

# Of Leaders and Lemmings



"In an ever increasing number of organizations, KPIs - Key Performance Indicators—form the backbone of the performance management system "

"KPIs are not only an unsuitable tool for measuring or managing performance, KPIs constitute a clear & present danger to the health of an organization "



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## A position paper from the TWC Consulting Group

*Organizational Development has recently re-admitted a new leadership style which is rapidly developing into a dominant form: Lemming Leadership.*

*This hugely popular and obviously compelling management style seems to be omnipresent:*

*First, in International Finance, aided by a vast amount of freely flowing money, global movement of capital, low traditional investment returns, and lots of naked greed, in addition to a partial frontal lobotomy of key players, and a staggering amount of incompetence in high places, it helped to bring about the state of economic woes referred to as the Financial Crisis.*

*But this article is not about this by now over-documented example of lemming leadership; it is about the latest example of the genre:*

*Performance management by Key Performance Indicators, commonly known as 'KPIs.'*

*We cannot escape it.*

*Every organization talks about establishing KPIs, left, right and center. The Internet is full of advice of how to do it 'correctly.'*

*Not only commercial concerns, hospitals, schools, Government Departments, and even some Countries are now ready to establish 'National KPIs.'*

*The excellent news is, yes, KPIs can be a useful tool for measuring and managing performance.*

*They work well in situations where the performance environment fulfills two conditions, it must be:*

- 1) completely controlled and*
- 2) static on all three levels: values, structure, and system.*

*The unfortunate news is that organizations or social systems - because that is what organizations in principle are - simply do not work that way, not in real life. In real life, complete control is an illusion, and we have dynamic situations on all three levels.*

*If we examine the damage KPI-driven organizations have inflicted on their customers, their employees and society in general it becomes crystal-clear that an urgent re-think of the way organizations measure and manage performance needs to be a top priority.*

*Why is the pursuit of KPIs so particularly dangerous?*



"KPI driven environments put a premium on action before thinking."

"In a KPI environment system thinking is penalized"



Well, one situation comes to mind, relayed to us by a Vietnam Veteran:

With the war going so badly the Pentagon was keen to employ modern management methods and introduced KPIs as performance measures. One KPI was the 'Kill Ratio' and it led to the killing of civilians in order to meet the 'performance target'

Well, one could argue the wrong KPIs were used, but the introduction of KPIs was, according to the highly placed Veteran, the final straw.

Observing the carnage recently inflicted on the World by KPI driven brokerages, banks, finance houses, and manufacturing companies (For example: General Motors was (and still is (learning from mistakes seems to be tough)) entirely driven by high KPIs and stretch targets - a KPI environment designed by the best minds of the method) it becomes apparent that something is amiss.

KPI driven Performance Management Systems will focus an organization to the achievement of these indicators even though the real performance environment has moved away from the creation state. Revising the KPI framework, only puts the organization in a perpetual state of 'breathing their own fumes.'

KPI driven environments put a premium on action before thinking.

There is no incentive for people to consider the impact of their pursuit of KPI fulfillment on the rest of the system (organization) or the performance stakeholder (customers, employees, society). System thinking is penalized.

Target/Goal (KPI) driven performance environments have as underlying assumption that there are factors relating to performance. That is a fallacy.

Performance is not correlative; there are no factors that define performance.

Performance is causal; it is reflected in the behavior of underlying variables over time.

As if all that was not enough, research shows that KPIs are prone to manipulation. KPIs are easily 'massaged' to make people - or organizations - 'look good.'

The better, the more sophisticated, the KPI based Performance Management System is constructed, the more the organization and their performance stakeholders are lulled into a false sense of security - 'See how well we are performing' - even though the abyss is just around the corner.

Let us look at alternative scenario.

To do that, allow us reconsider what we mean by "performance." A modern definition sees performance as 'Behavior of a variable over time.'

Allow us furthermore to define organizational performance as the ability to create and introduce concepts (products, services, solutions, etc.) successfully into the value maps of the performance stakeholders (customers, people, society) and to do all that at a certain speed.

To manage, measure, or plan the above, any approach must fulfill the following criteria: as performance stakeholder value maps (~markets) are dynamic, the approach must be able to mirror the fluidity and incorporate these dynamics. The ability to introduce concepts into Performance Stakeholder Value Maps requires understanding of the same, and the ability to translate this understanding into changes of the competency architecture of the organization, therefore, the approach must be able to plan, manage, and measure the underlying variables that run 'understanding' and 'translation' processes.

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We are not focused on a particular industry or company size but specialize in working in partnership with clients to build up their resistance to current flavor of the month strategies and politically correct management behavior. We install in our client's management the awareness that the solution to current problems requires new thinking, new competencies. Our clients select us for our ability to highlight issues that cannot readily be seen using current methodologies, best practices or world class benchmarks, as well as for our ability to enable them to address these.

We would like to hear from you—be it in response to this position paper—be it with a specific organizational issue—or be it that you just want to create a superior enterprise.

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At an organization's level that requires  
knowledge and understanding of underlying values, structure and system;  
understanding of their fluidity;  
building and managing the constantly changing competencies;  
process management skills;  
managers to be competent as manager and not as highly paid operators;  
a new organizational framework; among a number of other things.

But, what it does not require is a goal/target or KPI. Not in any form or fashion. KPIs simply do not fit the specifications for a useful tool. They are not only inept and dangerous; they are irrelevant to performance.

What about the use of KPIs as an interim tool? The use of KPIs draws the concentration away from what needs to be done. And herein lays an additional danger.

Taking the best-case scenario, KPI-based Performance Management Systems carry immense opportunity costs; they reduce the competitive position of our enterprises and therewith of the economic environment.

KPI orientation prevents the necessary and fundamental change in the way our organizations are managed and even understood in order to become sustainable successful and relevant. The even greater danger comes when organizations such as Hospitals, Schools, and Governmental Organizations are following suit.

The concentration on achieving a set of KPIs, however well-meant or designed, quickly leads to a catastrophe.

Not only because it equates successful performance with the achievement of arbitrary and often irrelevant targets/goals, but primarily because it distracts thought and effort from the real, fundamental, and necessary underlying changes these organizations need to undergo in order to achieve sustainable excellent 'performance' by any modern and reasonable definition.

Taking the worst-case scenario, we continue to have KPI based Performance Management Systems in our organizations potentially to wreak havoc on their customers and employees at a huge cost to society.

What, on earth, were we thinking?

*Like mum always said: 'Just because everyone else is doing it that does not make it right!'*