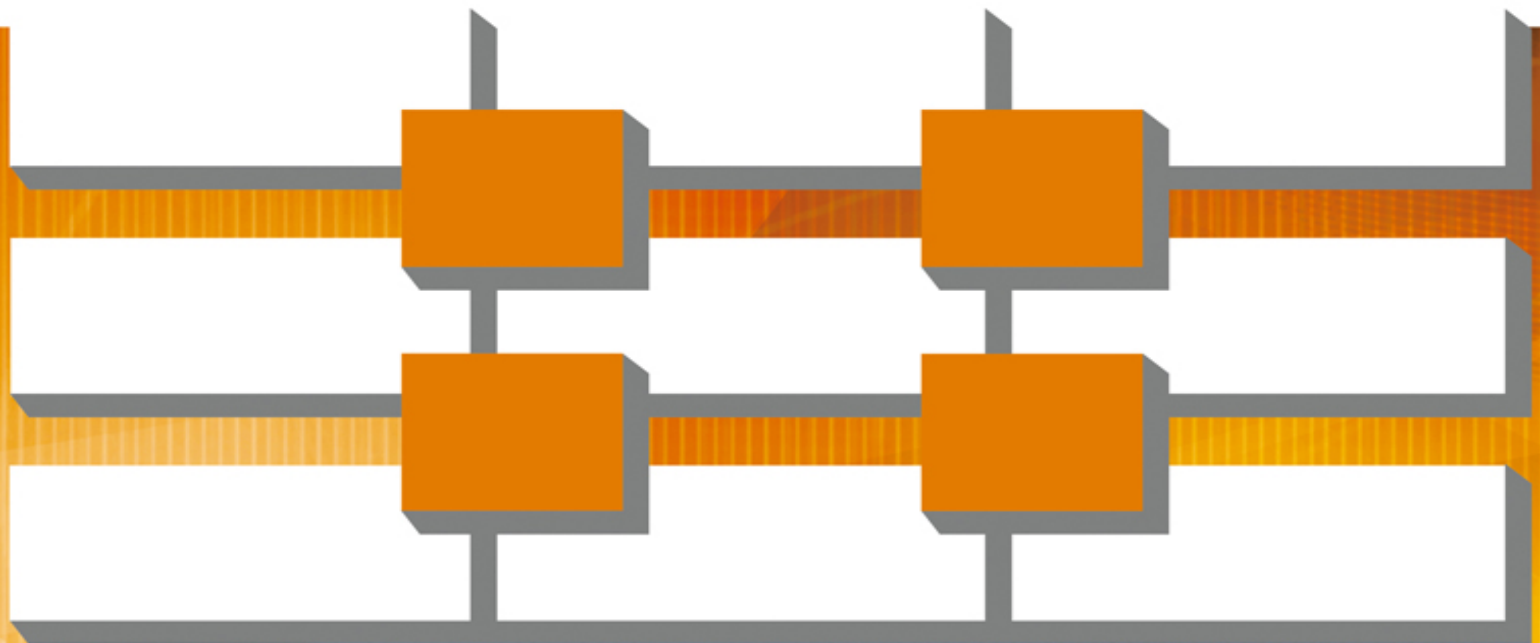


IMPROVING PERFORMANCE

HOW TO MANAGE **THE WHITE SPACE** ON THE ORGANIZATION CHART



GEARY A. RUMMLER

ALAN P. BRACHE

Third Edition

FOREWORD

Improving Performance: How to Manage the White Space on the Organization Chart was the first book written on the mechanics of process improvement, the nuts and bolts of how you actually do it.

The methodology in the book was so embraced by readers that Rummler and Brache became the godfathers of process improvement. They helped spawn a cottage industry of business process management analysts, software vendors, consultants, authors, and conferences.

Today, there are dizzying numbers of process improvement methodologies and technologies competing with one another. But in the light of day, practically all of them owe their origin to their predecessor, the Rummler-Brache methodology.

The Rummler-Brache approach to process improvement is the gold standard. It's a systematic, disciplined framework that does more than just isolate process performance. The methodology addresses all three levels of performance: organization, process, and job performer. And it's all linked to support the strategy and goals of the organization.

Over the years, I've been amazed by the cult-like devotion to the methodology that many of its practitioners have demonstrated. Initially, I thought they were all a little too enthusiastic, sort of like Trekkies at a Star Trek convention. However, since I've seen Rummler-Brache principles applied, I get it. The passion out there for the methodology is really a passion for what it delivers: hard results.

The authors provide a clear blueprint on how to achieve sustainable, tangible improvements. This third edition of the book reveals the latest enhancements to that blueprint:

tools to create project deliverables for an accelerated project.

The book is a classic and worth revisiting, especially in the current competitive climate, when organizations must make the right systemic changes in tighter time frames.

Joe Aberger
President, PRITCHETT, LP

PREFACE

Managers face an awesome challenge in this competitive and constantly changing environment, and this is not a passing phenomenon. As customer demands, global competition, and regulatory scrutiny have increased, it has become clear that the current instability in our marketplaces is not going away. Change is and will continue to be the only constant.

The call to arms, chronicled in numerous books and articles, is widely understood by American businesspeople. Our concern is not managers' failure to understand the problem; it is their failure to do anything substantive to address it. We wrote this book because we have a framework and a set of tools that can substantively address the problem. There are plenty of books on management and organization behavior. However, we find that most of them fail to present tools (leaving the reader saying, "I'm a believer, but what do I do tomorrow?") or they provide tools that deal with only one aspect of a multidimensional need. In our review of management literature, training courses, and consultant services, we have encountered some very valuable theories, hints, and tools. However, we have not come across a single methodology for the improvement of organization performance that is conceptually sound, practical, experience-based, and comprehensive. We immodestly believe that our approach, based on Three Levels of Performance, meets these criteria and, by doing so, provides a blueprint for managing change.

