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How Every Enterprise Function Earned Its Seat

Why authority follows the operating metric - and what HR must build next

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OVERVIEW

Every enterprise function that governs with authority has made the same transition: from a portfolio of domain practices to a governed operating metric. Finance, Operations, Supply Chain, and Sales did not earn strategic authority because they became more important in the abstract. They earned it because they could produce a current-state signal, diagnose constraints, direct action, and verify whether the condition they owned had changed. HR has not yet made that transition. This paper traces the historical pattern, defines the Operating Cycle through which metrics govern, and shows why HR's current position resembles the pre-metric condition that preceded each other function's transition to authority.

THE PATTERN

The history of enterprise management shows a consistent sequence. A function faces a governance problem it can no longer manage through expert judgment, local measures, or retrospective reporting. It develops a governing metric that translates the condition it owns into an executive-readable signal. That signal creates a recurring operating cycle. Strategic authority follows.

Finance made that transition through return on investment and standardized financial reporting. Operations made it through process capability. Supply Chain made it through service-level, inventory, and flow metrics. Sales made it through pipeline coverage and quota attainment. In each case, the function already existed. What changed was not the existence of expertise. What changed was the ability to govern a condition the enterprise could not manage without.

HR is now in the same position. The function is expected to support strategy, govern talent risk, enable transformation, shape culture, build leadership depth, improve manager effectiveness, support AI adoption, and explain people investments to the CEO, CFO, and board. Yet HR still operates mainly through domain measures - engagement, turnover, headcount, skills, succession, learning, and hiring - rather than a governing metric that integrates those signals into a current-state judgment about the degree to which talent and culture can execute what the business has committed to deliver.

WHAT AN OPERATING METRIC IS

Most measures describe activity, output, or condition within a domain. An operating metric does more: it produces a governing signal that connects the function's condition to an outcome the CEO and board can read, challenge, and hold someone accountable for improving.

A function with an operating metric can identify the binding constraint, prioritize interventions, assign ownership, attribute movement, and verify that the condition it governs actually changed. A function without one can still produce insight, launch programs, and advise leaders. But it cannot reliably close the loop from signal to diagnosis to verified improvement. That is the difference between a reporting function and an operating function.

Performance-measurement research has long emphasized strategy derivation, quantifiability, actionability, and verifiability as properties of measures that govern rather than merely report. The Balanced Scorecard helped executives avoid the narrowness of financial measures by adding multiple perspectives. But the operating metrics that gave authority to Finance, Operations, Supply Chain, and Sales did something more concentrated: they created a governing number or signal around which decisions, cadence, accountability, and proof were organized.

THE OPERATING CYCLE

The mechanism through which an operating metric governs is the Operating Cycle: a repeatable management loop that connects the metric to decisions and verified change. Every mature function operates some version of it. The CFO runs a monthly close. The supply chain leader runs an S&OP cycle. The revenue leader runs pipeline review. The terminology differs; the logic is the same:

1. **Measure.** Produce a current-state reading against defined business requirements.
2. **Diagnose.** Interpret the signal to locate the binding constraint, its severity, and the likely cause.
3. **Decide.** Choose the highest-impact feasible intervention under real operating constraints.
4. **Direct.** Convert the decision into operating instructions: owner, authority, resources, sequence, and expected result.
5. **Activate.** Put the intervention into motion so routines, resources, behaviors, or constraints actually change.
6. **Verify.** Test whether the intervention changed the condition the metric exists to govern, not merely whether an activity was completed.

The Operating Cycle is the difference between a dashboard and a governing instrument. A dashboard displays. An operating metric governs because it forces management to close the loop. If the loop cannot be closed, the function is still reporting conditions rather than operating them.

A function without an operating metric can sense problems and sponsor activity, but it cannot consistently identify the binding constraint, govern the intervention portfolio, or prove that the condition it owns improved. That is not just a measurement problem; it is an operating architecture problem.

