

Organisational Myths – Volume 1

Challenging received wisdom

Adrian Faiers



ADRIAN FAIERS

**ORGANISATIONAL
MYTHS – VOLUME 1**
CHALLENGING
RECEIVED WISDOM

Organisational Myths – Volume 1
Challenging received wisdom
1st edition
© 2018 Adrian Faiers & bookboon.com
ISBN 978-87-403-1960-6

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Tackling establishment dogma

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THANK YOU TO:

- *Mary, Maddie and Sam for putting up with a reduced service during the writing of this book;*
- *Kate Raworth for quickly responding to the request for a copy of the diagram included under Myth No. 23 in Volume 2;*
- *@paul1kirby whose inspiring tweets provided links to many of the articles quoted in this book;*
- *Various [Facebook](#) friends, including the author, [Michael White](#), for help and advice while I was proof reading.*

Adrian Faiers, 30 June 2017

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**I APPETISER:
INCLUDING AN AMUSE
BOUCHE MYTH**

1 INTRODUCTION AND MYTH NO. 1

Before reading this volume, make sure you have scored each of the 'myths' listed in the contents section above on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answers.

Received wisdom`

Whilst much of the inspiration for this book draws on articles published in [Harvard Business Review](#) between 1 November 2016 and 30 June 2017, the framework was written in 2007 when the author was changing jobs from the voluntary sector to the statutory sector, the UK's National Health Service ([NHS](#)). He noticed that there was a catalogue of 'received wisdom' which he had encountered not only in the voluntary and statutory sectors, but also in the private sector:

- if you pay peanuts you get monkeys;
- the more you plan the better the service;
- it is essential to roll out best practice;
- qualifications are vital for an effective workforce;
- detailed auditing is essential for effective financial control
- and so on.

But the author was not so sure. Consider the first piece of received wisdom below.

MYTH NO. 1: DETAILED AUDITING IS ESSENTIAL FOR EFFECTIVE FINANCIAL CONTROL

Case study: The European Social Fund (ESF)

In a voluntary sector role, the author managed a project in the East of England funded by the European Union's (EU's) European Social Fund (ESF).

The ESF in the East of England was administered by Government Office East of England (GO East). It was distributed via co-financing partners such as the Learning and Skills Council (LSC). Organisations in receipt of such funding were liable to separate audits from the ESF, from GO East and from their particular co-financing organisation – three layers of auditing in addition to their own internal auditing.

Far exceeding its value

Moreover, the ESF audit evolved into an exercise no longer designed to check whether or not resources had been spent efficiently and effectively on providing the services for which they had been granted. The audits were designed to discover whether or not particular pieces of signed, predetermined evidence existed in the right format. If a client's 50p bus fare was part of an expense claim, ESF auditors required the ticket to be photocopied several times, far exceeding its value. A client on one ESF funded programme was deemed not even to have received a service, because one of the papers in his file was not in date order.

Other way round

One project had to stop delivering its service to clients for a whole week to meet one of the auditing organisation's demands. A manager within another project said: 'When I joined the organisation I spent 80% of my time on client work and 20% on administration. Now it's the other way round.'

This may be an extreme example. There is a difference between essential detail and unnecessary bureaucratic detail. Few would deny that some auditing is essential.

So, what about audits in the form of the [Bank of England stress test](#) designed to ensure that banks and other financial organisations are sound? Surely a good thing?

Not everybody thinks so.

Bank stress tests

In her 30 November 2016 [piece](#) for [City A.M.](#), Hayley Kirton reported on a growing view that a new model for bank stress tests was needed. By January 2017, [Sir John Vickers](#), who had been appointed to make sure that banks were safer, was [confirming](#) the view that the stress test was not tough enough.

This could sensibly be interpreted as arguing that this particular kind of extreme audit needs to be even more detailed. However, it also implies that previous stress test audits, with all the resources they required, were limited in value. (Perhaps the resources would have been better spent on a different type of audit entirely, such as a social audit. See also the special call for evidence in the final chapter of Volume 2.)

In addition, just as [ESF](#) funding was audited at multiple levels, so stress tests are conducted at more than one level. As well as the Bank of England stress test, there is also an [EU stress test](#). Such stress tests are conducted all round [the world](#).

And stress tests did not prevent the 2008 banking crisis.

Perhaps this is because they were not detailed enough. Perhaps it is because they never will be, thus suggesting resources could be better spent. There are many reasons why such extreme auditing might fail, some of which were [listed](#) by [Professor Kevin Dowd](#) in the autumn 2015 edition of the [Cato Journal](#).

Discredited models

Amongst many other criticisms (with many examples of failure) [Dowd](#) attributes the failure of financial institution stress tests to:

- their dependence on discredited models of financial risk;
- their reliance on a single scenario, against all good practice and common sense;
- their tendency to rely on unstressful stress scenarios and very low pass marks;
- their intrinsic lack of credibility resulting from regulatory capture, central banks' own dismal forecasting records and the politics that underlie and fatally undermine regulatory stress exercises;
- their reliance on 'approved' models and risk management practices that increase systemic risk – and do so in a way that the models themselves cannot see.

The author also says that when researching another paper, [Math Gone Mad](#), he interviewed senior managers at a major US bank who told him that much of its normal bank activity had to stop to service models demanded by the US Federal Reserve ([the Fed](#)) and which it did not need. (Compare this with the [ESF](#) case quoted above.)

Not only did this take resources away from business activities and service provision, it also meant that the bank's own modelling was warped by [the Fed's](#) unchallengeable and unreliable models (in order to achieve compliance and avoid failing the tests). This, in turn, meant that the whole US banking system was exposed to any systemic risk inherent in [the Fed's](#) universally imposed models.

New model versus shake up

The idea of inadequate models will be one of the repeating themes throughout this book. Much management theory, it will be implied, is little more than the art of describing existing practice in a new way and hoping it becomes flavour of the month. Admittedly, there is some value in this. Seeing things in a new light can help. Reorganisation can help. The mistake is thinking that it is the new model that is making the difference. More often than not it is simply the shake-up – the power of disruption.

Disruption

And disruption in the guise of disruptive innovation is simply a current, if long serving, flavour of the month (as at June 2017). Alternatives were already being suggested as this book was being written. In his 4 May 2017 [Harvard Business Review interview](#), Wharton Professor, [David Robertson](#), advocates a low risk, high reward approach to innovation, citing examples of [LEGO](#), [GoPro](#), [Victoria's Secret](#), [USAA](#), and [CarMax](#).

And in a 21 June 2017 [Harvard Business Review article](#), business consultant and author of the book, [Mapping Innovation](#), [Greg Satell](#), sees disruptive innovation as just one of four types of innovation: breakthrough innovation, sustaining innovation, basic research and disruptive innovation, each relevant to particular circumstances which he goes on to describe. He also expresses the persuasive opinions that every innovation strategy eventually fails and that there is no one true path to innovation.

Common sense suggests that all these types of innovation have always taken place and will always take place. All that changes is the way in which business gurus retrospectively describe them.

