

It's time to leave the 20th century behind

Using result-performance management techniques will enable companies to organise themselves in a way that facilitates the exploitation of intellectual capital

By **Harry Greene**

The type of 20th century management used today evolved before information technology could help organise and manage the enterprise business. Simple structures were contrived to manage the enterprise and control financial assets. These structures have grown more complex, but still do not meet 21st century management needs.

Well-known 20th century problems in reorganisation, strategic value, investment return, project management, change management, business records, costing, value and quality, administration, business and information complexity, book and market worth, corporate governance, outsourcing, alignment, business collaboration, and on and on, remain unsolved.

It is clear that 20th century management does not provide the capability to manage the specific intellectual content of output results that must be protected as intellectual property or to manage capital, including intellectual capital, intangible assets, intellectual property protection solutions and capital worth.

But now, result-performance management (R-pM) is available to organise and manage the enterprise business, including intellectual property and intellectual capital. R-pM employs consistent 21st century management definitions and standards to manage any business and leave 20th century problems behind.

Failure to manage capital utilisation or economic output production

The problem with 20th century management is that it defines business performance to

include not only the capital utilised, as in human performance, but also the economic output results produced, as in sales performance. Mixing results with performance prevents the business – the activity of providing goods and services – from being organised. So, an arbitrary enterprise organisation structure is laid over the business. Because the business is not organised, enterprise management structures must be laid over the business for strategy, accounts, processes, systems, administration and other needs. Overlaid structures mix results together with business activity as performance and in key performance indicators. The contrived structures conflict with the actual business, so creating the unsolvable 20th century problems.

The same 20th century management administers known assets, but does not define the capital utilised by the business. With modern technology, intangible assets and intellectual capital now contribute a significant part of enterprise capital worth. Cash and financial assets are administered today by banks and information systems. But we continue to administer financial assets, rather than managing all enterprise capital. Human capital continues to be administered as employees, rather than managed as capital of worth.

Furthermore, 20th century management addresses problems by laying additional structures over the business. Such structures as activity-based-costing, performance management scorecards, asset registers and knowledge subjects and topics are laid over the business to manage intellectual capital. But no overlaid structure has successfully managed intellectual capital.

Information technology is available, but

New needs for a new century

In the 21st century, management requirements differ from those that were spawned in the 20th century. For example:

- Competition and opportunities from around the world require business flexibility and fast response.
- Capital employed is changing from tangible assets to business, information, human intellectual and management capital that must be managed and leveraged to create value
- Supplier and customer integration and business collaboration require commonly defined costs and value.
- Products are increasingly differentiated by the intellectual property in the features, quality and support. Innovative products are copied quickly anywhere in the world, requiring intellectual property protection solutions
- A simplified view of the business must replace the growing complexity of structures that make the enterprise increasingly difficult to manage.
- Actual and accrued cash expenditure and receipt controls are automated and less important. The full financial and statistical business cycle must be recorded to know value received for money spent, subsequent value-added and value provided for money received.
- All capital must be developed as specific performance solutions to increase specific result value with knowledge for effective utilisation.
- All capital must be managed to know the cost of development and operation, charge the cost of utilisation against the value created, improve result value-added and increase capital worth.
- Management needs actual business data on results produced, value and quality created, capital utilised, performance costs and effectiveness, value-added after costs incurred, strategic business estimates, benefits and impact of change, and the worth of the enterprise and its capital.

New 21st century management is required to take advantage of modern technology and manage the enterprise business to compete in the new environment.

has never been used to organise and manage the business. Instead, we have computerised the many overlaid 20th century structures, with their conflicting entities and definitions, creating information complexity.

Each of us manages our personal business to produce desired results. We do not contrive structures. We naturally utilise our personal organisation, time, capability, knowledge, a strategy or plan, intelligence gathered, reusable equipment, a process, data and records, consumable cash and other supplies, and tactics in our performance to produce results of value to us.

Yet all business schools, management books, business consultants, software and other business solutions propagate 20th century management. Every day new structures and books attempt to solve problems that can never be solved by laying new or improved structures over the business.

As a result, 20th century problems will continue as long as we manage the business enterprise, instead of the enterprise business. The problems must be left behind, by separating results from performance to organise the business for 21st century management.

