

# Evidence-Based Management: An Innovative Approach for Management Decisions

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*In today's increasingly competitive and agile marketplace, companies that want to keep pace need to explore and implement new strategies that enable them to withstand change and competition. As such, there are those who focus on technological innovation, those who focus on the development of a niche product, unique in its kind, and those who, on the contrary, focus on a product in common use, but offered at much lower prices. Recently, however, the emphasis has been placed on how a winning strategy should be based on the careful evaluation of the best available data and evidence, paying particular attention to the quality and veracity of this empirical evidence. In this way, management decisions can be based on evidence that will reduce risk and lead to better outcomes. This approach is known as Evidence-Based Management.*

## **What is Evidence-Based Management?**

But what exactly is *Evidence-Based Management* (EBM)? EBM is a practice that was born and developed in the medical field, from an idea that is as "simple" as it is effective and little exploited, namely that decisions regarding patient care should be made based on scientific evidence, on data provided by the best and most current research.

Although the number of studies conducted in the medical field each year

is very high, and the data are readily available and usable by any specialist who wishes to investigate, only 15% of these really base their decisions on the latest empirical evidence. The rest prefer to rely on their own personal experience, outdated methods and models, and outdated traditions. Similarly, in management, decisions are often made based on personal experience or preconceived notions that cannot be applied on all occasions.

EBM proposes to base every decision on a scientific basis, using "evidence" to maximize the chances of success. By

“evidence” we mean objective data or facts that support and confirm a specific hypothesis. This “evidence” can come from:

- Results obtained through scientific research and disclosed through an indexed, peer-reviewed journal
- Documented demonstration of the possible benefits of putting these findings into practice in previous contexts (such as, for example, observations of practical conditions in local businesses)
- Results obtained and documented by highly competent professionals in a specific field (such as, for example, a proven successful entrepreneur who is a leader and pioneer in his or her field).

### **Why is there a need for Evidence-Based Management?**

Many managers tend to “import” certain decision-making and management practices from their past experience and apply them indifferently in new environments and situations. Pfeffer and Sutton (2006) cite as an example their observation of a small software company in which one of the executives, though admittedly smart and successful, had recommended the same compensation policies as the previous company he had worked for, not at all considering that the two companies were different sizes, sold different types of software, and catered to different markets and customers. In this case, EBM can help make a critical and logical

assessment based on the specific characteristics of each company. Extending the metaphors taken from the world of medicine, one could say that EBM prevents the assumption that a “cure,” while proven, but developed in one place, can be equally effective elsewhere.

Another similar motivation that justifies the need for EBM is the so-called *benchmarking*, i.e. the tendency to uncritically “copy” what other organizations do, without assessing whether those practices will be as effective and whether they might actually work in a different context. In this specific case, in addition to critically evaluating the information you find, you should also realize that this important organizational information gleaned from other firms is likely to be partial and incomplete, and, therefore, of poor quality.

Finally, most practitioners do not appear to be aware of the current scientific research available on key issues in their field. A study conducted by Rynes et al. (2002) of 950 human resource professionals shows that most of them had little or no knowledge of scientific research relevant to their field. The study also shows a significant discrepancy between what the objective evidence showed to be effective and what these professionals went on to apply during their day-to-day management practices. Again, too much reliance was being placed on low-quality

evidence, personal judgment, and prior experience.

The consequences of this conduct are that many resources are spent on practices that are ineffective or even harmful to the organizations themselves, as well as their clients.

### **How to implement Evidence-Based Management in your company**

EBM is thus characterized by the ability to set aside conventional ways of thinking and doing and replace them with careful collection of data and facts, which are necessary to make more focused and informed decisions. As reported Pfeffer and Sutton (2006), “if you treat the organization like an unfinished prototype and encourage trial programs, pilot studies, and experimentation—and reward learning from these activities, even when something new fails—your organization will begin to develop its own evidence base. And if you keep learning while acting on the best knowledge you have and expect your people to do the same—if you have what has been called ‘the attitude of wisdom’—then your company can profit from evidence-based management as you benefit from ‘enlightened trial and error’ and the learning that occurs as a consequence.”

From this excerpt, it can be determined that the most important points to consider when implementing EBM are:

– Seeking evidence: in one of the previous paragraphs, we have already discussed what evidence means, but, in summary, we need to ensure that the company has the necessary information to evaluate its own operations. Again, to offer an example from the medical field, DaVida, with kidney dialysis centers based in California, ensures that the company always has the necessary information available by making sure that managers begin their reports and meetings with up-to-date data regarding the effectiveness of treatments and the health of patients. In addition, administrators receive a monthly report with detailed information that includes all daily treatments, employee status, and quality of care.

– Examine the rationale: That is, be able to articulate and control the logic behind every decision, questioning statements and assertions in a constructive and purposeful manner; critically consider one’s arguments and review one’s sources on a more certain basis.

– Treat the organization as an unfinished prototype: that is, get into the habit of conducting test programs, pilot studies and small experiments, from which you will derive unique knowledge, based solely on data that have emerged from your own firm, and not draw inferences from those of other organizations. Yahoo, for example, typically has about 20 experiments running at any given time and does so by manipulating site functionality such as colors, ad placement, text and

buttons. These experiments, while seemingly small, can have big effects. Similarly, Booking.com also performs more than 1,000 simultaneous, rigorous tests for its site, or more than 25,000 tests per year (about 68 per day).

– Embrace the attitude of wisdom: that is, act by questioning what you know, what “has always worked” and what “has always been done in that specific way.” Promote continuous learning to identify and apply effective strategies.

To conclude, then, EBM can change the way every manager thinks and acts. It is a way to review the manager’s work, a way to make it more effective and to maximize the benefits. By using hard facts, objective data, and critical logic, they can identify what works and what should be changed, recognize untrue evidence and information, and overcome outdated conventions and repeated practices. To practically bring

more scientific evidence into their decisions, managers need to be able to know how to search online databases for studies, understand what an impact factor is, and what peer-review-based indexed journals are. They need to learn how to assess the validity and applicability of the studies found in order to optimize relevant aspects of their specific field. Therefore, many universities are beginning to incorporate EBM into their curricula, and is why many online courses also offer supplemental credit to delve into this practice, which is useful in counterbalancing and complementing the subjectivity of one’s personal judgment. For these reasons, it would be useful to create an atmosphere of learning and reflection, fostering collaboration between managers and researchers, which could facilitate the application and management of EBM.

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