



YOUR KINDLE NOTES FOR:

## High Output Management

by Andrew S. Grove

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### 109 Highlights | 2 Notes

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Highlight (Yellow) | Location 110

e-mail is also the first manifestation of a revolution in how information flows and how it is managed.

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Highlight (Yellow) | Location 165

“Let chaos reign, then rein in chaos.”

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The first is an output-oriented approach to management.

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The second idea is that the work of a business, of a government bureaucracy, of most forms of human activity, is something pursued not by individuals but by teams.

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The output of a manager is the output of the organizational units under his or her supervision or influence.

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A team will perform well only if peak performance is elicited from the individuals in it.

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methods of production, exercising managerial leverage, and eliciting an athlete's desire for peak performance can help nearly everyone

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how many prisons we build? It turns out quite a bit. High Output Management opens by teaching us the importance of proper system design even when we are dealing with a system of human beings—especially when we are dealing with a system of human beings.

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That's what being a manager is about. It's not about how smart you are or how well you know your business; it's about how that translates

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you only understand one thing about building products, you must understand that energy put in early in the process pays off tenfold and energy put in at the end of the program pays off negative tenfold.

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the most useful management question that I use in interviews: "Is it better to be a hands-on or hands-off manager?"

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"CEOs always act on leading indicators of good news, but only act on lagging indicators of bad news." "Why?" I asked him. He answered in the style resonant of his entire book: "In order to build anything great, you have to be an optimist, because by definition you are trying to do something that most people would consider impossible. Optimists most certainly do not listen to leading indicators of bad news." But this insight won't be in any book. When I suggested he write something on the topic, his response was: "Why would I do that? It would be a waste of time to write about how to not follow human nature. It would be like trying to stop the Peter Principle.\* CEOs must be optimists and all in all that's a good thing." This is classic Andy Grove.

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Process, assembly, and test operations can be readily applied to other very different kinds of productive work.

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All production flows have a basic characteristic: the material becomes more valuable as it moves through the process.

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fix any problem in a production process at the lowest-value stage possible.

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Not to jail a criminal in whom society has invested over a million dollars for lack of an \$80,000 jail cell clearly misuses society's total investment in the criminal justice system. And this happens because we permit the wrong step (the availability of jail cells) to limit the overall process.

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If you look at them early every day, you will often be able to do something to correct a potential problem before it becomes a real one during the course of the day.

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effective indicator will cover the output of the work unit and not simply the activity involved. Obviously, you measure a salesman by the orders he gets (output), not by the calls he makes (activity).

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linearity indicator.

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trend indicators.

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stagger chart,

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because we can never assess the consequences of an unreliable product, we can't make compromises when it comes to reliability.

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the first round of work simplification, our experience shows that you can reasonably expect a 30 to 50 percent reduction.

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question why each step is performed.

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While the manager's own work is clearly very important, that in itself does not create output. Her organization does.

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one of her own. She was right in noting a similarity. My day always ends when I'm tired and ready to go home, not when I'm done. I am never done.

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Reports are more a medium of self-discipline than a way to communicate information. Writing the report is important; reading it often is not.

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using programmed visits meant to accomplish formal tasks, but which also set the stage for ad hoc mini-transactions.

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information-gathering is the basis of all other managerial work, which is why I choose to spend so much of my day doing

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

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that after being exposed to many such instances, the subordinate will begin to take a much more restricted view of what is expected of him, showing less initiative in solving his own problems and referring them instead to his supervisor. Because the output of the organization will consequently be reduced in the long run, meddling is clearly an activity having negative managerial leverage.

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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.

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delegation without follow-through is abdication.

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if you have a choice you should delegate those activities you know best.

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determine what is immovable and manipulate the more yielding activities around it, we can work more efficiently.

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A second production principle we can apply to managerial work is batching similar tasks.

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To gain better control of his time, the manager should use his calendar as a “production” planning tool, taking a firm initiative to schedule work that is not time-critical between those “limiting steps” in the day.

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say “no” at the outset to work beyond your capacity to handle.

