



## Performance Architecture

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## Sustainable Performance Architecture: The 3-D Enterprise

How do the managers in your organization, or in the firms to which you consult, use their workday? It is likely that much of their time is spent managing their budgets and the related documentation and communication required to keep their parts of the operation in line financially. Tracking resources is a critical component of management, but when this becomes the dominant activity, other equally vital dimensions of the business are deprived of needed attention and the business suffers.

We've just read *Rediscovering Value – Leading the 3-D Enterprise to Sustainable Success*, Geary Rummler's second posthumously published book, co-authored with Alan Ramais and Cherie Wilkins. Writing specifically for managers, the authors explore how most organizations are run today. They provide valuable insights about the responsibilities of management along with a thoughtful view of the role of performance architects. They show how enlightened leaders can create and sustain the balanced structure necessary for a business to succeed.

### 3 Dimensions of Business Performance

Organizations meet customers' needs by creating products and services that customers value and will pay for. To be successful, an organization must align and balance these three dimensions:

- *Value Dimension* – the system of work that delivers products and services to customers
- *Resource Dimension* – the resources – workers, funds, tools and supplies – needed to do the valued work of the organization
- *Management Dimension* – the policies, processes, practices designed to manage the Value and Resource Dimensions (Rummler, Ramias, Wilkins, p.9)

Why is it difficult to balance the 3 Dimensions? One reason is that the Resource Dimension dominates because it is more visible than the other two Dimensions. This occurs in part because today's organizations have these characteristics:

- Management must make decisions favorable to the organization's financial stakeholders, frequently to the detriment of the value they promise their customers through products or services
- The functional, siloed structures of most companies creates fiefdoms of power for managers whose prestige is derived from the amount of budget and headcount they control
- Like tribal warlords, the managers zealously guard their territory and their resources, paving the way for duplicate work effort, and related tasks that produce waste
- Most work is performed further down the chain, where it is less visible, and is usually driven by a goal to produce more with fewer resources

We begin to see why the Resource Dimension is dominant and consumes so much managerial effort. The thesis of *Rediscovering Value* is that organizations can create value for their customers by bringing the critical 3 Dimensions into balance, fundamentally changing how managers do their jobs. (Rummler, Ramias, Wilkins, p.11)

### The 3-D Enterprise

The organization that is created when the 3 Dimensions are aligned is the 3-D Enterprise: "...an organization in which the two dimensions of value and resources are kept in proper balance by the third dimension of management." (Rummler, Ramias, Wilkins, p.127)

To make the transition from the unbalanced organization described earlier, where the Resource Dimension rules, to the aligned 3-D Enterprise, is a journey of many careful steps. It is ideally captained by a CEO who has thoroughly explored the nature of the imbalance and orchestrated the education of the leadership team, supported by prudent initiatives designed to bring the neglected Value Dimension into view. With management's understanding and appreciation of the interrelationships between resources and value, and with the judicious breaking down of silos, the CEO is now positioned to lead the newly renovated 3-D organization.

#### CEO's Role

To bring into being, and then to sustain, this new structure, the CEO must set the stage and:

- *Be the champion of value* – Hold the management team accountable for devoting much of their time to creating value and improving it, making sure the organization understands what is important to its customers. With this mindset established, every initiative, every new idea can be sensibly evaluated against its value and effect on the Resource Dimension.
- *Be the guardian of continuing value* – Help all employees see the organization's mission to create and deliver value to customers. With line-of-sight across the organization, the CEO can accomplish this, even as the organization grows more complex.
- *Create a culture of proactive value improvement* – Show employees the difference between small tweaks to what is already being done, such as further cost reduction, and finding ways to improve the value Dimension. Examples might include developing new products or services or identifying new customer communication channels.
- *Make "Value Engineering" a managerial responsibility* – that is, for each proposed change, the CEO can require the leadership team to design the change rather than delegating it. By making it a prestigious senior management responsibility to create any change to the Value Dimension, the CEO can elevate the significance of the change and keep the components of the Value Dimension visible. (Rummler, Ramias, Wilkins, p.130 – 131)

If the CEO also establishes a Value Creation Management Team composed of senior leaders, and makes this team accountable for the transformation to a 3-D organization, all the systems, processes, and procedures the team revamps or creates can be evaluated against the 3-D goal. With the ownership for change at a high level, and all eyes on creating value, the organization stands its best chance of successful reinvention.

#### Performance Architects in the 3-D Organization

Previously, we have discussed the roles and contributions of Performance Architects in organizations (Addison & Haig). We explained how such specialists exist at each organizational level where they apply their particular expertise to improving performance. In the 3-D organization, Performance Architects serve a special purpose: using their design skills to help balance the 3 Dimensions. Performance Architects at all levels of the organization can contribute to the transformation by documenting and mapping the changes to the management system.

