



RAISING STANDARDS • OPTIMISING ORGANISATIONS

Briefing Paper

Targets, Goals and other Management Myths



"We invented management; it's now up to us to re-invent it"
Dr W. Edwards Deming



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About the author

Mark Woods is an apprentice served, degree qualified, engineer with masters degrees in engineering and management. Mark is a consultant and trainer who specialises in raising standards and optimising organisations using a range of tools, techniques and standards, the core of which is systems thinking.

Mark has presented on a variety of subjects throughout the UK and internationally and is a regular contributor to a range of publications, usually contributing under the banner of "Management Matters".

He is founder and managing director of Statius Management Services Limited.

From the author

Thank you for downloading this free briefing. This series of briefing papers represents the culmination of consultancy findings and research effort. Our hope is to educate and inform so that you can become both familiar and comfortable with ideas that may be new to you or simply to re-acquaint you with forgotten ideas. After reading, you will have, hopefully, set up strong foundations from which you will be in a position to move forward with your aims and ambitions.

Finally, I would greatly appreciate any feedback to mwoods@statius.uk.com

Introduction

Since the invention of management over a century ago, management has become detached from both the day to day operation of the organisation and from delivering value to the customers who pay for it.

Conventional wisdom is that managers set targets and then create systems to monitor, measure and control the execution of these targets. These systems include budgets, performance management, incentives and appraisals, which are used to exercise control and ensure that targets are met. Simple, obvious and wrong!

We need a change in management thinking.

Problems with targets

Targets are the life blood of many in the macho manager world of today. To their advocates, targets are the essential ingredient to change and improvement initiatives.

However, a number of people and institutions are beginning to have reservations. The criticisms being levelled at targets include:

- If the target is set too low it can encourage complacency;
- If the target is set too high it can create stress and demotivation;
- If the target is imposed, it is unlikely to be “owned”;
- If the target is negotiated, people negotiate for lower targets in the knowledge that they can be easily met;
- Targets are often set against aspects of performance that are simple to measure, rather than the purpose of the organisation and aspects of the system that are of genuine importance to the customer.

Finally, and perhaps more importantly, no amount of target setting can actually explain how to improve performance.

This is not to suggest that we should not have goals; you may want a bigger house, a different car, an exotic holiday or a better education for your children than your own. As Deming suggested “Goals are necessary for you and for me, but numerical goals set for other people, without a road map to reach the goal, have effects opposite to the effects sought.”.

Fortunately, there is a middle ground between the opposing views that uses numbers to drive real, quantifiable and demonstrable improvement. However, let’s first look at the sacrifices made by rigid adherence to the target mantra.

Sacrificing innovation and team work on the altar of objectives and targets

Most managers have been on management development courses where they are placed in the desert, on the moon, or in some other remote place with a number of articles from, perhaps, a life raft to a pen knife and asked to select which are the most important for their survival.

The initial task is to individually rank the importance of the objects. The exercise is then re-run but, this time, a team of people will together debate and then rank the most important objects.

The objective of the exercise is to show, beyond doubt, that teams make better decisions than individuals. Perhaps, with the exception of hermits and monks (and that's debatable), none of us works in isolation. We all need to work in teams in order to make better decisions exactly as the management development exercises espouse.

If we each have separate objectives, annual performance appraisals and are given arbitrary numerical goals and targets which don't account for the influence of the system on our performance, it fosters competition between both individuals and, in the extreme, departments. Any potential "win-win" advantage will suffer.

Additionally, if the target is beyond the capability of the system the only way to achieve the target is to distort the system or distort the data. People's ingenuity gets employed in "cheating" to make the numbers and, in doing so, feelings of demoralisation are exacerbated; an outrageous waste of both effort and talent.

Beyond targets into improvement

The tendency for many macho managers is to simply set the target and walk away having “empowered” their staff to meet the target. This is an abdication of management responsibility.

In order to properly move into the area of improvement, there needs to be a collective agreement about:

- How to achieve the goal;
- How we will know it when we see it.

Additionally, it is useful to recognise that performance improvement may not necessarily be just about the numbers (and I say that as someone who loves numbers). As Einstein said “some of the things you can count don’t count and some of the things you can’t count count”. This lays the lie to the oft repeated adage “you can’t manage what you can’t measure”.

At this point, Briault and Meekings come to the rescue by suggesting a new concept. Instead of the rather blunt “what gets measured gets managed” they suggest “what gets evaluated gets improved”. This subtle, but significant, shift enables learning from the past to improve future performance.

