The Seven Laws of Performance Excellence

by Jerry Vieira, President and Founder of The QMP Group, Inc.

If you've spent any time talking with CEOs or business owners, or are a CEO or owner yourself, you know it's no small challenge to get (and keep) the gears of a business constantly turning and improving in speed, efficiency and effectiveness.

The "gears" of a business are its key business processes. This means, as examples, processes for moving projects to completion more quickly, getting new products rapidly adopted in the market place, identifying and closing sales, making consistently sound decisions on new products and other investments and consistently delivering your products and services to the customer on time and with a high degree of customer satisfaction. All processes need to be reliable, repeatable and rapid for ultimate competitive success and survival.

A Performance Excellence Culture is the Grease for your Business Process Gears and an Energy Source for your People

What turns the business process gears of the firm are its people . What enables and energizes the people is the culture.

Imagine a great new product idea planted in the cultural "soil" of an inefficient organization with historically poor performance management disciplines. This low performance culture might be characterized by poor individual accountability, unclear expectations, few metrics or measurements, unclear project ownership, infrequent checkpoints, inconsistent rewards or consequences, and a weak sense of urgency. The probability of success of a great new product concept in that kind of environment would be severely diminished, if not zero.

Now imagine that same great new product idea planted in a business with a nutrient-rich cultural "soil" characterized by clear expectations and project ownership, frequent checkpoint working sessions, process and progress metrics, rewards and consequences and a strong sense of urgency. I think you'd agree that the probability of success would be much higher. In fact, you might even predict that a *poor* product idea, might find its way to at least a modicum of success in an effective and efficient cultural environment.

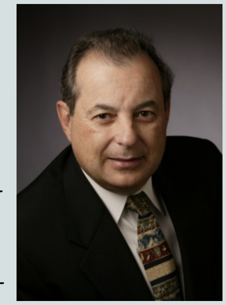
The bottom line is that a culture of performance excellence is essential for consistent success.

A Corporate Culture Self-Assessment

If you're wondering whether the soil of your business culture is nutrient-rich, take the organizational performance excellence self-assessment test that follows. For each of the bulleted lines, rate your business culture on a scale of 1 to 5, with 5 being highest. In performing the exercise, ask yourself, "To what degree are these performance disciplines practiced consistently across our business?"

- <u>Objectives Setting</u>: clear, strategically-sound, economic, quantitative, everyone has several, specific, coordinated
- <u>Project Planning</u>: detailed, timelines, milestones, adequate funding , well-considered team selection
- <u>Ownership/Leadership:</u> clarity, single point of project manager responsibility and authority, project leadership skills, resourcefulness
- <u>Sense of Urgency</u>: deadlines, criticality understood, people working late / weekends
- <u>Expectations</u>: clear, documented, measureable
- <u>Accountability</u>: both rewards and consequences clear
- <u>Measurements / Metrics</u>: both process and outcome metrics
- <u>Checkpoints / Feedback</u>: frequent working sessions vis-à-vis presentations and reviews
- <u>Personal Performance Management</u>: individual goals, targets and roles
- <u>Training Programs</u>: consistency across the business and all critical roles
- <u>Process Consistency</u>: training, conformance, effective tools
- <u>Priorities</u>: clarity, knowing urgent versus important, follow-through to completion

A perfect score is 60 points.



***Jerry Vieira, CMC** is a Certified Management Consultant and President and Founder of The QMP Group, Inc — a Portland, OR. based management consulting firm that installs high -performance marketing and sales engines in small to mid- sized businesses. Jerry is a cited and respected author and speaker, and is periodically quoted in newspapers, journals and books. His articles have been published in Chief Executive, Industry Week, The CEO Refresher, IndUS Business Journal, Marketing News, and Elsevier's ISA Transactions. He can be reached at <u>jgv@qmpassociates.com</u> .*

Performance Excellence requires these disciplines to be in place. If they are, there is a much higher probability of success, for any business initiative.

The 7 Laws of Performance Excellence

In our experience at QMP, low scores on the previous self-assessment test are not uncommon - but there *<u>are</u>* firms we work with that exhibit a lot of the "right stuff". Because this culture of Performance Excellence is so key to the success of any initiative we are engaged to work on, we spent time thinking, researching and observing what these companies had that made them special. We developed a list of 7 behavioral laws or principles which produce a culture of Performance Excellence—a culture which positively affects every initiative a company undertakes.

Law #1: <u>The Law of Economic Value</u>

The source of all economic value in your firm is a customer's willingness to exchange his cash for what, in his perception, will return greater economic or emotional value in return

Corollary: Sound business initiatives must ultimately result in positive economic or emotional impact on customers for those initiatives to have economic impact on you.

Companies that practice Law #1 are always considering the impact on the customer of every investment they make. This awareness creates an ever-growing competitive advantage and growth of the firm's fundamental value proposition - and it promotes a ubiquitous and constant awareness of the primary and ultimate purpose of an individual's daily activities.

