Counting What Counts:
Implications for Records Management by Organizations
Owen Ambur, January 25, 2004

In *Counting What Counts: Turning Corporate Accountability to Competitive Advantage*, Marc Epstein and Bill Birchard assert: “Few managers fully understand the notion of accountability. The can’t define the concept clearly. Nor can they readily apply it ...” (p. 4)

“Unfortunately,” they say, “most people interpret accountability as a code word for organizational policing.” Moreover, they note, “When people embrace the notion of accountability, they often do so for the wrong reason – for the satisfaction of making the *other* guy accountable.” On the other hand, they suggest, “Rather than act as a stick to keep people in line, the principles of accountability can act as a carrot to keep them climbing to higher levels of performance.” (p. 4)

Epstein and Birchard say ***the true test of an accountable organization is “whether it measures performance quantitatively – with financial and nonfinancial numbers – and reports it publicly to audiences inside and outside the organization***.” (emphasis added) They suggest, “Anything less than hard numbers, broadly disclosed, reveals an organization hesitant to commit to full accountability. The act of one party answering to another in qualitative terms alone is not enough. Accountability requires data.” They quote Charles Handy, “Counting makes it visible, and counting makes it count.” (p. 5)[1]

What Epstein and Birchard do not say but which is true – if the importance they place upon objective metrics is to have any real meaning – is that *accountability requires records*. “Data” is not enough, regardless of whether it is qualitative or quantitative, financial or nonfinancial. Data without context is meaningless, as well as untrustworthy. One definition of the term “document” is “data in context.” For documents to be trustworthy representations of the intents and behaviors of individuals as well as organizational performance and results, and thus useful for purposes of accountability, they must have sufficient degrees of the attributes of a record as outlined in ISO 15489, the international standard for records management. Those attributes are integrity, reliability, authenticity, and usability.

The authors suggest, “Executives ... recognize that traditional practices for measuring, managing, and accounting for performance are no longer enough... Individual companies cannot operate at peak performance, nor can the economy as a whole effectively allocate capital without an overhaul of accounting.” (p. 5) Moreover, they argue: “... new forms of measurement have tremendous power to enlighten and empower decision making internally. That’s where the magic of accountability starts. These measurements give the accountable company an entirely new advantage: the ability to enlighten decision making with the insight of outside stakeholders. That’s where the concept of accountability explodes into new possibilities.” (p. 6)

---

[1] For more on Handy’s views, see **http://ambur.net/certainty.htm**.

Epstein and Birchard say, "... as managers create the buzz of activity, they plunge deeply into four different approaches to accountability: governance, measurement, management systems, and performance reporting. Managers create active, independent governance; integrated, closed-loop planning, budgeting, and feedback systems; and thorough, regular reporting procedures. A combination of these four approaches defines what we call the accountable organization." (p. 7)

However, none of the four approaches to accountability the authors cite means anything unless it is supported by current, complete, and reliable records. Without good and readily accessible records, governance is almost inevitably likely to be corrupt, performance measures might as well be made up, management is lacking in reality, and reporting is little more than a public relations exercise. That is not an indictment of managers as a morally inferior class of human beings; it is simply a matter of fact. Without good records, in sufficiently finely grained detail, we have no choice but to reinvent the realities of the past as present circumstances require, and it would be contrary to the laws of natural selection as well as our need for self-esteem for us to fail to reconstruct the past in a way that is less than optimally favorable to ourselves.

Oblivious to that dynamic, the authors airily aver, "Companies are rapidly devising ways to ... create much more insightful leading indicators for making decisions and creating value." For example, with irony they could not have anticipated, they wrote, "Arthur Andersen developed a number of key measures for gauging its performance worldwide. Along with financial indicators, the firm measures such factors as customer satisfaction, flexibility, resilience, market share, and employee satisfaction." (p. 9)

Unfortunately, and to the fatal discredit of their company, ***Arthur Andersen's leaders failed to measure the most important of all accountability factors – the skill, efficiency, effectiveness, and appropriateness with which its employees managed, maintained, and shared the records they received and created in the ongoing course of their business processes***. Thus, it is highly ironic that Epstein and Birchard suggested, "New balanced measurement systems like the ones at Arthur Andersen ... show the future." If that's the case, the future is bleak indeed. It is likely to be much like the past, when those who were able to gain economic, social, and political power over others have thereby been enabled to dictate reality to those over whom they hold dominion.

While the authors may have had no way of predicting Arthur Andersen's failure, to their credit they do note a common problem, "Try as they might, managers have always had trouble linking the systems for corporate strategic planning, business unit planning, annual budgeting, performance reviews, and compensation." (p.10) In and of itself, that is an interesting observation and, at a superficial level of analysis, it suggests the solution might be for managers to try even harder. However, on a more basic level of analysis, ***the difficulty linking systems, performance, and compensation suggests the possibility that perhaps managers don't really want to do so – particularly since information technology enhancements now make it relatively easy to document actions and results as well as to link every record to every other record with which it bears any relationship***.

While the authors suggest, "... executives have begun to develop corporate communication strategies based upon increased transparency," that clearly was not the case with respect to their "poster child" – Arthur Andersen – nor was it true of Andersen's now infamous client, Enron. (p.11) Indeed, ***the plethora of corporate scandals recently brought to light and reiterated in the news media virtually every day suggests that the so-called increase in transparency is little more than a sham, marketing hype whose aim is to increase rewards to its perpetrators, rather than any real increase in accountability per se.***

Epstein and Birchard argue that "... using public commitment and accounting spurs unparalleled betterment *inside* the company... In years past, companies (and managers) could reliably gain advantage by withholding information or selectively releasing it..." However, they say, "That advantage has turned into a disadvantage ... as managers on top of the pyramid can no longer easily control information." (p. 12) On the other hand, that does not mean managers cannot control information at all nor that they may still not try to do so. As ironically highlighted by their reference to Arthur Andersen, the authors' suggestion that "public commitment and accounting" are spurring "betterment" inside companies rings hollow indeed.

