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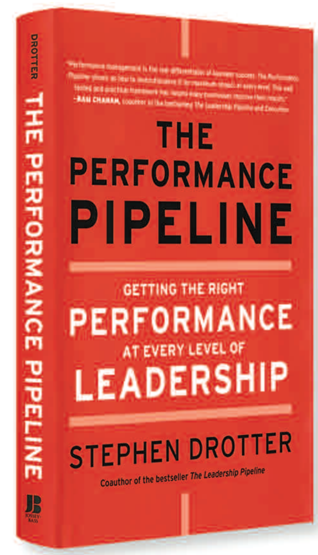
The Performance Pipeline

Getting the Right Performance at Every Level of Leadership



by Stephen Drotter

THE SUMMARY IN BRIEF

From Stephen Drotter, co-author of the best-selling book *The Leadership Pipeline*, comes the next-step resource designed to help leaders at every level succeed in an uncertain business environment. *The Performance Pipeline* is a groundbreaking book based on Drotter's 40 years of in-depth work with more than 100 companies worldwide. Drotter defines how work flows from top to bottom, and reveals what results each layer must produce and what each layer must pass down to make the layers below successful.

Drotter's Performance Pipeline method was created to be flexible and, can be easily adopted by companies of all sizes and in any industry. Using *The Performance Pipeline* as a touchstone, leaders and professionals will learn how to measure the work of leaders at every level.

Filled with illustrative examples and personal experiences, *The Performance Pipeline* shows how performance pipelines work in real-world organizations.

IN THIS SUMMARY, YOU WILL LEARN:

- How to improve business performance by defining the unique purpose of each layer and providing clarity and focus on the results to be achieved.
- How to make all leaders successful by having leaders at every layer pass down to the layers below things they need to be successful.
- How to help leaders make the transition to a new layer and how to remove performance roadblocks so leaders deliver the results required at their new layer.
- How to define and install your own Performance Pipeline to obtain the benefits of role clarity and to sharpen the focus of all your leaders at all levels.

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THE COMPLETE SUMMARY: **THE PERFORMANCE PIPELINE**

by Stephen Drotter

The author: Stephen Drotter is CEO of Drotter Human Resources. He was one of the original designers of GE's succession planning process and ran human resources at INA Corp. and Chase Manhattan. He is co-author of *The Leadership Pipeline* and *The Succession Planning Handbook for the Chief Executive*.

The Performance Pipeline: Getting the Right Performance at Every Level of Leadership by Stephen Drotter. Copyright © 2011 by John Wiley & Sons, Inc. Summarized by permission of the publisher, Jossey-Bass, a Wiley Imprint. 307 pages, $29.95, ISBN 978-0-470-87728-9. To purchase this book, go to www.amazon.com or www.bn.com.

For additional information on the author, go to www.summary.com.

PART ONE: THE PERFORMANCE PIPELINE CONCEPT

Four key imperatives for leaders dovetail with the changes sweeping through organizations today. The Performance Pipeline makes it possible to address these imperatives:

The First Imperative: *Every leader must spend 30 minutes to one hour or more daily in uninterrupted thought.*

The Second Imperative: *Everyone must innovate as a natural and expected part of one's daily routine.*

The Third Imperative: *Leaders must provide true role clarity and purpose for every employee.*

The Fourth Imperative: *Leaders must create an environment where sufficient focus is achievable.*

To respond to these four imperatives, you don't need an expensive "change management" program or a new CEO. Rather, a top-to-bottom architecture that distributes the accountability by layer and defines how work flows down to the appropriate layer is what's needed. The architecture, the Performance Pipeline, was developed to help leaders increase think time, encourage innovation, provide clarity and enable focus.

The Performance Pipeline architecture is based on these ideas:

- Every layer has a unique purpose.
- Every layer delivers unique results.
- Every layer contributes to the success of the layer below.

The Performance Pipeline is the starting point for leadership development and it enables delivering the right results in the right way at the right time.

Defining Your Performance Pipeline

The Performance Pipeline process consists of six steps:

• **Defining the purpose — being clear about what outcome you want.** Companies that have made the most progress in creating and using performance pipelines were clear at the outset about why they were doing it. Decide what business outcomes or benefits you want the model to deliver. It will help in choosing the right work and setting appropriate standards.

