

How high is your return on management? (insights into managerial energy and its direction)

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Abstract:

A new metric is developed to assess the effectivity of expended managerial energy on developing and implementing new business strategies. The return of management metric is similar to the return on equity or return on asset measures but emphasizes the effective allocation of managerial energies, especially in optimizing energies on alternatives. This new metric forces managers to attend not only pressing matters but to place such matters within the corporate goal.

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VIRTUALLY EVERY MANAGER has a story about a brilliant strategy that got away. Everyone supported the strategy, so the story goes, but somehow it was never implemented. Or maybe the strategy was implemented -- but only haphazardly. These stories always seem to end in the same way: frustration, lost opportunity, occasionally crisis -- and often utter confusion. Why is it, many managers wonder, that such a large percentage of the most reasonable, analysis-driven, implementable strategies never make it from concept to reality?

The answer lies with managers themselves -- or more specifically, with how managers direct their energy. Managerial energy is an organization's most important and most scarce resource, especially in these days of boundless opportunity. New opportunities seem to pop up monthly -- what with falling trade barriers, emerging markets, and technological breakthroughs -- all tugging on a manager's time and attention and filling up his or her date book.

But if managerial energy is misdirected or diffused over too many opportunities, even the best strategies stand little chance of being implemented and translated into value. That simple fact drives the most formidable and important task in business today: making sure managers are channeling their energies into the right projects or issues. Yes, this sounds logical enough in theory, but in the hyper-charged, high-intensity environment of today's corporate fray, perhaps nothing is harder than keeping oneself -- and one's organization -- on strategy's straight and narrow.

What to do? We recommend that managers use a new business ratio. We call it return on management (ROM), and it can be expressed as the following equation:

$$\text{ROM} = \text{Productive organizational energy released} / \text{Management time and attention invested}$$

Like its cousins, return on equity and return on assets, ROM measures the payback from the investment of a scarce resource -- in this case, a manager's time and attention. It indicates how well managers have chosen among alternative courses of action to deploy that resource optimally. The ratio answers the question, Are you getting the maximum payback from every hour of the day that you invest in implementing your business's strategy?

But first things first: ROM is not a quantitative formula: it does not generate a specific number or percentage. Instead, it is a qualitative measure: both the numerator and denominator, and the equation's result are estimates of magnitude that managers must construe in their minds and guts. ROM's output is directional; like all quantitative return ratios, ROM is maximized when the numerator is large and the denominator is small. By using the ratio, managers can "calculate" if their ROM is high, medium, or low. It's a rough measure, but we have found that executives who understand ROM's value possess a powerful tool for understanding and for change.

For an example of how ROM works, consider two companies. The first is a small Boston-based consulting company -- let's call it Automation Consulting Services -- that started out with a clear strategy of specializing in industrial technology.⁽¹⁾ The company grew quickly off the base of its expertise and soon expanded to four offices. But seven years after its founding, the company was in a severe crisis. In one of the offices, staff were discovered to be cross-charging clients to meet budget requirements. In another office, management had failed to detect a drop in the amount of business generated by three of the company's largest auto-manufacturing clients, which was leaving much of the professional staff idle. In a third office, an excursion into the uncharted waters of automating a client company's library had resulted in financial losses and embarrassment as the consulting company realized that it did not possess the skills to deliver on the contract.

Simply put, the company had come undone. Managers were spreading their energy over too many projects, clients, and goals with no sense of priorities. At one time, the company had possessed a sound and focused strategy: growth through providing clients with state-of-the-art industrial technology. But managers had allowed the many opportunities facing the business to disperse their efforts away from implementing that strategy. As a result, the amount of productive organizational energy released was extremely low, but the amount of management time invested was very high. The company's ROM was dismal.

