

Best Practices for Operational Excellence

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Excerpt of the second edition

December 2020

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Advance praise

"I'm a huge fan of High Output Management and Setting the Table [...] Luca's Best Practices for Operational Excellence took my management to the next level.

It's been almost a month since I started implementing the principles, but I can already say that I've noticed a significant improvement in my company's morale [...] That feels amazing."

– Molson Hart, Viahart CEO

Other books by Luca Dellanna:

Ergodicity: Definition, Examples, And Implications,
As Simple As Possible (2020)

Teams Are Adaptive Systems (2020)

The Control Heuristic, Second Edition (2020)

Best Practices for Operational Excellence, First Edition (2019)

100 Truths You Will Learn Too Late (2019)

The Power of Adaptation (2018)

The World Through a Magnifying Glass (2018)

Introduction

I've been working in the field of Operational Excellence for more than eight years and, while it might not seem much, I've seen hundreds of companies and consulted dozens. I've witnessed problems and solutions. I know what works and what doesn't. This book is the result: a practical guide to help you with becoming a more effective manager and to solve most of your problems at work.

Achieving Operational Excellence is not complicated. It does take a limited amount of focused effort, but the benefits begin to show very fast, if you know what to focus on.

The first part of this book provides solutions to the problem: what to focus on. It will tell you which actions matter and which do not, so that you won't waste your time and energy on things that will bring you no tangible result. It will show you the few actions that, if you take them, will have a disproportionate impact on your working life.

The second part of this book provides you with Eight Best Practices: quick tools you can begin using today to change the way your team operates and to get evidence that things can change: unmotivated employees can become motivated, unproductive ones can become productive, and previously unreachable objectives can be attained.

In the third and last part of this book, you will find a roadmap to extend the change to scopes larger than your direct subordinates – for example, your plant, your office, or your organization.

But first, let me begin with a story of change.

At the crossroad of the 17th and the 18th century, a French chemist by the name of Éleuthère Irénée du Pont had to leave the country in a hurry. He had been a student of renowned chemist Lavoisier, but things recently changed. Due to political controversies following the French revolution, to escape jail and, perhaps, the guillotine, he took a boat and sailed to the New Continent.

On the 1st of January 1800, he landed in Delaware. Equipped with his chemical know-how, he began operating a gunpowder factory on the shores of the Brandywine River. As he would soon learn, gunpowder factories have an undesirable property: they tend to explode frequently.

Facing increased incidents, injuries, and deaths, he decided something had to be done to reduce the explosions. How he solved the problem shaped the future of Operational Excellence.

Éleuthère du Pont took two initiatives.¹ First, he required that the Director (himself) lived inside the factory with his family. He put his life on the line. If something blew up, he and his family might die in the process. Skin in the game.

Second, he established the rule that every new machinery had to be operated for the first time by members of top management. If the machine blew up, the manager would suffer the consequences on his own skin.

Needless to say, the safety of the plant increased overnight. Leadership demonstrated through *visible costly* actions is powerful.

The gunpowder company slowly grew into one of the largest industrial conglomerates in the world, DuPont. Its destiny would eventually cross mine two centuries later.

¹ Source: "Two Centuries of Process Safety at DuPont", James A. Klein, 2009, Wiley InterScience, DOI 10.1002/prs.10309

Even though I graduated as an automotive engineer, I never worked as one. On a hot summer day in which I was writing my final thesis, I received a call from who would become my first boss. He asked me to join his consulting team in Frankfurt, Germany. Excited and without knowing a single word of German, I accepted. I became an employee of DuPont.²

While there, I learned a lot. At the time, the company was considered the leading world expert in Workplace Safety consulting. I had the chance to work with some of the top experts on this planet. I saw tens of companies: our clients. I learned from hundreds of managers and thousands of workers. I listened to their words, their problems, and their aspirations. I experienced their best practices. I analyzed failures. I came up with solutions. I followed their implementation. I internalized Operational Excellence.

A few years later, I left to start my own consulting practice. I spent some months learning as much as I could about Operational Excellence and talking with old experts and new clients. Then, I developed a framework to help any manager to improve the Operational Culture of his company.

I now run my own consulting practice, helping managers (mostly in Europe and Asia) developing their employees and running their operations to the best of their potential.

However, helping managers one-by-one limits my leverage. I can only help so many people face-to-face. I needed to find a way to impact more people. Therefore, I decided to write this book.

² I did not and do not endorse DuPont's stance or action on many matters, included on OGMs, which I strongly criticize. At the time, I was ignorant on the topic and did not know about their risks. I only worked there for the consulting division, which helped other companies working better and safer.

OUTLINE

This book is divided into three parts.

In the first part, you will learn the Four Principles of Operational Excellence to be leveraged in order to create an Operational Culture worth working in.

In the second part, I will detail the Eight Best Practices to transform the Four Principles into visible actions, which you can carry out starting today in your organization. I will provide detailed lists of steps and comprehensive examples to facilitate their execution.

In the third part, I will provide you with a roadmap for planning a plant-wide or company-wide change initiative, for achieving Top Management buy-in, for its effective roll-out and for its long-term sustenance.

But first, let's take a look at the importance of Operational Excellence and at the costs of a mediocre Operational Culture.

THE BENEFITS OF OPERATIONAL EXCELLENCE

It is very satisfying to observe an organization having achieved Operational Excellence. The managers are focused, working on the tasks where they have the most leverage – long are gone the days where they were running all over the place fixing emergencies. The workers are proud of their work, each owning his role and trusting his manager. The workplace is an excellent environment to work in: little dangers, everything is at its place, and everyone knows what the company is doing and cares about it.

