

Lukas Michel

THE PERFORMANCE TRIANGLE

Diagnostic mentoring
to manage organizations
and people for superior
performance in turbulent times



CONTENTS

DIAGNOSTIC SELF-MENTORING	9
SEVEN QUESTIONS	14
DEVELOP YOUR GAME PLAN	15
THE DIAGNOSTIC: DECODE AGILITY	16
AGILITY ESSENTIALS	19
A SYSTEMS APPROACH TO LEADING PEOPLE	24
THE OUTER GAME	27
COACH YOUR TEAM	36
PART I: WORK <i>IN</i> THE SYSTEM	
1 WHY DOES AGILITY MATTER?	41
TO CULTIVATE: AN OBVIOUS CHOICE	41
THE PERFORMANCE TRIANGLE	59
WHEN VIRUSES INTERFERE WITH GROWTH	60
SUCCESS: DETERMINE YOUR FUTURE	62
CULTURE: SHAPE IT AS NEEDED	77
CULTURE RELEASES PRODUCTIVE ENERGY	92
CULTURE CORRELATES WITH SUCCESS	93
KNOWLEDGE SHARING	94
COLLABORATION: MAKING IT WORK	95
ORGANIZATION IN A NETWORKED ECONOMY	99
WHEN IT'S TIME TO REFUEL	103
2 HOW DO YOU KNOW AGILITY IS THERE?	109
PERFORMANCE IS INDIVIDUAL	109
PEOPLE: MORE THAN GOOD INTENTIONS!	114
PURPOSE: NEEDS TO BE FOUND	125
THE INNER GAME	128
THE POLICY FRAMEWORK	138
EXPERIENCE FLOW	139
MAKE THE DIFFERENCE	140
TIME IS TAKEN, NOT FOUND	143
WHEN SYSTEMS REPLACE RELATIONSHIPS	145
LEADERSHIP: ASK QUESTIONS AND RELATE PEOPLE	147
RELATIONSHIPS: CONNECT PEOPLE	197
LEADERSHIP AND CULTURE CONNECT PEOPLE	173
FROM ADMINISTRATION TO A HIGH ENERGY CULTURE	175
SYSTEMS: SHAPE CULTURE AND LEADERSHIP	177
SYSTEMS AND CULTURE OFFER PURPOSE	196
SYSTEMS AND LEADERSHIP ENABLE COLLABORATION	198
DOES GOOD LEADERSHIP MATTER?	199
THREE CONVERSATIONS	201
WHEN PIONEERS GROW UP	204

3 WHAT DOES AGILITY MEAN TO YOUR TEAM?	209
THE LEADERSHIP SCORECARD	209
WHEN VIRUSES SPREAD	212
THE FIX REQUIRES BOTH: LEADERSHIP AND SYSTEMS	218
KEEP RACE HORSES ON TRACK	219
CREATE CORPORATE GLUE FOR FUTURE GROWTH	221
PART II: WORK ON THE SYSTEM	
4 HOW DO YOU ENSURE THAT AGILITY IS EVERYWHERE?	229
SET THE RULES OF THE GAME	231
DETERMINE THE PACE	234
FRAME DECISIONS	243
THE LEADERSHIP TOOLBOX	249
THE TRANSITION CHALLENGE	252
5 HOW DO YOU MAKE AGILITY STICK?	258
WORK ON THE SYSTEM	262
1 RULES: Must Enable Choice	264
2 ROUTINES: Must Create Awareness	281
3 TOOLS: Need to Focus Attention	293
4 LEADERSHIP: Needs to Enable Trust	303
THE TRANSITION TO AN AGILE ORGANIZATION	303
WHEN CREATIVITY MEETS ORGANIZATION	308
PART III: ENGAGE PEOPLE IN THE CONVERSATION	
6 WHO IS ACCOUNTABLE FOR MAKING SURE THAT AGILITY HAPPENS?	321
ORGANIZE LEADERSHIP SUPPORT	321
THE LEADERSHIP TEAM	324
THE LEADERSHIP INFRASTRUCTURE	325
7 HOW DO YOU LEAD THE AGILE WAY?	333
LEADERSHIP CYCLE	333
TAKE ACCOUNT	338
HOW WE GOT TO THE PERFORMANCE TRIANGLE	341
LITERATURE	343
FIGURES	356
NOTES	358
ADVANCE PRAISE FOR <i>THE PERFORMANCE TRIANGLE</i>	365
THE AGILITYINSIGHTS DIAGNOSTIC™	368