Our second reason for writing this book is our desire to capture our fifty years of combined experience in improving organization performance. We both started in the field of training (before it became human resource

development). Like many other people in our position, we were quick to realize that training is only one variable that affects human performance. Early in our careers, we began learning about the environmental and managerial variables that influence performance. We then turned our attention to the impact of organization strategy on performance and developed a technology for documenting, improving, and managing the business processes that bridge the gap between organization strategy and the individual.

With the evolution of Process Management, and more recently, of “managing organizations as systems,” we believe we have a comprehensive approach that addresses the major variables in the system that influence the quality, quantity, and cost of performance. Through the application of Process Management, we have learned that managers (particularly at senior levels) should concentrate as much or more on the flow of products, paper, and information between departments as on the activities within departments. Process Management provides a methodology for managing this white space between the boxes on the organization chart.

Purpose of the Book

The purpose of this book is to explain the underpinnings of our Three Levels framework and to demonstrate the tools through which the framework is applied and by which the white space can be managed. We have written it for performance improvement specialists (who may be professionals in human resource development, industrial engineering, quality, or systems analysis) and for line and staff managers who want to examine a process that can bring about significant performance improvement. We expect that performance improvement specialists will most often constitute the first wave of readers in an organization

and that they will recommend all or part of the book to the managers who are their customers. In addition, business and organization behavior professors may find that our approach presents a different perspective.

American management has a tendency to manage by executive summary. A director gets a one-page summary of an issue, a vice president gets a paragraph, and the president gets a three-item list. At a recent conference on improving American manufacturing's ability to compete in the global market, one conferee criticized a session by saying, "If an idea can't be summarized in one page, it doesn't have any merit." We do not see how U.S. companies will ever beat their global competitors with that view of executive information and analysis.

We are opposed to the "get it to one page" school of management. Managers who are successful over the long haul understand their businesses in detail. As a result, the Three Levels approach has a fair amount of rigor. It is practical, involving a series of straightforward questions and steps. The process has been validated, through application to companies and agencies of all kinds, in all parts of the world. It can even be fun, because teams improve the quality of work life as well as improving productivity and the quality of products and services. But often it is not simple because the challenge is not simple. Any manager or performance improvement specialist who is looking for a quick-fix formula or for the latest program to keep employees stimulated is liable to be disappointed by this book.

Overview of the Chapters

[Chapter One](#) contrasts the traditional functional view of the organization (as represented by the organization chart) with the more descriptive and useful systems view. We

describe the system components that must be managed to establish an organization that is competitive, adaptive (reactively and proactively), and focused on continuous performance improvement.

The second chapter introduces the Three Levels of Performance and presents the Nine Performance Variables that determine the effectiveness and efficiency of an organization. At each of the Three Levels—the Organization Level, the Process Level, and the Job/Performer Level—this chapter describes the three Performance Needs—Goals, Design, and Management—and shows how they can be used by executives, managers, and analysts.

One of the Three Levels of Performance is explored in each of the next three chapters. [Chapter Three](#) provides a set of questions for diagnosing the effectiveness of the Goals, Design, and Management at the Organization Level. It illustrates the use of these questions in a sample company and presents the Relationship Map as a tool for understanding and improving performance at this level.

[Chapter Four](#) gives the reader tools for understanding and improving the Goals, Design, and Management of the cross-functional processes through which an organization provides products and services to customers. This chapter continues the examination of the company introduced in [Chapter Three](#) and presents the Process Map as a methodology for meeting the needs at this Level of Performance.

[Chapter Five](#) uses the sample organization from [Chapter Three](#) to explore the role of people in improving organization and process performance. It presents the Human Performance System as a tool for understanding and meeting the Performance Needs (Goals, Design, and Management) of individuals and work teams.

The remaining chapters discuss the application of the systems view of the organization and the Three Levels framework to a variety of performance improvement opportunities faced by most North American corporations today. [Chapter Six](#) examines the role of the systems view in ensuring that top management has answered all eleven questions that must be addressed to establish a clear, viable strategy. It goes on to show how the Nine Performance Variables can help in implementing that strategy.

Through four examples, [Chapter Seven](#) shows how quality, productivity, cycle time, customer focus, and culture change efforts can fail if they do not address all Three Levels of Performance. It goes on to examine two performance improvement efforts that have benefited from covering all Three Levels.

[Chapter Eight](#) provides human resource, industrial engineering, and systems analysts with a comprehensive process for diagnosing organization Performance Needs before prescribing “solutions,” such as training, reorganization, and developing management information systems. A case study illustrates each of the fourteen steps in this performance improvement process.

[Chapters Nine](#) and [Ten](#) describe the Process Improvement methodology that companies such as AT&T, Caterpillar, GTE, and Motorola have used to improve quality and customer satisfaction and reduce cycle time and costs.

[Chapter Eleven](#) describes the traps we have seen that lessen the return organizations realize on their investment in process redesign.

Measuring performance and designing a performance management system is the focus of [Chapter Twelve](#). This chapter addresses the “what,” “why,” and “how” of establishing a measurement system that encompasses all

Three Levels of Performance. Examples illustrate establishing measures, developing a performance tracking system, and using measures as the basis for planning, feedback, performance improvement, and rewards.