Unfortunately, Operational Excellence is being practiced in few companies only, for two reasons. First, few managers know *how* to achieve it. And second, most managers do not have it as their priority. While they are interested in the benefits of Operational Excellence, they are not convinced that such benefits are worth the efforts required to achieve them.

There are many selfish reasons to implement Operational Excellence. **Managers of a team with a culture of Operational Excellence are less stressed (they do not spend their days running after emergencies), work fewer hours (when you are effective, you don't have to work overtime), are more fulfilled (they become respected by both their subordinates and their boss), are more valuable (they and their team become able to hit milestones consistently), are more employable (being able to manage a team effectively is a rare and valuable skill), and are richer (as their team hits their bottom-line results, more money becomes available to be distributed in the form of bonuses).**

OPERATIONAL EXCELLENCE AND MANAGEMENT

The first part of this book – the Four Principles of Operational Excellence – talks about management. The Eight Best Practices giving the title to this book are relegated to the second part. This is necessary, as no best practice will be followed by the employees of your organization if the managers are not able to do their job of setting clear personal objectives and holding them accountable in a fair, transparent, and predictable manner.

I would urge you to give your maximum attention to the first part of this book, even if you feel you already know about management. The concepts contained here are not the usual boilerplate, and not having internalized them is the real bottleneck to Operational Excellence. Looking for one more Best Practice to implement while you do not have a solid foundation of performance management will only bring short-lived satisfaction. The real changes in your professional life will come from mastering The Four Principles.

A MAP

When you look at a map describing the roads in your city, you do not see every single building and every single tree. Not describing the full territory is not a defect of maps, but a feature. By leaving out some details, they allow the reader to focus on the information present and to take effective action.

Similarly, this book does not pretend to explain everything there is to know about Operational Excellence – it would take a hundred books to do so. Instead, this book describes most of what you need to know to take effective action to improve the Operational Culture of your team.

If you have any question whose answer is not contained in this book, you can always drop me a short³ email at the contact listed in the author section at the end of this book.

TERMINOLOGY

In this book, I use the following definitions for roles: “Worker” refers to any employee who does not manage any subordinate, “Supervisor” refers to any employee who manages workers, “Manager” refers to any employee who manages subordinates of any kind (workers, supervisors or other managers) and “Top Management” refers to the CEO and other top executives such as C-suites and Vice-Presidents.

Unless specified otherwise, by “subordinates” I intend those who report directly to the person being referred. For example, “your subordinates” would include your direct reports, but not your reports’ reports, if any.

³ My answer time will be inversely proportional to the length of the email.

DISCLAIMER

The contents of this book consist of the learnings the author made based on his experience. While he genuinely thinks that this book should help most of its readers, its contents are highly contextual. Only you know what's best for you. Always use your common sense and reach out to experts whenever appropriate. None of what is written in this book is to be considered medical advice, financial advice, investment advice, or advice of any other kind. The author shall not be held liable for the consequences of the application or misapplication of the contents of this book.

The Costs of Lacking Operational Excellence

Achieving and maintaining a great Operational Culture costs time and money. However, such investments are cheap compared to the costs of a mediocre Operational Culture, plagued by structural problems, demotivated employees, and lack of clarity and trust.

Let's first see the costs for managers like you.

- **Overtime:** in companies with mediocre Operational Culture, action is slow. Problems aren't addressed unless the manager commands it. In companies with great Operational Culture, instead, there is no need for micromanagement. Managers are more likely to (and are encouraged to) leave their work on time most of their days.
- **Lower bonuses:** teams with mediocre Operational Culture fail to achieve their business goals or bring minimum impact to the bottom line. Instead, teams with great Operational Culture effectively contribute to the success of the company, which has then the funds and the reasons to distribute large bonuses or raises.
- **More stress:** it is stressful to work in a team with mediocre Operational Culture, where new and old problems surface every day. Instead, teams with great Operational Culture take care of problems once and for all, allowing their members to work in an environment mostly deprived of toxic stress.

- **Less energy:** managers of teams with mediocre Operational Culture spend their days “putting out fires”, running from one place to another solving urgent problems, an activity which would quickly deplete anyone’s reserves of energy. Instead, in teams with great Operational Culture, problems are solved by individual team members, leaving the manager free to work on a few important problems rather than on many urgent ones.
- **Less trust:** in teams with mediocre Operational Culture, career advancements are based at least partially on factors other than results. Behaviors such as servility, adulation, and backstabbing go unpunished at best and are rewarded at worst. The result is an environment where it is impossible to trust most colleagues. Conversely, in teams with great Operational Excellence, people are rewarded for acting in accordance with Core Values and objectives – both defined in objective terms – and punished if they exhibit any toxic behavior. The result is an environment where everyone can trust each other.
- **Less satisfaction:** for all the reasons above, working in a team with mediocre Operational Culture is consuming, tiring, stressing, and not worth it financially. Instead, working for a team with great Operational Culture is rewarding, both from the financial and the mental point of view.

A mediocre Operational Culture is bad for managers and expensive for companies. Here are some direct costs of lacking Operational Excellence:

- **Defects** lead to scrap, rework, customer support, and recalls.
- **Poor logistics** lead to transportation, storage, and capital immobilization costs that do not add any value to the customer.
- **Injuries** lead to stopped production and worker benefits.
- **Environmental problems** lead to fines.
- **Unethical workplaces** lead to fines, rogue employees, and key personnel being fired for ethical violations.

