Manage or Measure?

Have you ever harboured doubts about Managing by Results?
Have you ever thought it seems a bit of a blunt instrument?

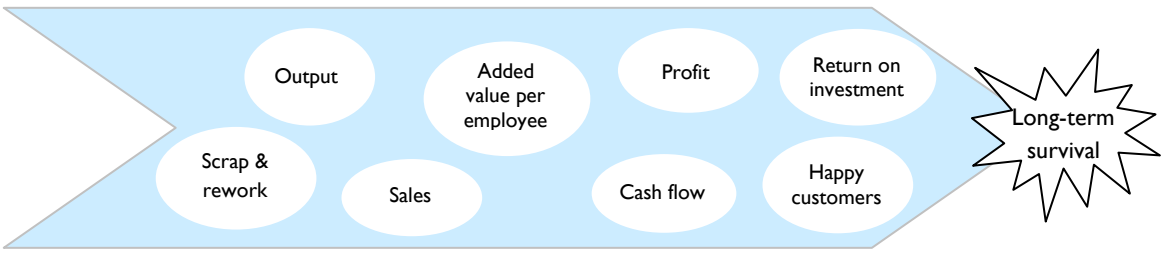


HEALTH WARNING
Managing by Results can damage your health!

Taking a rare moment to reflect one day, the fixation with running organisations by results and targets struck like a flash of light! Managing by Results has been taken for granted in business for years, and is increasingly used to 'manage' the education and health services. It needs to be and is being challenged.

The purpose of this paper is to encourage questioning about the pitfalls in using results – usually financial – as the method of managing. We believe that, despite good intentions, to focus primarily on results can get a business out of balance and do more harm than good – and results measures do not help much with improving performance.

It seems to us to be a question of greater clarity about means and ends.



These are all legitimate 'ends' – and measuring these results must make sense.

The problem however, lies in the unquestioned assumptions that underpin MBR, and the consequent risks:

Assumptions

Include

- Everything that is important is measurable.
- We know what is needed for 'long term success' and can plan for it.
- Being in total control is vital.
- Quantifiable targets always help

Risks

Include

- Results become ends in themselves
- Focus can be on achieving 'my' results - at all costs
- We miss the key ingredients of success
- We focus too little on means
- That targets confuse my purpose

Let's dig a bit deeper behind this issue to understand how and why it might be helpful to challenge and expand our thinking. We believe there are three fundamental and linked issues:

1. The conventional idea of a good manager as being one who is '**in control'**;
2. The preference for **judging**, rather than understanding;
3. **Quantification** as the dominant means of evaluating performance.

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"In Control"

There is a distinct tendency to think of others and ourselves as being effective when we are 'in control' of predictable outcomes. Planning, Organising and Controlling are seen as the core of the management task. This leads to a belief that being 'in control' is good and being 'not in control' is bad.

When we reflect on our own experience we know that:

a) There are many things that are necessarily outside of our control, e.g. competitor activity, the weather, colleagues' beliefs and feelings, how an idea is heard.

b) In reality, what happens in organisations is always a combination of the intended and the unintended, and is often in spite of rather than because of the formal plan or process.

Many recent writers have captured this 'messiness' as the reality in stark contrast to the belief that stability and order is the ideal.

The need for control of 'myself' and of the world 'around me' seems pretty fundamental to human nature. Man seems driven by the need to understand, explain and control, which is no doubt why a mechanistic view of the universe and hence of organisations is so appealing. Yet, our day-to-day experience of organisations surely tells us that organisations are *not* machines. They are natural systems –in which, 'self-organisation' is at least as significant as 'organisation', the parts are fundamentally interrelated and interdependent and in which continual diversification is the result.

In a *machine* the parts have a purpose and exist for each other.

In a natural system, the parts exist for and also by means of each other.

Mainstream thinking about management has approached uncertainty by trying to eliminate it. Structures and systems are created to reduce unknowns and quantify risks. This leads to more and more detailed 'control' of individual parts, and less and less focus on the relationships between the parts.

For a football manager, results are everything. Yet he knows that the only control he has is over how he helps his players to develop the *means* of winning, i.e. skill, fitness, motivation, belief *and* working

Streatfield (2001) says his experience, even in very well defined processes, was that there were always the "unknowns". "The effectiveness of the process depended crucially on operators who had learned how to cope with, or compensate for, some degree of uncertainty. In these circumstances, performance may have seemed very controlled, but actually emerged from the interactions between the operators, the manager, the materials and the processes involved".

The upshot of this is that there is a paradox of control –which means that whilst we strive for control we know that it is not the whole story. We need not fall into the trap of only doing things that appear controllable – and can have the courage to be 'not in control'.

"Judging"

"So how will you know if it has been successful?" "How can we measure it?" These seem common sense questions to ask when considering a plan of action. You will hear these taken-for-granted words without noticing their real meaning. They are quite natural to a managing by results mindset. And, they are not wrong– unless they are the only questions. Every action we take is based on a belief about the outcome. So, judging is implicit in the decision process. The two issues that we need to clarify are:

What is that belief based on?

We are arguing that the conventional MBR mindset of control and quantification insists on 'knowing' in advance and the only way of 'knowing' is to use quantifiable measures. What the conventional mindset might not rely on is sufficient *understanding* of the process to make prediction reliable. Demanding measurable evidence limits the options for effective action.

What else should management be doing in addition to judging results?

We believe that judging results has become a substitute for *understanding* performance. It undermines performance improvement when it is the prime focus of accountability applied over short time periods. A better balance can be achieved if we were to be more demanding of managers in explaining *how* results will be achieved. Budgets or targets can only be promises if they are grounded in commitment, rather than fear.

