



# THE PERFORMANCE TREE (PT)

## A DYNAMIC AND INTEGRATED APPROACH TO PERFORMANCE MANAGEMENT

*Performance as a movie, not just a fixed image*

- ❑ **Performance can not be understood in a fragmented and static way.**  
Whatever the quality of the tools, the culture and the maturity level of the company, the traditional performance management rationale is fundamentally static.
- ❑ **To make sense, we need to broaden the traditional static rationale, and consider performance in its generation process, resulting from a web of complex interactions :**
  - Beyond end results, understand their *making of*.
  - Beyond indicators, understand their interactions.

## THE DNA OF THE ALPHABET OF PERFORMANCE

*Being complicated is not to discern the unity within diversity.*

As diverse as their contextual manifestations may appear, all performance generating phenomena and their underlying interactions can be explained by the combined effect of three universal mechanisms :

**Interdependence - Transversality - Human Factor**



## WHY, IN WHAT, TOWARDS WHAT is it necessary to transform the management of the performance ?

For more than a century, the **scientific management** allowed enormous progress in quality and productivity. Its merit is all the more remarkable as, in spite of dramatic changes and uncountable improvements of tools, methods and techniques, its fundamental logic remains unchanged.

Nevertheless, more and more managers realize that this traditional management logic is breathless. The governance by the double constraint by normative approaches and by the alignment of all on a few corporate priorities and goals, does not offer any more enough degrees of freedom to face the complexity and the increasing pressure of the new global environment. It leads to a vicious circle :

*By putting the employees under ever increasing pressure by a few global indicators or KPI, we degrade the working conditions, the skills, the quality, the innovation and we end up getting the opposite to the looked for effect on overall company performance and competitiveness.*

Today, discrete incremental improvements are no longer enough. To invert the vicious circle in virtuous, we need to broaden the very logic of traditional management : evolve from a **governance by constraint**, towards a **governance by mobilization** :

*Instead of putting employees under undue pressure by a few visible KPI, we need to make visible the potential of all the fabric of the available control levers, to help each employee to identify and to exploit his own priority levers in order to optimize his contribution to the global corporate performance over time.*

This, of course, raises the question of the consistency of the multiple local priorities between themselves and with those of the company. The traditional management has been forcing consistency by constraints to the detriment of meaning and people and, at the end, of the corporate performance itself.

In the light of the DNA of performance, to transform performance management takes a precise meaning. Beyond all the partial improvements, we need to get free of three **cultural invariants** which characterize the traditional logic of performance management, whatever the company culture and maturity level.

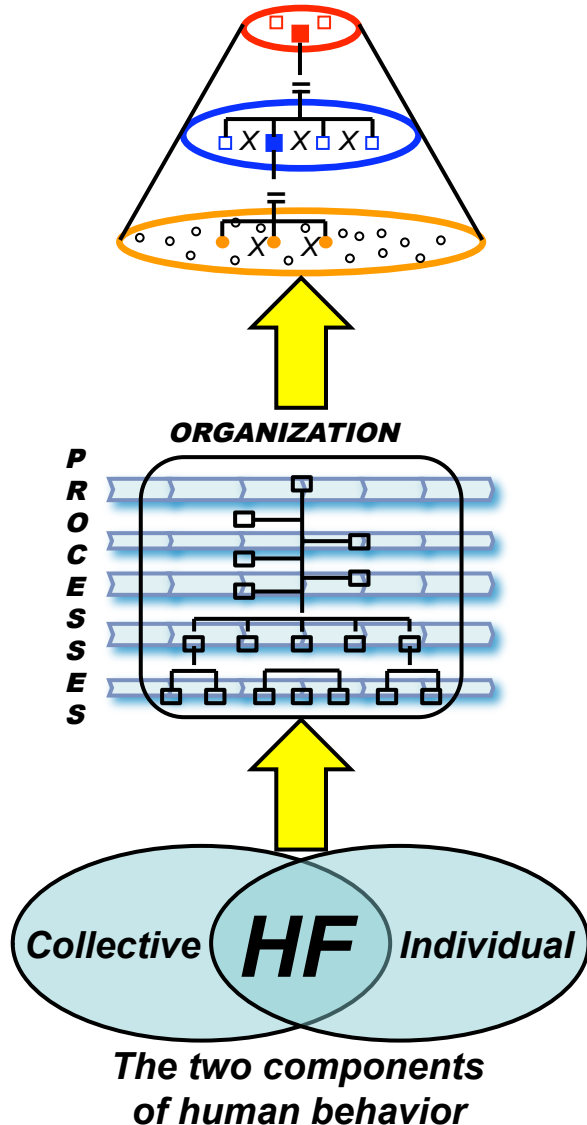


## SUMMARY

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## THE DNA OF THE ALPHABET OF PERFORMANCE

Three *Universal Mechanisms* underly the performance generation process.



**1. INTERDEPENDENCE** between indicators  
*Far from being independent, performance indicators form a complex web of interactions : more or less direct, non-linear and variable over time.*

**Concerns the relationships between indicators, without worrying about who contributes, or how.**

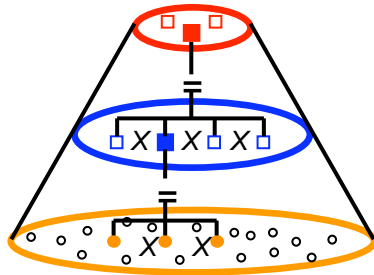
**2. TRANSVERSALITY** of indicators  
*No single entity controls its performance. Each indicator reflects the contribution of different processes and internal and external actors.*

**Concerns the contribution of the processes and actors to each performance indicator.**

**3. HUMAN FACTOR** (collective or individual impact)  
*Whatever its quality, people interpret and make various uses of the overall business framework , thus greatly impacting performance.*