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As we become more consistent, we should also remember that the value of an administrative procedure is contained not in formal statements but in the real thinking that led to its establishment.

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manager whose work is largely supervisory should have six to eight subordinates; three or four are too few and ten are too many. This range comes from a guideline that a manager should allocate about a half day per week to each of his subordinates.

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prepare standard responses for those that pop up most often.

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To make something regular that was once irregular is a fundamental production principle,

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a meeting is nothing less than the medium through which managerial work is performed. That means we should not be fighting their very existence, but rather using the time spent in them as efficiently as possible.

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the first kind of meeting, called a process-oriented meeting, knowledge is shared and information is exchanged. Such meetings take place on a regularly scheduled

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mission-oriented, frequently produce a decision. They are ad hoc affairs, not scheduled long in advance, because they usually can't be.

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three kinds of process-oriented meetings: the one-on-one, the staff meeting, and the operation review.

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“The good time users among managers do not talk to their subordinates about their problems but they know how to make the subordinates talk about theirs.”

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applying Grove's Principle of Didactic Management, “Ask one more question!”

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

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before calling a meeting, ask yourself: What am I trying to accomplish? Then ask, is a meeting necessary? Or desirable? Or justifiable? Don't call a meeting if all the answers aren't yes.

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the real sign of malorganization is when people spend more than 25 percent of their time in ad hoc mission-oriented meetings.

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important feature of the model is that any decision be worked out and reached at the lowest competent level. The

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peer-plus-one approach, and have used it since then to aid decision-making where we must. Peers tend to look for a more senior manager, even if he is not the most competent or knowledgeable person involved, to take over and shape a meeting.

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self-confidence mostly comes from a gut-level realization that nobody has ever died from making a wrong business decision, or taking inappropriate action, or being overruled. And everyone in your operation should be made to understand this.

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As a manager, you should remind yourself that each time an insight or fact is withheld and an appropriate question is suppressed, the decision-making process is less good than it might have been.

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of the manager's key tasks is to settle six important questions in advance: • 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?

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as you plan you must answer the question: What do I have to do today to solve—or better, avoid—tomorrow's problem?

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management by objectives—MBO—concentrates on steps 2 and 3 of the planning process and tries very hard to make them specific. The

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if we try to focus on everything, we focus on nothing.

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MBO system is meant to pace a person—to put a stopwatch in his own hand so he can gauge his own performance. It is not a legal document upon which to base a performance review, but should be just one input used to determine how well an individual is doing.

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the real secret of our business. In fact, the centralization-decentralization dichotomy is so pervasive that it has become one of the most important

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most are mixed, organizations can come in two extreme forms: in totally mission-oriented form or in totally functional form. The

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Alfred Sloan summed up decades of experience at General Motors by saying, “Good management rests on a reconciliation of centralization and decentralization.”

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What are some of the advantages of organizing much of a company in a mission-oriented form? There is only one. It is that the individual units can stay in touch with the needs of their business or product areas and initiate changes rapidly when those needs change. That is it. All other considerations favor the functional-type of organization. But the business of any business is to respond to the demands and needs of its environment, and the need to be responsive is so important that it always leads to much of any organization being grouped in mission-oriented units.

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

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develop and master the practice through which a hybrid organization can be managed. This is dual reporting,

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In effect, they now have supervision that a general manager competent in manufacturing could have given them, but that supervision is being exercised by a peer group. The manufacturing managers report to two supervisors: to this group and to their respective general managers, as the figure opposite shows.

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we have to think of the coordinating group as existing on a different chart, or on a different plane.

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the two- (or multi-) plane organization is very useful. Without it I could only participate if I were in charge of everything I was part of. I don’t have that kind of time, and often I’m not the most qualified person around to lead.

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The key factor common to all is the use of cultural values as a mode of control,

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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

**conserve cultural values**

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So why aren't the forces of the marketplace used all the time in all circumstances? Because to work, the goods and services bought and sold must possess a very clearly defined dollar value.

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for lawbreakers we need policemen, and with them, as with supervisors, we introduce overhead.

