For years managers have been trying to improve their ROI (return on investment) and their ROA (return on assets). Now Ed Schleh, who pioneered the concept of managing for results, introduces a process for improving ROM (return on management)– improving the productivity of managers.

How to Boost Your Return On Management

Edward C. Schleh

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ABOUT THE AUTHOR

Edward C. Schleh is a widely recognized management authority. His name has become synonymous with the concept of "results management," which he has developed and applied successfully in a wide range of industries over the past thirty years. The National Society for the Advancement of Management has awarded him the prestigious Frederick Taylor Award in recognition of his outstanding contribution to the management field. Mr. Schleh is the author of several management bestsellers, including *Management by Results* and *The Management Tactician*. His pioneering work appears in major business periodicals and in translation around the world. He lectures frequently to top management groups in the United States and abroad and is a past director of the Council for International Progress in Management.

Preface

All executives and managers feel that they can analyze management problems effectively. The disappointingly low increase in productivity suggests that this is not true. In my experience their basic approach is often wrong. Their prime focus is on return on investment. Instead, it should be on securing the maximum return or value from their management talent. It is the source of all productivity.

In my previous book, *The Management Tactician,* I tried to present principles executives should use to manage well. In this book I am trying to show by examples how to analyze and solve any management problem and apply these principles effectively to increase the return on management.

The cases used have been selected from several hundred in my company's files. For over twenty-five years we have analyzed and solved management problems in a wide diversity of operations. In most assignments we have helped the client carry through to make sure the recommendations worked in practice. For this book I have selected cases that I felt everyone could relate to. The analytical approach has been applied effectively in other kinds of operations, too, like banking, insurance, and nonprofit and government organizations. For obvious reasons the cases have been camouflaged to avoid identification.

Since the cases go into some depth, each presents specific solutions to segments of an overall management problem. Their main value, however, is to serve as illustrations of the analytical approach described in Chapter 1. With the overall management perspective developed, the reader may then apply the analytical approach to different problems.

I am indebted to the many friends, clients, and associates who have helped me develop this analytical approach over the years. I am especially indebted to Robert T. Davis of the Graduate School of Business of Stanford University, John Walsh of the Graduate School of Business of Washington University, Alan Ofner of Managing Change, Inc., and Dwight Tudor of the Dwight Tudor Co. Overall, my former associate, Edwin R. Hodges of Business Analysis International, has made substantial contributions in reviewing the manuscript. My wife, Myra, has been a helpful critic all through its development. My editor, William Sabin, has been patiently helpful in getting the manuscript into a viable book. Although many people have had an impact on my thinking, I alone must bear the responsibility for any errors or weaknesses of the book.

Edward C. Schleh

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CHAPTER 1 Motivating for Greater Management Return

It is a continuing challenge to executives to effectively meet competition—local, national, or international. To do this they must maximize the return from the human, physical, and financial resources under their control. Attempts have been made to pinpoint direction by use of return on investment (ROI) or return on assets (ROA). These have been effective but limited in their impact. The real key to accomplishment is ROM—return on management (ROM). This return-on-management effort throughout the organization depends far less on strategic decision making than it does on the management style established by the executive and the meticulous attention given to the application of that style. The best management style should motivate management people toward maximum return. Do not all management styles encourage maximum return? On the contrary, management styles unintentionally often discourage return because management principles are misapplied.

WELL-APPLIED PRINCIPLES CAN INCREASE RETURN

1. Do Not Reward People for What They Do

Many management systems reward people for what they do; this approach leads to lower return from management. Instead, people should be rewarded for what they accomplish (for the results they get) *not* for what they do; these are not the same thing. A major reason for this emphasis is that in modern complex enterprises, results are usually achieved by cooperation with others; they are not usually achieved by one person individually. Putting the emphasis on what individuals do often pushes them away from cooperation and compromise, and so away from results. To encourage cooperation, therefore, rewards should be based on results that are achieved in collaboration with others. Such an approach rewards for cooperative results not just for individual results.

2. The Total Is Not Equal to the Sum of the Specialized Parts

With the rapid increase in specialized knowledge a popular misconception has gained credence: If all specialized tasks are done well, greater accomplishment will result. This is not true; specialties are frequently in opposition to each other. Even in this specialized age, pushing each specialized part to its limit almost always results in less total productivity; the total result is reduced because the work accomplishment of some other specialists is reduced. The total is not the sum of the parts.