Adopting a systems approach

It is, in our experience, extremely rare for organisations to adopt a genuinely systemic approach to performance measurement. Typically, organisations measure what is easy to measure or easy for the IT system to report on.

In adopting a systems approach to performance measurement, it is first necessary to understand the purpose of the organisation; that is, what are the *benefits* and *capabilities* that are delivered to customers, from the customers' perspective. This is often not easy, so a few examples might help.

The *benefits* and *capabilities* given to someone who owns or buys a camera are about the taking and storing of images. The *benefits* and *capabilities* derived from having a carburettor in a car were about getting the right mix of fuel and air into an engine. If the carburettor manufacturers had seen this, they may have more successfully made the transition to fuel injectors.

In a housing repair department, the *benefits* and *capabilities* might be to repair properly and quickly or to do the right job at the right time; in an engineering service organisation, it might be preventing failure; in a call centre, it might be solving customers' problems.

Essentially, the purpose of an organisation must be written from the perspective of the things that the customer really cares about. This is the only starting point for a robust performance measurement system.

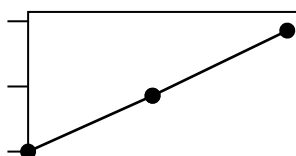
Understanding variation

There is a deep flaw in our education system in that most individuals and organisations don't recognise that variation occurs, let alone take account of it. As a result, in organisation after organisation, important management data is invariably presented in tabular format. These tables usually compare this month's figures to last month's, the more sophisticated then compare this month's figures to the same time last year and then the variance between the figures is calculated and debated. Simple, obvious and wrong.

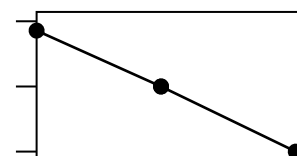
In "analysing" data in this way:

- 1) Variation is not accounted for;
- 2) We become number blind;
- 3) We cannot realistically spot trends.

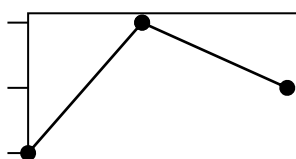
Additionally, as Balestracci has pointed out, if we are comparing just three sets of numbers there are only a finite number of conclusions:



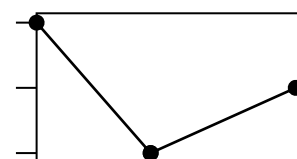
Upward trend?



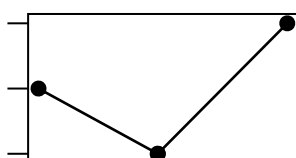
Downward trend?



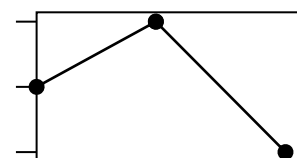
Downturn?



Turnaround?



Rebound?



Setback?

Balestracci again; "If smart people are given the opportunity to find something [in the data], they generally will".

As a result of an incomplete understanding of variation, we spend time and effort explaining setbacks, turnarounds, rebounds, etc, that are not real: a waste of time and effort.

The performance of all individuals, teams, departments and functions, in fact the performance of all processes and systems, will vary over time. All activities that can be measured are subject to variation, even if the variation exists only in the way in which the measurements are taken.

- A car being built on the assembly line will be assembled from numerous components, many made from a variety of different materials and from a range of suppliers. All of these components, and the car itself, will be subject to variation.
- The service provided at a restaurant will also be subject to variation, e.g. different chefs do things differently, the raw material (the food itself) will vary in texture, colour and taste, and the level of service will vary with the training and experience of the waiter assigned to you.
- The performance of a telesales operator will vary over time depending on a whole range of issues: the performance of the hardware and software employed, the target market they have been given, the quality of the data provided, the training they have been given, the mood in the centre, the support of the boss, and a range of other issues.

No matter what your process, no matter what your data, all processes and all data display variation. Any measure you can think of will vary from one point in time to another. The trick is to establish the extent of the variation and then to work on the *process* to reduce it.

Numbers in a process go up and down and, every now and then, we get a number that is the highest or lowest for some time. The question is whether this particular number is any more important than any of the others?

It is this understanding of variation that also allows us to avoid the trap of inappropriately attributing performance (good and bad) to individuals and teams. In most situations, individual performance is likely to be less attributable to individual competence than to the impact of the system in which the individual is required to work.

As a result, targets cannot be set appropriately without knowing current “process capability”, i.e. the level of variation that currently exists within the process being studied.

However, before we explore the idea of process capability, let’s look at the influence of both the individual and the system on performance.