**Concerns the performance impact of human behavior and practices.**

## 1. INTERDEPENDENCE BETWEEN INDICATORS

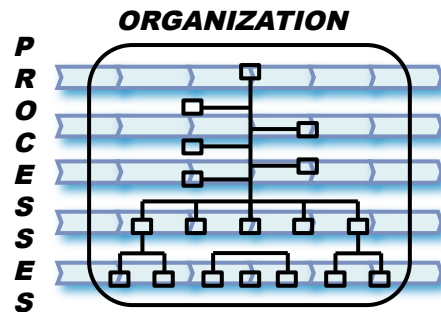


*Far from being independent, performance indicators form a complex web of interactions : more or less direct, non-linear and variable over time.*

### DIRECT CONSEQUENCES

- ❑ **Optimize overall performance in the long term** and not **maximize a criterion in the short term**.
- ❑ Extend the concept of **performance** from a **static result** (as an image) to its **generation process** (as a movie). Understanding the dynamics of performance generation is a must to reduce its adverse effects and to **build enduring performance on quality and HR development**.
- ❑ Evolve from the concept of **relevance** of indicators to their **organization**.
  - The search for *relevant indicators* or *KPIs* is a red herring and a real trap ! Indeed, they are all relevant. What may not be relevant, is the use made of them. Beyond relevant indicators, what we really need is making sense.
  - Performance cannot be understood in a fragmented and static way. To make sense of the indicators, we need to understand their interactions.  
**« The essential is invisible to the eye. » (St. Exupery)**  
Obsessed by *relevant indicators*, we are blind to their interactions.

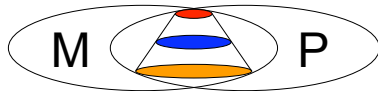
## 2. TRANSVERSALITY OF INDICATORS



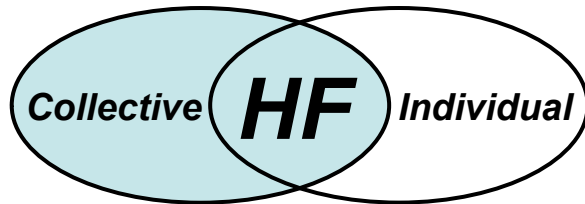
*No single entity controls its performance.  
Each indicator reflects the contribution of different processes and internal and external actors.*

### DIRECT CONSEQUENCES

- ❑ Broaden the traditional concept of ***control of one's performance*** to that of ***contribution to company performance***.
- ❑ Unlike dashboards, all *PT* indicators are cross vis-à-vis all borders :
  - those between organizational units : to account for processes ;
  - those between processes : to account for their interactions ;
  - those of the company : to monitor the outside business partners' contributions.
- ❑ The concept of ***contribution to company performance*** is particularly useful :
  - to monitor ***business processes, functional networks*** and ***matrix organizations***
  - to optimize multichannel customer relationships
  - to develop assessment and compensation systems



### 3.1 HUMAN FACTOR - COLLECTIVE BEHAVIOR



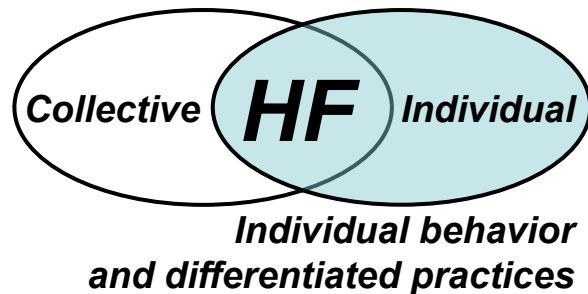
*Collective behavior  
or « actors' stratégies »*

The system or the general framework of the company (strategy, structure, policies, management processes, IT...) acts as a field of forces shaping actors' strategies : a tendency for each actor category to develop a common pattern of behavior.

#### DIRECT CONSEQUENCES

- ❑ Consider **actors' strategies** as **system regulation patterns**
  - Submitted to the inconsistencies of the general framework, people have to fend, to compromise, to make arrangements that often produce negative side effects.
  - Although it may appear irrational, from the actors' point of view, their behavior is not the problem, but the solution to their problems.
- ❑ **Inconsistencies** in the système → **Dysfunctions as regulation costs**
  - The cost of regulation is manifested in various dysfunctions.
  - Forcing their resolution may create even more costly dysfunctions.
- ❑ System-wide **consistency** → **Systemic resistance to change**
  - Conspicuous inconsistencies in the system hide a very strong system-wide consistency.
  - Changing one element triggers the reaction of the whole system.
- ❑ **Instead of stigmatizing, or trying to change, the collective behavior :**
  - Understand the rationale or the underlying conditions that lead reasonable actors to seemingly irrational behavior.
  - Change the underlying conditions and they will change their behavior.

## 3.2 HUMAN FACTOR – INDIVIDUAL BEHAVIOR



Whatever the quality of the overall company framework, according to their perceptions, motivations and skills, individuals have their own interpretations and individual practices, thus greatly impacting performance.

### DIRECT CONSEQUENCES

- ❑ **Distinguish two types of complementary levers :**
  - The **Macro levers** shape the system, or the overall theoretical company framework.
  - The **Micro levers** translate the theoretical framework into actual operations. *en font le fonctionnement réel*. Much more diverse, multiform and diffuse than the Macro levers, the Micro levers are related to individual behavior and practices (Human Factor) .
- ❑ **Reveal and measure the unsuspected stakes of the Human Factor**

The performance gap between comparable actors is a simple, objective and robust basis to evaluate the **Performance Improvement Potentials (PIP)**.

  - Often unsuspected, rarely measured, the PIP are always under-exploited.
  - Since the PIP are based on performance gaps within the same company framework, their realization requires **neither investments nor structural changes**.
  - The PIP are a simple way to identify each individual actor's specific priority levers.
- ❑ **Combine industrialization (Macro) and the Human Factor (Micro).**
  - Optimize industrialization, or position the cursor between the two levers at the right place.
  - The Human Factor is an essential lever to suit individual clients and local conditions, to deal with non-standard cases and unexpected hazards.

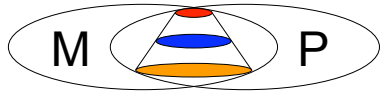




THE TRADITIONAL PERFORMANCE MANAGEMENT (PM)  
IGNORES THE THREE PERFORMANCE GENERATION MECHANISMS.  
IT LEADS TO LOSS OF MEANING AND GETS TRAPPED IN A VICIOUS CIRCLE.

