



THE ALLEN MANAGEMENT SYSTEM

A system's approach to the management work of Planning, Organising, Leading & Controlling

THE MAIN IDEA

The lack of a unifying management system is one of the biggest challenges facing most organisations today. A **unified system** links management's goals and strategies with its external environment, and aligns its internal organisation to enable execution. Failure to execute within a unified system is a key reason organisations are not re-adjusting to the demands of today.

To compete (or remain relevant as departments within an organisation), management leaders need to:

- Manage from a system's perspective;
- Continuously link real external needs to their organisational goals;
- Assume responsibility for managing beyond the boundaries of their areas of responsibility; and
- Consistently apply the universal functions of planning, organising, leading, and controlling.

THE NEED FOR MANAGEMENT IS TYPICALLY MISUNDERSTOOD

Management is often misunderstood and under appreciated simply as the supervision of other people. Management is much more than supervising others. One of the promises of the new economy was that self- management work teams would replace the need for management. That flatter organisations meant that people would manage themselves and leadership would be everyone's responsibility. Though seductive, this was merely wishful thinking. The need for direct supervision may have disappeared somewhat, but the need for management and leadership hasn't.

The need for management leadership (applied as a system, not a role) is greater today than ever before. As the world economy becomes more global based more and more on knowledge-based industries, work will continue to grow more specialised and complex, not less. Management Leadership will need to play a larger role in organisations, not a smaller one. Management Leader's business is building organisations that work. And, failure to see this simple reality leads to failure.

The symptoms of management failure are numerous but all lead to not being able to produce results. Basically, management leaders fail by not...

- *Adjusting to demands placed on a reduced workforce* — in most cases, management leaders today have to do more with less. This has meant longer workdays, people handling tasks they may not be familiar with, the need to delegate, and the need to prioritise.
- *Responding to investors demand for a quick return on investment* — a wealth of information is available to investors and stockholders today (satellite TV, the internet, newsletters, etc) has resulted in increased scrutiny of organisation performance. Technology that facilitates screening and ranking of stocks on a quantitative basis is available to institutional and private investors alike.
- *Being able to work in a business environment that offers greater competition* — instant communication to any developed area of the world combined with the organisation's continuing need for bottom-line growth continues to shrink the world. Change felt by companies in one part of the world jumps national boundaries with little more effort than a high jumper on a track team. A sneeze in one market causes a flu epidemic in another.
- *Increased importance of technology and the pace of technological change* — mean that fewer people are dealing with more change. This also affects the amount of accelerated learning everyone in the organisation must do. And, product life cycles are shortening. This means workers must cope with more product offerings.
- *An empowered workforce and new demographics means increased competition for the most valued employees* — the skill sets needed by today's knowledge workers are in short supply. This coupled with the increasing sophistication of these jobs means that workers are more empowered than ever before to control their careers.
- *A more sophisticated and informed customer base* — the internet has made it easier to compare prices, products, and customer services. Information has increased the speed with which companies recognise changes in the external environment. Decisions must be made quickly. All of these forces put pressures on organisations to deliver results...rapidly and consistently.

LACK OF MANAGEMENT SYSTEMS PREVENT CHANGE

In many organisations, management systems are not in place that assure its strategies are inline with its external customers' (or for internal departments, their external stakeholders) needs. And, many organisations do not have the management discipline to execute strategies in a unified manner.

In order to manage effectively, executives and management leaders must be better aligned and have the skills necessary to meet the market's increasing demand for speed. All of these reasons can be traced to the inability to focus on the needs of the external environment, the inability to chart a course that would help meet these needs, and the inability to execute that course.

Organisations are being held to new standards by their investors, customers, and employees as they need to produce the results each of these stakeholders want. Yet most organisations are not set-up effectively... **they do not have the management systems**... to move quickly enough to satisfy those, often diverging, demands.

Most management leaders recognise the need to move their organisations faster. Yet most find them:

- Implementing the mandate from the last annual/board meeting.
- Working without a clear idea of how to support the company's strategy.
- Unclear about just how the environment has changed; or what they need to do as a result of this change.

- Not taking into account key stakeholders when making decisions - - or worse, not making decisions at all.
- Not building commitment to the organisation's purpose... *assuming there is a purpose.*
- Sticking with an out-of-date structure — even though there are clear signals it's not in sync with its environment and achieving the results.

THE NEED FOR A UNIFYING STRUCTURE

There is **a need for a unifying structure of management leadership** that provides a system that enables disciplined management leadership. This unifying structure is made up of management leadership principles, functions, and activities of an effective management system. This is the basis for the Louis Allen Management System. These fundamentals include having plans linked to real external needs, meaningful metrics that measure both purpose and progress and enable employees to “sign- up”, four-way communication, employees are selected and developed with critical goals in mind, and plans that are coordinated across department boundaries.