Reasonable check and balance

However, returning to this chapter's main theme of excessive auditing, the [ESF](#) example is clearly an extreme and the bank stress test may seem a little remote. Nevertheless, few managers will have escaped at least the occasional feeling that excessive auditing (and, more generally, excessive reporting, as discussed under Myth No. 18 in Volume 2) can sometimes be an impediment to effective service delivery rather than the reasonable check and balance it should be. Some suggested reasons for this will be discussed in more detail over the Main Course in Section 1 of Volume 2.

How would you now score the statement at the start of this section on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answer.

If there has been a change in your score after reading this chapter, what actions will you take to reflect your change in perception?

Record your answer and diarise a date to review.

Calls for evidence (and comments)

At various points in this book, the 'call for evidence' request will appear. For the next edition of this e-book the author keenly seeks comments, case studies, academic studies, systematic reviews and other evidence either supporting or challenging any of the arguments presented here. Recommended solutions are also welcomed. Please send any submission (together with a brief explanation of its relevance) to: info@skilldoctors.org.uk

**II STARTER:
A SELECTION OF A DOZEN
FLASH FRIED TASTER MYTHS**

2 MYTHS NOS. 2-13

Before reading this chapter, make sure you have scored myths 2-13 (see contents) on a scale of 0-10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answers.

MYTH NO. 2: POST CODE LOTTERIES ARE A BAD THING

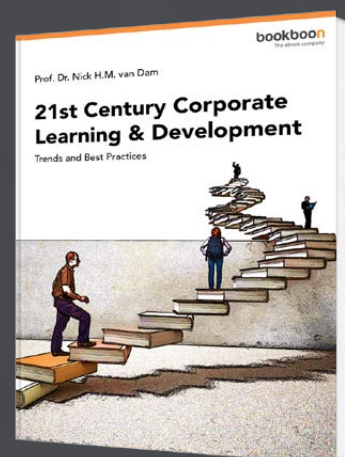
Much fuss was made in the UK in the 'noughties' because certain cancer treatments were available via the [NHS](#) in some geographical areas, but not in others. Whether or not an individual could access a treatment depended on their post code and there were calls to end the, so-called, post code lottery.

The implication was that if there had been no post code lottery, everybody would have had access to the treatment. However, without a post code lottery it might equally have been true that nobody would have had access to the treatment.

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Local needs assessment

Indeed, there are advantages to a post code lottery such as:

- enabling products and services to take account of local variations;
- enabling local pilots.

All other factors being equal, if one post code area has high incidences of heart disease and low incidences of breast cancer and another has low incidences of heart disease and high incidences of breast cancer, there would be little justification for having the same resources made available for the prevention and treatment of each disease in both areas. When the author commissioned mental health services for a region in the East of England, the starting point was a local needs assessment.

However, cancer is an emotional subject. The pressure on the government to do something about the, so-called, post code lottery for cancer drugs was immense and the government gave way. They gave way in a manner which turned out to be disastrous.

Case study: the Cancer Drugs Fund (CDF)

In response to immense pressure to make cancer drugs (including new and 'promising', but untested drugs) more widely and more evenly available, the UK's [Conservative](#) government set up the Cancer Drugs Fund ([CDF](#)). This fund enabled patients to access cancer drugs which had not been given general approval by the National Institute for Health and Care Excellence ([NICE](#)). This is the [NHS](#) body responsible for deciding, based on evidence and cost benefit analysis, which drugs are nationally available for prescription by the [NHS](#).

The [CDF](#) launched in April 2011 and a [new version](#) of the fund came into operation in July 2016. It was accessible irrespective of post code (geographical location).

When accessed on 28 April 2017, the [CDF](#) website described the then current version of the fund as:

- providing patients with faster access to the most promising new cancer treatments;
- helping to ensure more value for money for taxpayers;
- offering pharmaceutical companies (who price their products responsibly) a new fast-track route to [NHS](#) funding.

However, a [report](#) published in the [Annals of Oncology](#) in April 2017 concluded that the £1.27bn spent on the fund had ‘failed to deliver meaningful value to patients and society’. Nearly 100,000 patients received drugs under the scheme, but the researchers found that only one in five of those treatments was of benefit, according to criteria defined by the European Society for Medical Oncology ([ESMO](#)).

According to [coverage](#) of the report by the [BBC](#), the same amount of money could alternatively have funded anything from 10,000 nurses to 2,500 hospital consultants.

Whilst the reasons for the [CDF](#)’s failure were many, simply overriding the post code lottery turned out to spread the lack of effectiveness occurring in those post codes where ineffective, but popular, prescribing was the practice. In short, overriding the post code lottery spread bad practice, not good practice.

MYTH NO. 3: ROBOTS AND ARTIFICIAL INTELLIGENCE WILL STEAL ALL OUR JOBS

In his 25 July 2016 blog, [John Hauer](#), CEO of [Get3DSmart.com](#), [describes](#) how, having been challenged to think of any job that was resistant to automation, he at first thought of many, but then back pedalled. Whilst it may be difficult to understand why he removed athletes from his original list of doctors, lawyers, artists and athletes, he is not the only person to believe that, as jobs are increasingly systematised (see also Myth No. 4), there is increasing risk, if risk is the word, of automation.

Shift to systematization

In their 16 October [Harvard Business Review](#) article, [Oxford](#) academics, [Richard](#) and [Daniel Susskind](#) challenge the idea that, although automation may replace routine work, ‘human experts will always be needed for the tricky stuff that calls for judgment, creativity, and empathy’.

In the world of medicine they cite by way of example the fact that ‘there are more monthly visits to the [WebMD](#) network, a collection of health websites, than to all the doctors in the United States’.

They go on to say, ‘Increasingly, doctors are using checklists, lawyers rely on precedents, and consultants work with methodologies.’

‘More recently,’ they say, ‘there has been a shift to systematization, the use of technology to automate and sometimes transform the way that professional work is done – from workflow systems through to AI-based problem-solving. More fundamentally, once professional knowledge and expertise is systematized, it will then be made available online....’

However, not everybody agrees with the scale to which such predictions extend. International business consultants, [PwC](#), [believe](#) higher level jobs are relatively immune. And one world renowned surgeon, [Ara Darzi](#), [argues](#) that robots don't challenge surgeons like him; they challenge dogmatic practice. Moreover, at least one [2016 study](#) by [Hannah L. Semigran](#) et. al. suggests that there may be some way to go, for example, before automated diagnosis is always better than that carried out by humans. The study of 234 physicians found that over a range of situations they listed the correct diagnosis first more often than automated 'symptom checkers' (74.1% compared with 34.0%).

A somewhat different angle on the limitations is presented by [Dr Siddhartha Mukherjee](#) in his 3 April 2017 [New Yorker](#) article, [A.I. versus M.D.](#)

Black box technology

In his article, [Mukherjee](#) describes how artificial neural networks can learn how to recognise skin cancers just as a child learns to recognise a dog – by seeing, being told what is and what is not a dog and refining the recognition process. The first artificial neural network was better than two expert dermatologists at recognition, 72% vs. 66%, and more specific. But this, so-called, black box technology does not enable the expert to understand how it is coming to its conclusions.

