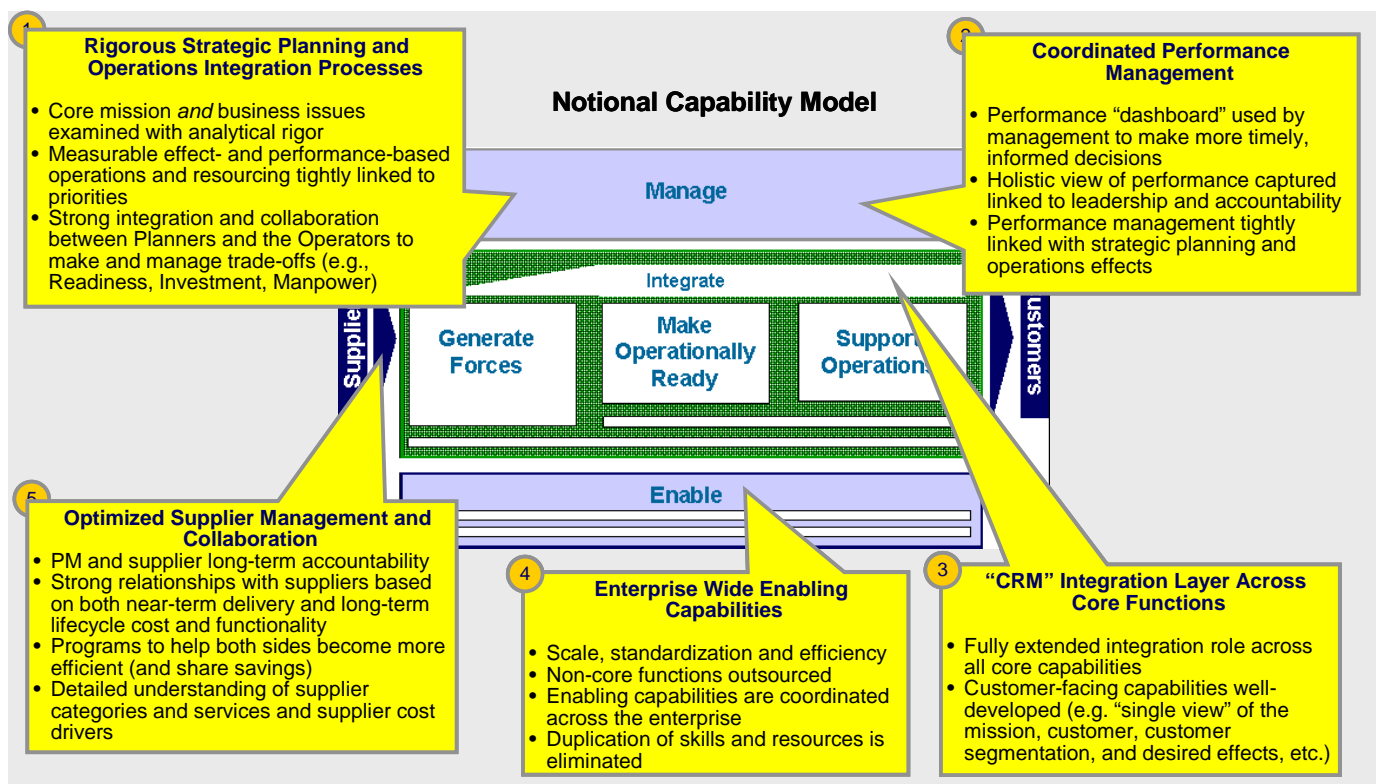# Step 2 Organizational Assessment – Gap Analysis

**What is a Gap Analysis?**

Gap analysis consists of defining the present state, the desired or `target' state and hence the gap between them. In the later stages of problem solving the aim is to look at ways to bridge the gap defined and this may often be accomplished by backward-chaining logical sequences of actions or intermediate states from the desired state to the present state. In other words, asking the question:

"What (b) must be in place, or must have happened in order that this desired state (a) can exist?" then,
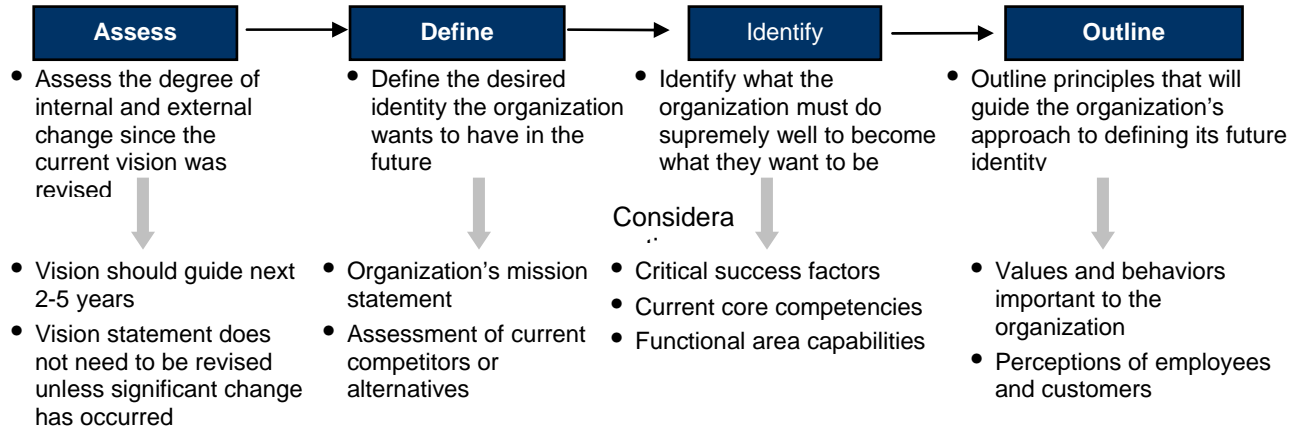
"What (c) must be in place, or must have happened in order that this desired state (b) can exist?"

Gap analysis alone however is not adequate for all problem situations as goals may evolve and emerge during the course of problem solving, "what ought to be" can be a highly variable target. Also, some problems have many alternative solutions, in which case backward-chaining search strategies will have little practical use.
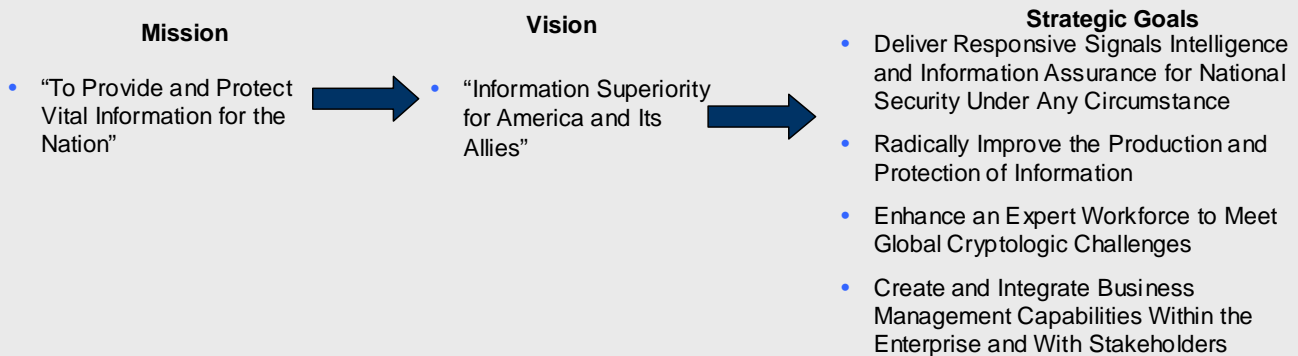
**Example of Gap Analysis:** Your next step is to close the gap. You may decide to use strategic and tactical methods to do this.

**Notional Capability Model**

**Rigorous Strategic Planning and Operations Integration Processes**

- Core mission *and* business issues examined with analytical rigor
- Measurable effect- and performance-based operations and resourcing tightly linked to priorities
- Strong integration and collaboration between Planners and the Operators to make and manage trade-offs (e.g., Readiness, Investment, Manpower)

**Coordinated Performance Management**

- Performance "dashboard" used by management to make more timely, informed decisions
- Holistic view of performance captured linked to leadership and accountability
- Performance management tightly linked with strategic planning and operations effects

Manage

Integrate

Suppliers

Generate Forces

Make Operationally Ready

Support Operations

Customers

Enable

**Optimized Supplier Management and Collaboration**

- PM and supplier long-term accountability
- Strong relationships with suppliers based on both near-term delivery and long-term lifecycle cost and functionality
- Programs to help both sides become more efficient (and share savings)
- Detailed understanding of supplier categories and services and supplier cost drivers

**4 Enterprise Wide Enabling Capabilities**

- Scale, standardization and efficiency
- Non-core functions outsourced
- Enabling capabilities are coordinated across the enterprise
- Duplication of skills and resources is eliminated

**3 "CRM" Integration Layer Across Core Functions**

- Fully extended integration role across all core capabilities
- Customer-facing capabilities well-developed (e.g. "single view" of the mission, customer, customer segmentation, and desired effects, etc.)