• **Collecting the data — finding out what's really getting done or, not getting done, but should be.** Considerable discipline is required when collecting data because it is the aggregate of all responses that counts. It is common to value a few people or a particular function more than others, but you need the full picture to get the best answer. Interviewers must use a standardized set of questions and be disciplined enough to ask everyone the same questions in the same way. The other requirement for interviewers is a deep understanding of what constitutes appropriate answers.

• **Sorting and codifying the data — organizing data in a useful way.** Ask yourself if the story hangs together. In other words, what conclusions can you draw after reviewing all the answers? Does the amount of time your leaders spend calling on customers suggest that leading and managing the team are taking a backseat? Does the decision-making authority seem reasonable for the expected results they described? Are the obstacles severe or just normal market conditions? The key is looking at the big picture based on all the responses rather than focusing narrowly on a single piece of information.

1-800-SUMMARY
service@summary.com

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• **Defining the results to be delivered at each layer and the standards for measuring those results.** With six to 10 completed interviews for each layer in hand you can begin to build your performance pipeline. Start with Managers of Others (first-line managers) and follow these steps:

Step 1: Read through one entire interview.

Step 2: Pick out all the nouns, because they are the results. Nouns such as strategy, sales, teams, suppliers, expenses and people all provide "clues" as to what is important, and what needs to be spotlighted and measured in this position. Repeat this for each interview.

Step 3: Choose the work categories.

Step 4: Create column one ("Results") of the performance pipeline for this layer. Fit all the nouns into the work categories you have chosen. Make a judgment about the adequacy of the list.

Step 5: Decide what work elements are missing from the list and make any additions.

Step 6: Set the standards (column two, "Full Performance").

Step 7: Define exceptional performance (column three).

Step 8: Define the transition in work values.

Step 9: Decide what else to include in your performance pipeline. Most companies choose to identify the skills, experience and knowledge required to do the job (column four).

• **Validating the standards — getting leaders to agree.** Before your newly minted performance pipeline is put into practice, interviewees and senior management should review it. Conducting validation sessions with groups rather than individually seems to work best.

• **Allowing some flexibility — allowing different groups to adapt the standards in order to reflect specific needs.** How your performance pipeline gets used is a matter of choice based on your current needs and your feelings about what your people can absorb.

PART TWO: EXPECTED RESULTS AT EVERY LEVEL OF LEADERSHIP

Enterprise Chief Executive Officer: *Perpetuate the Enterprise*

The CEO's purpose is to perpetuate the enterprise. He or she puts in place those things that will keep the enterprise successful for as long as possible. A handful of critical results seems to make the most difference: earnings, a high-functioning team at the top of the enterprise, a strategic framework, a performance pipeline, high-level external relationships, talent, a healthy brand and an "immune system." The job is bigger than these, of course. Pay particular attention to these critical results. Results that drive the enterprise toward a successful future can be categorized for the CEO in the same way as in positions at lower levels in the enterprise. These categories are:

- Business Results — financial and customer outcomes
- Leadership Results — the human side of business
- Management Results — planning, organizing, integrating, measuring, executing
- Relationship Results — the necessary connections
- Innovation Results — new ways to add value

When you consider all these results, what's surprising is that CEOs *produce* very few of them compared to the large number of results they *enable* others to produce. This enabling portion of the CEO's requirements is where much of the confusion arises about a CEO's contribution.

This is especially true in large companies that do business around the world and in those with diverse business units. CEOs often leave the enabling results to others because they are busy appearing at glamorous events and attending to powerful people. They have little or no time for making lower levels successful.

Finding the Right Balance

When it comes to results at the top of the organization, CEOs must strike a delicate balance. Understanding what must be enabled is worth whatever effort is required. Delivering results while enabling others to succeed requires maturity as well as balance and owning the performance pipeline.

Finding the right balance between external and internal concerns is tougher than ever. Achieving the CEO's purpose — perpetuation of the enterprise — requires sustained and sustainable results produced by the entire work force. Thinking beyond themselves and their tenure helps CEOs succeed; making everyone successful helps the enterprise live on.

Group Managers: *Portfolio of Businesses*

A Group Manager is accountable for several businesses and may be called Group CEO, Region Executive or Sector Executive. Some smaller companies have only one Group Manager; he or she might be the President or Chief Operating Officer.

