



Performance Improvement

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A Framework for Defining and Designing the Structure of Work

Part 2

This is part two of a three-part paper describing a framework for modeling the business architecture (BA) layer of enterprise architecture (EA). In this article, we will add the management dimension, but first a quick orientation:

In the first article we described the view we call the Value Creation Hierarchy (VCH), shown in Figure 1. Every organization exists to create and deliver value to the marketplace using its internal system of processes and resources.

At the top level is the entire organization as a system, with the organization's business units operating as the engines which create, sell and deliver value and generate revenue for the enterprise. At the next level is the organization's value creation system (VCS), which is the means by which the organization creates, sells and delivers products and services of value to the marketplace.

The third level then divides the components of the VCS into three sub-systems, what we call the Launched, Sold and Delivered processes. Launched includes those processes--such as research, product development, and product extensions—whose purpose is to create new products and services. Sold includes those processes that are aimed at marketing and selling the goods and services. And Delivered includes those many processes that get the products and services to customers and provide on-going support.

At the fourth level are individual processes, such as product development or order fulfillment as well as supporting processes. At the fifth level are the performers (whether human or technology or a combination).

In our April column, we then laid out a set of process diagrams corresponding to the levels of the VCH (Figure 2) and suggested that these tools together can be used to depict much of any organization's business architecture.

Value Creation Management System

An EA model should show not only how work gets done in an organization but also how performance is managed. At The Performance Design Lab (PDL), we have long argued that to be effective any organization needs to have a well-designed management system. We have a framework for reviewing the management system of an organization. We know that desired performance / results is a function of the three components shown in Figure 3:

1. **Performance Planned** – goals and plans (including necessary resources and processes to achieve the goals) are set and communicated to the “performer”.
2. **Performance Executed** – the “performer” (which can be an individual, a process or an organization entity – e.g., a company division, plant or department) delivers the desired performance / results prescribed in the goals and plans.
3. **Performance Managed** – actual performance is monitored against the goals and plans and if a negative deviation is detected, there may be a “change” signal sent to the performer. The bottom-line of Performance Managed is closing any gaps between Plan and actual.
 - A. The “performer” to change their execution in some way (e.g., better scheduling of staff) and/or
 - B. The Performance Planned component to do some combination of the following:
 1. Alter the Goals
 2. Modify the Strategy to achieve those Goals
 3. Modify the Operating Plan and Budget to better support the Strategy, including:
 - a. The allocation of resources
 - b. The Organization design
 - c. Process requirements
 - d. Policies

Put another way,

- Performance Planned = (equals) “Plan”
- Performance Executed = “Actual”
- Performance Managed = Action to close the gap between “plan” and “actual”

“Performance Executed” (PE), the individual, process or entity that performs the work, is always a very visible component of this fundamental performance system. On the other hand, the “Performance Planned” (PP) and “Performance Managed” (PM) components which constitute the “brains” or intelligence of the performance system tend to be invisible and flawed. This PP/PM combination (which we refer to as the Performance Planned and Managed System [PPMS]) is what makes it possible for the performance system to adapt to external changes and react to execution failures. It is the mechanism whereby the performance system is both an effective processing system and an adaptive (learning) system.

Figure 4 provides you more detail about the functioning of the Performance Planned and Performance Managed components. One additional detail from the earlier diagram to point out is that in addition to providing Goals (direction) and Plans to Performance Executed, the Performance Planned component also makes available the necessary structure, processes, policies and resources (financial and other) to achieve said goals.

You might think of the PPMS as a sophisticated guidance/control mechanism – a “management chip”, if you will – whose goal it is to optimize the Performance Executed component and produce the desired results. A *management system* for an organization is a collection of these “management chips”, inserted at key junctures in the organization, and *linked* as shown in Figure 5.

The diagram in Figure 5 (a variation of Figure 4, the preceding diagram) is a powerful template for both “troubleshooting” an existing management system and designing a new management system.