Moreover, [Mukherjee](#) asks if there is a danger that reliance on machines like this would make experts less vigilant, just as a child relying on spell check might not learn to spell. He also points out that black boxes do not ask, 'Why has this symptom appeared?' They therefore offer no route to prevention.

Crypto-anarchists

He cites the example of human diagnosticians asking why some melanomas regress spontaneously and why patches of white skin appear in some of those cases. In an attempt to answer those questions, researchers found that the whitening skin was the result of an immune reaction that was also turning against the melanoma. The original observation eventually led to the creation of some of the most potent immunological medicines used today. Algorithmic, black box technology would not even have told us how it was making the diagnosis. Loss of control can lead to many other consequential losses.

In other fields, [Crypto-anarchists](#) take the potential loss of control to another level entirely.

One thing is not in dispute: the size of the issue. In the [Washington Post's Wonkblog](#), Jeff Guo [reported](#) that industrial robots alone had eliminated up to 670,000 American jobs between 1990 and 2007, according to new [research](#) from the Massachusetts Institute of Technology's (MIT's) [Daron Acemoglu](#) and [Boston University's Pascual Restrepo](#).

Complement

However, it is pointed out that 41 percent of Americans were farmers a century ago, but as a result of increased mechanisation only 2 percent work in agriculture today while overall job numbers have greatly increased. According to Claire Cain Miller, [writing](#) in the [New York Times](#) about the same research, many, including [David Autor](#) of [MIT](#), [argue](#) that that machines will complement rather than replace humans and cannot replicate human traits like common sense and empathy.

Job losses

Nevertheless, again according to Miller, the [Acemoglu](#) and [Restrepo](#) research observed very little employment increase in other occupations to offset the job losses in manufacturing resulting from the modern wave of automation, especially amongst blue collar workers. According to Guo, the researchers say that every industrial robot eliminated about three manufacturing positions plus three more jobs from around town.

Even so, given the long history of increasing automation, it is hard to believe that this particular kind of automation is so vastly different that, for the first time, overall job numbers will start to decline. It is simply the way in which job numbers will continue to increase that is unknown at this stage. Having said that, in March 2017 three senior executives at the global professional services company, [Accenture](#), were already [suggesting](#) that three types of job which would actually be created by AI were: training, explaining and sustaining.

MYTH NO. 4: ORGANISATIONS (AND CUSTOMERS) BENEFIT BY SHARING AND IMPLEMENTING BEST PRACTICE

There is another more obscure aspect of the above discussion. If it is increasingly possible to so systematise jobs that people can be replaced by machines, is this evidence that best practice (represented by systems) is more important than best people?

Lives had been saved

In his second 2014 [Reith Lecture](#) on the [future of medicine](#), [Dr Atul Guwande](#) described a project for the World Health Organisation (WHO) designed to reduce deaths in surgery. A checklist (of surgical best practice) was developed which was tested in eight hospitals around the world and found to markedly improve outcomes.

After testing the checklist in eight cities around the world, researchers found that in every hospital complications fell by an average of 35 per cent and deaths by 47 per cent. When implemented and taught at the frontline in Scotland, it was demonstrated that 9,000 lives had been saved over 4 years. The checklist has been rolled out internationally.

In his lecture [Dr Guwande](#) went on to say it was not just a tick box exercise, 'a piece of paper you handed out'. He explained that the hardest part was to 'spread a culture with the humility to recognise that even the most experienced people, even the most expert, can fail'.

It seems like a cut and dry case. It would be irresponsible to deviate from the checklist of best practice.

Constrained

However, there is at least an acknowledgement that underlying culture must change in order for best practice to be transferrable. Perhaps there are other human and situational factors preventing the model from being 100 per cent transferrable. And what room does rigid adherence to the checklist leave for improving on the 35 per cent and the 47 per cent? Moreover, what if the surgeons who developed the model of best practice had themselves been constrained by pre-existing models of best practice?

There is, as implied at the start of this section, another potential consequence of developing surgical best practice. If practice is more important than person, then, potentially, surgeons could eventually be replaced by robots, as discussed under Myth No. 3. Indeed, again as previously debated, some go further than that, suggesting that technology will eventually replace not only surgeons, but also many other doctors, as well as lawyers and other professionals, alongside the more mechanical jobs which history already shows as being susceptible to automation.

Limits

But does automation really prove that best practice is more important than best people? The example discussed under Myth No. 3 of human diagnosticians being able to find cures when process based machines can only diagnose, is one example of the limits of best practice even when the systematic component of the process may be carried out more effectively by a machine.

Painting by numbers

Counterintuitively, it could also be argued that the case for increased automation is an argument against reliance on best practice. Not only are best people more important than best practice, but when machines, or robots, turn out to be better than people at a particular task, they, too, are more important than the, so-called, best practice they are implementing. The system is important, but not as important as finding the best agent for its execution.

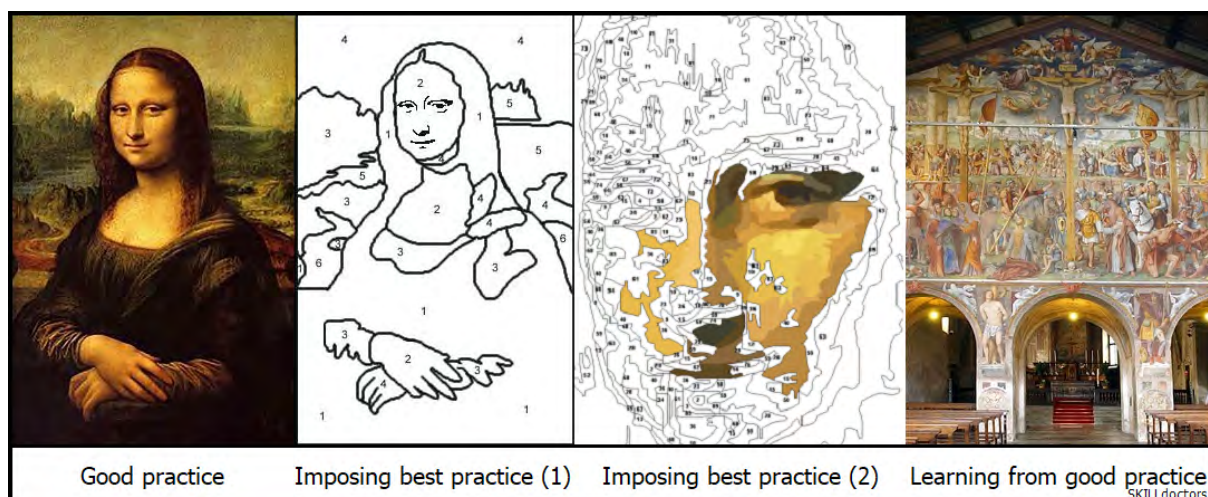


Figure 4.1. Imposing best practice. The fourth example is the Passion and Crucifixion fresco at Santa Maria degli Angeli in Lugano, painted by Bernardino Luini who is [said](#) to have taken 'as much from Leonardo as his native roots enabled him to comprehend'.