The Chugger

The Chugger is, apparently, a relatively new term, a fusion of Charity and Mugger; a term given to people who lie in wait in the high street with clipboards and collection tins waiting to pounce on their unsuspecting victims ready to extort from them monies related to their, generally, very well deserving charity or cause.

Can you imagine if these “chuggers” were targeted?

Let’s try a little thought experiment. Jot down the things that you can think of that are likely to affect the degree to which pledges for money could be obtained.

I have made my own list below:

1. Recent media attention for the cause
2. Recent media attention for other competing worthy causes
3. The emotional pull of the charity
4. The marketing and associated materials of the charity
5. The personal preferences of the potential donor
6. The donor’s current commitments to other charities and causes
7. The current economic climate generally
8. The donor’s current financial position
9. The weather (rain or shine)
10. The location (a high or low footfall)
11. The day of the week
12. The time of day
13. The training given to the Chugger
14. The ability of the Chugger to build rapport
15. The “selling skills” of the Chugger
16. The passion and persuasiveness of the Chugger

The point, usually missed with most target setting, is that most of the things that influence the ability to meet any target are outside the control of the individual. In this instance, there are only three things (items 14-16) over which the Chugger has any control. Additionally, to a large extent, these three items are also influenced by other issues, particularly training.

It can now be appreciated that the “system” within which the individual works exerts significant control over the resulting performance. Deming and Juran both attempted to quantify the relative degree to which the system and the individual influenced performance. Both came up with different figures at different times but it is now typically agreed that the system is usually responsible for 80% plus of the effect and the individual for the remaining 20%, often considerably less.

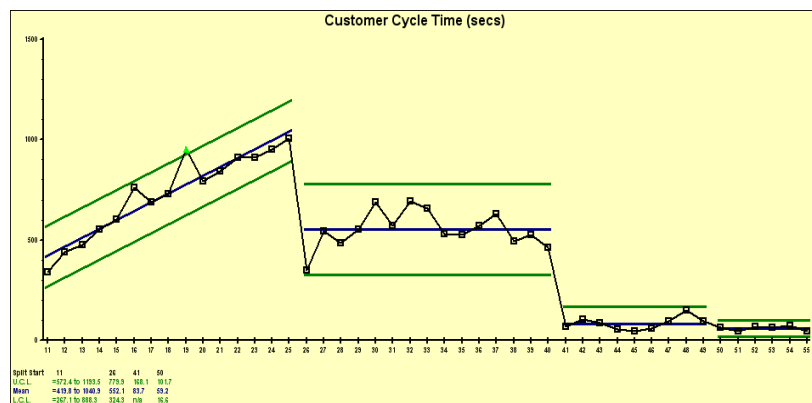
In our example there are 16 influences on the Chugger (of course there may be others) and only 3 over which the Chugger has any degree of control, that is 18.75%.

So, by solely concentrating our efforts on getting an individual to meet targets, we are missing the bigger opportunity to change the system.

Time series: A numbers based diary of events

Having a greater appreciation of the system, we now need to consider variation in more depth.

Variation occurs over any time based data, that is data recorded and “analysed” by the second, hour, day, week, month or any other time based dimension. It is impossible to spot trends and see data over time or understand variation unless data is plotted as a time series graph; the time series graph essentially being a diary of events which uses numbers instead of words, as shown below.



The left hand portion of the above chart (orders 11-25) shows the cycle time increasing as each new order is taken. The system is in chaos. An improvement plan was drawn up by the team studying the data and a number of changes to the system were made.

The second, middle, section on the chart (orders 26-40) shows the first improvement after these changes. The process is now stable but, by repeating the improvement cycle (orders 41-49 and 51-55), the process is, without any capital investment, significantly improved yet again.

The two green lines either side of the blue middle line, the average, show the “process capability” that is, what the process is capable of achieving. In the initial instance, performance was getting worse with every new order. After a few rounds of improvement (with no targets, you know you are going to get better but not by how much), the average order processing time is a fraction of what it was.

The result is significant: the capacity has been massively increased. The time taken to process an order initially varied between about 400 and 1000 seconds. At the end of the continual improvement process, the time taken to process an order was less than 60 seconds. The implications are profound: approximately 10 times as much work can be achieved with the same staff levels, staff can be re-deployed to more value adding jobs, a completely new level of service can be provided, and “waste” has been removed from the process.

Conclusion

If a target driven mentality is employed, the innate creativity and ingenuity of people is turned from helping themselves and others to meeting the target. As Balestracci concludes “Never underestimate how clever frightened human beings can be when faced with a goal”.