Here are some tips for deploying law #1.

- Use economic analyses vis-à-vis gut feel to decide which initiatives to pursue
- Frequently communicate to the team the economic implications to both the customer and company of each initiative.
- Rank the importance of your initiatives by the level of positive economic benefit on your customer and then the firm.
- Assure your sales people can articulate/ calculate the economic benefit that your customers receive from your products.

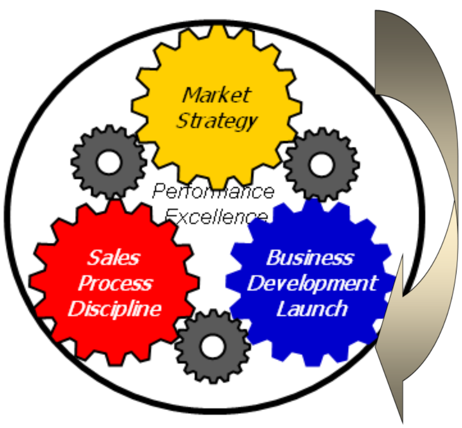
Law #2: <u>The Law of Speed</u>

Business process speed increases return-on-assets, which increases economic value

Look at the gear box in Figure 1.

Figure 1.

It's not difficult to figure out that if a new product launch process (represented by this simplified gear-box) is operating quickly, it provides opportunities for more new products to be launched each year - and perhaps opportunities to manage multiple



gear boxes working in parallel.
Whether this closed-loop business initiative model concerns marketing or operations, the speed factor is crucial.

Law #3: <u>The Law of Focus</u>

As in war, successful business strategy requires the focus of overwhelming superior force on the most high-leverage strategic point.

Thomas Bonoma, as a Harvard Professor, wrote a book called 'The Marketing Edge" in which he revealed the results of his research into why marketing strategies succeed or fail.

One of the most important ingredients of success was focus. In paraphrase, he declared that stinginess in the number of programs selected to invest in, matched with liberal levels of resource commitment to those same initiatives, combine to produce winning results.

Law #4: <u>The Law of Leadership</u>

Performance Excellence disciplines start at the top

Hands off management simply does not work for the long term. A highly visible leader (at some general management level—CEO, COO, GM, VP) needs to establish and set uncompromising expectations for performance excellence - while being a prime, highly visible example of their practice.

Law #5: <u>The Law of Barriers</u>

Roadblocks rarely remove themselves

Corollary: Even if they eventually do, you do not have the time, nor can you afford the risk that they might not.

Roadblocks are difficult to know about if there are few checkpoints and progress metrics. Frequent checkpoints are crucial to both this law and the law of speed. But checkpoints are not enough. Checkpoints are ineffective if roadblocks are not identified and confronted.

Most roadblocks are caused by at least one of the following list of common barriers-to-progress (all of which just happen to begin with the letter "C"). Questioning the team about Cognition (understanding), Criticality (sense of urgency), Credibility (trust that the initiative has value), Capacity (task overload), Capability (training), Co-operation (politics and/or motivation), Courage (fear of failure), Capital (funding) will quickly reveal where the hang-up is.

Law #6: <u>The Law of Measurement</u>

Measurement reveals the reality of progress

Corollary: Whether the news is good or bad, the sooner you know it the better

Management-by-objectives is a great business practice, but may have misled a generation of managers to believe that outcome metrics were adequate and that process metrics and checkpoints were not needed. The objectives were either met or they weren't. It made things simple.

At one extreme, focusing only on outcome metrics and measurements, can lead to Enron-like dysfunctions. On the other hand, too much process measurement can appear to be micro-management, create a drag on progress and motivation and put more emphasis on form than results.

The correct combination, a balance of outcome and process metrics is important. Process metrics are best designed to measure the most important behaviors that lead to outcome metric success.

As an example: Your firm may have a sales objective of, say, achieving $20M of sales in a product line by the year 2010. This is a very clear outcome metric.

The sales manager may declare that in order to achieve that goal each sales person must have 5 customer sales calls a week—his identified process metric. But better, would be a process metric which declared "5 sales calls a week to customers that fit the ideal customer profile for this new product line and in which the economic value proposition potential to the customer was discussed with a key decision maker"

This kind of process metric not only builds a foundation for the law of measurement, but also reinforces the law of focus.

Law #7: <u>The Law of Trust</u>

Trust bonds people to purpose

This last law springs from the simple fact that we are all in this together. Our fates, as team members, are inextricably bound to one another. Our ability to trust one another (including the trust we build with our customers) helps things work smoother and quicker. High individual self-interest is easily identified and creates sand and friction in the gears.

Finally, the law of trust allows us to feel good about how we expend our energies. and creates a tail wind for all the other laws.

****

For more information about QMP Performance Excellence Workshops call QMP at 503-318-2696 or email to jgv@qmpassociates.com