Often the success of a project depends more on the charisma of the person driving it than it does on the actual practice. Descriptions of best practice can be like recipes: a source of ideas and inspiration for the creative, but a set of risk reducing, but limiting, instructions when followed rigidly and potentially inadequately by those who lack creativity.

The sharing of best practice, it could be argued, needs to be managed carefully by creative managers to ensure that applicable lessons are learned without adopting those parts of the

practice which would not transfer. Otherwise, to choose another comparison, imposing best practice becomes like trying to recreate a great master using painting by numbers.

Stop reading lists

The case was elegantly made by [Emre Soyer](#) and [Robin M. Hogarth](#) in their 13 March 2017 article in the [Harvard Business Review](#), [Stop reading lists of what successful people do](#). Apart from casting doubt on the actual content of lists, for example pointing out that most of the suggested best practice is based on anecdotal evidence at best, it also argues that even those [lists](#) that do draw on research are not automatically transferrable, not least because academic research is often very context specific.

Grit

The authors consider the example of grit as a precursor of success and state that 'while psychologist [Angela Duckworth's](#) [research](#) and [TED talk](#) on the subject are compelling, a recent [meta-analysis](#) of the effectiveness of the trait casts doubt on its extensive benefits, doubt which they claim is not undermined by [Duckworth's](#) [response](#). They go on to argue that, as is often the case with complex problems, the solutions and their applications are more nuanced than the advice in the lists and that they depend heavily on context and circumstances. It could also be contended that part of the context is the person attempting to apply the principles in the lists.

Indeed, one of the criticisms from the meta-analysis is that the impact of grit is exaggerated because [Duckworth's](#) original studies looked at the relationship between achievement and grit only amongst high achievers, not within the broader population. As [Soyer](#) and [Hogarth](#) state, 'Analyses based on the successful alone ignore the possibility that many people apply the same strategies but fail.'

Best people not only have the skills and abilities to make, so-called, best practice work, they also push boundaries, break rules and continually create new practice.

For example, in a 7 Nov 2016 [interview](#) with the [BBC](#), [Jose Neves](#), the founder of the \$1.5bn fashion business, [Farfetch](#), said, 'I knew I wasn't the greatest shoe designer in the world, or the best programmer, but very few people have knowledge of both areas.'

What if [Neves](#) had been constrained by certain pre-existing business models (best practice) which said you had to be expert in one field? Moreover, does his formula for best practice mean that anybody could repeat his success by repeating his model? It seems more likely that best people would take ideas and inspiration from his formula to create a new formula which matched their own skills.

Case study: Google

But who could argue with the example of best practice identified as part of Google's Project Oxygen approach, as [described](#) by [David Garvin](#) in the December 2013 edition of [Harvard Business Review](#)? As part of that approach, one example of best practice rolled out by Google was: 'Assign stretch assignments to empower the team to tackle big problems.'

Is there any setting in which such practice would not bring benefits, regardless of the quality of the person or people implementing it? Perhaps there is. Imagine, for example, an incompetent manager stretching his or her team beyond their capability. Nevertheless, it could be argued that this is not a failing of the idea; it is a failing in its application. But therein again lies perhaps the main problem with the very concept of best practice: the danger, in the wrong hands, of inflexibility.

Rigid process

Hence, there is a bedfellow of the best practice dogma which emphasises its dangers: the repeating theme of rigid process. And the hazards of rigid process were clearly illustrated by an [incident](#) involving [United Airlines](#) on Sunday 9 April 2017 when Dr David Dao lost two front teeth and suffered a broken nose as he was forcibly removed from one of their flights because, at the last minute, the airline wanted his seat for one of their members of staff.

Having asked for volunteers without success, they rigidly followed their (best practice) process and chose Dr Dao at random before calling security to have him dragged down the aisle of the aircraft after he refused to leave – he had explained that he needed to get home to see his patients. [Professor John Deighton](#) used the incident to call for more freedom for employees to use good judgement.

Case study: [United Airlines](#)

In a 14 April 2017 [article](#) in [Harvard Business Review](#) Professor John Deighton argued that the [United Airlines](#) incident failed 'to take into account the power of social media to punish companies whose employees go against their instincts as decent people because they felt bound to follow orders'.

He also addresses the human vs. computer question raised here and under Myth No. 3.

Human judgement

Deighton points out that today's customer service systems are implemented with the help of computer technology intended to give workers better parameters for their decision making and actions. He suggests that when an airline like United chooses to invoke its power to deny boarding to some passengers, it probably runs an algorithm to select those people. He further suggests that algorithm will probably make the selection based on factors such as price paid for the ticket, frequent flyer status, and so on.

He adds, 'That and many other decisions are made more reliably by a machine than by a human. But the machine's output should be a suggestion, not a command backed up by a threat to call security. Human judgment is still one of the most important customer service tools we have.'



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It therefore seems that, although there are examples like the surgical checklist where implementing a systematised process of best practice brings considerable benefits, if the practice becomes too inflexible, there is no room for improvement and, if it is applied too rigidly, and/or by the wrong people, it may even do harm.

MYTH NO. 5: QUALITY PROGRAMMES ENSURE BETTER SERVICES AND PRODUCTS

Or, are quality programmes just another version of imposing, so-called, best practice with all the dangers just discussed under Myth No. 4? Can they make service delivery too self-conscious, a theme which will come up again when discussing training under Myth No. 15 in Volume 2?

Case study: analysing process

A small UK based service which provided help to adults with mental health difficulties wishing to access learning as part of their recovery process was required to run separate quality programmes by each of its three funding organisations. Two of the processes were the same (both were [OfSTED](#) self-assessment processes), but tailored for different funding streams. Much staff time and energy was consequently spent analysing process to ensure that it met quality programme requirements.

Client satisfaction went down

The third quality programme was [Matrix](#). In its first assessment cycle, the service dedicated a high level of resources to achieve the [Matrix](#) quality standard and received a commendation from the organisation chosen by the funder to oversee the process. However, during this period the cost per client increased from £450 to £630 and client satisfaction went down. In the next cycle, the service manager asked his staff to do the minimum in order to pass (adopting a similar approach to the other two quality programmes) and, although the opinion of the overseeing organisation was negative, customer satisfaction recovered.

In 2000 occupational psychologist, [John Seddon](#), writing in the [Observer](#), recognised the problem of excessive bureaucracy and work whose only purpose was to satisfy the quality assessor.

The time, money, and other resource required to implement quality standards programmes is a common criticism, as argued by Stephanie Clifford in her 2005 piece about [iso quality standards](#), [So many standards to follow, so little payoff](#).

