

Still Searching For the Missing Management Model

**Performance improvement
is a constant quest of organizations,
and 15 years after a special
committee began seeking a “missing
link” to make management tools
more effective, the co-chairs take
a look back to see how their
search has progressed.**

Fifteen years ago, two members of Financial Executives International’s New York City Chapter co-chaired a committee to determine whether there was a missing link that would make management tools (performance improvement tools) more effective.

The committee, which consisted of senior financial officers from some of the largest firms in downtown Manhattan, set out to examine the numerous management tools that had proliferated in preceding years, learn why most had been ineffective — despite strong senior staff and monetary support — and ascertain if there was a missing management model within which such tools could be utilized more effectively.

Over the course of many months, committee members developed what they sensed was the missing management model, naming it the Performance Improvement Loop. The findings were published in the January/February 1996 issue of *Financial Executive*. The article, “The Case of the Missing Management Model,” reported the committee’s belief that the Performance Improvement Loop could assist senior management and boards in their evaluation of the broad array of performance improvement tools available and their implementation and impact.

How has that model changed over 15 years? Performance improvement techniques continue to struggle in terms of their effectiveness, seemingly for the same reasons now as then.

The following reviews the committee’s earlier work, and then examines the challenges involving management performance improvement initiatives today, along with the benefits that can be derived from the Performance Improvement Loop and to assist senior management and boards in addressing a range of current issues.

Perhaps more importantly, the Performance Improvement Loop aids senior management and boards today in addressing a broad range of issues — changing governance roles and responsibilities, global and local business environments and the internal and external operating complexities faced by companies each day.

The Process

The group started the process by identifying and then assessing known tools — reengineering, restructuring, delaying, benchmarking, zero-based budgeting, management by objec-

tives and various quality initiatives. Surprisingly, most were disappointed in the outcomes after using the tools and there was a strong sense that senior management overlooked certain fundamentals when it employed these tools.

Among the specific observations:

■ Management often used the tools to push a problem out the

door to a consultant or systems analyst and claim the issue was solved;

■ The tools were used in a framework that did not consider what was done previously;

■ Tools were viewed as a panacea because they were the latest fad promoted by the media or a popular management guru;

■ Management tools were often used in a vacuum, which was analogous to a carpenter trying to build a house without a blueprint;

■ Often staff below the senior level did not buy in to the process because they did not understand how it would help the organization or the final goal; and

■ Issues associated with the use of the tools created tensions that caused friction.

The consensus was that tools were useful when used within a defined framework — that is, in a management model that addressed three things. First, and foremost, to determine what needed to be done. Second, to appraise whether a particular tool could do what needed to be done. Third, determining how to measure what was done.

It was apparent to the group that the missing ingredient in most of the unsuccessful management improvement programs was the failure to position the improvement program within such a basic management model. So the group focused on developing a framework for the missing management model that would integrate management improvement concepts and tools with a fundamental management focus and performance measurement techniques.

What emerged from the group’s work were five actions needed to define the fundamental management focus: examining the industry and its characteristics, dynamics and opportunities; understanding and improving the business unit’s position in the industry; adapting the company’s business plan to suit the current environment; modifying the capital structure

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to strengthen the balance sheet; and identifying opportunities to upgrade and retain key officers and managers.

Once the fundamental management focus is defined, the available performance improvement tools can be evaluated, a selection made and targets pursued. The results can then be measured.

After agreeing on and defining the three components, the group sought a way to graphically portray the elements of the model. The result was the Performance Improvement Loop (see sidebar).

Fast Forward to 2011

Over the past 15 years, change has come at warp speed, with dramatic impacts on the way people live. Things taken for granted in the mid-1990s have in many cases disappeared entirely or have changed in ways that make them hardly recognizable. Examples are everywhere. Communications have changed with the blizzard of digital devices and myriad social networking programs. Medicine has advanced with sophisticated tools to diagnose and treat diseases. Iconic businesses have failed; many survivors have sent operations offshore.