[Chapter Thirteen](#) describes how to use measurement as the basis for the continuous management of processes, once they have been redesigned. It then shows how to integrate these Process Management efforts into enterprisewide “managing the organization as a system.” Readers are given a description of how the systems culture differs from the traditional hierarchical culture and a set of questions for diagnosing the effectiveness of the organization system in which they work.

[Chapter Fourteen](#) presents a nine-step process for designing an organization structure that supports—rather than inhibits—the efficient delivery of high-quality products and services that meet customer needs. Using Relationship and Process Maps (introduced in [Chapters Three](#) and [Four](#)), a viable organization structure is developed for a sample company.

[Chapter Fifteen](#) draws on our experience working with human resource development professionals and shows how the Three Levels approach can help these professionals make a more substantial contribution to organization performance. It describes how the Three Levels tools can help in needs analysis, training design, and evaluation, and how they can transform the training operation into the organization’s “performance department.”

The final chapter describes a three-step process for getting started on a Three Levels project. It also provides examples of how the Three Levels tools have been unbundled and used to address specific issues and to help develop a customer-focused, participative, low-conflict, accountability-based culture.

How Is This Third Edition Different?

For readers familiar with the previous editions of this book:

- [Chapters Nine](#) and [Ten](#) are new. These fifty-plus pages are packed with useful, proven process improvement project tools.
- The remaining chapters have changed only moderately or slightly.

THE AUTHORS

Geary A. Rummler was cofounder of the Rummler-Brache Group (RBG). He received his BA degree, his MBA degree, and his PhD degree from the University of Michigan.

Rummler was a pioneer in the application of instructional and performance technologies to organizations, and he brought this experience to the issue of organization effectiveness. His clients in the private sector included the sales, service, and manufacturing functions of the aircraft, automobile, steel, food, rubber, office equipment, pharmaceutical, telecommunications, chemical, and petroleum industries, as well as the retail banking and airline industries. He also worked with such federal agencies as the Internal Revenue Service, the Social Security Administration, the Office of Housing and Urban Development, the General Accounting Office, and the Department of Transportation. His research and consulting took him to Europe, Japan, Korea, Malaysia, China, and Mexico.

Alan P. Brache is cofounder of the Rummler-Brache Group. His consulting, training, and writing have focused on Process Improvement and Management, which is a methodology for implementing strategy and resolving critical issues through the identification, documentation, analysis, design, measurement, and continuous improvement of business processes. Much of his recent work has involved using Process Improvement and Management as a tool for strategy implementation, designing measurement systems, and installing infrastructures for continuous improvement.

Rummler-Brache is a registered trademark. The Rummler-Brache Group is a consulting and training firm specializing in the design and development of organization performance systems for business and governmental organizations. RBG works with large and medium-sized companies in both the manufacturing and service sectors. Its clients include banking, pharmaceutical, telecommunications, insurance, technology, government, health care, utilities, petrochemical, and consumer products companies. Our firm measures the results of a specific project in terms of quality improvement, cost reduction, and/or cycle time reduction. We measure the success of a client relationship not only in terms of project results but also in terms of the degree to which the organization has institutionalized the RBG methodology and has transformed itself into a process-managed company.

We provide a technology, a set of tools, an experience base, and facilitation. Our methodology has been applied to processes that include product development, order fulfillment, hiring, procurement, manufacturing, sales, financial planning, distribution, and accounting.

RBG believes that while an outside consultant can provide tools, experience, best practices, and perspective, the changes and the results should be owned by the client organization. To achieve that objective, RBG works through internal teams and supplements its consulting with training that ultimately enables its clients to be self-sufficient.

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PART ONE

A FRAMEWORK FOR IMPROVING PERFORMANCE

CHAPTER ONE

VIEWING ORGANIZATIONS AS SYSTEMS

Adapt or die.

—UNKNOWN

The Traditional (Vertical) View of an Organization

Many managers don't understand their businesses. Given the recent "back to basics" and "stick to the knitting" trend, they may understand their products and services. They may even understand their customers and their competition. However, they often don't understand at a sufficient level of detail how their businesses get products developed, made, sold, and distributed. We believe that the primary reason for this lack of understanding is that most managers (and nonmanagers) have a fundamentally flawed view of their organizations.

When we ask a manager to draw a picture of his or her business (be it an entire company, a business unit, or a department), we typically get something that looks like the traditional organization chart shown in [Figure 1.1](#). While it may have more tiers of boxes and different labels, the picture inevitably shows the vertical reporting relationships of a series of functions.

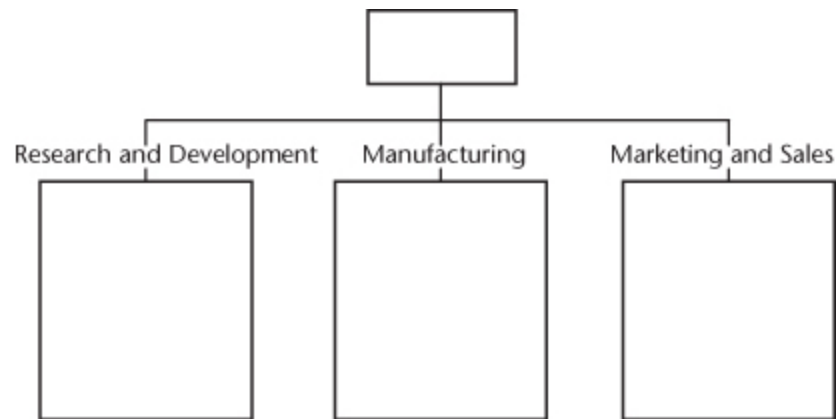


FIGURE 1.1. TRADITIONAL (VERTICAL) VIEW OF AN ORGANIZATION

As a picture of a business, what's missing from [Figure 1.1](#)? First of all, it doesn't show the customers. Second, we can't see the products and services we provide to the customers. Third, we get no sense of the work flow through which we develop, produce, and deliver the product or service. Thus, [Figure 1.1](#) doesn't show what we do, whom we do it for, or how we do it. Other than that, it's a great picture of a business. But, you may say, an organization chart isn't supposed to show those things. Fine. Where's the picture of the business that does show those things?

