



## Management Fads – No Thank You!

Every year there is a new management fad: complexity, simplicity, nurturing talent, finding talent, building teams, diversification, focus, innovation, strategy, tactics and so on. Walk into a bookstore and you'll see shelves filled with the latest "one-size-fits-all" explanations for why businesses aren't performing as well as they could – and what needs to be done in order to "move to the next level"! You wonder how organisations managed to operate for all those years before this year's fad was revealed to be the *real* secret to success!

These management fads annoy me because:

- The authors of the books rarely measure performance in a consistent manner. These books tell stories about how company (X) had revenues of billions, company (Y) increased market-share and company (Z) blasted their customer satisfaction scores into orbit! The problem is that we can't directly compare revenue, market-share or customer satisfaction with each other. It would be like me saying that dark blue cars are the best and then giving examples of a dark blue Ford with a fuel consumption of 48.7 miles per gallon (urban), a dark blue Mercedes that accelerates from 0 – 60 mph in 7.7 seconds and a dark blue Volkswagen that seats 7 adults.
- The sample of organisations is rarely representative. The authors typically pick a collection of companies that are both (*latest fad*) and *currently* performing well. The authors then use these examples as evidence for their arguments. (In science, we call this cherry-picking the data to justify a preconceived conclusion.)
- Many times the latest fad is suggested to be the solution for almost any organisation. But what is the problem that (*latest fad*) is solving and do all organisations suffer from this problem?

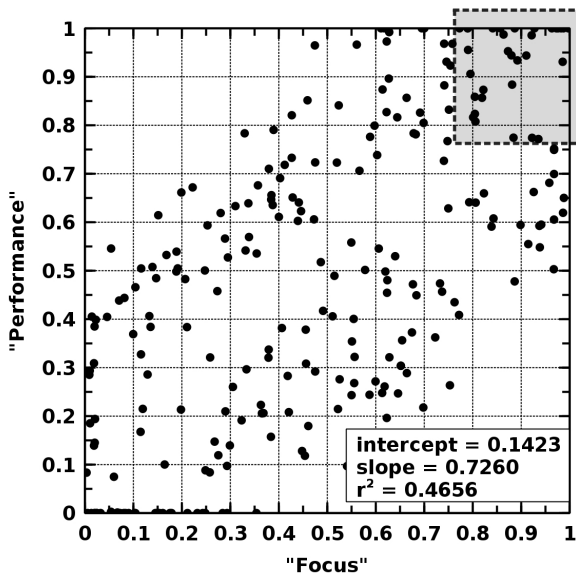
While I'm writing this, the current business management fad is *focus*. A lack of *focus* supposedly explains why organisations aren't doing as well as they could. For some companies improving their *focus* might actually be helpful. However, it is unlikely that *every* company needs more *focus*.

As a reasonably logical person from a scientific background I would ask the following questions concerning *focus*.

- *Focus* is a fuzzy concept.
  - What is *focus* specifically?
  - How do we measure *focus*?
  - How do we change an organisation so that it is more *focused*?
- How are we measuring the *performance* of the organisations? Is it revenue, market-share, customer satisfaction or something else?
- What data would *disprove focus* as a significant contributing factor to performance?
  - Are there organisations that are *focused* and yet are doing poorly?
  - Are there organisations that are not *focused* and yet are doing well?

Organisations of either of the above types show that the connection between *focus* and performance isn't as reliable as the authors would like us to believe.

- Does *focus* enable people in the organisation to make accurate predictions of future *performance*? For example, how well will organisation (X) perform this coming quarter if it has a focus of (F)?
- How does *focus* help people to decide which aspect of an organisation needs to become more focused? Should an organisation focus:
  - the product line to only the 20% bestselling items;
  - the location and number of production facilities;
  - the organisational structure; or
  - something else?
- How much *noise* is in the data that allegedly links *performance* with *focus*? Let's look at two fictitious extremes:



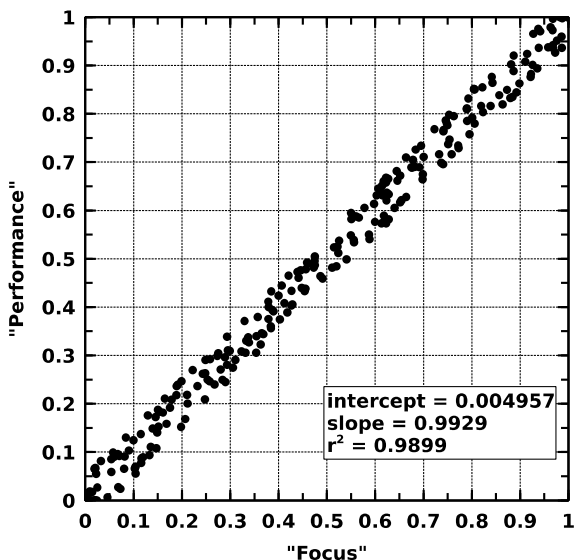
### Low correlation:

Here we have (fictitious) data from a sample of 250 companies showing how their *performance* is related to their degree of *focus*.

The grey square in the upper right corner of the chart highlights the data that is often cherry-picked as evidence that focus works.

This data is scattered. The  $r^2$  value of 0.4656 means that only 46% of the *performance* data is explained by *focus* and the remaining 54% of the *performance* is caused by *other* factors.

If the data looks like this, then *focus* isn't a useful approach.



### High correlation:

Here we have an alternative set of (fictitious) data from a sample of 250 companies showing how their *performance* is related to their degree of *focus*.

This data shows excellent linearity and the  $r^2$  value of 0.9899 means that 99% of the *performance* data is explained by *focus* and the remaining 1% of *performance* is caused by *other* factors.

If the data looks like this, then *focus* would be a useful approach for *these* companies.

So the next time you or your organisation are contemplating a "new and improved" management approach, ask yourself questions like the above. It might prompt you to rethink the matter.