R-pM organises the enterprise business

Using R-pM techniques, the business – the activity of providing goods and services – utilises specific capital as performance solutions in business activity to produce economic output in specific goods, services and other business results. Therefore, the business of every enterprise is defined by only two entities:

- Results: the specific economic outputs of value that must be produced by the full scope of the business
- Performance solutions: the specific capital that must be utilised in performance to produce specific results.

Results are separated from performance. Results are defined and structured with distinct result descriptors and metrics. Performance solutions are defined and structured with distinct solution descriptors and performance indicators. The business is managed by result managers who utilise performance solutions to produce results and achieve goals, performance managers who provide qualified performance solutions that meet expectations, and senior management who manage results and performance by time period to create strategic result value.

Results and performance solutions form the business structure

R-pM employs one integrated business structure like a spreadsheet, with results structured in column headings across the top and performance solutions structured in row headings down the left. Each cell is a result-performance domain. The business is organised when specific performance solutions are deployed to domains to produce specific results. The business is managed by capturing data on the capacity, cost and effectiveness of performance solutions utilised to produce a volume, value and quality of results for each domain, result total, and performance solution total.

R-pM operates and manages the enterprise business naturally, as we manage our personal business, in the utilisation of performance solutions to produce results. Simplified management information reports the complete business through five consistently defined information sets. One integrated business structure is used for all management organisation, planning, directing, reporting and control. Management decisions are reduced to what result to produce and which solutions to utilise. Business processes are redefined as result value-quality chains to manage performance utilised to produce each result. The order fulfilment process is a chain of results, such as: order received; order filled; invoice produced; and order delivered. Monolithic processes and systems that restrict results are gradually replaced by simple business-system process modules that produce a specific result, allowing the enterprise to add intellectual value to results and flexibly chain the results that it wants to produce.

Economic output managed as specific results

Using R-pM principles, any output, good or bad, produced by business performance is a result. Quality and value are attributes of the result. Results are defined at some level across the enterprise, such that all business performance produces a result.

The enterprise also acquires input results from suppliers. Results are either implemented as performance solutions or transformed by the business along a chain of results to produce final results. Final results leave the enterprise as the goods and service results utilised as input results to the customer enterprise or personal business.

Business results relate by adding value and costs to a higher-level result to form distinct result sets. Results in the set that

produces a final customer result form natural value-quality chains. Each result is defined with assigned unit, management responsibility, quality determinates and other descriptors, and is measured in such result metrics as volume count, value, total cost, quality and actual against goals. Result totals include the measured utilisation of solutions that produced the result. Subsidiary data and systems are maintained for important business results, such as material items, products, sales orders, customer projects or accounts.

Capital utilised managed as performance solutions

R-pM identifies and manages all capital, including intangible assets, as performance solutions. Any technique, tool, power, space, human time, capabilities, information, protection or guidance used to produce a business result is a performance solution. Performance solutions incur costs and must effectively produce a value and quality of result. Result value-added is the result value less the total costs of performance solutions utilised.