Control

In the 2000 article referred to in the box above, [John Seddon](#) went as far as to say that iso quality standards made people do things that actually made them worse and stopped them doing things that would make them better. He suggested that the programme was more about 'specification and control' than about 'understanding and improvement', causing organisations to focus on procedures rather than service.

Lazy

Although quality standards organisations may believe that they have [addressed](#) many of the common criticisms, the majority of their arguments appear to be rationalisations of self-interest. Also, control remains a key factor. Funding organisations and large customers, particularly government customers, may require those providing goods and services to adopt quality standards as an arguably lazy way of managing their anxieties and controlling the organisations with which they do business. A key element of quality standards programmes is managing risk and hence ensuring the certainty which c-suite executives so crave, as discussed throughout this book and particularly over the main course in Volume 2, Myth No 14.

No guarantee

Moreover, with its emphasis on paperwork, bureaucracy [remains](#) a criticism of [iso 9000](#) based systems, as does cost, though it is difficult to find independent cost benefit analyses. Hence there is the danger that costs are played down and benefits are exaggerated. (Call for evidence.) In 2015 the [Reference for Business](#) website [listed](#) the average cost of [iso certification](#) for small firms (those registering less than \$11 million in annual sales) as \$71,000. Most alarmingly, critics [argue](#) that quality certification is still no guarantee of improved quality and is still in danger of focussing organisations on the quality process rather than actual quality improvement.

And whilst some of these problems may be avoided by internal, tailored, continuous improvement quality programmes, once the quality focus starts, the same pitfalls have an almost inevitable habit of taking over.

MYTH NO. 6: COMPETITION AND CHOICE GUARANTEE BETTER SERVICES

One has only to look at the UK insurance industry to realise that this is not true. Here competition and choice leads to attention being focussed disproportionately on the single point when a customer has most choice, that is, at renewal time. Insurance companies spend a huge amount of resource (which could be used to reduce premiums and improve after sales service) on gaining new customers.

Inertia

Once gained, a customer can expect far less attention, because what insurance companies exploit, like so many other organisations where competition and choice might be expected to lead to better service, is inertia. In practice, all competition and choice do in such circumstances is inspire companies to develop increasingly sophisticated techniques to exploit inertia.

Churn

The added irony is that the minority of customers who do change insurer at renewal time move around from one company to another at each renewal time. Hence, the process does little, if anything, to increase any particular insurance company's market share. The resources which could be allocated to service improvement are instead wasted on churn.

And this is not confined to the insurance industry. Utilities seem particularly prone. Price comparison sites for changing bank, broadband provider, mobile phone provider and energy supplier are big business in the UK. They are funded, largely, by the utility providers, themselves, hence casting doubt on their impartiality. Indeed, in September 2016, the UK's [Competition and Marketing Authority](#) started an [investigation](#) into how price comparison sites earn their money and whether or not they actually benefit consumers, business and the economy.

Case study: The UK energy industry

Privatisation of the UK energy industry was started in 1986 by the [Conservative](#) government with the sale of publicly owned [British Gas](#). The process continued under [Conservative](#) governments, but it was not until 1998, under the newly elected New [Labour](#) government, that consumers were able to choose both their gas and electricity supplier with the intention that competition and choice would improve the service to customers.

Confused

However, it became apparent that competition and choice were not resulting in an improved service for the UK's energy customers. Suppliers invested heavily in winning new customers back and forth from each other, they confused customers by offering a complex range of equally complex tariffs and prices rose while staggering profits led some to describe energy supply as a licence to print money. The regulator, [Ofgem](#), seemed unable to stop market excesses.

Remarkably, one response was to suggest that there was not enough competition and choice – the five big energy suppliers had too great a monopoly. Nobody seemed impressed by the fact that the groceries market, which was operated by a similar number of supermarket giants, seemed to work quite well. Unsurprisingly, neither reducing the number of tariffs, nor increasing the number of suppliers did much to improve the situation.

Broken

By 2013, [Labour](#), which had given up the 'New' tag, announced that it would introduce a twenty month energy price freeze, if elected. The [Conservatives](#) ridiculed the idea as evidence that [Labour](#) wanted to live in a 'Marxist universe'. The largely right wing media [concurred](#), with the [Daily Mail](#) summing up its position with the headline 'Back to the Bad Old Days'.

However, by the time of the snap UK general election in 2017, even the [Conservatives](#) admitted that the energy market was broken, announcing an energy price cap. Now coming from their preferred party, The [Daily Mail](#) [described](#) the announcement as a pledge 'to cap rip-off energy prices'.

It would be exaggerating to suggest that competition and choice never bring any benefits and some of those it arguably does bring will be referred to in future sections, e.g. Myth No. 7 and Myth No. 8. However, when leading political [proponents](#) of competition and choice in the world's sixth largest market economy admit even an element of failure of those principles, it is remarkable that so much faith continues to be placed in them.

MYTH NO. 7: SERVICE USER (CUSTOMER) INVOLVEMENT IS ESSENTIAL FOR EFFECTIVE SERVICE (OR PRODUCT) DESIGN

In the field of mental health provision in the noughties there were two government priorities:

- 1) moving services into the community;
- 2) involving service users in the design of services.

However, if you asked service users who then made use of drop in centres about moving the services they provided into the community, they said they wanted to keep things as they were. In this case, the government decided that it knew better what was good for its customers and it continued with its relentless closure of drop in centres. Service user involvement became a bit of a tick box exercise and an opportunity for service users to vent their frustrations at those unfortunate enough to be on the frontline of service restructuring.

More powerful player

It is true that in this case the government had rather a strong hand and a little competition and choice might have given service users more of what they wanted. However, according to the government, that would not have been good for them. Apparently, given choice, customers do not always choose the best option!

Sometimes, however, as in the case quoted, it is simply the more powerful player who wins, regardless of what the best option is and what the customer wants. Moreover, when competition and choice exist between providers, it may again be the more powerful provider that wins, as has often been the case in, so-called, [format wars](#). The survival of [Apple](#) and [IBM \(PC\)](#) in the fight to control the home computer market may have had as much to do with their deep pockets as it had to do with a superior offer.

Available options

Whilst it might be unwise for any organisation to introduce a product or service without running it past consumers, it would be equally unwise for them to expect consumers to design their own products and services. Although the first touchscreen technology was developed in 1965, even leading science fiction script writers [did not see](#) its possibilities until Star Trek, The Next Generation in 1987, according to [Ars Technica](#). Why would the

humble consumer suddenly realise they wanted the keypad on their smart phone replaced with a touchscreen if they had not even seen it in science fiction?

Nevertheless, it is equally true that a product or service provider needs some understanding of what people want and how can that be obtained without customer or service user involvement? However, even the answer to that question does not automatically mean that market research guarantees an understanding of what the customer wants, as illustrated by the infamous case of the [Ford Edsel](#).

Case study: The [Ford Edsel](#)

To develop the [Edsel, Ford](#) spent millions on focus groups, surveys and all the other techniques market researchers use to involve potential customers and find out what they really want. The [Ford Edsel](#) was hyped as innovative and ahead of its time, arguably designed by the customer in that it was designed to meet all the customer requirements collected by the researchers. Ten years later, features such as the rear fins became exceptionally popular.