Group Managers are responsible for delivering the portfolio strategy, which includes deciding what businesses the enterprise should embrace and what businesses should be abandoned. They must also build succession to the Business Manager layer to be sure qualified people exist to run the businesses.

Because Group Managers are the primary candidates for CEO, I have been closely involved with many of them in my CEO succession assignments.

Of all the senior executive positions, this one is in greatest need of role clarity and focus. All too frequently, Group Managers meddle in the business under them for want of a clear purpose.

Don't create Group Manager positions simply because you lack them, but do make sure specific executives are accountable for this layer's contributions. Many companies don't have Group Managers. In those cases, leaders who report to the CEO may be accountable for results. The needed results are core requirements and must be picked up by others. Decide who will pick up the accountability and consider the CEO as one candidate; also consider how to redistribute results responsibilities.

CEO Succession Candidates

Choosing the next CEO internally has about 10 times greater probability of success than hiring an outside candidate. Group Managers and the Chief Financial Officers are the most likely contenders.

Accepting responsibility for enterprise success, building peer and key external relationships, representing the enterprise to direct reports and partners of all kinds, and developing portfolio strategy are all crucial preparation for CEO candidates. Therefore, Group Managers must master these skills not only so they can perform their job at a high level, but so that if they are named CEO, they can hit the ground running.

Moving an internal candidate up is the best choice. If Group Managers are struggling with some or all of these requirements, however, the CEO may well conclude that new talent should be added.

If an external candidate has to be added, it is better to do so at the Group Manager layer than to recruit someone for the CEO position who lacks any internal connection. Time is needed to learn the company and build relationships before ascending to the top. With all its pressures and visibilities, the CEO layer is an extremely difficult place to enter a new company.

Business Managers: *Short-Term and Long-Term Profit*

This is a high-profile, much sought-after leadership position, but despite its visibility within organizations, the results for this level are often poorly defined. In fact, this is a level that receives a great deal of attention but insufficient definition. Consequently, Business Managers may appear to be doing a good job because they shine in one spotlighted area, but, unbeknownst to the organization, they are failing to deliver the total spectrum of results.

Let's start out by providing a proper definition of this role, one that is often lacking in companies. First and foremost, be aware that Business Manager positions have dramatic impact on both the incumbent and the enterprise. Incumbents tend to fall in love with their jobs. Many have told me that having direct control of the critical pieces of a business is stimulating and empowering. Many corporations recognize the importance of this leadership position, and invest heavily in development programs and career tracks to get people ready to run businesses. Given that the performance of incumbents is reflected in the enterprise share price, companies remove poor performers more quickly than they do managers at any other layer. Failure rates are second only to Enterprise CEOs.

Generally, the emphasis is on profit and the financials. It should be on building a profit-making machine — an organization that delivers under any conditions. Performance is hampered when too much focus is on the "score," and not enough focus is on learning to play the game with increasing skill.

To avoid confusion, let me clarify how I'm defining a true Business Manager. Quite simply, this is someone with accountability for profit and direct decision-making authority for both cost and revenue. Managing the trade-offs between these two requirements is especially critical; so, having only one or the other responsibilities disqualifies an individual from being a Business Manager, at least in terms of the Performance Pipeline. People running product lines are often called Business Managers, but they don't control the cost or sales, so that isn't enough; they are really Function Managers.

Function Managers: *Competitive Advantage*

When people are promoted to Function Manager, they are excited to be at the top of their profession in a business. They report to a Business Manager and are part of the business team, and their peers run different functions. When only one business exists, they report to the CEO, and some double as Corporate Function Managers. Since their boss in either of these situations is probably not a product of their function, they don't get much technical guidance; they do receive business guidance that they translate into functional requirements. In turn, they provide technical guidance to the Business Manager, especially when he or she hasn't worked in the function. Facilitating business decision making with sound functional information is an important part of the role.

The primary purpose of Function Managers is to give their business a competitive advantage by delivering functional results that are better than the competition's. The business achieves its goals and improves its competitive position through the ability of the Function Manager to deliver. Unfortunately, Function Managers misinterpret their role frequently and hurt the business in many ways. This negative outcome can be prevented by building the right performance expectations.