*Pushed to an extreme by the pace of change, the pressure of competition and the growing complexity, the traditional PM logic is at a loss.*

- ❑ Obsessed by a few conspicuous indicators or KPIs and based on more or less consistent and always fragmented dashboards, the traditional PM leads to manage mainly by constraining resources, without measuring the consequences.
- ❑ This amounts to transmit the pressure on people without preparing them to evacuate it in a constructive way, by acting on their operational levers.
- ❑ Beyond a threshold, the pressure on resources and men deteriorates working conditions, development, innovation, quality, customer satisfaction and loyalty , and ultimately competitiveness and performance itself.
- ❑ The opposite should be done to reverse the vicious circle :
  - Instead of suffering the negative effects of the interactions between indicators, use them and build competitiveness on quality and HR development.
  - Instead of stressing people, ***strain the performance chain***, in order to help them to identify in a fine manner and act on their local high potential levers.



THE PERFORMANCE TREE (PT)  
THREE LEVELS OF OBJECTIVES

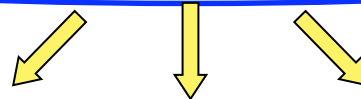
**2<sup>nd</sup> LEVEL : ONE GENERAL objective**

Move towards the « **PERFORMING ORGANIZATION** »  
an ideal target for both  
*PERFORMANCE MANAGEMENT* and *CONTINUOUS IMPROVEMENT*



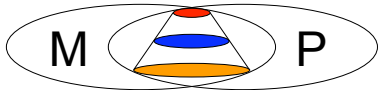
**1<sup>st</sup> LEVEL : ONE NEUTRAL GENERIC objective**

The hallmark objective of the PT  
UNDERSTAND THE COMPANY PERFORMANCE GENERATION PROCESS  
AND DIFFERENT ACTORS' CONTRIBUTIONS



**3<sup>rd</sup> LEVEL : GREAT VARIETY OF CONTEXTUAL objectives**

A neutral frame of reference, the PT sheds light on all managerial issues in terms of their contribution to company performance, without any preconception or bias.  
In light of broader concepts and based on factual data, traditional problems often find creative solutions that appear both common-sense and counter-intuitive.



## THE « **PERFORMING ORGANIZATION** »

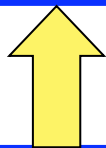
an ideal target for both *Performance Management* and *Continuous Improvement*

**DEFINITION** of the ideal target management according to five criteria :

*Each actor is motivated (1) to optimize in the long term (2) his contribution to company performance (3) by exploiting the Performance Improvement Potentials (PIP) (4) of his specific priority levers (5).*

**PREREQUISITES**      Two *verifiable* prerequisites

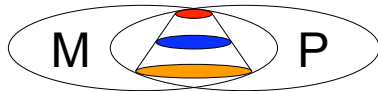
- ❑ *To have a stable cross-company performance framework of reference :*
  - *allowing a shared understanding of company performance génération processes and different actors' contributions*
  - *insuring the consistency between the specific priority levers of the various actors between them and with those of the company.*
  - *helping indeed to transform action on the local levers into global performance*
- ❑ *To have a simple and robust device of performance diagnosis identifying each actor's specific high PIP levers*



**No single organization can reach the ideal target.  
They all can make substantial headway towards it.**



The *PT* is both a frame of reference and a concrete, quantitative tool to create the conditions, launch and support the journey.



## DASHBOARDS AND THE PERFORMANCE TREE

Often called *smart dashboard*, the *PT* is neither a dashboard, nor a substitute to it. They are **two complementary tools**, addressing the two pillars, or legs, of PM :

- ❑ **Fix *relevant objectives*** → **Performance Tree (Annual)**
- ❑ **Follow their realization** → **Dashboards (Monthly)**

DEFINITION OF **RELEVANT OBJECTIVES**

- ❑ **Consistency :**
  - **Between objectives** (quasi-mathematically guaranteed by design of the *PT*)
  - **Between objectives, activities, resources** (insured by the way objectives are set.)
- ❑ **Alignment :**
  - **Of course, but not only**, with **strategic orientations and objectives**
  - **Also** with the **Permonformance Improvement Potentials (PIP)** of the **priority levers specific** to each actor (almost directly embedded in the *PT*)

*N.B. These conditions, and especially the alignment with the specific priority levers and their PIPs, explain why consistent objectives, compared to the traditional ones, are :*

- *Collectively more **ambitious***
- *Individually more **realistic***
- *Socially more **equitable***

*N.B. Alignment with strategic objectives is of course necessary. But it's not much help in fixing operating objectives for different types and levels of management in a fine manner.*