Pride in work and joy in learning are scarified on the altar of a mistaken management philosophy. Targets don’t work.

In developing the argument that targets themselves don’t improve performance, a number of useful themes have hopefully emerged:

- In order to set up a robust, useful and motivating performance measurement and management system, the aim of the system needs to be understood. The performance measurement system then needs to be developed backwards into the organisation focusing on things that the customer really cares about.
- Improvement effort needs to be concentrated on the system of work more than the individual.
- The subtle, but significant, shift of “what gets evaluated gets improved” enables learning from the past to improve future performance.
- Variation needs to be understood.

Taking action

In order to adopt a performance improvement approach, a number of steps are likely to be required, for instance:

- The top team need to establish the purpose of the organisation
- The purpose needs to be checked with a select number of friendly customers
- The key measure, or measures, which relates to the purpose needs to be established
- Sub measures may need to be established by working backwards into the organisation
- Measures need to be related to key processes
- All measures need to be seen on time series charts
- Teams need to be established in order to improve processes
- The results need to be monitored and success celebrated

Benefits

Status works with client companies and organisations to embed a culture of performance measurement and management that delivers real results in a manner that leads to joy in work and joy in learning.

Implementing a robust performance measurement and management system can deliver staggering results.

- Customer and stakeholder satisfaction significantly improve
- Staff motivation and productivity improve as people are allowed to:
 - solve problems;
 - improve the way in which their work works.
- Profits and productivity are raised.

Essentially, the focus shifts from “making the numbers” to “meeting the purpose, learning and improving”.

How much has this paper whetted your appetite for performance management systems where “what gets measured gets improved”? Engage with us and become part of the story! For a consultative meeting or additional information, please contact Mark Woods on 07976 426 286 or email him at mwoods@stadius.uk.com.

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Additional Resources:

Are you in chaos, clarity or confusion?
Review your organisation's performance;
take 10 minutes with the Status Coffee
Break Challenge at:



www.status.co.uk/coffeebreakchallenge

The Coffee Break Challenge is a questionnaire which been designed to provoke thinking about your organisation's current performance. Be honest with yourself. It is deliberate that there are no scores: the challenge is designed to make you think. There is no one looking or checking!

Additional Briefings:

It's broken – Housing repairs and other field service operations

An examination of systems thinking as applied to housing repairs and other field service operations. In the housing arena, a plethora of Government targets is actually hampering the effort to improve. This paper seeks to return to basics, that is, to define the "purpose" of the system and, from there, create management systems that deliver value to the tenant or client.

David and Goliath: Optimisation 3D™ and Six Sigma

Six Sigma has mixed reviews in the press. This paper seeks to examine the fundamental focus of Six Sigma and contrast it with the Status process, Optimisation 3D™, whose focus is to delight the customer.

Creating competitive and compassionate contact centres

Contact centres play a critical role in many firms and sectors. However, they are often labelled as the "sweatshops" of modern business industries offering repetitive, pressured and boring roles with little, if any, career progression. This paper applies systems thinking to contact centres in order to create competitive *and* compassionate environments.

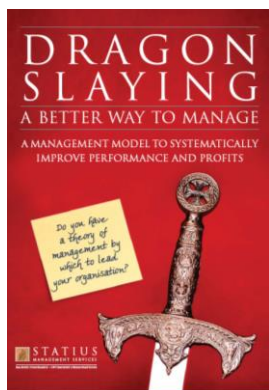
Easy Meat? Cutting the Fat in Construction

The purpose of Lean Construction is to increase capacity by designing the construction process to optimally respond to customer demand. So, if an organisation can cut even just small chunks from the 55-65% of work that the Lean Construction Institute estimate is used to produce waste, staggering results can be obtained. This paper explores that debate.

Are you the lucky one?

This paper undertakes an examination of performance appraisal systems and of merit rating in particular. It uses "The Red Beads" thought experiment to highlight the issue of the "natural variation" that exists within any process and the folly of assigning good, or bad, results to individuals instead of to the system.

Dragon Slaying



Dragon Slaying is Mark's long-awaited book which picks apart a number of management myths. The benefits in adopting the ideas in the book are:

- A more informed understanding of how an organisation delivers value to customers and stakeholders; how the work in an organisation works
- The development of a strategy for "Listening to Customers and Stakeholders"
- The development of the organisation in which everyone's efforts result in:
 - Improved performance
 - Less stress
 - Improved profit