The Measure of a Manager

Metrics for Prosperity in the 4.0 World

Constant innovation is the defining characteristic of the 4.0 World we find ourselves in. To prosper and thrive in this world, organizations need to rethink how they evaluate and measure manager performance.

By Ron Wiens

Illustration: Bob Coady

The world is entering its fourth Industrial Revolution, commonly referred to as Industry 4.0.

Industry 4.0 is driven by an electronically connected world. In the emerging 4.0 World, people are connected not only to each other, but also to each other's knowledge. The defining characteristic of the 4.0 World is the ongoing explosive growth of knowledge.

So, in the 4.0 World, what is the measure of a manager? What metrics will tell us, Here is a manager who is performing well and navigating the 4.0 World with ease, and there is a manager who is struggling?

Before I share a possible answer to that question, let's first ask an even more basic one: Why should we measure a manager's performance?

Measuring is important because, as Peter Drucker said, "What gets measured gets managed…" According to H. James Harrington, a past president of the International Academy for Quality and the American Society for Quality Control, "Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it." We also have Seth Godin's corollary to Drucker's statement, namely, "if you measure it, it will improve." Godin's statement is quite profound for it implies that the act of measurement, in and of itself, will improve whatever is being measured.

The act of measuring improves whatever is being measured.

An organization's ability to compete is directly affected by the quality of its management. So it goes without saying that the quality of management – that is, the performance of its managers – is something that virtually every organization is constantly seeking to improve (or should be). If you accept this premise along with Drucker's, Harrington's and Godin's statements on measurement, then it's clear that measuring managers is vital for an organization's ongoing success. In fact, I would go so far as to say that however managers' performance is measured, it is probably one of the organization's most important metrics. One more thing about performance measurement:

The purpose of the metric is to tell you not only how a manager is doing but also, regardless of how well they're doing, to point the way to how they could do even better.

So how do you measure a manager's performance in the 4.0 World? Answering this question might seem almost trivial. Surely the one and only relevant measure of any manager is the performance of their team. If this is the case, one need look no further than the quantity, quality and cost of the team's output to get the measure of the manager.

But there is a problem with this "obvious" measurement, and that problem is that today's success may have come at the expense of tomorrow's success.

Managers have a natural tendency to live in the present.

A natural and understandable tension exists between the short-term perspective and the long-term one. The majority of the work challenges and issues we face tend to reside in the here and now; today's challenges have the loudest voice. When we lie awake at night it is usually today's issues that float to the top of our minds. So managers have a natural tendency to live in the present. However, without a long-term perspective, the urgent will almost always push out the important. One of the important things that a manager does is to prepare the team for the future. When the manager lives in the "land of the here and now" this preparation does not always get done. But one day, the future arrives, and the team is not ready for it. The short-sighted manager has taken their team into the "land of the dying."

This short-term focus is only exacerbated when a manager's performance measures are based on near-term results. Unfortunately, this is exactly how many, if not most, organizations evaluate their managers. The organization holds up a rear-view mirror and then rewards its managers based on last month's, last quarter's or last year's results.

Now you might think that a competent manager, a manager who has truly embraced the manager's mantra – "my job is not to deliver, my job is to build a team that delivers" – will always pay attention to the organization's long-term interest and prepare the team to deliver on those interests. But what you are engaging in here is management through "sainthood" – expecting behavior "A" while rewarding its counterpart. If the reward system is based on yesterday's performance, then expecting the manager to prepare for tomorrow is expecting the manager to ignore the messages that the organization's processes and systems are sending, and through divine inspiration to do the right thing.

Management through sainthood does not have that good of a track record, as the 2008 recession made painfully clear. Alan Greenspan, former chairman of the U.S. Federal Reserve, was a strong proponent of the management through sainthood approach. He led the deregulation of the American financial sector claiming that the financial industry will always take care of its long term.

Well, history has proven otherwise. The financial industry, pretty much world-wide with the exception of a few countries where the laws and regulations forced a longer-term perspective, did everything in its power to maximize near-term results. Why? Because that was how the members of the industry were measured and rewarded. In the fall of 2008, Alan Greenspan apologized to Congress. "…Almost three years after stepping down as chairman of the Federal Reserve, a humbled Mr. Greenspan admitted that he had put too much faith in the self-correcting power of free markets and had failed to anticipate the self-destructive power of wanton mortgage lending."[1] In Greenspan's own words to the House Committee on Oversight and Government Reform, "Those of us who have looked to the [long-term] self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief."