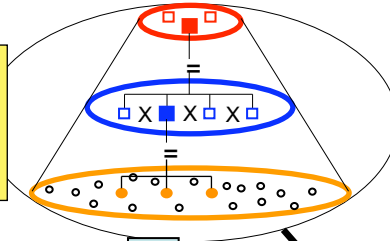
# INTEGRATED MONITORING FRAMEWORK

## THE *PT* AS A TRANSVERSAL FRAME OF REFERENCE

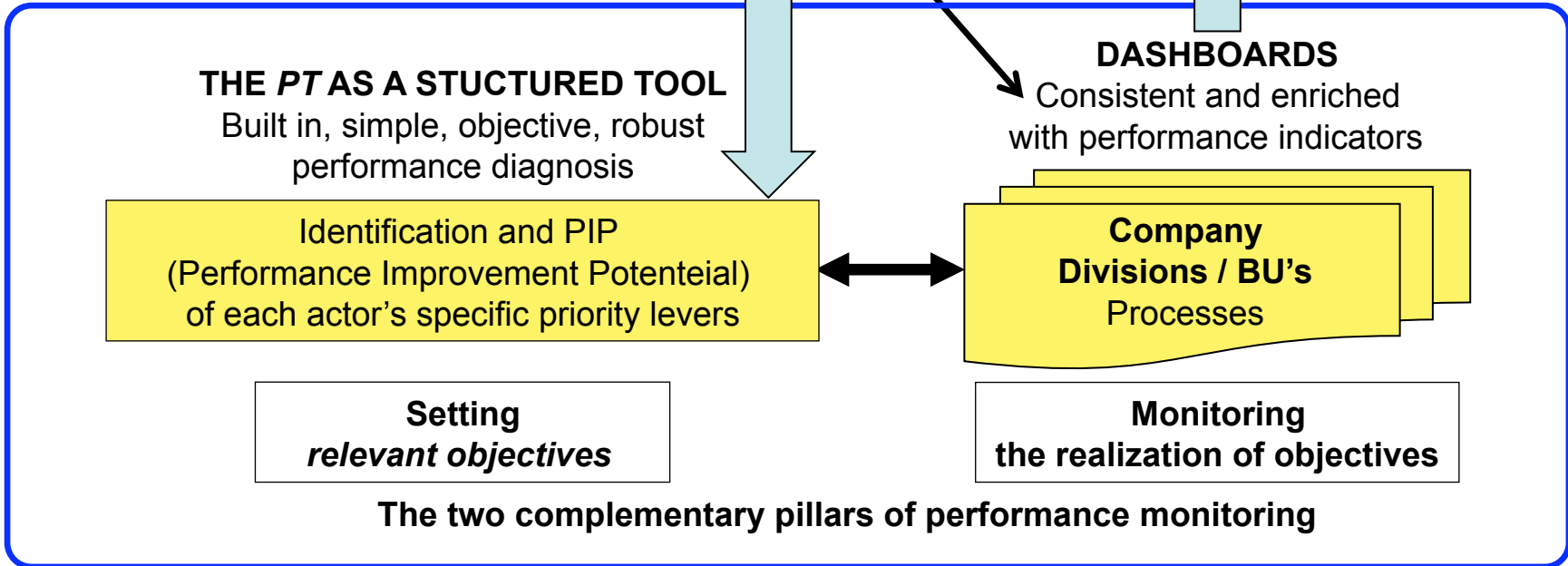
Contribution of processes and actors  
to company performances

### GENERIC OBJECTIVE OF THE *PT*

**Shared understanding** of company performance generation processes and different actors' contributions



**« Single-legged »**  
Performance management concerned with the realization of objectives and ignoring their relevance

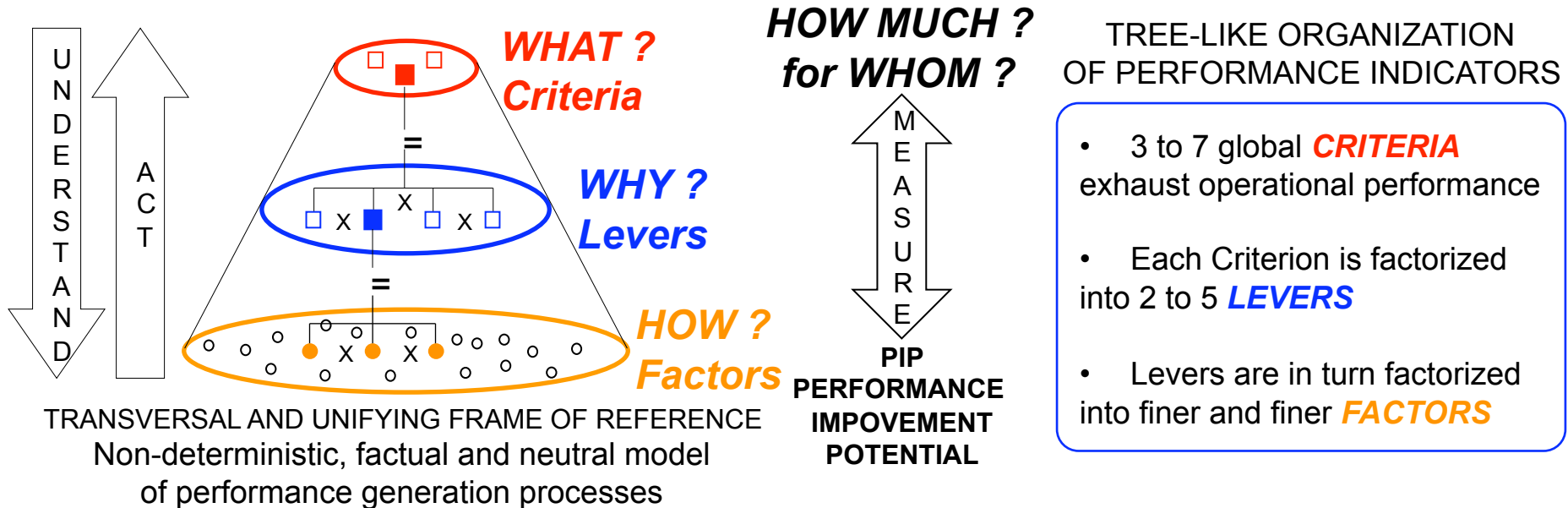


## INTEGRATED MONITORING FRAMEWORK

*The *PT* broadens the performance monitoring concept and makes it work on its two legs.*



MANAGEMENT & PERFORMANCE  
THE PERFORMANCE TREE (PT)



**Making sense of performance**

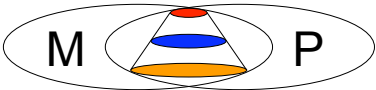
- The indicators, like pieces of a puzzle, get their full meaning once put together, at their right place.
- The benefit of the *PT* does not lie in the relevance of individual indicators, but in their organization, which serves as a model to help understanding company performance generation processes.

**Use what is visible and make visible what is useful**

- By organizing them, the *PT* allows a better use of available data.
- The PIP reveal high potential areas that should be further refined, and thus allow to better focus, prioritize and improve the ROI of future IT developments.

