CHAPTER 1

Performance-Directed Culture

What is a performance-directed culture and how can you tell when an organization has achieved it? These were the essential questions facing me when I developed my Performance Culture Maturity Model™.

To help answer this question, I developed six criteria—shown here at the top of the model in Figure 1.1—with four levels of maturity (shown down the left side) that determine the degree to which an organization has made progress.

Four Levels of Maturity

The four levels of maturity determine how mature an organization is in each of six performance-directed culture criteria. Even the least mature organization would not be at the absolute lowest level in each category (I hope). So almost without exception, every enterprise will be at different levels of maturity across the six criteria. This is normal and is part of the process of assessing and improving an organization's maturity.

A technique used with our case study candidates (and others since) was to have them pick three dates and plot them on the Maturity Model, with the midpoint representing the moment when significant and positive changes toward

	Alignment with Mission	Transparency and Accountability	Action on Insights	Conflict Resolution	Common Trust in Data	Availability and Currency of Information
Performance-Directed Culture Realized	Actionable and embraced mission—supported, informed and reinforced by metrics	General transparency and accountability accepted as cultural tenets	"Closed loop" processes ensure timely, concerted action	Established and effective mechanisms for resolving conflicts	Data as truth: Common application of data, filters, rules, and semantics	Currency of metrics/data matches rhythm of business
Performance-Directed Culture Emerging	Actionable mission supported by "top- down" metrics	Limited transparency and accountability; multiple functions collaborate	Ad hoc (informal) action on insights across functions	When identified, conflicts resolved on an impromptu basis	Common data: Provincial views and semantics used to support specific positions	Enterprise availability, uneven currency of information
Departmental Optimization	Alignment with discrete functional goals, not enterprise mission	Fragmented transparency and accountability within discrete functions	Uncoordinated/ parochial action (sometimes at the expense of others)	Appearance of cooperation, "opportunistic reconciliation"	Conflicting, functional views of data cause confusion, disagreement	Availability and currency directed by departmental sources
Chaos Reigns	Mission not actionable, not communicated, and/or not understood	Arbitrary accountability, general opacity	Insights rarely leveraged	Conflicting, redundant, and competing efforts are the norm	Data and information generally unreliable and distrusted	Multiple, inconsistent data sources, conflicting semantics

FIGURE 1.1 Performance Culture Maturity Model™

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becoming a performance-directed culture began to emerge. The first date is some earlier date—before enlightenment—and the third date is where they are today. Not only was this approach useful to help better understand today's strengths and weaknesses, and accomplishments and areas for improvement, but it gave me an understanding of the chronology of key events, and the cause and effect relationships (see Figure 1.2).

Level One: Chaos Reigns

The first and lowest level of achievement on the Maturity Model is Chaos Reigns. At this level, little progress or achievement toward a performance-directed culture is evident. Fragmentation and disorganization are the norm. This is not a sustainable state, with organizations at this level at serious risk of collapse.

One colleague of mine suggested that a more politically correct term for this level might be "dysfunction." However, I'm not sure that's much of an improvement. Another colleague suggested that this should be called performance-directed culture "hell." I'm more inclined to agree with him. Assuming that there was an organization stuck at this level across all categories, it would be a very unpleasant place to work—as an employee, partner, or customer. Regardless of what you choose to call it, there's no place to go from here but up.

Level Two: Departmental Optimization

The next level of achievement is called Departmental Optimization. At this level, departments and functions are playing for themselves. While this sort of organization seems to function well enough to survive, cooperation and collaboration are virtually unheard of. Management is either ineffective or uninterested

