Managing Change Means Changing Managers

In a February 2009 report, McKinseys stated “the overriding problem for every organization is how to change, deeply and continually, and at an accelerating pace“. Managers will have different reactions to that statement. At one level, the image of a management team being able to behave like a flock of birds – move at speed and flick and turn in perfect unison - is instinctively attractive. At another level, the concept implies that the very stability those managers have been struggling to achieve may be inappropriate or under ambitious.

The reality is that managers now need the ability to operate at both ends of this spectrum, and at all the stages in between. They need the stability so that the business as a whole can operate in an efficient and predictable way and they need the flick and turn flexibility so that they can quickly and easily respond to change. That will be a delicate and difficult balance for many, many managers unless the business is set up to support and enable it.

“Managers spend almost 85% of their time getting people to do things and checking that they have been done” according to Corporate Psychologist Andrew Harley. Just working harder and longer won’t change the percentage. On the other hand a London School of Economics study concluded that if the “standard of management is rated on a scale from 1 to 5, a 1 point increase in management standard is associated with an increase in industrial output equivalent to that produced by a 25% increase in labour or a 65% increase in capital”. The conclusions reached by Harley and the LSE represent the problem and the prize.

On the surface, both Harley’s 85%, and McKinseys “accelerating pace”, sound like serious and distinct challenges but, in reality, they are linked. The common factor is a form of management fog. In Harley’s case, it causes the problem and in McKinsey’s it prevents the change. The fog is the result of the looseness, uncertainty and doubt that, to varying degrees, obscures operational reality. It forces constant checking, distorts the real nature of problems, slows down and undermines decision making, and hides under-performance. In addition, it creates an environment within which political issues or strong personalities can have a disproportionate influence.

Supposing a new CEO is appointed to a troubled company. They know nothing about the company or anybody in it. If they could ask any manager any question relating to their area of responsibility with the confidence that the answer they get would not only be complete and clinically accurate, but would be in the context the company needs, then there is no fog and that CEO can make change happen quickly.

Bringing managers to that level of objectivity is not something that can be changed by decree; that would be asking people to voluntarily set aside their normal defensive and political instincts. However, accuracy and objectivity are both critical components of the new environment and this is the type of change that needs to happen. In reality, the underlying mechanics of management need to be redefined in order to create a situation in which managers have no option but to be different.

Two critical activities in that regard - using information in a smarter way and planning in a more connected way - are both facilitated by the changes in technology and in our attitude to information.

Being smarter with information is letting it do the work for you. If you take something like on time delivery as an example, you can use information to measure it or you can use information to control it. You always need to know what the company's delivery performance is like but high-level measurement on its own is static and retrospective. If performance drops, the management action that high-level measurement is pointing at is "must try harder"

If you set up your information flow in a smarter way then you can know an awful lot more. You can identify the action you need to take. Did sales stick to the lead-time? Was the order processed properly? Was it being scheduled on time? Did manufacturing make it to schedule? Was it shipped as soon as possible? In this case the management action can be far more precise. Lead-time issues for example could be pinned down to an individual salesperson or manufacturing problems could be associated with a particular shift.

You can take a further step to prevent the disruption happening in the first place by flagging and prompting. This is simply a matter of being clear about the rules and then setting up background scanning of the data to see if they are being observed. Lead-time issues can be picked up at the order stage, manufacturing could be alerted to at-risk orders while they still have a chance to react and so on. The same mechanism can automatically escalate the problem to the next level of management if it remains unresolved.

This sort of logic can be applied to any activity that has raw data associated with it. That effectively covers almost everything a company does. In effect, the smarter use of data creates an automated management system that continuously feeds each manager all the facts he or she needs and carries out the routine checking for them. They can rely on clearly defined problems finding them, rather than having to spend loads of time checking to find the symptoms first, and then spend even more time trying to discover the problem.

The smarter use of information precisely identifies what has actually happened, planning in a more connected way does the same for what needs to happen. It is a simple mechanism that clarifies the nature and ownership of the tasks required to deliver a strategic plan. It involves a straightforward handover process when the targets are being set or modified.

If the sales manager for France, as part of the wider sales strategy, needs to achieve a 5% increase in sales, ensuring that the related achievement strategy is clear and has been agreed at the outset is a key part of the process. This need only be done at a broad headline level but it brings certainty into the equation. The sales manager might propose reducing prices, targeting a competitor's customers and offering a loyalty discount. This gets discussed with the sales director who agrees and the handover is then complete. Again, this approach will be used all across the company as the plan ripples out from the core objectives down through the management structure.

This handover process is quick and simple but it achieves a number of things. It establishes that the sales manager for France is clear on his or her target and that their strategy is acceptable and assumed to be viable. It clarifies the facts and feedback they need to manage. In addition, it has provided an opportunity to bench test both the strategy and the manager before the year even starts. The alternative is to only discover that the target was unrealistic, or the manager was unable to deliver, three or four months into the year. In that case, some of the potential opportunity has been lost and the ability to react and get back on course has been seriously compromised.

The information/planning structure gives management an objective, impersonal core and forces reality to the surface in a clinical, balanced way. Facts are made available and managers must use them. Exceptions are identified and managers deal with them. Each individual manager's objectives are more precisely defined and the manager is given greater autonomy.

This sort of structure lifts the fog. Accuracy and honesty are forced into the equation and decision-making and problem-solving habits become quick, tight and effective. The nature of the process channels managers into where the business needs them to go. It is more sheepdog and pen than carrot and stick. It gives the CEO, in particular, a platform from which both the Harley and McKinsey challenges can be addressed in a quick, straightforward way and the necessary change can be rippled out from the centre.