

# When vision statements hurt

EMPOWERING MANAGERS WITH ACCURATE INFORMATION  
TIM SWEET

## *You're driving down a country road...*

There are trees on both sides of this straight and familiar asphalt. As the car picks up speed, you strain your eyes to see further ahead. There are signs on the side of the road, "wildlife crossing", "slippery when wet", "sharp shoulder", and you can see these clearly, so you know there is the potential for disaster. But you've got your high beams on, and a lot of experience driving this section of road, so you're not worried. Now, you take a look at the dash and notice something strange: there are no instruments. No speedometer to tell how fast you are going, no gas gauge to see how much fuel you have left. That's okay, you are used to speed, and you are sure there will be a service station somewhere up ahead. Besides, the car is running well; the engine is purring like a kitten. Suddenly, a deer dashes into your headlights 500 feet ahead of the car. This is where your experience pays off. You visualize the manoeuvre clearly in your mind. But you realize something else is wrong. There is no steering wheel to grab and no way to turn the wheel! You realize that you can't 'will' the car around the deer, so there is nothing to do but brace for impact. This is turning into a real nightmare... You wake with a start, and in a moment of clarity, you realize what the dream must mean:

**"No matter how well you drive, or how well your car is running, you can't steer with headlights."**

There are many reasons why managers make decisions using "gut feel". Some are overconfident, others are forced to decide without sufficient information, and still others find it too hard to gather or interpret available data. However, perhaps one of the most common and disturbing excuses for not paying attention to the facts is the need to fulfill company vision at all costs.

These companies try to steer by using the headlights. They choose to manoeuvre based on where they *want* to be while paying little consideration to where they actually are.

A recent study of 675 executives and managers in Europe and North America found that 77% of the respondents knowingly made critical management decisions without making use of supporting data.\* Another 16% made decisions based on information that was so vague the managers weren't sure the data was valid. Further, among these managers and executives 43% reported that they did not trust their internal measurement systems. Almost 60% stated that they made decisions by "gut feel" more than half of the time. Only 3% of those surveyed said they had enough information to make fact-based decisions all of the time.

A clear vision is inarguably important; however, it alone is not enough to direct the critical decisions of a business. The same study showed that 67% of decisions

that were made because they seemed to support the company vision resulted in failure. Obviously, single mindedness does not guarantee success.

"Responsible metric systems" are measurement strategies that businesses can use to accurately judge what is happening. I use the term "responsible" because these metrics are employed within a system in order to enable managers to respond. They are "response-able" metrics.


Metrics must provide the right information to the right person at the right time. They must jive with both company culture and the speed of business. They must provide adequate information while avoiding too much extraneous data, which can confuse the issue or delay action.

Some of the most common misguided decision are made due to the over dependence on aggregate measures that report only on progress made toward achieving the vision statement.

A good example of one such metric is the not-so-humble income (profit and loss) statement. Though this figure is an important measure to shareholders and is an indicator of solvency, the "bottom line" doesn't tell you why your margin is getting bigger or smaller. It cannot tell you the success of individual decisions, and it does not disclose lost opportunity for greater gains. Large aggregate measures like the bottom-line don't

distinguish good strategy from bad, and they provide no indication of the sustainability of competitive success.

Medium and large businesses make hundreds or thousands of critical decisions each period. Responsible metrics must provide enough frequency of information to allow decisions to be assessed before the period ends. In this way they provide the flexibility and agility needed to identify which courses of action allow the realization of a vision statement and which current practices are jeopardizing those goals.

Proper metrics strategies capitalize on the skills and experience of a management team by both providing the information necessary to make quality decisions and the ability to monitor the critical factors determining success. They provide accurate information to both anticipate change and to exercise control. In this way, a good system will make it easier to make decisions by fact, rather than feel, and empower managers to tackle what's around the next bend in the road. 

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\* Business Objects Corporate, The Fact Gap: The Disconnect between Data and Decisions, Business Week Online, May 1<sup>st</sup>, 2004