Commercial and investment banks have shrunk, merged or disappeared and Wall Street has created debt instruments that even the people promoting them don't completely understand. The federal government and its various agencies have incurred trillions of dollars of debt largely financed by China and other nations, risking damage to the dollar's status as the reserve currency.

Given this new environment, it is useful to examine how management performance improvement concepts and programs have changed and if the Performance Improvement Loop still has merit. That's an easier task today than it was 15 years ago — thanks to the use of search engines to find relevant information.

Here are six representative management improvement programs currently offered by various well-known organizations:

- **PROGRAM 1:** Improvement programs implemented haven't given the results expected or promised. This program can provide the consulting and assessment of

THE PERFORMANCE IMPROVEMENT LOOP

The committee (in 1996) viewed the Performance Improvement Loop as consisting of three steps which, properly taken, provide a framework or context within which management (and the board) could assess the need for a performance improvement initiative, determine the initiative to be undertaken and implement and measure the results of the selected initiative.

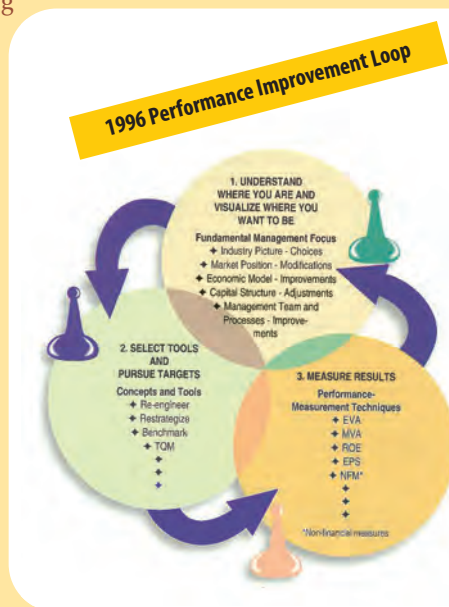
1. Understand Where You Are and Visualize Where You Want to Be. This can contribute to the development of a fundamental management/board focus. Once a firm thoroughly understands and defines where it is and wants to go, it can progress to evaluating and selecting from among the performance improvement initiatives and tools, setting the designated targets and measuring the results using appropriate performance-measurement techniques, as determined by the firm.

This initial step is not simple. It requires, among other things, management and the board examining the industries in which they are engaged, evaluating opportunities to improve business units' standing in the industry, upgrading their economic models and identifying potential modifications to improve the capital structure.

2. Select Improvement Initiatives and Pursue Targets.

Building on the fundamental management focus developed in Step 1, evaluate the broad range of performance improvement concepts and tools that exist. It is not unusual for considerable senior management time to be expended. The utilization of third-party consultants independent of the tools being considered may also be useful. Once the selection is made, form a team to implement and oversee the program.

3. Measure Results. Having developed an understanding of where you are and where you want to go, and having selected the concepts and tools to be utilized, performance measurement techniques are needed to measure both the progress being made and the effectiveness of the concepts and tools being utilized. The selection of the performance measurement techniques is highly situation-specific. Management and the board must carefully consider the broad range of available techniques, and decide which



corporate culture and the alignment of corporate system elements determine if the foundation for continuous improvement programs exists. Without the right corporate values, metrics and the alignment and integration of corporate systems, most change programs fail or become a passing fad.

- **PROGRAM 2:** Performance development initiatives are designed and imple-

mented to meet specific client-based objectives. Initiatives typically include a blend of targeted communication, training, on-the-job tools, coaching and mentoring. Implementation is an ongoing process. Throughout the performance initiative, skill and strategy applications are mapped.

- **PROGRAM 3:** Research consistently reveals that coaching and leadership are

will best measure progress being made and provide ongoing insight into the effectiveness of the concepts and tools being employed. The measurement results may lead to revisiting steps 1 and 2.