In small or new organizations, this vertical view is not a major problem because everybody in the organization knows each other and needs to understand other functions. However, as time passes and the organization becomes more complex as the environment changes and technology becomes more complicated, this view of the organization becomes a liability.

The danger lies in the fact that when managers see their organizations vertically and functionally (as in [Figure 1.1](#)), they tend to manage them vertically and functionally. More often than not, a manager of several units manages those units on a one-to-one basis. Goals are established for each

function independently. Meetings between functions are limited to activity reports.

In this environment, subordinate managers tend to perceive other functions as enemies, rather than as partners in the battle against the competition. “Silos”—tall, thick, windowless structures, like those in [Figure 1.2](#)—are built around departments. These silos usually prevent interdepartmental issues from being resolved between peers at low and middle levels. A cross-functional issue around scheduling or accuracy, for example, is escalated to the top of a silo. The manager at that level addresses it with the manager at the top of the other silo. Both managers then communicate the resolution down to the level at which the work gets done.

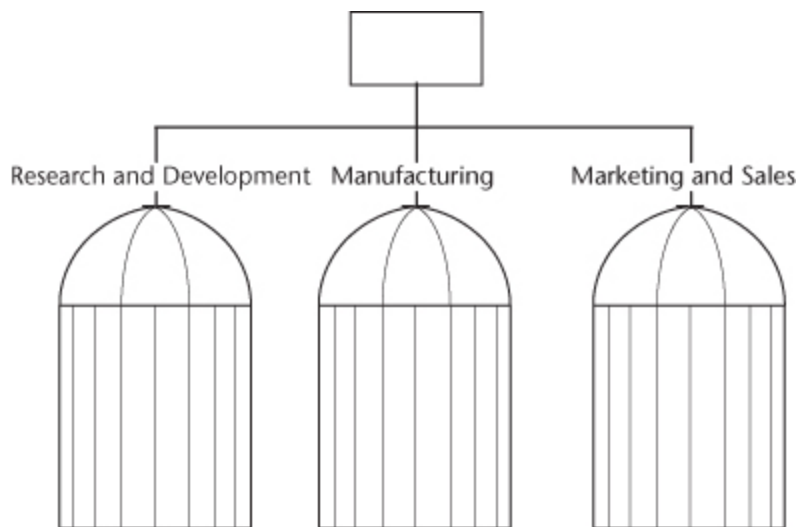


FIGURE 1.2. THE “SILO” PHENOMENON

The silo culture forces managers to resolve lower-level issues, taking their time away from higher-priority customer and competitor concerns. Individual contributors, who could be resolving these issues, take less responsibility for results and perceive themselves as mere implementers and information providers. This scenario is not even the worst case. Often, function heads are so at odds that cross-functional issues don’t get addressed at all. In this

environment, one often hears of things falling between the cracks or disappearing “into a black hole.”

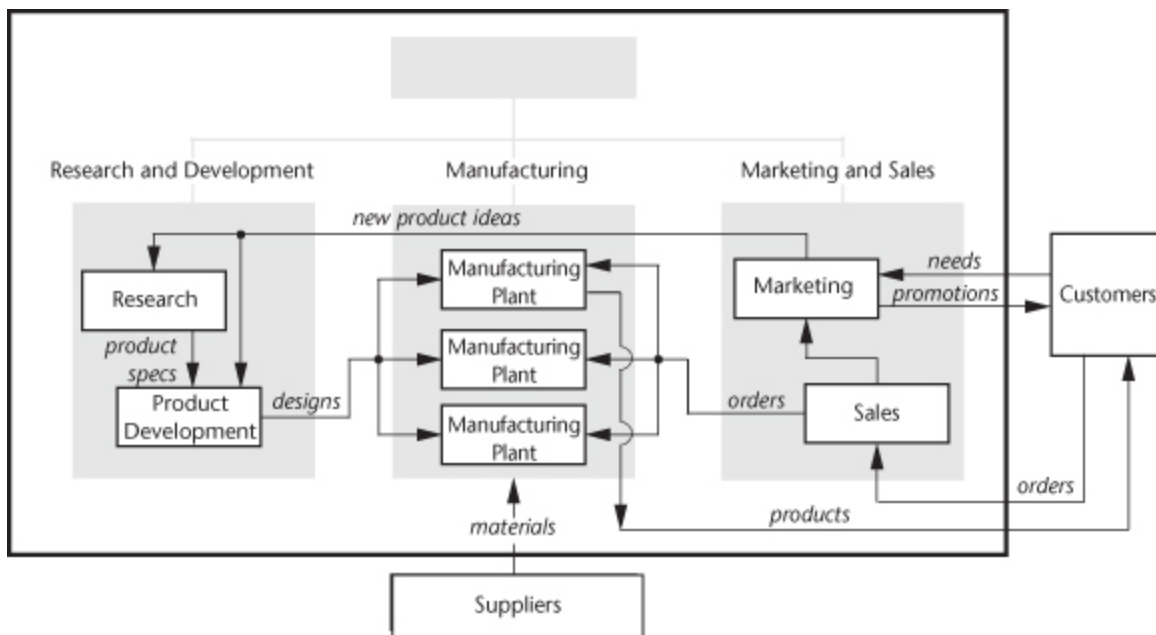
As each function strives to meet its goals, it optimizes (gets better and better at “making its numbers”). However, this functional optimization often contributes to the suboptimization of the organization as a whole. For example, marketing and sales can achieve its goals and become a corporate hero by selling lots of products. If those products can’t be designed or delivered on schedule or at a profit, that’s research and development’s, manufacturing’s, or distribution’s problem; sales did its job. Research and development can look good by designing technically sophisticated products. If they can’t be sold, that’s sales’ problem. If they can’t be made at a profit, that’s manufacturing’s problem. Finally, manufacturing can be a star if it meets its yield and scrap goals. If the proliferation of finished goods sends inventory costs through the roof, that’s the concern of distribution, or marketing, or perhaps finance. In each of these situations, a department excels against traditional measures and, in so doing, hurts the organization as a whole.