Management System Architecture

Corresponding to the Management System Hierarchy is a set of tools that collectively can be used to design and organize the management system. (See Figure 6.) Just as with the BA, these tools can be used to define and analyze an organization's current state ("is") or future state ("should"). The Management System components are anchored by the processes to be managed. Starting from the bottom, the components are arranged in rough order of their development when building a management system.

Measures Chain

For each process in the BA, a Measures Chain identifies what critical dimensions of performance and measures are applicable, and where in the process the performance data should be monitored. The way a Measures Chain is developed is to start at the right, with the requirements of customers and stakeholders and translate those requirements into dimensions of performance such as timeliness, quality, and price and applied to the process. For example, if the timeliness requirement is to deliver a product within 30 days, the requirements on the whole process might be 25 days (assuming 5 days for shipping), and then those 25 days are allocated appropriately to the sub-processes based on the worked required. The result is a set of measures for a given process. When Measures Chains are created for all the key processes in an organization's BPA, the management team has a powerful means of monitoring and controlling process performance across the organization.

Performance Trackers

Performance Trackers are tools for collecting and displaying performance data. The trackers are derived from the performance measures required by the Measures Chains. Typically a tracker shows the trends in performance for a given measure, such as cost, timeliness or quality. A hierarchy of trackers corresponding to the management levels contained in the Management Domain Matrix and covering all the key processes in the BPA results in a comprehensive "dashboard" for viewing and management organization-wide performance.

Troubleshooting Logic Diagrams

Much of the management work required to manage the organization as a system is diagnosing and acting upon performance feedback with the appropriate corrective action, which might be to provide coaching, better training or feedback, different tools or methods, etc. Troubleshooting tools are intended to help managers assess data, make the right conclusions, and choose the right actions.

Management Calendar

The central tool is the Management Calendar which provides a road map and timeline for a total Performance Planned and Managed System (PPMS) for any organization. It prescribes the key points of interaction between key management roles (the vertical axis) at specific points in time (across the top of the chart, from Annual to Weekly/Daily). As the Management Architecture shows, the metrics used by management are derived from Measures Chains for each key process and the levels of management are defined in the Management Domain Matrix.

Management Domain Matrix

This tool identifies each level of management, specifies the mission and value of each role, and the responsibilities for performance management of each role. How these responsibilities are carried out can be seen in the Management Calendar, where each manager participates in planning and management activities appropriate to their level.

Meeting Agendas

In most organizations, the best arena for managing the organization as a system are in those regular meetings where management teams plan and make decisions. The Management Calendar is typically built according to the schedule of management meetings. This final tool is a set of meeting agendas that aid management teams in optimizing and leading the organization.

For example, the Management Calendar for our fictitious organization includes a monthly Performance Managed meeting to emphasize that Functions exist to support Primary processes, which in turn meet customer and organization requirements. It works like this.

The executive team of the president and all vice-presidents meets every month for a review of operations and performance against goals. It is usually a four-hour meeting, chaired by the president. The first 30 minutes of the meeting is a quick briefing on performance against corporate goals for the month and year-to-date, including financials, sales performance and customer satisfaction data. The next segment of the meeting, usually an hour and a half, is a review of Process performance against goals. The Process Management Team Chair (also a functional VP on the executive team) for each Primary Process reports on how their Process has performed against the goals for the period. The Chair/VP is also expected to comment on any issues regarding “sub-optimization” of their process by any function. On a rotational basis, each month the performance of one of the Support Processes is reviewed in a similar manner. The president is a big advocate of “functions exist to support processes” and listens carefully during this segment of the meeting for indications that this is not the case.