2008 saw the demise of several great firms, firms that anchored the economy and whose loss will be felt for many years, if not decades, to come. The pain and suffering that the failure of these firms caused is immense. The lives of the staff who worked for these businesses and the people who invested in them have been, at least from a financial perspective, severely affected. The ongoing pain and suffering are real.

The favored approach to measuring a manager's performance is putting the organization's future at risk.

The executives who led these companies were smart and competent. They knew how to manage and lead. They knew how to leverage talent in pursuit of their organizations' objectives. So what went wrong? What went wrong was that these executives were measured and rewarded by the rear-view mirror approach – that is, how have your actions, in the past month, past quarter or past year, contributed to the organization's market value? When the focus is near term, then anything I can do to grow share value is good even if that thing puts the long-term future of the organization at risk.

So, if the current favored approach to measuring a manager's performance is putting the organization's future at risk, how should one go about measuring a manager?

The good news is that the measurement process is not all that complicated. Two basic metrics can tell you just about everything you need to know about how any given manager is doing. The first metric is the one we have been talking about, namely, what has the team delivered? That's right; the rear-view mirror approach is a necessary and vital component of a manager's performance evaluation. It's just that on its own it is insufficient. So, what's missing?

Well, the rear-view mirror approach measures how a manager's team *has done*. The second vital component of a manager's evaluation measures how their team *will do*. The first assessment component measures past performance while the second component measures future performance. With the first component you are looking backward while with the second, you are staring into a crystal ball and looking forward.

So what sort of psychic power does one need to see the future, you ask? The answer is that what you are measuring with your forward-looking metric is not how the team will actually do but rather how prepared the team is to embrace its future. In the 4.0 World, the one that we now live and work in, the only thing we know for certain is that things are going to continuously change.

The extent of this change can best be summed up by this observation made by Dr. Nick Bontis from McMaster University: "In the 1930s, the cumulative codified (i.e., written) knowledge base of the world doubled every 30 years…. In the 1970s, the cumulative codified knowledge base of the world doubled every 7 years."[2] Bontis's prediction in 2000 was that by 2010 the cumulative codified knowledge base of the world would double every 11 hours.

We may or may not have reached this 11-hour figure, but we do know for certain that we now live in a world in which knowledge is growing exponentially. But knowledge equals opportunity. So, we now work in a world where the opportunities available to organizations are growing exponentially. And because everyone is connected to this knowledge everyone is also connected to the opportunities. So if your company is not pursuing the opportunities and the competitive advantage contained in this exponentially growing knowledge base, you can rest assured that somewhere in the world one of your competitors is. Competitive advantage today lies in an organization's ability to exploit this explosion of knowledge and see the opportunities before anyone else does.

The continued prosperity of organizations in the 4.0 World depends on having managers who can build teams that are able to continuously generate new value.

In essence, the continued prosperity of organizations in the 4.0 World depends on having managers who can build teams that are able to continuously generate new value. This continuous creation of value will require managers who know how to build environments that energize and foster the creativity of the workers who occupy them. The readiness of a manager's team to deliver an ever-changing future is now a critical measure of that manager's success.

So the question now becomes: What are the qualities and attributes of teams that are able to successfully see, and help their organizations take advantage of, the ever-emerging opportunities inherent in the 4.0 World – that is, what are the attributes that enable teams to continuously create new value?

The answer is a team whose members have the courage to tread new ground; that is, a team in which each of its members believes in him or herself. You need a team infused with the kind of trust that allows members to work together and build on each other's ideas, a trust that enables members to constantly challenge each other and push each other towards best; that is, a team whose members believe in each other. Finally, you need a team whose members not only understand their organization's goals and objectives but also deeply believe in them; that is, a team whose members believe in their organization. It is this set of beliefs that will enable the members of a team to take themselves, their team and their organization to new places. (To gain insight on how to build such a team, see my book *Building Organizations that Leap Tall Buildings in a Single Bound*.)

So how do you measure readiness to meet the future? Who knows if the team members believe in themselves, believe in each other and believe in their organization? Who knows if the team can build and create together? The answer is…the team members know! That's right; the team gets to have a say in the manager's performance review, at least in terms of providing feedback on the team's readiness to meet the future.