Moreover, while lauding the purported increase in transparency, the authors acknowledge: "The power of accountability remains underappreciated... The concept of full accountability is a bit much, if not altogether foreign... many firms ... view accountability only as a means for third parties to obtain information from them. They ... act as if the idea were invented by overzealous regulators, rather than by innovative managers... They ... belittle calls for more publicly disclosed measurement information as a heap of useless red tape and as unwarranted prying by outsiders." (12 & 13)

Epstein and Birchard even make allowances for the validity of the attitude of such managers by noting: "Admittedly, their point of view responds to a long tradition of lawmaking... Congress has repeatedly mandated public reporting as a curative, passing disclosure laws on everything from occupational safety and environmental management to equal employment and community investment... the use of public disclosure to force companies to paint a vivid picture of their performance has a long history... Justice Louis D. Brandeis observed in 1914: 'Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman ... [the] potent force [of publicity] must ... be utilized in many ways as a continuous remedial measure.'" (pp. 13 & 14)

The ineffectiveness of Congress' long history of passing laws mandating "public reporting as a curative" is yet another testament to the need for current, complete, and readily shareable records – without which reporting is meaningless and probably even misleading. The fact that anyone would consider "reporting" to be an unwarranted intrusion is merely a symptom of how much we have bought into the notion that each of us has a right to hide from others information that materially affects their interests. ***It is as if we cannot bring ourselves to expect companies to fully disclose their records because we ourselves prefer not to do so.*** Apparently oblivious to this dynamic, the authors say accountable organizations are characterized a number of actions, three of which include:

- generates a wealth of information on performance, which informs decision making with facts, not intuition...

- installs the feedback systems that yield a rapid-fire means of learning from people both across the company and outside the company...

- communicates each strategy and tactic with specific measures that align direction in a way written objectives cannot. The hard measures then give managers a month-to-month reading on whether the strategy is working...

Obviously, by "hard measures" the authors mean those that can be measured, as opposed to merely described in flowery rhetoric. However, their use of the term "written objectives" is misleading and incorrect, because not only quantitative measures but also *qualitative* measures must be "written" – in the sense of being fully documented in records having the characteristics outlined in ISO 15489. Moreover, their reference to "month-to-month" measures grossly understates the potential of modern information systems as well as the desirable outcome, which is minute-to-minute reporting or even second-to-second reporting of important and time-sensitive "data" in highly reliable and readily usable records.

A fourth action the authors cite as characterizing the accountable organization is that it: "... thins the ranks of middle managers that distill and convey information, and it apportions new decision-making authority to the frontlines. As management articulates *what* it wants with the unvarnished concreteness of quantitative measures, workers have unmistakable guidance as they figure out *how* to deliver it." Epstein and Birchard's use of the term "unvarnished" in this context bears an ironic relationship to the title of David Nyberg's book entitled *The Varnished Truth: Truth Telling and Deceiving in Ordinary Life*. Nyberg argues, "... sometimes the truth can be too ... much to expect of human sensitivity ..." (p. 197)

Indeed, Nyberg suggests truth doesn't really matter so long as we are part of the in-crowd that buys into the groupthink. As an alternative, he suggests, "If we can't have certainty, it's not so bad as long as we have company." (p. 218) He concludes, "our humanity is not diminished by our efforts to master the secrets of social intelligence," which due to human nature, he argues, requires deception. (p. 220) If Nyberg is right, it is simply unreasonable to expect human beings to subject themselves to the "concreteness of quantitative measures" – even if such measures are not part of a movement to eliminate one's "middle management" job.

Incidentally, Birchard and Epstein fail to note that, carried to its logical conclusion, the apportionment of decision-making authority to the front lines implies that "top managers" are no longer needed either.[2] Certainly, in organizations that are truly "customer focused (as opposed to merely paying lip service to the concept) it is not the role of upper-level managers to "articulate what [***they***] want" – because all that matters is what the *customers* want. In such organizations the role of "managers" is to ensure that the frontline workers have the resources needed to meet the needs and expectations of customers. The record of customer needs and expectations is all that matters, and that is yet another reason that managers may prefer not to have good records –

---

[2] For a discussion of the theory of the firm in the context of knowledge management, see **http://ambur.net//6thGenKM.htm**.

because such records diminish the "rights" and prerogatives of managers to dictate reality and priorities as *they* see fit.

Finally, consistent with that thought, the authors do note that an accountable organization: "... markets its value base upon reliable performance measures. The no-smoke-and-mirrors approach spurs cooperation and inspires the loyalty of investors, customers, suppliers, employees, business partners, and even communities." (pp. 14 & 15) In short, what managers "want" is immaterial ... except to the degree that it reflects, sharpens, and adds value to the needs and wishes of consumers.

In *The End of Marketing as We Know It*, Sergio Zyman chided his marketing colleagues for not being more scientific and data-driven in assessing the value of their marketing activities and investments in advertising. In that sense, his argument bears a passing resemblance to the point Epstein and Birchard are making. However, taken to its logical extreme, offering products and services at prices based merely upon their *actual values* to consumers, as documented in reliable records, suggests the *true* end of "marketing" – in the sense there is no need for marketing or "advertising" at all. Instead, the results of products and services will speak for themselves – in the records of performance they produce. And, of course, that is a strong incentive for folks in marketing to tacitly oppose and resist the creation and sharing of such records. Such records reduce the ability of marketers and advertisers to shape our perceptions without reference to the realities of actual product and service performance data.

Loyalty comes from reduction of perceived risk. Marketing hype, including outright deception, increases risk, thereby inevitably and justifiably leading to "disloyalty" and accordingly increasing the cost of transactions to all concerned. What is particularly disturbing is that people seem to believe this is the way business *should* be conducted, or at least that it is permissible to do so. Again, that suggests people are willing to assume the risk of being deceived because they themselves wish to reserve the right to deceive not only others but also themselves. (That is the essence of Nyberg's argument and it is supported by Charles Ford as well.[3]

However, as Epstein and Birchard observe: "Without the governance, measurement, management systems, and internal and external reporting that is at the heart of the accountable organization, managers simply won't make optimal decisions. They will suboptimize, and their short-sighted decisions will come back to bite them." (p. 17) In the short-run the results will be less than optimal for the organization's external stakeholders, and over the longer term managers and the organization itself will suffer from loss of loyalty and perhaps even corporate life.

The authors note, "Nobody runs a contest to grade companies on accountability... Most companies fall short of the ideal. Some don't even come close." (p. 25) If and when someone does start such a contest, a primary measure by which performance will be assessed is the excellence with which companies make, keep, manage, and share records with their

---

[3] For a discussion of Ford's views on the psychology of deceit, see **http://ambur.net/Lies.htm**.

stakeholders.[4] Unless and until that occurs, none of us should be surprised that most companies fall short and many don't even come close to the ideal. More specifically, the authors assert:

> Many companies today run without the governance practices, performance measures, management control systems, and internal and external reporting that define the accountable organization. In particular, a huge number of companies fail on two counts: managing performance with a broad selection of financial and nonfinancial measures; and delivering a detailed accounting of results to people inside and outside the organization... The failure in reporting stems from managers still keeping information too much under wraps – so much so that people across the company don't know what's going on or what's going wrong. (p. 26)

Epstein and Birchard note that "Accountants have developed a system over the last 500 years to report financial numbers to people outside the company, not to managers on the inside..." And they suggest, "In fact, the system works pretty well to show investors how well managers are stewarding their capital; that is, not stealing it. It also works well to help tax collectors compute their share of profit for the state." (pp. 27 & 28)