In management specialized contribution must be compromised in order to get maximum net accomplishment. Less specialized accomplishment of one type often means greater overall results if it then blends with the contribution of another specialist.

3. Productivity Depends on Tactics, Not on Strategy

Executives often feel that their prime job is the formulation of strategy; through it they can make their greatest contribution to productivity. They assume that successful strategy will automatically get results—after executive decision everyone will carry through on the strategy as planned to the greater results expected. It does not work that way; contrary to popular wisdom, only tactics finally get results. Slavish adherence to strategic plans frequently results in less ROM because it is almost impossible to visualize all future productivity problems. Management tactics should be a primary executive concern in order to get maximum accomplishment—in most cases a greater concern than strategy. Tactics are not simply something to be delegated; they must be nurtured and followed up. A prime job of an executive is to make sure that the tactical management environment encourages maximum productivity in real life at all levels of the organization.

4. An Executive Should Be Primarily Concerned with ROM at the First Management Level

Overall management productivity depends on the productivity of the first level of management. It is commonly assumed that first-level results are a matter of delegation and should not be a personal concern of executives. They should not be concerned with these smaller details; they should focus on the big picture. On the contrary, first-level ROM is a matter of delegation to be sure, but it should still be the primary concern of executives. Executives should be actively involved in getting the kind of management environment that encourages maximum productivity down the line. All the policies, procedures, organization structures, and programs that they approve set this environment.

5. It Is Not the Primary Function of the Jobs Below to Carry Through on Executive Decisions

"Ours not to reason why—Ours but to do or die." Employees today, quite properly, do not accept this dictum. The philosophy that carrying through on executive decisions is the prime function down the line is activity-oriented, not results-oriented, and actually leads to less ROM. No results may be accomplished by the activity; local problems may interfere. In addition, a great flurry of activity gives the illusion of accomplishment and often leads to unrealistic complacency. It is much sounder to look at the function of jobs below as that of getting the results that executives need to accomplish. Every effort should be made to encourage people down the line to exercise their ingenuity and initiative to get results at their levels. No executive or staff miracle worker can visualize all the permutations of local problems.

6. It Is Not the Principal Job of Staff to Inform the Executives

Many executives visualize staff primarily as their communication link. It is stifling to the organization to assume that the primary purpose of staff is to report deficiencies of those below and to keep executives informed so that they can make decisions. Staff then becomes a gestapo instead of a valued aid to the organization. Record functions are especially subject to this misconception.

Staff expertise is much more effective in the organization if its primary function is viewed as that of helping executives accomplish results by helping people below get more results. In other words, staff should be the helper of everyone below in achieving maximum productivity—right through the bottom level. This philosophy encourages maximum ROM to be achieved from their expertise.

MANAGEMENT CAN CAUSE NEGATIVE PRESSURES

How can these and other management principles be applied to develop a management style that encourages top ROM; how can misapplication of them be prevented? We need a new way of looking at management. Popular wisdom has suggested that executives should delegate the responsibility for action and concentrate on the big decisions. On the contrary, our work with several hundred organizations, large and small, points up the need for executives to be personally involved in the management climate for productivity that exists throughout the organization.

A pattern has emerged; a new managemer
for.

The basis for this new management approach is the simple proposition that executives should make worthwhile accomplishment advantageous to all management people. All the pressures on a management person should be synchronized toward results expected; executive attention should be focused so that these pressures do not push away from these results. A prime job of every executive is to establish a holistic management approach that balances all the various pressures on people at every level to maximize their productivity. There are pressures in every job pushing the person in the direction of accomplishment, but unfortunately there are also many pressures pushing against accomplishment and preventing achievement. The kind of misapplication of management principles discussed earlier develops one type of negative pressure. Various programs, policies, and procedures may cause these negative pressures.

Some programs that produce negative pressures were probably well-intentioned and usually helpful at the time they were instituted, but they may not fit the productivity requirements today. Management environments are always changing, so pressures that were sound yesterday may be negative today. In addition, some programs exert a positive influence on one result but at the same time exert negative pressures on other results, creating imbalance. In effect, they decrease overall ROM.

WHAT KIND OF PRESSURES AFFECT ROM?