The mechanism I use to obtain a team's feedback on its readiness to embrace the future is a survey. The survey typically consists of 30 to 40 questions. Here are a few examples (a full sample survey is in the appendix):

- My manager has built a team that values open and frank communication.

- My manager has built a team in which people trust each other.
- My manager makes work fun.
- My manager energizes those around them.
- My manager is willing to push people out of their comfort zone.
- My manager seeks and considers the team's input when making key decisions and setting direction.
- My manager regularly discusses our team's goals and vision with me.
- My manager is able to make our organization's vision meaningful to me.

The survey is run quarterly with every manager, from the CEO on down, getting a summary report of their team's (i.e., their direct reports') response to the survey. The report is anonymous in that the responses of individual team members are not visible. As well, every member of the team receives their manager's summary report. The process is open and transparent.

Upon receiving the summary report, the manager reviews it. The manager will then meet with their team (direct reports) to discuss the results. In this meeting the manager first thanks the team for their input and then asks questions for clarification. For example, the manager may refer to a specific question for which they did not score well and discuss with the team the behaviors or actions the team would like to see. In short, the manager seeks to understand.

Finally, the manager selects one or two items from the survey that will be the focus for their professional growth, as a manager and a leader, over the next quarter. The survey may have revealed a multitude of development opportunities, but the rule is that the manager selects only one or two items to focus on. The manager shares their selection with the team and asks for the team's support in their growth by speaking up when they see the manager exhibiting behavior or taking actions that align with those growth commitments.

The survey results form part of the manager's performance evaluation since the results are a measure of the manager's success in readying their team to embrace whatever the future throws at them. The survey results provide a measure of the manager's success in building a team that has the capacity, energy, awareness and courage to take the organization to new ground. But there are a couple of nuances to using the survey results.

The delta approach will get your best managers looking to lead the teams with the worst attitude.

First, it is not the actual survey score that is used to assess the manager's performance but rather the change in score over the assessment period. This delta approach rewards managers for growth. It will also get your best managers looking to lead the teams with the worst attitude because they are confident in their abilities to turn around an initial poor survey result, and so be rewarded.

The second nuance relates to the use of the survey in the evaluation of executives and middle managers; that is, those who have other managers reporting to them. The score of an executive or middle manager is comprised of the score that their immediate team (their direct reports) gave them plus an average of the scores that their direct reports received from each of their teams (Figure 1).

What this means is that if an executive or middle manager has, anywhere below them, a manager who is not preparing their team to embrace the future, that executive's or middle manager's own performance score will be negatively affected. The net result is that executives and middle managers are now motivated to focus downwards and develop their subordinate managers as managers who are able to deliver today while readying their teams to deliver tomorrow. In essence, this survey approach facilitates the development of a culture of leadership.

