

A Proposal to Building the Adaptive Reference System: A Challenge for Managers

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A traditional decision making system evaluates the probability of a certain scenario to take place. That means it is an activity that is evaluated BEFORE making decisions. Like this, the system is empowered with a quasi-complete set of parameters that help the managers to take the best suitable decision based on that fixed context. But this only helps good/average companies to maintain their routinely course.

Making the leap from good/average to great needs more than that. To make such leap most of the time you need to think out of the box. Thinking out of the box is risky, but still extremely worthy if it turns out positively. In order to train a mind to think outside the box you need to evaluate performance, identify thinking patterns, improve the worthy patterns and apply them on a bigger scale. That means you need to evaluate the activity AFTER making decisions.

The hardest to replace in any Organization is a Manager. On the free market, when you do that, you naturally loose confidence of your shareholders. So, in order to avoid that, good/average companies reduce the risk of doing so helping them with decision assisted tools, while the great companies reduce that risk with specific training of improving its decision makers's mind set.

In any organization, the evaluation process serves as an input to provide decision-makers with knowledge and evidence about performance and good practices. Based on credible, objective, valid evidence-based information, evaluation can be a powerful tool that can make programs and projects.

Evaluation reports inform managerial decisions, present and future planning and strategies and policies by providing targeted recommendations to Project Managers. Evaluation users should participate actively in the entire evaluation process to ensure recommendations are practical, relevant and realistic.

The evaluation process needs a reference system, comprising all criteria to be taken into account in this process. These criteria are industry-specific and are established by industry-specific standardization bodies. The result of the process for a specific organization is a numerical score, computed as a sum of specific values for criteria multiplied by their weights. Making decisions in a complex environment is a game of thrones. In order to make the right decisions in such an environment means first thing to establish the Organizations culture, than its trajectories and than the means and ranges to meet both. Questions like Should I make the Company lose money in order to respect the its culture? or Should I make the Company gain more money disregarding its culture? could define diametrically opposed situations of the same performance criteria.

A reference system is said to be adaptive (i.e. Adaptive Reference System, ARS) when:

1. Its set of criteria is opened in range (i.e. you can add/remove criteria from the set),
2. The weights (level of importance) of each criteria to be measured is opened to subjectivity (i.e. you only set the scale range, like from 0 to 10, but when you think of a specific criteria you feel it is either 3 (not so important) or 8 (pretty important)).
3. The grouping of criteria by category is opened (i.e. you can freely create categories like Industry specific, Technology specific, etc.) and you can freely switch criteria from one category to another.
4. You can track generic entities from macro to micro (i.e. either the Organization full scan, or a specific Department, a specific Team inside a Department, down to a specific Employee)

Building the Adaptive Reference System (ARS) is the first step in performing reliable evaluation of an Organizations assets, culture and performance. It is the ground floor and foundation of an Organizations sustainability. Building a Reference System is mandatory in order to evaluate a Organizations activity and performance, but now-days the challenge is to be able to adapt your Reference System in order to follow the constantly changing context of the market.

This paper proposes a method to build such an ARS based on Industry Standard Values and Self Expectations of Industry Values measured against the REALITY (i.e. Actual Values - the output data of and after each Evaluation Session).

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