In the good old days of a seller’s market, it didn’t matter. A company could introduce products at its own pace, meet only its own internal quality goals, and set prices that guaranteed adequate margins. There were no serious consequences to the evolution of functional silos like those illustrated in the examples. Those days are over. Today’s reality requires most organizations to compete in a buyer’s market. We need a different way to look at, think about, and manage organizations.

The Systems (Horizontal) View of an Organization

A different perspective is represented by the horizontal, or systems, view of an organization, illustrated in [Figure 1.3](#). This high-level picture of a business:

- Includes the three ingredients missing from the organization chart depicted in [Figure 1.1](#): the customer, the product, and the flow of work
- Enables us to see how work actually gets done, which is through processes that cut across functional boundaries
- Shows the internal customer-supplier relationships through which products and services are produced



[FIGURE 1.3](#). SYSTEMS (HORIZONTAL) VIEW OF AN ORGANIZATION

In our experience, the greatest opportunities for performance improvement often lie in the functional interfaces—those points at which the baton (for example, “production specs”) is being passed from one department to another. Examples of key interfaces include the passing of new product ideas from marketing to research and development, the handoff of a new product from research

and development to manufacturing, and the transfer of customer billing information from sales to finance. Critical interfaces (which occur in the “white space” on an organization chart) are visible in the horizontal view of an organization.

An organization chart has two purposes:

- It shows which people have been grouped together for operating efficiency and for human resource development.
- It shows reporting relationships.

For these purposes, the organization chart is a valuable administrative convenience. However, it should not be confused with the “what,” “why,” and “how” of the business; all too often, it’s the organization chart, not the business, that’s being managed. Managers’ failure to recognize the horizontal organization explains their most common answer to the question “What do you do?” They say (to refer to [Figure 1.1](#)), “I manage A, B, and C.”

Assuming that A, B, and C already have competent managers, we have to ask if the senior manager sees his or her job as remanaging those functions. If so, is that a role that justifies his or her salary? We don’t believe so. A primary contribution of a manager (at the second level or above) is to manage interfaces. The boxes already have managers; the senior manager adds value by managing the white space between the boxes.

In our experience, the systems view of an organization is the starting point—the foundation—for designing and managing organizations that respond effectively to the new reality of cutthroat competition and changing customer expectations.

The Organization as an Adaptive System

Our framework is based on the premise that organizations behave as adaptive systems. As [Figure 1.4](#)—often called a “super-system map”—shows, an organization is a processing system (1) that converts various resource inputs (2) into product and service outputs (3), which it provides to receiving systems, or markets (4). It also provides financial value, in the form of equity and dividends, to its shareholders (5). The organization is guided by its own internal criteria and feedback (6) but is ultimately driven by the feedback from its market (7). The competition (8) is also drawing on those resources and providing its products and services to the market. This entire business scenario is played out in the social, economic, and political environment (9). Looking inside the organization, we see functions, or subsystems, that exist to convert the various inputs into products or services (10). These internal functions, or departments, have the same systems characteristics as the total organization. Finally, the organization has a control mechanism—management (11)—that interprets and reacts to the internal and external feedback, so that the organization keeps in balance with the external environment.