By contrast, Automatic Data Processing (ADP) -- large database-processing company, headquartered in Roseland, New Jersey -- provides a clear example of a company in which managers understand the value of focusing their energy around the projects that directly serve the company's strategy. By using a strict checklist to assess whether projects are consistent with the company's strategy and by clearly communicating a list of the company's priorities, ADP has achieved 143 consecutive quarters (make that 35 years) of double-digit, earnings-per-share

growth -- a record unmatched by any other company traded on the New York Stock Exchange. Not surprisingly, ADP's ROM is sky high.

What separates these two organizations is plain: at ADP, managerial energy is riveted on specific, crystal-clear strategic priorities only for the amount of time it takes to get results. Certainly, the managers at both companies are aware that the world is teeming with business opportunities, but at ADP, managers also know there are only so many hours in a day and only so many managers to go around. Like all high-ROM managers, they have realized that organizations thrive when their leaders -- and those who work for them -- are disciplined in how they spend their time. Instead of trying to capture every flag like Automation Consulting Services tried to do, they make hard choices about where they will commit their energy and, more important, where they won't. This clarity of purpose transforms all energy into productive energy and propels strategy from the boardroom to the marketplace.

The Enemies and Allies of High ROM

If, as we've suggested, focusing managerial energy pays such high dividends, why don't all managers intuitively work to maximize ROM? The first answer is that many natural organizational forces conspire against the discipline of ROM. We've already mentioned the plethora of marketplace opportunities that beckon managers today. Second, people naturally fight the fire that is closest to their feet, just as managers naturally attend to the most pressing crisis, apparently promising project, or demanding client. Third, even well-intentioned processes, such as performance review programs, that should focus a company on strategy implementation have a way of growing bureaucratic and ponderous in organizational settings. And finally, the reason why many managers don't use ROM as a guide is that, frankly, it's difficult. It requires constant vigilance. Managing day to day is hard enough without steadfastly looking out for the symptoms of organizational confusion or strategic drift.

And so, the behaviors that contribute to low ROM invariably creep in -- that is to say, unless managers first recognize them and then prevent or reverse them. The following five questions are designed primarily to help managers determine whether the enemies of high ROM have infiltrated their organizations. But these "acid tests" also suggest how managers can put ROM-inspired management into action. They are as much about empowering the allies of high ROM as they are about rooting out its enemies.

You may already have a rough sense of your organizations ROM, but for a more precise reading, try answering the following questions:

Acid Test #1: Does your organization know what opportunities are out of bounds? In most companies, strategy formulation begins in the stratosphere. That is to say, strategy begins with a broad and grandly stated mission statement, usually along the following lines: "Our mission is to apply the talents, knowledge, and skills of our employees to make ABC Corporation the leader in all of the markets we serve. We will exert great effort to deliver innovative products at a fair price, ensuring that we are the preferred provider for our customers."

This kind of motivational message is an important first step, but it then must be brought down to earth. Senior managers have this job. They translate the mission statement into short- and long-term strategic plans, budgets, and so forth. But often something goes awry in this process. The organization, inspired by the mission statement and the ambitious strategic plans that fall out of it, are left with an overly vague sense of how to spend their energy.

To combat this phenomenon, high-ROM managers take a different but complementary approach. Not only do they tell their employees about their vision for the company, but they also spell out what opportunities are off limits -- in other words, they identify how their employees cannot spend their time. High-ROM managers are explicit, for example, in telling their employees what types of customers the organization will not accept, what types of products or initiatives it will not fund, what types of deals people should not do. They establish strategic boundaries that move beyond the platitudes of a mission statement to the hard choices at the core of successful strategy implementation.

At ADP, for example, managers use a checklist that identifies which business opportunities are verboten. It covers every strategic base:

Financial. No opportunities that cannot generate \$50 million in annual revenue.

Growth. No opportunities that cannot generate at least 15% continuing growth rate.

Competitive Position. No opportunities where ADP cannot be first or second in the market.

Products. No new products that cannot be sold on the mass market, that cannot be mass produced, or that do not offer consistently superior direct client service and performance features.

