

Leverage Enterprise Architects to Blend Corporate Leadership and Management Assets for Competitive Advantage

MarkITS Advisories® provide Enterprise Architecture guidance and mechanisms to drive the “Business-Technology Convergence Imperative” necessary to compete in a globalized economy

CORPORATE CULTURE: LEADERS VS. MANAGERS

Jack Welch grew General Electric’s annual revenue from \$15 billion to over \$400 billion during his tenure at the GE helm from 1981 to 2001. He placed a priority on a new leadership style and had an aversion to the old school classical management culture GE had established for decades. His view of a “manager” was someone who “controls rather than facilitates, complicates rather than simplifies, acts more like a governor than an accelerator.” Welch decided that GE’s leaders, who did too much controlling and monitoring, had to change their management styles.

“Managers slow things down. Leaders spark the business to run smoothly, quickly. Managers talk to one another, write memos to one another. Leaders talk to their employees, talk *with* their employees, filling them with vision, getting them to perform at levels the employees themselves didn’t think possible. Then they simply get out of the way.”¹

Having acknowledged a difference between leadership (visionary) and management (execution) principles, clearly what would be optimal is an ability to steward the blending of these tenets with appropriate proportions for each unique project. But how to do this in an era of specialization where we typically fund specialist roles such as Product Managers (product leadership vision) and Project Managers (product delivery execution management) acknowledging our measures for success of these roles is too simplistic and myopic to the detriment of long term corporate health?

MANAGING TO RATIONALIZE ROI

This question sets the stage for our discussion of leadership and management tenets delivered by the Enterprise Architect, and the critical value this role brings to blend and steward mechanisms for delivery of these tenets in a way that is tailored differently for each unique enterprise project. Governance leverages management techniques to bridge the gap to address what executives these days are most often asking from our consultancy. “How can I rationalize the ROI increased investment in technology product R&D that we intuitively understand will increase our competitive advantage, but struggle to show in tangible terms that map directly to our financials?”

LEADERSHIP EMPHASIZING BENEFITS AND VALUE

Historically, IT initiatives have been driven by process centric delivery mechanisms that are activity and task oriented to drive deliverables. The measures typically include number of people (which relates to scope), time, and cost; classically referred to as the “triple constraints” of project management. Missing is a vision of the benefits needed to assess real value derived from those activities, tasks, and deliverables.

¹ Slater, Robert. Jack Welch and the GE Way. New York: McGraw-Hill, 1999.

“Today the value definition has shifted: value is defined by results versus activity. More frequently, value is defined as monetary benefits compared with costs.”²

STAKEHOLDER PERSPECTIVE OF VALUES

Each stakeholder has their own perspective of value based on their context within the enterprise. Influences on these perspectives may include but not be limited to organizational, spiritual, personal, and social values, and it is defined by consumers, taxpayers, and shareholders.

“Capitalism defines value as the economic contribution to shareholders.”

“To ensure that monetary resources are put to best use, they must be allocated to programs, processes, and projects that yield the greatest return. For example if a process improvement initiative is begun to improve efficiencies and it does have that outcome, the assumption might be that the initiative was successful. But if the initiative cost more than the efficiency gains are worth, has value been added to the organization? Could a less expensive process have yielded similar or even better results, possibly reaping a positive ROI? Questions like these are, or should be, asked routinely. No longer will activity suffice as a measure of results. A new generation of decision makers is defining value in a new way. Figure 1 illustrates the requirements of the new show-me generation.”³

THE “SHOW-ME” GENERATION

Today leadership vision must anticipate a “show me” mentality from stakeholders wanting to see actual data (numbers and measures) to account for program value based on objective measures. No longer should we assume management of financial results alone which do not provide evidence that programs add actual value that is measurable. Therefore, “show me the real money” was an attempt to show true credibility. While critical, it has still left stakeholders questioning: “Do the monetary benefits linked to the project outweigh the costs?” This question is the mantra for the new show-me generation: “Show me the real money, and make me believe it.”⁴

The new generation of project sponsors recognizes that value is more than just a single number: value is what makes the entire organization system tick—hence, the need to report value based on people’s various definitions.

Taking an architecture approach, we can do segmentation analysis to separate the concerns, and formulate a model productivity measurement framework that can help your organization unify around the answer to this question.

Assertion 1 – It seems the majority of organizations seem to accept the default position that the financials provide an adequate measure of enterprise productivity. Hence, why many organizations are looking for something more concrete to share with their CFO and executive teams to rationalize future innovation R&D investments with the promise of productivity (P) improvements. This scenario is especially true during recessionary periods. The smart money

^{2, 3, 4} Phillips, Jack and Patti. Show Me the Money: The Use of ROI in Performance Improvement Part 1 of 2. Performance Improvement Journal, 2007

recognizes as market demand slows, opportunity exists to reduce the costs on production of supply and inventory, redirecting those funds to infrastructure for competitive advantage during the bounce back. However, this is counter intuitive to the oft late reactionary blind slashing to appease short term investors. Unfortunately too many lead from the back and most investors and companies carrying too much debt and greatly overleveraged are not invested for the long term health of the company but instead needing to cover and seek immediate gratification.