SEVEN QUESTIONS

This book – mentoring you to ask yourself and your team the right questions – is based on three ideas: (1) Manage the operation, (2) Build the operating system, and (3) Involve the team in doing this to ensure you win the game.

First, as a leader you must “work *in* the system”. This means making decisions: *Think*, *decode*, and *make sense* help you to ask simple *what* and *when* questions. Work *in* the system is about balancing various tensions as you decide on what opportunities to tackle and the specific challenges that you need to deal with. It is about using the firm’s operating system with its current routines, rules, and tools to get things done.

Second, you need to simultaneously work on the system. This is to enable good decision-making throughout the organization: *decide* and *design* help you ask *how* questions. “Work *on* the system” is about creating the environment for a people-centric culture, where people release their productive energy, are creative and flexible to react to change. As such, create, maintain, and adapt the culture, leadership, and managerial systems in your firm to cope with higher challenges.

Third, *engage* people in the conversation about what it takes to succeed. Ask *who* and *why* questions to get *organized* and coach your team to manage accordingly.

These questions are a constant companion: use them for meetings, workshops, seminars, or any dialogue with people in your organization. You and your team have to be able to give consistent answers to some of the most important questions from your people.

Seven questions engage your leadership team in the conversation about the game.

Seven questions

1. *Why does it matter to you?*
 2. *How do you know it’s there?*
 3. *What does it mean to your team?*
 4. *How do you ensure it’s everywhere?*
 5. *How do you make it stick?*
 6. *Who is accountable for making sure it happens?*
 7. *How do you lead with it?*
-

The first two questions *test* whether you have created a solid underpinning for a

AGILITY ESSENTIALS

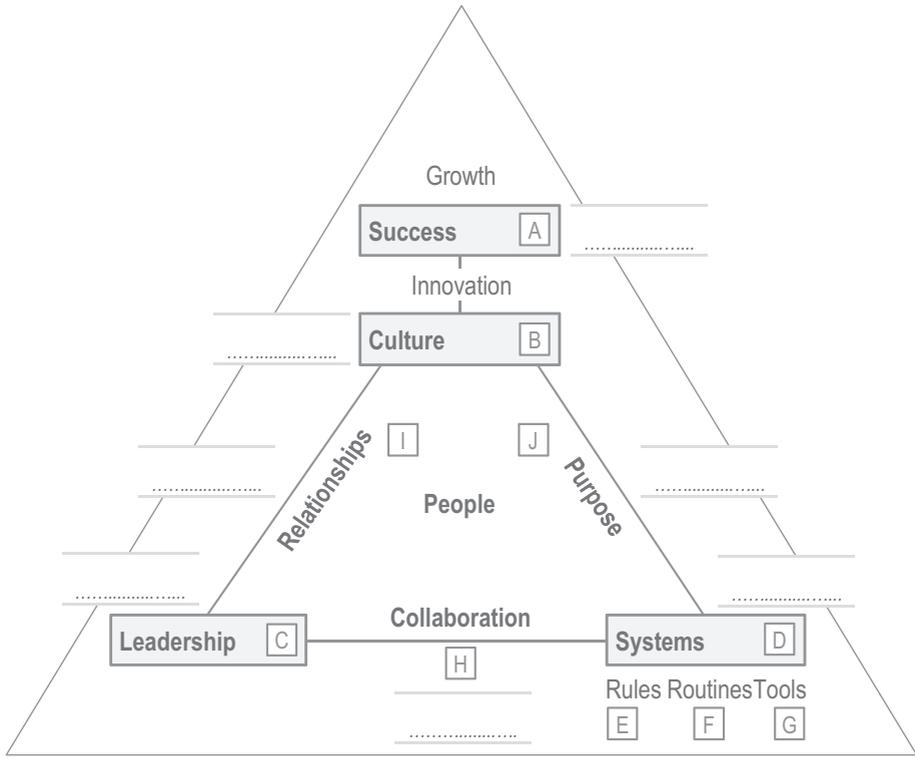
The Performance Triangle is the model that we use to relate leadership, systems, and culture to the success of an organization. It outlines what we call the firm's *operating system* – the administrative underpinning for superior corporate agility. As a corporate development framework, the Performance Triangle provides the frame to build the capabilities required to achieve higher levels of flexibility and speed in dealing with a turbulent business environment.