	Alignment with Mission	Transparency and Accountability	Action on Insights	Conflict Resolution	Common Trust in Data	Availability and Currency of Information
Performance-Directed Culture Realized	Actionable and embraced mission—supported, informed and reinforced by metrics 2007/9	General transparency and accountability accepted as cultural tenets 2007/9	"Closed loop" processes ensure timely, concerted action	Established and effective mechanisms for resolving conflicts 2009	Data as truth: Common 2009 application of data, filters, rules, and semantics	Currency of metrics/data matches rhythm of business
Performance-Directed Culture Emerging	Actionable mission supported by "top- down" metrics 2005/6	Limited 2005/6 transparency and accountability; multiple functions collaborate 2003/4	2007/9 Ad hoc (informal) action on insights 2005/6 across functions	2007/8 When identified, conflicts resolved on an impromptu basis	2007/8 Common data: Provincial views and semantics used to support specific positions	2007/9 Enterprise availability, uneven currency of information
Departmental Optimization	Alignment with discrete functional goals, not enterprise 2000 mission 2003/4	Fragmented transparency and accountability within discrete functions 2000	2003/4 Uncoordinated/ parochial action (sometimes at the expense of others) 2000	2005/6 2003/4 Appearance of cooperation, "opportunistic reconciliation" 2000	2005/6 Conflicting, functional views of data cause 2000 confusion, 2003/4 disagreement	2005/6 Availability and currency 2003/4 directed by departmental sources 2000
Chaos Reigns	Mission not actionable, not communicated, and/or not understood	Arbitrary accountability, general opacity	Insights rarely leveraged	Conflicting, redundant, and competing efforts are the norm	Data and information generally unreliable and distrusted	Multiple, inconsistent data sources, conflicting semantics

FIGURE 1.2 Performance Culture Maturity Model™ with examples of dates

Source: Copyright 2009 - Patent Pending - Dresner Advisory Services, LLC in forging alignment with its mission or fostering cooperation across functions.

Oddly enough, this is the most common level for organizations and it raises an important point about our human nature. Humans have always favored working in small groups of people with similar backgrounds, outlooks, and goals. Anthropologists refer to these groups as tribes. Historically, tribes were small bands of related kinfolk who worked together for basic survival. If we look around today, we can see these sorts of tribes in modern society and in business. For example, we can think of corporate departments and functions as tribes of a sort. With similar backgrounds and experiences, outlooks and goals, they work together to protect their tribe from outside threats.

Hence we have the Finance tribe, the Human Resources tribe, the Sales tribe, and so on, with each of these either covertly competing against the others or in direct conflict. While this sort of behavior may be a good match for our natural human programming, it's not particularly helpful for the greater enterprise.

Level Three: Performance-Directed Culture Emerging

At the level of Performance-Directed Culture Emerging, an organization has started to see the benefits of working across departmental barriers and is more focused upon a common mission. Cross-functional sharing and cooperation tend to be impromptu and opportunistic. Two or more functions may start to work together for mutual benefit. Word of mouth of their success starts to spread. A virtuous cycle is starting to emerge as the benefits of a performance-directed culture become obvious, with management providing the needed support and encouragement.

This is what I consider the point of no return, where an organization inevitably will achieve a fully mature

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performance-directed culture, given time. It should be noted that, from my experience, it is difficult to begin to reach this level without a profound (and positive) change on the part of an organization's leadership. This sort of change usually is associated with a physical change of management, in favor of more enlightened leadership, or a major event that serves as a wake-up call for existing management.

Level Four: Performance-Directed Culture Realized

By the level of Performance-Directed Culture Realized, performance improvement has permeated the very fabric of an organization's culture. Processes center around transparency and accountability. Individuals are rewarded for sharing, cooperating, and supporting the mission of the enterprise. The enterprise thinks, strategizes, plans, analyzes, and executes as a single organism. In Maslow's world, this would be the equivalent of "self-actualization."

Before we all start feeling like failures, you should know that I have not yet found this perfect organization. It may exist. But if it does, it's well hidden. However, the performance-directed cultures I have observed often have some of their attributes at these lofty levels. So, just as we can think of a performance-directed culture as more of a journey than a destination, we also can think of the achievement of perfection as less important than its pursuit.

It should come as no surprise that organizations that have achieved a good measure of performance-directed culture (levels three and four) are great companies to work for and do business with. As I spent more time with the case study organizations in this book, I couldn't help thinking what interesting and fun places they must be to work at. These organizations are positive and purposeful, with motivated employees and delighted customers—some more than others, of course.

Six Performance-Directed Culture Criteria

Each of my six performance-directed culture criteria falls into one of three categories: strategic, operational, or technical, as shown in Figure 1.3.

In the strategic category are Alignment with Mission and Transparency and Accountability. Because they are strategic, these attributes must be initiated and driven—or at the very least recognized and actively supported—by the most senior of management, typically C-level executives.

In the operational category are Action on Insights and Conflict Resolution. Operational criteria are something everyone in an organization has a role in driving on a day-to-day basis.

