



# AUTOBAHN CONSULTANTS

MP PRESENTS



## HIGH OUTPUT MANAGEMENT

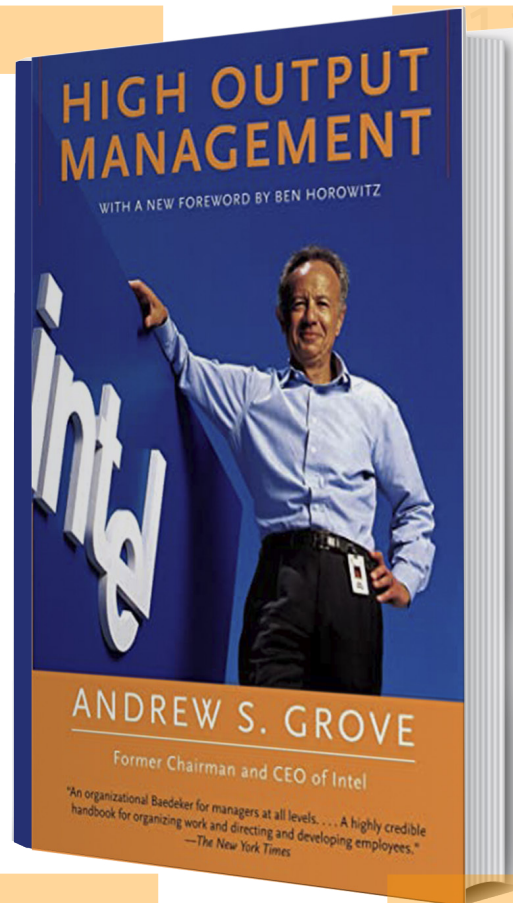
BY ANDREW S. GROVE  
(**FORMER CEO OF INTEL**)

*"High Output Management" was published back in 1995 by Andrew S. Grove, former Chairman and CEO of Intel, and the wisdom he shares still rings true over 25 years later! So many of the concepts resonated with me that I had to add it to my list of favorite business books. I hope you'll take the time to read the book, unfortunately, there is no audible version. You know that I believe that "leaders are readers," but I also know how busy you might be, so in the following pages I've extracted my favorite nuggets from the book along with a few comments!*

**Rock on!**



Jonathan Slain



**PS-**

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## PART I: THE BREAKFAST FACTORY

### CHAPTER 1

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*"A common rule we should always try to heed is to detect and fix any problem in a production process at the lowest-value stage possible."*

### CHAPTER 2

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*"Indicators tend to direct your attention toward what they are monitoring. It is like riding a bicycle: you will probably steer it where you are looking."*



### CHAPTER 2

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*"Nowhere can indicators . . . be of more help than in administrative work."*

### CHAPTER 2

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*" . . . linearity indicator . . . "*

### CHAPTER 2

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*"Another sound way to anticipate the future is through the use of a stagger chart. . . "*

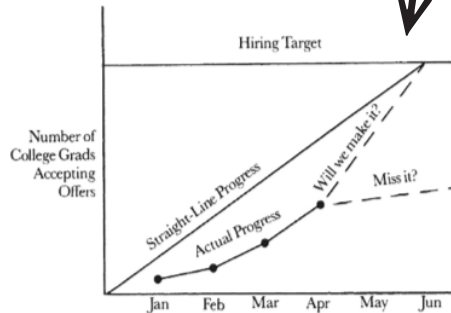
#### ADMINISTRATIVE FUNCTION

Accounts payable  
Custodial  
Customer service  
Data entry  
Employment  
Inventory control

#### WORK OUTPUT INDICATOR

# Vouchers processed  
# Square feet cleaned  
# Sales orders entered  
# Transactions processed  
# People hired (by type of hire)  
# Items managed in inventory

*Examples of administrative work output indicators.*



*The linearity indicator can give us an early warning that we are likely to miss our target.*