The original idea of a frame to structure administrative work goes way back to Max Weber, 1947, with his renowned writings on modern bureaucracy.¹⁸ He argued that firms need to get organized in order to capture business opportunities. Authority, control, division of labour, hierarchical structures, formal rules, and human interactions were the themes. But the times and the requirement for effective control and organization have fundamentally changed. The needs are not so much on managerial efficiency as they are on new approaches to deal with an ever-changing environment, incorporating changing requirements for modern knowledge work.

This is why I use the triangle to define the operating system by starting with *success*; the features needed to reach peak performance and the state of flow. Success is what the organization actually delivers. *Culture* relates to the organization of collaboration and how this releases productive energy. Culture shows how the organization really operates: Attitudes, norms, politics, and actual work. *Leadership* is about the interactions of leaders and employees as well as their relationships based on trust. *Systems* represent the institution with its routines and principles for people to assume responsibility, to find purpose, and to collaborate across organizational boundaries. Culture, leadership, systems, and success influence each other. There are distinct relationships to explore.

Culture, leadership, and systems at the corner of the Performance Triangle represent the *Lever of Agility* – the things that can be altered to enable higher levels of agility and often the causes of an infected culture, faulty leadership or erroneous systems. The sides with *collaboration*, *purpose*, and *relationships* represent the robustness of an organization – the features that need to be developed for sustainably agile capabilities.¹⁹ A strong common sense, reliable relationships, and purposeful collaboration are needed to withstand unexpected external shocks. In that sense, agility and resilience go hand in hand.

Figure 11: Performance Triangle



WHEN VIRUSES INTERFERE WITH GROWTH

“Management is the least efficient activity in your organization.” Gary Hamel

Here is an example of a typical growth organization – combining the high, medium, or low scores from the online diagnostic tool (Figure 12) with insights from a discussion with the CEO on his experience and reaction to the results. The organization stands on its own brakes with growing formalities (medium systems score) and flawed leadership (low score). The system hurdles have names such as TQM, process orientation, forms, BSC, objective agreements, and so on. When organizations grow fast, most entrepreneurs install a leadership team and introduce professional tools and routines.