However, those statements were doubtful when Epstein and Birchard wrote them as the 20th century drew to a close, and the stock market scandals that have erupted since then have proven beyond a reasonable doubt that the system works very poorly, if at all, for many stakeholders. Just ask those who lost their life savings in Enron stock or those who lost their jobs when Arthur Andersen collapsed. Whether those losses are found to meet the legal definition of "stealing" or not matters little to those folks. Moreover, aside from the legal issues, the authors note: "If managers could reliably extrapolate the future from the past, they might find the financial accounts more helpful, but even then they would find that ***record aren't even available when they need them***. Despite the speed at which accountants close the books these days, useful reports arrive on the managers' desks weeks or month after the fact – too late to make mid-course corrections." (p. 28, emphasis added)

Once again, such delays also suggest that perhaps managers don't really want to know what is actually occurring, i.e., they don't truly want good, timely, and complete records. Without attributing motives to this phenomenon, Epstein and Birchard do note the disconnect from reality as another reason that "financial" reporting falls short:

> Getting to full accountability through the financial accounting system fails for another reason. The ***accounting is based on scores of assumptions that may not reflect economic reality***... Accountants may argue the details, but they agree that financial statements can offer alternative views of the truth... for the purpose of accountability, the ledger entries portray a variable truth, and that truth may change from year to year ... The

---

[4] The conduct of a corporate accountability contest would be facilitated by the establishment of an XML schema (a standard set of data elements) by which strategic objectives and performance outcomes are to be reported on the Web, for automated analysis by intermediaries representing consumer and other stakeholder interests.

> flexibility in accounting begs the question: Who is to say which numbers give managers firm footing to stand on when building the accountable organization? The trouble raised by accounting assumptions is exacerbated by managers who give in to temptation to manipulate financial results. (pp. 29 & 30, emphasis added)

The temptation to fudge the assumptions and thereby bias the perceptions of reality are greatly abetted by the lack of records making reality transparent and salient. Indeed, the authors quote former Security and Exchange Commission Levitt, "***Managing may be giving way to manipulation; integrity may be losing out to illusion.***" (emphasis added) In support of that statement Epstein and Birchard note, "Surveys suggest Levitt is right even when it comes to the executive ranks..." and they cite as evidence a 1998 CFO magazine conference questionnaire finding that "45 percent of respondents said they had been asked to misrepresent results. An astonishing 38 percent said they did so." (p. 31)

With respect to the cause of the problem, Epstein and Birchard assert: "... companies that depend upon financial accounting and traditional management accounting systems are in crisis because they are missing the first element for making the accountable organization: relevant and comprehensive measures of performance... In a study by Deloitte and Touche, 45 percent of companies said their performance measurement system had a neutral to negative impact on long-term management." (p. 34)

More specifically, ***the first, required element for accountable organizations is reliable records of their actions, regardless of what those actions might be.*** Measures of performance simply cannot be "relevant" or "comprehensive" unless and until an effective records management system is operational within the organization. Hopefully, the actions of individuals, leaders, and the organizations they lead are driven by enlightened goals and objectives rendered in meaningful performance metrics. However, any such ***metrics are meaningless unless they are based upon reliable records***. Without reliable records, readily shared, performance measures might as well be anyone's wishes or dreams.

In addition, those ***records must be widely and readily shared***, for as Birchard and Epstein observe: "When managers work with the right numbers, and even integrate them, many still face a crisis in accountability. The main cause is a culture of confidentiality. Managers worry so much about letting go of information that could benefit competitors – or litigators – that they don't release information that will benefit their own organization." (p. 34) A cynic might think that managers might fail to release to anyone any information that fails to suit their own personal interests – if their stakeholders allow them to get away with it. Indeed, the authors point out:

People believe that hoarding data yields more benefits than sharing it... They may use the data to hide troubles, manipulate others, or build power. They serve themselves at the expense of the organization. This is partly a legacy of command-and-control management... Today, however, without ample and credible information, employees can't accelerate continuous and breakthrough improvement. They can't win the trust and loyalty of people outside the company, the customers, shareholders, suppliers, and others they depend on to conduct business. (pp. 34 & 35)

Moreover, corporate cultures may even reinforce the natural, self-centered tendency of individuals to hoard and selectively share information that make them "look good." As Epstein and Birchard note: "***Most companies try to fill the information gap with public relations fodder*** ... Something more than PR is needed to engage the hearts and minds of the people ... Hard data, fresh from the company's data warehouse, is that something... However, many corporate finance chiefs fight new disclosure requirements every step of the way." (p. 37, emphasis added)

The authors suggest, "... analysts aren't fooled by inconsistent approaches to reporting year to year ... Half say they believe companies purposely write in obscure language when they aren't doing well. They say they want full disclosure in both good times and bad." (p. 38) Moreover, Epstein and Birchard note that "seven of ten investors said they consider clearly stated objectives and their comparison with actual achievement very important." Yet, they point out, "of the world's largest firms, only 76 percent clearly state objectives, and a mere 24 percent showed results against objectives." (pp. 38 & 39) Moreover, they state:

> What's remarkable is that not even the people most managers feel ultimately responsible to – the owners – are satisfied with the information they receive on their share holdings. In the light of history, perhaps the gap between what investors want and what they get makes sense... Managers have understandably come to view disclosure as an act of compliance, which they associate with a storm of red tape and strong-willed bureaucrats. They have thus begun to develop a compliance mentality. (p. 39)

Epstein and Birchard say:

> The crisis in accountability becomes particularly acute when it comes to disclosure of nonfinancial information. At a time when many companies crank out reams of quality, customer satisfaction, employee satisfaction, turnaround time, environmental management, equal employment, charitable giving, employee treatment, and other data, they spend too little time examining how they could use the data for gaining advantage through both internal and external reporting and public accountability. They should be managing disclosure as a competitive opportunity and should start by making a more transparent communications strategy a critical component of corporate strategy. (p. 39)

The authors suggest: "Businesses can safely bet they will feel unceasing pressure for greater transparency, mandated or voluntary. Accountants will increasingly want to fulfill key recommendations of the Jenkins committee."[5] Those recommendations included:

- Provide more information about plans, opportunities, risks, and uncertainties.

- Focus more on the factors that create longer-term value, including nonfinancial measures indicating how key business processes are performing.

---

[5] In 1994 Edmund Jenkins headed a committee formed by the American Institute ofCertified Public Accountants (AICPA) that proposed a new model for business reporting. (p. 42)

- ***Better align information reported externally with the information reported internally to senior management*** to manage the business. (p. 43, emphasis added)

In other words, the authors are suggesting that managers should not engage in the *Capone Consultancy Method* of records management, which entails the keeping to two sets of books – one representing the actual business process and results, and the other representing the results that are reported to stakeholders, which may bear only passing resemblance to the facts.