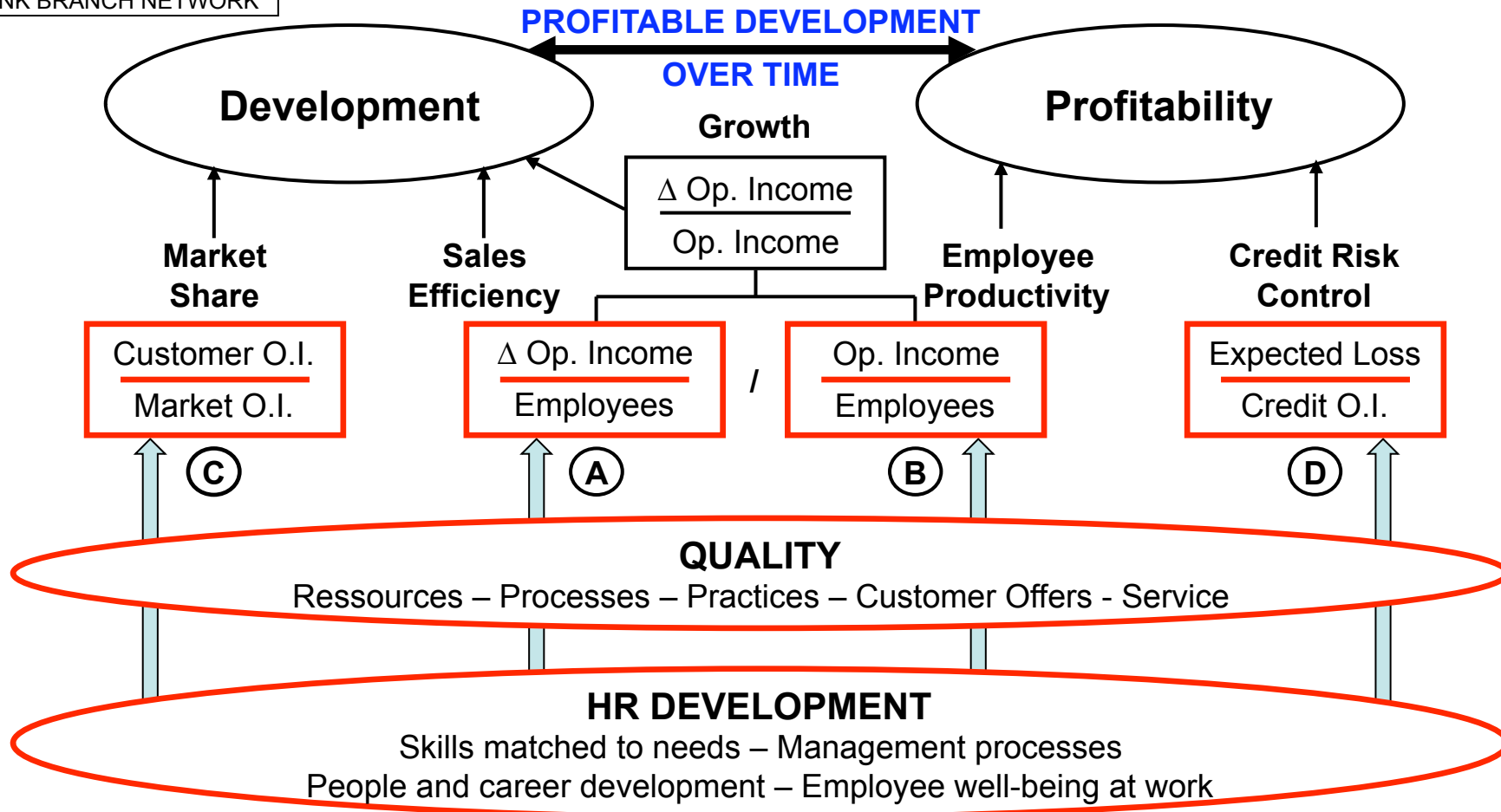
**Unfiltered and comprehensive model of reality, easily accessible to be shared by all**

- Using only factual data : no norms or recommendations deforming or screening off reality
- Using only the four basic opérations (+, -, x, /) : no specialized language or sophisticated tools



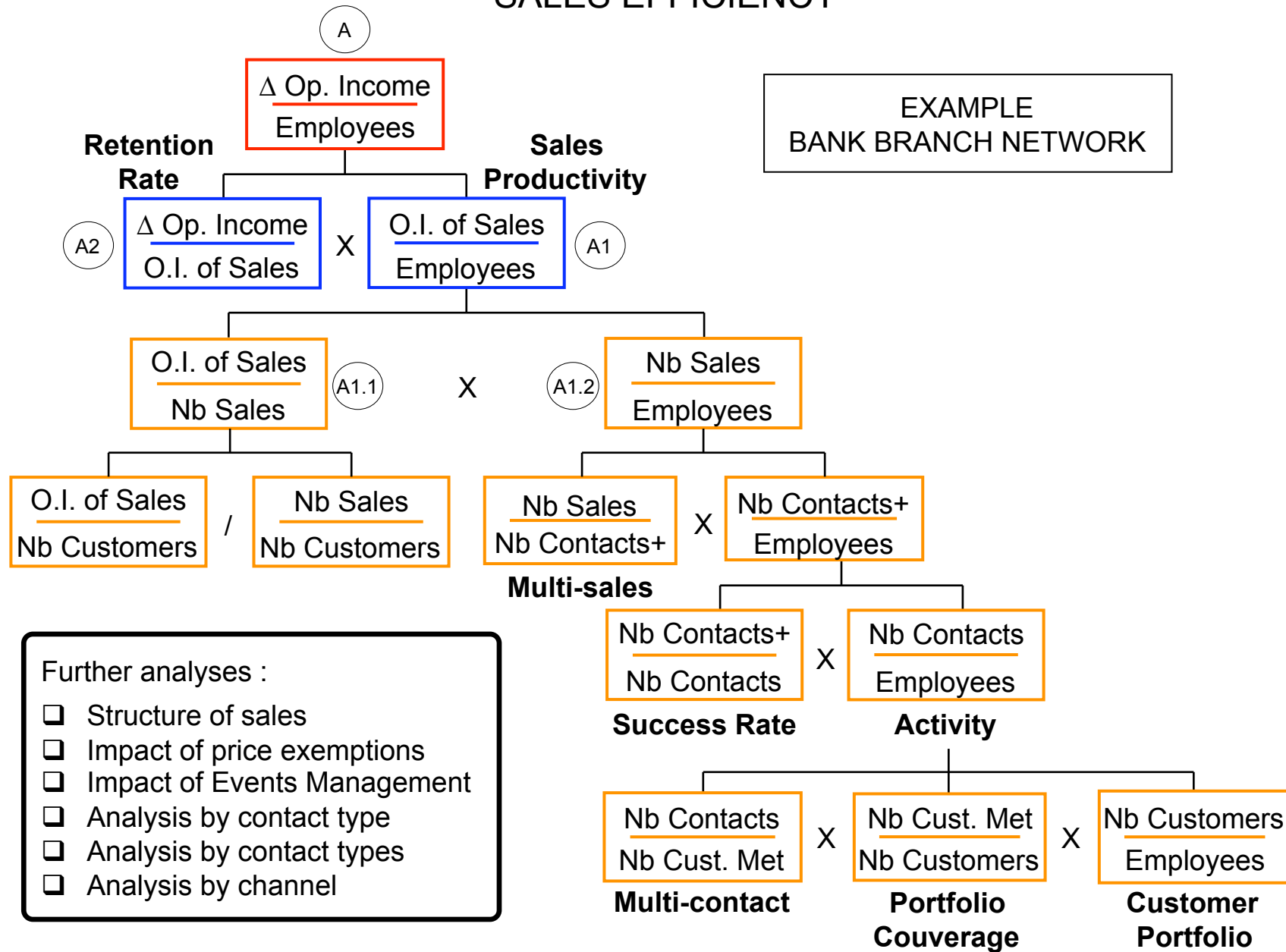
EXHAUSTIVE COVERAGE OF THE FIELD OF PERFORMANCE