In the technical category are Common Trust in Data and Availability and Currency of Information. Technical criteria are managed in partnership between business management and the IT function or other technical resources.

Strategic Criteria

Strategic criteria are driven and controlled by the most senior levels of management. That's to say that no other level within the organization can raise the organization up to the levels of

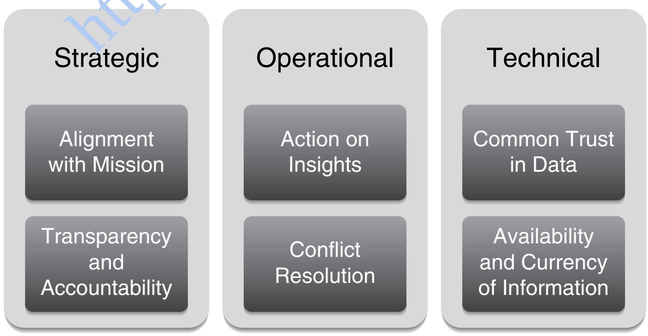

FIGURE 1.3 Performance-Directed Culture Criteria

a performance-directed culture for these two criteria: Alignment with Mission, and Transparency and Accountability. Additionally, these two criteria will help elevate all other areas of performance-directed culture achievement. It's also worth noting that without them, a true performance-directed culture is not attainable.

ALIGNMENT WITH MISSION Before we can talk about Alignment with Mission, it's important to have a viable mission statement. Of course, that begs the question: "What makes for a good mission statement?" I'm not going to spend a great deal of time on this point, since there are many books that do a better job than I can. However, I believe that the best mission statements are the simple ones that communicate what an organization is really about and that everyone can understand and rally around.

In the process, I looked at the mission statements for the Fortune 500 and was shocked at how bad many of them are. For example, if you need 100 words or more to describe it, you've missed the point. In fact, in reading most of them it's practically impossible to learn what these companies actually do. All too many of them talk about shareholder value or being the leader, serving their community or being the best. Many of them even reference profitability—which (hopefully) is one outcome of a good mission, not the mission itself. These mission statements are not ones that people in an organization can relate to or align with easily.

In contrast, others have created simple, meaningful, and actionable mission statements. For example, CVS's mission statement as presented on its web site is: "We will be the easiest pharmacy retailer for customers to use." It's clear and concise and everyone ought to know how to align with this idea. The mission statement communicated to me in interviews at Cleveland Clinic (see Chapter 3 for the case study) is "patient first." Once again, it's clear and concise and easy to align with.

A colleague of mine joined the employment of a large Latin American media company to help it with its enterprise-wide performance management initiative, and the first thing he asked of his new boss—the CIO—was: "What's our mission statement?" (This is a perfectly reasonable question, in my opinion.) The CIO didn't know and, apparently, had never thought to ask for himself. Now curious, he posited the question to his management. The question went all the way to the CEO, who assured him that the company did have one, and a good one to boot. However, he couldn't share it because—and this is the funny part—it was a secret! Imagine that! A secret mission statement!

To be effective—it should go without saying—a mission statement has to be shared openly and communicated throughout the organization. The best mission statement is of no use if it's a secret. So, with that in mind, let's look at the four levels of maturity for Alignment with Mission.

Alignment with Mission: Level One Level one is the lowest stage of achievement for Alignment with the Mission. Here the mission is either not viable, not actionable, not communicated, and/or not understood. Our example of the secret mission statement fits nicely into this category. Also in this category are those mission statements that try to associate the enterprise with whatever is hot at the moment or that will create a positive image for the public, but don't tell you who the organization is or what it actually does. So, to be effective and to foster a performance-directed culture, a mission statement can't be extracurricular, for example, endorse corporate social responsibility, be green, and so on. In other words, it has to describe what the company really does and truly stands for.

Alignment with Mission: Level Two While there might be an enterprise mission, at this level it often is overlooked in favor of alignment with discrete functional goals within departments.

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Whether intentional or unintentional, explicit or implicit, these departments have developed their own mission and drive departmental alignment within it. While they may pay lip service to a corporate mission, the reality is quite different. Discrete departmental missions may overlap with peer departmental missions. Indeed, management of each may be consciously working to expand their mission and conquer other areas of responsibility and authority for their own parochial gain.