Birchard and Epstein say, "When customers gain critical mass, they will often demand hard numbers. Their collective muscle can pry the doors off the lockbox of proprietary corporate performance data." (p. 45) Faced with such pressures, the authors suggest: "Even if [managers] choose not to build an accountable company for internal reasons, as a way to make their operations more competitive, they may well have to build one for external reasons, as a way to make their operations acceptable to outsiders. That is part of the price they pay for access to labor, capital, and product markets. That is also part of the price for their license to operate in a society that views business as intertwined with other social institutions." (p. 48)

In addition, Birchard and Epstein note: "... most stakeholders who are trying to gauge the mettle of a company prefer ... independent measurements... People want more decision-making information than companies produce today, and ... companies have been too slow to produce it for either insiders or outsiders. It's a simple message ... It sums up the root cause of the crisis in accountability." (p. 49) Moreover, the authors suggest, "... one of the root causes of the accountability crisis [is] a board that does the chief executive's bidding as opposed to a chief executive who does the board's bidding." (p. 52) However, ***the root cause of all instances of waste, fraud, and abuse is the lack of reliable records that are readily accessible to stakeholders***. With such records, by definition, fraud cannot occur and instances waste and abuse will be quickly revealed. The authors observe:

> Of the four ways companies are pursuing full accountability – by means of governance, performance measurement, control systems, and reporting – governance has achieved the most visibility in recent years. How strongly it figures among the four components of full accountability is arguable. What is certain, however, is that ***modern governance practices like those at Tyco inject a huge measure of shareholder confidence into the decision making of management*** – confidence that corporate bosses and their boards can use to *their* advantage. (p. 53, emphases added)

Note the irony of the authors' use of Tyco as a paragon of virtuous governance practices leading to confidence that "corporate bosses" can use to *their own* advantage. For as reported in *The National Law Journal*: "Mark Belnick, became the first senior in-house counsel to be indicted in [2002's] round of U.S. corporate scandals. Belnick, Tyco's former CEO Dennis Kozlowski and former CFO Mark Swartz were indicted ... by the Manhattan district attorney's office. All three had also been civilly sued by the U.S. Securities and Exchange Commission and by Tyco itself."[6]

Yes, Tyco's corporate bosses were able to use a "confidence game" to *their own* advantage but the record of their activities finally caught up with them. If the record had been clearer and more accessible to Tyco's stakeholders, not only would they have been better off but perhaps Tyco's officers would have had the proper incentives to conduct themselves more honorably. With respect to corporate boards of directors, Epstein and Birchard point out:

> The board, in concept, comprises a panel of objective overseers. These overseers counsel corporate managers and monitor performance. However, few directors proved they could adequately fulfill that role until recently. They weren't active counselors, vigilant monitors, or skeptical judges. Most dined on the information fed to them at the boardroom table by chief executives... By the end of the 1980s, chief executives who practiced so-called mushroom management – leaving directors in the dark and shoveling them manure for information – were alarmingly common. At some companies, governance became a costly charade. At others, it became worse – an illusion that even the directors believed in. (p. 53 & 54)

And why not? After all, wasn't that why they were recruited by corporate executives? And isn't that why they are paid relatively large sums of money at the behest of those same executives? While Epstein and Birchard's book was copyrighted in 2000, more recent evidence suggests the weaknesses they reported in corporate governance dynamics are still true. The authors note, "In three-quarters of companies, the chief executive submits to a regular evaluation" but "in less than half of the companies is the review in writing." (p. 59) It is as if those in such exalted positions of power should be expected to subject themselves to the same standards to which they would hold us. When it is within their power to rewrite the record as they see fit, why on earth would they willingly agree to document reality as it *actually exists*?

The authors suggest: "The advantage of governance reform is that it restores a process for objective, fact-based decision making at the pinnacle of the company; it restores trust in the workability of the system; and it provides a foundation for running an accountable organization..." (p. 71) However, they also acknowledge, "the advance in governance and relationship investing fall far short of making companies fully accountable... the governance story is but one chapter in the larger story of companies striving for full accountability." (p. 72) "Objective, fact-based" decision making requires reliable records. Without such records, governance reform is meaningless fluff. Indeed, ***governance without good records is itself ungovernable***.

Epstein and Birchard aver that: "... management by the numbers should evoke a new image ... [characterized by] a balanced set of indicators, financial and nonfinancial, to power the performance of the accountable organization." (p. 73) They argue for making "intellectual capital

---

[6] GCs for Tough Times: Companies are hiring attorneys who have been prosecutors, Joseph A. Slobodzian, *The National Law Journal*, 12-05-2002 http://www.law.com/jsp/article.jsp?id=1038966824667

a function, just like finance or marketing..." They suggest that a good place to start is "... by ***inventorying hidden value*** ... the value that failed to appear in the financial statements... [since] the balance sheet reflects only about 20 percent of the value of the company..." Toward that end, they observe: "***Intellectual capital comes in two varieties – human (people) and structural (systems, procedures, information technology, and alliances). The first walks out the door every night; the second does not.***" (p. 94, emphases added)

Epstein and Birchard say, "... the third element of accountability [is] management planning and control systems... a company must have a system that ensures that signals given at the head of the company flow to each extremity, and back again." (p. 100) Control systems require reliable records. Indeed, ***the term "control systems"is a euphemism for keeping good records and using them effectively***. Without such records, control systems themselves are uncontrollable. However, the authors note:

> ... some managers will object to the notion of emphasizing control systems as a part of accountability... Managers might argue that such systems drive the creativity and zeal from the hallowed land of innovation. In fact, the reverse appears to be true. In over ten years of research, Harvard's Robert Simons found that "***the most innovative companies used their ... control systems more intensively than did their less innovative counterparts***" ... Control systems help managers balance the tension between ... restraint and freedom, empowerment and accountability, top-down direction and bottom-up creativity, and experimentation and efficiency. The control sought by leaders of accountable organizations is not the command and control of the sweatshop. It is the interactive sensing and responding that guides strategy and makes sure everyone in the organization stays on track to deliver it. (p. 101, emphasis added)

"Interactive sensing" is another euphemism for creating, capturing, and effectively managing, sharing, and using records. Lacking the records required for accountability, Epstein and Birchard observe:

> Many executives complain that the strategic plan they craft with pain and anxiety ends up in the same place every year – on the shelf... Companies that practice this annual ritual in such an ineffective manner should take the hint that their management systems for accountability have broken down... As Arthur Andersen consultant Steven Hronec says, most employees don't know how what they're doing ties to anything else in the organization... By merging control practices and systems into an interconnected whole, the company can gain the full power of accountability. An integrated system triggers quick reflexes of corporate action, ensures clear planning, precise execution, thorough follow-through, reliable feedback, and even greater worker motivation. (p. 102)

Arthur Andersen's undignified demise demonstrates a point that is even more basic and critical than the one made by Hronec: Not only does knowing how one's activities tie into the rest of the organization require records but, more importantly, records determine whether what both the individual and the organization are doing is proper. Individuals and organizations who are acting responsibly and productively will welcome the creation, maintenance, and sharing of such records.