Sustained Market Position. No opportunities that do not put products or services in a very distinctive position, that do not include plans for adding a significant number of new clients, and that do not offer a high payback for clients.

With such an explicit guide, it is not surprising that ADP has never veered off its strategic course.(2)

Microsoft CEO Bill Gates is similarly unequivocal about setting strategic boundaries: "To be very clear, we are not going to own any telecommunications networks: phone companies, things like that. We're not going to do system integration or consulting for corporate information systems. We love to write software, but there are exceptions. You won't see us doing applications like small-business accounting. That's a nice area for some people, but not for us. Computer-aided design and engineering? We won't be doing that."

By contrast, senior managers at Automation Consulting Services never framed or communicated their strategy in terms of the opportunities that were out of bounds. As a result, lower-level managers chased every mildly promising contingency. The result? They spent untold hours on the library automation project -- a project related to a market in which the organization did not

have a competitive advantage and was not planning to develop any. Managers were so distracted they failed to notice that three major clients in their core market were slowly slipping away. Nor did they notice the serious ethical problem of double billing clients.

In our experience, most managers understand the need to impose codes of business conduct on employees in order to stem potential losses of assets or of the company's reputation. Too few managers, however, understand the importance of setting strategic boundaries to protect employees from wasting the company's most valuable asset -- the energy and focus needed to implement a strategy.

Strategic boundaries, it should be noted, are useless unless policed. That's also part of the work of high-ROM managers. Naturally, some opportunities that fall outside a company's strategy can look attractive. They can look, in fact, like low-hanging fruit -- easy for the picking. A high-ROM manager must say no in these instances. A case in point is one private retail bank that wanted to refocus its strategy on affluent customers who could generate at least \$5,000 in annual net revenue. In support of that strategy, the company told its bank managers and employees not to bring in new business that did not meet this criterion. Employees pushed back. "What happens if someone walks in off the street and wants to do a lucrative onetime foreign-exchange transaction?" they asked. "Should we send them down the street to a competitor?" Managers responded with an unequivocal "Yes!" Above all they wanted to avoid the myriad day-to-day distractions that slowly sap organizational energy away from implementing the strategic agenda.

To conclude, then, high ROM is very much about setting limits. High-ROM managers view every choice about their activities through the prism of strategy implementation. They ask, "Will this meeting help move our strategic agenda forward?" and "Does this client's problem deserve the energy and time we are devoting to it given the company's strategy?" With clear strategic boundaries, managers can avoid the insidious trap of allowing everyone to put a small amount of resources behind all manner of good ideas that are not tightly aligned with the strategy of the business. By deciding to pass up certain opportunities managers can ensure that everyone in the organization is working toward the same explicit goals. All energy becomes productive.

Acid Test #2: Are your company's critical performance measures driven by a healthy fear of failure? The fact that strategy often eludes implementation is not surprising to most managers. That's why so many companies are now linking strategy to performance measures. For instance, companies that base their strategy on customer service evaluate their employees on their ability to anticipate and respond to the needs of customers.

Generally speaking, linking strategy to performance measures is a robust idea -- the kind that supports high ROM. But the real challenge for managers is making sure employees are evaluated for the performance factors that really matter to strategy. Too often, managers succumb to a form of political correctness in determining performance factors. In order not to offend any division or constituency within the company, they compile long lists of critical performance variables -- such as information-processing productivity, employee satisfaction, and revenue growth -- but do not differentiate what is supposedly nice to have from what is truly critical to the company's success. As a result, people don't know exactly where they should focus their time.

Energy disperses, and ROM suffers. Consider the case of a financial services company where managers hired consultants to help them design performance scorecards. They identified more than a dozen critical performance variables and included reciprocal feedback loops that traced the variables' value to the business. Included were product innovation, employee training, customer satisfaction, employee commitment, organizational renewal, and many other "key" drivers of business success. Each item was duly substantiated by deductive analysis of cause and effect. The resulting diagrams with their myriad loops, arrows, and ovals were truly impressive to behold. Unfortunately, the scorecards were so all encompassing that they did not provide guidance about priorities. In fact, employees leaving the meeting were unable to articulate which of the performance variables were mission-critical to the strategy of the business.

