

Future Success Predictors:

A New Management Information

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Faust Management Corporation

FMC is an international management-consulting firm offering a full line of consulting services. Our services are tailored to the client's needs after one of a variety of diagnostic activities that assess an organization's life cycle position, climate, planning, structure, processes, specific strengths and weaknesses and other key factors.

The services we offer include speeches and seminars, diagnostic activities, consulting on specific problems, implementation of ongoing programs of organizational change and executive coaching.

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Most management information in use today is derived from accounting principles and/or represents outputs of the business (i.e., a report of results). Even when we move to a more “balanced scorecard” to monitor our businesses we are generally just monitoring a broader range of results. An operating statement, balance sheet, P&L and most of the rest of the typically used management information essentially gives us a way of assessing **“the present day value of the past history of our business.”**

For leaders¹ this should be a challenge. Traditional management information gives them a look back not a look forward. What we need is a new kind of management information that provides an assessment of **the future value of what we are doing today.**

Based on information about the future value of what we are doing today we can decide to make changes to avoid poor results in the future. Assume the following:

1. Management varies in quality from lousy to great.
2. When you change from poor (or just okay) management to great management, it takes some time to show (in the results).
3. When you move the great (or even good) management to lower quality management it also takes some time to show. (See Figure 1 Below)

We might infer from the above that it could be that many managers are currently taking credit for the great moves of the past (e.g., a product invented by their father, a management change instituted by their mother, a strategy developed four years ago), while others may have made important changes but have not yet seen the turnaround in results they will get if they stay on course.

¹ Leaders defined as people who are moving an organization from where it is to where they want it to go.

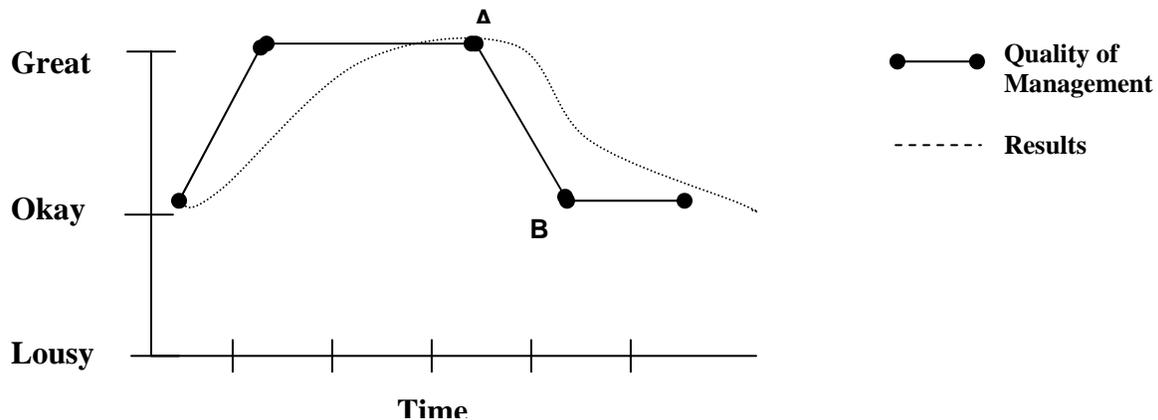


Figure 1: Changes in the quality of management take time (often months or years) to impact results (e.g., profit).

In Figure 1 you can see the relationship between management action/quality of management and results (e.g., profit revenue, morale, image in marketplace). Notice with traditional management information the problem will show close to point B while if we could more directly assess the quality of management we could identify a problem closer to point A.

The move to using a balanced scorecard helps, to some degree, to focus attention on factors that contribute to future success. For example, measures of customer or employee satisfaction or engagement may be precursors to revenue, productivity or profit increases or declines. Still even these measures are measures of results (end product of what is going on in the company) and we believe there are even better early warning indicators.

Faust Management Corporation is committed to creating assessments that help us to understand the future value of what we are doing today. These assessments tell you where you stand on key variables and also provide a vector to indicate where you are headed. We have developed three assessments to provide this new management information:

1. **Life Cycle Analysis:** indicates the organization's position and vector (where you are headed) in terms of the business life cycle.
2. **Future Success Predictors:** provide scores on variables that have been proven to be leading edge indicators of business performance.
3. **Cause-Effect Analysis:** helps identify the causes of today's (and tomorrow's) symptoms. Useful in planning change or solving problems as well as predicting future problems.

