



# talking about...

August 2011

... *designing better relationships for better outcomes*

## The Folly in Measurement

**"You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, the ocean does not become dirty."**

... Mahatma Gandhi (1869 - 1948) Indian philosopher

As often occurs when I sit down to write our newsletter each month, the topic springs from a theme that has shown up in my recent conversations. The theme this month relates to what seems to be an ever increasing requirement for measurement in organisations and the impact this has on people in the work place.

There is a well known quote attributed to the father of Management by Objectives, Peter Drucker that goes that *"You can only manage what you can measure."* In today's organisations, the idea of measuring outputs to determine people's performance is very seductive. To many, it appears to take some of the greyness out of dealing with people and creates a belief that they can generate some certainty and control in terms of what they are charged with doing.

Today, most, if not all, larger organisations have some form of measurement system associated with its plans and strategies, which usually extends down through the organisation in the form of key performance indicators (KPIs). Many organisations then link the delivery of these KPIs to their rewards structures, most notably in the form of bonuses. The idea is that this will motivate individuals to greater performance and, as a result, the organisation will perform better. All of this sounds great in principle, however, the efficacy of this approach is not backed up in research or practice.

Research into linking individual KPIs to bonuses consistently shows that it only works effectively if the individual has a very simple task to perform and a clear line of sight to achieving the required outcome. For example, if I have to cut twenty widgets a day and that is all I have to do, then paying me more to cut more will act as an incentive and most likely I will cut more widgets. However, add in a level of complexity and the individual's performance will either be unaffected or adversely affected. On top of this, the bigger the reward associated with required outcome, the more likely there will be an adverse impact.

The reasons for this lie to some degree in what psychologists term, "loss aversion". The idea of loss aversion is that people will often act irrationally and therefore less effectively when they feel they might have something to lose. Obviously the idea of a bonus is that it is something given in addition to what one would normally get. This is valid for some, however many people start to anticipate getting the bonus and see it as something they will automatically get at a point in time. It is no longer a bonus but an expectation. Indeed many people set up their lifestyles on the assumption they will receive their bonus each year.

As a result, they act to avoid loss. Rather than motivating them to do a better job, they seek to protect their bonus. Often this leads to people

acting in ways that are in their own best interests and not the interests of the organisation. They may seek to change the success criteria or go through the motions of doing something to tick the box rather than doing it effectively.

Although some organisational leaders recognise this paradox, they are often unable to see a way to redress it. Feeling they have to be seen to be doing something, they simply maintain the status quo.

The key to finding better ways to motivate and improve performance actually lies in intrinsic rather than extrinsic motivators. The challenge in creating this in an organisation is that to develop intrinsic motivation requires leaders who are able to create meaning and direction for many people in the workplace. This involves building trust and moving away from the overwhelming belief in control. This is a bridge too far for most.

If you are interested in exploring these ideas further, there is a great video from Daniel Pink, which can be found at [http://www.ted.com/talks/dan\\_pink\\_on\\_motivation.html](http://www.ted.com/talks/dan_pink_on_motivation.html).

**"The empires of the future are the empires of the mind."**

... Winston Churchill (1875-1965)  
British Prime Minister

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We now have around sixty people participating in our LinkedIn conversations and you are invited to join in. Each month, we will be discussing our newsletters in more depth and also regularly invite you to consider other questions that we pose. You can find us at <http://www.linkedin.com/groups?gid=3716581>

## One Smart Dog

*One plucked randomly from the internet. It had me chuckle ...*

A wealthy man decided to go on a safari in Africa. He took his faithful pet dachshund along for company. One day, the dachshund starts chasing butterflies and before long the dachshund discovers that he is lost.

So, wandering about, he notices a leopard heading rapidly in his direction with the obvious intention of having him for lunch. The dachshund thinks, "OK, I'm in deep trouble now!" Then he noticed some bones on the ground close by, and immediately settles down to chew on the bones with his back to the approaching cat. Just as the leopard is about to leap, the dachshund exclaims loudly, "Boy, that was one delicious leopard. I wonder if there are any more around here." Hearing this, the leopard halts his attack in mid-stride, as a look of terror comes over him, and slinks away into the trees. "Whew," says the leopard. "That was close. That dachshund nearly had me." Meanwhile, a monkey, who had been watching the whole scene from a nearby tree, figures he can put this knowledge to good use and trade it for protection from the leopard. So, off he goes.

But the dachshund saw him heading after the leopard with great speed, and figured that something must be up.

The monkey soon catches up with the leopard, spills the beans and strikes a deal for himself with the leopard. The leopard is furious at being made a fool of and says, "Here monkey, hop on my back and see what's going to happen to that conniving canine." Now the dachshund sees the leopard coming with the monkey on his back, and thinks, "What am I going to do now?" But instead of running, the dog sits down with his back to his attackers, pretending he hasn't seen them yet ... and, just when they get close enough to hear, the dachshund says.....

"Where's that darn monkey? Sent him off half an hour ago to bring me another leopard!"

**"Stress is two forces moving in opposite directions. Sit still."**

... Buddhist proverb

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