Indirect costs dwarf direct ones:

- **Defects** lead to brand issues that impair customer acquisition and retention.
- **Poor logistics** lead to stopped production in case of delays in the supply line, unhappy customers, and customers having to source another supplier (a competitor of yours) to protect themselves from your delays.
- **Injuries** lead to poorer quality and operations (as less-experienced workers have to substitute for injured ones), lower morale, and higher insurance costs.
- **Environmental problems** lead to brand incidents (damaging the image customers and potential hires have of the company) and the risk of losing the permit to operate.
- **Unethical workplaces** lead to brand incidents and difficulties in hiring and retaining talent (most people do not want to work for a company with a poor work environment and must be overpaid to do so).
- **Poor management** leads to employees having lower morale and motivation, underperforming in all other areas, and key employees leaving the company.

Summing it up, companies with poor Operational Culture lose their good employees (to injuries, burnouts, competitors) and remain with bad employees only (low-talent or unethical ones), which further lowers the Operational Culture, creating a vicious circle from which it is difficult to exit.

For all the reasons listed above, it is beneficial both to managers and companies to strive to implement Operational Excellence in their organization.

Let's see how.

Part 1:

The Four Principles

of Operational

Excellence

*The 1st Principle
of Operational Excellence:*

Good managers set unambiguous, individual and rewardable objectives

The most important task of a manager is performance management: setting objectives for his subordinates and holding them accountable for their results. Performance management impacts both the short-term performance of the team (directing and motivating the subordinates on their current tasks) and its long-term performance (powerfully communicating values and standards by rewarding desired behaviors and punishing undesired ones).

When a manager fails to execute on performance management, he compromises the good results he might have obtained in other areas, such as communication, hiring, and decision making. Skillful managers will still find themselves with an underperforming team, if they did not demonstrate to them that individual outcomes consistently follow individual performance on the objectives they have been given and on living the Core Values of the company.

Many managers have trouble consistently holding their subordinates accountable fairly and constructively. Some are uncomfortable with telling their underperforming subordinates that they did a bad job, especially when it could be argued that “they did what they could”. Others fail to consistently reward the good performance of their employees because they lack the budget or time to do so. And some fail to be fair in their evaluations because they were not clear in how performance was to be evaluated or because they considered factors other than performance.

There is one common trait shared by managers who have trouble consistently holding their subordinates accountable: they do not set clear objectives. This is the cause of most of their problems with regard to performance management.

THE 2 PROBLEMS OF SETTING AMBIGUOUS OBJECTIVES

Managers who set ambiguous objectives have two problems. First, a performance problem. **The more ambiguous an objective, the higher the chances that a worker misinterprets it and fails to fulfill it.** Moreover, the more ambiguous an objective, the more wiggling room subordinates have to interpret the orders of the manager in a way that allows them to avoid doing the tasks they are uncomfortable with, ultimately affecting the end result.

Second, **the lack of clarity makes it challenging for managers to hold their subordinates accountable.** The more ambiguous the objective, the more a subordinate who failed to achieve it can argue he actually did what was requested and therefore, should not be held accountable. This makes it harder for the manager to follow through with the appropriate consequences, such as negative feedback, reprimands, or disciplinary actions. The consequences of a lack of clarity are negative even when the manager does follow up with consequences, as the subordinate may end up frustrated and lose motivation if he thinks he has been judged unfairly.

Because of the two phenomena described above, **managers who set ambiguous objectives tend to have underperforming subordinates and are less likely to hold them accountable for their underperformance.**

THE VICIOUS CIRCLE OF LOOSE PERFORMANCE MANAGEMENT

Failing to consistently apply individual outcomes to the performance of subordinates further exacerbates the problem. **Once a manager has let someone off the hook, he sets a precedent for others, making it easier for them to argue that they should also be given a pass. This makes it even more difficult in the future for the manager to be consistent in the application of consequences and further deteriorates the Operational Culture of the team.**

Good managers are aware of this vicious circle. They prevent it by setting clear objectives and by being fully consistent in applying consequences. As a result, their workers know what is expected of them, and the managers themselves can be comfortable doing their job of performance management later.

Bad managers describe objectives that can be understood. Good managers describe objectives that cannot be misinterpreted.

THE 3 ATTRIBUTES OF GOOD OBJECTIVES

Good managers set objectives with 3 attributes: unambiguous, individual, and rewardable. Let's see them one by one.

1) Good objectives are UNAMBIGUOUS.

Good managers set unambiguous objectives by painting a visual description of what success looks like. Then, they ask their subordinates to repeat their understanding with their own words. This ensures that employees cannot possibly have misunderstood the objective and that the manager cannot think he had been unclear (and thus withhold from keeping them accountable).

2) Good objectives are INDIVIDUAL.

Good managers restrict objectives to something that the subordinate can impact with his individual contribution. This ensures that an employee cannot use his team's lack of performance to cover or excuse his own underperformance.

3) Good objectives are REWARDABLE.

Good managers set ambitious yet achievable objectives. If the objectives are not ambitious enough, the manager could find himself in the situation in which all his subordinates fulfilled their own objectives and yet, doing so did not generate enough value for the company to justify rewarding them with raises or promotions. This leads to hard-working employees getting frustrated with the lack of rewards and ending up either demotivated or quitting their job. Instead, good managers set objectives ambitious enough so that, in case of success, the company makes enough profit to reward the subordinate with part of the windfall.