Example  
BANK BRANCH NETWORK



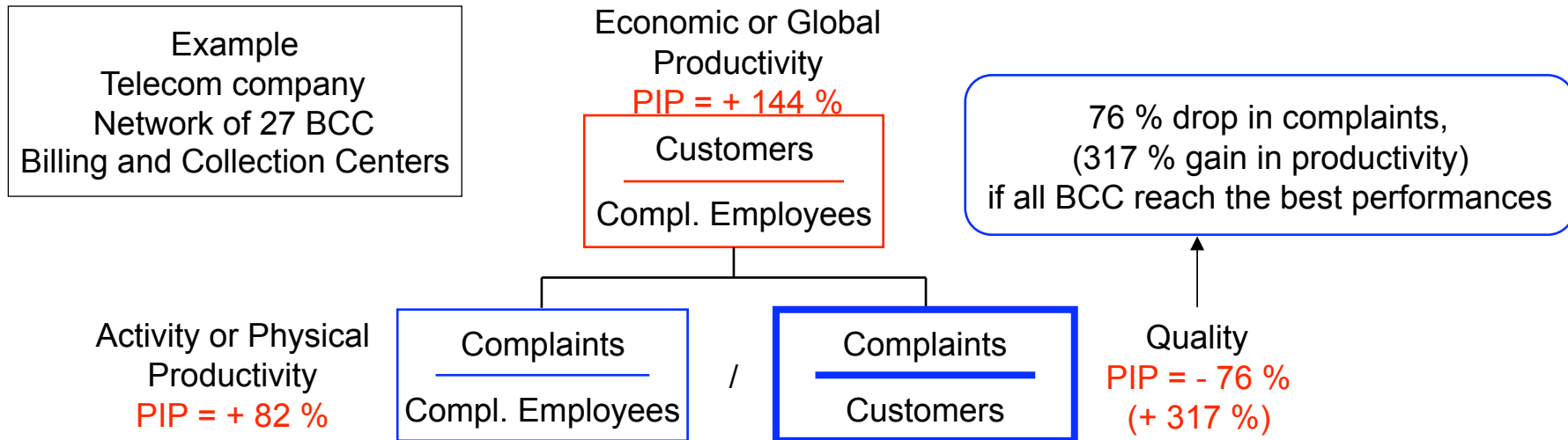
- ❑ Each of the four first areas is characterized by one global *Criterion*.
- ❑ Quality and HR Development are too vast and too diverse to be covered by one criterion.
  - They will be analyzed according to different dimensions.
  - Most *Levers* and *Factors* in the remaining four areas are quality and HR indicators.

# SALES EFFICIENCY





## PRODUCTIVITY vs QUALITY ? Complaints Handling Process



PIP : Performance Improvement Potential

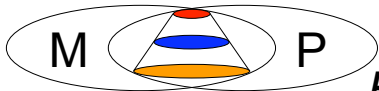
**Paradox.** Highest *Global Productivity* units have the lowest *Physical Productivity* and vice versa...  
The solution of the paradox lies in the *Human Factor* mechanism.

**Somewhat different perceptions of their mission (resulting in very different practices) :**

- 3 highest *Physical Productivity* units → « Handle each complaint at the lowest cost. »
- 3 highest *Global Productivity* units → « Handle complaints at the lowest global cost. »

**Best practices** (3 highest *Global Productivity* units) :

- They don't just handle the complaints as best they can. They try to reduce their numbers. They have even created informal networks with their 6 to 8 counterparts in the operational branches of their geographic zones to work on upstream quality.
- The time they spend on quality monitoring is extremely well paid back by the gain in complaints.
- Their seeming low *Physical Productivity* is a side effect : the massive reduction in the number of complaints changes their structure : on the average the remaining complaints are more complex.