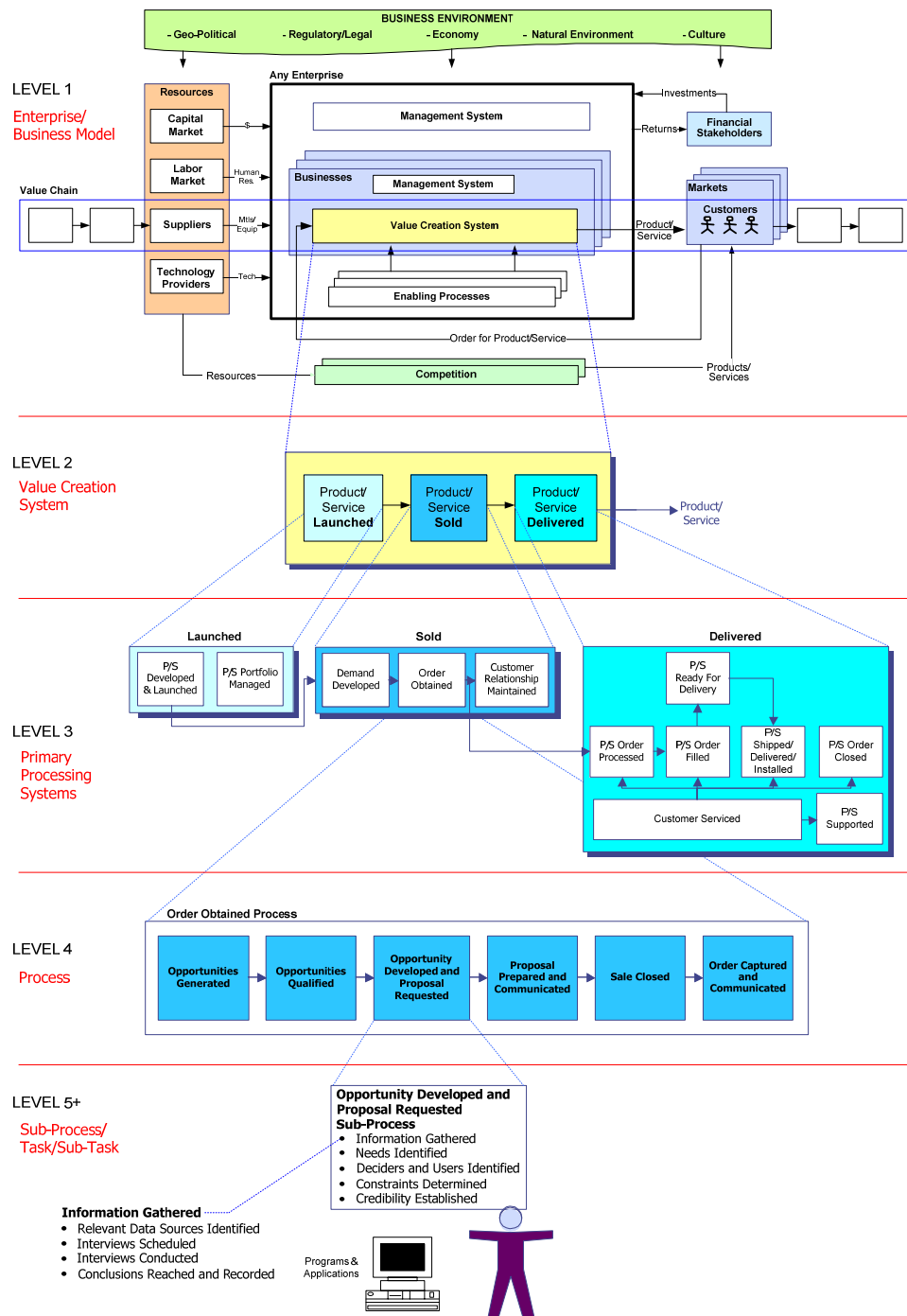
In the final hour-and-a-half segment of the meeting, the focus shifts to a review of each major function in the company. Each VP gives a brief summary of their function's performance against their monthly goals and raises any issues they are having or anticipate having supporting any of the Primary Processes. The president is quick to ask questions if he senses a function is failing to support one of the Processes as required. If such a problem is identified, the president leads a positive “problem-solving” discussion of “why” the problem exists and what must be done (by all VP's, not just that function VP) to correct the problem, prevent the problem happening again, and recover from the problem.

