

Evidence-Based Management (EBM)

Based on the article by Jeffrey Pfeffer and Robert I. Sutton in Harvard Business Review,

Jan.2006, p.63-74.

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1. INTRODUCTION



Executives often implement discredited nostrums, partial remedies or untested management miracles – strategic snake oil - in their organizations

At the same time, the facts about what works are out there

So why don't they use them?

Medical Establishment

- In the last decade accepted that decisions in medical care should be based on the latest and best knowledge of what actually works
- “Evidence-based medicine” is the conscientious, explicit & judicious use of current best evidence in making decisions about the care of individual patients
- Hitherto physicians did not use much of the research which was out there – only about 15% of their decisions were evidence based
- They rely instead on obsolete knowledge gained in school, long-standing but never proven traditions, patterns gleaned from experience, the methods they believe in and are most skilled in applying and information from vendors with services & products to sell



Organizations Ills

- Managers have similar behaviours
- They are much more ignorant than doctors about which prescriptions are reliable and are less eager to find out
- If doctors practice medicine like many organizations practice management, there will be more dead patients and many more doctors in jail or suffering other penalties for malpractice



Evidence-Based Management (EBM)

- High time to apply by managers
- The challenge is greater here than in medicine
- The evidence is much weaker
- Almost anyone can (and often does) claim to be a management expert
- Managers looking for the best evidence face a more difficult problem than doctors – it is far more risky in business to find a “cure” which is generalisable
- But it make sense for managers to act on better logic and evidence



What makes it hard to be evidence-based management?

- There's too much evidence
- There's not enough good evidence
- The evidence doesn't quite apply
- **You** are trying to mislead you
- The side effects outweighs the cure
- Stories are more persuasive anyway



Management

- Like medicine is and will always be a craft that can be learned only through practice & experience
- But if guided by the best logic & evidence and if they relentlessly seek new knowledge & insight, from both inside & outside their organizations, to keep updating assumptions, knowledge & skills, they can be more effective
- Can be taught the right mind-set and methods for practicing evidence-based management



2. WHAT PASSES FOR WISDOM



Six substitutes managers used for the best evidence

1. Obsolete knowledge from their past experience
2. Personal experience
3. Specialist skills capitalizing on their strengths – *"To a hammer everything looks like a nail"*
4. Hype and marketing
5. Dogma and belief and being influenced by ideology – For e.g., persistence of the "first-mover" advantage myth
6. Mindless mimicry of top performers - uncritical emulation, i.e., casual benchmarking



Can benchmarking produce evidence?

- Do sound logical & evidence indicate that the benchmarking target's success is attributable to the practice we seek to emulate?
- Are the conditions in our organization – strategy, business model, workforce – similar enough to those at the benchmarked organization to make the learning useful?
- Why does a given practice enhance performance? And what is the logic that links it to bottom-line results?
- What are the downsides of implementing the practice even if it is a good idea overall?



3. Should We Adopt Forced Ranking?

An example of the type of issue that organizations can address with better evidence



Should we adopt forced ranking of our staff?

- A talent management approach in which performance levels of staff are plotted along bell curve
- The top 20%, so-called A players given outside rewards; the middle 70% or so B players being targeted for development and the bottom 10% being counselled or fired