High-ROM managers use the fancy charts and graphs as a foundation for the more important work ahead -- deciding what will not be on the list of critical performance measures. To do so, they need to visualize their worst fears. They should close their eyes and imagine the unimaginable: five years hence, their strategy has failed. They should ask themselves what went wrong. What didn't they do right? What competitor or market trend did they miss? How did they fail to execute their strategy? All the consultants' and staff reports in the world are no substitute for this often gut-wrenching exercise. It may not be elegant, but it tells managers exactly which performance variables make the difference between success and failure. These are the critical performance variables -- the only ones with which high-ROM managers should be concerned.

What can happen if a company does not follow this path? Consider the case of a start-up that invented a new medical-imaging device. Once the new device had proved its economic potential, a major pharmaceutical company acquired the company. The final price of the purchase, however, was contingent on the start-up's sales and profit growth during the next five years. The founding management team, which had a significant equity stake in the company, elected to stay on to run the business.

The earn-out payments, which kicked in during the third year, were the result of achieving aggressive sales and profit goals. That was not surprising since throughout the five-year period, senior managers had instructed everyone in the organization to focus his or her attention on maximizing these two financial measures. They had even promised a cash bonus and a one-week trip to Hawaii to every employee if the company met its financial goals.

The goals were met. But employees had cut corners in the process, prompting a warning letter from the FDA that threatened the company with closure if it did not improve the quality of its product. In response, management linked year-end bonuses to quality (in addition to profitability). And indeed, during the final two years of the earn-out, the company achieved the required quality standards and avoided FDA action. It did not, however, fully meet its financial goals.

The year after the earn-out was complete, sales at the company declined 40%. The reason was painfully simple: a competitor had introduced a new and better technology. Ironically, the company's managers -- in their fixation on short-term goals -- had not envisioned strategic failure or focused their employees' energy on preventing it. If they had, employees would have been evaluated first and foremost on their ability to generate technological innovations.

High-ROM managers have the courage to imagine what it would take for their company to crash and burn. This assessment then becomes the backbone of their performance-measurement system. A high level of information technology productivity or employee retention may be wonderful to have, but it may contribute little to long-term success. Not every performance variable matters. Managers who use ROM as their guide are willing -- even eager -- to be "politically incorrect" in the name of organizational focus and strategy implementation.

Acid Test #3: Can managers recall their key diagnostic measures? Another syndrome afflicting many low-ROM companies is fixating on too many diagnostic measures. In other words, companies use too many figures to hold their managers and employees accountable for performance -- measures such as ROCE, sales growth, renewal rates, and cash flow. As we've said, performance should be measured along only those dimensions that truly matter to success. Similarly, people should be held accountable only for as many diagnostic measures as they can memorize. We would suggest that the limit be seven.

Why seven? If people are given too few challenges, there won't be enough variety in their work to stimulate creativity. If people are given too many challenges, they quickly suffer from overload. Seven falls between these two extremes. And think of all the things in our lives that are configured in sevens: phone numbers, the days of the week, the musical scale. The number seems to contain just the right amount of information for people to remember and process effectively.⁽³⁾ Successful management frameworks -- such as the 7-S analysis, the Seven Steps of Quality, and the Seven Habits of Highly Effective People -- have leveraged this universal fact.

This is not to say that everyone in an organization should be held accountable for exactly seven measures or that everyone should be held accountable for the same ones. Different divisions, even different employees, must pay attention to different indicators of a business's health. Moreover, different diagnostic measures should be selected and assigned depending on the organization's place in its life cycle.