However, the car was a flop, because the reality did not match the hype and many considered it ugly, perhaps inevitably for a product effectively designed by a committee.

Indeed, history is littered with [examples](#) of products and services that [failed](#) despite extensive customer or service user involvement (market research) in their development. It would be useful to have a definitive picture of the difference in success rate between products and services that have extensively involved potential customers in their development and those that have not. (Call for evidence.)

Actual difference

Market research companies are, of course, keen to promote their [success stories](#) and there are countless examples. However, the author could access no systematic evidence that success rate is proportional to the amount of resource invested in service user/customer involvement in service or product development. Moreover, the objectivity in reporting of the success stories is uncertain and [many](#) of the stories leave unanswered questions about the actual difference made. (Call for evidence.)

There is much talk about cost benefit analysis of market research, but there does not appear to be much accessible, rigorous, actual cost benefit analysis available. [Often](#) the cost analysis is quantitative, but the benefit analysis is not only qualitative, but also, perhaps because it

is difficult to establish a meaningful control, lacking in objective assessment of added value. (Call for evidence.)

Case study: intuition and a small record company

The author is reminded of a record company owner he worked with in the 1990s who often talked about marketing his product internationally. He meant selling, because in sourcing his product he had not carried out any market research to find out what his customer base was, let alone what they wanted.

He saw marketing as encouraging people to like what he had already chosen for them. To an extent, that did involve an element of marketing, because decisions about positioning, presentation, pricing, promotion etc. were made after finding out about the potential customers and their requirements. It is also true that improving this element of the marketing led to sales doubling year on year, but the next phase required the sourcing as well as the selling to be influenced by similar customer information.

The owner did modify his approach, but one factor also had to be acknowledged. What made him successful was his intuition rather than methodical customer research.

In summary, whilst understanding what potential customers want may be essential, many of the best product ideas do seem to start with the innovator and his or her instinct for what customers want. And whilst it might be foolhardy to rely on instinct without any kind of testing, there is no guarantee that even the most rigorous product or service testing will guarantee success. Equally, there is history which suggests that it is even more risky to rely on customers to generate ideas, or to involve them to such an extent that it effectively leads to design by committee.

MYTH NO 8: OPEN COMPETITIVE TENDERING IS THE FAIREST AND MOST EFFICIENT WAY OF AWARDING CONTRACTS

Although the idea that competition and choice is a good thing has already been brought into question (Myth No. 6), it seems more than reasonable to suggest that open competitive tendering will enable customers to get the best deal. It will also enable suppliers to have a fair chance of obtaining business. However, the fact that it applies more to the business to business market than it does to the consumer market does not mean that it does not share many of the same problems – such as those already described for the UK utilities market.

Wasted

For example, organisations dedicate vast resources to the tendering process because much is at stake and much of this effort is wasted – especially for unsuccessful bidders! And there are other issues, especially for smaller organisations trying to compete on a level playing field.

Case study: European Social Fund (ESF)

At a 2007 launch of [ESF](#) funding it was stated that good projects would not be considered if their actual applications were not as good as those of other, better resourced, organisations. This approach in previous rounds of [ESF](#) funding had led to some organisations bringing in professional bid writers.

At least one of the co-financing awarding bodies, the Learning and Skills Council ([LSC](#)), found that when contracts were awarded to organisations that had used professional bid writers, some did not really know what their bid writers had bid for. In order to prevent this happening, the [LSC](#) introduced a requirement for day by day detail to be set out in two year project plans. An actual guide example provided by the [LSC](#) of the kind of detail they required is given in the table below.

| Task Name | Duration in days | Milestone Yes/No | Start Date | End Date | Resource Name(s) | Total amount of work required/ resources required | Total cost for resource |
|---------------------------------------|------------------|------------------|------------|----------|------------------|---|-------------------------|
| Locate suitable premises for delivery | 5 day | | 05/01/05 | 10/01/05 | John.Smith | 4 hours | £60.00 |

Table 6.1. Example provided by the LSC of the level of detail required for funding bids.

Bids contained over 100 pages of such detail which one [LSC](#) spokesperson later said they did not expect to be delivered.

Open

Openness is also sometimes counterproductive. Without involving a high level of bureaucracy, statutory procurement departments, in particular, are sometimes prevented from asking important follow up questions, because all questions have to be published openly, preferably in advance. This is to ensure fair competition in which all bidders are required to answer the same questions and are given an equal chance of answering. Strict rules, strictly applied, prevent even the purchaser from getting the best deal.

Actual failure

Moreover, a culture has developed in procurement which means that to obtain big contracts, particularly statutory contracts, it does not matter if a company has poor track record, as long as it is a big company with a poor track record. Despite many [failures](#), including companies [walking away](#) from contracts, huge [outsourcing companies](#) like [Atos](#), [G4S](#), [Capita](#), [Serco](#) etc. continue to dominate the market.

Although hiring a company that is too small to take on a large contract is recognised as indicating a risk of potential failure, it seems that actual failure is not seen as an equivalent risk. Small companies which may have proved their potential with even a 100% success record are not given the opportunity to compete on a fair basis with large organisations that have actually failed.

The criteria may be open, but, arguably, they are often not truly competitive.

MYTH NO. 9: YOU GET BETTER BUSINESS DONE IN FACE TO FACE MEETINGS

In her [11 April 2017 piece](#) in [Harvard Business Review](#), [Vanessa K. Bohns](#) presented evidence that face to face requests are 34 times more effective than email requests. This is a compelling argument for abandoning lazy email circulars and getting on the phone to set up face to face meetings. Some contributors also suggested that telephone conversations, themselves, are more effective than pure emailing.

Dark side

However, unless the request being discussed face to face is also 34 times more valid than a request sent by email, perhaps the method is not to be preferred, because there is the danger of coercion and the propagation of less desirable outcomes simply due to method of communication.

In the comments section, [Bohns](#) refers to a [New York Times article](#) she wrote in 2014 in which she acknowledges the dark side of a face to face approach. 'In essence,' she says, 'people will often agree to things they find uncomfortable, because it is even more uncomfortable to say 'no' face-to-face.'

Fudge

The preference for face to face meetings is often the first choice of those who don't like things in black and white. It is also the choice of those for whom it works and of people who have time to spare. There are some people in some situations who sort things more efficiently and with less room for misunderstanding by email. Email is a particular threat to those who like to move the goalposts after agreeing things face to face. If it has been agreed in writing, by email, it is more difficult to fudge.

MYTH NO. 10: MODERN MANAGERS ARE NON-JUDGEMENTAL

Critics have said that the only difference between a non-judgmental manager and a judgmental manager is that you don't know what the non-judgmental manager is really thinking. They may give nothing but positive, or at worst neutral, feedback, but when it comes to time for your salary increase or promotion, their actions may not appear to match the previously reassuring feedback. As a tacky bumper sticker might phrase it, 'Non-judgemental managers do it without telling you'.



