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**FROM HIDDEN COSTS TO MEASUREABLE
PERFORMANCE**

From Heterodox Practices to Orthodox Practises

Papier

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Abstract:

This paper is intended to clarify the link between the concept of hidden costs and the traditional measurable performance of companies. It aims to explain how the reduction of hidden costs, once identified, can be reconciled with traditional management tools, and examines the relationship between heterodox and orthodox (mainstream) management practices.

Practitioners of the Socio-Economic Approach to Management (SEAM) will find concrete examples that justify their decision to apply this innovative management approach in a business environment dominated by traditional management methods.

Keywords: hidden performance/costs, socio-economic management, heterogeneity, management tools.

FROM HIDDEN COSTS TO MEASUREABLE PERFORMANCE

From Heterodox Practices to Orthodox Practises

INTRODUCTION

The hidden cost concept was created in 1974 by Henri Savall and further developed with Véronique Zardet and the ISEOR team. This innovative management concept centres around the notion of dysfunction, coupled with the idea of hidden performance and costs. In an attempt to keep things simple for the corporate world, this concept was launched as the 'hidden costs theory.' . A hidden cost can be defined as a cost that is not detectable by conventional management tools (H. Savall, 1979).

By virtue of this definition, the theory of hidden costs is heterodox, or outside of mainstream management thinking; by default, it is at odds with the tools that are generally used to manage an organisation. This innovative thinking gave rise to the Socio-Economic Approach to Management (SEAM). ISEOR has created a set of processes and tools to allow organisations to convert dysfunctions into productivity. These innovative processes and tools have emphasised the unorthodox (heterodox) nature of the approach. The concept of hidden costs can therefore be deemed to be a recognised innovation in corporate management.

Although the theory has existed for a number of years, it has yet to become a legitimate option in terms of its application in business. Legitimacy defines the limits of what is acceptable and unacceptable, compliant and non-compliant, and appropriate or inappropriate when it comes to actions taken by organisations (Laufer and Burlaud, 1997). The application of SEAM theory has been met with resistance within organisations: leaders and managers struggle to reconcile this innovative concept with traditional management tools, to explain how reducing hidden costs can have an impact on financial statements, and convincing external stakeholders - shareholders, banks, auditors etc. - of the measurable impact of this approach on performance. Similarly, our discussions with university professors and student have indicated that they are also finding it difficult to establish the link between the hidden costs approach and traditional financial management concepts such as the bottom line and budgetary control.

We have operated on the assumption that a heterodox approach (such as the hidden costs theory) must be able to integrate with orthodox methods (existing dominant management methods) in order to gain legitimacy, be further developed and become an orthodox, widely-practiced method. Our aim is not to advocate the theory of hidden costs; rather, it is to seek legitimate answers to our questions. The purpose of this paper is to clearly demonstrate the link between hidden cost theory and a company's measurable performance, and to show how the reduction of hidden costs can be compatible with the use of traditional management tools.

To illustrate how this balance can be struck, we have drawn on the experience of two as senior executives who have implemented and used the hidden costs approach (one for the past 25 years). We have used interviews with leaders and managers conducted in relation to a thesis on the sustainability of socio-economic management projects, and with contacts at conferences organised by ISEOR. We have also taken account of input from international consultants and professors who would like to see this approach be developed in their own countries, as well as the views of student interns eager to apply the concepts learned from EUGINOV courses.¹

We take the perspective of a leader or manager interested in applying hidden costs theory in their companies, providing a detailed explanation of the obstacles they are likely to encounter and how to overcome them.

1 AN INNOVATIVE AND DISRUPTIVE APPROACH TO MANAGEMENT AT ODDS WITH TRADITIONAL MANAGEMENT APPROACHES

The use by executives, managers and consultants of an approach that is both highly innovative and unorthodox can be met with a certain resistance. We have focused on what we believe to be the most delicate, political and decisive challenges in deciding whether or not to apply the hidden-cost method : **introducing a method that is at odds with the traditional management methods requires diligent change management.**

Under a socio-economic management approach, the responsibility for managing a company is shared between support and line managers in order to implement the desired strategy (H. Savall, Zardet V., 2011) and reduce hidden costs (H. Savall, V. Zardet, 1992). Line managers track dysfunctions at the source, establish indicators, are familiar with their causes and offer solutions to minimise them. Detecting, assessing and reducing hidden costs is an integral part of self-management within organisations (L. Cappelletti, P. Baron, G. Desmaison, F-X Ribiollet, 2014).

1.1 An unorthodox management approach

Supporters of dominant or mainstream theories argue that the very fact that such theories are backed by the majority is proof of their effectiveness. Opponents of orthodox theories, on the other hand, emphasise the lack of originality of mainstream theories, implying that their supporters do so more through a desire to confirm than as the result of critical thought.

The hidden costs approach is heterodox; it does not conform to traditional views or conventional wisdom. Heterodoxy is rooted in the epistemological position developed by H. Savall and his ISEOR team (D. Bonnet, Mr. Garcia, 2012).

