

# MANAGEMENT BY FACT

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## Introduction

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The ability to deliver ever-improving value to stakeholders while simultaneously, and continuously, maximizing productivity is vital in today's increasingly competitive global market place. A well-defined business plan developed from a corporate vision statement and its business objectives provides the basis on which to gauge company performance and plan for improvement.

A company cannot improve what it cannot measure. Management by fact provides an integrated approach to measuring and analyzing performance in a wide range of key business indicators: customer, product and service, financial, human resource, and operational. This management system can help align resources, improve communications, productivity and effectiveness, and achieve strategic goals.

## Using Management by Fact

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The starting point for a measurement based management is the establishment of a vision with objectives and appropriate measures (Illustration 1) that will generate information (facts) that can be analyzed for making management decisions.

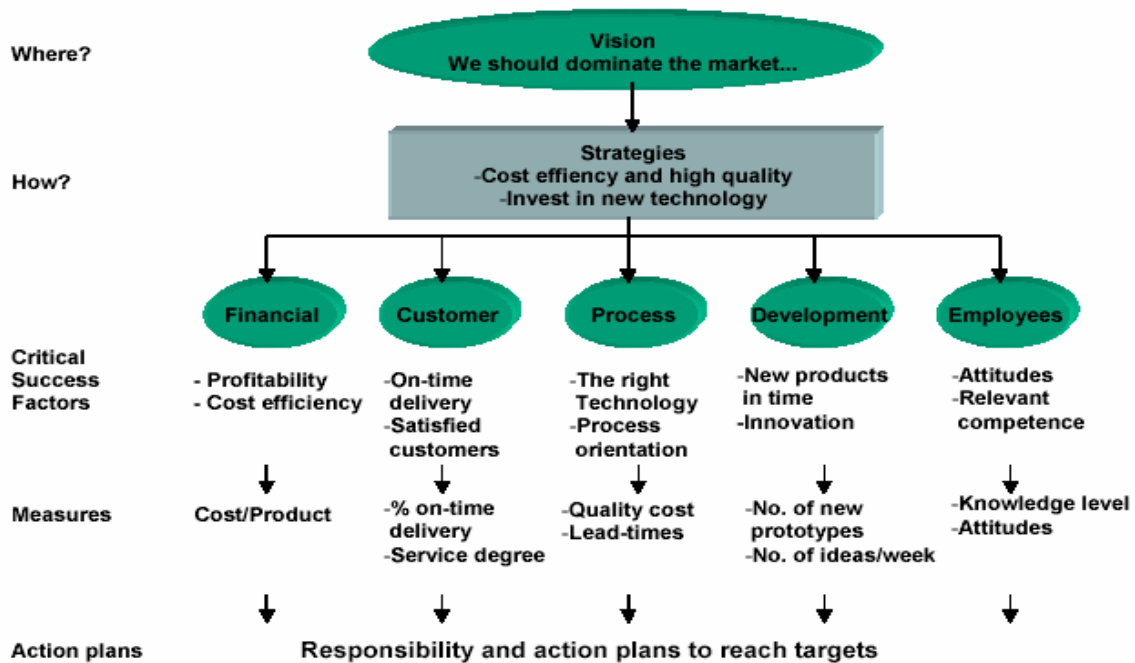


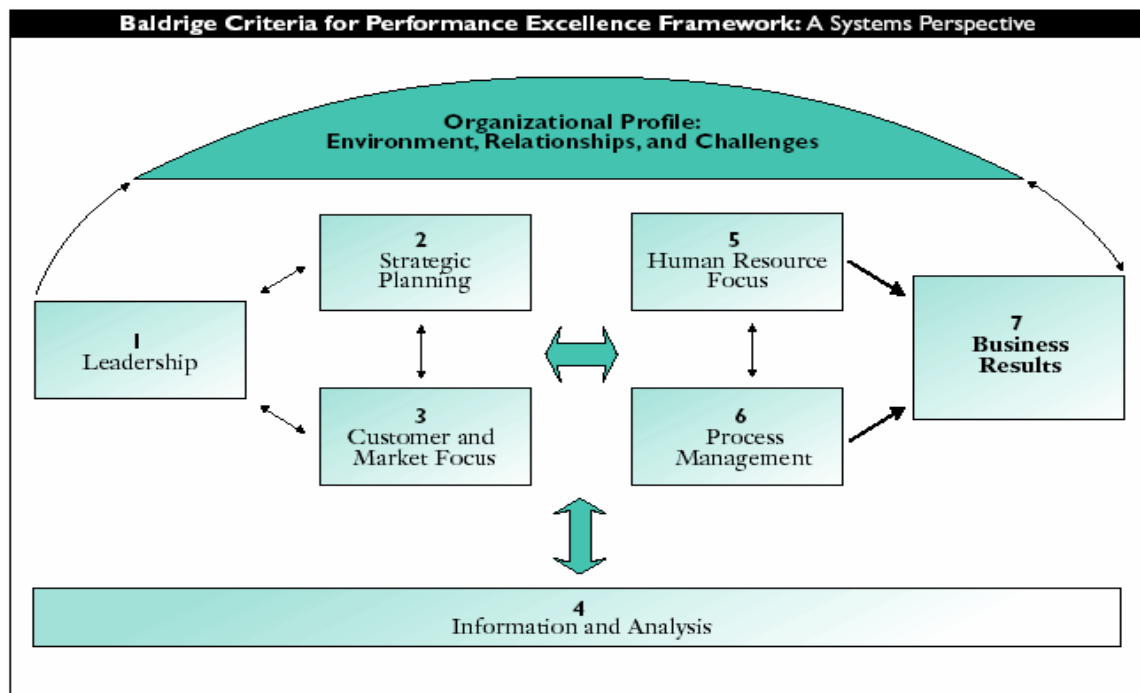
Illustration 1

The Baldrige National Quality Program (BNQP) provides an excellent self-assessment tool that can help a business evaluate its efficiency and effectiveness in achieving organizational objectives.

The BNQP provides a framework for measuring organizational performance in seven categories: 1) leadership, 2) strategic planning, 3) customer and market focus, 4) information and analysis, 5) human resource focus, 6) process management, 7) business results. These categories are viewed from within the “organizational profile” defined as the context within which the business exists and includes its environment, key working relationships, and strategic challenges.

The categories are divided into three areas as depicted in Illustration 2. On the left of the diagram are Leadership, Strategic Planning, and Customer and Market Focus. These are grouped together to indicate the importance of corporate leadership and their role in determining present and future markets and products.

On the right of the diagram are Human Resources, Process Management, and Business Results. The organization’s employees and key processes perform the work that yields the company with results.



**Illustration 2**

Key to management by fact is the fourth element in the diagram, Information and Analysis. The information resulting from collecting and analyzing performance measures in the other six categories gives the company a fact-based method for making management decisions.

