

Workplace By Design

Excerpt - The Measurement Trap

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Managers in today's organizations would be derelict in their duty if they were not deeply concerned about cost containment and reduction. Five years ago IBM sales divisions were measured by the amount of revenue they generated. No one actually knew or cared much about the actual costs of producing the products or delivering the services. But the days when a company like IBM could worry about revenue without respect to costs have passed. IBM now knows precisely how much what it is selling costs, and targets are set not for revenue but for profitability. That makes sense. Trying to justify every cost in relation to revenue is, however, not always easy or necessarily the wisest thing to do. Demanding hard evidence for guaranteed productivity gains before doing anything new can stop innovation in its tracks.

Trying to understand what some activity or event or design feature can contribute to organizational effectiveness is perfectly legitimate. But defining the bottom line primarily in financial terms, and then using it as the basis for justifying innovation, can be counterproductive.

Faced with the bottom-line challenge, people react in fascinating ways. Some seek divine deliverance: "Please, God, deliver to me convincing evidence that new furniture will save the company \$1.3 million through increased productivity so I can demonstrate a two-year payback." If the case can be made for a direct cost savings, so much the better. But if it cannot, it makes more sense to reframe the debate.

It takes a lot of confidence to challenge "the way we do things here," but we have seen it work, and work well. It requires evidence, but this evidence can take many different forms. If the real goal is innovation, and in many organizations today survival dictates that it must be, then the definition of the bottom line needs to be drawn more broadly. In the context of innovation, focusing exclusively on hard evidence like return on investment or keeping to a tight project schedule even when it precludes creative experiments makes a virtue out of tilting at windmills. What's needed is a collaborative redefining of the relevant measures, perhaps within a larger set of corporate values than

the ones being articulated by those invoking the (cost and schedule) bottom line. If nothing else, the process itself provides the invaluable service of forcing senior management to understand the choices they are actually making, and it gives them the opportunity to make a genuinely informed decision about the allocation of resources.