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No negative judgements

It may be true that nobody is 100% happy about receiving negative judgements, but it is also true that most people like to have some idea of where they really stand.

An underlying problem is that non-judgemental does not usually mean no judgements; it means no negative judgements, as discussed by [Tomas Chamorro-Premuzic](#) in a 4 January 2016 [article](#) for the [Harvard Business Review](#). (See below, Myth No. 12.)

Paradoxically

This can lead to a state where positive judgements are fed back almost without thinking. This, in turn, can lead to a false sense of security in the person receiving the positive feedback. Also, perhaps paradoxically, if in such a non-judgemental environment somebody receives comparatively little positive feedback, they begin to suspect that negative judgements are actually being made about them.

Wrong kind of avoidance

Whilst there is clearly a place for [blameless post-mortems](#), conceivably it would lead to happier and more effective organisations if, in addition, more resource was allocated to developing non-demotivating methods for [feeding back negative judgements](#). The problem is that developing such methods requires even more effort than avoiding the blame game. Perhaps to ensure progress the most important thing to avoid is [fear](#), for example fear of punishment or retribution – otherwise, deterrence becomes the organisation's key driver. An alternative to the, so-called, non-judgemental approach is needed, not least because dishonestly hiding all negative judgements itself hinders progress.

MYTH NO. 11: STRATEGIC THINKING IS WHAT SETS TOP MANAGERS APART

Or is strategic thinking simply woolly thinking dressed up as something important by charismatic con artists? Conversely, how helpful is it for CEOs and their c-suite colleagues to obsess about strategy?

Sailing without a compass

A 10 April 2017 [article](#) by [Jan W. Rivkin](#) et. al. in the [Harvard Business Review](#) makes the bold assertion, ‘Making a strategy without knowing your process is like sailing without a compass.’ Perhaps a more relevant analogy would be that making a strategy without knowing your process is like riding a bike without understanding how you are doing it – that is, it is probably better, because, as soon as you start thinking too hard about what you are doing to enable you to ride the bike, you are probably more, not less, likely to lose your balance. The statement, it could be argued, represents all that is worst about the academic approach, so much emphasis on analysing process that natural behaviours become at best awkward and self-conscious and at worst clumsy and ineffective.

Surprising implication

However, there was a more surprising conclusion drawn from the research included in [Rivkin’s](#) article. It seemed to suggest that the managers most ready to make strategic decisions were also the least successful at it.

Unilateral organisations performed less well

The researchers referred to above identified four types of strategic decision making, ad hoc, unilateral, collaborative and administrative. Unilateral organisations were those in which top-down leaders tended to make strategic decisions alone.

Performance was assessed against five criteria:

1. Alternatives. Does the firm consider alternative options when making strategic decisions?
2. Information. How much information does the firm use to spark debate about decisions?
3. Implementation. Is a detailed implementation plan available when a decision is made?
4. Learning. Does the firm study successes and failures to learn for future decisions?
5. Communication. Does the firm have a clear plan to communicate changes to employees?

Measured against these criteria, unilateral organisations performed less well than the other three types.

Another issue is that two organisations with virtually identical strategies might perform quite differently, but the successful organisation is more likely to spawn a list of actions to emulate than the unsuccessful organisation is likely to generate a list of actions to avoid. In

addition, the c-suite executives behind the successful strategy will be seen as successful strategic thinkers, whereas it may well have been other factors, such as quality of implementation, which were behind the success.

Could it be that to at least some extent, some CEOs and their c-suite colleagues considered to be successful strategic thinkers are simply those who have been fortunate enough to have been at the top of organisations that would have been successful with or without them?

MYTH NO. 12: BUSINESS COACHING WILL HELP YOU DEVELOP YOUR POTENTIAL

Suppressing

With all this emphasis placed on the importance of CEOs and their c-suite colleagues, it is not surprising that many turn to business coaching to help them play by the perceived rules of success.

Or does it turn them into coaching clones and/or entrench them in the system? Is it just another method of control? Is coaching therefore in danger of suppressing the very disruptive innovation that is still part of the zeitgeist at time of writing (June 2017)?

New age myths

And how comfortably does the idea in some coaching circles that the main factor preventing people from achieving their ambitions is a lack of self-belief sit alongside the recognition that organisations contain many top managers who have been promoted beyond their level of competence? Within the realms of coaching is there not a cornucopia of new age myths?

Case study: Google

In the December 2013 edition of the [Harvard Business Review](#), [David Garvin describes](#) how Google's data analysis identified coaching as the number one attribute of its most effective managers. However, this was not the life coaching by outsiders favoured by many senior managers. This was coaching of team members by the managers themselves.

According to [Henry Blodget, writing](#) in [Business Insider](#) on 20 March 2011, Google's effective managers provided specific, constructive feedback, balancing negative and positive, and conducted regular one-on-ones, presenting solutions to problems tailored to the employee's strengths.

Google not only based this coaching system on its own rigorous analysis, it also monitored the effectiveness and there is therefore an evidence base behind this approach.

Evidence base

By contrast, the 'abandon self-limiting beliefs' type of coaching does not appear to have an equally solid base. There is certainly no lack of [advice](#). Whilst it may be true that people should avoid being overly pessimistic, organisations would be equally prone to failure, not to mention unbearable places to work, if everybody was unrealistically optimistic and overbearingly positive.

Nevertheless, the life coaching approach does claim an [evidence base](#). However, the author has been [unable to access](#) any rigorous systematic reviews which establish a [clear causal link](#) between, so-called, evidence based life coaching and improved business or organisational performance. Moreover, even the few [randomised controlled trials](#) that have been carried out seem to rely on self-reporting and/or to measure individual performance and/or self-improvement. (Call for evidence.)

Could actually weaken you

One January 2016 [article](#) in [Harvard Business Review](#) by a Professor of Business Psychology at [University College London](#), [Tomas Chamorro-Premuzic](#), dared to suggest that strengths based coaching could actually weaken you. The coaching industry lined up to tear his views apart and this author has not seen so many negative comments in response to any other Harvard Business Review piece.

Some responded to [Chamorro-Premuzic](#)'s statement that there was no evidence that strengths based coaching worked with the accusation that he had presented no rigorous scientific evidence that it did not. This author agrees that it is for the coaching industry to provide rigorous evidence that their multi-billion dollar service does work. (Call for evidence.)

Example

This author attended a conference on lifelong learning where participants were 'treated' to the exhortations of a particularly self-obsessed life coach. The older, male, self-appointed guru described how he had decided to run a marathon and engaged support to help him develop self-belief. This story from his own life was an example of how it was only a lack of self-belief that prevented anybody from doing whatever they chose to do. Putting aside the fact that he appeared to seek his support only from young women, he described as proof of his hypothesis the fact that he had completed the course.

With a little more support he would presumably have gone on to overcome the lack of self-belief which prevented him from winning.