In the past, Epstein and Birchard say, "Managers were creating a culture of compliance to the iron hand of the financial budget. They were cultivating bad-cop accountability." By contrast, they assert, "With the building of management planning and control systems today, accountable managers are trying to *elicit* accountability – and of a much broader kind, too. They want people to help drive the long-term performance of the organization." (p. 108) The authors suggest the new culture is differentiated by: "... not just continuous judgment but continuous improvement... everyone, no matter how low in the organization, participate[s] in decision making... constant learning ... 360-degree performance appraisals ... building learning organizations ... digging deep and asking probing follow-up questions... double-loop learning. People must question both their own assumptions and behaviors... communicating constantly, counteracting the ***all-too-common culture of confidentiality***." (pp. 109 & 110, emphasis added)

The authors suggest, "... a precondition for tapping the power of accountability is revamping this out-of-date culture. Leading managers are setting an example by behaving with candor, trust, and openness... They are making decisions objectively based on hard data." (p. 110) ***Candor and openness require records, and "hard data" means records; data is "hard" only when it is based upon facts that have been reliably documented.*** In addition, Epstein and Birchard say, "... managers are using the system in a top-down fashion to make explicit *what* people should do, but they are also using the system in a bottom-up fashion to allow people to show them *how* they can best do it." Making what people should be doing "explicit" means documenting the desired outcomes in terms that are clear and unmistakable – in records that are readily available for review and discussion at anytime. (pp. 110 & 111)

Although they never quite get around to making the point explicitly, Epstein and Birchard hint at the importance and ease of creating, maintaining, and sharing reliable records in the following assertions:

> ... ***information technology can make or break effective use of the management planning and control system. In fact, without the rich inventory of data that computers can collect, process, and disseminate, the kind of accountability we talk about would not be possible at all***... It is only with the information systems today that managers can build the fully accountable organization. These systems, creating a single digital nervous system, give managers a vast new opportunity. Managers can expand measurement and control to many more categories of performance. They can increase real-time monitoring of business initiatives and strategy. They can drill down from corporate-level results to pinpoint the sources of the shortfalls. They can quickly capitalize on winning tactics and strategies validated by rapid feedback... [by putting] the company's entire strategic information, monitoring, assessment, and feedback system on-line ... managers and employees can view their unit's scorecards, the company's scorecard, or any other unit's scorecard, on their computers. (p. 111, emphasis added)

Epstein and Birchard argue: "... companies need not limit reporting to just financial figures. They can – and should – disclose results once held as tightly as family secrets. They should reveal both more about the past, including financial, operational, and social information, and more about the future, including forward-looking plans and projections. They should disclose this information to all stakeholders as part of a corporate communications strategy. To reap the benefits of the accountable organization ... ***developing ... better governance practices, measures, and control systems ... is not enough. [Companies] must take a fourth step: Tell the world in more detail the stories of their performance.*** ” (p. 116, emphasis added) Again, the point is very well taken. However, care must be taken to guard against the old-fashioned kind of "story telling," which has much more to do with what the storyteller chooses to tell than it does with providing a full, true, and clear picture of reality.

In that vein, Epstein and Birchard continue: "... future competitiveness will depend, first, on giving people inside the company ample facts and figures to better make decisions as a unified competitive force and, second, on demonstrating that performance to outsiders... leaders ... are gravitating away from embracing a passive, compliance-oriented philosophy... They are rushing toward an active, communications-centered approach, in which reporting with greater transparency is a competitive tool." (p. 117)

However, the authors caution: "... the ramifications of this trend have not sunk in because ***managers have continued to look at the disadvantages of candid reporting***. They have not brought themselves to look at the advantages. If they did look at the plus side, they would view performance information more as a product, aimed at a customer. It requires the same market sensing, product innovation, standardization, and just-in-time delivery as other products." (p. 118, emphasis added)

Epstein and Birchard hopefully observe, "While [they are] hardly keen on ***more paperwork***, financial executives certainly see the benefit of enhanced reporting in at least *isolated* instances." (p. 120, emphases added) While the authors apparently did not intend to do so, their observation merely serves to highlight the fact that ***executives want to be free to pick and choose which aspects of reality to disclose.*** It also offers a false excuse – "more paperwork"– for executives to avoid reporting everything the corporation does, at least everything that it currently does that is somehow documented in its corporate information systems. And for the corporation to do anything that is not somehow documented would be a dubious proposition indeed – just as Enron did, with disastrous results.

Epstein and Birchard suggest: "The most progress in furthering accountability has come in establishing practices for corporate governance and for management planning and control. ***The most work remains in expanding measurement and reporting...*** Measures have great power ... to shape action and performance... Measures have always had the power to shape a corporation's destiny, but the focus on financial figures alone has limited their utility... A balanced family of measures can evolve into a powerful system for executing strategy." (p. 145, emphasis added) However, recent history has shown that corporate governance and financial reporting still have a very long way to go as well, and the difficulty expanding measurement and reporting suggests that corporate officials really don't want to do so – since automated information systems now make it very easy to create, manage, and share the necessary records.

With respect to performance metrics, Epstein and Birchard offer the following suggestions: "... managers should mix input, output, and process measures ... measures should address the three dimensions of cost, quality, and time – in comparable terms... managers should strive to keep the numbers of corporate-level measures to a small number... under a dozen or perhaps under twenty." (p. 153) Toward that end, they note:

> ***One guide to minimizing the number of measures is seeking those that "tell the whole truth and nothing but the truth."*** That means striving to make each measure both complete and controllable. Complete means it sums up in one number all the performance issues managers care about. At the highest level, long-term financial returns are the most complete measures of corporate performance. Controllable means that the people using the measure can completely control its improvement... Obviously, ***in practice, no measure both tells the whole truth (completeness) and nothing but the truth (controllability), but managers should search for this fit, however difficult this makes the task.*** (p. 154, emphasis added)

Again, while very well-taken, this suggestion also serves to highlight the possibility that managers don't really want good records; that is, they don't really want the "whole truth and nothing but the truth" to be told. Otherwise, why would they not already be taking advantage of the ease, accuracy, and completeness with which automated information systems can now keep track literally of everything that everyone in the corporation does? ***Not only can computers keep records of everything that anyone does while processing information on them but they can also "mine" the data to look for patterns that distill important, key measures of truth and performance that may elude the perception of we human beings, particularly if it is in our own, best interest to ignore such factors (at least in the short run).***

The authors cite Arthur Andersen's Steven Hronec as suggesting that a new performance measurement system must assist employees to succeed in their work and quote him as saying, "Otherwise it's just another failed exercise ..." (p. 154) However, as highlighted by Arthur Andersen's humiliation and failure as a company, ***the "new performance measurement system" must document the actions of individual employees, and particularly corporate leaders, in creating and maintaining records having the attributes outlined in ISO 15489.*** Andersen's experience drives home the point that managers should not and simply cannot be trusted to determine on an ad hoc basis which of the organization's records will be maintained and shared with stakeholders.