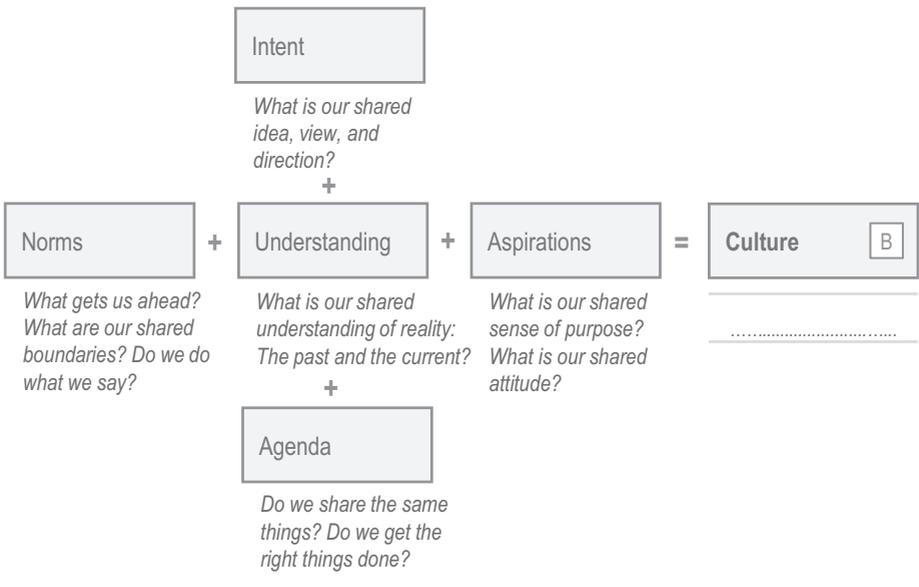
on the collective mind. It is an abstraction that no one has ever seen or touched. It is something that exists in the minds of people in a specific organization. As such, shared context is a *shared* perspective. According to H. Mintzberg, it implies *Weltanschauung* (German for “worldview”), culture, and ideology.¹¹² Culturally assimilated people share a common identity given their shared values, and a commitment to something larger than themselves.¹¹³ Shared context is all about a collective mindset – individuals united around common thinking and behaviours. And shared context clears the position on the innovation dilemma between self-initiated creativity and the desire for controlled outcomes.

This why you need to have your own position¹¹⁴ before you involve your team.

► What is your fingerprint on your organization’s culture?

Five attributes of culture (Figure 14) help you address the shared context in your organization: awareness, intent, agenda, aspirations, and norms. The following questions start the conversation with your team: it is a matter of credibility.

Figure 14: Five attributes of culture



THE INNER GAME

We now move to the centre of the Performance Triangle and to the “inner workings” of people to demonstrate an effective way to think, decide, behave, and act. The *inner game*,¹⁹³ initially developed by Timothy Gallwey with his renowned books on tennis, golf, and work, provides essential insights on what is required for people to perform at their peak. People want to create, achieve, and contribute. I have made a case for the potential that wants to be put to productive use. But everyone who performs at their peak, for example in their favourite sport, know that stress, mistrust, pressures, and uncertainties keep us from maintaining the desired performance level at all times.

The inner game resolves the tension between learning and doing. How can we combine good performance, high enjoyment, and superior learning? An important response to this question comes from purpose. People care about work, culture, relationships, and their opportunities to apply their potential: the way we play our game matters to us. We are constantly torn between delivering performance and enjoying what we are doing.

“I believe the real difference between success and failure in a corporation can be very often traced to the question of how well the organization brings out the great energies and talents of its people.”

– Thomas J. Watson, Jr., *A Business and its Beliefs* (1963)

The inner game is about turning knowledge into action. Most people have the skills and knowledge to perform well. They just have a hard time translating what they know into action. We don't need more instructions on how to do things. We should rather apply what already exists within us. It is about mobilizing our knowledge for productive use. This has profound implications for the way we work and perform.

For best performance, leaders must redesign the way we do things in organizations. We need to stop motivating and ranking individuals rather than conducting intense dialogue on purpose. Self-initiative based on responsible people replaces judgment about people, appraisals, and reviews. Trust and self-control overrules outside-control. Choice and self-determination expand the scope of work beyond just executing decisions. And rather than training predictable behaviours, focus and a conversation about experience and self-development are the tools to learn. This represents a

Strategy conversation is used in workshops, everyday meetings or as part of the sense making. Its focus is the future, opportunities, and options. The conversation style is dynamic, development oriented, and uses explicit assumptions. It requires an attitude that is open for dialogue, open for new things, and it asks for a generalist's perspective. Because people are used to leading operational discussions, the rules for strategic conversations have to be made explicit.²²⁸

