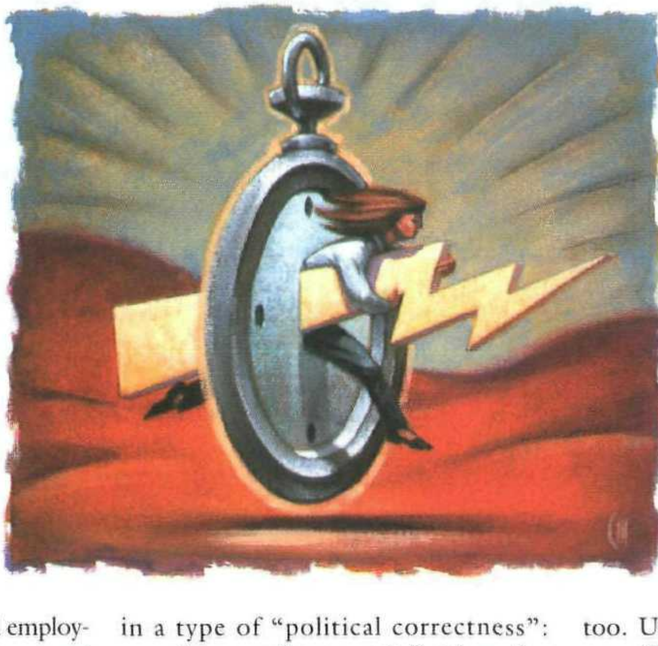
Executive EDGE

MEASURING MANAGERIAL FIREPOWER



A new business ratio, called *return on management* (ROM), measures the efficiency with which managers spend their energy. Calculating ROM—in which "productive organizational energy released" is divided by "management time and attention invested"—produces a qualitative, rather than a quantitative, answer. But it is a valuable tool for evaluating organizational effectiveness.

A company can, by answering the following five questions, discover whether it has high or low ROM:

Does everyone understand which opportunities the company will not *undertake?* It is not enough that all managers and employees know the firm's mission; they must also recognize activities that, if pursued, would be distractions from the mission.

Are personnel evaluated according to vital strategic factors (i.e., those conducive to the firm's success or failure)? Too often companies get bogged down in a type of "political correctness": gauging employee satisfaction, for instance. Personnel then get confused about priorities, and ROM falls.

Can managers recall all of the firm's key diagnostic measures (i.e., sales growth, renewal rates)? Most people can memorize no more than seven such measures. (Not all managers need be assigned the same seven.)

Is the company swamped by paperwork and processes? Some firms have their managers so deeply involved in process evaluation (e.g., filing TQM reports) that they have little time or energy left over for turning out the firm's products.

Do all company personnel recognize and share the boss's priorities? High-ROM managers pay close attention to one or two vital diagnostic measures (meanwhile assigning subordinates to watch the others) and insist that everyone else keep an eye on them, too. Understanding priorities, employees will be highly focused on goals; they can also warn the boss about any dangers they may see on the horizon.

From Robert Simons and Antonio Davila, "How High Is Your Return on Management," Harvard Business Review, *January-February 1998, pp. 71-80.*

THE CHANGING BALANCE OF POWER

It is a commonplace these days that healthcare in the United States is undergoing revolutionary change. But revolutionary changes are taking place in the bigger economic picture, too, as indicated by shifts in long-standing power relationships, the basis of business. Relationships once taken for granted are being overturned, and the savvy leader will take note and study how these power shifts can be turned to market advantage.

- *Shareholders are gaining greater power over management.* Share ownership is concentrating in institutions, which can yield power as more diffuse ownership cannot. Chief executive officers are becoming increasingly accountable.
- Buyers, not sellers, are in the driver's seat. The profuse availability of consumer information—for example, on the Internet—and overavailability of products give buyers the edge.
- Employees are gaining power in their relationships with employers. Employers are scrambling for good people and employees are designing their own working conditions.
- Medium-sized companies are more competitive than large companies. Business behemoths are finding it difficult to respond to rapid change as quickly as midsized companies can.
- Big government is smaller than it was; private enterprise is gaining ground. This phenomenon has been demonstrated worldwide, particularly in Eastern Europe *and the former Soviet Union.*
- Labor unions are declining in favor of the individual worker. Unions' numbers are declining; old-fashioned industrial boss-bashing is out of sync with the '90s.
- Mass media are being overtaken by atomized media. The rise of the Internet, websites, and cheap digital telecommunications has diffused the information flow, and it is no longer concentrated in a few media.

From Geoffrey Colvin, "Naked Power: The Scoreboard," Fortune, *April 27, 1998, pp. 449-450.*

Illustration by Chris McAllister