Forecasted incoming orders for:

Forecast made in:	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
JUL '81	22	28	34	29								
AUG	*23	27	33	31	29							
SEP		*21	30	30	35	33						
OCT			*29	32	32	32	29					
NOV				*27	32	31	32	31				
DEC					*27	27	31	30	40			
JAN '82						*26	28	29	39	30		
FEB							*24	30	36	32	34	
MAR												

(\* means the actual number for that month)

*I have found the "stagger chart" the best means of getting a feel for future business trends.*

### CHAPTER 2

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*" . . . manufacturing's charter is to deliver product at a quality level acceptable to the customer at minimum cost."*



**It's the same charter for a service business!**

### CHAPTER 2

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*"Another way to lower the cost of quality assurance is to use variable inspections. Because quality levels vary over time, it is only common sense to vary how often we inspect. For instance, if for weeks we don't find problems, it would seem logical to check less often. But if problems begin to develop, we can test ever more frequently until quality again returns to the previous high levels. The advantage here is still lower costs and even less interference with the production flow. Yet this approach is not used very often, even in widget manufacturing. Why not? Probably because we are creatures of habit and keep doing things the way we always have, whether it be from week to week or year to year."*

*"...work simplification. To get leverage this way, you first need to create a flow chart of the production process as it exists. Every single step must be shown on it; no step should be omitted in order to pretty things up on paper. Second, count the number of steps in the flow chart so that you know how many you started with. Third, set a rough target for reduction of the number of steps. In the first round of work simplification, our experience shows that you can reasonably expect a 30 to 50 percent reduction."*

## PART II: MANAGEMENT IS A TEAM GAME

*"A manager's output = The output of his organization + The output of the neighboring organizations under his influence."*



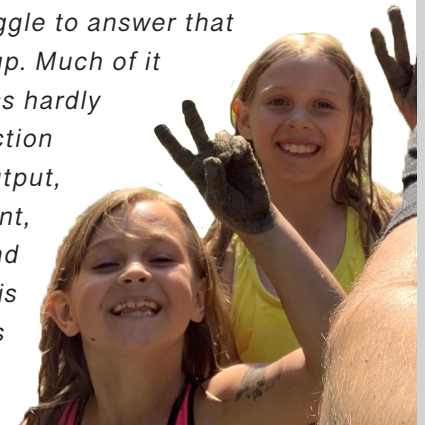
This is Andy's go to formula throughout the book!

*"But the key definition here is that the output of a manager is a result achieved by a group either under her supervision or under her influence. ... by analogy, a coach or a quarterback alone does not score touchdowns and win games."*



*"...I was once asked by a middle manager at Intel how I could teach in-plant courses, visit manufacturing plants, concern myself with the problems of people several levels removed from me in the organization, and still have time to do my job. I asked him what he thought my job was. He thought for a moment, and then answered his own question, 'I guess those things are your job too, aren't they?' They are absolutely my job—not my entire job, but part of it, because they help add to the output of Intel."*

*"'Daddy, What Do You Really Do?' Most of us have had to struggle to answer that question. What we actually do is difficult to pin down and sum up. Much of it often seems so inconsequential that our position in the business hardly seems justified. Part of the problem here stems from the distinction between our activities, which is what we actually do, and our output, which is what we achieve. The latter seems important, significant, and worthwhile. The former often seems trivial, insignificant, and messy. But a surgeon whose output is a cured patient spends his time scrubbing and cutting and suturing, and this hardly sounds very respectable either."*



*"To find out what we managers really do, let's take a look at one of my busier days, shown in the table below. Here I describe the activity in which I was engaged, explain it a bit, and categorize it into types we shall examine in the balance of the chapter. "*

## A Day from My Life:

8:00-8:30

**Met with a manager who had submitted his resignation to leave for another company.** I listened to his reasons (information-gathering), felt he could be turned around and saved for Intel. Encouraged him to talk to certain other managers about a career change (nudge), and decided to pursue this matter with them myself (decision-making).