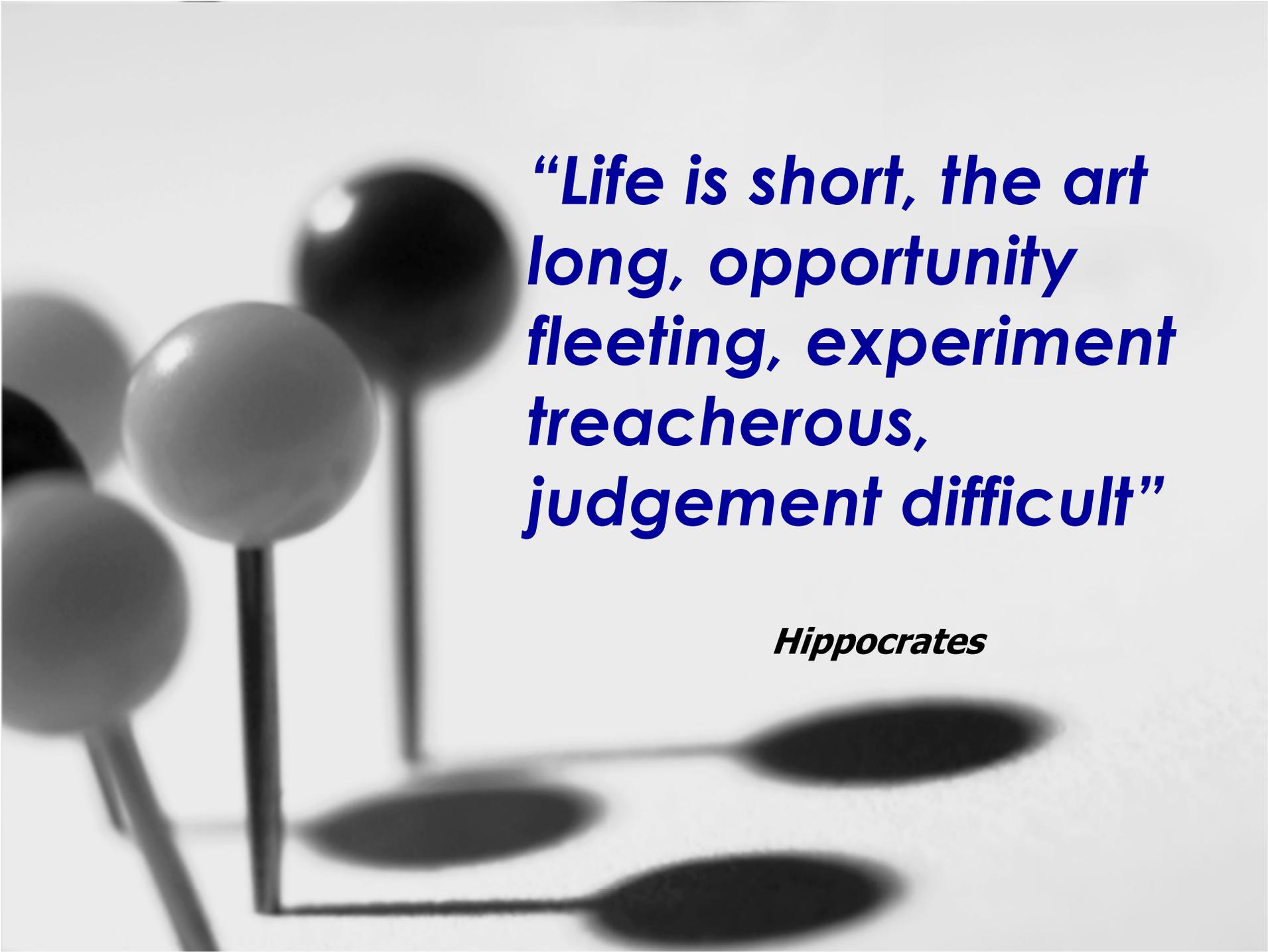


Evidence-based management help organizations consider the talent management approach

- Managers will take a harder look at the data supporting forced ranking in order to identify the underlying flaws
- Managers will assemble more evidence and weighed the negative against the positive and find evidence that performance improves with team continuity and time in position – 2 reasons to avoid the “rank and yank” approach
- Managers will identify data suggesting that average B players are extremely productive and A players can flounder



4. Becoming a Company of Evidence-Based Managers



***“Life is short, the art
long, opportunity
fleeting, experiment
treacherous,
judgement difficult”***

Hippocrates



Evidence-Based Management

- Entails a distinct mind-set that clashes with the way many managers and organizations operate
- Involves a willingness to put aside belief and conventional wisdom – the dangerous half-truths that many embrace – and replace these with unrelenting commitment to gather facts to make more informed and intelligent decisions
- As a leader you can nurture it by demanding evidence of efficacy every time a change is proposed, take time to pursue the logic behind the evidence, and treat the organization like an unfinished prototype
- If you keep learning while acting on the best knowledge you have and expect your people to do the same and if you have the “attitude of wisdom” then your organization can profit from the “enlightened trial and error”



Demand Evidence

- Ensuring that the organization has information to assess its operations
- *"No brag, just facts"*
- Developing metrics, i.e., important measures to judge performance, including those where data is not available
- Establishing a culture that reinforces speaking the truth about how things are going



Examine Logic

- Pay close attention to gaps in exposition, logic and inference
- Unpack the underlying assumptions that form the foundation for some policy, practice or intervention
- (See the following slide)



Are you part of the problem?