E-5

## Step 3 Strategic Plan - Vision Development

| Assess | Define | Identify | Outline |
|---|---|---|---|
| • Assess the degree of internal and external change since the current vision was revised | • Define the desired identity the organization wants to have in the future | • Identify what the organization must do supremely well to become what they want to be | • Outline principles that will guide the organization's approach to defining its future identity |

Considerations:

| | | | |
|---|---|---|---|
| • Vision should guide next 2-5 years<br>• Vision statement does not need to be revised unless significant change has occurred | • Organization's mission statement<br>• Assessment of current competitors or alternatives | • Critical success factors<br>• Current core competencies<br>• Functional area capabilities | • Values and behaviors important to the organization<br>• Perceptions of employees and customers |

### Example: Mission, Vision, and Strategic Goals for NSA

**Mission**

• "To Provide and Protect Vital Information for the Nation"

**Vision**

• "Information Superiority for America and Its Allies"

**Strategic Goals**

• Deliver Responsive Signals Intelligence and Information Assurance for National Security Under Any Circumstance

• Radically Improve the Production and Protection of Information

• Enhance an Expert Workforce to Meet Global Cryptologic Challenges

• Create and Integrate Business Management Capabilities Within the Enterprise and With Stakeholders

## Step 3 Strategic Plan – Objectives and Metrics

**What are Objectives and Metrics?**
Objectives are discrete accomplishments an organization strives to achieve in order to fulfill its mission. While a mission statement is often general and non-specific in nature, the objectives are concrete statements of what the organization will do. Metrics are the numerical measurements that tell the organization how it is doing in meeting its objectives.

**How do I Develop Objectives and Metrics?**
Here are some basic guidelines for developing Objectives and Metrics:

- Start from the Mission Statement. For example, if the Mission Statement is "maintain, train and equip combat-ready Naval forces capable of winning wars, deterring aggression and maintaining freedom of the seas," an objective might be to "increase the combat-availability of our weapons platforms while reducing the cost and time of maintenance."
- Defined objectives support the mission and give further specificity to the actions required to accomplish it.
- Objectives provide leadership with concrete priorities when allocating resources.
- Metrics are not just cost/schedule/performance targets or Earned Value Measurement System (EVMS) numbers – make sure they are tied to mission deliverables.
- An example of a mission-oriented metric would be Repair Cycle Time (RCT) – the amount of time it takes for a weapons system to be returned to Full Mission Capable status.

## Step 3 Strategic Plan – Decision to Revise Organizational Strategy

**What is a Decision to Revise Organizational Strategy?**
No matter how well-informed, not every decision is going to be 100% effective every time. This is the time to assess how well the strategy is working and, if necessary, make a correction. Sometimes that correction will be minor, sometimes it will be far-reaching. In any case, thought must be given to how a change in strategy will impact ongoing initiatives and organizations throughout the enterprise.

**How do I Revise Organizational Strategy?**
Here are some basic guidelines for revising Organizational Strategy:

- If operational metrics are not improving according to plan, the first question is "Are we doing the right thing badly, or are we doing the wrong thing altogether?" Don't change strategy if what is needed is improved execution of the existing strategy.
- If a change in overall strategy is needed, it is critical to identify all the impacts of that shift. Strategies are long-term plans for achieving organizational goals, and they are typically carefully designed and integrated. Changing one aspect of it will likely affect most, if not all, other aspects.
- Don't mistake lack of results for lack of progress. Change in a large organization will take time. Don't change a strategy just because the results are not immediately visible.
- Change management is crucial to a shift in strategy. In order to avoid cynicism and cultural resistance, changing a strategy must be thoughtfully considered, and the risks and benefits fully understood. That being said, if a change is needed, do not hesitate to make it.

## Step 4 Execution Plan – Business Case Analysis

**What is a Business Case Analysis?**

A Business Case Analysis (BCA) presents the rationale for making an investment. The BCA compares the costs of making the investment to the benefits that will accrue. These benefits can be financial (cost savings or cost avoidance) or non-financial (improved capability). Financial benefits might accrue to the organization funding the investment, or elsewhere. Typically, a BCA shows comparative costs and benefits of several options for achieving the same end, including the status quo.