Alignment with Mission: Level Three At this level a proper and actionable mission has been defined and communicated from the top down. Companies at this level know who they are, know their strengths and weaknesses, and have a strategy and a drive to improve. Through strong leadership, employees (and other stakeholders) have embraced and internalized the mission. There is a clear understanding, at a personal, departmental, divisional, and enterprise level, about what it means to support and align with this mission. Appropriate plans and top-down metrics have been created and pushed downward to support and reinforce alignment. However, organizational observations and experience don't reliably inform and influence strategy in a bidirectional way. This creates the potential for placing the vision and strategy out of sync with the ever-changing operational business environment.

Alignment with Mission: Level Four As with the level above, there's a solid mission statement with alignment (and ownership) throughout the organization and across all stakeholders. However, the major difference at this level is that observations, insights, and ideas from below filter back up to management to inform, influence, and mold the strategy—better ensuring support for the mission—as the external (and internal) environment changes.

TRANSPARENCY AND ACCOUNTABILITY Funny thing about Transparency and Accountability: Everyone says it's important and everyone is (publicly) in favor of it. Yet, both are very hard to achieve in almost every organization. Seems like a contradiction, doesn't it? But in fact, it isn't. Here's why.

What people mean when they claim support for Transparency and Accountability is the following: They want everyone to be transparent with them while they remain opaque, and they want others to be held accountable without being held accountable themselves. In contrast, real transparency means that everyone openly and freely shares information with others, including information about their own performance. In a transparent and accountable organization, metrics have a clear cause and effect relationship and everyone has the information and tools to control their own performance—in harmony with others, not at their expense. Accordingly, we hold ourselves, and one another, accountable for performance—individually and collectively.

Transparency and Accountability, Level One At this stage of achievement, there is no real transparency. Knowledge is power and few are willing to relinquish that power—even if the enterprise will benefit. Typically, the only way to know what's really going on is to have a personal information network, with people in the know willing to help.

Accountability is not based on real or tangible plans and is not aligned with a larger, enterprise-wide (or even departmental) mission. Instead, it is dependent on local or immediate management and their ideals, biases, and, sometimes, private agendas. As a result, what people are held accountable for will change. So, goals and objectives (and measures) agreed upon at the beginning of the year may not be used to measure people at the end of the year.

While this may sound insidious, it can be quite innocent. For example, at the beginning of the year, an employee and his or her manager may agree on goals, which may include things like customer satisfaction, quality, efficiency, revenue, and profitability. However, due to the opacity of the organization, at the end of the year, measurement might be limited to whatever reliable information is available—perhaps only revenue. Of course, over time, employees get wise to this and focus only on those metrics they are certain will be used to measure them.

In previous roles, I've personally observed this sort of dynamic. And, it was always interesting to watch new associates struggle (against good advice) to achieve all of the goals and objectives laid out early in the year only to learn (much too late) that revenue was the only goal that really mattered.

Transparency and Accountability: Level Two At this level, it is not uncommon to find departments within an enterprise that share information and are held accountable only within their function, by immediate management and peers, but are closed and opaque to everyone else in the enterprise. Typically, a departmental mission is the driving force behind this sort of Transparency and Accountability. Any mandatory sharing of information or shared accountability is done in the narrowest way possible to maintain secrecy and protect territorial boundaries. And, in many cases, a department will skew information to better position itself or obstruct other (competitive) functions. This lack of Transparency and Accountability often is used to shift the blame for failure.

Transparency and Accountability: Level Three At this stage, limited Transparency and Accountability begin to emerge, with multiple functions beginning to collaborate. While this may start opportunistically—with cooperating groups leveraging one another for self-serving purposes—the benefits of sharing, openness, and collaboration start to become apparent. Information sharing expands and eventually leads to shared metrics across functions. However, at this point, there is still no overarching corporate initiative, with much of the organization still operating at lower levels.

Transparency and Accountability: Level Four At this level, general Transparency and Accountability are accepted and embraced as cultural tenets and are part of the corporate fabric. The open sharing of information, insights, and ideas is encouraged and rewarded. Shared metrics are the norm, with users finding new ways to improve their collective performance and that of the enterprise.

Operational Criteria

The criteria in this category are unique in that management cannot control or direct them. This is the realm of every person. The rank-and-file employees and stakeholders determine how and when to execute against these criteria. Hence, success or failure is in their hands. Because of their operational nature, these criteria represent continuous processes, which require constant attention and diligence to avoid regression to a previous stage.