- The greatest barrier to evidence-based management is that the standards for assessing management knowledge are deeply flawed
- Actions of virtually every major player in the marketplace for business knowledge adds to this situation
- The following six standards for producing, evaluating, selling & applying business knowledge are proposed



1. Stop treating old ideas as if they were brand-new

- Peddlers of management ideas ignore precedents and represents insights as being wholly original
- Business magazines recycle and rename concepts to make more money
- To break this cycle, people who spread ideas need to acknowledge key sources and encourage writers and managers to build on & blend with what's come before
- This is intellectually honest and leads to better ideas



2. *Be suspicious of “breakthrough” ideas & studies*

- Related to the desire for “new” is the desire for “big” – the big ideas, the big study, the big innovation
- Unfortunately, “big” rarely happens
- The so-called breakthroughs are preceded by painstaking, incremental work of others
- Managers yearn for magic remedies and purveyors pretend to give them what they desire



3. *Celebrate and develop collective brilliance*

- Knowledge is seldom generated by lone geniuses who develop brilliant ideas in their “big” brains
- It is the teams and communities of practices who developed ideas
- Implementing practices, executing strategy and accomplishing organizational change all requires coordinated actions of many people committed to an idea



4. *Emphasize drawbacks as well as virtues*

- In management too many solutions are presented as costless and universally applicable with little acknowledgement of possible pitfalls
- Yet all management practices and programmes have both strong and weak points, and even the best have costs
- Recognizing this means that managers will not be disenchanted or worse abandon a valuable programme or practice when known setbacks occur



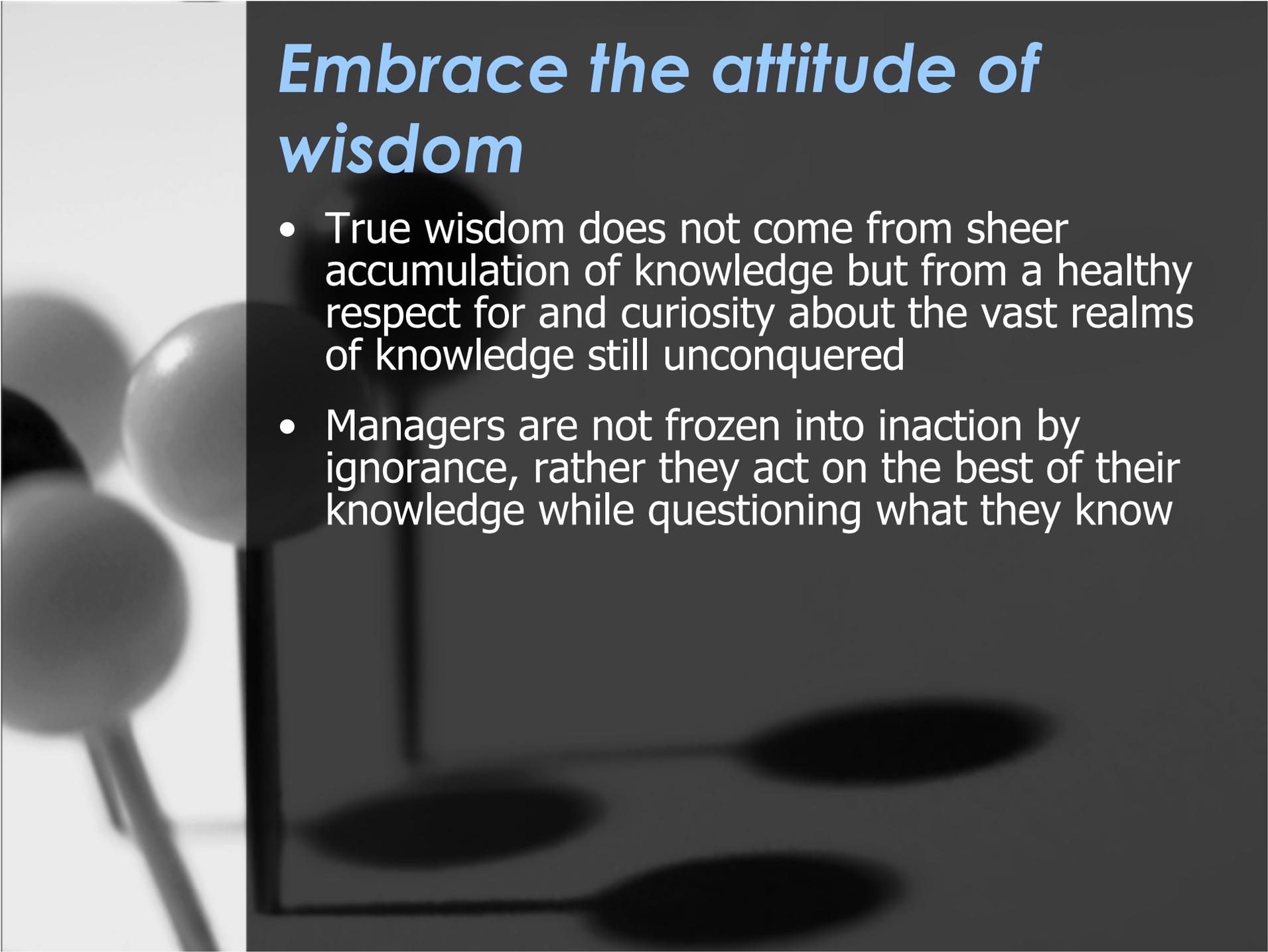
5. Use success (and failure) stories to illustrate sound practices, but not in place of a valid research method