It is important to remember to include all lifecycle costs and benefits, across all years of the FYDP, and showing not just direct outlays, but also changes in productivity, required staffing levels, etc.

**How Should I Write a Business Case Analysis?**
Here are some basic guidelines in writing a Business Case Analysis:

- A BCA is primarily a financial analysis, but there are other, non-quantitative considerations to include

- Unlike in the commercial world, for the government a negative Net Present Value (NPV) or Return on Investment (ROI) doesn't mean an investment is a bad idea – it just means that it will cost money (few agencies make money)

- The purpose of a BCA is to two-fold – first, to decide whether an investment is worth making; second, if it is, to convince leadership to fund the investment.

- Include the status quo as an option, to show the cost of doing nothing.

- Try to capture all relevant costs and savings, regardless of where they occur or the source/type of the funding that they affect. The objective is to view the investment in terms of its impact on the entire enterprise.

- Show all assumptions and dependencies, so that the investment decision is not made in isolation from other investments and organizations.

## Step 4 Execution Plan – Pilot Programs

**What is a Pilot Program?**
We don't always know whether a plan is going to work. On the one hand, we do not want to avoid trying new thing; on the other hand, we don't want to lead a huge organization down a blind alley. The way to solve this dilemma is to use Pilot Programs. A Pilot Program provides a "test run" to see whether a new idea will work. Pilot Programs are limited in scope, usually in terms of size or duration. They are a "proof of concept" that demonstrates whether a plan is feasible to implement on a larger scale. Lessons learned during the execution of the Pilot can be applied when the project is rolled out to the larger organization.

**How Do I Conduct a Pilot Program?**
Here are some basic guidelines for conducting a Pilot Program:

- Don't cherry-pick – avoid the temptation to devise a Pilot Program that is guaranteed to succeed. The point is to try out new ideas and determine whether they will work on a larger scale. Pilot Programs that are not scalable do not answer any questions.

- Treat the Pilot Program as if it were the "real thing." Try to make the Pilot Program as representative as possible of the actual conditions the concept will face on a larger scale.

- Make objectives and performance metrics clear. A Pilot Program that ends without clear lessons learned didn't do anyone any good.

- Compare the results of a Pilot Program with a similar organization that continued to use the status quo process. Were the results sufficient to justify the expense?

- Document lessons learned. Any Pilot Program will run into unforeseen difficulties – the point is to learn the lessons and apply them to the main effort to avoid repeating the same mistakes.

## Step 5 Performance Measurement – Key Performance Metrics

**What is a Key Performance Metric?**
A Key Performance Metric (KPM) is a measurement of the mission-aligned output of an organization. KPMs are defined by the leadership to be "that which we want to improve." The definition of a KPM has several parts – a definition, an equation, a description of the data source(s), an actual value, a target value, and perhaps variance or trend information. KPMs must reflect organizational goals, and not be merely those things that are easy to measure or that have always been measured – what is being measured must be "key" to the organization's success. KPMs must be quantifiable, not subjective. KPMs provide everyone with a clear understanding of what is important to the organization's success, and what they can do to help it improve. KPMs also provide leadership with a tool to evaluate performance over time.

**How should I develop Key Performance Metrics?**
Here are some basic guidelines for developing KPMs:

- Make sure the KPM is based on output, not input (i.e. not "Percent of people who have received sexual harassment training," but "Number of sexual harassment incidents." – It doesn't mean anything even if 100% have received training if that has no impact on the behavior)

- There shouldn't be too many KPMs for any organization. 8-10 is usually enough; any more and you risk losing focus.

- KPMs should stay relatively stable over time (the definitions, not the values)

- Use KPMs as a motivator – post the latest metrics in a public place and let everyone know how we are doing.

- KPMs should cascade. That is, the top-level metrics are composites of lower level ones. Strategic metrics are derived by "rolling up" the operational metrics.

## Step 5 Performance Measurement – Performance Measurement Assessment

**What is a Performance Measurement Assessment?**

Performance excellence is not a one-time effort – it is a way of life. Performance metrics should be continuously improved, leading to better and better mission accomplishment. Leadership must be kept informed how well the enterprise is performing so appropriate actions can be taken to correct deficiencies and amplify strengths. Mission-focused KPMs must be regularly measured and reported; if the linkage between a KPM and mission goals breaks down, new KPMs that more accurately reflect and predict mission objectives should be devised.

**How should I conduct a Performance Measurement Assessment?**

Here are some basic guidelines for conducting a Performance Management Assessment:

- Use KPMs as a motivating tool – design them so that everyone in the organization has a direct line-of-sight from their actions to the mission objectives, then publish the results regularly as a "report card" of the organization's performance.