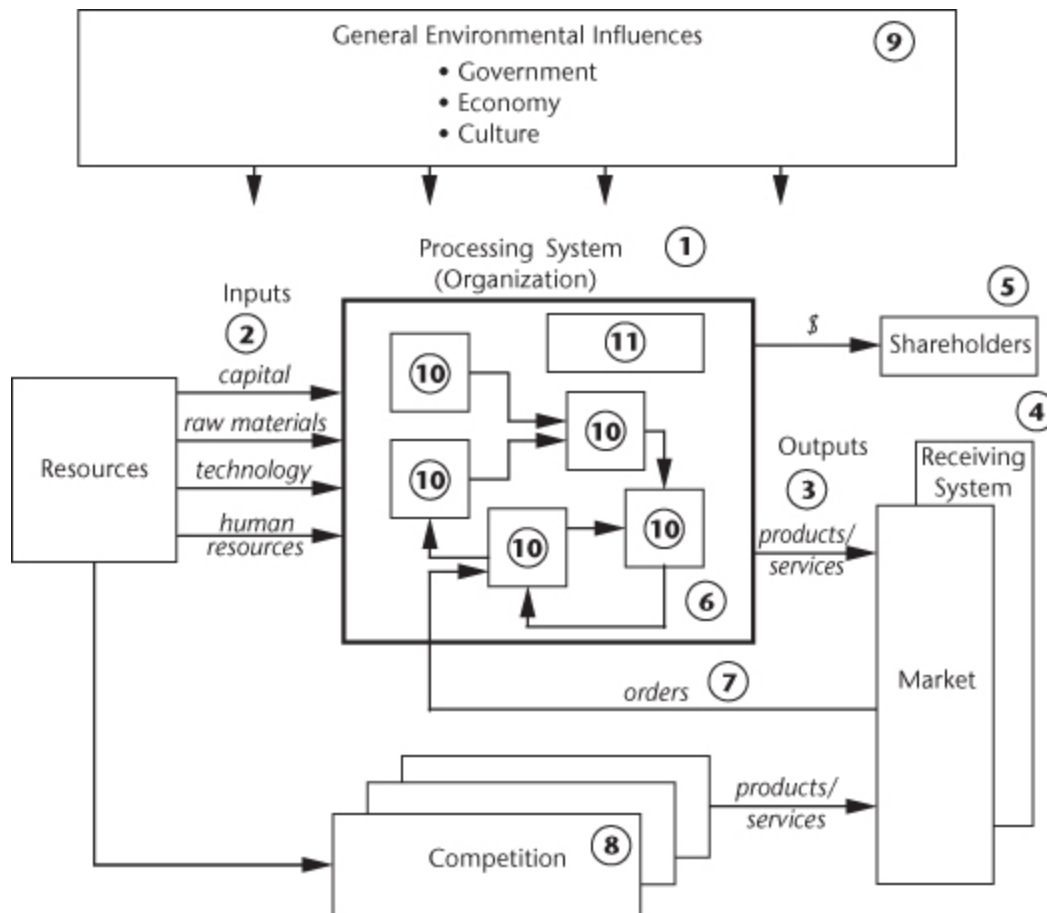


FIGURE 1.4. AN ORGANIZATION AS AN ADAPTIVE SYSTEM

To illustrate the systems framework, let us examine a fictitious firm: Computec, Inc. As shown in [Figure 1.5](#), Computec (1) is a software development and systems engineering firm. It takes in capital, staff, technology, and materials (2) and produces products and services (3), which include systems consulting services, custom software, and software packages. It sells its products and services to a primary market—aerospace companies—as well as to other industrial and individual markets (4). It also provides financial value to its shareholders (5). Computec has various internal mechanisms for checking the accuracy and efficiency of its coding, reports, and packages (6). Its customers give it feedback (7) through additional business,

complaints, references, and requests for service. Its competitors (8) are other software and systems engineering companies that serve Computec's markets. It conducts its business in the context of the American economic, social, and political environment (9). Inside Computec, such functions (10) as marketing, product development, and field operations serve as internal suppliers and customers, which convert the company inputs into the company outputs. The management team (11) establishes the strategy, monitors the internal and external feedback, establishes goals, tracks performance, and allocates resources.

