BY MONICA MEHTA

PERFORMANCE LEADERSHIP

A Q&A WITH FRANK BUYTENDIJK

Frank Buytendijk, a vice president and fellow in enterprise performance management (EPM) at Oracle, is one of the world's leading experts in business intelligence and performance management. With 20 years of experience, he has worked as an implementation consultant, project manager, management consultant, business manager, industry analyst, and strategist.

In his book Performance Leadership: The Next Practices to Motivate Your People, Align Stakeholders, and Lead Your Industry *(McGraw-Hill, 2008), Buytendijk asks a novel question: What would happen if we applied lessons in the field of personal development to performance management? He advances a new framework, called* performance leadership, *that challenges conventional wisdom on the best practices in performance management.* Profit *talked with Buytendijk about his radical new approach to improving performance.*

PROFIT: You say that performance management is a contradiction in terms. Tell us more about that.

BUYTENDIJK: A lot of organizations invest in performance management, but the way that they do it actually leads to opposite results. I believe that is because fundamentally we use the wrong model for performance management. In reality, performance comes from Venus and management from Mars. Performance is all about motivation, dedication, teamwork, and people, which are matters of the heart. Management is more associated with plans, procedures, rules, regulations, control, and accountability, which are matters of the mind. So performance management is a contradiction in terms, because there is a disconnect between matters of the mind and matters of the heart. And all we're doing is minding the matters of the mind, not the heart. We need a different model.

PROFIT: And that's the performance leadership framework?

BUYTENDIJK: Yes. People make the difference between what constitutes management and what constitutes leadership. If you look at the definition of leadership, it is more about understanding why we change and creating inspiration and motivation, while management is about protecting the status quo. That is why I talk about performance leadership as the next step after performance management.

The ideas behind performance leadership are based on what would happen if we applied lessons in the field of per-

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ANALYZING CULTURAL PERFORMANCE MANAGEMENT

An excerpt from *Performance Leadership*, by Frank Buytendijk

Organizations should do a cultural performance management analysis before embarking on a performance management initiative. In a cultural performance management analysis, we classify the organization on a number of cultural dimensions. There are several frameworks by which to describe and categorize cultures. Often these frameworks use dimensions between two extremes to classify a culture on that specific characteristic. Most of the frameworks focus on describing national cultures, and deal with many social issues. However, some of the dimensions used also apply to corporate cultures, and they affect the way performance management should be implemented. See figure 1 for an example.

It is important to realize that there is no right or wrong culture in the cultural performance management analysis. Every score is good; the key is that you are aware of the characteristics of your own corporate culture.

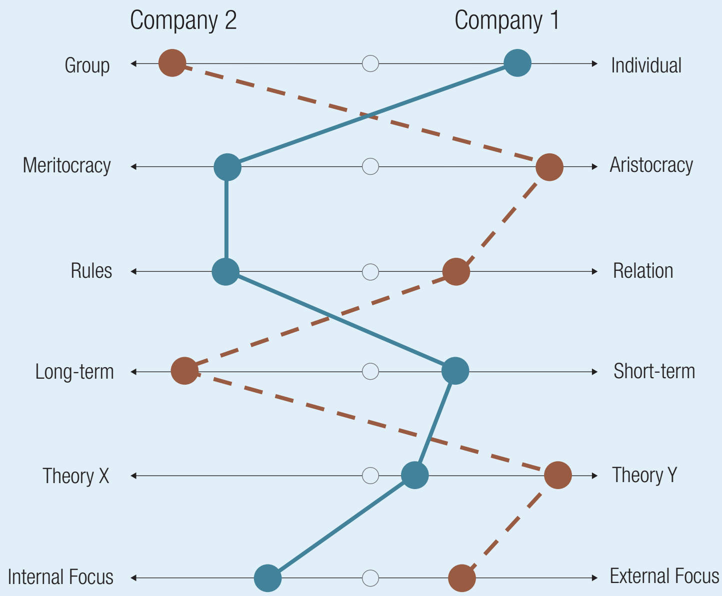

Figure 1: Cultural performance management analysis

In the example, company 1, a manufacturer, is a classic public company with a strong U.S.-based business culture. The company has a very individualized orientation, and everyone has the chance to work himself or herself up (meritocracy). It is very rules-oriented; there is a process for everything. Given its public nature, it has a relatively short-term focus; new business strategies need to pay off within a

sonal development to performance management. Stephen R. Covey, who wrote *The 7 Habits of Highly Effective People,* says that people should ideally develop on four dimensions. The physical dimension is needed to stay healthy and have energy for the other dimensions. The mental dimension helps us get ahead: Where are we now, where do we want to be, how do we get there? The social/emotional dimension helps us to develop ourselves as balanced people who are an asset to our environment. The spiritual dimension, lastly, helps us to think about what we stand for or, in other words, what we want to be remembered for.