The whole idea of the Management System is to make complex organizations more manageable. A company has hundreds of individuals in hundreds of jobs performing thousands of more or less related activities aimed at meeting ever changing customer requirements or expectations. It is a major management challenge to provide direction for such a complex organism. The alternative is to view the company as a processing system that delivers valued products to customers through a handful of critical processes – basically three Primary Processes and several Support Processes. With this processing system view of organizations, the primary management task for executives and managers becomes two-fold:

- First, assure that the internal processing system is aligned with the external “super-system” requirements and reality. For example, if customers expect to receive their orders in five days (because that is what your competition does), then you need to be sure that “five days” is the standard for delivery of the Order Fulfillment Process. Likewise with expectations for new product development, customer service, etc.
- Secondly, assure that the internal processing system is efficient and effective in meeting organization goals and customer requirements. That is, if you set an order fulfillment standard of five days, your job as a management team is to see that the Order Fulfillment Process can meet that standard. You must see that that process is appropriately designed and resourced to consistently meet that customer driven performance goal.

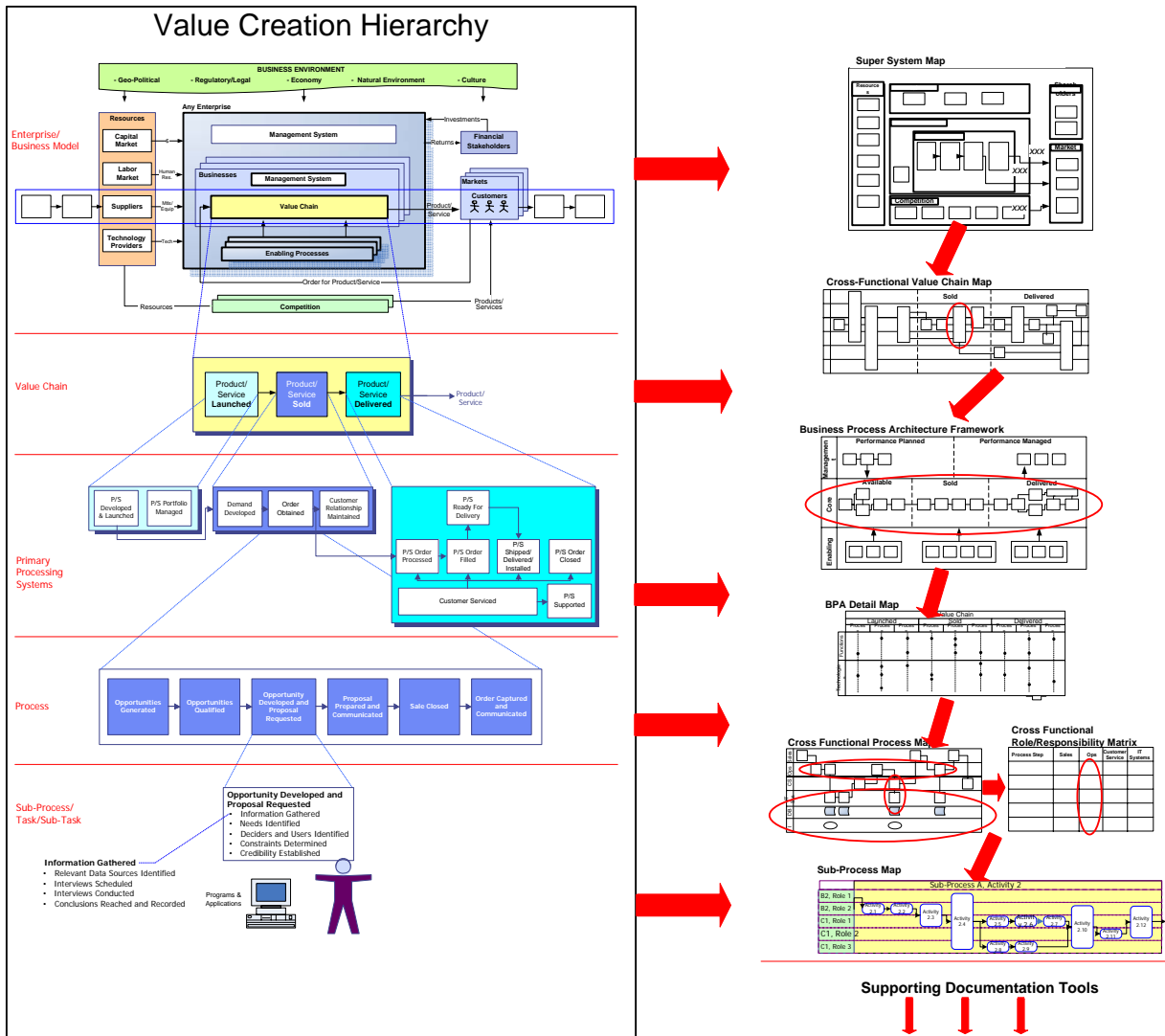
This then constitutes our view of what should be contained in a complete BA—both a vertical depiction of how a business creates and delivers value through its complex hierarchy of processes and how the business is managed as a processing system.