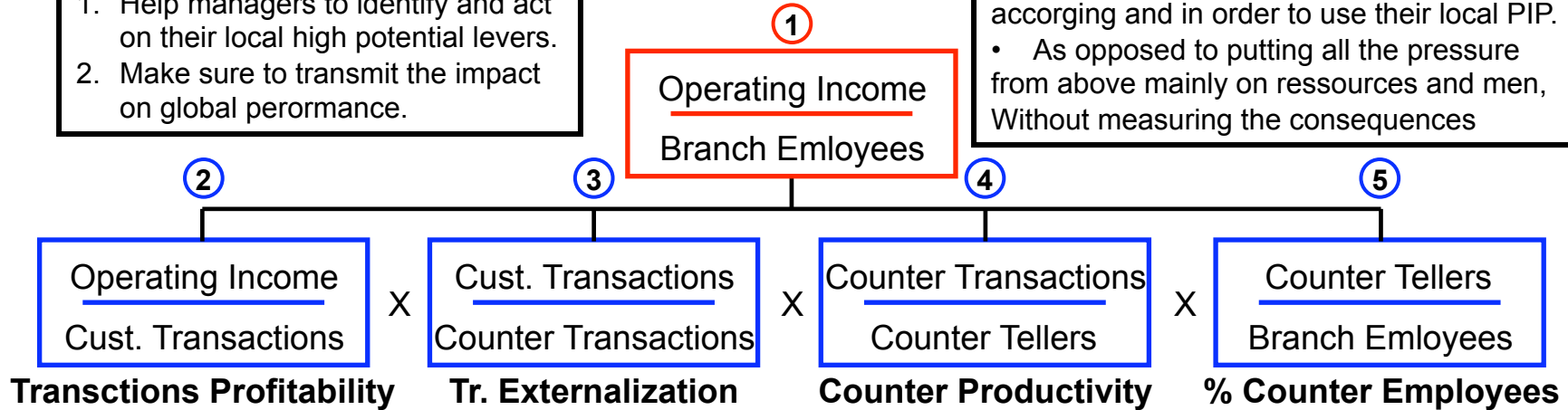


BUILT IN, SIMPLE, OBJECTIVE, ROBUST DIAGNOSIS

Strain the chain of performance levers towards global performance

1. Help managers to identify and act on their local high potential levers.
2. Make sure to transmit the impact on global performance.

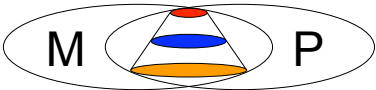
- Homogeneous strain on all actionable levers according and in order to use their local PIP.
- As opposed to putting all the pressure from above mainly on resources and men, Without measuring the consequences



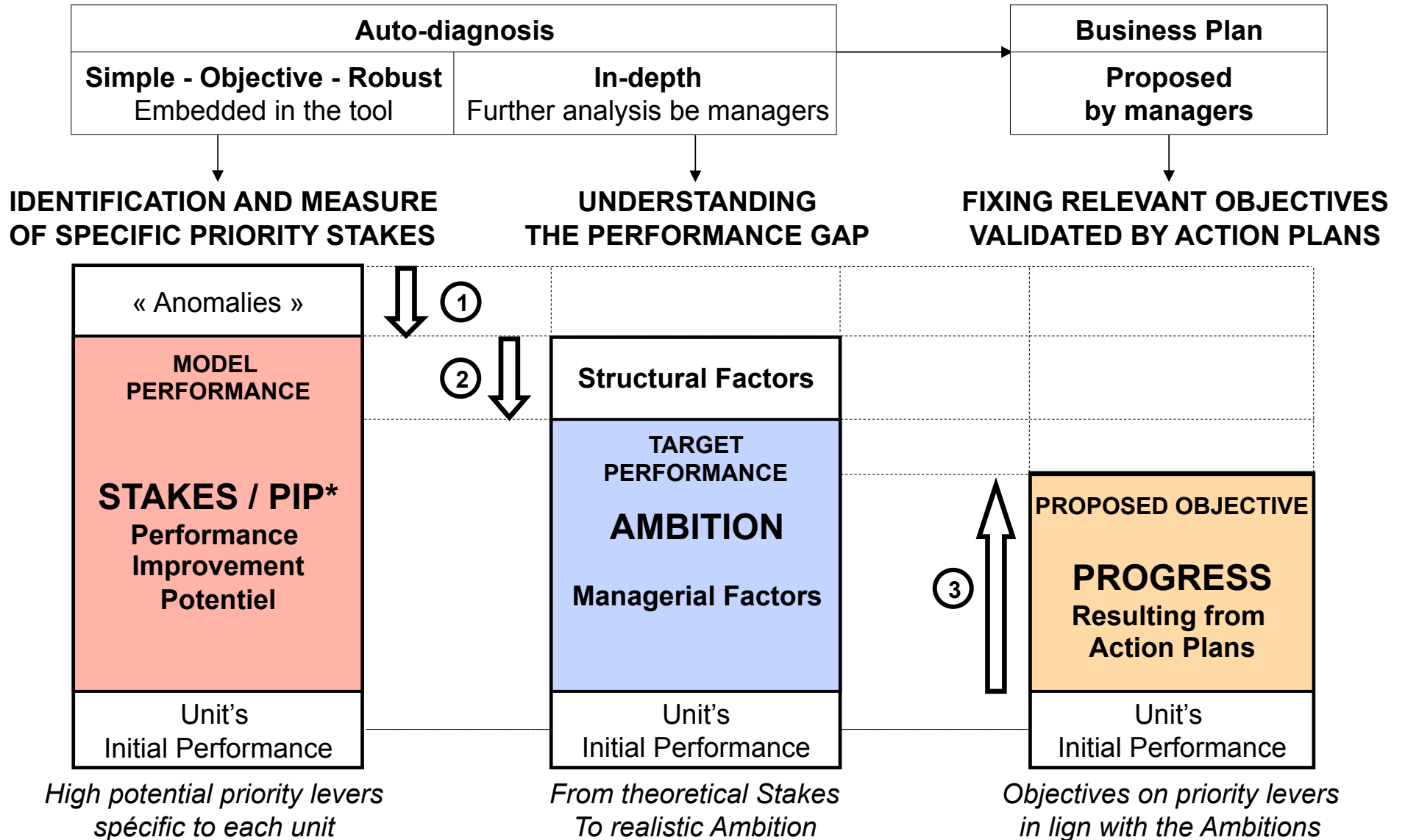
Branches	1 = 2 x 3 x 4 x 5	2	3	4	5
	OI / Br. Empl.	OI / Cust. Tr	Cus Tr / Count Tr	Count Tr / Tellers	Tellers / Br Empl
1	136,4	4,13	2,91	34,9	32,5
95	55,2	3,42	3,16	10,8	47,3
96	55,1	1,60	4,12	36,0	23,2
107	39,3	2,17	3,41	19,8	26,8
Mini	39,3	1,34	2,91	10,5	21,3
Maxi	136,4	5,65	5,61	39,0	57,7
<b>Average</b>	<b>65,2 €/H</b>	<b>2,36 €/Tr</b>	<b>3,65</b>	<b>19,3 Tr/H</b>	<b>39,2 %</b>
<b>Model</b>	<b>136,4 €/H</b>	<b>5,27 €/Tr</b>	<b>5,61</b>	<b>36,0 Tr/H</b>	<b>N.S.</b>
<b>PIP</b>	<b>109 %</b>	<b>123 %</b>	<b>54 %</b>	<b>87 %</b>	<b>N.S.</b>