HOW OTHER FUNCTIONS MADE THE TRANSITION

Finance: return on investment

Before the twentieth century, capital allocation across diversified enterprises often depended on intuition, negotiation, and local influence. The transition came when Donaldson Brown at DuPont developed return on investment as a way to decompose financial performance into drivers management could govern. Brown later brought the approach to General Motors, where Alfred Sloan built a multi-divisional governance system around the shared financial logic.

The CFO's authority did not arise from financial expertise alone. It arose because Finance could produce governed numbers that connected capital, performance, variance, and accountability. GAAP and IFRS later institutionalized financial reporting at the profession level, but the management pattern was already clear: the metric became the mechanism through which financial authority operated.

Operations: process capability

Before Walter Shewhart's work at Bell Laboratories, manufacturing quality was often managed through end-of-line inspection. Defects were found after the fact. Shewhart reframed quality as a condition of the production process itself. That insight made process capability a governing concept: variation could be measured, managed, and improved before defective output appeared.

Deming, Six Sigma, and ISO 9000 later broadened and institutionalized the discipline. The transition matters for HR because it shows how a function moves from retrospective inspection to operating the determinants that produce outcomes – exactly what talent and culture are.

Supply Chain: service reliability and flow

Mid-twentieth-century supply chain management was fragmented across purchasing, warehousing, transportation, production planning, and distribution. Each area had its own metrics and incentives. Local optimization routinely produced system dysfunction: excess inventory and stockouts, cost savings and service failures, efficiency in one node and constraint in another.

The emergence of on-time-in-full delivery, inventory turns, and the Supply Chain Operations Reference (SCOR) model gave the function a more integrated operating language. The Chief Supply Chain Officer and the control tower followed that logic. They did not precede it. Supply was obviously always important, but the function gained authority when it could govern flow, reliability, and tradeoffs across the whole system.

Sales: pipeline coverage and quota attainment

Sales management before CRM was dominated by individual performance, local judgment, and retrospective revenue accountability. Pipeline coverage and stage-weighted forecast logic changed the function by connecting current sales-system condition to future revenue outcomes. Quota attainment remained the visible outcome, but pipeline health became the forward operating signal.

That shift made revenue generation governable before the quarter closed. It also helped create the conditions for the Chief Revenue Officer role: an executive accountable not only for historical sales results, but for the operating system likely to produce future revenue.

FIVE STRUCTURAL OBSERVATIONS

Across the functional transitions examined, five structural observations recur. Together, they describe the progression from fragmented domain measures to an institutionalized governing capability—and the path HR is now positioned to follow. Exhibit 1

1. The transition began with fragmented domain metrics.
Before governing metrics emerged, each function already had many useful measures. What was missing was a single operating condition that organized those signals into a coherent view of current performance. The governing metric did not replace the underlying domain measures; it gave them an integrating operating logic. HR occupies this same pre-metric position today: it has many meaningful signals, but no widely adopted metric that integrates them into a single operating position on whether talent and culture can deliver what the business requires.

2. The metric preceded the operating system.
DuPont analysis preceded modern multidivisional financial control. Process capability preceded the quality systems that later scaled it. OTIF and flow metrics preceded the supply-chain control tower. Pipeline logic preceded today's revenue-operations infrastructure. The historical sequence was consistent: define the right operating condition first, then build the instrumentation, processes, and systems around it. The argument that HR must wait for perfect technology reverses that sequence.

3. The metric became consequential through a recurring management cycle.
The metric became a governing mechanism only when leaders reviewed it regularly, compared the current condition with the required condition, diagnosed constraints, assigned action, and tracked movement. The recurring cycle—not the measure alone—converted information into management control. This is the transition from having a metric to operating through it.

4. Strategic authority followed control of a critical condition.
The CFO, COO, CSCO, and CRO gained authority because each function could produce evidence the enterprise could not govern without. Their strategic standing followed the ability to define, measure, and improve a business-critical operating condition. Authority did not precede measurement discipline; it resulted from it.