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When the environment changes more rapidly than one can change rules, or when a set of circumstances is so ambiguous and unclear that a contract between the parties that attempted to cover all possibilities would be prohibitively complicated, we need another mode of control, which is based on cultural values.

**more important than ever**

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for this to happen, you must believe that you all share a common set of values, a common set of objectives, and a common set of methods. These, in turn, can only be developed by a great deal of common, shared experience.

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two variables here: first, the nature of a person's motivation; and second, the nature of the environment in which he works. An imaginary composite index can be applied to measure an environment's complexity, uncertainty, and ambiguity, which we'll call the CUA factor. Cindy,

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apply our model to the work of a new employee. What is his motivation? It is very much based on self-interest. So you should give him a clearly structured job with a low CUA factor. If he does well, he will begin to feel more at home, worry less about himself,

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the marketing departments themselves created the monster. To get the sales force to favor particular products, the divisions had for some time been running contests, with prizes ranging from cash bonuses to trips to exotic places. The marketing managers were competing

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The single most important task of a manager is to elicit peak performance from his subordinates. So if two things limit high output, a manager has two ways to tackle the issue: through training and motivation. Each,

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what makes people perform relies heavily on Abraham Maslow's theory of motivation, simply because my own observations of working life confirm Maslow's concepts. For Maslow, motivation is closely tied to the idea of needs, which cause people to have drives, which in turn result in motivation.

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if we are to create and maintain a high degree of motivation, we must keep some needs unsatisfied at all times.

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both competence- and achievement-oriented people spontaneously try to test the outer limits of their abilities.

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money as a measure of achievement will motivate without limit.

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An obvious and very important responsibility of a manager is to steer his people away from irrelevant and meaningless rewards, such as office size or decor, and toward relevant and significant ones. The most important form of such task-relevant feedback is the performance review every subordinate should receive from his supervisor.

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in any competitive sport, at least 50 percent of all matches are lost. All participants know that from the outset, and yet rarely do they give up at any stage of a contest.

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we confused the manager's general competence and maturity with his task-relevant maturity.

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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.

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what-when-how mode. That mode is one that we don't think an enlightened manager should use. As a result, we often don't take it up until it is too late and events overwhelm us.

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review is usually dedicated to two things: first, the skill level of the subordinate, to determine what skills are missing and to find ways to remedy that lack; and second, to intensify the subordinate's motivation in order to get him on a higher performance curve for the same skill level

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word "argument" is frowned upon, something I learned many years ago when I first came to this country from Hungary. In Hungarian, the word "argument" is frequently used to describe a difference of opinion.

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the performance rating of a manager cannot be higher than the one we would accord to his organization!

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There are three L's to keep in mind when delivering a review: Level, listen, and leave yourself out.

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it is your responsibility to keep at it until you are satisfied that you have been heard and understood.

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knowing that their presentation was murky and incomprehensible, these teachers looked away from their audience to avoid confirming visually what they already knew.

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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.

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manager needs facts and examples so that he can demonstrate its reality.

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If the supervisor wants to go on to find the solution when the subordinate is still denying or blaming others, nothing can happen.

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give your subordinate the written review sometime before the face-to-face discussion.

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when things go off the track, get them back on quickly. Apologize if you like, and say, “I would like to change the subject to X, Y, or Z.” The interview is yours to control, and if you don’t, you have only yourself to blame. An interview produces the most insight if you steer the discussion toward subjects familiar to both you and the candidate.

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Don’t worry about being blunt; direct questions tend to bring direct answers, and when they don’t, they produce other forms of insight into the candidate.

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try to keep him on the phone long enough to let some sort of personal bond develop. If you can uncover some common experience or association, the reference will probably become more open with you. In

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Let him talk—don’t argue about anything with him. Believe me, he’s rehearsed his speech countless times during more than one sleepless night. After he’s finished going through all his reasons for wanting to leave (they won’t be good ones), ask him more questions. Make him talk, because after the prepared points are delivered, the real issues may come out. Don’t argue, don’t lecture, and don’t panic. Remember, this is only the opening skirmish, not the war. And you cannot win the war here—but you can lose it! You have to convey to him by what you do that he is important to you, and you have to find out what is really troubling him. Don’t try to change his mind at this point, but buy time. After he’s said all he has to say, ask for whatever time you feel is necessary to prepare yourself for the next round. But know that you must follow through on whatever you’ve committed yourself to do.