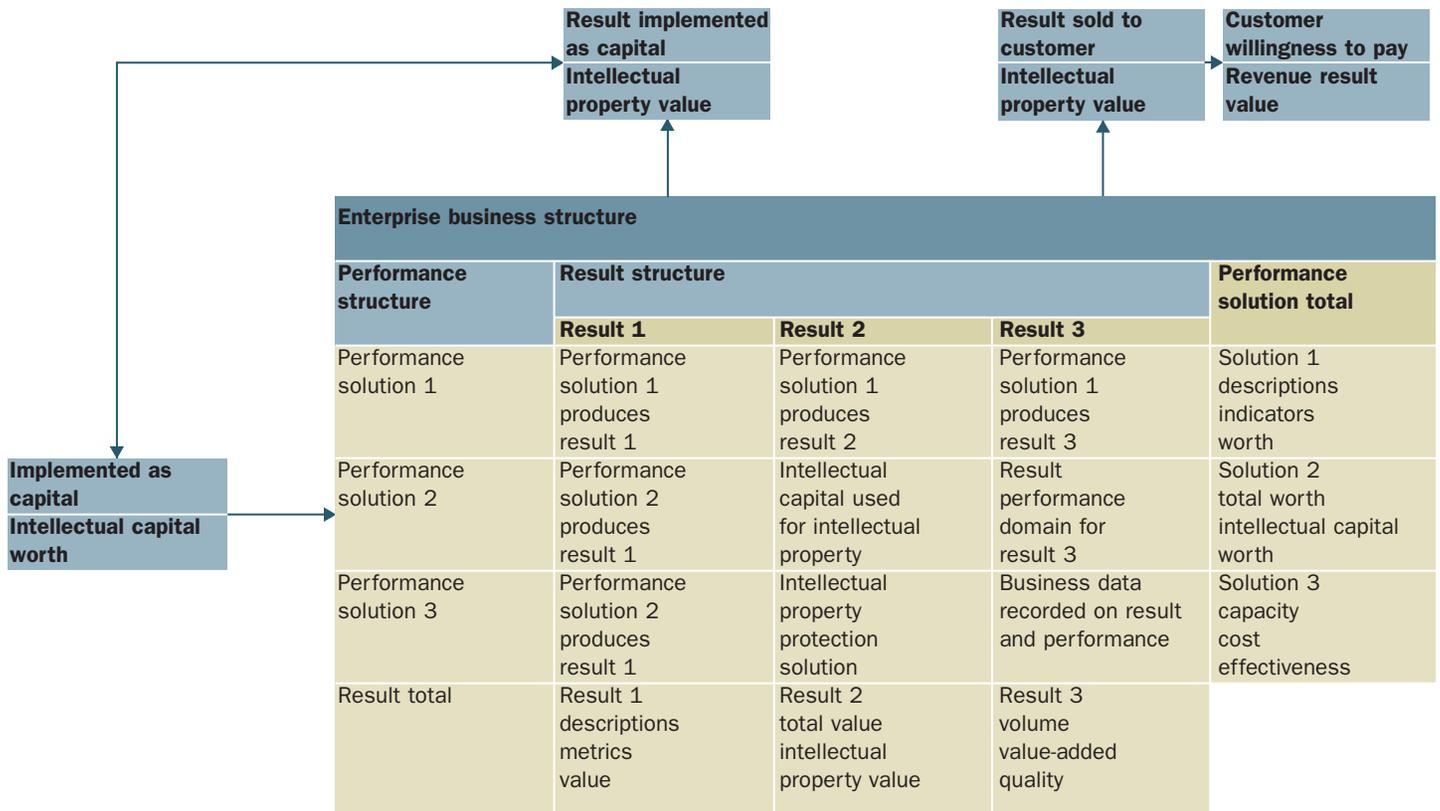
Performance solutions are defined at the level to deploy a specific solution to produce a result or a set of results. Each solution is described with support responsibility, utilisation measures, costing method, effectiveness measure, capacity measure, assessed worth, expectations and other descriptors. Performance indicators include actual cost, effectiveness, capacity and actual against expectations. Solution totals include utilisation by all results produced by the solution. Subsidiary data and systems are maintained for detailed performance solutions, such as employees, fixed assets, supply items, knowledge and compliance accounts.

Performance solutions are organised in the performance structure within the enterprise business structure. Performance solutions are deployed to domains for selected results organised in the result structure to be utilised to create result value.

The business produces intellectual output as intellectual property in a result

Human capital performance solutions utilise their creativity, capability and knowledge to create intellectual value in results produced.

Result performance management



Results also gain intellectual value by utilising other intellectual capital solutions such as the production process and enterprise image, branding and trademarks. This intellectual value in results is the enterprise intellectual property. Results contain intellectual property in the specific design, features and attributes that distinguish the result from competitive results, and supporting information to make the result desirable, easy to use, advantageous for specific purposes, etc.

Some results produced from a new design, creative writing or performance, innovative idea, methods of differentiation, etc have high intellectual property content. These results may be protected by patent, copyright, trademark and other intellectual property protection performance solutions.

Each result produced is distinct and measured. Low-value results that end up as waste or unused are minimised. Most higher-value results leave the enterprise to go to a customer or other party. The value of intellectual property from these results is included in revenues. Other results are implemented as performance solutions to become enterprise capital. The value of this intellectual property becomes intellectual capital.

Result management encourages utilisation of intellectual capital to produce intellectual property in results and to understand, evaluate and manage intellectual property.