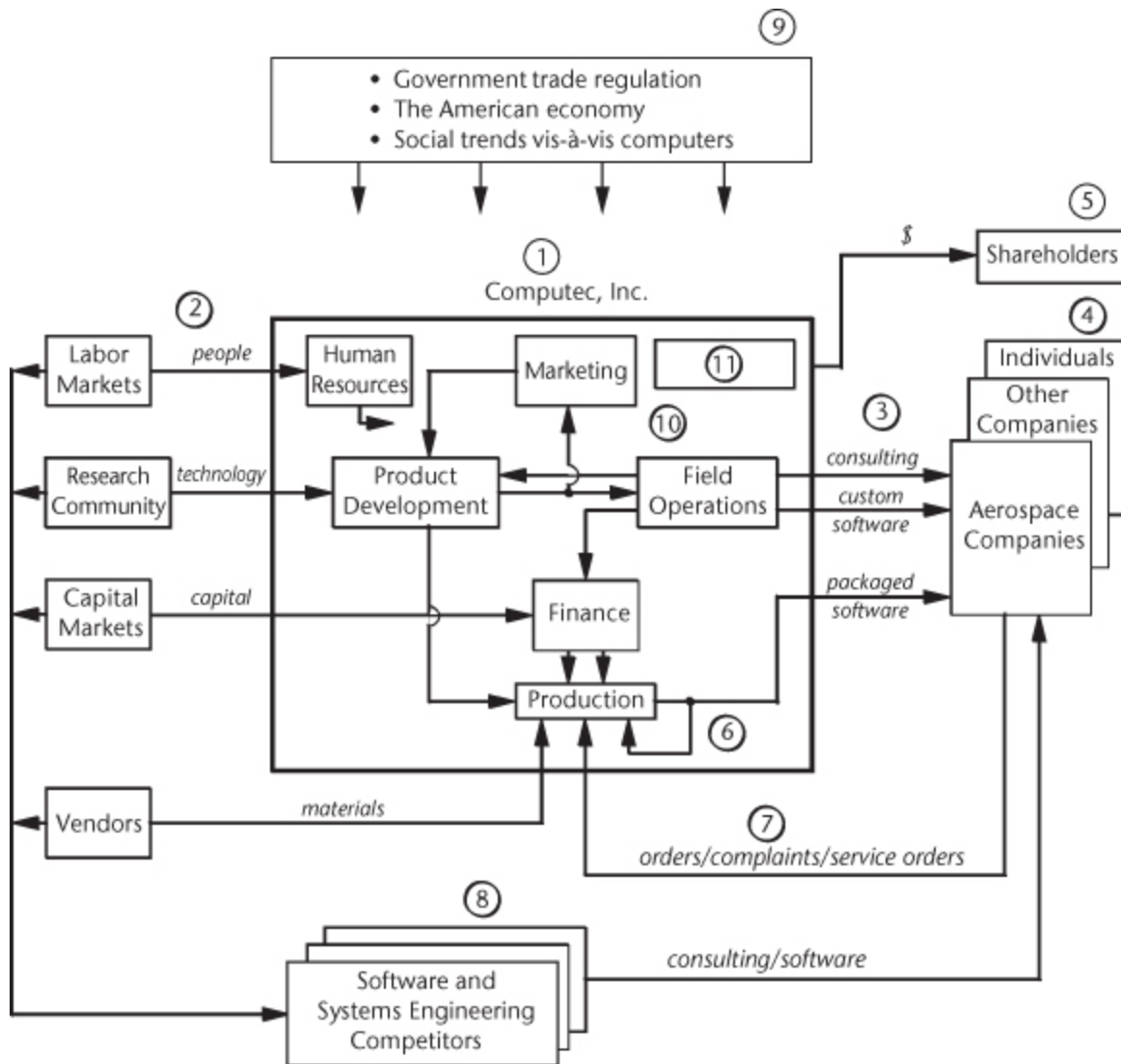


FIGURE 1.5. THE SUPER-SYSTEM OF COMPUTEC, INC.

We contend that this systems perspective describes every organization. Even the systems of monopolies and government entities contain everything, including a modified form of the “competition” (8) component. The markets may change, products and services come and go, but the components of the system remain the same. In fact, the only thing we can say with certainty about the future of an organization (assuming it is still in business) is that the organization will operate in a system that includes the components of the model shown in [Figure 1.4](#). The

potential evolution of a business is dramatically illustrated by Primerica, a diversified financial services company, which evolved from American Can, a typical “smokestack America” manufacturer.

The Reality of Adaptation

Primerica’s transformation illustrates a fundamental element of systems theory applied to organizations—adaptation. A processing system (organization) will either adapt to its environment, especially its receiving system (market), or cease to exist. An organization seeks equilibrium with its external environment.

Not long ago, adaptation was not a burning issue. Organizations adapted to significant changes in key inputs, such as the price of fuel and the cost of capital. With each major disruption, organizations needed to make significant adjustments. However, equilibrium was reestablished in months, or perhaps in a year. Historically, the timing of disruptive events has allowed organizations to adapt before the next change.

Today, the change is more fundamental, more frequent, and less patient. In addition to sporadic fluctuations in critical inputs, such as capital and natural resources, we have an ineradicable change in the receiving system—the marketplace—that seriously threatens both revenue and profit. The primary dimension of that change is the emergence of new forms of competition from foreign and deregulated domestic sources. The market has become destabilized, upsetting the oligopolies and perennial sellers’ market. Customers are demanding—and getting—different products and services, better quality, and lower prices, and the changes just keep on coming.

Systems laws and the free market enable and require organizations to adapt to these changing demands. If an organization survives, it has adapted. However, its health is a function of how well it has adapted. In our opinion, the key variable in an organization's ability to effectively and speedily adapt is its management.

What does a manager get out of the systems perspective? To the manager who doesn't take the systems view, the onslaught of change appears chaotic, unpredictable, and out of control. He or she sees a current crisis as a situation-specific event, rather than as part of a never-ending need to adapt. Adaptation is a process, not an event. The systems framework in [Figure 1.4](#) identifies the major generic forces of change and points up the need for continuous adaptation to these constantly changing forces. An effective manager can use the systems framework in [Figure 1.4](#) to predict and proactively cope with change.

Through what-if scenarios around each of the components of the system, the rate and direction of change can be anticipated and built into the organization strategy. Say that we are the top management team in Computec. What will we do if a change in government (component 9) results in lower entry barriers to potential foreign competitors? What if our two major competitors (component 8) merge? What personal computer products might the market (component 4) perceive to be substitutes for our minicomputer software? What computer hardware breakthroughs (component 2) could have a significant effect on our systems integration consulting services?

The rest of this book is dedicated to providing you with tools for analyzing the environments outside and inside your organization. Each of the tools is based on the systems view described here, and on the following fundamental laws of organizational systems:

1. Understanding performance requires documenting the inputs, processes, outputs, and customers that constitute a business. It is interesting to describe an organization as a culture, a set of power dynamics, or a personality. However, it is essential at some point to describe what it does and how it does it. ([Chapters Three](#) and [Four](#) provide tools for such a description.)
2. Organization systems adapt or die. The success of the survivors depends on the effectiveness and speed with which they adapt to changes in the external environment (customers' needs, competitors' actions, economic fluctuations) and in their internal operations (rising costs, inefficiencies, product development opportunities).
3. When one component of an organization system optimizes, the organization often suboptimizes. (Examples of this law have already been cited.)
4. Pulling any lever in the system will have an effect on other parts of the system. You can't just reorganize, or just train, or just automate, as if you were merely adding some spice to the stew. Each of these actions changes the recipe. (See the discussion of the Three Levels of Performance, [Chapter Two](#).)
5. An organization behaves as a system, regardless of whether it is being managed as a system. If an organization is not being managed as a system, it is not being effectively managed. (Managing organizations as systems is the subject of [Chapter Thirteen](#).)
6. If you pit a good performer against a bad system, the system will win almost every time. We spend too much of our time "fixing" people who are not broken, and not enough time fixing organization systems that are

broken. ([Chapter Five](#) is devoted to managing the Human Performance Systems in which people work.)

We are performance improvement practitioners. We find the “organizations as systems” model useful because it enables us and our clients to understand the variables that influence performance and to adjust the variables so that performance is improved on a sustained basis. [Chapter Two](#) explores the variables—the management levers—that influence each of the Three Levels of Performance.