**Incoming telephone call from a competitor.**

Call was ostensibly about a meeting of an industry-wide society, but in reality he was feeling out how I saw business conditions. I did the same. (Information-gathering.)

8:30-9:00

**Read mail from the previous afternoon.** I scribbled messages on about half of it, some of which were expressions of encouragement or disapproval, others exhortations to take certain types of action (nudges). One was the denial of a request to proceed with a particular small project (decision-making). (Of course, information-gathering took place in all of these cases, too.)

9:00 - 12:00

**Executive Staff Meeting** (a regular weekly meeting of the company's senior management). Subjects covered at this particular one:

- Review of the prior month's incoming order and shipment rates. (Information-gathering)
- Discussion to set priorities for the upcoming annual planning process. (Decision-making)
- Review of the status of a major marketing program (scheduled subject).

This came about through a prior decision that this program was faltering and required review. We found it was doing a little bit better than before (information-gathering), but the presentation still elicited a lot of comments and suggestions (nudges) from various members of the audience.

12:00-1:00

**Lunch in the company cafeteria.** I happened to sit with members of our training organization, who complained about the difficulty they had in getting me and other senior managers to participate in training at our foreign locations (information-gathering). This was news to me. I made a note to follow up with my own schedule, as well as with my staff, and to nudge them into doing a better job supporting the foreign training program.

1:00-2:00

**Meeting regarding a specific product-quality problem.** The bulk of the meeting involved getting sufficient information on the status of the product and the corrective action that had been implemented (information-gathering). The meeting ended in a decision made by the division manager, with my concurrence, to resume shipment of the product.

2:00-4:00

**Lecture at our employee orientation program.** This is a program in which senior management gives all professional employees a presentation describing the objectives, history, management systems, etc., of the company and its major groups. I am the first lecturer in the series. This clearly represented information-giving, and I was a role model not only in communicating the importance we place on training, but also, by my handling of questions and comments, in representing, in living form, some of the values of the company. The nature of the questions, at the same time, gave me a feeling for the concerns and understanding level of a large number of employees to whom I would not otherwise have access. So this also represented information-gathering, characteristic of the "visit" type in its efficiency.

4:00-4:45

**In the office, returning phone calls.** I disapproved granting a compensation increase to a particular employee, which I thought was way outside of the norm (clearly a decision). I decided to conduct a meeting with a group of people to decide what organization would move to a new site we were opening in another state. (This was a decision to hold a decision-making meeting.)

4:45-5:00

**Met with my assistant.** Discussed a variety of requests for my time for a number of meetings in the upcoming week. Suggested alternatives where I decided not to attend.

5:00-6:15

**Read the day's mail, including progress reports.** As with the morning's mail reading, this was information-gathering, interspersed with nudging and decision-making through my annotations and messages scribbled on much of it.



*"... My day always ends when I'm tired and ready to go home, not when I'm done. I am never done. Like a housewife's, a manager's work is never done. There is always more to be done, more that should be done, always more than can be done."*



This really hit home with me especially since I was reading this book during Coronavirus!



*"...no single managerial activity can be said to constitute leadership, and nothing leads as well as example. ... Values and behavioral norms are simply not transmitted easily by talk or memo, but are conveyed very effectively by doing and doing visibly."*



There is theater to being a manager. We must constantly consider the optics of our actions and how to make sure our employees "see" us living the values we preach to them.



*"... How you handle your own time is, in my view, the single most important aspect of being a role model and leader."*

*... Before you are horrified by how much time I spend in meetings, answer a question: which of the activities—information-gathering, information-giving, decision-making, nudging, and being a role model—could I have performed outside a meeting? The answer is practically none."*

*"Each time a manager imparts his knowledge, skills, or values to a group, his leverage is high, as members of the group will carry what they learn to many others."*



*"... In effect, the lack of a decision is the same as a negative decision; no green light is a red light, and work can stop for a whole organization."*

*"The art of management lies in the capacity to select from the many activities of seemingly comparable significance the one or two or three that provide leverage well beyond the others and concentrate on them."*



Devilishly simple concept and so hard to execute!