- Reliance on recollection by people involved in a project can be problematic
- Eyewitness accounts are notoriously unreliable and in general people have terrible memories
- People tend to remember much different things when they are labelled as winners (versus losers) and what they recall has very little to do with what happened



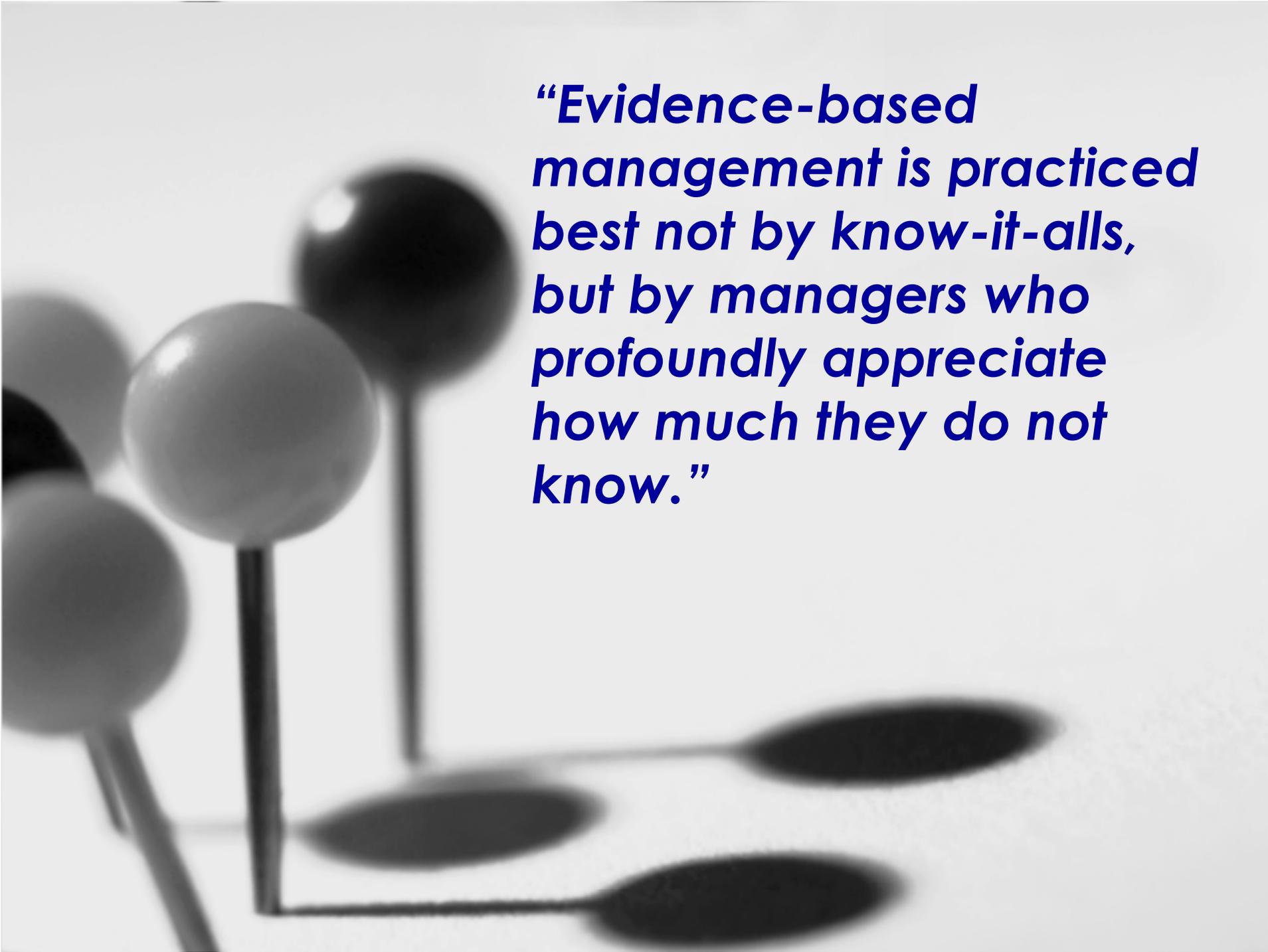
6. Adopt a neutral stance toward ideologies and theories

- Ideology is the most widespread, potent and vexing obstacle to using evidence-based management
- Academics believe in their theories so fervently that they are incapable of learning from new evidence
- The best way to filter good solutions is to establish clarity and consensus on the problem to be solved and on what constitutes evidence

