

## 1. Management by Objectives and IT projects

### 1.1. What is Management by Objectives?

Back in the 50s, [Peter Drucker](#) coined and popularized the term '[Management By Objectives](#)' (MBO). It's a process by which managers establish objectives and measurements for their staff to give them a structure for what they are trying to achieve.

To this day, it's used by many managers, having stood the test of time as an appropriate way to manage people's activity (separate to managing people as people). It works and keeps people focussed on what they're doing and gives them the ability to measure what they're doing as they're doing it. They can immediately take corrective action to get back on track. This usually means doing more of some activity, less of some activity or some entirely different activity.

This is the clear advantage of MBO: people can engage in activities and receive immediate feedback on whether it is working or not to achieve the required objectives. People's performance can be measured at any frequency that makes sense, such as daily, weekly or monthly.

It obviously depends on a quality manager who takes the time to measure people's performance and provide them constructive feedback. As the saying goes: 'if you can't measure it, you can't manage it'. Without the objectives, people do not know if they're doing the right thing.

### 1.2. Management by Objectives and IT Projects

So what does MBO and IT projects have to do with each other?

Recently, I was fortunate enough to participate in a round table discussion with a group of CIOs whose focus is to identify novel approaches to improve the success of IT projects. The premise of the group is that despite capable people, strong project management methodologies and good technologies, IT still does not have a good track record in delivering projects that work, on time and on budget.

One of the key themes of the discussion was the importance of establishing objectives for the IT project in business terms. The IT project's objectives can include productivity and efficiency, reduced wastage or faster time to respond to changing market conditions.

The premise is that by establishing business objectives for your IT project, it will be more successful because the project can be measured against the objectives. It seems sensible enough, but does it work?

### 1.3. Traditional IT development methods do not support MBO

In order for MBO to be successful, you need measurements within the SMART criteria. That is:

- ◀ Specific
- ◀ Measurable
- ◀ Agreed
- ◀ Realistic, and
- ◀ Time-Specific

So let's say we establish the following goals for our IT project:

- ◀ Improve productivity by 50%
- ◀ Reduce learning time by 90%
- ◀ Reduce wastage by 90%
- ◀ Stop double handling

If you want to apply MBO to your IT project (or in fact any measurement / management technique) you need to identify what you can actually measure.

During your IT project, here are the things you can easily measure:

- ◀ Spend to budget
- ◀ Time taken to deliver various work packages
- ◀ Bugs / code quality

What about the business objectives? What can we measure during the IT project that will determine if the project is going to meet the business objectives set out earlier?

If your project is about infrastructure (such as new server, faster network connections), then the business objectives can be readily measured because you're generally replacing slower infrastructure with faster infrastructure. All things being equal, this should result in faster system performance meaning people don't have to wait for the system to 'catch up' while they're doing their job.

But what if your project is a business productivity application? How can you measure the productivity, efficiency and reduced wastage during application design and development? You cannot.

There is nothing we can measure related to business objectives during the traditional design and development process. Why is that? The only way to measure the business objectives is by having people use the new application to see if it works as intended. Unfortunately you need to wait until it's nearly finished – that is, when you put the user interface on it and people can begin to use it.

Unfortunately, traditional development practices only get to the user interface at the half-way mark, or later, in the software development lifecycle. Therefore, you must spend at least half of your budget before you can tell if you're going to meet your business objectives.

I think you can see the advantage of being able to measure, early on, whether your \$100 million IT project will deliver on its business objectives well before the half way mark.

#### 1.4. Successfully managing your IT projects with MBO

In order to use MBO in your IT project, you must rethink how you approach development. If you want to measure how well your project meets business objectives, then you must design and develop your IT project in a way that creates the right deliverables at the right time. Without the right deliverables, you cannot measure its performance.

In order to measure how well your IT project is meeting business objectives, as you go, you need something to measure. Generally, you need to measure people's performance using the application to see if the transaction time has been reduced and the training time reduced.

You therefore need to design and prototype the user interface first, before you do anything else. Why? The user interface is the only thing people will ever see of your new application. With it, you can precisely determine:

- ◀ How long it takes **people** to perform a transaction
- ◀ How long it takes **people** to learn the new user interface
- ◀ Whether you have reduced wastage in **people's** activities
- ◀ Whether double handling has stopped in **people's** activities.

Organisational performance is clearly related to how well **people** are able to perform their jobs. Their performance, in the aggregate contributes to team and department performance indicators, and ultimately corporate objectives.

You need to measure the performance of people using the application as early as possible in order to ensure that you can take corrective action on the IT project to meet its business objectives.

You can have the best, fastest technology in the world, but if people cannot use it to do their jobs effectively, then it is, in fact, **not** the best technology in the world.

But MBO doesn't stop there. Designing a usable, high performance interface is just one part of the performance equation. There is much to do to reinforce and sustain the performance improvement during and post launch of the new application.

### 1.5. Sustaining performance improvement for the long term

Introducing new technology can be considered a change management intervention. Consider this: imagine sending people on training to develop new skills and they come back to the workplace and nothing has changed or the existing technology solutions 'force' people to do things the 'old' way? What do you think will happen to those new skills?