*"... Because it is easier to monitor something with which you are familiar, if you have a choice you should delegate those activities you know best."*



This concept is counterintuitive, but makes sense.

*"How often should you have one-on-ones? Or put another way, how do you decide how often somebody needs such a meeting? The answer is the job or task-relevant maturity of each of your subordinates. In other words, how much experience does a given subordinate have with the specific task at hand?"*



This concept is "Slain's Panes," but Andy wrote this 25 years ago, so I guess I have to give him credit!

*"... Accordingly, you should have one-on-ones frequently (for example, once a week) with a subordinate who is inexperienced in a specific situation and less frequently (perhaps once every few weeks) with an experienced veteran."*

*"... a one-on-one should last an hour at a minimum. Anything less, in my experience, tends to make the subordinate confine himself to simple things that can be handled quickly. Where should a one-on-one take place? In the supervisor's office, in the subordinate's office, or somewhere else? I think you should have the meeting in or near the subordinate's work area if possible. A supervisor can learn a lot simply by going to his subordinate's office. Is he organized or not? Does he repeatedly have to spend time looking for a document he wants? Does he get interrupted all the time? Never? And in general, how does the subordinate approach his work? A key point about a one-on-one: It should be regarded as the subordinate's meeting, with its agenda and tone set by him."*



I love this section of the book because it is so rare to get tactical advice in a business book. Real world tips on how to do conduct a one-on-one with your direct reports from the CEO of a highly profitable company like Intel is gold!

*"Grove's Principle of Didactic Management: 'Ask one more question!' When the supervisor thinks the subordinate has said all he wants to about a subject, he should ask another question."*

*"What should be discussed at a staff meeting? Anything that affects more than two of the people present."*



If it affects just two people, take it offline, so you don't waste valuable time!

*"... a presenter has to watch his audience like a hawk. Facial expressions and body language, among other things, will tell him if people are getting the message, if he needs to stop and go over something again, or if he is boring them and should speed up."*

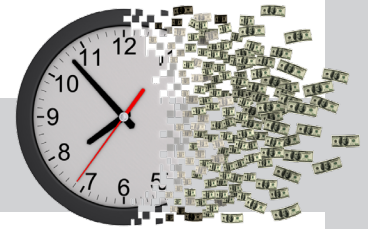


It's like Andy is playing the game at a whole other level!

*"... the mission-oriented meeting is usually held ad hoc and is designed to produce a specific output, frequently a decision. The key to success here is what the chairman does.*

*... When a mission-oriented meeting fails to accomplish the purpose for which it was called, the blame belongs to the chairman."*

*"An estimate of the dollar cost of a manager's time, including overhead, is about \$100 per hour. So a meeting involving ten managers for two hours costs the company \$2,000. Most expenditures of \$2,000 have to be approved in advance by senior people—like buying a copying machine or making a transatlantic trip—yet a manager can call a meeting and commit \$2,000 worth of managerial resources at a whim."*



Andy wrote this section 25 years ago. Adjusted for inflation ...

*"Keep in mind that a meeting called to make a specific decision is hard to keep moving if more than six or seven people attend. Eight people should be the absolute cutoff. Decision-making is not a spectator sport, because onlookers get in the way of what needs to be done."*



I can't agree more with Andy's sentiment here. While I think that 7 people should be the absolute cutoff, a great facilitator might be able to manage 8.