A key factor in the ability of the organization to make significant improvements in performance is the selection and use of its performance measures or indicators. The measures or indicators selected must be individually tailored to the company and should best represent the factors that lead to improved customer, operational, and financial performance. The measures should also be comprehensive (cover all aspects of the business' activities) and must be tied directly to customer and organizational performance requirements.

Establishing performance measures directly linked to internal and external requirements improves alignment throughout the company with business objectives and provides a means for continual accountability to those objectives. In addition, benchmarking to best practices and comparisons to competitors also provides meaningful data.

The converging of several recent technological trends creates an environment in which an organization can implement a management by fact system. Internet technology has enabled rapid, real-time data exchange provided by enterprise resource management systems. Whether a company has one location or twenty locations around the globe, it is now possible to gain immediate access to marketing, financial, human resource, and other relevant data that can be used to measure various criteria. The BNQP criteria can help a company form and measure its performance in meaningful ways that will lead to overall improvements in efficiency and productivity.

### **Examples of Management by Fact Software**

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Two commercial software packages that are being marketed today are the Balanced Scorecard from the Harvard Business School and Balanced scorecard Collaborative, (<http://www.bscol.com>) and Oracle's E-Business Suite (<http://www.oracle.com>).

## Other Useful Resources

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**Measuring up : charting pathways to manufacturing excellence.** Robert W. Hall, H. Thomas Johnson, Peter B.B. Turney Copyright 1991 Homewood, Ill.

## References

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### Books

- 1.) Managing Quality: An Integrative Approach. Foster, Thomas S. Copyright 2001. Prentice-Hall, Inc. New Jersey.
- 2.) Attaining Manufacturing Excellence. Hall, Robert W. Copyright 1987. Dow Jones-Irwin Homewood, Illinois.

### Web Sites

- 1.) <http://www.freequality.org>
- 2.) <http://www.quality.nist.org>
- 3.) <http://www.bscol.com/bsr.cfm>
- 4.) <http://www.oracle.com>