Results with intellectual property implemented as performance solutions increase intellectual capital

Performance solutions are implemented from results. The intellectual property in the result may be protected by an intellectual property protection solution. The result may be a process design, a logo, an information system, developed human capability, created knowledge, a business strategy, a competitive management tactic etc. The intellectual property in the result is implemented as the intellectual capital portion of the worth of the solution.

The worth of a performance solution comes from the capability to produce a volume of results at a value-quality level. Intellectual capital is the unique and distinguishing intellectual content in any solution that can reduce solution costs or add to the volume, value or quality of the result produced.

The intellectual property protection solution protects the intellectual property in

results produced by intellectual capital. Intellectual capital is utilised within the enterprise, but still must be protected as trade secrets, non-disclosure, file copying and transmission policies, and other measures.

Capital management manages all capital utilised, eliminating intangible assets. The enterprise optimises performance solutions to produce high value-quality results. The enterprise assesses the worth and intellectual capital content of performance solutions to manage operating and utilisation costs and the return on solution investments. The enterprise develops a new solution, such as a design, with high intellectual property as a project result that is patent protected, as needed, and implemented as a high-worth solution to infuse intellectual property value in results produced. The enterprise implements the patent protection solution to protect the intellectual property in results produced.

All tangible and intangible assets organised as capital

R-pM does not identify tangible or intangible assets or intellectual capital. Most performance solutions have tangible, intangible and intellectual content. R-pM eliminates today's capital management problems by organising all capital as performance solutions in four categories by the professional human capabilities required to manage operation, improvement, development and worth:

- Business capital is organisation, process and data that require business knowledge and analysis.
- Human capital is personnel, capabilities and knowledge that require human handling and development.
- Facility capital is equipment, supply and records that require specific expertise and administrative ability.
- Management capital is strategy, tactics and intelligence that require management judgement and research.

Capital is organised by category, within the performance structure, for professional support and management. Each category is organised into three solution types for integration with like solutions and utilisation to produce results. Each solution type can have some intellectual capital content.

Intellectual capital increases capital worth

Business capital organises the business, defines how the business works and maintains business data. Business capital

is designed to produce specific results. Business organisation maintains the business structure and includes human roles, business relationships and business image. Business processes contain designs, system utilisation and work steps to produce results. Business data updates results, performance solutions and enterprises with business transactions, and added-worth customer and competitor data.

Human capital includes all internal and external human resources utilised, with the special capability solutions they provide, and the knowledge needed to produce results. Routine results are produced by the experience and learning of personnel solutions. Higher-value results require specific innate and developed human capabilities, such as salesmanship, analytical ability, machine expertise, management skills and knowledge development. Knowledge is intellectual capital delivered to utilise specific solutions and produce specific results.

Most tangible assets administered today are facility capital. Facility equipment includes all reusable facilities and can have intellectual content in the constructive financing, added-value and innovative use. Facility supply includes consumable facilities and can provide cash reductions, as well as beneficial and socially responsible alternatives and negotiating. Facility records include financial and non-financial business documentation and records, and solutions produced from records to produce other results.

Management capital includes intellectual capital on the business opportunities and competitors. Management strategy defines the strategic business structure and plans

future result value and new performance solutions. Management tactics provides the management direction and competitive measures to produce results. Management tactics includes intellectual property protection solutions and management solutions from result evaluations and capital assessments. Management intelligence is intellectual capital developed through external research and internal information analysis.

Intellectual capital developed as project results

Result-performance development plans and manages the development of solutions for new and improved results to increase result value-added over performance costs. Each capital category specifies the solutions needed to meet result requirements. Total solution development costs are planned against the added result value-added over the project payback period to justify development.

All new solutions and results are developed as project results in the project business structure. Result and performance teams work together to develop the specific new solutions needed, including intellectual capital, to produce each new result, including intellectual property. Performance solutions are developed and documented as project results to develop intellectual property and capture development costs. The intellectual property included in each project result is documented and intellectual property protection solutions are developed, as needed. The intellectual property that is implemented as intellectual capital in a performance solution is utilised to produce other results. Knowledge solutions are