Part of that system

Indeed, much of the [evidence](#) on coaching is about the success of coaching in making individuals feel better about themselves and increasing their optimism about achieving their personal ambitions. In other words, along with the technique described under the next myth, No. 13, it is arguably about encouraging (admittedly willing) individuals to fit the culture described over the main course in Volume 2 under Myth No 14, which looks at the effectiveness of huge, c-suite remuneration packages.

The coaches, themselves, are part of that culture. This author has seen at first hand one internationally acclaimed business coach becoming more and more like his clients, presumably, at least in part, because it was necessary to do so in order to stay in with and acquire business from those at the top.

MYTH NO. 13: PERFORMANCE RELATED PAY GETS BETTER RESULTS

The pitfalls of performance related pay were clearly demonstrated between 2011 and 2016 by [Wells Fargo](#), culminating in a \$185m fine for the bank and the sacking of over 5,300 of its employees.

Case study: [Wells Fargo](#)

[According to](#) the [New York Times](#), between 2011 and 2016, '[Wells Fargo](#) employees secretly issued credit cards without customer consent. They created fake email accounts to sign up customers for online banking services. (And) they set up sham accounts that customers learned about only after they started accumulating fees.'

Extreme pressure

The reason for the behaviour was a high pressure culture to generate new business incentivised by performance related pay. The NYT article went on to report, 'Many current and former [Wells](#) employees told regulators they had felt extreme pressure to open as many accounts as possible.'

Cross a line

'Unchecked incentives can lead to serious consumer harm, and that is what happened here,' said [Richard Cordray](#), director of the [Consumer Financial Protection Bureau](#).'

[Wells Fargo](#) already had a reputation for what was regarded as successful cross selling, but the pressure, '[incentivised](#) by rigorous sales quotas and compensation' caused thousands of employees to cross a line.

Staff turnover

According to a later (April 2017) [New York Times](#) [article](#), despite all the red flags being there, the culture was allowed to flourish. A 2017 report produced by a panel of [Wells Fargo](#) board members admitted that the former head of the bank's retail branch network, [Carrie L. Tolstedt](#), saw her department as a 'sales organisation, like department or retail stores, rather than a service-oriented financial institution'.

The article reported how some [Wells Fargo](#) branch employees had described health problems resulting from the crushing pressure to perform. From 2011 staff turnover in [Ms Tolstedt's](#) department increased to 30% and in the twelve month period to October 2015 it increased further to a staggering 41%.

The report referred to in the box above blamed lax executive oversight as much as aggressive sales goals. However, when financial reward and accumulation of personal wealth are so embedded in a culture what incentive is there for such executives to threaten a system in which they are complicit, not least because they believe it benefits them? Similar disadvantages of over-emphasis on pay as a reward for perceived success are discussed as part of the 'Main Course' in chapter 3, [Myth No 14](#).

Overwhelming evidence

It may seem that tackling this particular myth is unnecessary, because the effectiveness of performance related pay is already regarded as myth in many quarters. Overwhelming evidence has been presented casting doubt on its straightforward effectiveness. To list but some:

- [Paul Suff](#), [Peter Reilly](#) and [Annette Cox](#) of the [Institute of Employment Studies](#) at [Sussex University](#) in the UK [found](#) that theory abounded, but the relationship was difficult to measure; evidence was difficult to obtain and contradictory. They concluded that performance related pay worked in some settings, but not in others and that there were no examples of a purely successful or a purely unsuccessful performance related pay system. (Also see [Paul Suff's](#) table below.)
- [David Marsden](#), Professor of Industrial Relations at the London School of Economics (LSE), [found](#) that in the public sector there was no evidence that increased motivation resulting from performance related pay explained any increase in performance;
- [Chidiebere Ogbonnaya](#) et. al., writing in the [Human Resource Management Journal](#), [reported](#) that only performance related pay which directly benefitted the individual had a demonstrably positive effect on i) job satisfaction, ii) employee commitment and iii) trust in management. Indirect reward schemes, such as profit related pay and employee share schemes, had a neutral or negative effect. Moreover, the authors also found that it led to work intensification, which could negate any benefits as it also led to, for example, stress and resentment as employees felt they were being encouraged (or coerced) to work too hard. The latter did not apply to profit related pay and employee share schemes.
- A 2017 [Cochrane review](#) by [Beibei Yuan](#) et. al. of studies published up to March 2016 showed that even on an international and organisational level, there was little evidence supporting any substantial benefit of performance related pay (payment by results) when commissioning outpatient healthcare. They found that payment for performance systems made little or no difference to the behaviour of the healthcare provider, or to the use of services by patients, or to health outcomes.

[Paul Suff](#), referred to in the above box, summarised the theory behind performance related pay as shown in the table below:

| Advantages | Disadvantages |
|--|---|
| Provides a direct incentive | Reduces pay equity |
| Tangible means of recognising achievement | Contaminates development aspects of performance reviews |
| Generates a ‘performance’ culture | May be discriminatory |
| Improves goal setting | Demotivates if goals are too hard to achieve |
| Improves individual performance, productivity, quality of work etc | Relies on quality of line managers’ assessment |
| Focuses employees on improvement | Undermines cooperation and teamwork |
| Rewards best performers | Focuses attention on activities (often short-term quantifiable goals) that attract financial reward |
| Can support organisational change | Raises expectation of continual payout |
| Identifies poor performance | Does not work well (in terms of motivation) in low inflation climate |
| Flexibility may help retain valued staff | Awards may be seen as arbitrary |

Table 13.1. Summary of the theory behind performance related pay as described by [Paul Suff](#) in 2001.

Persistence

Yet despite this large and growing body of evidence that performance related pay does not work for a variety of reasons, organisations just cannot let the idea go. Perhaps this is another example of the instinct to believe that because something sounds right it must be right, that is, an instinct to reject the truth when it conflicts with emotions, an illustration of Acquired Stupidity Syndrome (ASS).

The reason for including this myth, then, is to put another spin on it. Its persistence is further evidence of a money oriented system failing to deliver the most effective outcomes. In other words, faith in performance related pay may already be regarded as myth, but its persistence and the damage it causes still need to be addressed.

Which takes us, appetisingly, to Volume 2 of Organisational Myths and the main course, starting with the myth that to attract the best you must pay the best.

How would you now score the statements at the start of each section in this chapter on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answers.

If there has been a change in your scores after reading this chapter, what actions will you take to reflect your changes in perception?

Record your answers and diarise a date to review.

AUTHOR BIOGRAPHY



Since graduating in biochemistry from Oxford University, the author has gained broad ranging experience at senior level in the commercial, statutory and voluntary sectors.

His writing credits range from writing a weekly column for the Oxford Mail to:

- a series of [children's stories](#) for BBC national radio;
- a five star rated online chemistry text (www.chembook.co.uk);
- articles for professional journals.

After spending more than half his career in international marketing and PR within the music industry, he is currently a tutor and recently served a two year term as an [NHS](#) governor, following a period as a senior [NHS](#) mental health commissioner.

His PR activities were recognised in 2006 with his appointment to membership of the Chartered Institute of Public Relations.

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