



# **Measuring the Value Added by Managers: Tracking Management Performance**

**World Conference on Intellectual Capital for Communities  
- Third Edition -**

## Context

- **Determining value added by managers is becoming increasingly important**
  - **Increasing complexity of organizations in an international environment**
  - **Need for management performance transparency to attract capital in emerging communities**
  - **A critical differentiator in organizational performance**

## Problem

- **Managers “dark matter” (e.g., creative IC) capabilities is a critical part of the Intellectual Capital puzzle**
- **Performance of individual managers has not been correlated with organizational outcomes in an objective way**
- **Need to establish a relationship between managers performance and organizational outcome (e.g. revenue, capability, productivity, output)**
- **Need a common objective metric to measure management performance**

## Previous Approaches for Structuring Problem

- **There are no comprehensive objective approaches to valuing individual managers**
- **Majority of previous research focuses on *qualitatively improving* management's performance**
- **Most prior research agrees that management adds value to the organization but does not quantify the amount of value each manager adds**

## Management Value Added Approach (MVA)

- **What is MVA?**
  - **An approach for objectively valuing individual managers contributions to organizational outcomes**
  - **It is an extension of the knowledge value added (KVA) theory designed to account for non-algorithmically definable processes – such as managers’ uses of their “dark matter” capabilities**
  - **The focus is on managers’ outputs, not currently accounted for by standard KVA theory**
    - **These “dark matter” outputs are management messages that focus on: predictions, future thinking/non-algorithmically definable processes/creativity/etc.**
  - **MVA assumes that managers are supposed to use their “dark matter” outputs to positively influence organizational outcomes (e.g., revenue, capabilities)**

## Management Value Added Approaches (MVA)

- **Operationalization: Strict KVA extension and Correlational approaches**
- **Preliminary tests of the concept: Does it make sense?**
  - **Strict KVA approach—Ship Tracking**
  - **Research Question—Can we objectively measure management dark matter outputs? (e.g. Job description approach)**
  - **Hypothesis Test of correlational approach**
    - **Open Business Model Example (in progress)**

## Results: Strict KVA Approach

- **Ship tracking process: Role of Track Manager**
  - 6% of total track management output was dark matter output
- **Proof of concept operationalization: expanding traditional KVA approach was relatively simple**
- **Appeared that this management activity could be automated over time**
- **Due to relatively minimal management contribution, risk and uncertainty could be “managed” by the team—cost reduction**

## **Correlational Approach: Open Business Acquisition example**

- **First order hypothesis: There will be a greater amount of management dark matter outputs in the open business model message sample than in the proprietary system acquisition message sample.**
- **Algorithm development (see paper)**
  - **Delta in “dark matter” management outputs can be categorized and tracked over time**
  - **Delta in this management output can be shown to correspond to changes in organizational outcomes (e.g., revenue, capabilities)**
- **Comparing management outputs in open example with management outputs in proprietary system acquisition example.**
- **Data collection and analysis is continuing (preliminary results: dark matter outputs to routine outputs = 4 to 1)**



## Implications

- **MVA provides a new source of data to increase understanding of IC performance (i.e., management performance)**
- **Open Business Acquisition Models place more demands on managers: Need for Dark Matter Outputs will increase**
- **Performance Monitoring, Feedback, Transparency, Accountability, and Reward Structures must reinforce managers to use their Dark Matter capabilities to:**
  - **Recognize options**
  - **Improve organizational outcomes**
  - **Mitigate risks and recognize uncertainties**
  - **Avoid catastrophic failures**
- **MVA performance results will:**
  - **Help weed out those managers who cannot adapt**
  - **Provide an objective basis for increasing fairness in rewarding those that can**

## Limitations and Future Research

- **Correlational Approach: Need data on cycle time conversion ratio for introduction of innovation and production among organizations**
  - **Conversion ratio: dark matter output/organizational outcome**
- **Developing a practical non-semantic approach to quantifying dark matter output**
  - **Calibration is an issue—attempt to get common units of dark matter outputs**
  - **Need to move from correlations among deltas to coefficient of proportionality that converts deltas to absolute values**