While some Function Managers recognize the need to deliver a competitive advantage for the business, many fall short because they haven't produced the underlying results. Some of the most important underlying results are competitive analysis, knowledge of the state of the art, a high-performing organization, a work environment that supports innovation and a multifunctional thought process.

Functional Strategy Pulls It All Together

Functional strategy is the vehicle for pulling together a broad range of elements that are new when working at this layer. Function Managers support the business by defining how Business Results will actually be delivered and how competitive advantage will be achieved. The supporting platform for achieving business strategy, in concert with the others functions, is built on positioning relative to the state of the art, competitive analysis, innovation and organization effectiveness.

While defining the function's future direction — and the plans to achieve it — will benefit everyone in a function, the real beneficiaries are the definers themselves, the Function Managers. At the same time, leaders at lower layers need the functional strategy for setting priorities, giving work direction and enabling alignment. And leaders in other functions also benefit from the knowledge.

Four Key Ingredients for Successful Business Managers

Successful Business Managers I have worked with put four key ingredients in place:

1. A value proposition that customers want
2. Strategic alignment
3. Strong working relationships
4. A steady business rhythm

When Business Managers struggle to execute a business strategy, they usually fail. These four ingredients establish direction and make execution possible.

Managers of Managers: Productivity

Of all the layers, this one generates the most confusion and requests for clarification.

One problem is that people treat the Manager of Managers (MOMs) layer as if it were the layer below — Manager of Others. MOMs in every company are responsible for 90 to 95 percent of the work force; the layers above them are sparsely populated, relatively speaking. Despite this great responsibility, MOMs are often thought of as "a span breaker" or "unimportant," and that is a second problem.

In fact, MOMs are the key to a productive organization. In difficult business climates where cutbacks and staff reductions are common, they provide the day-to-day thinking, planning and leading that keep the business on track. Their ability to schedule and organize the work, their skill at breaking through silo walls so that work can flow easily and quickly, their dedication to training and developing the Managers of Others — all these tasks determine how well the business will execute. More specifically, MOMs must achieve and enable critical results, and avoid focusing on inappropriate ones.

Who Is a Manager of Managers?

Typically, Managers of Managers report to Function Managers and have Managers of Others reporting to them. Many variations of this reporting structure, which is a third problem, cause a good deal of confusion about MOMs. Starting from the bottom up, there may be a combination of Managers of Others and Self-Managers (individual contributors) that reports to a MOM. In that case, MOMs should devote most of their time and effort toward dealing with Managers of Others. If guiding the Self-Managers takes most of the time and effort, then such MOMs really should be treated as operating at the Manager of Others level.

In large organizations, two or more layers of Managers of Managers may be found. Large data-processing organizations frequently have two layers of MOMs. Be aware that the critical results are similar for both MOM groups with one proviso: the upper level of MOMs leads the lower layer of MOMs, but typically doesn't directly manage the Managers of Others, especially when this dual grouping exists in large organizations.

In small enterprises, some smaller businesses and in functions like human resources and marketing, MOMs may be absent. In these situations, the Function Manager produces the results normally assigned to MOMs. It is equally likely that in small businesses where the founder is CEO and Business Manager, those reporting to the founder are doing MOM work, not Function Manager work. The founder/CEO in a small company often makes the product and customer decisions, signs every check as a CFO would do and complains about being overworked. In those cases the direct reports need to step up to Function Manager work.

Managers of Others: *The Enablers*

Absolutely nothing is more valuable to a Self-Manager (an individual contributor) at work than a good boss. Good bosses make the work experience more pleasant, facilitate completion of tough tasks without undue stress and answer questions. Ineffective bosses, on the other hand, make the work experience unpleasant, increase stress and leave people scratching their heads.

From an enterprise perspective, 80 to 90 percent of all employees work for a Manager of Others (MOO). So MOOs have the most direct impact of all managers on things like morale, motivation, attitude, job satisfaction, quality and employee retention. An ineffective Manager of Others makes the people under him or her unhappy, unproductive and often times resentful. Quality suffers and customers feel the impact.