5. Institutionalization followed demonstrated utility and adoption.
Standards, software, professional practices, education, and governance structures developed after the metric proved useful in recurring management. Adoption often accelerated when the existing system could no longer manage a critical governance problem. HR now faces comparable

pressure around talent, culture, transformation, AI adoption, and execution risk. If Workforce Readiness proves useful in managing those conditions, institutionalization should follow demonstrated application rather than precede it.

Exhibit 1

Workforce Readiness embraces both talent and culture as "cofactors" in producing business results

1	2	3	4	5
Fragmented Domain Metrics	**Measurement Breakthrough**	**Recurring Management Cycle**	**Enterprise Governance**	**Institutionalization**
The function has accumulated many useful measures, but none measures the overall condition of the function.	A single operating condition is identified and translated into executive-level operating metric	The metric becomes central to a recurring management cadence; first in the function and then at the enterprise	The function gains authority from governing a business-critical condition that previously lacked systematically oversight	Standards, software, professional practice, education, and governance structures develop around the metric

FROM ADVISOR TO OPERATOR

Every executive who occupies a durable seat at the strategy table is an operator in a precise sense: the executive owns a critical condition, produces a governed signal about that condition, operates a cadence that keeps the signal current, directs intervention when the condition is off track, and verifies whether action changed the result.

The CHRO, currently, is not equipped to operate in that mode. Dave Ulrich's influential model expanded HR's aspiration by defining the function as strategic partner, administrative expert, employee champion, and change agent. The model helped shift expectations, but it did not provide the operating architecture that would make those expectations structurally enforceable. It told HR what role to play. It did not give HR the governing metric that would allow the role to operate.

Boudreau and Ramstad made the same point from a measurement perspective: HR measurement had become more sophisticated, yet the link between measurement and strategic impact remained weak because HR lacked a decision science equivalent to finance's ROI logic. That gap persists. HR can describe activity, risk, sentiment, supply, learning, and program progress. It cannot yet consistently produce a governed operating position on whether the workforce condition is sufficient for the strategy.

However, the demand for corresponding accountability has nevertheless arrived. CHROs are now expected to advise on transformation, workforce productivity, leadership depth, AI adoption, culture, capability, manager effectiveness, and human-capital risk. Those responsibilities are not peripheral to strategy. They are often the difference between commitments that execute and commitments that fail. Yet without an operating metric, the CHRO must discharge operating accountability with the instruments it now uses for its advisory role – and they don't work.

CONCLUSION

The historical record is clear: enterprise functions earned strategic authority when they became able to govern a condition the business could not manage without discipline. Finance governed capital and economic performance. Operations governed throughput, quality and efficiency. Supply Chain governed flow, resilience, and constraint. Sales governed demand, pipeline, and revenue conversion. In each case, a governance problem exposed the limits of local measures, an operating metric integrated the domain, a recurring operating cycle made the metric consequential, and authority followed.

HR is now at the same inflection point. The function has expertise, data, technology, and strategic importance. What it lacks is the governed operating metric that converts those assets into a current-state signal, a diagnosis of constraint, a directed intervention, and evidence of improvement. HR is in strategy discussions because talent and culture matter, but it is not yet equipped with the operating instrument that gives it governing authority.

The question is whether HR can govern the workforce condition with the same discipline other functions apply to their domains. Workforce Readiness is proposed as that construct: a metric, method, cadence, and evidence standard for diagnosing and improving the workforce condition.

Adopting this discipline will enable the CHRO to identify readiness gaps before they become execution failures, target interventions based on constraints, and govern workforce contribution through evidence. CHROs with this capability will occupy a different position in the enterprise—not merely as advisors, but as governors of the workforce condition on which strategy execution depends. That is what every other enterprise function at the strategy table is already expected to do. HR now needs the instrument that makes the same contribution possible.

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About the Workforce Readiness Institute

The Workforce Readiness Institute is an independent research and standards body focused on establishing Workforce Readiness as the governing operating metric for enterprise HR. WRI publishes working papers, technical papers, and practice articles at workforce-readiness.org.