Policy and Procedure Pressures

Executives may set policies and establish their inevitable concomitant procedures that act very restrictively on people down the line. Productivity is affected because the action that gets results is usually at the bottom of the organization. The policies may have been thought of as controls rather than as ways to guide and stimulate people and may, therefore, affect productivity negatively. Procedures, in turn, are usually ways to force uniformity, and uniformity is rarely a good way to encourage high productivity in all jobs; the day-to-day requirements of jobs are different. Further, procedures frequently go beyond policy intent and thus retard accomplishment by control never envisioned by the policymakers. Executives must curb this overkill.

Organization Pressures

A number of pressures antagonistic to ROM can occur because of organization design. For example, decision making may be centralized because an executive wants to control the operation. But the effect is to restrict initiative below, adding a negative pressure on people below, thereby holding back productivity.

There may be so much specialization of work that there are too many people in every action. This phenomenon has been a common problem in recent years because of the greater and greater breakdown of various disciplines. It seems logical to a thinking executive to have the expert do the work, whatever it may be. In most cases, though, all expert work must be compromised with that of other experts in order to get a result; an executive must balance off their impact. Otherwise the experts exert pressure against maximum results. Overspecialization is a potent force working against ROM in many organizations.

The span of management may be too broad, creating managerial time pressure; as a consequence, managers may not have time to cover their responsibilities. Many executives have not recognized that the most important point where this affects results is at the bottom; management literature has mistakenly overemphasized executive span. Many first-level supervisors are beyond their span of management, however, so that they cannot be maximally productive. Since the practical result of the work of higher management usually has to show up at the bottom levels, overall ROM is reduced.

There could also be a deadening effect of too narrow a span, one over one or one over two. In these cases extra management people become too involved in the work below and restrict initiative there. Many people become involved in every problem. In addition, extra levels of management result. Since each level adds about 25 percent to communication problems, it is more difficult to get decisions made and sound action instigated. ROM is affected.

Information Pressures

The whole record and information system can restrict initiative at any level. Sometimes the information system allows current records to go to higher managers in detailed form, and those managers, in turn, get into too much detailed managing. In some cases there is an overemphasis on cost data, not on productivity data, creating a pressure toward imbalance. At other times restrictive accounting practices result in misdirection of people below; budget and cost emphasis may not be consistent with management direction and, therefore, acts as a restraint on accomplishment.

Reward System Pressures

An executive may have approved a company reward system that is not geared to spur people to higher productivity. These systems may focus on activity, rewarding people for doing things not for getting results; this type of reward pushes people away from productivity. Reward systems may focus on the wrong results, or on a single area of results, and, therefore, not encourage balanced results and a net higher ROM. One example of this is the almost chronic overemphasis on the short range.

A major problem with reward systems is that they often do not reward for results coming from group action. In any modern organization it is rare that individual action gets maximum accomplishment in any part of the operation; most results come from the combined work of several people. When executives base rewards on individual accomplishment, the rewards are often antagonistic to cooperative results. True accomplishment has to be measured in terms of these joint results.

As a consequence of these negative pressures, executives are lucky if they get 50 percent value out of the abilities of their people. It is the job of management to eliminate as many of these negative pressures as possible and to create a management environment that increases positive pressures so that each management person is encouraged toward maximum ROM. A responsibility of top priority for every executive is the establishment and maintenance of a management climate that maximizes these positive pressures throughout the organization.

MAKE NEGATIVE PRESSURES POSITIVE

How can an executive decrease the negative pressures on people that prevent higher ROM and increase the positive pressures on them? There is an analytical discipline available to any manager by which positions can be analyzed in order to make all the pressures positive and thereby increase ROM.

What Is the Loss or Gain?

The first step in analyzing a management problem is to ask, What is the loss to the organization by the present method of operation, or what is the potential gain being missed. If possible, the losses or gains should be measured in terms of the final results of the institution; in most companies these measurements would be in dollars. The loss should not be defined simply as a problem such as lack of morale (what is the effect?), inefficiency (too broad), excessive number of people (what evidence do you have?), or poor organization (how do you know?).

The loss should not be defined as a violation of management principles; good management is constantly compromising management principles to get specific results. A rigid devotion to a management principle decreases ROM. Even an apparent imbalance in emphasis is not a loss unless you can show that there is a lack of accomplishment in a measurable result. Many losses are made up of a number of subparts, so they must be analyzed down to each subloss in order to be susceptible to analysis and improvement.

What Caused the Loss?

The next step is to determine what directly caused the loss. There is always something that triggered off the loss; it could be some-