MOOs make the product or service happen. They oversee the actual work at every stage of the process and are responsible for the work force that actually touches the product or delivers the service. They are accountable for getting the right workers to do the right work in the right way at the right time for the right cost with the right quality. It is not an easy job because they do their work without much say concerning what resources will be available, how much time will be allotted or what standard should be met. They are the "make it happen" link in the chain, but are often required to produce with less support than needed.

All the strengths and weaknesses of the enterprise show up on the MOO's desk. For example, if planning is done well in the enterprise, the resources MOOs need will be there. If recruiting is well done and the enterprise is a good place to work, they will have the people they need. Poor operational planning, ineffective recruiting and insufficient communication are more common and directly impact the MOO's ability to deliver. Even the best-run enterprises and businesses have problems, so the MOOs must be resourceful enough to overcome the problems and deliver the product or service. Getting a good result for customers often comes down to the ingenuity of the MOOs and their teams.

Critical Underlying Results

When you think about Managers of Others, you probably think of supervising, coaching, giving feedback and the like. Those are the inputs they make.

Delivering the right product or service to the customer at the right cost and quality is an outcome built on several critical underlying results. These underlying results collectively provide the framework for high performance by the individual contributors. While there are many results to be delivered by this layer, the following seem to make the most difference and should have highest priority:

• **Context.** When individual contributors show up for work on day one, they need everything required to get their job done. Effective MOOs define what is needed and why so that tasks make sense to the new people.

• **Connection.** This connecting goes beyond teamwork to a commitment to do what's needed to help the enterprise succeed.

• **Team capability.** MOOs coach and teach their team, and most individual contributors learn their job from their boss.

• **Completion.** It's not activity that matters; it's results.

• **Balanced caring.** By "balanced" I mean that MOOs must find the right mix of concern for company success and concern for and empathy with others.

• **Management skills.** MOOs are the feeder pool for all the other management positions in the business (Corporate Staff can be an exception).

Self-Managers: *Delivering the Products and Services*

What results should individual contributors, or Self-Managers, generate? That's a loaded question, but an important one; and it's one that often goes unanswered both for the Self-Manager and the Manager of Others. Many Managers of Others assume the Self-Manager population will know what to do if they are given the job description, have an area of specialization and are provided with general guidance. In fact, many Self-Managers possess only a vague sense of what results they are to produce. Or, even worse, they have a mistaken sense of what the required results are, and expend time and energy on the wrong things. I have included this chapter in a book about leaders to help Managers of Others understand what to ask from their people. Also, the Self-Manager population can help itself in the event their manager doesn't help them.

Self-managing employees are the biggest segment of the work force. These individuals have titles like salesperson, engineer, analyst, recruiter, dealmaker, lawyer, programmer, stylist and so on. While they manage tasks, they don't manage people. Sometimes they are asked to head a team of their peers to complete a project, but this is a temporary arrangement, not a permanent part of their job.

A wide range of skills and abilities resides in this layer. Not many businesses require only one skill set from this layer; a diverse set of skills is the norm. Diversity of skills and abilities is the one constant for this population because there are so many different kinds of work to be done. While diversity can be difficult to manage, a high level of diversity of thought, skills, experience, competence and approach keeps the enterprise from becoming too predictable to competitors or too complacent. A wide range of skills produces a wide range of results — it is what helps an enterprise excel in many areas and what gives it its unique character.

The Purpose of the Self-Manager Layer

This layer produces and sells the product or delivers the service. Beyond this central purpose, the layer adds value in other ways. While support positions may not actually touch the product, they enable those that do. In general, the Self-Manager is the least expensive layer, so they help keep the costs of products and services lower than they would be if the leadership layers had hands-on involvement. If managed properly, this layer can produce excellent results because this is where technical and professional skills reside. By building new technical skills and knowledge, Self-Managers can deliver the product or service in new or better ways. Through collaboration with their peers and management they can speed up the processes and get synergy. Direct customer contact is a big part of their work; they influence customers' attitudes through the quality of products or services, timely delivery, a positive and helpful attitude, and innovation of all kinds.