ACTION ON INSIGHTS Of course, the old adage, that information is power, comes to mind. However, to be more accurate, I would change information to insight. But, first let's define insight.

The Wiktionary definition of insight is: "the power of acute observation and deduction, penetration, discernment, perception."

To my way of thinking, insight is meaningful information, with context, that enables a person to develop perspective and understanding, making the underlying information both relevant and actionable. And, it needn't come from an information system. It can come from any source. And, by action, I mean the ability to effect change as a result of leveraging that insight for the benefit of an individual and/or organization.

Action on Insights: Level One At this level there simply isn't much insight to act on. Individuals rely upon intuition and instincts to make decisions, and have a limited understanding of the issues facing them. The resulting decision-making process is little better than guessing. In the event that a real insight is stumbled upon, it may be leveraged for some personal advantage. But, more than likely, its potential benefit will never be realized.

Action on Insights: Level Two At this level, insights are leveraged and perspective developed in alignment with a departmental mission. These insights and the resulting departmental action may take place at the expense of a peer department. A perfect example is when two product/business groups identify a market opportunity and both develop products/services to address it—effectively competing in the market with each other.

Action on Insights: Level Three At this level insights are shared across two or more departments and actions also may be coordinated, but on a somewhat opportunistic basis. However, this is the beginning of performance-directed culture behavior, where more-concerted action is becoming more common. Still, enterprise-wide processes for acting on insights have not yet emerged.

Action on Insights: Level Four At this level enterprise processes have been established to help drive a coordinated and concerted response to insights. For example, if Marketing learns something valuable about a target market, it may translate that insight into a new campaign. The plan surrounding this campaign will include collaboration with Sales, Manufacturing, Finance, Distribution, Human Resources, and so on. It's a holistic plan that is vetted and executed in unison. Changes during execution are shared and the entire organization, and its shared plan, evolves until it hits its stride. In this scenario, nobody is blindsided and there are few surprises. Surprises that do emerge are dealt with quickly. And, early successes are quickly amplified before the opportunity passes.

CONFLICT RESOLUTION Conflict is a part of human nature. We all come with different experiences, perspectives, goals, and objectives. However, conflict can be a positive force. By vetting multiple opinions in an open and constructive fashion, a more complete and thoughtful solution to a problem can be created, with greater inclusion and camaraderie. Or, it can be negative—with opinions held secretly and passive-aggressive behavior as the norm. Conflicting perspectives, semantics, and outlooks inevitably manifest themselves as competing projects, products, or functions.

Conflict Resolution: Level One In organizations at this level, dissenting opinions, although certainly present, are not openly aired. Management is unwilling to challenge itself to resolve differing perspectives and attitudes. Instead, it allows them to fester—manifesting themselves as contradictions within the organization and the business.

Early in my career, I worked for a large organization where management allowed the creation of competing efforts, under the guise that it was healthy for the organization. The result was employees were pitted against one another with the knowledge that those who lost the competition also might lose their jobs and livelihoods. You can imagine what sort of environment this created. Conflict was the norm. In fact, it was all-out warfare. In the final analysis, this company (which no longer exists) would have fared better had it fostered a culture of cooperation and conflict resolution. So, while this sort of cutthroat environment is rare, there is a bit of it in many organizations.

Conflict Resolution: Level Two At this level management weighs in on some important issues and drives the resolution of some conflicts (or tries to). Sometimes it succeeds but often it merely creates the illusion of reconciliation. Conflicting views typically are not aired. Private agendas still abound—with only limited conflicts grudgingly resolved.

Conflict Resolution: Level Three Management has begun to create an environment where it is safe and encouraged to exchange differing points of view. When identified, conflicts get resolved on an impromptu basis. In this scenario, people are less likely to purposely create conflict. Nevertheless, there are no consistent, enterprise-wide mechanisms for resolving conflict. Instead, individuals, when they encounter potentially conflicting efforts, must develop their own process for resolution. Accordingly, the quality of the outcome will vary from case to case.

Conflict Resolution: Level Four At this level dissenting voices are encouraged and included as vital in the decision-making processes of the organization. For major undertakings, management requires that they be vetted to ensure that they don't conflict with other efforts. In this way, conflict is avoided before major investments are made. Of course, conflict cannot be avoided entirely. Instead, in this scenario, the organization has established a best-practice set of protocols for identifying and resolving conflict in a way that is both positive and most beneficial for the enterprise. Unlike my example where the losing group might forfeit their jobs, in this situation competing efforts might be combined—leveraging the strengths of each to create a single initiative that is stronger than either would have been independently.