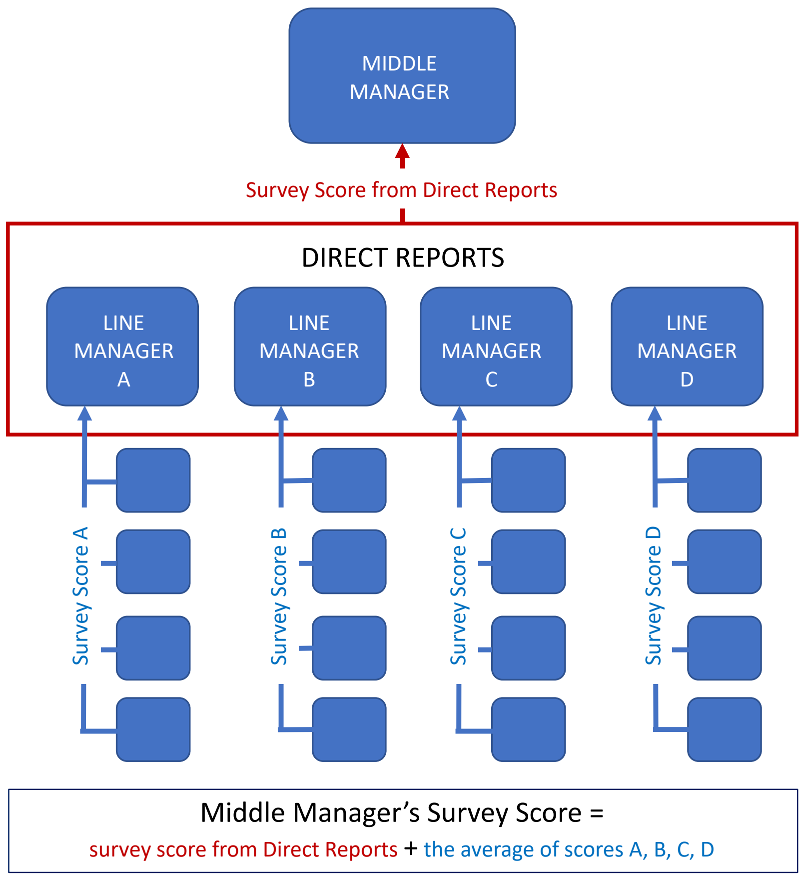

Figure 1

This bottom-up approach has the additional benefit of building a culture of feedback. Feedback, when embraced, accelerates both growth and performance. The challenge is that individuals and organizations as a whole tend to be averse to feedback. When you stop and think about it, this aversion makes no sense if you are pursuing performance improvement. When we are feedback-averse, we are, in essence, building a wall around us and our organization that stops the information needed for growth from getting through.

The survey feedback process outlined here gives the manager the opportunity to lead by example. The team sees their manager receiving their feedback, embracing it and using it to grow – without melting in the process. Slowly, through their manager's example, the team comes to recognize and appreciate the power of feedback, which opens them to seeking out feedback on their own performance.

I have observed that when a manager opens up to the team and asks for the team's help in their growth as a manager, the bond between the manager and the team is actually strengthened. The interaction between the manager and the team around the survey results builds attachment between the manager and the members of the team. The team comes to appreciate their manager not just as a manager but also as a human being. This appreciation increases the team's connection to their manager. This increased connectedness yields the dividend of team members being more willing to bend their personal agendas (i.e., what they think the team should be focusing and working on) to align with the manager's agenda. This alignment, in turn, increases the team's effectiveness. By simply letting the team to know him or her as a human being the manager has impacted the team's performance in a positive way. Believing in my manager as a person makes it easier for me to believe in their dream.[3]

A few points regarding the implementation of this bottom-up team feedback approach:

1. The approach needs to be implemented top-down. First, the organization's most senior executives use the survey to provide feedback to the CEO. After two or three survey cycles the process is expanded to include each executive and their team. This top-down implementation continues until the process reaches the front-line managers. The benefit of this approach is that it allows each level to see the feedback process in action and to see their manager embracing it.
2. Initially, for the first twelve to eighteen months the survey results are for information purposes only. They do not become part of the managers' formal performance evaluation until the organization becomes reasonably comfortable with the process.
3. Once the "future delivery" metric is fully implemented it should account for 50% of a manager's performance assessment, with the other half coming from the success of the manager's delivery over the past month, quarter or year. That's right; future performance is as important as past performance. The ongoing success of the organization critically depends on managers being proficient at both delivering today and preparing for delivery tomorrow.

"You move towards – become – that which you hold uppermost in your mind."
—Lou Tice

It is important that the survey be run at least semi-annually and preferably quarterly. In the words of Lou Tice of the Pacific Institute, "You move towards – become – that which you hold uppermost in your mind." This little phrase delineates the driving force behind change. If you can hold an image in your mind, an image of how you want to be, you will move towards that image. The challenge is in keeping the targeted image uppermost in your mind.

Running the survey regularly helps with that maintenance. That's why doing a survey annually, that is intended to drive personal change, is pretty much a waste of time. It has been my experience that significant value is created when the manager simply reads the survey questions on a regular basis. Reading the questions reminds the manager, "Oh, I have been neglecting this part of my responsibilities as a manager." This observation aligns with Seth Godin's comments that the simple act of measurement will improve what is being measured.

In essence, the team feedback survey becomes a beacon in the daily fog that helps the manager to understand what they need to focus on in order to ensure they are building a team ready to deliver a prosperous tomorrow. The quarterly running of the survey, combined with the manager's commitment to the team for specific aspects of his or her professional growth, helps to keep the behaviors required for success uppermost in the manager's mind, and so growth happens.