Take the example of one electronics company, where senior management used between four and seven diagnostic measures at any given time to communicate strategy effectively to the organization. At the company's inception, cash flow was critical to survival, and senior management galvanized the company around measures intended to shorten the cash cycle. When cash flow came under control, the ability to meet product performance standards consistently became critical, and management focused its attention on indicators of product quality. In recent years, as the organization has matured, managers have redefined their diagnostic measures to focus on product development, manufacturing quality, and customer service. But importantly, they have been particularly careful not to confuse the organization by holding people accountable for more measures than they can store in their memories.

As the president of the electronics company says, "I can guide the organization through our changing marketplace by holding people accountable for just a small number of measures. Everyone can tell you what those measures are and why they're important to our success. Of course, I have to be able to change the measures when necessary. But it's critical to keep the number of measures down so that there is no ambiguity about where people should be focusing their energy."

Acid Test #4: Is your organization safe from drowning in a sea of paperwork and processes? When the new CEO of a high-technology company with sales more than \$3 billion first took on his position, he summarily killed the company's strategy-management process. The process had previously spanned a nine-month period from early December to early September. During that time, managers at all levels reviewed their strategy and created their plans and budgets. The result of this energy-intensive process was a "book" for each division that was several inches thick. It included an in-depth analysis of the company's industry, customers, environment, and competitive position; detailed one-year and five-year operating and investment plans for each of the functions in the division; risk assessments of the proposed strategies; and a detailed budget for the coming year as well as projected three-year trends.

Such analysis sounds useful in theory, but the process itself absorbed an enormous amount of energy from top-level managers throughout the company. Meetings, negotiations, presentations, and back-and-forth exchanges of thousands of pages of memos were diverting managers' attention away from profitable activities. Form was driving out substance. The new CEO saw the investment of managerial talent in the strategic planning process as a low-ROM investment.

This is just one example of how well-meaning management processes can go awry -- or even backfire. Remember management-by-objectives, zero-based budgeting, strategic planning, and total quality management? What became of these much-heralded breakthroughs in management techniques? In each case, managers ultimately rebelled because of demands imposed on their time -- demands that had little to do with creating value for shareholders, customers, or employees.

Take the case of total quality management at Florida Power & Light. This company was an exemplar of TQM methods, winning the Deming Award and later starting a TQM consulting practice. Interestingly, however, a new CEO shut down the company's TQM program because he felt that the system-which demanded frequent management meetings and an untold number of reports -- had pulled managers away from the company's real work to the point that customers and the bottom line were suffering for it.

At high-ROM companies, planning, budgeting, and control systems operate differently: they are exception based -- alerting managers to anomalies to sound practice. Think of the thermostat in your home. Once you set the desired temperature to 68 [degrees] F, how much of your personal attention is required to keep the air temperature at the desired level? The answer, of course, is none. The system lifts the burden of monitoring from your shoulders, freeing you to do other, more important things. Those of you who are engineers will recognize the thermostat as a negative feedback system. It continuously monitors actual temperature, compares it with desired temperature, and activates remedial action when shortfalls are sensed.

That is how the majority of control systems and related processes work in High-ROM companies. Managers can ignore them most of the time. They set annual goals, receive periodic exception reports, and get on with the business of strategy implementation. Process has a way of drowning an organization. If you feel as though your organization is submerged in paperwork and meetings, there is a good chance that the enemies of high ROM are part of the undertow.

Acid Test #5: Does everyone watch what the boss watches? There is a well-known -- and very instructive -- story about Robert Galvin when he was CEO of Motorola. (Galvin ran Motorola from 1964 to 1986.) Galvin was so fixated on making Motorola the world leader in quality, it is said, that he walked out of meetings when quality was not the topic. Similarly, he would leave divisional performance reviews after the quality figures were discussed -- he would simply stand up and leave the room after hearing a quantitative report on the quality of the products made by various divisions. It was clear to everyone: the boss's goal was product perfection.

