Chapter 1

Rules for Ensuring Poor Performance

In 1773, Benjamin Franklin, one the founding fathers of the United States, wrote a pamphlet aimed at the royalty of England, titled *Rules by Which a Great Empire May Be Reduced to a Small One*. Satire is one way to get your point across. I apply my own style of satire in this chapter to appeal to organizations to cease their hesitation and skepticism and embrace the benefits of performance management. I apologize in advance if I offend anyone, but sometimes there is truth in humor.

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Imagine I took over the management of a poorly performing organization and wanted to keep it that way. For example, I might not want it to grow so quickly that it would leave me less time to pursue my hobbies. What steps would I take?

First, I would ensure that all of the managers and employees are totally ignorant of the executive team's strategy. That way, no one will understand how the work they do each week or each month contributes to successfully achieving the strategy. Next, I would figure out ways to ensure that managers and employees do not trust one another. I would discourage dissent and debate. It would be tricky to preserve some level of harmony by not allowing healthy conflict among managers who are already distrustful of each other, but I think I could do it.

Next, I would avoid holding anyone accountable. That would be fairly easy, because I would disallow reporting of performance measures. Anyone mentioning the phrase ''the balanced scorecard'' would be summarily fired. I would allow employees to measure their local processes and results in dashboards. After all, I do not want the organization to go bankrupt; I just want poor performance. But I would restrict any measures from being key performance indicators because we would not want to monitor our progress toward any targets that are strategic. I would try to disallow setting of targets, but some managers have a nasty habit of liking them. I think those managers believe that if they could make it appear that they are better performers than others, then I would reward them with a ''pay-for-performance'' bonus system. If I allow people to be motivated this way, performance might improve. I am not going to fall for that trick.

I would freeze our managerial accounting system to remain in its archaic state. It probably was designed in the 1950s, but our external financial auditors would always be giving us an *OK* grade. I would allow managers to hire more support overhead to manage the resulting complexity, but I would preserve the primitive overhead cost allocations to processes and products using those distorting and

misleading broad averages, such as product sales volume or number of units pro-
duced. Most employees would already know that these cost allocations cause big
cost errors, but I would want to keep them guessing about which products make or
lose money and what it actually costs to perform our key business processes. I do
not think my financial controller will correct this, but I need to keep a watchful eye
because my accountants are getting much smarter about how to improve operations
and serve as strategic advisors to me.

We would need to be careful about how much information we collect and report
about our customers. Obviously, we would report their sales volume data, but I
would not segment our customers into any groupings. I would keep sales reporting
at a lump-sum level. I do not want anyone asking questions such as "Which types of
customers should we retain, grow, acquire, or win back from competitors?" To keep
our company from tanking, I would encourage sales growth by putting big signs in
the marketing department saying "More sales at any cost!" I would prevent my
chief financial officer from harboring any thoughts of measuring customer profit-
ability. That would be easy, because our arcane cost accounting system would not
be capable of calculating that information. The marketing people typically spend
their budget with a spray-and-pray approach, anyway. Targeting specific types of
customers and getting a high-yield payback from our marketing spend would be
beyond their level of thinking. I would maintain our advertising spending as the
black hole that no one understands.

I would, of course, implement an enterprise resource planning system. I would
not want to be at a cocktail party with other executives and admit I do not have one.
That would be too embarrassing, like a teenager without an iPod. Luckily, ERP
systems alone will not improve performance; they produce mountains of transac-
tional data for daily control, but not meaningful information from which anyone
could make wise judgments or good decisions.

Our budgeting system would be another way to ensure our poor performance.
Since the budget numbers are obsolete a couple of months after we begin the fiscal
year, assembling the budget for six months during the prior year would provide a
great distraction and prevent anyone from working on more important things. Plus,
I would love to send the budget back down a few times to be redone to lower the
budgeted costs. Everyone would moan. I would be very stingy about giving manag-
ers any budget for one-time projects. When those kinds of initiatives sneak in, com-
panies always get a jolt of productivity improvement, which is counter to poor
performance.

We would squeeze our suppliers. We could *talk* about partnering and collabora-
tion, but any attempt to actually do so would be squashed immediately. Never trust
a supplier. If you drive one out of business, you can always find another.

I do not think I could stop employees from using spreadsheets. They are con-
tagious. But since every department would have its own spreadsheets, it would be
like a Tower of Babel. Employees would waste a lot of time trying to make their
numbers match. I might allow a few departments to purchase a common database
to warehouse their information. Fortunately, there would be lots of incorrect input

data in it, so that bad experience would burst their bubble. Those employees with spreadsheets might want to use them for forecasting and planning. I would put a stop to that by calling it *gambling* and promote our company as being conservative. Gambling is for fools, so I would set a policy forbidding risk taking.

I know that operating a poorly performing business is an extremely difficult job, but I think I would be up to the task. Suppressing the efforts of all those employees and managers who want to think, contribute, and make the business successful requires constant vigilance. The business world is full of subversive ideas that could hamstring my efforts to keep the business floundering aimlessly.

I am particularly concerned about this new concept called *performance management*. Whatever it is, I will stop it from happening. I believe that with hard work and dedication, I could keep any company from reaching its profit-making potential.