The second step focuses attention on particular issues being addressed, and alternatives for addressing these issues. The third step of measuring results addresses

ance and development, 2) frequent and productive communication with each team member, 3) continuous feedback and 4) regular reinforcement of the value of the work being done and the people doing the work.

■ **PROGRAM 4:** This program offers organizations the chance to share knowledge and experience through global networks of those committed to improving the management of their projects, programs and portfolios.

Using proven tools for benchmarking and competency assessment, effectiveness of people process and teams can be measured to help the organization improve project management and achieve strategic goals.

■ **PROGRAM 5:** Any process improvement initiative needs a solid foundation, consisting of corporate culture, organizational structure and leadership behavior. This will be accomplished through change, and without the proper motivation change will not happen.

■ **PROGRAM 6:** Consider a structured, quantitative approach for driving improvements in your organization. Best practice companies use a system of defined metrics in manufacturing, service and financial processes. This quality initiative is supported and driven by top leaders in today's successful organizations.

If the organization needs to make a significant change in the efficiency of the work done in your company, then this improvement can help make the cultural changes necessary for success, providing structure and expertise to lead improved productivity and profitability.

Each of the six programs has merit and offers sound ideas for corporate improvement. However, no data are available as to the number of firms that have used these programs or the level of satisfaction achieved. An article posted by the Boston University Corporation Education Center, *The Promise and Disappointment of Performance Improvement Efforts*, sheds some light on the subject, noting that: "Many performance improvement initiatives have come and gone over the last 20 years, leaving executives feel-

ing that these initiatives have not worked as well as they could have. Studies by A.T. Kearney, McKinsey and Bain & Co. show that 70 percent of executives stated their performance improvement initiatives did not achieve the predicted return on investment.

"At the same time, there is a deep conviction, both among executives and the general public, that quality improvement has produced positive results. Over the past 30 years, process improvement has had a visible impact on the quality of products and services. ...The result of these conflicting factors is that organizations' attitudes toward quality improvement are a mixture of hope and frustration. On one hand, process improvement is still a critical priority for most companies. In a 2006 Gartner survey, business process improvement was stated as the most important business priority.

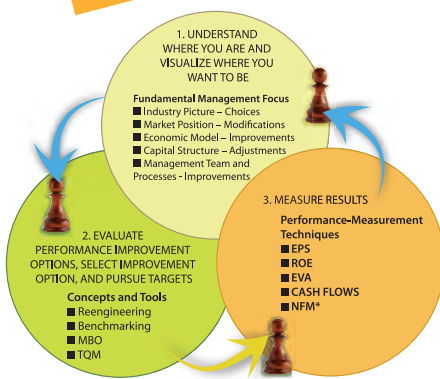
"On the other hand, articles regularly appear in popular and industry journals debating the value of the latest quality improvement methodology. The typical tone of these articles is that businesses have spent a lot of money on the latest fads."

A review of today's performance improvement programs indicates that, just as was the case 15 years ago, many users feel they are not producing the outcome expected. The committee's finding then that there was a missing ingredient in the execution of these programs still applies today.

Further, the committee's conclusion that the Performance Improvement Loop supplied the missing ingredient may be equally applicable today, not only in contributing to the success of performance improvement programs but also in assisting senior management and boards in addressing other complex issues. ❧

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2011 Performance Improvement Loop



the problem facing many firms of being unable to monitor performance or of utilizing measures that do not aid their efforts to oversee and manage their organizations.

The Performance Improvement Loop recognizes that boards and management hold in their hands the destiny of their firms. Certainly other internal and external resources can be utilized, but the buck stops with the board and management.

the most important factors in a high-performance team. This coaching approach creates a climate for high-performance by providing managers with the principles, skills and techniques necessary to produce consistently superior results as developers of both people and performance. Coaches focus on the four factors that characterize successful leaders: 1) an aggressive plan for perform-



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