Surrounded as we are in this whirlpool of change, there has never been a greater need for management leadership discipline. There have been powerful advances in management and leadership theory including quality, systems thinking, information engineering, reengineering, performance competencies, inspirational, transformational and the learning organisation. All good and all adding value, these advances do not have the breadth necessary to act as a unifying structure or a context for the management leader to implement their ideas. Applying reengineering without the full context of a management leadership system is a little like applying a breakthrough in heart surgery to without a full understanding of the complex workings of the human body.

What is missing is the context. We need a unifying structure that examines critically the logic on which management leadership is based. These are **the fundamentals of management leadership** and the universal principles, functions, and activities of an effective management leadership system.

The fundamentals of management leadership are real. Many management leaders use them, perhaps intuitively, when they work with other people in any kind of enterprise -- from chairing a local charity organisation to leading a work team to building a complex industrial organisation. Just as an individual learns the basics of golf or engineering and then refines them over time, so he or she can also master the fundamentals of management leadership to apply them in any situation.

What are the fundamentals necessary for management leadership success? In short, management leaders must...

- Believe in and follow a few select principles that, when implemented, truly add value to their organisation.
- Assure all actions add value by producing real results which in turn, are linked with identifiable needs; these needs should be identified in concrete fashion and should be external to the management leader's area of responsibility.
- Communicate effectively, not merely two-way, but what Louis Allen calls five-way communication.
- Develop plans that include metrics or measures that reflect desired outcomes; assuring that these plans and measures are aligned and communicated throughout the organisation.
- Assure that these measures or metrics exists to serve both as a guide and to build alignment and commitment throughout the organisation.
- Assure that people at all levels of the organisation have the skills necessary to solve the problems that prevent them from serving their customers.
- See to it that plans are coordinated across internal organisational boundaries; that employees at all levels are aware of the value chain, their place in it, and how they contribute to its success.
- Assure that people are skilled at developing and measuring the metrics they need to do their jobs.
- Inspire, encourage and impel people to take required action.

MANAGEMENT AS A SYSTEM

A system is an entity with two or more parts and no part has an independent effect on the whole. And, all parts affect the whole. As a result of the interrelationship of its parts, the whole system is greater than the sum of these parts.

A system also interacts with its environment by obtaining inputs from the environment, transforming these inputs to outputs, and delivering the outputs to the environment. Thus, for any system, we can identify inputs, a transformation process, and outputs.

Management leadership is a system because management leaders take input (information, money, resources, time, material) and transform that input into output (product, service, profits, etc.).

This is the way we, at Louis Allen, think about management leadership. Since all activities a management leader performs are *interdependent*, management leadership cannot be understood or mastered by looking at each activity separately (the way most training programs approach management). Each part of a system must be analysed in *relationship* to the other parts. It is the fit of the parts that makes the system effective.

Example: changing how people are rewarded may change training activities, selection processes, decision-making and communication activities.

MANAGEMENT LEADERSHIP PRINCIPLES

Management leaders who use management leadership principles as part of their repertoire tend to be more effective, especially when working in ambiguous situations. Knowing and following a few key principles helps prevent them from “reinventing the wheel”, increases chances of success and reduces stress.

At Louis Allen, we believe it's important to manage and lead with principles in mind. When confronted with a new problem, principles can provide guidance and help the management leader avoid “reinventing the wheel”. We define principles as **fundamental truths that identify a universal cause-and-effect relationship**. Principles help managers profit from the experience of other managers and thus bypass trial-and-error approaches.

At first blush, management leadership principles appear disarmingly simple. This is their strength. They are in fact *profoundly* simple. (Simple and easy should not be confused.) Case in point: the principle of *the critical few* is understood by management leaders who have been exposed to the numerous quality training programs. It states that in most situations, a small number of causes will have the greatest impact on results. Some may know this as the 80/20 rule or *Pareto's principle*. Armed with (and practicing) this principle, management leaders can leverage productivity, improve efficiency and achieve better results. However, without awareness of this principle, a management leader might experiment for years before incorporating this way of working smarter into their repertoire of successful management behaviours.

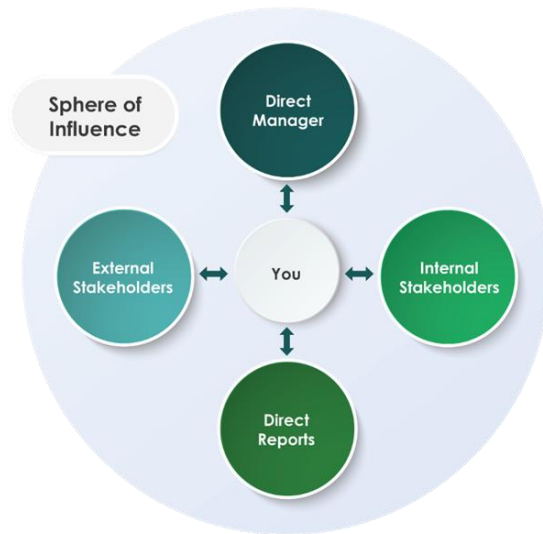
FIVE-WAY MANAGEMENT

Besides managing down, management leaders need to assume responsibility for managing up, and side-ways. . . and themselves. Effective management leaders have wide networks.

