The CPO: Measuring What Matters, Managing What Can Be Measured

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Fighter pilots traveling at supersonic speeds rely heavily on their displays and gauges. Split-second decisions need to be made in real time. Their data-monitoring needs are intensive: ranging from weapons systems to power plant, radar images and navigation systems. Basing decisions on the wrong data can prove fatal.

Chief executives also require data and input from their organization. They need to make critical decisions based on this data. Basing decisions on incomplete or faulty data can prove to be devastating for the organization and the CEO's career.

This has driven the need for a new role, that of chief performance officer (CPO).

The chief performance officer acts as the heads-up display for the CEO. And similar to the fighter pilot, the CEO can then take actions based on the indications from the heads-up display. Since much of the data required for decisions is business specific, the CPO must be specialized enough to provide the needed relevance and context with respect to the required data.

Chief performance officers face the unique challenge of being part business executive, part technologist, and part interpreter. First, business expertise and business experience are paramount in this position. A thorough and complete understanding of the strategy of the business is required. It's essential to have expertise which can help to understand why results are happening in the organization, not just what is happening. This expertise facilitates identifying and bringing to relevance disparate observations from the business data. The CPO also needs real business experience.

Second, the chief performance officer is part technologist. A successful CPO has technical knowledge, but is not burdened with technical-implementation details. Unlike a chief technology officer (CTO) or chief information officer (CIO), who may implement programs for "technical glory," the CPO is interested in technical pragmatism. This individual must have awareness of the existing technology used by management in the company, such as budgeting systems, data warehouses, and intranets. Detailed technical knowledge of the inner workings is not necessary, though, since he or she is ultimately interested in the output, or data, from these systems. The CPO must also understand emerging trends in technology. Of particular interest are areas such as business intelligence, which concentrates on collecting and disseminating analytical business data, and collaborative systems, which allow automated sharing of information throughout the organization with Web-based technologies.

It is important for the chief performance officer to also understand the importance of incremental introduction of technology. Too many information-technology project sponsors underestimate the impact of "technical saturation." To a pure technologist, the latest Java-based, Web enabled, thin-client application may be the best answer, but to the actual business user of the system maybe an extension of their existing spreadsheet will accomplish the same ends. The CPO ultimately represents the business, and cannot be lured into the trap of looking for technical glory.

Third, as part interpreter, the chief performance officer must be able to communicate in both business and technical terms. Concurrently, the CPO must be able to speak at different levels of detail whether at a management, executive, or board level, using the vocabulary and interpretive knowledge appropriate for the recipient's level. It does little or no good to present middle-management-level project statistics at a board of directors meeting. Conversely, middle management may not understand or be privy to board-level aggregated performance data. As interpreter, the CPO must quickly be able to adjust the level and context of what is being presented.

Some organizations have adopted the concept of chief performance officer as a position for one person, but many organizations are being just as successful in adopting a committee approach that represents technology, business and compliance working as one. Regardless of whether an organization adopts a CPO approach or not, managing performance is critical to the long-term viability of any organization and cannot be ignored. ■