CHAPTER TWO

THREE LEVELS OF PERFORMANCE: ORGANIZATION, PROCESS, AND JOB/PERFORMER

*When we try to pick out anything by itself, we find it
hitched to everything else in the universe.*

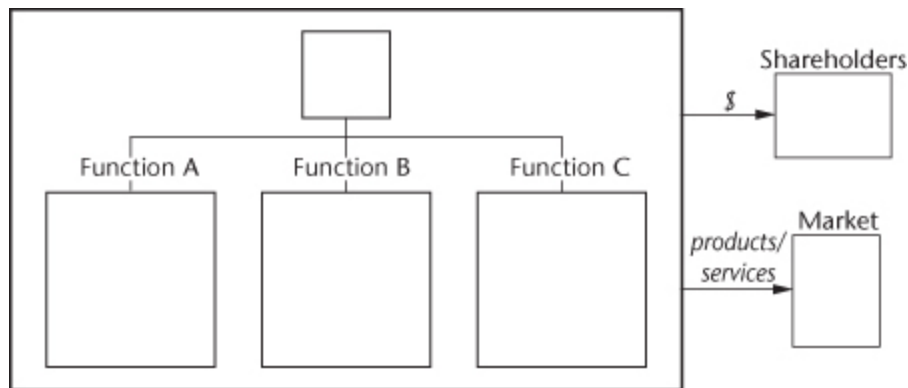
—JOHN MUIR

Nineteenth-century environmentalist John Muir found that each component of the ecosystem is in some way connected to all other components. The brouhaha over the snail darter, which ultimately halted construction on the Clinch River breeder reactor, was not just about a tiny fish that affects very few of us; it was about tampering with a small tile in the environmental mosaic. Each tile that is removed or changed alters, if only in a minute way, the balance of the picture.

Similarly, we have found that everything in an organization's internal and external "ecosystem" (customers, products and services, reward systems, technology, organization structure, and so on) is connected. To improve organization and individual performance, we need to understand these connections. The current mosaic may not present a very pretty picture, but it is a picture. The picture can be changed or enhanced only through a holistic approach that recognizes the interdependence of the Nine Performance Variables. We have found that the way to understand these variables is through the application of the systems view (described in [Chapter One](#)) to Three Levels of Performance.

I: The Organization Level

When we take our first, macro “systems” look at the organization, we see the fundamental view and variables discussed in [Chapter Two](#). This level—the *Organization Level*—emphasizes the organization’s relationship with its market and the basic “skeleton” of the major functions that comprise the organization. Variables at Level I that affect performance include strategies, organizationwide goals and measures, organization structure, and deployment of resources (see [Figure 2.1](#)).



[FIGURE 2.1.](#) THE ORGANIZATION LEVEL OF PERFORMANCE

II: The Process Level

The next set of critical variables affecting an organization’s performance is at what we call the *Process Level*. If we were to put our organization “body” under a special x-ray, we would see both the skeleton of Level I and the musculature of the cross-functional processes that make up Level II (see [Figure 2.2](#)).

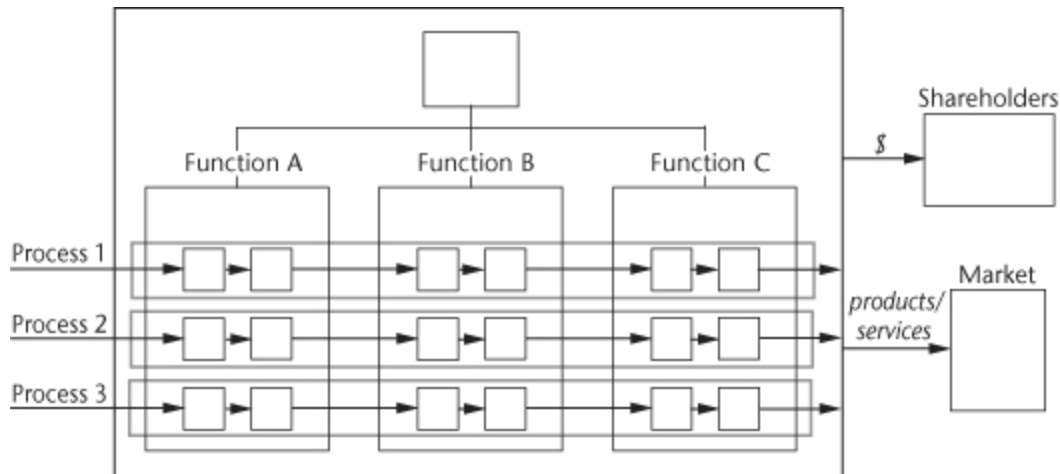


FIGURE 2.2. THE PROCESS LEVEL OF PERFORMANCE

When we look beyond the functional boundaries that make up the organization chart, we can see the work flow—how the work gets done. We contend that organizations produce their outputs through myriad cross-functional work processes, such as the new-product design process, the merchandising process, the production process, the sales process, the distribution process, and the billing process (to name a very few).

An organization is only as good as its processes. To manage the Performance Variables at the Process Level, one must ensure that processes are installed to meet customer needs, that those processes work effectively and efficiently, and that the process goals and measures are driven by the customers' and the organization's requirements.

III: The Job/Performer Level

Organization outputs are produced through processes. Processes, in turn, are performed and managed by individuals doing various jobs. If we increase the power of our x-ray, as in [Figure 2.3](#), we can see this third Level of Performance, which represents the cells of the body. The