Management leaders need to see themselves as connecting links with their managers, direct reports, and peers. **Management leaders with strong networks tend to be most effective**. These networks help achieve and shape management goals and execution. Without a good network, management leaders tend to be in the dark as to the needs of their external constituents.

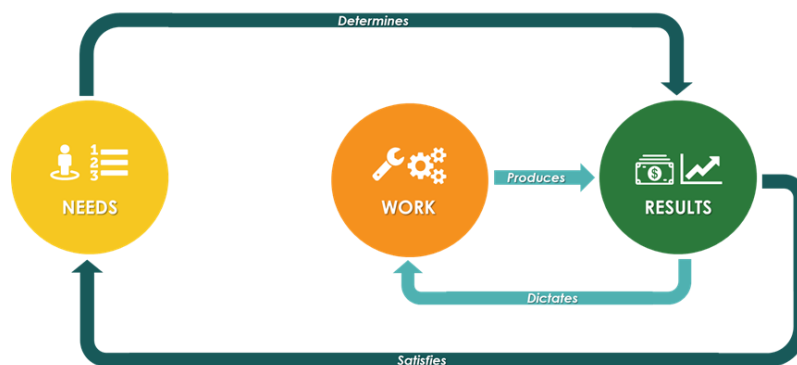
In the graphic, note that the centre is reserved for the management leader. Managing oneself requires the same discipline as managing direct reports. Management leaders set their own plans and measures, organise their own work, and supply their own motivation. How they manage themselves is a good indication of how they will manage and lead others.

Management leaders are quick to understand their responsibility for managing their direct reports. Less well understood is their responsibility to manage their manager, their internal or external suppliers, and internal or external customers. This is a responsibility without necessarily the authority to demand results. Yet, when management leaders operate without a sense of shared responsibility, they act out of their own interest. The result is often over optimising their area of responsibility at the expense of the larger organisation.



NEEDS, RESULTS, AND WORK

A simple management system is the relationship between needs (input), work or activities (through put) and results (output); based on a critical principle of management that **needs tend to be satisfied by results, which are the outcome of work**. This principle, when properly applied, keeps managers in tune with the external environment and assures they are executing plans that will meet real and focused needs



Needs should determine the result in any management leadership task. This means before thinking about results, management leaders should have an understanding of the needs that are important to satisfy. This helps prevent working problem, goal or initiative. (Ever see a management leader do the wrong thing really well?) Results then dictate the work. Work is the activities, efforts, or actions that an individual, department, or organisation undertakes. Undertaking these actions will, if they are the correct ones, produce the desired results which will satisfy the original needs.

Most management leaders focus on work (refer again to the Needs, Work, and Results graphic) and pay too little attention to results and even less attention to the original needs. Here's what happens when they do:

- Though there is too much to do, they achieve little
- Bureaucracy sets in (work or activity without meaningful results attached)
- Little sense of what is really needed by internal or external customers
- Work (really hard) on the wrong things
- Little sense of commitment by employees (who don't understand/know or don't buy into the results they are supposed to be trying to achieve)

An Example:

Recently, we worked with an organisation that needed to reduce its new product development cycle time. (This is the need.) After looking at the problem, they realised there was little cooperation between departments. The goal (or result) was to improve teamwork so that these cross-functional

teams would “own” the new product development process from start to finish. The teams worked with both suppliers and customers, so the work was to empower them to make decisions regarding process development, specifications, and quality standards. This team approach extended through all four development stages; pre-design initiation, design initiation, prototype deliver and testing, and preproduction certification. Cooperation across teams (the desired result) resulted in substantial reduction in cycle times (the need).

UNIVERSAL MANAGEMENT LEADERSHIP FUNCTIONS & ACTIVITIES

The Louis Allen Wheel was first developed by Louis A. Allen. He was commissioned by the Conference Board to identify the skills effective management leaders possess and to answer the question, “what sets the few truly effective managers apart from the rest...?”

He found effective management leaders efforts could be classified into four universal management functions: **Planning, Organising, Leading, and Controlling**.

The inner most portion of the circle are the resources management leaders typically work with. From a systems perspective, think of these as inputs. Management leaders do something with these. Next are the four functions: planning, organising, leading, and controlling. Each function then has several activities associated with it.