The same kind of unmistakable message about priorities was sent to managers at Pepsi-Cola when Don Kendall was CEO. As John Sculley, who was president of Pepsi at the time, recalled, "The Niensens defined the ground rules of competition for everyone at Pepsi-Cola. They were at the epicenter of all we did. They were the nonpublic body counts of the Cola Wars. Pepsi-Cola's top managers would carry little charts in their wallets with the latest key Nielsen figures. They became such an important part of my life that I could quote them on any product in any market. We would pore over the data using it to search for Coke's vulnerable points where an assault could successfully be launched or to explore why Pepsi had slipped a fraction of a percentage point in the game." Sculley added, "The company wasn't always this way. The man at the front of the table made it so."⁽⁴⁾

In high-ROM organizations, everyone knows what the boss watches -- and they watch the same thing themselves. The challenge for bosses, therefore, is to make sure that everyone in the organization is aware of what they should be watching -- whether it's quality ratings or Nielsen rankings. By getting everyone in the organization focused on the same thing, high-ROM managers are able to direct all the company's energy toward the same cause.

How do high-ROM managers signal what matters to them? Typically, by their actions rather than their words. Although high-ROM managers let most control processes run on automatic pilot, they invariably pick one or two control systems to fixate on. They use the measures generated by these systems to engage the organization in heated discussion and debate.

These interactive control systems are unique because, instead of monitoring business as usual, they focus organizational energy on the uncertainties inherent in executing the company's strategy successfully. At Pepsi-Cola, managers used the Nielsen data to test their assumptions about the effects of pricing, promotion, and packaging on market demand and competitors' actions. Within an hour of receiving such data, 60 or 70 people at Pepsi would examine the information generated by the selected control system. In face-to-face meetings, they would then ask questions such as, What assumptions could upset our plans? What are our competitors doing? and Is new technology affecting how we create value and differentiate our products?

Generally speaking, the interactive systems used by high-ROM managers have three characteristics. First, they are simple to understand and useful for managers at many levels of the organization. Because they cascade from the top of the organization to the bottom, the importance of these measures is well understood throughout the business. Second, as we've noted, they generate information that relates to the possible outcomes of strategic uncertainties in the business. As managers scrutinize such data in face-to-face meetings, several questions recur: What has changed? Why? and What are we going to do about it? The answers create an

environment that encourages managers to learn about customers, markets, technology, and other factors that may affect strategy. And finally, these systems are alive -- they generate information used to revise action plans. In other words, the systems are worth the attention of managers because they can spark meaningful strategic change.

There is a corollary to Acid Test #5. It is that high-ROM managers must make sure that their employees -- once they have been told and shown by example what "matters to the boss" -- become the boss's eyes and ears on the front line of the business. High-ROM managers mobilize the entire organization to scan the environment for early warnings of either changes in the marketplace or competitive threats.

Equally important, employees in high-ROM organizations must routinely send new information up the line so that senior managers can use it to realign strategy. To adapt successfully in highly competitive environments, managers must signal their priorities to ensure that those employees closest to customers, technology, and markets are constantly informing top-level managers about changes that might affect the business.

Consider Intel Corporation, which in 1983 was primarily a manufacturer of dynamic random access memory (DRAM) chips. Today, Intel is known worldwide as the undisputed leader in higher value-added microprocessors. One of the most interesting aspects of this radical -- and successful -- change was that it emerged from the organization's middle management and operations people rather than from strategists at the top.(5)

How did that happen? Senior managers were very clear in communicating to the organization what they believed was important to succeed in the semiconductor market: efficient use of scarce production capacity. The key measure that Intel consistently used to allocate capacity was contribution margin per batch of silicon, or, in technical terms, contribution margin per wafer. Employees at all levels were well aware that senior managers frequently looked at this measure. Everyone watched what the boss watched. Therefore, it was not surprising that operational decisions started to favor microprocessors, which made a higher contribution per wafer. When senior managers became fully aware of the changing nature of Intel's business, the new direction was already becoming a reality. The fact that employees knew that senior managers were driven by contribution margin per wafer actually led the strategic change that made Intel the world leader in the semiconductor industry.

