up their place at the top of the heap.

Demand the Facts

To make decisions based on evidence, managers must of course get the evidence in the first place. In some cases, managers have to learn how to do their own research. In others, they can consult existing evidence and then evaluate and apply it according to sound standards. (See sidebar, p. 43.) In either case, managers must instill cultures where everyone in the organization is equally committed both to getting and to using the best facts.

DaVita Inc., an El Segundo, Calif.-based operator of kidney dialysis centers, is one such organization. When Kent Thiry joined DaVita as CEO in 1999, the company was close to bankruptcy. Today, DaVita is a thriving $2 billion company whose stock has jumped more than tenfold since Thiry joined. There are many reasons for the turnaround, but an important ingredient was Thiry's commitment to evidence-based management. He taught facility administrators to base their management decisions on data, not on preconceived ideas or on what seemed to have worked elsewhere. To help administrators make decisions they now receive eight-page monthly reports that compare their facilities to others on such measures as employee retention, patient retention, treatments per day, labor hours per treatment, and controllable expenses.

An important feature of these monthly reports is the data that *aren't yet* included. When the company decides that a particular measure is important, but is not yet able to collect it, it includes the measure on the report with the notation "not available." This motivates employees to figure out ways to gather the vital yet missing information.

DaVita's emphasis on evidence-based decision making, as well as its culture of speaking the truth about how things are going, are crucial to its success. Even now when Thiry meets with frontline employees and tells them that DaVita has the best quality of treatment in the industry, he demonstrates that fact with specific, quantitative comparisons. "No brag, just facts" is his motto.

Large nonprofit organizations and many government agencies have the capabilities to collect a wide assortment of quantitative data on their operations, but many small and mid-sized nonprofits lack sufficient resources to do so. But that doesn't mean they can't do anything. For many, collecting qualitative data in the field is an economical way to uncover the truth. Michelle Plane, CEO of St. Laurence Community Services in Melbourne, Australia, relates how she checks in with her 450 employees to learn what is really going on. "About three times a year, we do what I've come to call 'road shows.' We take all five general managers and a junior manager to all 20 of our sites."

Appraising Business Ideas
Rules to keep in mind when evaluating or developing business ideas

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1 **Make sure the cause came before the effect.** Some popular business books, such as "The War for Talent," collect information on the alleged cause – in this case, practices for managing talent – after the alleged effect already happened – in this case, performance.[1] To claim that one thing causes another, the cause needs to occur before the effect.

2 **Remember that correlation does not mean causation.** Studies that use surveys or data from company records to correlate practices with various performance outcomes require careful interpretation. For example, Bain & Company's home page brags, "Our clients outperform the market 4 to 1."[2] This correlation doesn't prove that their advice transformed clients into top performers. For starters, top performers may simply have more money for hiring consultants.

3 **Don't rely on success (and failure) stories.** Sorting organizations or strategies into successes and failures, and then digging into their pasts with interviews, questionnaires, and press reports to explain why some "won" and others "lost," is bad research. People have terrible memories. And after identifying winners and losers, people selectively remember information that reflects these different outcomes.

4 **Be suspicious of gurus and breakthroughs.** Almost all great ideas and findings are small advances made by groups of smart people working with old knowledge, not giant leaps forward that lone geniuses hatched in their gigantic brains.

5 **Take a dispassionate approach to ideologies and theories.** "A man hears what he wants to hear, and disregards the rest," sang Simon and Garfunkel. Learning is difficult when people are driven by ideology rather than evidence.

6 **Treat old ideas as if they are old ideas.** People who spread management knowledge should say where they got their ideas. They should also review others' work to avoid reinventing the past.

7 **Admit uncertainties and drawbacks.** Purveyors of business ideas should routinely admit any flaws in or uncertainties they might have about their ideas. This means revealing that while their wares are the best they can build right now, they will require constant modification as more is learned.

1 Michaels, E., Handfield-Jones, H., & Axelrod, B. "The War for Talent" (Boston: Harvard Business School Press, 2001). The appendix makes clear that the dependent variable, total shareholder return, was for the preceding 10 years prior to the particular year the survey was done to gather the information on management practices (1997 or 2000).
2 www.bain.com. Downloaded Jan. 20, 2006.