The Allen Management Work Wheel™

Planning

Plans need to be linked to external needs and define value.

The real output of planning is not a strategy, or mission. It is having insight about the direction of the organisation and what it needs to do to get there. Properly done, planning leads to powerful and practical insights about the organisation.

During planning, the organisation has the opportunity to define value. Value comes from many sources, but always external to the organisation itself (Refer back to the Needs, Results and Work graphic.) Understanding the needs of stakeholder external to the organisation is a tenet of the Allen system.

Most management leaders would agree, at least after giving the question some thought, that satisfying customers is the primary purpose of every business. While the idea of satisfying customers began with the organisation of marketing departments and customer surveys, it expanded to include the quality of products and services and now involves improving all the operations of a business. We no longer define customers as just those that are served by the organisation as a whole. To foster a strong relationship with the end-user, customer means that units/departments within the organisation need to meet their internal customer's needs as well. This promotes a customer-oriented approach throughout the organisation.

Organising

Organising, how management leader structure the organisation and the work, are critical to successful execution of their plans.

Plans are the living blueprint for execution. Execution is synonymous with work in the NRW model. Blueprints are nothing more than designs laid out on paper until they are executed. Execution requires both judgment and discipline. A key component of execution is organising...how the organisation arranges itself and its work to implement its plans.

A common management leadership wish is to draw the lines on the organisation chart once and for all. Unfortunately, drawing the lines is an ongoing struggle of relevancy. More than anything else, where the lines are drawn depends on what the organisation is trying to accomplish. Organisation lines should be drawn to reinforce how the organisation is trying to be better or different.

Organising is also about who does the work and how accountability is created in the organisation.

A consistent problem in today's organisations is management leaders doing too much of the technical work and not delegating enough.

Leading

Execution also requires leadership which includes selecting and developing the right people, assuring decisions are made in a way that builds commitment, and building an environment of open communication and motivation.

Organisations are economic machines and they are also social systems. Unlike machines, which do what they are told, day in and day out, people tend to withhold their best efforts when they feel unappreciated. The same is true when they know they don't have the right information or the right training to do their job properly. Unlike machines, they tend to want to be involved in the decisions that directly impact their ability to perform their work.

Management leaders today often confuse authority and control. Having the authority to reward or punish is not the same thing as being able to control another's performance. Because management leadership creates performance through others, its imperative to have the willing cooperation of those whose performance is critical to execution.

To be engaged, employees need to know the mission, how they can accomplish their part of that mission, believe that what they do is important, have a sense of pride in their organisations, and believe they are justly rewarded for their efforts. Just as there is a direct correlation between customer satisfaction and financial growth, there is a direct correlation between leadership effectiveness as well as between engaged employees and customer satisfaction.

To have an organisation of committed employees requires that employees:

- Know what is expected (mission, vision, objectives, and measures).
- Understand that all efforts must start with a well-defined endpoint.
- Be willing to self-manage.
- Work in a structure that is aligned with the organisation's purpose.
- Understand how they and their unit fit into the larger organisation.
- Know how they and their unit are performing against specific objectives.
- Feel rewarded and appreciated for their efforts.
- Have the measures necessary to self-correct when necessary.
- Know how to make decisions that end in outcomes that are good for the organisation and for them.

Controlling

Control is about focus on measures...not controlling people. Effective measures do not exist in most organisations. Without measures, alignment is difficult, if not impossible.

Effective management leadership is about focus. The one management leadership discipline, perhaps more than any other, that keeps employees focused and pulling in the same direction, is to make the organisation's purpose tangible. This is done best when management leaders translate their organisation's purpose into a set mission (part of the planning function) and performance measures that make success concrete for everyone. This is important for every department in the organisation. Not just the organisation itself

Without measures, what Louis Allen calls standards, there is no way to measure performance. Measures help the department chart their progress as they work to achieve their mission. Good measures help organisations or departments find their way. They also serve as a beacon, a lighthouse that signals the need for course corrections or adjustments in speed. Without agreed upon, practical measurements, organisations have to rely solely on the discretion, talent, and wisdom of management to make these corrections. And, even if these corrections are accurate, employees resent being told what to do, when they inherently know, that given the same data, they could make the same, if not better decisions.

CONCLUSION

Unlike technical work, management work does not follow any predetermined sequence. Tasks are the groupings of activities necessary to execute a change. To accomplish each task, effective management leaders will draw on appropriate activities as needed.

Effective organisations have a unified management system and skilful management leaders. Without this they would not be able to manage their sustained growth, continuously justify their customer's loyalty, or have committed and engaged employees who are productive, efficient and effective.

BETTER MANAGEMENT LEADERS = BETTER RESULTS

Ask us how we can help your organisation!