These same four dimensions can be applied to organizations, because an organization is a living organism: it's born, it grows up, and it dies. The physical dimension is comparable to managing day-to-day operations. These must be efficient to allow for appropriate management attention to improvement and innovation. The mental dimension dovetails with strategy, asking the same question: Where are you now, where do you want to be, how will you get there? But that is where performance management usually stops—that's all we ask ourselves. If we look at the Covey parallel, we're leaving half the dimensions on the table.

For the social dimension, the question is, where does business performance really come from? How do we make sure that the value we add is not subtracted from somewhere else? If our profits are someone else's losses, we have an unsustainable business model. Lastly, at first glance, a discussion about the spiritual dimension of an organization may seem far-fetched, but not if we translate that to organizational values. Every organization has core values, attracts certain people, and has a certain culture. This is what the organization stands for, which has a huge impact on the bottom line. This is the performance leadership framework: looking at organizations in all of these dimensions.

PROFIT: Are you talking about management culture and behavior, or more than that?

BUYTENDIJK: On one level, I'm talking about the people within the organization and how they're behaving toward each other. This can be manifested between employees, and between employees and managers. And then one level up, I examine how you can drive organizational behavior toward stakeholders and the outside world.

PROFIT: How do your ideas differ from traditional theories?

BUYTENDIJK: Typically, there are three important objectives when making the business case for performance management. One is external reporting or internal reporting—there needs to be accountability. The second is improved decision-making. Performance management has done pretty well for the last 20 years in figuring out all kinds of ways to improve decision-making on a strategic level, on a technical level, and on an fiscal year. The company tends toward McGregor's Theory Y, where managers assume their people are motivated to do a good job if recognized for it. The company is relatively internally focused, and plans its business using a traditional budget. This company benefits from the typical best practices of performance management: top-down strategy implementations, openly shared feedback with a ranking of the best-scoring people in sales. The bonus program, based on overperforming on the goals, can be found on the company's intranet, next to all other procedural descriptions.

Applying this style of performance management in company 2, a manufacturer about the same size as company 1, would not be successful. Company 2 has been a family-owned business for multiple generations. Senior management knows most of the employees; many of them have worked for the company their entire professional lives. The next generation of ownership is growing up and the company needs to secure their future too. The culture of the company is externally focused, and it can only survive in the market due to an extreme customer focus. This company has a very different decision-making process. Senior management will ask for input from a few trusted employees, and then the family will make a decision. There are performance indicators, but these are mostly aimed at how the company is performing in the eyes of the customers. Information is shared with the staff, but usually verbally in informal meetings. Rewards are not directly tied to performance in a specific period; the family rewards loyalty and provides bonuses when deemed necessary.

Cultural alignment doesn't always guarantee success. For instance, if company 2 is making a loss, perhaps some elements of the performance management practices of company 1 need to be adopted. Conversely, if company 1 is going through an extreme growth phase, key people need to be retained to manage that growth, and these staff members must feel part of the inner circle.

The cultural performance management analysis shows that the corporate culture drives how performance management should be implemented. But it also works the other way around, as measurement drives behavior. If there are cultural aspects that are undesirable, a measurement process might change that. If there is too much of a group focus, individual performance indicators may help. If there is too much of a long-term focus, short-term targets may help. If relationship focus turns into nepotism, more uniform reward processes may be needed. Performance management becomes change management, and dealing with undesirable behaviors is part of that.

operational level. But a third key objective of performance management has been virtually neglected, and that is how you actually drive people's behaviors. That's what I'm looking at.

The difference between my thinking and traditional thinking is in how I define "organization." Traditionally, an organization is defined as a group of people trying to work together to establish a common goal. But if you look at people involved in an organization, they actually have very different goals. The customers of an organization want a good product for a reasonable price. Employees want to be able to pay the mortgage. Shareholders want maximum return. Suppliers want to earn as much money as possible from the organization because they have their own stakeholders. The public—the neighborhood an organization is in—wants the company to behave responsibly.

I define an organization as a unique collaboration of stakeholders who, through that organization, reach goals and objectives that none of them could have reached by themselves. The cover of my book features four rowers in a boat. Each has his own position in the boat, his own motivation, and his own strengths. Yet they are all working in concert, and in alignment, to win the race. This is something none of them could have achieved alone. The image of the rowers in the boat is a perfect metaphor for an organization. Once you look at it that way, you start focusing more on behavior and leadership than on procedure and management, and that's where you start seeing an elevation in performance.

PROFIT: How is performance leadership relevant to organizations trying to weather the financial crisis?

BUYTENDIJK: Even in today's climate, it goes beyond financial crisis points. Political, economic, social, and technological trends are all making the shift from performance management to performance leadership an imperative. From a political point of view, regulatory pressure continues to increase. The only way to deal with this increased pressure is to be authentic and responsible. Compliance—doing the right thing and being a transparent organization—comes from within an organization. From an economic point of view, margins are decreasing, competition is heating up, and organizations need to increase focus and alignment. There is no choice but to improve performance, and that happens through leadership, not management. <>

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