Epstein and Birchard say, "As powerful as measures are within the organization, they offer even more power when released to the outside. Disclosure energizes the accountability cycle ... It also cements stakeholder relationships more firmly in place." (p. 156) Toward that end, they argue:

> ***Accountable managers must change their approach to public reporting.*** First, they must develop a new philosophy of reporting. Next, they must change the substance of what they report to the outside. In short, they need to create a communications strategy based upon greater transparency. ***The tradition of management has been to hold most information close to the vest.*** That was a good strategy when high-level performance

> information gave a company a competitive advantage. However, keeping that high-level data secret today works just as often in the opposite way: It blocks the deepening of business relationships, stanches stakeholder commitment, and suppresses feedback that promotes improvement. ***For years, most reporting has been based upon mistrust... This legacy had led outsiders to lose faith in the key information managers provide.*** (pp. 156 & 157, emphases added)

Why has reporting been based upon mistrust? Could it be not only because corporate managers *don't really want* others to know what they are doing but also because the reports they are issuing are in fact *untrustworthy*? That would certainly seem to be the case based upon the reports of corporate scandals that appear in the news media virtually every day.

Epstein and Birchard quote Baruch Lev as saying, "More and more people realize that the financial report is trivialized by irrational accounting practices ..." To overcome that problem, they assert: "Top management must create a strategy for telling their story via numbers. That strategy should address each venue of communication, from analyst meetings to press conferences to formal documents. One of the few jobs that top executives alone perform is communicating the corporate story to outsiders... Corporate communications should give outsiders a view of the company 'through the eyes of management.'" (p. 158) However, that is already what executives have been doing and that is a big part of the problem. The last thing needed is more of the same. Rather than divesting to managers still more power to dictate reality to us as they see fit, what is needed is current and complete records of everything executives do. Such records should be made readily available to all stakeholders, in terms that enable them to understand the company, its activities and its results, from *their own* perspective, i.e., "through *their own* eyes."

Needless to say, it is understandable that corporate executives may prefer not, indeed may refuse to create and share current and complete records of their activities unless and until forced to do so. They can be expected to raise objections and arguments as to why it would not be in the best interest of the company and its stakeholders to make such information transparent. In that respect, Epstein and Birchard cite several myths:

> A myth [is] that broader reporting ... will hurt competitiveness... Most companies already know more about their competitors' strategies than do even their competitors' employees. (p. 159)
>
> Another myth [is] that broad reporting will cost too much... as part of the accountability cycle, the reporting should be only the caboose on a long train of internal data compilations and reporting. ***If the company prepares the right data to run the company internally and then prepares it to enable the board to play its oversight role, the added cost of disclosure externally should be small.*** (p. 160, emphasis added)
>
> Yet another myth is that extra reporting will make a company a target for litigation... The facts belie the fear. ***The vast majority of disclosure-related lawsuits relate to "failure to disclose" and "inadequate disclosure." Some relate to "misleading disclosures."*** For all

> practical purposes, companies cannot be held liable for disclosing too much, but they can be held liable for disclosing to little or disclosing in ways that do not present financial conditions fairly. ***The best defense against litigation is a documented, disciplined process*** for forthright disclosure of both leading and lagging indicators. (p. 160, emphases added)

The authors don't propose a new format for such disclosure. Instead, they suggest it should just include new measurement information – information that should already be readily available in well-managed companies. Specifically, they suggest, "The annual report is a fixture on whose credibility managers should build." (p. 160) However, in point of fact, annual reports are *not* credible – not even with CEOs, who recently had to be forced by SEC to sign and assert their reliability. Moreover, ***annual reporting is not sufficient or timely in the cyberage. Reporting should be done on a continuous, near real-time basis, on company Web sites.*** Such reports should be rendered in valid XML format in compliance with the applicable XML schemas for the type of information in question. For example, an XML vocabulary called eXtensible Business Reporting Language (XBRL) has been specified for financial reporting, e.g., the reports that publicly traded companies are required to file with the Securities and Exchange Commission (SEC).[7]

Epstein and Birchard suggest, "***One way to meet the goals of expanded disclosure would be to structure the report ... around stakeholders...*** the annual report should not become a special interest group report." (p. 162, emphasis added) What an ironically novel notion – that companies should actually focus their candidly reported actions and results on the interests of their various stakeholders! Why haven't corporate executives thought of that? Could it be because the interests with which they are truly concerned are their own? If so, that certainly would not be surprising since they, like just like the rest of us, are human beings ... and at least some degree of self-interest is an iron-clad law of nature for survival, not to mention climbing the corporate ladder. On the other hand, mutual self-interest is also critical for those who wish to progress and thrive, rather than merely survive. Toward that end, the authors explain:

> The report ... should disclose – in a consolidated way – the performance of the company in creating value for all constituencies together. It should show that, despite tradeoffs, managers have made decisions that provide benefits, and create value, for all stakehoders simultaneously. After all, many measures interest multiple stakeholders... Managers and stakeholders work in a web of mutual interest. The report should reflect the web, not simply isolated intersections of stakeholder self-interest. Management's job in an external report, as in an internal report, it to clarify, map, and measure for stakeholders the complex set of indicators that drive value. (p. 162)

Stakeholders can't keep track of all relevant factors themselves. Thus, they must satisfice themselves that their interests are being fairly and well represented by managers. As Epstein and Birchard point out, identifying the elements by which the interests of stakeholders can be

---

[7] For more on XML, see http://xml.gov/ Information on XBRL is available at **http://www.xbrl.org/**

satisficed is a critical role for corporate executives. However, foremost among such measures are those by which the performance of the executives themselves can be assessed in terms of the quality and completeness of the records they create and share to document their own activities, decisions, and results.