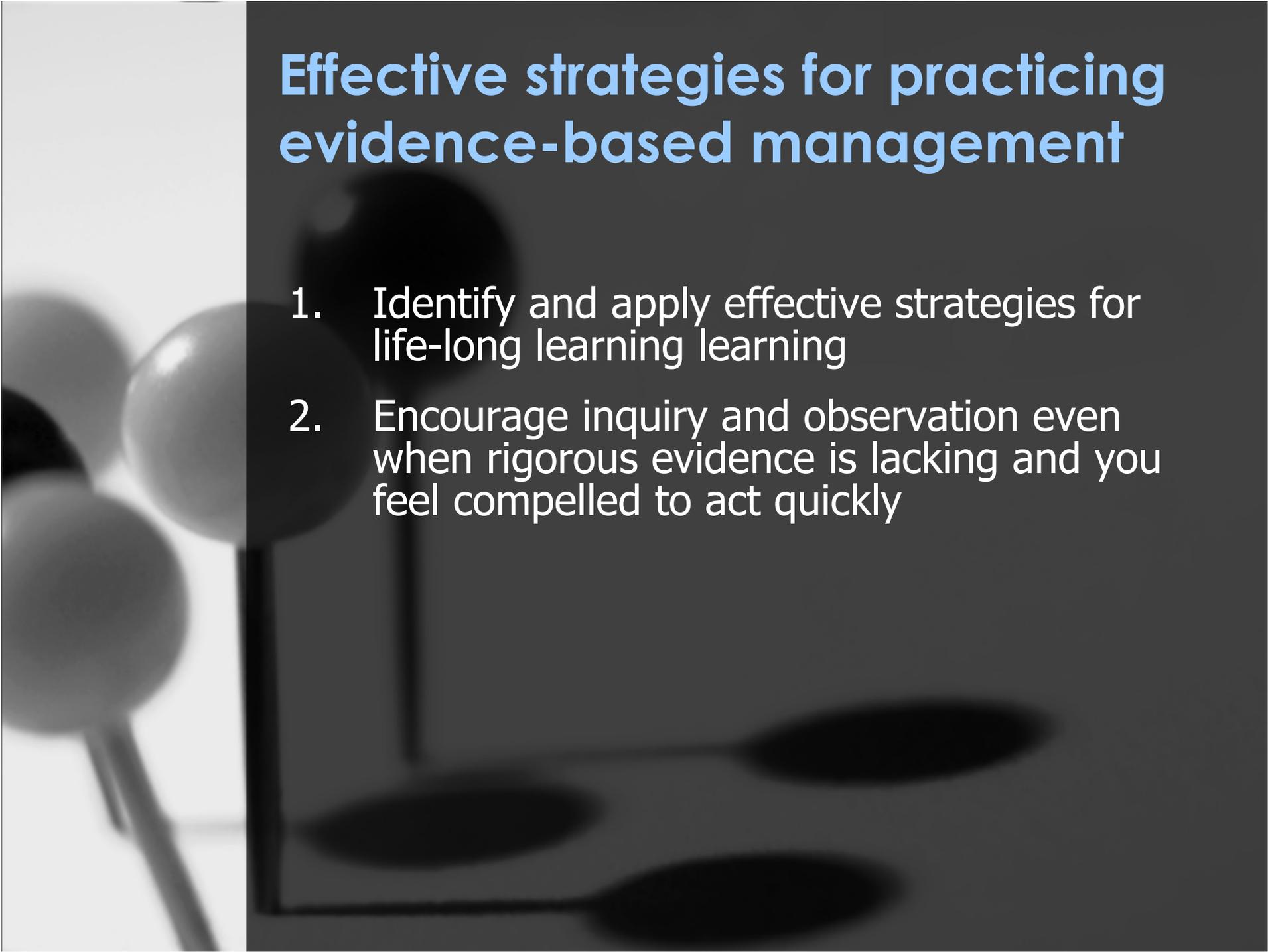


Embrace the attitude of wisdom

- True wisdom does not come from sheer accumulation of knowledge but from a healthy respect for and curiosity about the vast realms of knowledge still unconquered
- Managers are not frozen into inaction by ignorance, rather they act on the best of their knowledge while questioning what they know



“Evidence-based management is practiced best not by know-it-alls, but by managers who profoundly appreciate how much they do not know.”



Effective strategies for practicing evidence-based management

1. Identify and apply effective strategies for life-long learning
2. Encourage inquiry and observation even when rigorous evidence is lacking and you feel compelled to act quickly



**5. WILL IT MAKE A
DIFFERENCE?**



Practicing Evidence-Based Management

- Decisions made on the basis of evidence about what works elsewhere as well as in your own organization will be better decisions and will help organizations thrive
- There is a huge body of peer-review studies that provide simple and powerful advice about how to run organizations and this advice would have an immediate positive effect on organizations
- Entails being a master of the mundane – for e.g., huge savings for organizations using stand-up meeting versus sit down meetings; those that stood up took 34% less time to make decisions and if each employee replaced just one 20-minute sit down meeting with a stand up meeting, each of these meetings will be 7 minutes shorter resulting in Chevron with over 50,000 employees, saving nearly 6,000 hours in a year



Side Effects of Evidence-Based Management

- When done right, it will undermine the leaders' power and prestige which might be unsettling to those who enjoy wielding influence
- Changes power dynamics, replacing formal authority, reputation & intuition with data
- Senior leaders may lose some of their stature
- Leaders need to make a fundamental decision
 - *Do they want to be told they are always right, or do they want to lead organizations that actually performing well?*



Evidence-Based Management

- If taken seriously can change how every manager thinks and act
- A way of seeing the world and thinking about the craft of management
- Using better, deeper logic and employing facts permits leaders to their work better
- Facing the hard facts and the truth about what works and what doesn't, understanding the dangerous half-truths that constitutes so much conventional wisdom about management and rejecting the total nonsense that too often passes for sound advice will help organizations perform better