A parting thought: The more complete version of Drucker's opening quote is as follows: "What gets measured gets managed – even when it's pointless to measure and manage it, and even if it harms the purpose of the organization to do so." To put it more concisely, be careful what you measure because you'll get what you measure. The ongoing prosperity of your organization depends heavily on how you measure your managers. In the 4.0 World, where teams need to be able to see and act on constantly emerging opportunities, any manager evaluation process that does not include a forward-looking metric is likely to be an evaluation process that does harm.

1 Edmund L. Andrews, Greenspan Concedes Error on Regulation, *New York Times*, Oct. 23, 2008.

2 Nick Bontis, Closing keynote presentation, KM World (McMaster University, Hamilton, Ontario, 2000).

3 Sonia Nevis, Stephanie Backman and Edwin Nevis, "Connecting Strategic and Intimate Interactions: The Need for Balance," *Gestalt Review* 7 (2003):134–146.

About the Author

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Appendix: Sample Survey

LEGEND

1 *Failing Performance*	2 *Improvement Needed*	3 *Getting By*	4 *Doing Well*	5 *Strong Performance*	6 *A Model for Others*

BUILDING OUR WORK ENVIRONMENT

	1	2	3	4	5	6
1. My manager has built a team that values open and frank communication	1	2	3	4	5	6
2. My manager celebrates team successes	1	2	3	4	5	6
3. My manager has created an environment in which people are working together towards a common goal	1	2	3	4	5	6
4. My manager has built a team in which people trust each other	1	2	3	4	5	6
5. My manager makes work fun	1	2	3	4	5	6

LEADERSHIP BEHAVIOUR

	1	2	3	4	5	6
6. My manager models respectful behaviour	1	2	3	4	5	6
7. My manager energizes those around them	1	2	3	4	5	6
8. My manager is willing to push people out of their comfort zones	1	2	3	4	5	6
9. My manager demonstrates the courage to take risks and to go in new directions	1	2	3	4	5	6
10. My manager is willing to make difficult decisions	1	2	3	4	5	6
11. My manager seeks and considers the team's input when making key decisions and setting direction	1	2	3	4	5	6
12. My manager works at breaking down hierarchies so I can speak directly to whomever I need to	1	2	3	4	5	6

SETTING THE COURSE

	1	2	3	4	5	6
13. My manager has set clear long-term (2–3 year) goals for the team	1	2	3	4	5	6
14. My manager has set clear short-term (6–12 month) goals for the team	1	2	3	4	5	6
15. My manager is a forward and strategic thinker	1	2	3	4	5	6
16. My manager keeps us focused on achieving our goals	1	2	3	4	5	6
17. My manager regularly discusses our team's goals and vision with me	1	2	3	4	5	6
18. My manager is able to make our organization's vision meaningful to me	1	2	3	4	5	6
19. My manager helps me understand how my work contributes to the organization's success	1	2	3	4	5	6

MANAGING OTHERS

	1	2	3	4	5	6
20. My manager is comfortable delegating important tasks to others	1	2	3	4	5	6
21. My manager sets clear performance objectives	1	2	3	4	5	6
22. My manager holds people accountable for performance and commitments	1	2	3	4	5	6
23. My manager provides clear and timely feedback	1	2	3	4	5	6
24. My manager puts energy into developing others	1	2	3	4	5	6
25. My manager does not hesitate to address performance or behavior issues within the team	1	2	3	4	5	6

WORKING WITH OTHERS

	1	2	3	4	5	6
26. My manager helps individuals believe in themselves	1	2	3	4	5	6
27. My manager allows the team to get to know them as a person	1	2	3	4	5	6
28. My manager really listens	1	2	3	4	5	6
29. My manager shows appreciation for the contributions I make	1	2	3	4	5	6
30. My manager encourages us to challenge their ideas	1	2	3	4	5	6

BUSINESS EFFICIENCY

	1	2	3	4	5	6
31. My manager makes ongoing process improvement a priority	1	2	3	4	5	6
32. My manager has established measures to let us know how our work processes are improving	1	2	3	4	5	6

SELF-MANAGEMENT

	1	2	3	4	5	6
33. My manager is not deterred by mistakes but learns from them	1	2	3	4	5	6
34. My manager shows self-confidence	1	2	3	4	5	6
35. My manager works at self-development	1	2	3	4	5	6
36. My manager follows through on commitments	1	2	3	4	5	6
37. My manager will use the results of this survey to improve their leadership skills	1	2	3	4	5	6