Objectives must also be realistic. If they feel unattainable, most subordinates will act as if the potential reward is not even there. A few will instead overwork themselves to the point of suffering a burnout – an equally undesirable outcome.

Most managers understand the importance of the points above, but fail to consistently apply them in practice, for 6 reasons:

Objective is...	Cause	Explanation
Ambiguous	The manager is incompetent.	The manager does not know how to set clear objectives or why it is important to do so.
Ambiguous	The manager wants to retain political power.	The blurrier the objectives, the more the manager can be subjective in his rewarding and thus draw power from his ability to apply such subjectivity.
Ambiguous	The manager is afraid that he won't be able to follow-up with rewards or punishments.	The blurrier the objectives, the easier for the manager to confabulate a reason for which consequences should not follow results or lack thereof.
Ambiguous	The manager is afraid that the team will not be able to produce satisfying results anyway.	The blurrier the objectives, the easier for the manager to justify to his boss why his team underperformed but neither he nor individual members should be held accountable.

(the table continues in the next page)

Objective is...	Cause	Explanation
Collective	The manager dreads having difficult conversation with individual subordinates.	The manager assigns responsibilities to groups only, so that individual responsibility is unclear and cannot be rewarded nor punished. This does not mean that good managers do not use group objectives, but that doing so is not sufficient; it is necessary to also use individual ones.
Unrewardable	The manager does not respect his capacities or his subordinates' and ends up assigning too conservative objectives.	Objectives should not be set so that they are comfortable, but so that good things happen if they are achieved.

In all but one of the rows above, **when managers fail to set clear objectives, it is not because of a lack of skills. Instead, it is because of some mental patterns of theirs that make them believe that setting *unclear* objectives is the optimal choice.**

One particular instance of this phenomenon is the vicious circle of bad management, described below.

THRIVING IN A DYSFUNCTIONAL CULTURE

Often, managers find themselves immersed in a dysfunctional culture lacking clarity and consistency. Many react with coping behaviors such as joining others in setting unclear objectives and letting underperformance go unpunished. Their reaction to a lack of clarity and consistency is to behave with a similar lack of clarity and consistency themselves.

However, by trying to fit in, they dug themselves a hole that only grows deeper. **Because they set unclear and unambitious objectives, they cannot reward those employees who performed and cannot punish those who didn't. Consequently, their team underperforms** and, because it underperformed, the manager loses confidence in his capacities and his team's. Next time, he will set even more ambiguous, more collective, and less rewardable goals. This is a vicious circle which happens whenever managers act reactively.

Whereas bad managers are reactive and focus on coping, good managers are proactive and fight to create an environment worth working in. Even when immersed in a culture where clarity and consistency are missing, they do the work of setting unambiguous, individual, and rewardable objectives. They know that this will make their follow-up job of performance management much easier and will break the vicious circle.

Good managers do not wait for the perfect environment to do their work; rather, they realize that it is *their* job to create a conducive environment.

GUILT AND SHAME

Guilt and shame by a manager are symptoms of insufficient clarity, individuality, or ambitiousness during delegation. The higher the possibility that the subordinate might think he had done a good job when he didn't, the more a manager feels uncomfortable in holding him accountable. If the manager had been unmistakably clear while setting objectives, none of this would have happened.

Good managers understand that when they feel guilt or shame it is because they have not been doing their work of properly setting unambiguous, individual, and rewardable objectives.

Good managers use these feelings as a signal that it is time to have an individual discussion with their subordinates, acknowledging that the previous objectives had not been set clearly, and setting new ones with the 3 attributes listed above.

Bad managers react to guilt and shame with avoidance; good ones use them as a signal that they should bring more clarity into objective-setting.

Management is an incredibly simple job, in the absence of shame. Clarity is what prevents shame from becoming part of the equation.

LACK OF MOTIVATION

When good managers spot a lack of motivation in their subordinates, they interpret it as a signal of a lack of clarity. It can be of 3 kinds:

- **Lack of clarity of objectives:** because the objectives are not clear, the subordinate is confused about what has to be done next. This undecidedness is often mistaken for a lack of motivation.
- **Lack of clarity of personal impact:** because the objectives are not individual, the subordinate is unsure about the scope and importance of his personal impact and is less motivated towards taking effective action. Maybe, he waits for someone else in the team to take action. Or perhaps, he doesn't want to risk overstepping on someone else. Either way, he doesn't act proactively nor wholeheartedly.
- **Lack of clarity of individual outcomes:** because the objectives are not linked to clear individual outcomes dependent upon individual performance, the subordinate is not motivated to act outside of his comfort zone.

GOOD PERFORMANCE MANAGEMENT EMPOWERS SUBORDINATES

Managers who are relentless in applying the appropriate consequences to the performance of their subordinates are not selfish. On the contrary, good managers know that doing so is beneficial to the subordinates themselves. In companies where consistent performance management is missing, workers underperform. As a result, in the best case, their manager cannot show enough success to his superiors to justify getting the budget to offer bonuses, raises, or promotions to his team. In the worst case, he has to lay off some of its members. Neither outcome is good for the subordinates.

Moreover, good managers know that good performance management is a great way to help their subordinates to realize their potential. Often, a subordinate has to get out of his comfort zone to do what it takes to fulfill an objective. Unless he is exceptionally proactive and internally motivated, he will need external incentives to do so. His manager is responsible for providing him with them, in the form of a trustworthy promise of good individual outcomes if he completes his objectives and of bad ones if he doesn't.