PIP : Performance Improvement Potential

Example : BANK BRANCH NETWORK

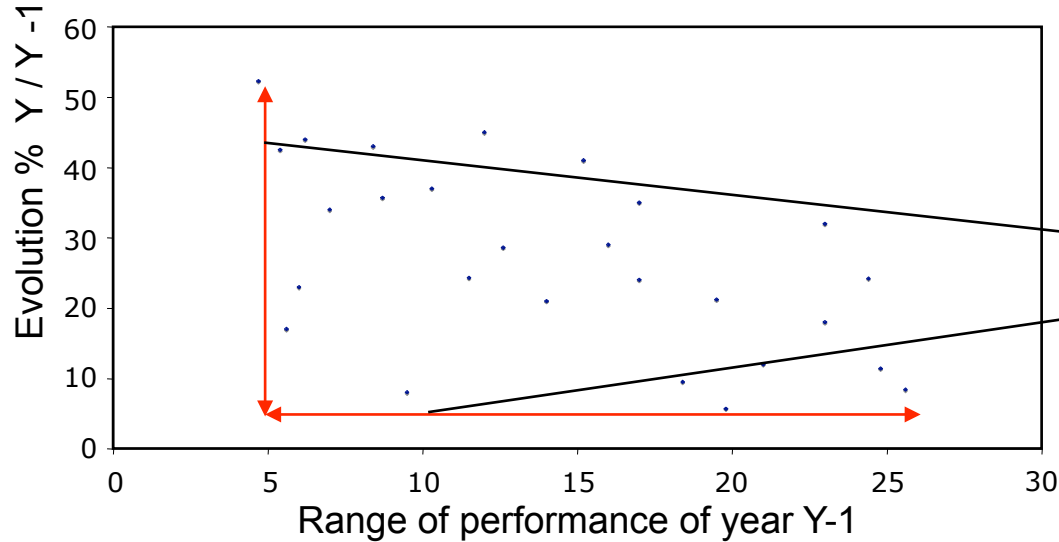


## CONVERTING THE PERFORMANCE GAPS INTO RELEVANT OBJECTIVES AND ACTION PLANS



\* Stakes : Value impact of the PIP

DETECT, VALIDATE, FORMALIZE, DIFFUSE  
AND USE BEST PRACTICES



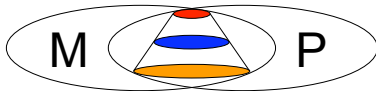
REFERENCE BOOK  
OF BEST PRACTICES

« *The tree is known by its fruit.* »

*Best practices  
are detected and validated  
by their contribution  
to company performance.*

**Knowing best practices is a good first step.  
Implementing them is much better.**

- It is possible to find some extremely creative, great practices.
- But most *best practices* that account for the largest part of the PIP, are very simple and often well-known.
- They are not implemented just because they're not related to the objectives.
- The objectives themselves are not relevant :  
not in lign with the priorities and the PIP specific to each actor.



## SHOULD WE CONFORM OR TRANSFORM THE *(UN)EXISTING PERFORMANCE CULTURE* OR *MATURITY LEVEL* ?

### ❑ Diversity of cultures / Heterogeneity of maturity levels

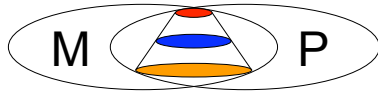
- Of course : between groups or companies
- Often : inside a group, between BUs branches, countries, sites...
- Even : inside a BU
- **ALWAYS :** *Even inside executive committees, there is no, and can not be, shared understanding, when it comes to the performance generation processes. Simply because it's « out of the box », a non issue, in the traditional PM logic.*

### ❑ On the other hand, even when there is no strong culture inside a company, there still remain the three hidden *cultural invariants*

- A *fragmented and static* perception of performance
- A « *single-legged* » *PM*, mainly concerned with the realization of objectives
- A *governance by constraint* : norms and alignment of all on a few KPI

### ❑ Adapt not to the *(un)existing culture*, but to its capacity to change.

- The capacity to change is very large and independent from the maturity level, especially by unveiling the two cultural invariants, in order to broaden the PM scope.
- The *PT* is built through a process of *coproduction* in workshops, where each member improves on different aspects, and all converge towards a shared understanding.



## Georges GARIBIAN

Inventor of the *Performance Tree*

Founder and managing director of *Management & Performance*

### ❑ Education

- Classes préparatoires (Lycée Louis-le-Grand 1970-72)
- Ingénieur civil de l'Ecole Nationale des Ponts et Chaussées (ENPC 1972-75)
- MBA Stanford Graduate School of Business (GSB 1976-78)

### ❑ Business experience

- 1978-1996 : Consulting in 4 firms : McKinsey / MMG Patricoff / A.T. Kearney / SMG-SIFO Group
- Since 1996 : Founder and managing director of Management & Performance

### ❑ Unique area of expertise : performance management

- Consulting practice entirely based on the implementation of the *Performance Tree*, since its invention in 1985.
- Design of original methods based on the *Performance Tree*
  - *NPM : Network Performance Management*
  - *PPM : Process Performance Management*
  - *CBV : Customer Base Value* : acquisition, loyalty and profitability of customer relationship

### ❑ Publications

- Coauthor of « *La Pratique du Budget Base Zéro* » - (InterEditions, 1983)
- « *Arbre de Performance* » dans « *Changements Organisationnels et Instrumentation de Gestion* » (*Three contributions to the collective book in the collection Dossiers Documentaires de l'ANACT*, 1995)
- Articles in the collection « *les Enseignements de l'Arbre de Performance* »