The authors observe, "In broadening reporting, many firms have issued special reports, for environment, equal employment opportunity, philanthropy, and other issues." However, they suggest, "the segregation of these reports from the mainstream reporting ultimately sends precisely the wrong message – separate and unequal." The same is true of the distinction between internal versus external reporting. ***"Declaring" an external record that is different from the actual internal record of the business process is the classic way to commit fraud.***

Consistent with their view that "a small set of numbers, publicly disclosed, is the basis for the accountable organization," Epstein and Birchard suggest, "the actual number of pages devoted to fuller accountability need not take up more than a half dozen additional pages in even a large company... Much of the voluntary detail in many reports, thanks to the internet, need not be published on paper at all... For detail, serious users can delve into a corporate library on-line." (p. 163) Toward that end, ***the single, most important sets of records that any organization can create and share with its stakeholders are those documenting the activities, decisions, and directions issued by its leaders.*** Those records should be readily available on the organization's Web site.

The authors note: "Accountants' skills have long resided in compilation, analysis, interpretation, and reporting of financial information required for management. These are critical skills ... but accountants must now apply them across a broader range of performance measures and decision-support tasks. ***Information technology has rapidly reduced the time accounting and finance executives have to spend on traditional accounting transactions.***"(p. 164)

Epstein and Birchard suggest, "Audited statements give users much more confidence than unaudited ones. Outsiders may not trust management, but they do largely trust auditors." (p. 166) However, to the extent that statement may have once been true, in the wake of the Enron/Arthur Andersen scandal, such trust now seems quite naive.

The authors also suggest: "... executives have to choose measures that promote the specific behaviors and help with the specific financial objectives of their organization. There are always a number of measures that offer some merit. The important point is to make a conscious choice that balances ... completeness and controllability." (p. 171) However, in light of the capabilities of information technology, it is now a false choice to suggest that some measures should be favored over others. Stakeholders should be given access to all of the measures and allowed to make their own choices as to which deserve greater attention and weight. Indeed, if companies were truly "customer focused," they would allow their customers to *determine* what the company measures.

Epstein and Birchard acknowledge: "As managers leverage measures for decision making internally, they may fail to take the next step. They may stop short of enriching the entire accountability cycle with more decision-making performance data; that is, they may not supply operational data to the stakeholders to make *their* decisions. At first blush, releasing information to help outsiders make decisions might strike managers as irresponsible. Yet such release, in addition to fulfilling stakeholders' right to know a circumscribed set of data, can benefit a company." (p. 198)

The authors suggest: "One of the most powerful ways for managers to use operational data is to clarify and communicate strategy. For too long, executives articulated strategy with bulleted phrases – if they articulated it at all. The bullets were often too vague, however. They don't elicit accountability for the chosen strategy." (p. 199)

The latter point is a two-way street or, to use another cliche, a double-edged sword. Not only can clearly documented strategic goals and operational objectives communicate effectively and hold employees accountable, but they also hold *managers* accountable for establishing a clear strategy and set of objectives in the first place. Almost by definition, failure to document and share goals and objectives means that they are *not* clear – not only to employees but perhaps not even in the minds of managers. And the fact is that managers may subconsciously prefer it that way, because such lack of clarity leaves room for them to protect their egos and perhaps also their reputation, if they are able to place the blame for shortcomings and failures on other scapegoats and/or attribute them to factors beyond their control. And, again almost by definition, managers are in a position to dictate reality to others, up to a point, so it is understandable why they may not see it to be in their own best interest to communicate their intentions very clearly in advance. They may be better off leaving their intentions fuzzy and then reinterpreting them retrospectively, after the results are known, when they can take credit or pass off blame as circumstances suggest and allow.

Epstein and Birchard suggest, "Operational measures especially help organizations in the throes of change... [Indeed] measures are a powerful tool to *instigate* change. They can help executives overcome organizational inertia and gain allegiance to a new agenda." (p. 201) No doubt, however, "executives" are too important to apply and subject their own behavior to "operational measures," which the authors define as "measures of quality, speed of learning, innovation, and stakeholder satisfaction ..." (p. 190) For example, how many executives are compensated based upon employee satisfaction with their leadership? Indeed, why would any executive want to subject their compensation to the whims of their employees when they can deal with a much smaller, more compliant set of folks comprising a board of directors whom they themselves have selected?

Epstein and Birchard suggest an answer to that question: "Executives won't win the long-term support needed from operating managers unless they understand, and the company preferably documents, the links between the softer nonfinancial measures and the hard financial ones." (p. 212) Unfortunately, though, executives may not *care* about long-term support – because they are focusing on short-term financial rewards ... for themselves. Moreover, it is ludicrous that the authors merely suggest that it is "preferable" that companies document the linkages between performance outcomes and any and all factors that are relevant to producing such outcomes. The fact that authors touting the importance of accountability and measurement would allow that such records may be *optional* is a symptom of the sad state of our culture of (mis)management, and it is further evidence that we may subconsciously prefer it that way.

The authors suggest: "Devising the nonfinancial measures of performance poses perhaps the greatest challenge to managers of would-be accountable organizations. These measures require a look into the guts of the business. The demand an understanding of the interactions that create value." (p. 215) Furthermore, Epstein and Birchard aver: "Combining social measures with financial and operational ones, managers can also stimulate fast feedback for corporate learning and improvement. ***Experience shows time and again that companies without healthy, visible feedback ... get caught engaging in sloppy practices."*** (p. 227, emphasis added)

Feedback should be based upon reliable records and making those records "visible" means sharing them with stakeholders. Epstein and Birchard note that "... most measures capture an incomplete picture of all social impacts. But even if incomplete and even if the measures don't translate into dollars and cents, they create the feedback loop that, particularly when coming from the outside, feeds the company with invaluable insight. That kind of feedback must not simply be a PR exercise, a matter of feigned listening to outsiders. It must take [a] form ... actively stimulating dialogue with all stakeholders – as an integral part of future management systems." (p. 230)

The authors assert: "Transparent disclosure has evolved beyond the day when it was optional. It has become a management tool for responding to market requirements and improving internal management decisions. It has become a competitive tool to build reputation and brand equity." (p. 233) This is a fine thought and a hopeful assertion. However, where is the evidence? Where can the average person look on the Internet to find an index reporting and comparing the performance of companies in disclosing – in a standardized manner that enables comparison – the kind of nonfinancial measures Epstein and Birchard espouse. Indeed, where can companies find the standards for such reporting? ISO 15489 outlines the attributes that records should have, and the ISO 9000 series addresses factors relevant to the management of quality, particularly in industrial manufacturing processes. However, ***there is no international standard for "freedom of information" – not even for public (government) agencies, much less for companies, publicly or privately held.*** Again, the lack of such standards and the records to give them real, "operational" meaning suggests that most of us would rather pay lip service to them than to be expected to adhere to them.

The authors note: "In many people's minds, the way to handle social measurement and disclosure is with a social audit ... an ambiguous term that has come to mean various combinations of accounting for, reporting on, and auditing social impacts... Social auditing became no more than a sterile accounting exercise. Companies never adopted it as a tool for articulating strategy, improving performance, or delivering value. To operating managers, it was a public-relations gimmick." (p. 241) Indeed, if an occasional "audit" is taken as a *substitute* for ongoing creation, management, and disclosure of the relevant records, it is in fact a PR gimmick and we might as well acknowledge as much.

