

Transformation Execution StrategiesSM

Insights to empower you to transform enterprise performance

TCOE: Performance Management Function

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Context:

In our weekly update of June 27, 2006 we described the trends driving the implementation of Transformation Centers of Excellence (TCOE) within SG&A domains in enterprises. We pointed out that a major driver for this is the need being recognized within enterprises to possess competency to rapidly implement newer, more innovative business-models by re-aligning capabilities continuously, faster and on a global-scale.

We also stated that, according to First Kernel, a robust TCOE must support, at minimum, the following functions:

1. Transformation Coordination
2. Performance Management
3. Supplier Governance
4. Complex Project Management
5. Process Life-cycle Management

Starting last week (see update of July 11, 2006), we began to explore each of these five TCOE functions in a little more detail. The first of these, *Transformation Coordination*, was covered last week.

This week, we will explore the second function, *Performance Management*.

Analysis:

The focus of the *Performance Management* function within the TCOE is to ensure that the capabilities in the enterprise domain supporting your business-model are always optimized with regard to parameters like costs, staffing structure, service quality and time-to-result.

Processes are not capabilities. Neither are services, which are simply an assemblage of one or more processes, along with supporting resources. Capabilities are an assemblage of services. Capabilities are what your domain offers to your business to establish its distinctive business model. Examples of capabilities are: Product Innovation, Brand Management, and Complex Project Management. These are in-turn utilized by your business to expand market share, set it apart from competitors and deliver exceptional customer value.

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Transformation is all about continuous alignment of capabilities in support of continuous changes to your business model. This requires continuous alignment of your domain services and in-turn the very processes and resources that make up your services. Performance Management is therefore essentially about proactively monitoring and changing the attributes of the components of your capabilities. Key attributes are costs, staffing, service quality and time-to-result.

First Kernel analysis and research indicates that a robust *Performance Management* function within the TCOE in your enterprise domain (example: IT, F&A, HR) requires the following skills and competencies in the Transformation Management Office (TMO) within the TCOE:

1. Organizing information pertaining to your business model to establish a baseline suite of capabilities needed by your business, as it transforms from current state to future state.
2. Identifying, through interactions with your business leaders, capabilities required for successful business model transformation - existing as well as additional /new capabilities.
3. Constructing a map of processes and resources associated with each capability.
4. Organizing performance metrics for key attributes for each process and resource unit.
5. Developing atomic performance scorecards (manual / automated) for each process, resource unit and finally, the roll-up aggregate scorecard for each capability.
6. Integrating atomic and aggregate scorecards into the everyday decision-flow within your domain through the use of performance dashboards.
7. Providing your domain leadership with advance information regarding performance gaps at the process, resource and capability level via use of executive dashboards
8. Developing what if scenarios to estimate expenses, investments, sourcing alliances and technologies required to close gaps and realign capability to support business model transformation.
9. Develop business case and perform ROI analysis to assist your domain leadership in obtaining needed funding and enterprise resources.
10. Assist domain leadership in implementing initiatives to restore /re-establish capabilities.

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Take Away:

The Performance Management function of a TCOE empowers the TCOE to continually align the capabilities within your domain to sustain and drive business model transformation. Scorecards and dashboards provide visualization of the state-of-performance to key decision makers.

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Publications:	None

About First Kernel Research

First Kernel Research is a unit of First Kernel Consulting, Inc. We are experts in Enterprise Performance Transformation. We help enterprises develop and execute exceptional performance transformation strategies and initiatives to continually align costs, service quality and capabilities with the overall strategy and imperative of the enterprise.

Our Clients leverage the integration of our expertise, intellectual property, tools and guidance to achieve or surpass their SG&A performance targets. First Kernel has developed the industry's first *Enterprise Performance Transformation SystemTM*, currently pending a United States patent.

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