The KPI Institute

Celebrating 12 Years of PERFORMANCE

Certified Balanced Scorecard Management System Professional Course

Negative Behaviours Catalogue









TKI-0130 | Feb. 2015 | 6 pages

Table of Contents

office@kpiinstitute.org
+61 3 9028 2223

Atlanta Public Schools 3

Bank of America 3

Ford Motor Company 4

Sears, Roebuck and Co. 4

Victorian Hospitals 5

Stafford Hospital 6







Atlanta Public Schools

Atlanta Public Schools, unethical behavior at all levels



Organization: Atlanta Public Schools, a school district based in Atlanta, Georgia, USA.
Industry: Education
Year: 2001-2011

Context:

- Atlanta Public Schools experienced unusually high gains in standardized test scores, during the 11-year tenure of former Superintendent Beverly Hall.
- In 2009, the Atlanta Journal-Constitution began investigating these high scores and suggested there was evidence of cheating.
- Therefore, in 2010, tests were administered under much higher scrutiny and the scores dropped dramatically.
- A major investigation was launched by the state of Georgia. The report of the investigation named 178 educators, including 38 principals, as participants in cheating. Teachers and principals erased and corrected mistakes on students' answer sheets, thus transforming testing failures into successes, in order to meet the District's imposed targets.

Results:

- 44 of 56 schools examined were caught cheating.
- The new Superintendent, Erroll Davis, demanded the resignation of the 178 APS employee.
- Beverly Hall resigned her position, declaring that she had nothing to do with the cheating and no knowledge of it. In 2013, she was indicted in relation to her role in the matter, together with 34 others connected to the largest test-score cheating scandal in the U.S.

Lessons to be learned:

"The district set unrealistic test-score goals, or targets, a culture of pressure and retaliation spread throughout the district, and caused unethical behavior".

Source:

Vogell, H. (2011), Investigation into APS cheating finds unethical behavior across every level, available at: http://www.ajc.com/news/news/local/investigation-into-aps-cheating-finds-unethical-be/nQJHG

Bank of America

office@kpiinstitute.org
+61 3 9028 2223

Bank of America, engaging in runaround games with borrowers



Organization: Bank of America, a multinational banking and financial services corporation, with headquarters in Charlotte, North Carolina
Industry: Banking
Year: 2011

Context:

- In 2009, the U.S. Government implemented Home Affordable Modification Program (HAMP), aimed at helping citizens manage their mortgage loans.
- However, Bank of America employees were instructed that it was their job to maximize fees for the bank, by fostering and extending delay of the HAMP modification process by any means possible.
- This made employees to falsify information in the systems of record and to remove documents from homeowners' files, to make the account appear ineligible for a loan modification.
- Loan officers were offered restaurant gift cards and cash bonuses for meeting quotas tied to sending distressed homeowners into foreclosure.

Results:

- Customers sued Bank of America, accusing the institution of denying them permanent modifications under HAMP, even if they have completed requirements for a trial.

Lessons to be learned:

"This led banks engaging in a runaround game with borrowers, stringing them along with the HAMP and then leading them back on the foreclosure road."

Source:

Hugh Son & David McLaughlin (2013), BofA gave bonuses to foreclose on clients, lawsuit claims, available at: http://www.bloomberg.com/news/2013-06-14/bofa-gave-bonuses-to-foreclose-on-clients-lawsuit-claims.html

Ford Motor Company

Ford Pinto, "adding fuel on fire"



Organization: Ford Motor Company, an American multinational automotive company founded by Henry Ford in 1903.
Industry: Automotive
Year: 1967

Context:

- Building a car which would be able to compete and surclass those of the competition (Japanese).
- Characteristics of the car:
  - # Weight of– target: under 907 Kg (2000 lb);
  - $ Cost – target: under $ 2,000;
  - # Time between design and production– target 25 months (previous average = 46 months).
- Problems:
  - Out of 31 collision tests of the back part, performed at a speed of 48 km/h, only 3 were successful– the majority resulted in the puncture of the gas tank and its explosion;
  - The tests were performed after the car had entered the production stage;
  - After a cost-benefit analysis, none of the proposed solutions to remedy the encountered flaws was approved.

Results:

- **Financial:** positive financial impact on profit: over 2,9 million cars were built between 1971-1980;
- **Ethic:** 500 fatalities cause by the breakage and explosion of the gas tank on impact: 1,5 million cars had to be called back in 1978.

Lessons to be learned:

"Ethics should be the very core of a business. A corporation shouldn't, under no circumstances, make decisions that sacrifice the lives of its customers in order to reduce the company's costs or increase the profits. Human lives cannot be justified by any analysis that includes costs or benefits."

Source:

Iowa State University, Department of Sociology (n.d.), Pinto Madness, available at: http://www.soc.iastate.edu/sapp/pinto.pdf

Sears, Roebuck and Co.

office@kpiinstitute.org
+61 3 9028 2223

Sears, Roebuck and Co. should have attended 'Setting targets 101'



Organization: Sears, Roebuck and Company is an American multinational, a subsidiary of Sears Holdings Corporation, with headquarters in Hoffman Estates, Illinois
Industry: Retail
Year: Early 1990s

Context:

- The company had set very difficult targets for its auto repair staff ($147/hour).
- California and New Jersey regulatory officials found that Sears' auto-service centers systematically overcharged customers for repairs, or required payments on work not performed. Also, they found out that unnecessary repairs had been performed 90% of the time.