As Epstein and Birchard acknowledge: "Accountable managers are rarer than they should be [because] most managers fail to grasp the opportunity before them. They interpret accountability as a tool from the dark side of management, as a noose of obligations. Too few comprehend accountability as a tool to empower the organization, as a lever for unparalleled performance." (p. 245) However, regardless of their failings, as a general rule, managers are not stupid. They did not get into management positions without knowing how to manage something. At least they have been able to do a better job than their competitors in managing the decisions of those who have hired and promoted them into their management positions. Again, this suggests that accountability and good, complete, readily accessible records may not truly be in the best, personal interest of those who have risen to positions in which they are able exert disproportionate power over others.

Be that as it may, the authors sum up their argument by stating: "... the job of the accountable manager [is] to create new value through the collaborative efforts of all stakeholders... It requires a family of measures for performance in all dimensions – financial, operational, and social. It requires the management control systems – planning, budgeting, feedback, pay – that operate in a cycle of accountability that delivers continuous learning and improvement. It also requires candid reporting, inside and outside the company ..." (pp. 246 & 247)

Epstein and Birchard assert, *"**Perhaps the most critical element of all are measures, which are the currency of the accountable organization. Without them, accountable relationships cease.**"* (p. 247, emphasis added) However, measures that are based upon something other than reliable records are not measures at all. Thus, what the authors are actually saying is that organizations must keep and effectively share records that document their business processes in ways that accurately reflect the factors that are critical to the success for those processes.

The authors also say, "Numbers are a hard currency [and] without them, managers can buy and sell the notion of 'accountability' too cheaply." (p. 247) Indeed, that is one reason that managers don't truly want good, complete records – because it makes it harder for them to "sell" the notion that they are being accountable when in fact they are not.

Epstein and Birchard suggest, *"**Broad reporting, internally and externally, is perhaps the second most critical element of accountability**."* (p. 247, emphasis added) However, they confuse that critical point somewhat by stating:

> The task of creating the accountable organization doesn't begin, or end, with installing the systems of accountability. It starts and finishes with acts of leadership. The systems for governance, measurement, control, and reporting require untold discipline to implement. But the success of accountable management also depends upon soft management skills. One of the first tasks of leadership is communication. Top management must communicate the values of the accountable organization, the goals of the organization, the behaviors they expect, and the results ultimately achieved, blemishes and all. Consistent, frequent reinforcement signals to employees that accountability counts. (p. 248)

However, the very need for such reinforcement means that accountability has in fact not actually been built into the processes by which the work is done. The need for "frequent reinforcement signals" means the organization's processes and the contributions of each individual to them are *not* being fully and properly documented. If current and complete records were being created and readily shared with stakeholders, there would be no need to "reinforce" the need for accountability. Accountability would take care of itself and employees, most especially including corporate executives themselves, would be accountable for their performance. Indeed, it appears that Epstein and Birchard are unwitting apologists for the failure of leaders to lead the way toward accountability. For in fact, ***by definition, accountability does begin and end with "systems of accountability" and, more specifically, with records management systems that keep track of each and every action taken by each and every employee in carrying out the organization's business.***

In that respect the following assertion made by the authors is somewhat ironic: "A second task of leaders of accountable organizations is demonstrating accountable behavior. They must set an example of evaluating performance with numbers, of eliciting feedback, and of coaching and consulting. Day in and day out, they must use the objective measures of accountability." (p. 249) The adjective "objective" means subject to independent validation by unbiased individuals qualified to render well-informed judgments based upon reliable evidence of the facts, as best and most reliably the realities in question can be replicated, preferably in records whose integrity is not subject to manipulation in any form or fashion. Thus, perhaps the most important role that leaders can play is to demonstrate the creation, management, and sharing of the records of their own actions.

Epstein and Birchard note: "In the beginning, employees often interpret measures as tools to affix blame for failures, as the noose dangled about their necks... The leaders of accountable organizations walk a fine line. On the negative side, they can create a culture of compliance. On the positive side, the can cultivate a culture of commitment." (p. 249) However, the fact that metrics are resisted and perceived as being punitive is itself a measure of the degree to which we as individual human beings and as employees have grown accustomed to avoiding responsibility. In *The Oz Principle: Getting Results Through Individual and Organizational Accountability*, Roger Connors, Tom Smith and Craig Hickman say the American character is in crisis, largely due to the *cult of victimization*, which has been defined as: "an odd combination of ducking responsibility and telling everyone else what to do."[8]

Again, the best way for leaders to overcome resistance to accountability is to demonstrate their own commitment to creating, managing, and sharing current and complete records of their own actions.

With respect to monetary incentives, the authors suggest: One of the more ticklish tasks of leadership is making sure that pay systems reward accountability. Too often, incentive plans succumb to the failings [that] management wants long-term growth but rewards quarterly

---

[8] For more on their views, see http://ambur,net/oz.htm

earnings; or management wants teamwork yet rewards individual effort; or management wants candor but rewards only the bearers of good news. (p. 251) Even the discipline of records management itself has unwittingly supported such a good news" dynamic, by accepting as dictum the notion that someone must "declare" a record to be a record before it becomes one. Naturally, people are inclined to declare only those records that make themselves "look good" and/or make their adversaries "look bad" – which is not exactly a prescription for accountability on anyone's part. Once again, the best way for leaders to lead along these lines is to tie their own compensation to the records of their own actions, over which they and they alone have control.

Epstein and Birchard conclude their treatise on accountability by counting with the following assertions:

> ***Supporting accountability requires ... pay for behaviors that support accountability***... The ultimate act of leadership is sticking with the principles and practices of accountability long enough to institutionalize the concept. Accountability is not just an add-on program. It is a way of life. The goal is to integrate it into the foundation of business... ***accountability must become a component of the basic skill set of managers in the competitive enterprise of the future***. People then more readily do what managers expect, rather than just what they inspect. (p. 251, emphases added)

The ultimate act of leadership is to lead by example. Leaders should set an example by adequately documenting and sharing the record of their intentions, as well as their actions. Accountability cannot and will not become a part of the skill set of managers unless and until they are using records management systems that enable them to conduct their business efficiently and effectively while at the same time fully and accurately documenting each and everything they do. It is not sufficient simply to suggest that some ethereal notion of "accountability" must become a basic skill of managers and that they should be paid for unspecified "behaviors" that "support" accountability. Not only managers but also all employees should *be* accountable – which is to say they should paid for creating and managing records in a manner that not only clearly demonstrates their worth to the organization but also the transparency and ethics with which they carry out their obligations. Anything short of that is a sham as well as a shame.