- Know your target audience – make sure everyone understands the metrics they see, and what they can do to improve them.

- Understand the different ways to performance metrics should be displayed– raw versus scaled, tables versus graphs, period performance versus rolling averages – and present them appropriately.

# Appendix F – Self-Assessment Development

*This appendix is provided to help illustrate to the user how the scoring tables were developed for each of the questions in the Self-Assessment. Rational for the sequence of criteria and questions is also discussed, and is based-on research by Kim Cameron, a noted organization behavior expert.*

*The below memorandum served as a protocol for drafting the tables. Subsequent revisions were made per the recommendations from the pilot participants. We feel it is worth providing this information to help users understand the rational behind the tables, as well as the ordering of the criteria and questions:*

**M E M O R A N D U M**

| | |
|---|---|
| **TO:** | Echelon II Assessment Tool Team |
| **RE:** | Protocol for Creating Tables for Assessment Criteria |

Note: Each question or set of questions – indicated on the Assessment Criteria document by an adjoining number – should have at least one corresponding table in the Tables document. Assuming a 1:1 ratio of set of questions to tables, at least 91 tables should be created for the assessment tool.

Protocol:
1. Read each set of questions. For example, the set of questions under Section 3.1 (b)(1) reads as follows:
    1. What are your key strategic objectives and your timetable for accomplishing them? What are your most important goals for these strategic objectives?

2. Select the key concepts from these questions. For example, the key concepts from the above set of questions are "strategic objectives," "timetable," and "important goals." Note: If there are more than 4 concepts in a set of questions, create at least two tables for that set of questions.

3. Create a table with five levels. The 1$^{st}$ level indicates that there is "no presence" of the aforementioned key concepts, the 2$^{nd}$ indicates that there is "some presence" of the key concepts, the 3$^{rd}$ indicates that there "most" concepts are present, the 4$^{th}$ level indicates that "all" concepts are present, while the 5$^{th}$ level indicates that "all" concepts are present and that there is something above and beyond those concepts. For example, for the set of questions under Section 3.1 (b)(1), the table would appear as follows:

**Strategic objectives are clearly and completely defined and have aggressive and realistic timetables for accomplishment. Important goals are defined for each of the objectives.**

| Score | Scoring Criteria |
|---|---|
| 1<br>None | We discuss objectives but no key objectives are defined and promulgated throughout the command. Our process provides no timetables associated with the key strategic objectives we may have discussed. Furthermore, we have not determined goals to achieve the identified objectives. |
| 2<br>Some | Some of our key objectives are identified, but much more needs to be done to address the challenges and engage in objective development with our stakeholders. Few timetables have been established. Few of our key objectives have supporting goals defined. |
| 3<br>Most | Most of our key objectives are defined, but have not fully considered our key challenges and have not been formed in full collaboration with our stakeholders. We have established timetables for most of the objectives/goals. Most of our key objectives have clear goals, but not necessarily measurable. |
| 4<br>All | All of our key objectives are defined, consider our key challenges, and are formed in a systematic fashion. We have established an achievable timetable for each of the objectives/goals. Most of our key objectives have clear and measurable goals. We have considered an organizational advocate(s) for our objectives/goals. |
| 5<br>All+ | All of our key objectives are clearly and completely defined, address our key challenges, and are formed in a transparent and collaborative fashion with customers and suppliers. We have established an aggressive but achievable timetable for each of the objectives/goals. Each of our key objectives has clear and measurable goals. We have established an organizational advocate (or champion) for each of our objectives/goals as appropriate. |

4. Use the Maryland Assessment tables, if at all possible, to help fill in the white space still left within the varying levels of the tables. Where Maryland language on a particular set of questions is not is not present, reflection is required to originate the language needed in the table.