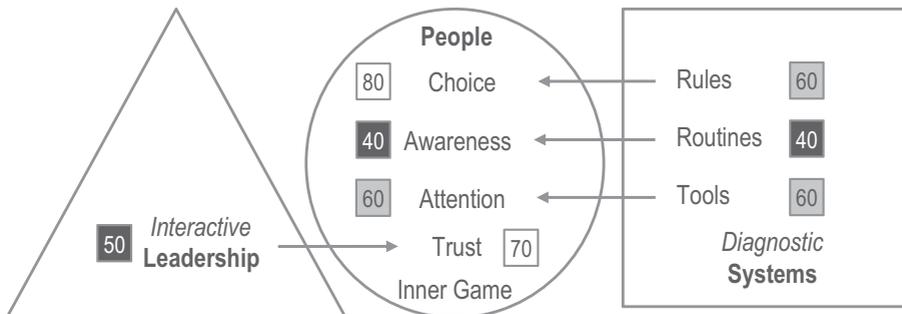
What keeps us in a flawed leadership mode of not communicating strategy? Things to avoid:

- ✘ **Do not restrict strategy conversation to the leadership team.** The most valuable information about customers resides with the employees at the periphery of the organization. It is therefore wise to include them in a way to inform strategy. Strategy conversations that are limited to the board or the management team may miss out on important pieces of relevant information.
- ✘ **Stop limiting the strategy conversation to yearly off-site events.** We are all familiar with the yearly strategy meeting somewhere in a remote mountain cabin. The idea is to have a different setting which inspires the discussion. The problem is that these meetings are often predetermined with well-prepared PowerPoint presentations and decisions that have already been taken. Such meetings don't deserve the expense they incur.
- ✘ **Be careful about large employee orientation programs.** Communications is a two-way street. Often, organizations use events in stadiums where everyone is invited to be informed on strategy or the latest change initiative. Colorful PowerPoints are mixed with generalized key words on strategy. The intent is to motivate everyone to change and contribute to understand. But all these presentations look and feel the same. Communication on strategy is a two-way conversation that requires listening and providing direction.
- ✘ **Avoid committee decision-making far from where clients are.** Controlling resources is one of the power-enhancing managerial processes of traditional organizations. This is why strategy and budgeting discussions are often restricted to "home office" executives. They act as a host of the firm's assets and are therefore notoriously risk averse. This is how new innovative approaches that benefit clients have a difficult stand. Moreover, committee decisions by definition are decisions where nobody carries the responsibility for their outcome. This means that such

ever before, we keep making the same mistakes, something is not right” he complains and continues: his team appears to be involved in lots of detail, they are always busy running after lost opportunities, and they seem unable to learn.

He conducted the diagnostic with his team. Within a week, I sat down with him to discuss the results. Looking at the *Leadership-People-Systems Linkage* in Figure 68 proved his case. His leadership team, despite managing a rather successful firm, seems flawed – not managing people in a way that allowed them to exploit their full potential. As former colleagues, they are well trusted, leave employees “alone”, meaning that they have lots of choice on how things are being done. As expected in a fast-growing high-tech firm with lots of highly educated professionals “with their own minds”, systems are inexistent rather than broken. Rules don’t really exist, are generic, or don’t do what they are intended for. They prescribe how things need to get done. But situations are always different. Routines are bureaucratic, which is not helpful in a world of creative thinkers and entrepreneurs. As a result, their sensors are on mute and opportunities are missed because there is no rigor and discipline in getting things done. As such, routines don’t help employees to raise their awareness for what matters most. In consequence, they follow their own paths and do what they think is best. This is one of the situations where people act purposefully, do the right things, but always have to compromise on meeting predetermined routines. Not following routines becomes the rule. As a result, leadership gets the hit. “The colleagues” as leaders seem remote and busy with themselves. Visible signs are that they don’t conduct any formal conversations with their teams. Informal dominates.

