

Enterprise Performance Leadership

A Performance Perspectives Paper by Dr. Bob Frost

How can a leader optimize enterprise performance? A new model points the way for those who want to diagnose performance gaps and create the capability for sustained high performance.

Leaders are judged by the performance of their enterprises. Whether the leader directs a large corporation, line of business, functional area or a small department, he or she is judged, in large part, by the performance of that enterprise. While some think of leadership as persuasion or charisma, over the long haul successful leaders are known by the performance results of the enterprises they direct.

We take enterprise performance leadership, therefore, as the task of building organizations capable of sustained high performance—enterprises with the processes and infrastructures to excel year after year.

Performance is the ultimate test of an organization. -Peter Drucker

Performance Capability. The performance of every enterprise or workgroup is influenced by certain uncontrollable factors, such as weather, actions of a competitor, or equipment breakdowns. Successful leaders handle such factors through contingency planning and quick response. However, in looking at how leaders can build into their organizations the capability for sustained high performance, we focus on a completely different group of performance factors—the controllable factors that leaders can actually influence and direct day by day.

Key Controllable Factors. What are the controllable factors that most determine the performance of any group? Taken directly from the views of successful leaders, our Enterprise Performance Model specifies three key controllable factors—clear direction, effective execution, and efficient operations. See Figure 1.

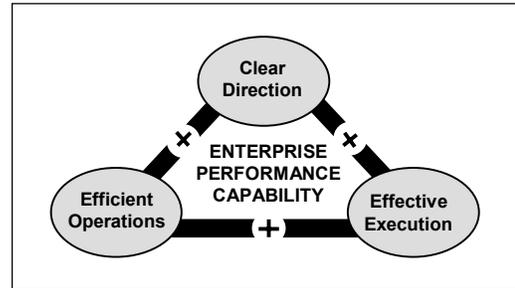


Figure 1. Enterprise Performance Model

Any enterprise or workgroup with all three factors in place has the capability for sustained high performance and optimum results year after year.

Organizations that lack a key factor always falter in the long run. Those that cannot establish a clear direction have no means for aligning efforts, resulting in conflicting priorities, slow action, and wasted resources. Those that cannot effectively execute their plans remain stuck in wishful thinking. Those that cannot operate efficiently see their financial returns slip and more competitive firms take their place.

Enterprise performance leadership, therefore, is about building the capability for sustained high performance—clear direction, effective execution, and efficient operations—from top to bottom.

How Do We Get There?

How, exactly, does a leader establish and maintain clear direction, effective execution and efficient operations and, thereby, build an enterprise capable of sustained high performance?

Optimizing these three factors calls for diligent efforts and accountability, to be sure. But the real key lies in the management infrastructure, the *processes and systems* for managing enterprise performance.

Processes and Systems. Over the past decade, the business world has seen major advances in the processes and systems used to manage performance at enterprise and workgroup levels. These Enterprise Performance Management (EPM) processes provide the means to establish clear strategic goals and convert them into action across your enterprise. EPM features an integrated approach to strategy setting, performance measurement, and performance management.

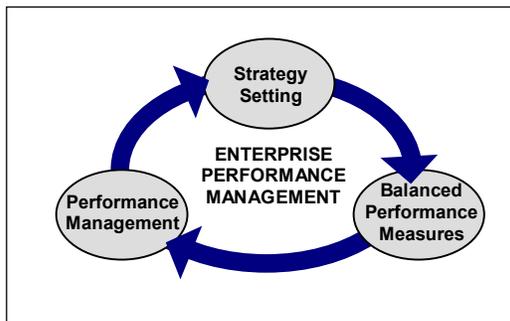


Figure 2. Enterprise Performance Processes

Most business units, functional areas and departments today have some or all of these performance management processes in place. But performance gaps arise from weaknesses in these processes and from ineffective ties between them. In some cases, the processes operate so independently that there's no connection between them at all; in other cases, the three processes have not been "cascaded" down through the enterprise to align action. Most leaders who want to optimize enterprise performance have significant work ahead of them in evaluating and upgrading their performance management processes before they will compare favorably with the best practices established over the past decade.

Performance Leadership Tasks. Looking ahead, then, these are the central tasks of Enterprise Performance Leadership:

- 1) Diagnose your enterprise performance capabilities according to the Enterprise

Performance Model and the processes that support your performance capabilities.

- 2) Make available simple, effective tools for strategy setting, balanced performance metrics, and performance management and hold all units in your enterprise accountable for using them.
- 3) Tightly integrate the three EPM processes so they flow directly from one to the next and ensure that none are managed piecemeal.
- 4) Cascade the overall EPM process throughout your enterprise, so the strategic priorities and performance goals of each unit are tied to those of the next higher unit and those at peer level.

Your overall goal, of course, is to completely integrate all your EPM efforts—so your EPM processes and performance goals are linked from top to bottom and side to side across the enterprise.

At any point in time, uncontrollable factors can arise to impact performance in a positive or negative way. There's no question, however, that leaders who establish strong EPM processes are laying the foundation for sustained high performance and flexible responses to their changing competitive environments. Enterprise Performance Management offers leaders the best assurance that the controllable factors determining performance—clear direction, effective execution, and efficient operations—are optimized.

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