5. Ensure the Baldrige components of ADLI (Approach, Deployment, Learning, Integration) are expressed in each level. The generic maturity levels for ADLI are expressed below:

| | Approach | Deployment | Learning | Integration |
|---|---|---|---|---|
| 1<br>None | Beginning | Early Stages | Early Stages | Approach aligned among work units |
| 2<br>Some | Effective Systematic | Limited | Systematic | Approach deployed |
| 3<br>Most | Effective Systematic | Well deployed | Fact-based and systematic | Approach aligned with org needs |
| 4<br>All | Effective Systematic | Well deployed, no signs of gaps | Fact-based and systematic refinement | Approach integrated with org needs |
| 5<br>All+ | Effective Systematic | Well deployed, no signs of gaps | Fact-based and systematic refinement, and shared | Approach well integrated with org needs |

Another example is provided below:

**Our strategic planning approach is based on accurately identifying strengths, weaknesses, opportunities, and threats (SWOT). The process produces an executable plan that accounts for early indications of major shifts in technology, trends, and long-term sustainability. Data collection and analysis is included to ensure the objectives are relevant and attainable.**

| Score | Scoring Criteria |
|---|---|
| 1 | No systematic approach to strategic planning is evident. Managers believe that the traditional approach to operating will still work, if it is just done "right." |
| 2 | Some strengths, weaknesses, opportunities, and threats are identified but no framework exists to ensure thoroughness and validity. Managers give "lip service" to new concepts but make few significant changes. All major changes are forced from outside the organization: reactive vice proactive. Data is used, but subjectively to support independent agendas. |
| 3 | Some SWOT analysis is done and data collection is now more meaningful to support objective determination. Most managers understand their major customers' needs and how to satisfy them. Some new approaches and new opportunities have been identified in the plan as a result of data driven conclusions. Ability to execute to the plan is measured against available resources. |
| 4 | Leaders systematically revisit the value chain to validate objectives, required partnerships, supplier/customer relationships and strategy. SWOT analysis informs decision-making to address external factors and formulate some new advanced concepts. The process drives regular review to the plan current to changing requirements and direction. |
| 5 | Our strategic planning process systematically, comprehensively, and accurately assimilates a host of external factors such as customer needs, trends, new technology implications, regulatory changes, etc… with our organization's strengths and weaknesses to identify new opportunities and address potential threats. Metrics are used to effectively track progress, ensure accountability to the objectives, and make course corrections to maintain relevancy to the customer. Executing the plan yields high performance. |

The ordering of the criteria and questions in the Self-Assessment was based-on the below research *(Cameron and Winn, 1998, "An Examination of the Malcolm Baldrige National Quality Framework).* The Malcolm Baldrige system is based the theory that "Leadership" directly influences organization outcomes, as well as system design:
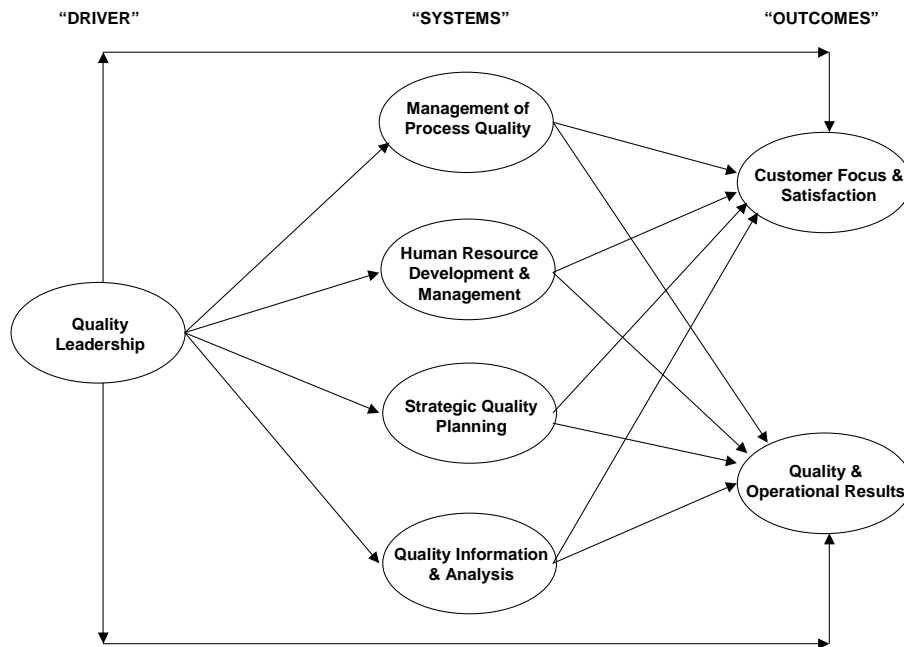
**FIG 1) MBQNA Theoretical Framework**