Figure 68: The leadership-people-systems linkage – when creativity meets organizations



Legend: Medium handicap with 0-54 (black) = low scores; 55-69 (grey) = medium scores; 70 – 100 (white) = high scores.

the capabilities of agile organizations with systems that cater to knowledgeable people. It makes many change initiatives unnecessary, stops interferences, reduces transaction costs, and saves investments for activities that add value to customers.

Actions to take:

- ✓ **Lead the agile way.** Unless you make agility your topic and your way to lead the organization, nobody will do so, which means that you keep disrupting the organization with change initiatives and, at the same time, your organization will miss business opportunities as it is unable to make the leap to be ahead of competition. Going the agile way means to cross the bridge and create an organization for knowledgeable people. It is a one-way street as the benefits of higher agility and speed will make it impossible to return to the old way of doing things. Agile is your choice.
- ✓ **Ask direct reports for the agenda of their meetings.** You run a professional CEO office. Your meetings with the executive team are known months in advance with an agenda that is clear but provides room for flexibility. Everyone is able to prepare for the meeting, and announce specific issues ahead of time in order to ensure a professional conduct of all executive meetings. Your meeting conduct leaves enough air-time for everyone to contribute but ensures that agenda items close with decisions on action items, and a responsible person that is accountable to move things on. So, you have done everything thinkable to manage good meetings. With this, it is nothing but decent leadership if your leaders provide you with their schedules and agenda items of their meetings. If not, then it is time to ask why this has not happened. You lead the way; if you don't find natural followers, then first ask; the second time, take action.
- ✓ **Last, show up in one of your executives' management meetings.** It is good practice to show up at your executive team members' meeting at irregular intervals. This is not a sign of mistrust. In the contrary, it should be regarded as an honor to have you in that meeting. If you don't find yourself in that situation, you may ask yourself of the value of that relationship. It is an opportunity for you to listen to the issues that are of concern to leaders that are out of your normal reach, and it is an opportunity to provide direction to those leaders that they would otherwise not get. It is simply making the best use of experience throughout the firm. And it is part of the knowledge exchange that agile organizations ask for. Try it and you will immediately experience the value of doing it. Words simply cannot describe it.

**THE PERFORMANCE TRIANGLE:
A FRAMEWORK FOR DEVELOPING AGILITY AND
COMPETITIVENESS IN TODAY'S UNPREDICTABLE BUSINESS ENVIRONMENT**

“*The Performance Triangle* has been written for practitioners. It is a comprehensive and coherent guide for management practice in a complex and unpredictable environment. Grounded in a synthesis of great management ideas and concepts from eminent thinkers such as Peter Drucker, Yves Doz, and Gary Hamel, and the deep and wide real-world experience of the author, it will help managers to ask the right questions. Without being prescriptive, it provides a tool for orientation and context specific action to achieve sustainable performance.”

Dr. Richard Straub, President, Peter Drucker Society Europe.

“Michel does not oversimplify the challenges of corporate leadership. Instead he recognizes how the different aspects of an organization interrelate and provides us the frameworks to diagnose where to act. His work, which I have followed for a decade, is fresh and thought provoking. Systems thinkers in particular will appreciate Michel’s insights into how to create agile organizations.”

David Creelman, Creelman Research, Toronto, Canada.

“Lukas links the ingredients of success in – as always – practical ways: he shows us how organizations balance innovation and capabilities to become agile and stay competitive. I strongly recommend his hands-on book for all leaders in today’s changing world.”

Hans Martin Graf, Head of Online and Mobile IT, Credit Suisse, Switzerland.

“WOW! Business leaders and theorists have been bouncing terms like ‘knowledge workers’, ‘management by objectives’, ‘transformational leadership’, and ‘corporate agility’ for decades. In *The Performance Triangle*, Lukas Michel integrates these concepts into a simple, logical, and workable model and offers practical tools to evaluate systems, leadership, and culture to help executives diagnose their organizations to set a path toward increased success. A must-read for 21st-century executives.”

Dr. Herb Nold, Professor of Business Administration, Polk State College, USA
and former CFO & COO.