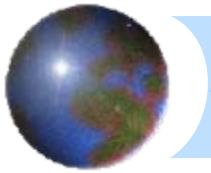


EVIDENCE-BASED MANAGEMENT: WHAT WE HAVE LEARNED

Jeffrey Pfeffer

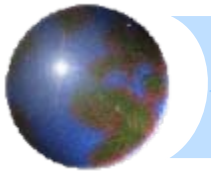
Graduate School of Business

Stanford University



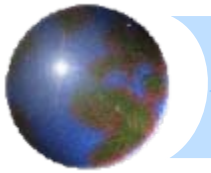
THE NEED FOR EVIDENCE-BASED MANAGEMENT

- There are many other evidence-based movements
 - **Criminology**
 - **Education (particularly in New Zealand and Singapore)**
 - **Medicine**
 - **Social policy, particularly in the U.K.**
 - **Each has faced similar obstacles and issues**
 - **www.evidence-basedmanagement.com**



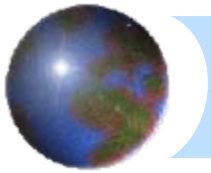
THE NEED FOR EVIDENCE-BASED MANAGEMENT

- Administrative/management/leadership activities are consequential, and organizations can have profound effects on people
 - Job dissatisfaction and disengagement
 - Distrust of management
 - Workplace bullying and stress
 - Turnover and talent/leadership shortages



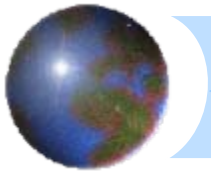
THE NEED FOR EVIDENCE-BASED MANAGEMENT

- In medicine and nursing, a lot of the outcomes and improvements are dependent on management actions
 - Nurse staffing ratios
 - Organizational learning and the transfer and mastery of new technologies
 - Quality initiatives and the search for root causes



WHAT IS EVIDENCE-BASED MANAGEMENT?

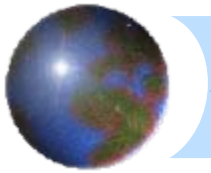
- A way of thinking
 - Holding an attitude of wisdom—knowing what you know, and knowing what you don't know (because it's what you know that isn't so that often gets us into trouble)
 - Being willing to act on the basis of what is known at the time while keeping ourselves open to learning from our experience



WHAT IS EVIDENCE-BASED MANAGEMENT?

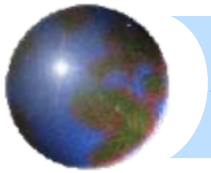
- A way of thinking

- Thinking like a scientist or a diagnostician; asking about alternative explanations, about things that don't work, asking *why*
- Being committed to fact-based/evidence-based action



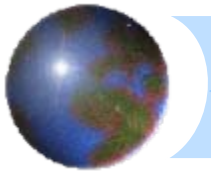
WHAT IS EVIDENCE-BASED MANAGEMENT?

- A way of thinking
 - Understanding feedback effects and the interrelationships among decisions and actions in organizations considered as systems
 - After-action or after-event reviews—a commitment to learning without blaming



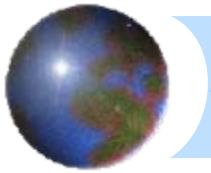
HOW TO PRACTICE EVIDENCE-BASED MANAGEMENT

- Treat your organization as an unfinished prototype—an attitude of continuous learning, improvement, and experimentation (e.g., Yahoo, Home Shopping Network, Harrah's Entertainment)
- Know what the theory and evidence is—not just for medicine, but administrative science as well—and use that theory and evidence in constructing policies and practices



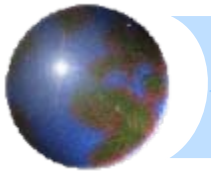
WHAT EVIDENCE-BASED MANAGEMENT IS NOT...