The Work/Process level Performance Architects have a pivotal role in the 3-D organization. They are at the controls of the three dimensions, building systems and processes to streamline operations and keeping management's eyes on creating value for customers. If they form a team to create and operate a centralized change control management system, significant improvements can occur, including:

- Reducing the number of initiatives in play at any one time
- Eliminating quick-fix responses to poor performance implemented without appropriate analysis
- Prioritizing projects to control change and maximize results
- Making performance issues visible across the organization rather than letting them hide in functional silos
- Giving management visibility into all projects
- Reducing project cycle time because all of the above are in place
- Making the Value Creation Team described above accountable for all change efforts

These Performance Architects can enlist the expertise of their colleagues at the Worker/Individual/Team level and at the Workplace/Organizational level to ensure that planned changes are understood, embraced, and smoothly implemented.

An additional contribution Work/Process level Performance Architects can make is to show their customers how changes at the Work/Process level will help them be successful in contributing to the Value Dimension. An educated client is easier to work with than one who is holding on to past practices out of fear or ignorance.

### **Sustaining the 3-D Organization**

As with a change of any size or complexity, visualizing, earthing, and planting it is hard work. Sustaining the change requires considerable effort as well, but of a different sort. The biggest enemy of organizational change is history. If your organization has been operating as a one-dimensional entity for any length of time, even the most visionary leadership will be challenged to transform it to a 3-D organization.

*Rediscovering Value* makes, well, valuable suggestions for sustainability that hinge on consequences. That is, what happens to employees when they perform their jobs, or do not? As most workers know, consequences drive changes in performance, so changing the consequences to match the desired performance is effective. Some suggestions for sustaining the 3-D organization:

- Alter the compensation system to include incentives for creating or adding value
- Include value management in promotion criteria and succession planning
- Publicly recognize individual value contributions to reinforce and promote such behaviors
- Alter day-to-day management practices to support value creation

Fortunately, *Rediscovering Value* includes a running case study of a company transforming itself into a 3-D organization. Numerous tools for making this transition are included as examples and as worksheets for readers to adapt for their own organizations' change efforts.

### **Can the 3-D Organization Be a Reality?**

We have never worked in or consulted with a 3-D organization. However, we have gotten to know a number of smaller companies, and divisions of some very large ones, that are well run. When we consider these successful organizations in light of *Rediscovering Value*, we see that they are on the path to becoming 3-D, but are currently what Rummier et al term 2-D organizations. These firms have achieved the critical balance between the Resource Dimension and the Value Dimension. Because they are smaller than, say, a huge multi-division, multi-national enterprise, their leadership has line of sight across the functions and can focus on distributing resources to

create value. Their challenge, as they prosper and become more complex entities, will be to engineer their next steps to lasso the Management Dimension and enable the balance among all 3 Dimensions.

### Additional Resources

How Organizations Work: Taking a Holistic Approach to Enterprise Health. Alan P. Brache. John Wiley & Sons, 2001.

A groundbreaking approach to successful performance improvement. Almost every executive in business today is faced with the challenge of improving performance, from incremental improvements to wholesale organizational change. Here, a world-renowned expert in organizational improvement asserts that most hard-won changes don't last for long, however, because of the inability to identify the root causes of the problem. How Organizations Work offers a clear, integrated solution to performance improvement via a new "Enterprise Model"—which takes into account all variables that influence performance. Alan Brache provides a comprehensive "physical exam" for checking an organization's vital signs and a 360-degree picture of how organizational dynamics can be harnessed to effect permanent improvements in performance.

The Basics of Process Mapping, 2<sup>nd</sup> Ed. Robert Damelio. Productivity Press, 2011.

Process mapping gives you an accurate picture of work flow and customer-supplier relationships, which in turn helps you make the right improvements. The Basics of Process Mapping introduces process mapping and shows you how to use it in your organization. Two levels of process mapping are detailed: Relationship mapping, which gives a "macro," aerial view of work relationships and the flow of work, and highlights customer-supplier interactions. Cross-functional process mapping, which gives a closer view of work as it is really performed, across functions, shows where specific process steps fall. The book contains a case study of both levels of process mapping and guidelines for when to use each type. It also explains the relationship of process mapping to flowcharting. This book is great to use as a hands-on team resource, a training supplement, and a reference.

### References

Addison, R., Haig, C. (April, 2010). Performance Improvement – The Case for Horizontal Oversight. *BPTrends*, retrieved from <http://tinyurl.com/472586c>

Rummler, G., Ramais, A., Wilkins, C. (2011). Rediscovering Value – Leading the 3-D Enterprise to Sustainable Success. San Francisco: Jossey-Bass.

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