This new management approach contradicts the mainstream business thinking and practices of the past several decades. For this reason, implementation of the hidden-costs/performance approach requires a leader

¹ EUGINOV: is a department of the French university LYON 3

who is willing to convince those stakeholders who are not used to this way of working - shareholders, employees, employee representatives etc. - of its value.

Today, the point of reference for many executives and managers is Lean Management and Six Sigma, and they are beginning to think in terms of agility. SEAM and the hidden-cost method are only taught by ISEOR and by a few universities worldwide (including University Jean Moulin Lyon 3), and are disseminated by ISEOR and various certified consultants. The human potential theory, SEAM and the hidden costs/performance method merit greater recognition on the management methods market (G. Desmaison, 2014).

Against this backdrop, it is by no means easy for a leader to implement an innovative yet little-known approach that runs counter to traditional business practices.

1.2 An approach that means a break with traditional organisational routines

An organisational routine is not just a frame of reference but rather a set of possible frames of reference, generated by a variety of organisational, social, physical and cognitive constraints in accordance with which members of an organisation perform specific actions (Pentland and Rueter, 1994).

Organisational routines (Nelson and Winter, 1982) are a body of behavioural and operational references that guide members of an organisation in the performance of their professional duties. The same applies for traditional or mainstream management methods: they become procedures.

C. Argyris (1995) notes, however, that defensive routines are the product of challenges, or threats, to guiding values. Individuals will resist change by adopting a cognitive strategy by which they will attempt to convince themselves both of the validity of their current mental model. This is true of the emergence of innovative management methods such as socio-economic theory.

We found that leaders and managers keen to apply the hidden-cost method experienced feelings of uncertainty, powerlessness and extreme challenge in the face of criticism, scepticism and concern from their stakeholders.

Some quotes from previous experiences:

"Try to explain to the 'boss' that we're spending our time hunting for hidden costs!"

Head of upscale restaurant

"

Criticism from head office- or group-level:

"By applying the hidden-costs method, you risk not seeing the forest for the trees. Where is the strategy?" Senior Executive, Head Office

Student interns wanting to apply the hidden costs/performance approach in their internship company:

"He [my supervisor] understands but finds it very difficult to implement" Masters student
"That's not how we do things here!" Supervisor

Leaders involved in managerial training:

"It is too far from usual business practice and current management concepts (lean, agile etc.)"
CEO attending an ISEOR symposium

Shareholders who are reluctant to change:

"I tell them about identified dysfunctions, the value of hidden costs, six-month PAPs (Priority Action Plans). They respond by talking about IBT and respecting the annual budget!"
CEO in reference to their shareholders
"What matters for them is the daily share price."
CEO in reference to their shareholders

It is understandable that, faced with this mindset, some prefer to give up rather than struggle on.

1.3 An organisational shift in the use of management tools

Management tools are both the product of academic knowledge that takes concrete form as formalised tools, and the product of how users apply them (R. Martineau, 2008). J.-C. Moisdon (1997) defines the term management tool as a set of arguments and knowledge that formally links a number of variables from within the organisation. Tools are a phenomenon of artificial origin, that is to say, an artefact (P. Gilbert, 1998). A management tool is the representation by an organisational actor of "a formalised device for organised action" (David A., 1998), both physical and social (A. Mazars, 2000).

1.3.1 Impact of the hidden-costs/performance method on management tools

Management tools help to constantly re-construct an organisation's identity, its ambiguities and its paradoxes (Dupuy Y., 2009). They are often considered one of the constraints with which each stakeholder's reasoning clashes (M. Berry, 1983). The process of institutional change is not the work of a single stakeholder, but that of a set of stakeholders with divergent interests (Lawrence and Suddaby, 2006).

How can a new management tool such as the hidden costs/performance method be adopted when stakeholders such as leaders and managers operate with other tools?

1.3.2 The impact on management accountants

This question is particularly problematic for finance managers who are responsible for the application of traditional tools.. Even when driving this evolution, they have to face the dilemma of how it might co-exist with the tools that are already in place within their entity, their group, or in communications with the internal and external stakeholders of their organisation (reporting, taxation, auditors etc.).

- **Head Office connectivity**

As a general rule, even when the idea interests them, Head Office or group-level functions continue to focus on existing and shared tools:

"It's good, but when and how will we see results?" Head Office MA to profit centre MA

- **Interaction with line managers**

(Line managers in the field sense a loss of direction)

"But where is it in my budget? (The amount of hidden costs diagnosed)" Section Head to MA

"We talk about the concept once, we hold a meeting about it, but the MA just keeps hassling us with his monthly reports." Team leader to plant MA

For operational managers, there is a very short-term expectation as to the impact of reducing hidden costs on overall results:

"And when does it hit the bottom line?" CEO on reducing hidden costs

"This €5 million reduction in hidden costs ... I want to see it as earnings on next year's budget." CEO to MD

- **Ongoing controversy around HCMVC**

As a result of having been trained to accept existing tools, there are endless discussions on evaluating the Hourly Contribution to Margin on Variable Costs, base of the hidden costs calculation.