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Quantification

Speaking about the implications of using measurement to deal with natural systems Henri Bortoft, the British physicist, says that in order to measure, we have to impose on nature a set of scales or a grid. The measure is not a part of nature but is a purely intellectual arrangement that "reduces it to the purely quantitative". Quantitative thinking restricts one's perception to only one artificially imposed dimension, whereas organisations are infinitely more complex than can be expressed by such a framework.

The fact that quantification is useful, indeed necessary, in accounting for the utilisation of financial resources, and as a way of communicating the key outcomes in terms of viability, does not mean that it is equally useful as a basis for performance improvement.

We believe that mechanistic thinking leads to over-dependence on quantification. And this in turn leads to focusing on the 'measurable' and 'controllable' parts as if they are all that is important. This can then lead to the perception that the organisation is the sum of these parts. In a machine the parts each have their purpose and exist for each other, and make up the whole. The machine works when the parts work. A natural system has both a functional and a structural unity – that is that the parts exist not only for each other but also by means of each other. Breaking the organisation down into parts carries the risk that the interdependence and interaction between the parts can be lost.

> "Management by numerical goals is an attempt to manage without knowledge of what to do and in fact is usually management by fear" (Deming)

Organisational 'results' are the consequences of the complex interaction among the parts and not simply the functioning of all the individual parts themselves.

Options and Alternatives - *some pointers for action*

The following is not a 'how to' list. It points to some areas for further exploration:

Influencing as 'conducting' rather than driving

In the organisation "satisfactory results emanate when parts are harmonised in patterns of relationships." (Johnson). The practice and mastery of developing harmonious patterns of relationships is, therefore, the key to effective management. Rather than trying to establish control like driving a car, (looking in the rear view mirror), managing is more like conducting an orchestra. It is founded on each player having a sense of the whole and of the parts at the same time.

Using numbers - SPC

Numbers are vital in understanding the performance of the business processes of the organisation. Using it to see patterns and trends is more useful than results data for performance improvement. Statistical Process Control helps to show that the great majority of the outcomes from a process – including those that are deemed 'poor performance' - are predictable and inevitable (because of its inherent characteristics). So, if you wish to improve the outcomes, you have to focus on changing the process, rather than trying to change the results.

Understanding

There is no easy way to make this point– as managers we have substituted a crude and simplistic results focus for a deep understanding of the work of the organisation. W Edwards Deming dedicated his life to helping organisations to come to terms with this. We have tried in this paper to offer some insight into how this has come about. In terms of what to do, a starting point might be to value those who put effort into how the work is done, at least as much as those who focus on results.

> "I have moved from seeing the business through the lens of a cost-focused macro model – bottom line thinking – to a micro model based on how the parts are linked together."
> *Leif Östler – CEO of Scania*

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Integrating

Management by Results encourages fragmented thinking about the organisation and seeing performance as the sum of the parts. Leadership entails integrating the organisation around the purpose of the business. An effective leadership action would be to raise the awareness of the organisation as a system. We suggest our 'The Performance Driver Framework' as a practical tool for this purpose.

Focusing

Increase the focus on the flow of work producing value to the customer.

"We already do this" many will believe. If you are business plan or target oriented you are almost certainly not doing it enough

To increase the focus on the business processes you have to reduce the focus on achieving business plan targets. Your confidence in this will come from understanding better *how* the results are achieved and having the means to improve them.

On principle Rudolph Giuliani, mayor of New York, never set formal targets for any department. He preferred to experiment and test the results were sustainable. Giulliani, (2002)

This paper is intended to be useful as well as interesting. It can be useful in raising awareness and in helping to shift the focus in the organisation from a top down, command and control, management by results oriented organisation to one that is effectively self-organising around a common purpose. The best way to do this is to talk, or rather to engage in dialogue, about the issues raised by this paper. It is not what it says that is important, it is what it means, for you in your programme of change

References

Streatfield, P J. (2001): *The Paradox of Control in Organisations.* Routledge: London

Speaking as a line manager, Philip Streatfield, gives interesting insight into what really happens in organisations as opposed to 'what is supposed to happen' – and what it means for managing.

Johnson, T, Bröms, A. (2000): *Profit Beyond Measure.* Nicholas Brealey Publishing: London.

As an innovative thinker about management accounting his condemnation of much current practice has high credibility. He demonstrates how Toyota and Scania have achieved the production of variety at low cost by moving beyond the mechanistic mindset and MBR.

***The Performance Driver Framework*:** Transition Partnerships.

A model that is used to help stimulate dialogue around a systemic view of the organisation, and by the process of this dialogue, the organisation becomes more integrated.

Scholtes, P.(1998). *The Leaders Handbook: A guide to inspiring your people and managing the daily workflow.* McGraw Hill.

An inspiring and profoundly practical guide to leadership. Rooted in Deming's work he sees the leadership challenge as mobilising the workforce to focus on the *purpose* of the organisation and the *workflow* that delivers it.

Scholtes P, Joiner B, Streibel B, (1996) *The Team Handbook* 2nd edn. Joiner Associates.

Again, based on Deming's work, this is a total approach, including tools and techniques, for process performance improvement.

Maturana H, Varela F, (1987 & 1992) *The Tree of Knowledge: The Biological Roots of Human Understanding.* Shambala: Boston and London

"Knowing how we know" is the subject of this book. It presents a new view of cognition that has important social and ethical implications. They assert that the only world we humans can have is the one we create together through the actions of our coexistence. This book has been profoundly influential in moving us beyond the mechanistic worldview.

This paper was written by our former much respected partner, David Flatman

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