In our next article we will describe how this view of a BA can be applied to a business problem. We haven't yet shown how to bridge from processes to enabling technologies, but that's a subject for next time.



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Figure 1 – Value Creation Hierarchy



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Figure 2 – Business Architecture

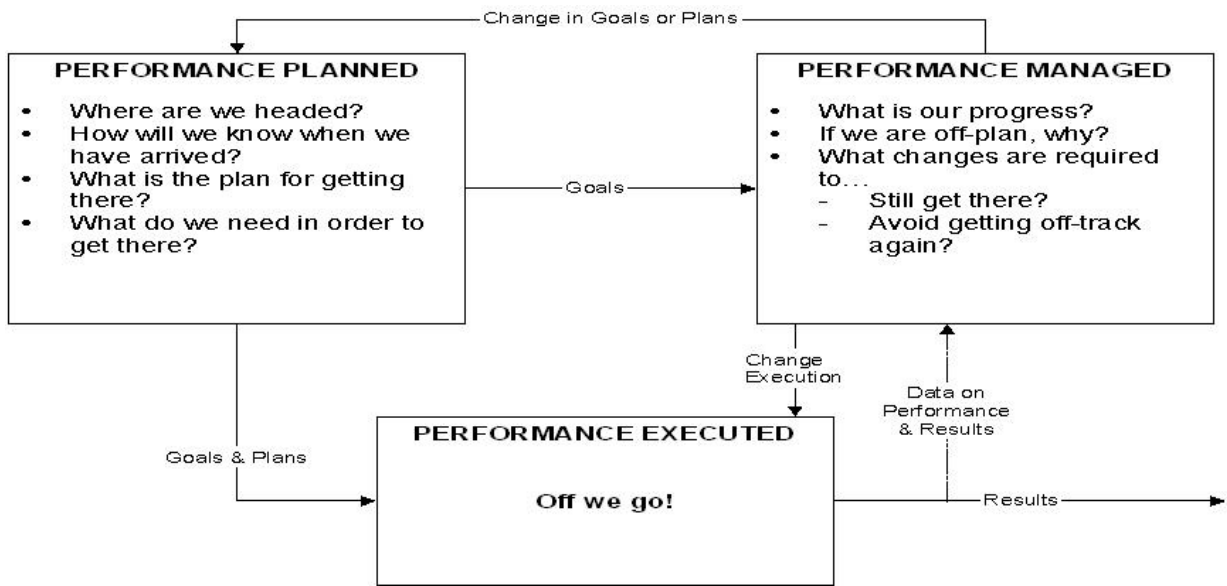


Figure 3 - Management Model