Technical Criteria

Although a performance-directed culture is not driven by technology, certain aspects of technology are important enablers. In particular, the availability, currency, and trust in data are absolutely critical for a performance-directed culture to be created and sustained in the long term and on an enterprise-wide scale. So, in acknowledgment of this reality, I included two criteria that focus upon information technology—specifically, data. Although data warehousing and Business Intelligence (BI) technologies play a role here, they must be employed in alignment with the other performance-directed culture criteria: strategy and operations.

COMMON TRUST IN DATA For a performance-directed culture to thrive, it must be supported by reliable information whose veracity is ensured and widely accepted. This information serves as the substrate on which all decisions are framed and made in a performance-directed culture. Developing and delivering a trusted data environment is extremely difficult work—not because of technology, but because of the reluctance of people to have faith in and rely upon it. It can take many years to build such a reputation and only an instant to destroy it.

Common Trust in Data: Level One In this scenario, data is more likely to misinform than inform. Instead, people rely on other, more informal, sources of information or they rely upon experience or intuition (better known as guessing) or anecdotal information from colleagues or various publications.

Common Trust in Data: Level Two In this scenario, data is available and (generally) trusted within specific functions, for example, Finance. However, differing views of data, as supported by various stove-piped systems, cannot be easily reconciled.

Management frustration with this status quo may lead to an IT-driven data warehouse project—without resolving the underlying business conditions that created irreconcilable data views.

Common Trust in Data: Level Three In this scenario, a common and reliable source of data is in place and its veracity is generally accepted. However, some will apply varying filters and semantics to better position themselves, their departments, or their projects. As a performance-directed culture emerges, this sort of behavior will be rejected as unacceptable and will dissipate.

Common Trust in Data: Level Four At this point, the organization has a trusted information source that is not disputed or manipulated for parochial purposes. Managers arrive at meetings collectively briefed on relevant information and come prepared to address presenting problems. Debate about the data is at a minimum.

AVAILABILITY AND CURRENCY OF INFORMATION The Availability and Currency of Information contribute greatly to developing trust in the data. By availability, I mean completeness of the information (as many sources as needed) to build a useful business perspective. Availability also means that the information must be accessible whenever the business needs it. By currency, I mean that the freshness and periodicity must match the needs of the business. For example, the business may require certain metrics or key performance indicators to be reported as weekly indicators, but updated daily.

Availability and Currency of Information: Level One At this level the information sources are in chaos. Reports generated by operational systems provide a limited view of reality and offer a poor rearview mirror analysis of the business. Users are forced to piece data together by themselves—often causing the use and proliferation of spreadsheet technology and what I like to call micro-marts of data. The resulting spreadsheet models are shared, modified, and shared again. I often liken this to the game of telephone we played as children. The first child whispers a phrase to the next child, and so on, until the end where the final phrase bears little resemblance to the original one.

Availability and Currency of Information: Level Two At this level, departmental systems provide a good and consistent view of the function's operations and business. However, each department and function has its own discrete systems and outlook on the world, making it difficult to reconcile them for a more complete enterprise view. When required by management to provide a more complete view, people must expend tremendous amounts of energy—only to deliver a flawed perspective, much too late.

Availability and Currency of Information: Level Three At this level the enterprise has excellent availability of information that is of good quality and complete. However, the currency of the information may not be consistently aligned with the needs of the business.

Availability and Currency of Information: Level Four At this level, the currency of metrics and data matches the rhythm of the business. In this instance the information is as complete as possible, quality and integrity of data are outstanding, and the periodicity and currency are a perfect match to the business requirements.

The Maturity Model as an Assessment Tool

While I created the Performance Culture Maturity Model to filter and select case studies for this book, it should serve as a tool to assess and chart your own progress toward becoming

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a performance-directed culture. Remember that no organization gets top marks for all six criteria and that progress in one area may cause you to temporarily regress in another area. However, by using this tool, you can determine strengths and weaknesses as well as areas on which to focus your efforts near and long term. The model also can be used to conduct regular pre- and post-project assessments in order to recognize and acknowledge areas for improvement to maintain momentum.