Cameron and Winn's research found that "Leadership" does not directly influence outcomes, but rather influences outcomes *through* organizational system design:
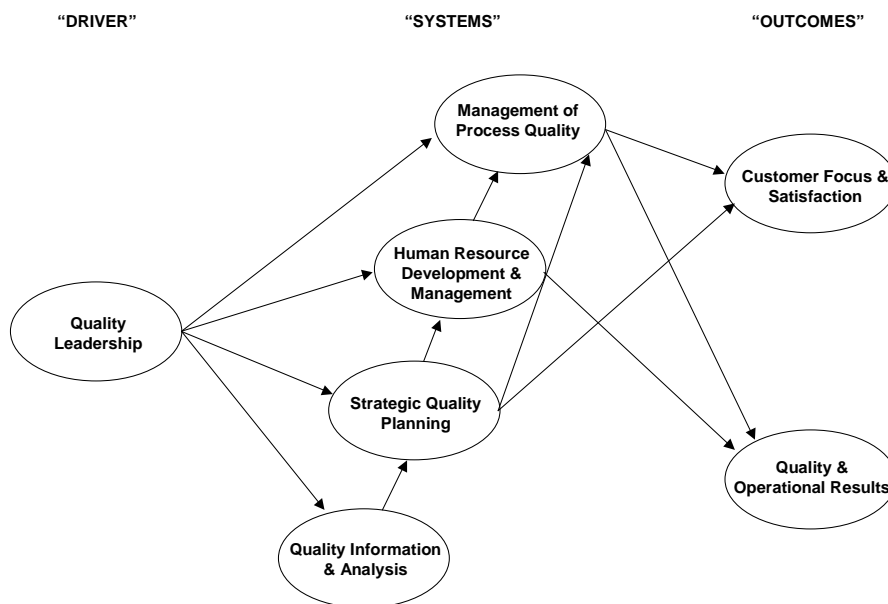
**FIG 2) MBQNA Alternative Framework**

An examination of Figures 1 and 2 reveals that the main effect of leadership is on the system dimensions, not on the outcome dimensions. Therefore, a certain ordering is evident. Information and analysis tends to influence strategic quality planning, which in turn affects human resource development and management and management of process quality. This suggests that collection and analysis of information should precede strategic planning, which in turn should lead to the design of human resource systems and organizational processes to support the strategic plans.

For example, customer focus is significantly affected by two system dimensions - strategic quality planning and management of process quality. This means that having strategic plans in place that emphasize customer focus and customer service along with the necessary processes and procedures to operationalize those customer-focused plans produces the desired outcomes related to customers. The other outcome dimension - performance results - is significantly affected by human resource development and management and management of process quality. This suggests that desired outcomes in organizations - e.g., efficiency, achieving goals, low error rates, improvement - are directly affected by having the human resource systems as well as the organization' s operational processes and procedures squarely in place. Adequate systems that select, reward, and develop organization members (i.e., human resources) and that systematically organize core technologies and production processes (i.e., process management) in organizations are the most important factors in accounting for performance results. It is noteworthy that the management of process quality is the only dimension with a significant and strong direct effect on both outcome dimensions.

This reinforces the arguments of the importance of process improvement in achieving quality. Deming (1986), for example, argued that a vast majority of quality problems and barriers is due not to employee motivation or ability problems but to flaws in the way processes are structured. A common tenet of the quality movement is that before a process can be improved it must be under control.

In sum, the empirical results from the analyses support the notion that leadership plays a central role in influencing organizational operations and systems. In turn, while managing and developing human resources directly impacts the performance results outcome and implementing strategic quality plans directly impacts the customer focus outcome, managing quality processes is the one dimension that has a significant and meaningful relationship with both the leadership dimension (the driver) and both desired outcomes. The basic management tasks of leaders - gathering and utilizing information, planning strategically, effectively managing and developing organizational employees, and designing a well-oiled process for producing outcomes - create the critical outcomes related to the organization. The direct personal impact of the leader on key organizational outcomes - namely performance results and customer focus - is, by and large, fiction. Unless leaders can influence the organization through its systems, they have little hope of affecting bottom-line results. Management in the trenches, it seems, more than management from the mountaintop is the key to quality outcomes.