These three kinds of measures are variously used in our organizational assessment tools. Executive Insight™ provides a team based and individual assessment that yield a qualitative assessment of an organization's "clues". These clues represent areas of potential improvement.

It uses the cause effect analysis (Executive Insight® Model) to help participants understand the cause effect relationships between issues and create consensus on priorities and action plans.

Life Cycle Insight™ (LCI) and the Comprehensive Organization Diagnostic both provide a detailed assessment of an organization's position in its Lifecycle², as well as scores on several Life Cycle Warning Factors as well as a cause-effect analysis and a cause effect analysis of both clues and strengths. The Comprehensive Organization Diagnostic also provides scores on the 11 Future Success Predictors described later in this document.

Want to get ahead of your business and lead it to Prime? Use these new strategic management information tools annually to complement your current operational management information and to provide input to your business strategy and planning processes.

What is a future success predictor?

It is a variable that can be measured that has been shown to be a leading edge indicator of business performance. That is, it is a variable that is sensitive to change in an organization's strategy culture and management performance before those changes show up in traditional results based measures.

Example: Most of us believe that a business with clear **focus and direction** has a higher probability of success over time than one that doesn't. We can measure the clarity of a company's focus and direction by identifying whether the company:

- Has clearly defined long-range plan.
- Communicates plans well to all employees.
- Sets realistic goals
- Is doing too many different things

In all there are some 37 questions of different forms (e.g., checklist rating scale, free response) that have been shown to reliably contribute to a measure of "clarity of focus and direction." By asking these questions to people from different part of the organization we can even assess clarity of focus and direction in different parts of the organization.

A similar methodology can be used to assess other variables, all of which are future success predictors and several of which are also life cycle related. Life cycle related means either the desired score depends on where the organization is in its life cycle or certain scores are indicative of, or related to, specific life cycle positions.

The Future Success Predictors approach developed by FMC represents a distillation of data from literally thousands of diagnoses of organizations, and is consistent with much of the most recent literature on management excellence.

² The Lifecycle model used by Faust Management Corporation was developed initially by Dr. Faust's former partner, Dr. Ichak Adizes, and we gratefully acknowledge his pioneering work on the development of this model.

Scores on the Eleven Future Success Predictors described below help predict the "future value" of the organization. They represent factors that, if measured, give an indication of the current strength of the culture, management practices, processes and structures of the organization. When these traits and conditions are strong, the organization is likely to grow and prosper in the future.

GROUP 1: HIGH SCORES ARE GOOD.

FOCUS AND DIRECTION indicates how well the organization is focused in its direction, and how well the company's leaders and staff understand and stick to that focus.

STRETCH indicates whether the organization is stretching or challenging itself to reach goals.

ALIGNMENT indicates how well the organization's principle direction - reinforcing elements are aligned with one another. It measures alignment between the company's Direction (mission, vision, strategy), Resource Allocation, Structure and Empowerment, Management Information and Accountability Management systems, and Recognition and Reward System. A high degree of alignment is required if the organization is to be able to make the most of its management energy. When misaligned, these strategic elements pull against one another. They make management more difficult and inefficient. This has the effect of trying to run a horse-drawn carriage with the horses hitched in different directions.

FUTURE ORIENTATION indicates the organization's ability to invest in the future. This includes long-range planning and investment in its growth, human resources, marketing, products and technologies.

READINESS TO CHANGE indicates how prepared the organization is to identify needed changes, accept new ideas and take steps necessary to create needed changes.

GROUP 2: PAIRED INDICATORS. WHAT YOU WANT HERE ARE HIGH SCORES AND A BALANCE BETWEEN THE TWO SCORES.

CONTROL indicates the degree of control versus **FLEXIBILITY** in the organization. Healthy organizations have a reasonable amount of both control and flexibility.

GROWTH AND PROFIT. These scores should come into balance as the organization reaches its Prime phase. Younger, more entrepreneurial businesses tend to emphasize growth more than profit, and companies which are Aging may over-emphasize profit.

INDIVIDUAL AND ORGANIZATION. These scores are a result of the perceived balance between the organization's ability to fulfill individual and organizational needs.

Other Tools:

The instruments of the new management information:

- Life Cycle Insight®
- Executive Insight® (game and online assessment versions)
- Comprehensive Organizational Diagnosis

For more information about these tools please call 858-674-2400 or email Amy Rico at FMCamy@aol.com

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