The same thing occurs the other way around...you redesign the new application, yet the broad organisational environment hasn't changed. For example, people are paid to do one thing (e.g. get lots of sale transactions) vs. asked to do other things (focus on fewer, higher value sales). We've consulted to organisations where there is a gulf between what management wants to do and what people are actually paid (i.e. rewarded) to do. What do you think wins out? Right...what you're paid to do, not what you're told to do.

In this way, MBO helps us define objectives and KPIs, but there's more to sustained performance. People's performance is a function of their own skills and motivation, as well as cultural influences, their manager, reward and recognition systems and the organisational systems (processes and technologies).

Once the objectives and KPIs have been set, you can investigate the organisational environment to identify factors that will positively and negatively influence achievement of the objectives and KPIs. One of the easiest models I've come across to work with is the Six Cell Model. Featured in the book *The Balancing Act: Mastering the competing demands of leadership* (<http://www.amazon.com/Balancing-Act-Mastering-Competing-Leadership/dp/0538861398cv>) (Grenny et al), the six influences on performance are:

	Motivation	Ability
Individual	<p>1</p> <p>Do I like doing the activity?</p>	<p>2</p> <p>Can I do the activity?</p>
Social / team	<p>3</p> <p>How will others respond?</p>	<p>4</p> <p>Will others provide me with the resources I need?</p>
Organisational	<p>5</p> <p>What formal rewards will I receive?</p>	<p>6</p> <p>Do the systems and structures support my efforts?</p>

Section	Description
1	<p><b>Do I intrinsically enjoy the activity itself?</b></p> <p>This is about individual motivation. It is the primary factor in the fundamental attribution error. That is, when trying to explain why people don't do as we expect them to, we are likely to assume 'they don't <i>want</i> to do it'.</p> <p>This is the extent to which an individual enjoys the enactment of a behaviour and the immediate, non-social outcomes resulting from that behaviour. The focus is on the intrinsic satisfaction from either enacting a behaviour (the person enjoys the activity per se) or the immediate outcomes of their efforts (the piece of art, a job well done, etc.).</p>
2	<p><b>Can I do what is required?</b></p> <p>This is about a person's individual ability. It refers to the cognitive and motor skills, knowledge and abilities a person has to perform on a task. Poor performance on a task can be the result of insufficient technical skills, language barriers, poor communication skills, physical disabilities, memory or cognitive capabilities.</p> <p>Therefore, the person may <i>want</i> to do the task, but cannot, for lack of the skills and abilities.</p>
3	<p><b>How will others respond?</b></p> <p>This is about the social motivational influences other people have on us. Often appearing as 'peer pressure' we do things to conform with social norms. If a person is not performing as expected, it may be due to the influence of others. This is the primary location of organisational culture.</p> <p>Sources of influence can be peers, managers, customers and others.</p>
4	<p><b>Will others provide me with the resources I need?</b></p> <p>This is about social ability. Often seen as team support, where others provide us with skills, resources, etc., to perform a task. Tasks often require the support of others for successful completion.</p>
5	<p><b>What formal rewards will I receive?</b></p> <p>This is about organisational motivation. Organisations have the ability to provide motivation through the formal reward structure for specific behaviours, including salary, commission, bonuses etc. Organisations also have policies and procedures for doing certain things. These can have a motivating or demotivating effect on people's performance.</p>
6	<p><b>Do the systems and structures support my efforts?</b></p> <p>This is about organisational ability. This primarily reflects the infrastructure of an organisation, such as technology, tools, resources, environment and communication systems.</p>

The job of the change management team around the introduction of new technology is to ensure the entire system is working to support individual and organisational objectives. In such a context, the MBO approach gives us the KPIs to measure, while the overall change program helps us identify what else needs to change (other than the new technology) to sustain performance over the long term.

Prior to launching the new technology, consider the remuneration system, other related technology systems, the end-to-end workflow and so on. You're bound to find a bunch of interesting phenomena in the workplace when you start poking around.

## 1.6. Conclusion: if you can't measure it, you can't manage it

MBO is critical to define how to measure performance, while techniques such as the Six Cell model, helps identify the range of things that can change to reinforce new behaviours, or remove obstacles. Simply introducing new technology is not sufficient to introduce sustain performance.

## 2. About the Author

Craig is the founder and Managing Director of The Performance Technologies Group (PTG Global), with over 15 years in user experience, user interface design and change management.

Craig runs the R&D function at PTG, having produced a number of world firsts including XPDesign – the first systematic methodology for user interface design and Certified Usable – the first guarantee for usability and user experience.

Craig has been the primary architect behind many of Australia's most popular websites including CBA, Virgin Blue and ASIC and works on cutting edge technologies such as touch, medical and special-purpose applications.

Craig holds a Masters qualification in organisational psychology, is a member of the APS and the APS College of Organisational Psychologists and is a Registered Psychologist in NSW. He is also an Associate of the University of NSW and Macquarie University.



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