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administration of base salaries. In the abstract, there are two ways to do it. At one extreme, the dollar level is determined by experience only; at the other, by merit alone. In

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training should be a process, not an event.

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take an inventory of the manager-teachers and instructional materials available to help deliver training on items on your list. Then assign priorities

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if you haven't done this sort of thing before, start very unambitiously—like developing one short course (three to four lectures) on the most urgent subject.

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avoid letting yourself bog down in the difficult task of course preparation, set a schedule for your course, with deadlines, and commit yourself to it. Create an outline for the whole course, develop just the first lecture, and go.

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Training is hard work. Preparing lectures and getting yourself ready to handle all the questions thrown at you is difficult.

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if you do at least 100 points worth of what you find here, you'll be a distinctly better manager for it. Production Points Identify the operations in your work most like process, assembly, and test production. 10 For a project you are working on, identify the limiting step and map out the flow of work around it. 10 Define the proper places for the equivalents of receiving inspection, in-process inspection, and final inspection in your work. Decide whether these inspections should be monitoring steps or gate-like. Identify the conditions under which you can relax things and move to a variable inspection scheme. 10 Identify half a dozen new indicators for your group's output. They should measure both the quantity and quality of the output. 10 Install these new indicators as a routine in your work area, and establish their regular review in your staff meetings. 20 What is the most important strategy (plan of action) you are pursuing now? Describe the environmental demand that prompted it and your current status or momentum. Is your strategy likely to result in a satisfactory state of affairs for you or your organization if successfully implemented? 20 Leverage Conduct work simplification on your most tedious, time-consuming task. Eliminate at least 30 percent of the total number of steps involved. 10 Define your output: What are the output elements of the organization you manage and the organizations you can influence?

List them in order of importance. 10 Analyze your information- and knowledge-gathering system. Is it properly balanced among “headlines,” “newspaper articles,” and “weekly news magazines”? Is redundancy built in? 10 Take a “tour.” Afterward, list the transactions you got involved in during its course. 10 Create a once-a-month “excuse” for a tour. 10 Describe how you will monitor the next project you delegate to a subordinate. What will you look for? How? How frequently? 10 Generate an inventory of projects on which you can work at discretionary times. 10 Hold a scheduled one-on-one with each of your subordinates. (Explain to them in advance what a one-on-one is about. Have them prepare for it.) 20 Look at your calendar for the last week. Classify your activities as low-/medium-/high-leverage. Generate a plan of action to do more of the high-leverage category. (What activities will you reduce?) 10 Forecast the demand on your time for the next week. What portion of your time is likely to be spent in meetings? Which of these are process-oriented meetings? Mission-oriented meetings? If the latter are over 25 percent of your total time, what should you do to reduce them? 10 Define the three most important objectives for your organization for the next three months. Support them with key results. 20 Have your subordinates do the same for themselves, after a thorough discussion of the set generated above. 20 Generate an inventory of pending decisions you are responsible for. Take three and structure the decision-making process for them, using the six-question approach. 10 Evaluate your own motivational state in terms of the Maslow hierarchy. Do the same for each of your subordinates. 10 Give your subordinates a racetrack: define a set of performance indicators for each. 20 List the various forms of task-relevant feedback your subordinates receive. How well can they gauge their progress through them? 10 Classify the task-relevant maturity of each of your subordinates as low, medium, or high. Evaluate the management style that would be most appropriate for each. Compare what your own style is with what it should be. 10 Evaluate the last performance review you received and also the last set of reviews you gave to your subordinates as a means of delivering task-relevant feedback. How well did the reviews do to improve performance? What was the nature of the communication process during the delivery of each? 20 Redo one of these reviews as it should have been done. 10

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