# Appendix G – Resources

**Readings**

- *The Balanced Scorecard:* Translating Strategy into Action --- Robert Kaplan and David Norton
- *The Basics of Performance Measurement* – Jerry L. Harbour, PhD
- *Better Thinking, Better Results* — Bob L. Emiliani
- *Decision Making for Leaders* — T.L. Saaty
- *Deep Change* — Robert Quinn
- *Execution* — Larry Bossidy, et.al
- *The First 90 Days: Critical Success Strategies for New Leaders at All Levels* — Michael Watkins
- *The Goal: A Process of On-Going Improvement* — Eliyahu Goldratt and Jeff Cox
- *The 7 Habits of Highly Effective People* — Stephen R. Covey
- *The 21 Indispensable Qualities of A Leader* — John C. Maxwell
- *Good to Great* — Jim Collins
- *Half Time* — Bob Buford
- *High Velocity Culture Change by Pritchett & Pound*
- *The Leader: Developing the Skills and Personal Qualities You Need to Lead Effectively* — Normand Frigon, Sr. and Harry Jackson, Jr.
- *Leadership Is An Art* — Max Depree
- *Leadership Challenge* — James Kouzes and Barry Posner
- *Leading Change* — John P. Kotter
- *Leading Six Sigma* --- Ronald Snee and Roger Hoerl
- *Lean Thinking* — James P. Womack, Daniel T. Jones
- *Lean Six Sigma & Lean Six Sigma for Service* — Michael George
- *Lean Thinking : Banish Waste and Create Wealth in Your Corporation* — James Womack and Daniel Jones
- *Making Change Work: Practical Tools for overcoming Human Resistance to Change* — Brien Palmer
- *Positive Image, Positive Action* — Cooperrider
- *The Power of Alignment* — George Labovitz And Victor Rosansky
- *Powerful Conversations* — Phil Harkins
- *The Psychology of Winning* — Denis Waitley
- *Primal Leadership* — Daniel Goleman
- *The Thin Book of Appreciative Inquiry* — Sue Annis Hammond
- *The Tipping Point* – Malcolm Gladwell
- *What is Lean Six Sigma?* — Michael George
- *What Leaders Really Do* — John P. Kotter
- *Why Change Doesn't Work*: Why Initiatives Go Wrong and How to Try Again and Succeed – Harvey Robbins and Michael Finley

**Websites**

- The Sea Enterprise website (https://ucsobdom02.hq.navy.mil/seaenterprise)

- National Institute for Standards and Technology (http://www.nist.gov/)
  NIST maintains the Malcolm Baldrige criteria.  This is a great source for learning more about resources and training on using the Baldrige criteria.

- The Network For Excellence (www.networkforexcellence.org)
  Website for assistance with Self-Assessments, networking opportunities, training, and consultation

- LEI – Lean Enterprise Institute (http://www.lean.org)
  Website of Jim Womack, includes success stories, videos, presentations, e-letters from Jim Womack, training and event/seminar information.

- ASQ Six-Sigma Forum (http://www.asq.org/perl/index.pl?g=sixsigma)
  The ASQ Six Sigma Forum offers informal and practical opportunities for Six Sigma professionals at any experience level to share knowledge and solutions.

- Six-Sigma Quality Resources for Achieving Six-Sigma Results (http://www.isixsigma.com)
  The mission of iSixSigma is to provide a free information resource to help business professionals successfully implement Quality within their organizations, a source for articles, discussion forms, newsletters, events, directories, etc.

**Online Courses**

Defense Acquisition University Courses
To access these modules login to the DAU Continuous Learning Center at http://clc.dau.mil, select the "Learning Center" and then select the "Course Information & Access" link. To launch the module, select the name from the list.

- *Lean Six Sigma*
  The module will be of value to any personnel involved in production or preparing for production, to include those involved in the systems engineering process. The material is presented as a mix of theory and actual applications, from both defense and commercial industries. The average cumulative time for course completion is six seat hours. You may take this self-paced course over time with the ability to return to the last page you accessed.

- *Introduction to Lean Enterprise Concept*

This self-paced course, *Introduction to Lean Enterprise Concepts* is comprised of eight lessons offered in order to establish greater awareness of lean enterprise concepts and techniques. Audience members who may benefit from this course include representatives of the defense industry, interested commercial partners, and individuals seeking an academic introduction to lean enterprise concepts. The average cumulative time for course completion is three and a half seat hours.

- *Six Sigma Concepts and Process*
  Six Sigma quality control methodology was created by Motorola to increase the productivity and quality of products and customer service processes. This course introduces the foundations of the Six Sigma process in 8 lessons that require approximately 8 hours to complete. Program managers comprise the audience who will most greatly benefit from this course

Navy Knowledge Online
You have to register first with NKO, if you are not already a registered user.

- *Navy Productivity Awareness Course*
  A very good introductory course for those who have not been exposed to Lean, Six Sigma and Theory of Constraints. This course is available at http://www.nko.navy.mil. The course is located under Navy E-Learning, DON, Navy process Improvement, Productivity Improvement Awareness.

# Acknowledgements and Points of Contact