Good managers know that every employee benefits from reaching his potential. This leads to higher job satisfaction, higher self-respect, higher salary, and higher job security. Therefore, they know that **it is helpful and generous to set clear and ambitious objectives and to guarantee fair consequences**. Conversely, it is those managers that are ambiguous in the definition of objectives and inconsistent in the application of consequences who are selfish. To feel more comfortable with themselves, they prioritize their emotional comfort over the personal development of their subordinates.

GOOD PERFORMANCE MANAGEMENT IS HUMAN

Some managers are extremely consistent in their performance management but set excessively ambitious objectives. This might get a sudden increase in productivity in the short term but always leads to disastrous performance over the long term. It forces employees to throw the towel. This happens in two ways: some employees will feel like the objectives are unreachable or not worth the effort, whereas others will overwork themselves to the point of suffering a nervous breakdown. The consequence is the same: a team devoid of energy.

Good managers know that objectives must be ambitious yet human.

Sometimes, good managers might require a performance burst from their subordinates – for example, in case of a rush order from one of their best customers. In that case, they might set a very ambitious objective. However, they make sure of two things: first, the higher-than-usual burst of work has to be appropriately rewarded (a celebration, paid time off, a bonus, opportunities for personal development, etc.); second, this cannot become business as usual. Requiring overtime a few weeks per year is a sign of a healthy company that can absorb temporary spikes in demand; **chronically requiring overtime (whether formally or informally) is a sign of a dysfunctional company that tries to compensate for its structural problems by burdening its employees.**

(Similarly, **chronically doing overtime is a sign of a dysfunctional manager who tries to cover his effectiveness problem with throwing more time and energy at problems which do not need it.**)

Good managers work with their subordinates in a way that is conducive for the long-term future of both: managing their energies and their subordinates'⁴, ensuring that both their work and the consequences of their work are sustainable, behaving from a good faith principle.

On the other hand, they are also relentless in making clear to subordinates of theirs who are not willing to adopt the same long-term collaboration principles that either they do embrace them or it is better to part ways, to save everyone's time.

GOOD PERFORMANCE MANAGEMENT IS PROGRESSIVE

It is common for managers to find themselves with one or more underperforming subordinates. In this case, managers must apply a progressive approach to performance management. Immediately setting ambitious goals would not be effective, for the underperforming subordinates might think that they are practically unreachable for them and thus react with indifference.

Indifference and laziness are symptoms of having forgotten that good outcomes follow good performance.

There are two main reasons for this amnesia: first, having been taught by previous managers that good performance is unrewarded or that bad performance goes unpunished; and second, having lost confidence in one's own capacity to produce satisfactory levels of performance.

⁴ In a measure; great managers also teach their own subordinates to manage their own energy (and then accommodate their attempts to do so), as the subordinates themselves are ultimately responsible for it.

More on this in the section "Negotiating objectives" in the next chapter.

When facing an indifferent subordinate, the manager should teach him again that good outcomes follow good performance and that such good performance is attainable for him. A manager does not only need to teach a demotivated subordinate how to produce results; he also needs to teach him that he can achieve them and that doing so brings good individual outcomes. These are two completely different concepts. A manager focusing his efforts on the former while the bottleneck is the latter is setting himself up for frustration.

(Of course, in case of skills being the factor limiting the performance of the subordinate, and not motivation, then the manager will have to focus on ensuring he gets the required know-how.)

The right way to address an indifferent subordinate is by setting small, attainable objectives and using words of appreciation (or just a simple thank you) when they achieve it. **The manager has to create the conditions to be able to “catch the subordinate doing something good” and rewarding him with words for it.** If done consistently enough for a few weeks, progress will inevitably follow.

Once the subordinate begins learning that good performance is attainable and rewarded, the manager should progressively raise the objectives and the expectations regarding his performance.

If done correctly and consistently, the previously indifferent employee will reach a sustainable state of high performance and motivation.

OBJECTIVES AND ALIGNMENT

Bad managers try to reach alignment through communication; good managers achieve alignment by rewarding the behaviors which are aligned with the objectives of the organization and by punishing those that go against it.

MANAGEMENT DEBT

Whenever a manager takes the “easy choice” and sacrifices clarity, fairness or consistency to avoid a difficult conversation or a difficult choice, he incurs “management debt”: a subjective short-term gain that will eventually have to be paid back with interest.

Management debt happens because employees adapt negatively to the lack of clarity, fairness, or consistency. As both the negative consequences of taking the easy choices and the positive consequences of taking the hard ones seem now less certain, they react with taking easy choices themselves.

The more the manager takes “easy choices” by sacrificing clarity, fairness, or consistency, the more his subordinates will take “easy choices” themselves by sacrificing performance, quality, and teamwork.

Management Debt is an expression coined by investment firm A16Z cofounder Ben Horowitz. In his book “The Hard Thing About Hard Things”, Ben lists three sources of management debt: putting two people in the same position of the organizational chart (“putting two in the box”), overcompensating a key employee because he got another job offer, and no performance management or employee feedback process. These three sources can be respectively mapped to lack of clarity, lack of fairness, and lack of consistency, as explained in the table below.

Source of management debt	Corresponds to...	Explanation
Putting two in the box	Lack of clarity	Assigning two people to the same position causes a lack of clarity about who is responsible for what and about whose orders and priorities are to be followed
Overcompensating an employee who received another job offer	Lack of fairness	Undercompensating an employee until he is offered another job and then overcompensating him is doubly unfair: to the employee himself before he is offered the job and to the rest of his team afterwards.
No performance management / employee feedback process	Lack of consistency	Once clear objectives have been issued, performance management is mostly about consistency in applying consequences.