- A rationale for not taking action because “we don’t have all the data”
- “Benchmarking” without analysis or thought—copying what others do
- Statistics and data substituting for thought, theory, and insight



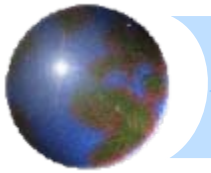
BARRIERS TO USING EVIDENCE-BASED MANAGEMENT

- Ideology and belief—convictions about how things *should* be or work—rather than what is
 - Incentives and their effects
 - Competition
 - Unions



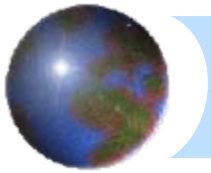
BARRIERS TO USING EVIDENCE-BASED MANAGEMENT

- ➊ What “everyone else is doing” (or thinking)—the “tyranny” (as well as the “wisdom”) of the crowd
- ➋ What people are “good” at doing—what they have been trained to do



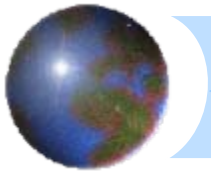
BARRIERS TO USING EVIDENCE-BASED MANAGEMENT

- What's being advocated and hyped in the press, or by vendors
- What we have done in the past—how memory can come to substitute for thinking
- Overconfidence and ego—believing we know more than we do—the story of an oil company



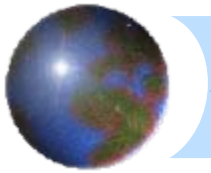
WHY LEADERS SOMETIMES DON'T USE THE EVIDENCE

- Too much information—more than 3,500 new business books published each year and more than 30,000 in print
- Recommendations that are not integrated—so they can not be remembered (lists)
- People who don't tell you the “downsides” or risks of what they are proposing



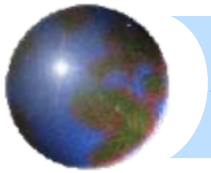
WHY LEADERS SOMETIMES DON'T USE THE EVIDENCE

- ⊕ “Not enough time” to reflect—and learn—and not enough interest in doing “after event” reviews
- ⊕ Inconsistent guidance and recommendations



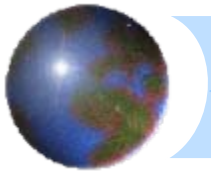
WARRING BOOK TITLES

- Love is the Killer Ap
- The Peaceable Kingdom
- Out of the Box
- Managing with Passion
- Charisma
- Built to Last
- Business is Combat
- Capitalizing on Conflict
- Thinking Inside the Box
- Managing by Measuring
- Leading Quietly
- Corporate Failure by Design



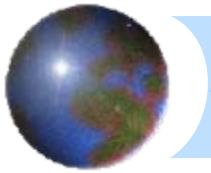
WHY LEADERS SOMETIMES DON'T USE THE EVIDENCE

- Reluctance to “face the facts”
 - Delivering bad news is unpleasant and dangerous, and hearing bad news is often depressing
 - “What’s done is done” so we need to go forward—an unwillingness to evaluate and therefore learn from past decisions and decision processes
 - People see what they believe



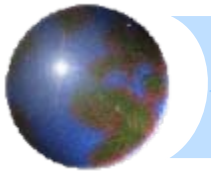
PRACTICING EVIDENCE-BASED MANAGEMENT

- Develop skill at uncovering assumptions (about organizational interventions) and testing them
- Challenge “conventional wisdom” and advocate basing decisions on the facts
- Avoid the “dangerous half-truths” of management



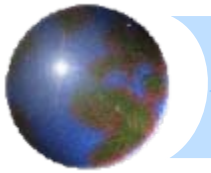
UNCOVERING ASSUMPTIONS: WHAT DO YOU DO WHEN YOU CAN'T KNOW EVERYTHING

- *Every* intervention is predicated on (sometimes implicit) assumptions about people and organizations. What are those assumptions?
- Confront the assumptions—particularly the most crucial ones—with the evidence or at least informed opinion
- Adapt more effective models and practices on the basis of the evidence and what you think is true



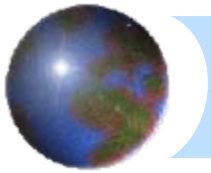
EXAMPLES...

