



ACCA

**Advanced Performance
Management (APM)**

Pocket Notes

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chapter

1

Introduction to performance management

In this chapter

- Planning and control.
- Strategic objectives, critical success factors and key performance indicators.
- The role of performance measures.
- Benchmarking.

Planning and control

Planning and control are **fundamental aspects of performance management**.

Planning

The organisation sets its objectives and decides how best to achieve them.

Control

The organisation monitors achievement of objectives and suggests any necessary corrective action.

The performance hierarchy is concerned with planning and control at different levels of the organisation:



A **mission statement** outlines the broad direction of an organisation, its reasons for existing and its values.'

Differences between strategic and operational planning and control

Strategic planning and control	Operational planning and control
Undertaken by senior managers.	Undertaken by operational managers.
Long-term, considering the whole organisation (and its divisions/departments) and all stakeholders.	Ensures objectives set at tactical level are achieved.
Information has an external focus and is commonly qualitative.	Information is detailed, task specific, mainly internal and largely quantitative.
Focus on planning not control.	Focus on control not planning to achieve short-term objectives.

Strategic planning is a **long-term**, top-down process and decisions may conflict with **short-term** localised **operational** decisions.

Strategic objectives, critical success factors and key performance indicators

The mission will be translated into a set of SMART, strategic objectives. Achievement of these objectives should ultimately help the organisation to achieve its mission.

Definition

Critical success factors (CSFs) are the vital areas 'where things must go right' for the organisation in order for them to achieve their strategic objectives.

CSFs can be **classified** as **monitoring or building** and also as **internal or external**.

There are different **sources** of CSFs. **For example industry or environmental factors** may drive the CSFs for an organisation.

Definition

Key performance indicators (KPIs) are the measures which indicate whether or not the CSFs are being achieved. Targets will be set for each KPI.

The role of performance measures

An organisation needs to establish SMART objectives and then key factors and processes will be identified that will enable it to achieve its objectives.

It is not enough merely to make plans and implement them.
The results of the plans have to be **measured**.

'What gets measured, gets done'

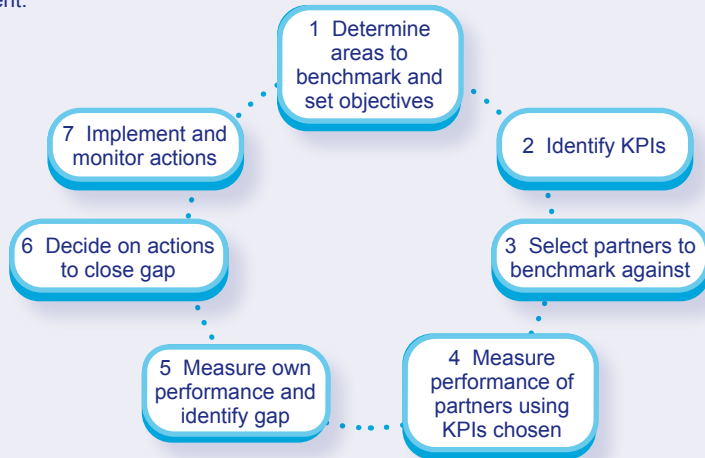
– i.e. the things that are measured get done much more often than the things that are not measured.

- Once measured, the results should be **compared** to the stated objectives.
- **Action** can then be taken to remedy any shortfalls in performance.

Benchmarking

Definition

Benchmarking aims to understand and evaluate the current position of the organisation in relation to **best practice** (products, services or processes) and to identify areas and means of performance improvement.





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