Good managers try to avoid incurring management debt as much as possible. They do so by always choosing to do the work of setting unambiguous, individual, and rewardable objectives and by always requesting their subordinates to be accountable for them. Doing so helps a team and an organization to avoid far more costly and difficult situations later.

It is easier to spend a career taking hard choices than spending it taking easy ones.

SUMMARY

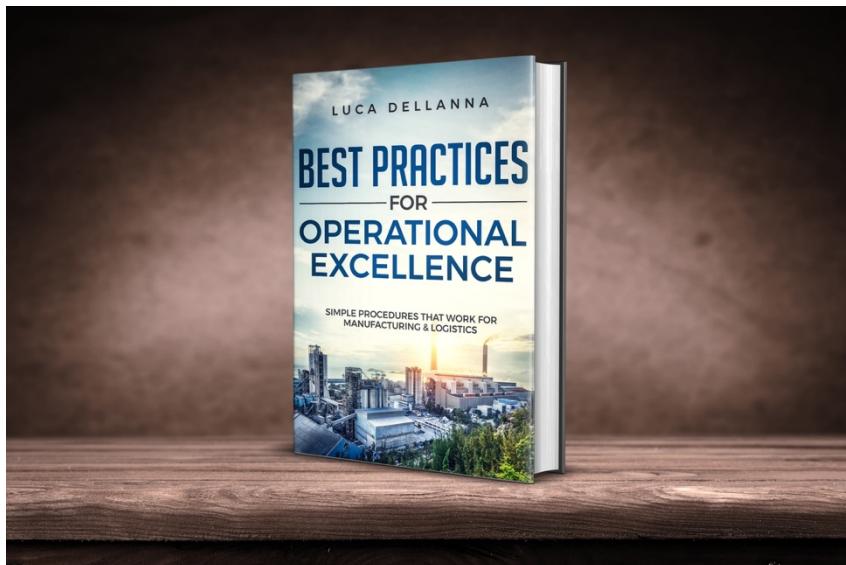
Bad managers fail to set clear objectives because of mental patterns that make them believe that it is better to set unclear ones. However, if they do so, they remove the motivation for employees to complete their objectives and make it less comfortable for themselves to follow-up with individual outcomes correlated to individual performance.

Therefore, good managers spend a considerable amount of their time and energy on setting objectives that are unambiguous, individual, and rewardable.

Failing to do so equals failing their subordinates, who rely on their manager for clarity and direction towards objectives worth fulfilling – objectives which, when completed, are necessarily followed by good outcomes both for organization and for the individuals who contributed to them.

End of the excerpt

You can get the full book in digital format (PDF, Kindle, ePub) at gum.co/opexbook or in paperback format on Amazon (the Kindle format is also available on Amazon but is more expensive than at gum.co/opexbook).



About the Author



An automotive engineer by training, after having led large teams and consulted for large multinationals, Luca quit his corporate job to become an independent researcher and author and dedicate his career to shedding light on the topic of emerging behavior

After having lived in Spain, Germany, and Singapore, Luca recently moved back to his hometown of Turin (Italy). He spends his days between consulting, teaching, and conducting his research from his home, a coffee bar, or a park.

A few days a month, Luca also consults corporations and individuals that want to improve their businesses. Once per year, he teaches a Risk Management module at Genoa University, and a few times a year, he holds private intensive courses for entrepreneurs, operations managers, plant managers, and CEOs / COOs.

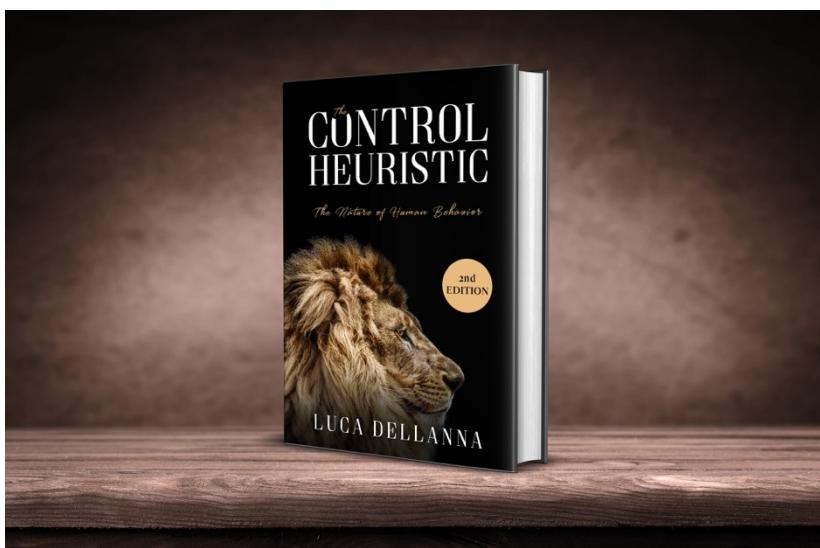
Luca writes regularly on Twitter ([@DellAnnaLuca](https://twitter.com/DellAnnaLuca)). You can visit his professional website and blog at www.luca-dellanna.com. You can also contact him at Luca@luca-dellanna.com

In the next pages, you can read a brief overview of Luca's other books. You can show your support to Luca by recommending this book to your friends or colleagues, by leaving a review on Amazon / Gumroad / Goodreads, or by contributing to his cause on Patreon (patreon.com/dellannaluca).