PART THREE: SUCCESSFUL IMPLEMENTATION OF THE PERFORMANCE PIPELINE

The business context in your company or business is determined by a wide range of requirements. You probably inherited some requirements that are hard to change; for instance, your founders established requirements many years ago and they're ingrained in the culture — things like their original vision, mission and values define the culture and direct performance. Most requirements, however, come from choices you or your bosses have made, such as the operating model you chose and are currently using (and probably haven't thought about enough). Operating models define how decisions are made, what processes will be used, what standards will be employed and where certain kinds of work will be done. The business context is reinforced by management practices you chose, such as how you are organized, the kind of people you recruit, the goal-setting systems you have put in place, the development process being used, the way performance is judged and recognized and what you do with poor performers. Every leader is affected by all of these variables. Context, therefore, is more than culture and is rarely neutral. It is either helping or hurting, and you need to know which requirements help and which hurt.

How to Succeed in This New Business Environment

For your performance pipeline to be effective, you may have to change some or even all of these requirements. This step is necessary to support the new performance you are after or to succeed in this new business environment. Changing any requirements, however, can be a challenge. A strong commitment to a clearly defined "change requirement" is needed. Challenges of this sort are not for the fainthearted because there always seems to be a large, vocal group of people dedicated to preserving the status quo. Also, many requirements are often implicit, making it difficult to surface them for purposes of discussion and change. Be aware that veteran and highly influential executives are often those most resistant to changing these contextual requirements; and that this resistance can be either open or more subtle (such as passive-aggressive behaviors). To deal with this, make sure you understand what specific changes must be made, and communicate them clearly and frequently. This strategy might not melt all the resistance, but it will help you make the strongest case possible for doing so.

Enabling Layer Transitions

The model Peter Burow, the author of *NeuroPower*, and I have developed for helping people transition from one layer to the next comprises six phases. The central idea is to address the individual's needs in order that they emerge so that the emotional and rational parts of the brain work in unison and the individual feels comfortable about the transition we are asking him or her to make. By addressing these emotional and rational needs in a structured way, we can engage the person on a transformative journey from an individual contributor to a Manager of Others, or a Function Manager to a Business Manager and so on. We have to break down the emotional resistance to this transformation. The process has six steps:

1. Meaning. The individual builds meaning for the company and for himself through absolute role clarity and a new identity. The performance pipeline provides the role clarity. The required identity — being not one of the gang, but a leader of the gang and one of the leaders — has to be transitioned right at the beginning. To feel that we belong is our most basic need, and we develop our identity largely on the basis of where we feel most accepted and valued. This means bonding with this new layer is critical to the individual's transition.

2. Engagement. The individual uses the knowledge and the power of the position to empower others and resists the temptation to compete with them. This involves being less egocentric and more centered on the needs and aspirations of the team. Some help and assistance from the boss or HR may be needed and is certainly recommended. Do this badly and the individual will start competing with his team.

3. Action. The individual then creates a clear course of action and makes his intensions known. Courage is required to take actions that translate the strategy or operating plans into appropriate results-oriented actions.

4. Learning. The individual reflects, thinks and adjusts according to feedback. He must conquer the fear of failure. This involves clearly identifying the relevant business or personal principles and role requirements, and using them rather than politics to drive plans.

5. Embedding. The individual finds ways to embed in the business or organization, team-appropriate training and method improvements on gains that have been made. The individual looks at successes and duplicates them throughout.

6. Reinvigoration. The individual runs the risk of complacency when he doesn't want to lose what he has and new goals seem too hard. He may have achieved the original goals established by the boss or by the strategy. He has to move to new and probably tougher goals so that performance will continue to get better.

Implementing Your Performance Pipeline

You need to know what is happening at every level in your performance pipeline. The reports you receive aren't enough. Go see for yourself what is going on and why, and then form your own opinions about the progress and state of work completion. The Performance Pipeline helps you know what questions to ask and gives you a map of what should be happening — you know the results that are targeted, so it's simply a matter of determining if people are achieving these results.

Conclusion

Implementing a performance pipeline takes effort and commitment. Deciding what benefits you want and need is key. Understanding that the Performance Pipeline is a framework — a tool — to help you achieve those benefits will allow you to maintain your focus and energy. The Performance Pipeline isn't an end in itself; it is a means to an end: achieving your desired business performance. The pervasive uncertainty businesses are living with requires all leaders to improve their effectiveness. The Performance Pipeline can provide them with the clarity and focus that are so critical to their success. Every company can benefit when all leaders effectively pull in the same direction. When leaders help those below them succeed, everyone is a winner.