- ⊕ Forced curve ranking systems
- ⊕ Merit pay for teachers
- ⊕ Cuts in total compensation
- ⊕ Pay for performance in medicine



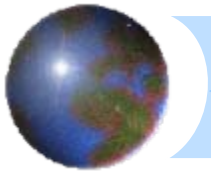
MAKING FACT-BASED DECISIONS: DaVita

- DaVita's mantra—"no brag, just facts"
- Facility reports that have "not available" for important measures that can't yet be captured and reported by the information system
- Admitting mistakes
- Admitting ignorance
- Worrying about variance in, not just average, levels of performance
- Teaching people how to use the data



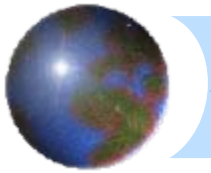
MAKING FACT-BASED DECISIONS: Harrah's

- Three ways to lose your job: theft, harassing an associate, doing something without trying an experiment first
- No acceptance of “conventional wisdom” in the gaming industry
- A leader who demands the truth and admits mistakes



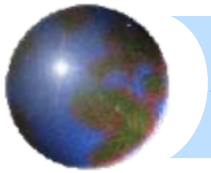
SOME DANGEROUS HALF-TRUTHS OF MANAGEMENT

- Work is different—and separate from—the rest of life, and ought to be
- The best organizations have the “best” people—there is a “war for talent”—so hire the “best” and ignore the rest
- Financial incentives drive performance
- Strategy is destiny



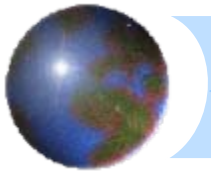
SOME DANGEROUS HALF-TRUTHS OF MANAGEMENT

- ⊕ Change is difficult and takes a long time
- ⊕ Leaders are heroic figures in control of their organizations—and they need to be



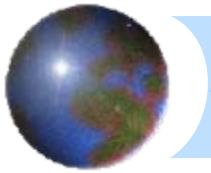
DEMING'S FIRST PRINCIPLE: DRIVE OUT FEAR

- Fear produces a “knowing-doing” gap—because people are afraid to act on what they know
- Fear also leads to withholding information or telling lies
- Fear creates stress



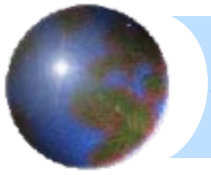
SOMETIMES THE BEST LEADERSHIP IS DISTRIBUTED: OPRHEUS CHAMBER ORCHESTRA

- People listen more attentively to each other
- People take responsibility—including for things they wouldn't normally (fundraising, public relations, programming, hiring)
- People learn more and develop skills



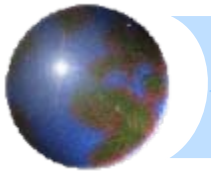
SOMETIMES THE BEST LEADERSHIP IS DISTRIBUTED

- At Google, people vote on new technology and product ideas, and these votes determine what the company does
- At Rite-Solutions (military software), an “internal market” for proposals (traded like stocks)—the proposals with the highest prices (most supporters) get implemented



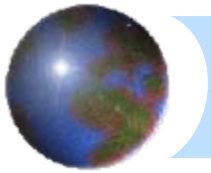
PARTING THOUGHT #1: YOUR ORGANIZATION IS AN UNFINISHED PROTOTYPE

- IDEO's David Kelley shaved off his mustache—anything can be changed, and the changes can be reversed
- Yahoo! does about 20 controlled experiments a day



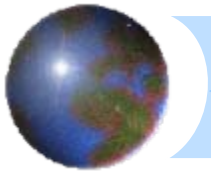
PARTING THOUGHT #2: BE A MASTER OF THE OBVIOUS AND MUNDANE

- Nothing works unless you actually do it. Action requires believing that improvement is possible
- Don't make excuses for why things can't be done—Laura Esserman at UCSF
- The Mundane: hand washing, standing up, flying on time, setting goals



PARTING THOUGHT #3: THE MOST IMPORTANT DIAGNOSTIC QUESTION

- What happens when there are failures and setbacks?
 - Forgive and remember
 - The importance of setbacks for leadership development, and for organizational learning
 - Blaming versus learning: Southwest v. American Airlines



BUILD A PHILOSOPHY THAT PROMOTES ACTION

- “Enlightened trial and error outperforms the planning of flawless intellects”
- “Fail early and fail often.” This is better than failing once, failing at the end, and failing big.

*David Kelley,
IDEO*