Other books

by Luca Dellanna

THE CONTROL HEURISTIC, 2ND EDITION



"This book is like a magnificent suspension bridge, linking the science of the human brain to the practical craft of applying it in everyday life. I loved it." – Rory Sutherland

"A SUPERB book [...] by one of the profound thinkers in our field [behavioral economics]." – Michal G. Bartlett

“Luca’s book was so helpful to my work. Opened my eyes up to some more reasons why change is so hard.”

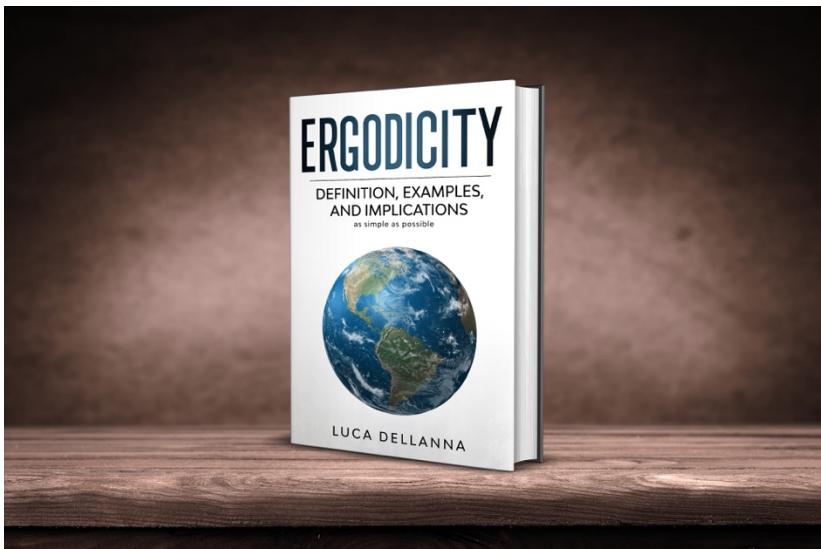
– Chris Murman on the first edition

At a first look, human behavior appears as an inexplicable mess. Why do we behave irrationally? Why do I behave irrationally? Why is it so hard to change? What is happiness and why does it seem to escape us?

The brain can only be understood as a distributed entity. The key to understand it is in looking at how the different brain regions interact between each other, how misunderstandings become illusions, how selfish interests become irrational behaviors.

The Control Heuristic offers a new perspective to answer these questions and provides a guiding light to shed the darkness of the subconscious resistances that prevent us to behave like the man or woman we want to be.

ERGODICITY: DEFINITION, EXAMPLES, AND IMPLICATIONS, AS SIMPLE AS POSSIBLE



“Definitely worth reading! What I appreciate the most is that the author chose to explain the practical applications of ergodicity in layman terms, thereby making the topic accessible to a wide audience.”

– Silvia Brumana

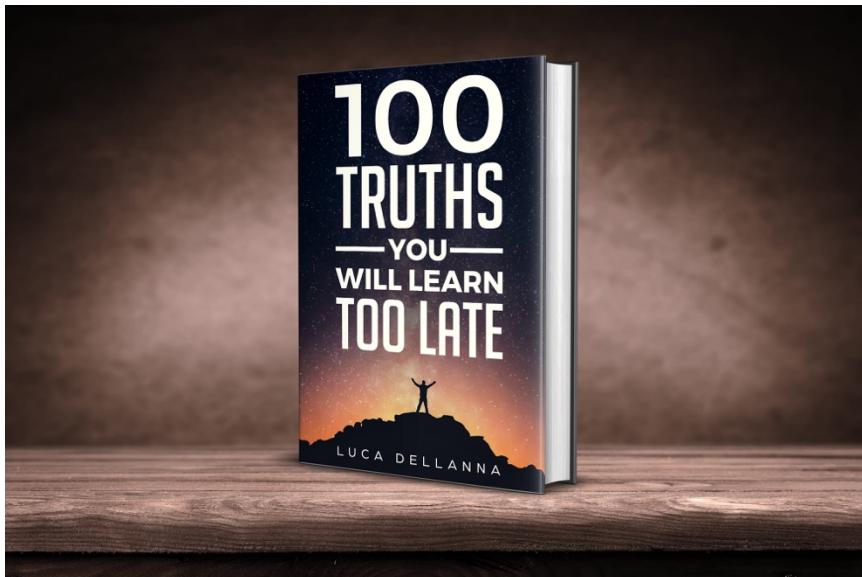
“Practical, easy-to-understand explanation of a complex issue. The examples the author uses make the definitions come to life”

– Scott Miller

“Very intellectually stimulating.
It helped me think about risks at a deeper level.”

– Tam HN

100 TRUTHS YOU WILL LEARN TOO LATE



“I am amazed at Luca Dellanna’s ability to observe, compile, and articulate 99 very actionable life principles here. Each chapter describes the rule in a way that makes you think and then summarizes the Action. It’s filled with DEEP insights yet VERY readable.”

– Theresia Tanzil

“Absolutely brilliant. You might have grasped some of these concepts before but having them structured and in writing makes all the difference [...] I will surely recommend it to friends and co-workers.”

– Alberto Pisanello

“A very thoughtful piece of writing, deep and wiring!”

– David Krejca

“Luca Dellanna’s new book “100 Truths” is super tight! [...] Practical, directional advice.”