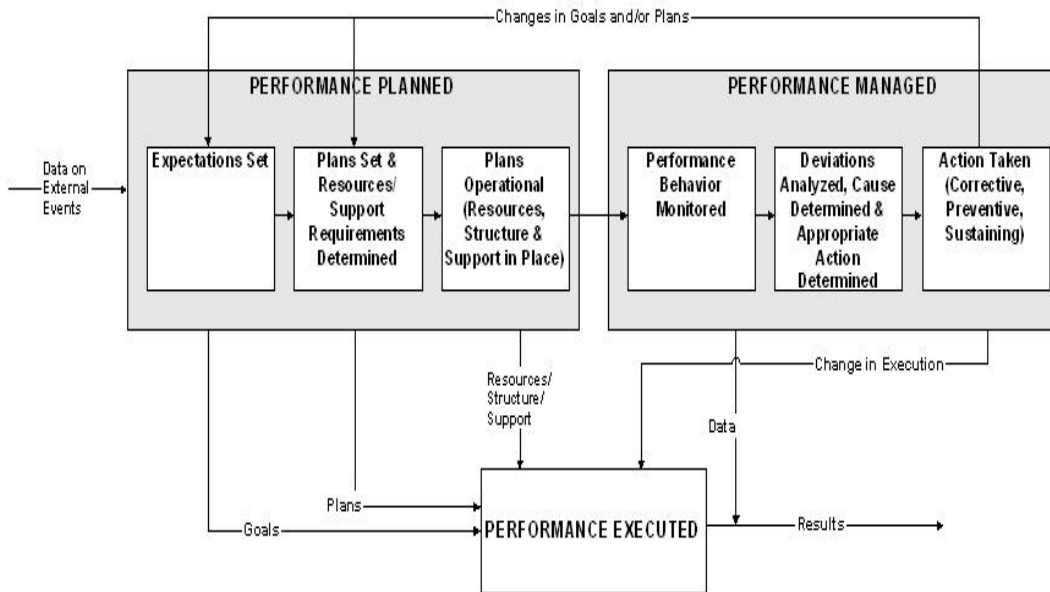


Figure 4 – Management Model Detail

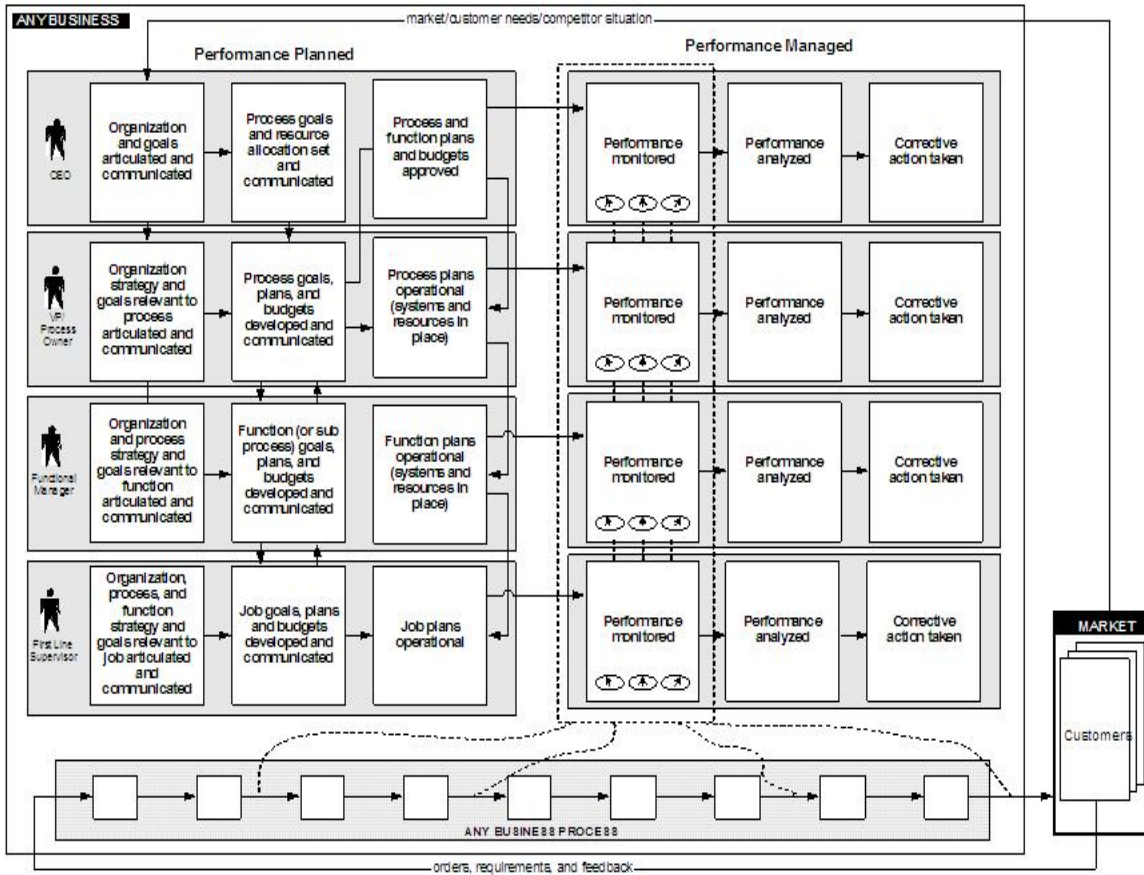


Figure 5 –Performance Planned & Managed Hierarchy

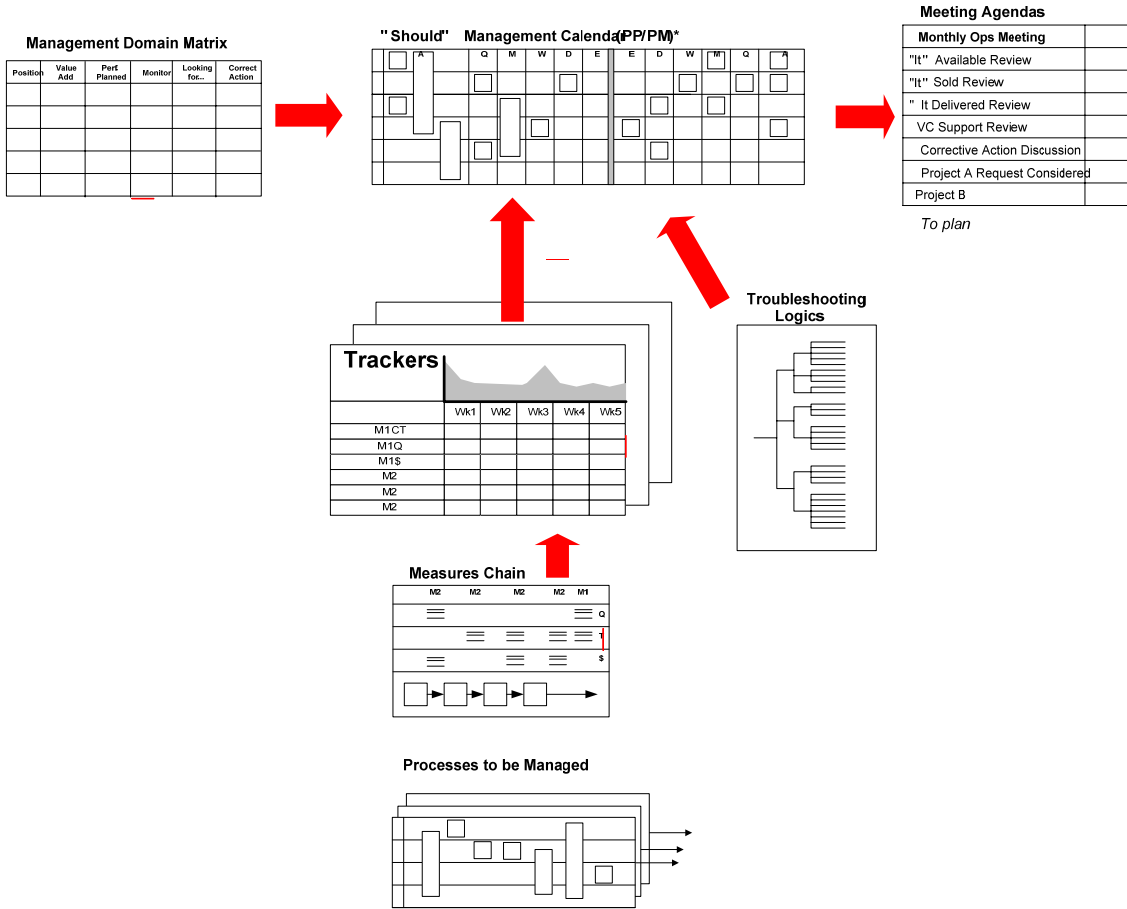


Figure 6 – Management System Architecture