Assertion 2 - While balance sheets and income statements provide readily available data, only macro level qualitative trends can be derived. It is often difficult to map specific leadership and management mechanisms relative to *people*, *process*, or *product* development. One needs to look only to the financial services industry for examples of the short sightedness of balance sheets for “qualitative” transparency, never mind yielding “quantitative” measures of leadership and management capability and capacity in terms of productivity. The financial crisis caused by self serving special interests driving socialist agendas to disrupt self regulating markets has not mitigated financial reporting shortcomings because it lacks traceability to functional leadership and management mechanisms. What we have witnessed is the result of allot of “management” and very little “leadership,” with poor mechanisms to objectively measure either in a way that is directly traceable to the financials.

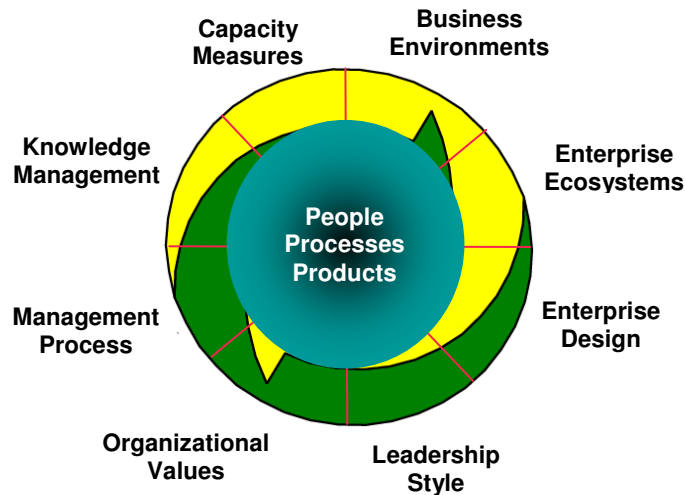
Assertion 3 – We need a productivity measurement framework to establish measurable key performance indicators (KPI’s) defining attributes and associations between *leadership* and *management* mechanisms. This will empower capitalism with true transparency enabling markets to truly self regulate and avert the need for dictatorial socialist policies that provide false comfort and lead to a nanny state that with or without reforms, will only stifle entrepreneurial grow, independence, and individual freedom.

Assertion 4 - The leadership and management KPI’s should be context sensitive and relative to the domain they are being applied. The domains vary from project to project, but we normally like to limit the slicing and dicing of leadership and management domains to no more than 3 or 4. We often find that leadership and management KPI’s are applicable in context of what we like to call the “three p’s;” *people*, *processes*, and *products* (p^3).

Assertion 5 – By assigning a ranking score to the KPI attributes within each p^3 domain, we are able to trace specific project plan activities and deliverables to a quantitative measure of *Productivity* (P) that can be mapped directly and quantitatively to a framework the CFO is comfortable with – the financial balance sheet. With our L&M framework, we can model productivity in terms of the KPI’s in our 3 domains as follows: Productivity (P) is directly proportional to p^n .

$$\text{Productivity} = (\text{KPI}_{\text{people}}) * (\text{KPI}_{\text{processes}}) * (\text{KPI}_{\text{products}}) * (\text{KPI}_{\text{n...}})$$
$$P = p^n$$

Assertion 6 – The P=pⁿ Capacity and Productivity Measurement Framework[®] (CPMF) of KPI's within the PlanITWright[®] model must be applied with appropriate scope to ensure enterprise functions most critically effecting corporate productivity are represented.⁵ Our experience has shown that an iterative and cyclic approach to gradually instrument projects with these KPI's is best accomplished by working with 7 to 10 critical path cross-functional areas covering the full breadth of the enterprise product manufacturing and operations process. We have found the below example model to be often fairly representative.



Common and central to each of the critical path functional areas are definition of the measures to rank *people* development, development *process* maturity, and *product* resiliency.

Business Leader

25 Lessons from Jack Welch

Best practices

LEAD MORE, MANAGE LESS

<ol style="list-style-type: none"> 1. Lead 2. Manage less 3. Articulate your vision 4. Simplify 5. Get less formal 	<ol style="list-style-type: none"> 6. Energize others 7. Face reality 8. See change as an opportunity 9. Get good ideas from everywhere 10. Follow up
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BUILD A WINNING ORGANIZATION

11. Get rid of bureaucracy
12. Eliminate boundaries
13. Put values first
14. Cultivate leaders
15. Create learning culture

HARNESS YOUR PEOPLE

16. Involve everyone
17. Make everybody a team player
18. Stretch
19. Instill confidence
20. Make business fun

BUILD THE MARKET-LEADING COMPANY

<ol style="list-style-type: none"> 21. Be number 1 or number 2 22. Live quality 23. Constantly focus on innovation 	<ol style="list-style-type: none"> 24. Live speed 25. Behave like a small company
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⁵ CPMF and PlanITWright are copyrighted intellectual capital of [Mark and Associates ITS](#).

Mark Sternberger is founder and CEO of MarkITS, USA. MarkITS provides Enterprise Architecture and PMO executive advisory services to organizations committed to meeting the “Business-Technology Convergence Imperative” required for effective corporate governance. We invite your comments on any of the articles in our “Enterprise Architecture as a Corporate Competency” series via <https://www.aogea.org> or by form submission at www.MarkITS.us/contacts.html.