*"... everyone involved must give the decision reached by the group full support. This does not necessarily mean agreement: so long as the participants commit to back the decision, that is a satisfactory outcome."*

*"... self-confidence mostly comes from a gut-level realization that nobody has ever died from making a wrong business decision."*

*"... The criterion to follow is this: don't push for a decision prematurely. Make sure you have heard and considered the real issues rather than the superficial comments that often dominate the early part of a meeting. But if you feel that you have already heard everything, that all sides of the issue have been raised, it is time to push for a consensus—and failing that, to step in and make a decision."*



The section above concerns how to know when to close debate



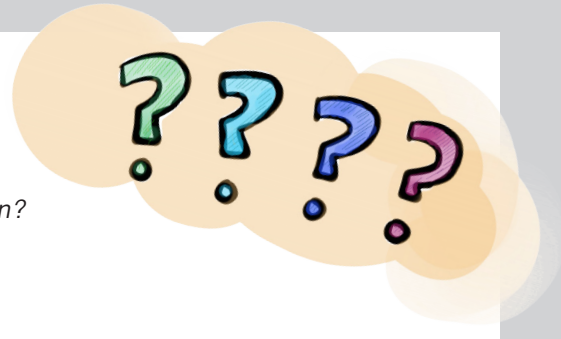


The 6 key things that need to be discussed before making a major decision.

CHAPTER 5

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- What decision needs to be made?
- When does it have to be made?
- Who will decide?
- Who will need to be consulted prior to making the decision?
- Who will ratify or veto the decision?
- Who will need to be informed of the decision?



## PART III: TEAM OF TEAMS



I recommend reading Andy's explanation of Mission Oriented Organizations vs. Functional Organizations in the original text.

CHAPTER 8

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*"Grove's Law: All large organizations with a common business purpose end up in a hybrid organizational form."*

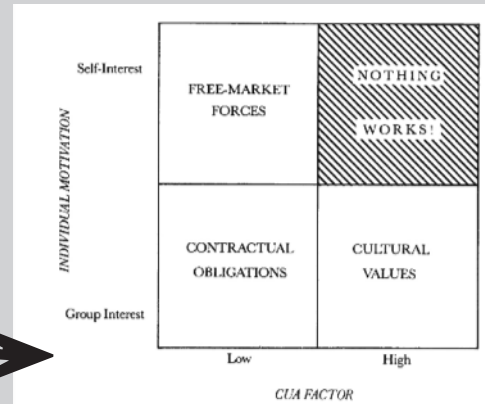
CHAPTER 10

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*"... our behavior in a work environment can be controlled by three invisible and pervasive means."*

These are:

- free-market forces
- contractual obligations
- cultural values"



CHAPTER 10

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*"... As for cultural values, management has to develop and nurture the common set of values, objectives, and methods essential for the existence of trust. How do we do that? One way is by articulation, by spelling out these values, objectives, and methods. The other, even more important, way is by example. If our behavior at work will be regarded as in line with the values we profess, that fosters the development of a group culture."*

## PART IV: THE PLAYERS

CHAPTER 11

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*"When a person is not doing his job, there can only be two reasons for it. The person either can't do it or won't do it; he is either not capable or not motivated."*



*"The single most important task of a manager is to elicit peak performance from his subordinates. . . . all a manager can do is create an environment in which motivated people can flourish."*



Enough said!

*"Two inner forces can drive a person to use all of his capabilities. He can be competence-driven or achievement-driven."*

*"... objectives should be set at a point high enough so that even if the individual (or organization) pushes himself hard, he will still only have a fifty-fifty chance of making them. . . . we need to create an environment that values and emphasizes output."*



This section discusses how to set an employee's performance plan and individual goals.

*"... when one is self-actualized, money in itself is no longer a source of motivation but rather a measure of achievement."*



We should all go back and read Maslow's hierarchy of needs from time to time.

*"... Our society respects someone's throwing himself into sports, but anybody who works very long hours is regarded as sick, a workaholic."*

*"... task-relevant maturity (TRM) of the subordinates, which is a combination of the degree of their achievement orientation and readiness to take responsibility, as well as their education, training, and experience."*



As managers, we have to assess the TRM of our people and manage them accordingly.