Results:

- Sears' financial ledgers look impressive: the revenues of the first quarter of 1992 were with 36% more than the previous year. However, its earnings mainly came from its services divisions.
- Sears has undergone serious reorganization. Entire units have been shifted around on organizational charts and the catalog unit has been cut back. Many employees lost jobs and investors started to question Sears' prospects for growth.

Lessons to be learned:

"Goal setting process for service advisers created an environment where mistakes did occur."

Source:

Ordonez, L. D., Schweitzer, M. E., Galinsky, A. D. and Bazerman, M. H. (2009), Goals gone wild: The systematic side effects of over-prescribing goal setting, Harvard Business Review, available at: http://www.exed.hbs.edu/assets/Documents/goal-setting.pdf

Halverson, G. (1992), Sears troubles go beyond auto scandal, available at: http://www.csmonitor.com/1992/0623/23081.html

Victorian Hospitals

office@kpiinstitute.org
+61 3 9028 2223

Treatment unguaranteed





Organization: Victorian Hospitals, Australia
Industry: Healthcare
Year: 2010

Context:

- A survey of 124 emergency department doctors, conducted by Australasian College for Emergency Medicine found that hospital chiefs were not allowing doctors to activate ambulance bypass procedures when emergency departments were full.
- This happened because they wanted to achieve a government benchmark, which instructed hospitals to be on bypass less than 3% each year.
- Moreover, nearly a third of doctors "admitted" patients to non-existent "virtual beds" on their computer systems, to make it look like patients were being timely treated, even though they were still waiting in the emergency department.
- Also, hospital staff was not reporting waiting times for patients who stayed in emergency departments longer than 24 hours, to improve their hospitals' performance on paper.

Results:

- Patients' lives were at stake and some of them were lost, as ambulances were delivering very ill patients to overcrowded emergency departments, unable to take care of them.

Lessons to be learned:

"Targets may cost lives, like in this situation, as hospitals were putting performance concerns ahead of lives as they tried to meet Victorian Government's targets."

Source:

Medew, J. (2010), Hospital targets cost lives, available at: http://www.theage.com.au/victoria/hospital-targets-cost-lives-20101110-17nr5.html

Staff from four Victorian hospitals manipulated surgery waiting lists

The Royal Melbourne Hospital



Organization: The Royal Melbourne Hospital, The Royal Children's Hospital, Latrobe Regional Hospital, Dandenong Hospital, Victoria, Australia
Industry: Healthcare
Year: 2009

Context:

- In Australia, public hospitals used to receive bonuses for reaching the Government benchmark, including some that related to emergency department performance and elective surgery waiting lists
- An audit on four Victorian hospitals discovered that three of them had been inappropriately listing elective surgery patients as "not ready for care" and that one hospital had recorded "admitting" patients to wards when in reality they were they were still waiting unattended in the emergency departments.
- As a result, the staff was creating "ghost wards" and manipulating surgery waiting lists to attract bonus funding and avoid critical scrutiny. Also, nurses were retrospectively altering patient data records to meet Government benchmarks.

Results:

- Inaccurate reports regarding the health system performance to secure bonus funding from the Government.
- The Health Minister, Daniel Andrews, has decided to abolish the system of linking funding to targets achievement.

Lessons to be learned:

"Unrealistic target settings can lead to inappropriate practices such as data manipulation, which undermine the integrity of hospital performance monitoring"

Source:

Medew, J. and Rood, D. (2009), Audit slams phantom wards scam, available at: http://www.theage.com.au/national/audit-slams-phantom-wards-scam-20090401-9jsl.html

Stafford Hospital

office@kpiinstitute.org
+61 3 9028 2223

Targets can kill at Stafford Hospital





Organization: Stafford Hospital, UK
Industry: Healthcare
Year: 2005-2008

Context:

- An investigation was conducted at Stafford Hospital by the Healthcare Commission, as there were concerns about the high mortality rates in patients admitted as emergencies.
- The results of the full-scale investigation showed that medical staff was pursuing targets in detriment of patients' interests. The hospital was no longer oriented towards the customers, but towards ministers and target-setters.

Results:

- 400 deaths during 4 years
- The trust's chief executive, Martin Yeates, was suspended and its chairman, Toni Brisby, resigned.
- Mortality rates of all National Health Service hospitals have been made accessible on a website.

Lessons to be learned:

"Goals may cause systematic problems in organizations due to narrowed focus, increased risk-taking, unethical behavior, inhibited learning, decreased co-operation, and decreased intrinsic motivation."

Source:

Caulkin, S. (2009), This isn't an abstract problem. Targets can kill, available at: http://www.guardian.co.uk/business/2009/mar/22/policy





The KPI Institute

Celebrating 12 Years of PERFORMANCE

European Division
Sibiu Office
Sibiu City Center
Somesului Street, No. 3
550003 - Sibiu, Romania
T: +40 3 6942 6935 M: +40 7 4706 0997
office@kpiinstitute.org

Middle East Division
Dubai Office
The Fairmont Dubai
Suite 13 - Office 2103, 21st Floor
Sheikh Zayed Rd, POB 119724, Dubai, UAE
T: +971 4 311 6556 M: +971 55 787 6427
office@kpiinstitute.org

SE Asia Division
Kuala Lumpur Office
Wisma UOA II
21 Jalan Pinang, Unit 11-10, 50450
Kuala Lumpur, Malaysia
T: +60 3 2742 1357 M: +60 11 3303 2135
office@kpiinstitute.org

Headquarters
Melbourne Office
Life.lab Building
198 Harbour Esplanade, Suite 606
Melbourne Docklands, VIC 3008, AU
T: +61 3 9028 2223 M: +61 4 2456 8088
office@kpiinstitute.org

www.kpiinstitute.org