Thus one way to test ROM is to put a few simple questions to random members of the organization: What does the boss watch? Are you watching it too? And if you saw something that challenged our performance in that arena, what would you do? Whom would you tell? What information systems would provide early warning? If everyone answers these questions quickly, consistently, and accurately, managers should have no fear about their ROM. If not, it's probably time for some changes in business as usual.

High ROM: Focus and Communication

Like all business ratios, ROM is maximized by increasing the numerator (amount of productive organizational energy released) and decreasing the denominator (amount of management time

and attention invested). It's time to practice what we preach. Your time is valuable, and you have read enough to understand our main point: return on management is a function of managerial focus and communication.

The energy of an organization's employees becomes most productive when they have a crystal-clear understanding of their organization's strategy. This understanding is the responsibility of managers, who can use both words and actions to communicate what people should be doing -- and what they shouldn't be doing. It is inescapable that persistent and insidious forces often work against high ROM. But these forces -- often rooted in good intentions -- can and must be counteracted. Such is the most important work of managers.

Perhaps it is overly optimistic to call for organizational change in which all energy is productive -- in which people spend their time only on initiatives aligned with strategic imperatives. But it is not unrealistic to suggest that most companies could significantly improve their ROM if they applied the five acid tests. A manager's time wouldn't become any less scarce, just more wisely spent. And maybe someday, managers will tell far fewer stories about the strategies that got away.

RELATED ARTICLE: RETURN ON MANAGEMENT (ROM): AN OVERVIEW

Productive organization energy released/Management time and attention invested

Managers have long used key business ratios to assess the payback from financial resources, such as assets, equity, and capital employed. Return on management (ROM) is designed to do the same for the organization's scarcest resource-its managers' time and attention. ROM measures how well managers are keeping themselves and their employees focused on strategy implementation. Like its cousins-ROCE, ROA, and the like-ROM is maximized when the numerator is large and the denominator is small or, as described below, when its allies are many and its enemies few.

The Allies of High ROM

- * Clarity exists about which customers, projects, investments, or activities are out of the organization's strategic boundaries.
- * Critical performance variables are selected for one purpose-to keep everyone looking over his or her shoulder in order to ensure the strategy won't fail.
- * Managers know their key diagnostic measures-never more than seven at a time-by heart.
- * Managerial paperwork and processes exist only where they add value to the bottom line.
- * Employees know what keeps the boss awake at night and make that their business all day long.

The Enemies of High ROM

- * A company has a "sky's the limit" strategy driven by vague or overly broad mission statements.
- * "Politically correct" performance variables are in place that are designed not to exclude or offend any constituency in the organization.
- * People are not sure what they are accountable for, or they face so many measures that they are overwhelmed.
- * Planning, budgeting, and control systems have a life of their own.
- * Employees have little-or-no-awareness of senior management's priorities.

(1.) The Automation Consulting Services case study by Robert Simons and Hilary Weston (Case 9-190-053) is a synthesis derived from the experiences of several companies.

(2.) For complete details on ADP's strategic boundary checklist, see Robert Simons, *Levers of Control* (Harvard Business School Press, 1995), pp. 50-51.

(3.) George A. Miller, "The Magic Number Seven, Plus or Minus Two: Some Limits in Our Capacity for Processing Information." *The Psychological Review*, Vol. 63, No. 2, 1956, pp. 81-97.

(4.) John Sculley, *Odyssey: Pepsi to Apple...A Journey of Adventure, Ideals, and the Future* (New York: Harper & Row, 1987), pp. 2, 6-7.

(5.) Robert A. Burgelman, "A Process Model of Strategic Business Exit: Implications for an Evolutionary Perspective on Strategy," *Strategic Management Journal*, Vol. 17, 1996, special issue, pp. 193-214.

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