TASK-RELEVANT MATURITY OF SUBORDINATE	CHARACTERISTICS OF THE EFFECTIVE MANAGEMENT STYLE
low	Structured; task-oriented; tell "what," "when," "how"
medium	Individual-oriented; emphasis on two-way communication, support, mutual reasoning
high	Involvement by manager minimal: establishing objectives and monitoring

*The fundamental variable that determines the effective management style is the task-relevant maturity of the subordinate.*

CHAPTER 12

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*"... The presence or absence of monitoring, as we've said before, is the difference between a supervisor's delegating a task and abdicating it."*

CHAPTER 12

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*"He has to make his own mistakes. That's how he learns!" The problem with this is that the subordinate's tuition is paid by his customers. And that is absolutely wrong. The responsibility for teaching the subordinate must be assumed by his supervisor, and not paid for by the customers of his organization, internal or external. . . "*



I just love the line "the subordinate's tuition is paid by his customers." In other words, when our employees aren't well trained by us, their managers, they practice on our customers.

CHAPTER 12

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*"... imagine yourself delivering a tough performance review to your friend. Do you cringe at the thought? If so, don't make friends at work. If your stomach remains unaffected, you are likely to be someone whose personal relationships will strengthen work relationships."*

CHAPTER 13

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*"... giving performance reviews is a very complicated and difficult business and that we, managers, don't do an especially good job at it. The fact is that giving such reviews is the single most important form of task-relevant feedback we as supervisors can provide."*



I highly recommend reading chapter 13 of the book on giving performance reviews. It is some of the best material in the book.

CHAPTER 13

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*"... The purpose of the review is not to cleanse your system of all the truths you may have observed about your subordinate, but to improve his performance. So here less may very well be more."*

CHAPTER 13

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*"... Don't confuse emotional comfort with operational need. To make things work, people do not need to side with you; you only need them to commit themselves to pursue a course of action that has been decided upon."*



This goes for L10 meetings of a leadership team. The point isn't for everyone to always agree, but when you leave the room, everyone on the team has to support the decisions that are made.

CHAPTER 13

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*"... Shouldn't we spend more time trying to improve the performance of our stars?"*



Why do we spend so much time trying to improve our worst performers instead of focusing our energy on our star performers?

*"... If performance appraisal is difficult, interviewing is just about impossible."*



**If doing reviews with our employees is tough, then interviewing new hires is impossible according to Grove!**

*"... the best [interview] questions ...*

- *Describe some projects that were highly regarded by your management, especially by the levels above your immediate supervisor.*
- *What are your weaknesses? How are you working to eliminate them?*
- *Convince me why my company should hire you.*
- *What are some of the problems you are encountering in your current position? How are you going about solving them? What could you have done to prevent them from cropping up?*
- *Why do you think you're ready for this new job?*
- *What do you consider your most significant achievements? Why were they important to you?*
- *What do you consider your most significant failures? What did you learn from them?*
- *Why do you think an engineer should be chosen for a marketing position? (Vary this one according to the situation.)*
- *What was the most important course or project you completed in your college career? Why was it so important?"*



*"... your subordinate timidly stops you and mutters under his breath, "Do you have a minute?" He then mutters further that he has decided to leave the company ... Your initial reaction to his announcement is absolutely crucial.*

*Drop what you are doing. Sit him down and ask him why he is quitting."*



**Andy does a great job with this section on hiring new employees and saving existing ones and I highly recommend reading his original text.**

*"As a supervisor, you have to be very sensitive toward the various money needs of your subordinates and show empathy toward them. You must be especially careful not to project your own circumstances onto others."*

*"... training should be a process, not an event.*

*... you and only you can fill the role of the teacher to your subordinates."*



**In a nutshell, this section is the essence of the whole book!**