

## HIRT&FRIENDS EXECUTIVE BRIEFING



Dr. Michael Hirt

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### **When the Tail Wags the Dog**

#### **Why most staff functions destroy value and what to do about it**

Staff and support functions should serve to support the success of the company's main functions, such as production and sales, and make life easier for managers.

Unfortunately, in practice it often looks exactly the other way round and one has the feeling that staff and support functions live out their fantasies of omnipotence on the backs of those they are supposed to serve, i.e. the tail wags the dog.

Bureaucracy is when the ways & means become more important than the goals and finally the goals get completely out of sight.

As British scientist and organizational researcher C. Northcote Parkinson noted in the middle of the last century, bureaucracy does not need anything to be administered, in order

to expand. It expands all by itself and constantly invents new tasks to keep it busy, expand its sphere of power and further justify its existence.

So if we do nothing, the reality is that bureaucracy, like weeds, grows and expands on its own until the company's primary function of creating value for the customer, while remaining competitive, is completely lost or severely impaired.

Companies that have become aware of this fact are rigorously combating bureaucracy with the following four measures, among others.

### **Return-on-Investment counts**

First, new policies, measures, forms, procedures, etc. must only be introduced after management has been convinced that they create value for the business and, ultimately, for the company's customers, i.e. they have a verifiable return-on-investment and return-on-effort.

### **Management Control**

Second, before additional bureaucratic measures are introduced, the managers for whom these measures are supposed to be introduced must be involved in the development of these measures ("Voice of the Customer"). Stop staff units and support departments from autocratically introducing new rules and bureaucratic gimmicks and treating the managers who actually carry the business and make the money like little children who are simply confronted with new rules.

### **Define Success and Measurements from the Outset**

Third, clear measurements of the benefits and value of a measure are defined, before it is introduced and then measured on an ongoing basis so that the effectiveness of the measure can be monitored, adjusted and, if necessary, the measure eliminated.

Since organizations are generally very bad at abolishing things, it is advisable to provide a measure with an expiration date right from the start. This automatically leads to the fact that the staff unit or support function, which pleads for the continuation of the measure, must prove its usefulness.

### **Clean your House, at least Annually**

Fourthly, at least once a year an annual "House Cleaning" is carried out, in which unnecessary or no longer value-creating measures and processes are abolished or simplified at all levels of the company in order to create capacity and attention for the essential, namely the creation of value for the customer.

### **In a Nutshell**

If we do nothing, then the reality is that bureaucracy, like weeds, grows and expands on its own, until the company's main function, to create value for the customer, while remaining competitive, is completely lost. Companies that have realized this connection will fight bureaucracy rigorously, ideally long before it gets out of hand.

All the Best!

Michael Hirt

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