Performance structure

Capital category	Solution type	Intellectual capital content
Business	Organisation	Business organisation, image, roles, relationships
	Process	Design, system utilisation, efficiency, capital integration
	Data	Completeness, accuracy, accessibility, added worth data
Human	Personnel	Experience, learning, ability, individual knowledge
	Capability	Innate skill, creativity, developed capability, career progress
	Knowledge	Documentation, procedures, aids, context, related subjects
Facility	Equipment	Facility features, innovate use, attached instructions
	Supply	Sourcing, cost reduction, effectiveness, social responsibility
	Records	Accuracy, utilisation, trends, management meaning
Management	Strategy	Practically, manageability, strategic value and development
	Tactics	Result protection, competitiveness, evaluation, assessment
	Intelligence	Opportunity/threat notice, derived meaning, insights

New benefits to manage intellectual capital

R-pM provides new benefits in intellectual property and intellectual capital management, such as:

- Performance solutions are utilised to maximise the value of each result leading to revenue results.
 - Operation and development of all capital is professionally managed to increase profit margins.
 - Professional performance managers assist result managers with utilisation and needs for new solutions.
 - Human capability solutions are utilised to add intellectual value to results producing intellectual property.
 - Intellectual property solutions are developed, as needed, to protect the intellectual value of new results, whether sold to customers or implemented as performance solutions to produce results with the intellectual property.
 - Intellectual capital is developed and implemented to provide and document high-worth solutions to produce high-value quality results.
 - Innovation and exploitation of intellectual capital are built into the business in all result designs, solution development and knowledge utilisation for managed competitive advantage.
 - Human capability is managed to integrate human capabilities with the business process for high-value results
- and to align human and career development with business needs.
 - Actual business data is captured on result volumes, value and quality, and performance solution capacity, costs, and effectiveness to provide accurate business management information.
 - Accurate financial and non-financial records are maintained on the actual business to leverage records for current and future results.
 - The worth of human and other capital is assessed to know their contribution to result value-added, take action if value-added is unsatisfactory and justify increased performance costs.
 - Management capital is managed for strategic value creation, competitive advantage exploitation, identification and response to opportunities, and solutions for good governance.

These benefits are not possible with today's 20th century management. They are made possible by organising the business to design results with high-value intellectual property, to develop and utilise performance solutions with high-worth intellectual capital, to optimise solution performance to produce high value-quality results, and to manage result value-quality chains to provide valuable input results for customer value-quality chains.

created on the utilisation of new solutions that require human action and on the integrated utilisation of all solutions to produce a result.

Intellectual capital utilised to create value in intellectual property

R-pM eventually abolishes all of the overlaid 20th century structures employed today. Most of the effort to organise and manage results and performance solutions is performed one time. The level of detail and frequency of updating depends on management needs. Most data generation is automated and data entry is limited to exceptions.

R-pM replaces today's routine to utilise performance solutions to produce results naturally. Personnel are encouraged to apply their capabilities and knowledge to add value to results and increase intellectual property.

All organisation units and management responsibilities are defined by assigned results to produce. Result management utilises capital to produce specific results and achieve result goals. Performance

management provides performance solutions needed, supports solution utilisation and maintains solution cost-effectiveness to meet expectations. Result-performance costing reports results produced, performance utilised and result value-added. Managers quickly learn how to manage results and performance, to handle particular exceptions, and to optimise performance to produce high value-quality results.

Result value evaluation and capital worth assessment

R-pM replaces administration with capital management for operation, support, maintenance and development. Business data and records are maintained on each solution to capture costs, contribution to result value-added, performance against expectations and assessments of the solution.

The few solutions utilised with high intellectual capital worth have a significant impact on result value-added. Solution assessment includes contribution of the solution to result value-added. Result value-added projected over the development payback period helps to determine capital worth as the capability to provide an annual return on the investment in the capital. Each solution also has development and annual operating costs that contribute to result value-added. If the capital contributes to increasing result value-added, the capital worth is likely increasing. If the capital is producing a decreasing result value-added the capital worth is likely decreasing. If total performance costs exceed result value, the result is discontinued, solutions are modified or replaced to reduce costs, or result value is increased by decreasing other result value in the chain.

Capital worth of all capital utilised to produce result value should add up around the market worth of the enterprise. Enterprise worth is in the capability to provide an annual return, over the years, at a desired level, such as at the cost of capital. Once experience is gained, result value evaluations and capital worth assessments become essential management tools. ■

Harry Greene is a career management consultant in business processes and systems, who now manages R-pM development and utilisation through result-performance-management.com