– Hari Meyyappan

“100 Truths has been a game changer.”

– Adam English

“A thoughtfully written book in very straightforward language.”

– A.L. Peevey

I wasted years of my life because I did not know its rules.

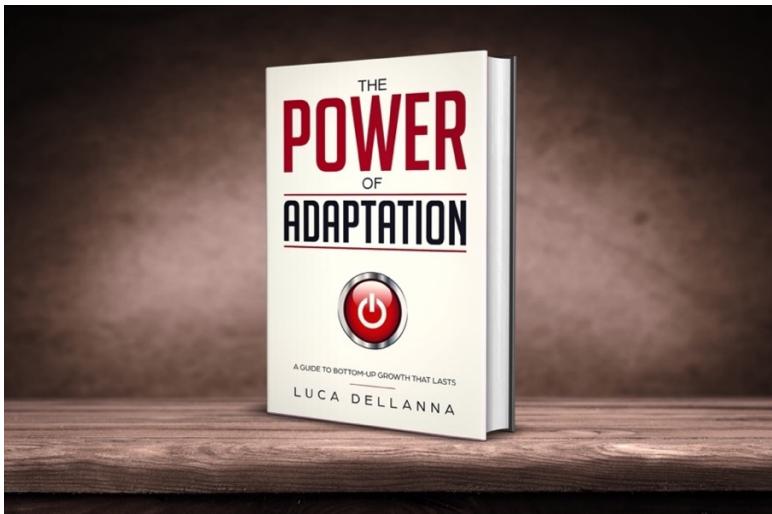
I did not know the rules of relationships, of careers, of health, of happiness.

Then, through hard work, talking with mentors, and trial and error, I uncovered some of them.

Now, I lay these rules out for you. In this book, you will find 100 of the lessons I learned.

It will still require hard work from your side to internalize them and put them into practice, but at least I hope to make this process easier for you by letting you avoid committing the same mistakes I did.

THE POWER OF ADAPTATION



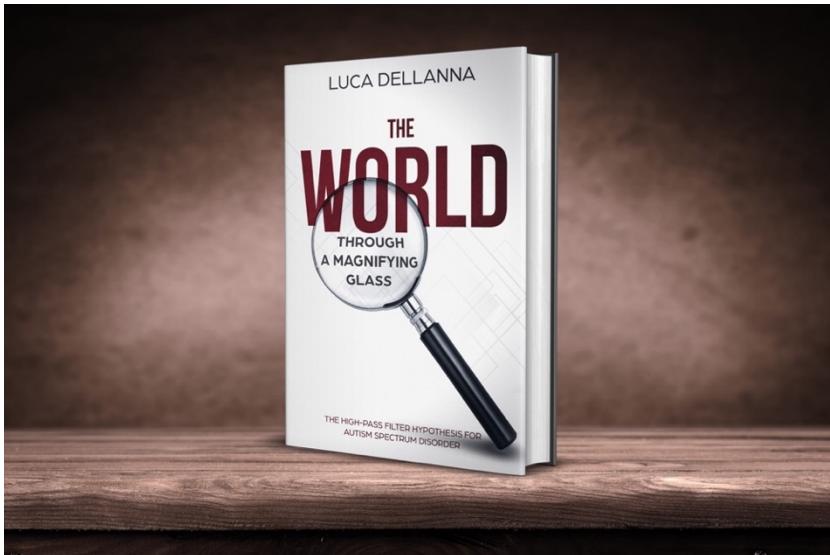
“This guy! Luca is amazing. So insightful with common sense applications of complexity and the ability to communicate clearly!!” – Bob Klapetzky

This book is for you if:

- You like books dense of information, such as Taleb's *Antifragile*.
- You understand or are willing to accept that the world is dynamic, and that understanding how something changes is more important than understanding how something works now.
- You do not like usual business / self-help books that provide solutions that only work in the short-term.

This book focuses on the topic of adaptation as the main force shaping the world as we know it. It aims to describe the basic phenomena which weave together into what we perceive as adaptation and to provide a guide to help the readers practicing the four behaviors that will help them harness, rather than fight, change.

THE WORLD THROUGH A MAGNIFYING GLASS



“Thank you for helping me understand! My son was recently diagnosed and I needed to be able to understand how he views the world. Why certain things would overwhelm him and cause so much anxiety and pain. This book made it so clear and easy to understand.”

– Geiger T.

“Thanks to Luca Dellanna for his book about autism and ASD. It’s probably one of the best works I have read in that matter (I have read a few) and it’s surprising how realistically he depicts the condition.”

– Manel Vilar

“Loved The World Through a Magnifying Glass – this analogy NAILS IT.”

– Emerson Spartz, NYT Bestseller Author

This book is for parents, friends, or anyone related to someone with Autism.

This is for neurologists and psychologists to help them understand the world of ASD.

This book is for people on the Spectrum, to help them understand themselves.

Some of the topics covered inside:

- The Magnifying Glass: a metaphor to understand perception under the Spectrum
- Why people on the Spectrum are impaired in contextual fields (such as personal communication) and advantaged in mastering detailed fields (such as computer science).
- Peripheral Functionality Blindness: the reason people on the Spectrum do not develop appropriate body language and facial expressivity.
- Prioritization by Specificity: the reason literal meaning is the only thing which matters, for people on the Spectrum.
- The High-Pass filter: a novel hypothesis for the Autism Spectrum Disorder, coherent with previous theories and experimental results.

(Reading time is about 1h30)