"Is the marketing budget fixed or variable, for variable costs? MA to MA

"I disagree, we (commercial) make a greater contribution than the laboratory (production)." Commercial Caterer to Production Head for laboratory manufacturing

This kind of reaction can be seen as logical and predictable. The aim is to reduce dysfunctions, rather than endlessly debate how they are evaluated.

- **An activity viewed as an additional workload**

Identifying and recovering hidden costs is often seen as an additional workload:

"Calculating hidden costs is on top of all the other variance calculations we already do" MA

"Sorry, but since the introduction of hidden costs, I spend less time selling. We can't do everything" Head of Commercial

The hidden-costs method, like all management tools, plays a dual role: the first is standardising behaviours; the second creating and disseminating knowledge (Moisdon J.C., 1997).

However, it should be remembered that socio-economic management (SEAM) includes time-management training, allowing for tasks to be eliminated and priorities to be set in the use of personal resources (Capelletti L., F. Noguera, 2005). Moreover, this approach means that dysfunctions can be addressed directly, bypassing the analysis of standards, norms, and variance calculations generally performed by operational functions.

Overall, it would appear that the co-existence of existing, mainstream tools that are widely accepted by those who promote and use them and the innovative hidden-costs approach method is viewed by those interested in applying the latter as a significant obstacle to its dissemination.

2 EXISTING MANAGEMENT TOOLS AND HIDDEN-COSTS REDUCTION: ENHANCING COMPATIBILITY

As executives implementing socio-economic management for the reduction of hidden costs in our own company, we personally encountered similar scepticism and criticism. There is true that line and support staff may lose their bearings. All stakeholders in a company need to see the measurable performance generated by the reduction of hidden costs. This enhanced performance only becomes visible through the prism of the mainstream management tools in which they have been instructed or that they have learnt to use.

A business can only be managed in this way if those responsible for leading it and for implementing the new approach remind all stakeholders that certain fundamental principles must be respected and, in addition, ensure that SEAM tools are integrated with existing tools and methods.

2.1 Remembering and respecting certain principles

A business leader who implements this method must be convinced, convincing and lead by example (Desmaison G., 2014). Should this business leader inform their staff that they will be implementing the socio-economic approach to management with the assistance of a university research centre, it is highly likely that said implementation will be met with resistance.

In order to implement SEAM successfully, then, it is essential that the company takes ownership of SEAM tools and processes as quickly as possible. To ensure that the performance generated by reducing hidden

costs becomes measurable, the leader needs to be persistent in communicating this to staff, and ensure that key principles have been fully assimilated.

"In our company, we have FORCE 1000 – we don't talk about "socio-economic management" with our employees. FORCE 1000 is a brand, a way of working, a targeted form of internal communication"
Manager, high-end restaurant

- **Diagnosing and recovering hidden costs is only the first step**

The fact that an organisation has inventoried each of its dysfunctions does not mean that all of its problems are solved. H. Savall and his team designed an approach for the reduction of hidden costs within organisations by means of the socio-economic approach to management (SEAM). Everyone within the organisation must play their part to tackle the millions of euros in hidden costs that are identified.

"If you have not grasped the fact that you are going to have to go and look for these millions, you are kidding yourself." MD to another MD (ISEOR seminar)

- **Reducing hidden costs takes time**

The millions of euros in hidden costs that are identified within a department or company will not be converted into measurable performance in the space of a single year. Reducing hidden costs is an intangible investment (H. Savall, Zardet V., 2005). It is an investment because it is a resource allocated to actions that will continue to have an impact beyond the investment period itself, irrespective of its form.

- **Reducing hidden costs centres around a process**

The shift from hidden costs to performance is made through a collaborative transition process. Every six months, reduction targets are included in the departmental priority action plans and individual contracts, renewable on a regular basis, are drawn up in relation to said targets, with the potential for bonuses within the lower levels of the organisation.

For the supply chain department in the gastronomy company, several groups were established involving drivers, order-takers and storekeepers. All were assisted by a management accountant and moderated by the department head.

2.2 Linking the annual budget and hidden-cost reduction

In order to make the effects of hidden-costs reduction measurable, they need to be incorporated into existing and accepted management tools. Once incorporated, hidden-costs reduction will be monitored in the same way as any other management objective.

The budget is the traditional management tool *par excellence*. We can reasonably assume that every company prepares a budget, setting out both general and sectoral annual objectives. A company's budget is both top-down and may be consolidated (a company budget being the sum the respective budgets of all departments, divisions and services). It is the link to other conventional management tools, such as performance assessment, project management and appraisals, among others.

To do this, various steps should be followed. The image on the next page illustrates how, in the first year, the hidden costs identified in our logistics department (EUR 1.4 million) generated EUR 0.2 million in measurable results as reported by conventional management tools.

GOURMET FOODS COMPANY

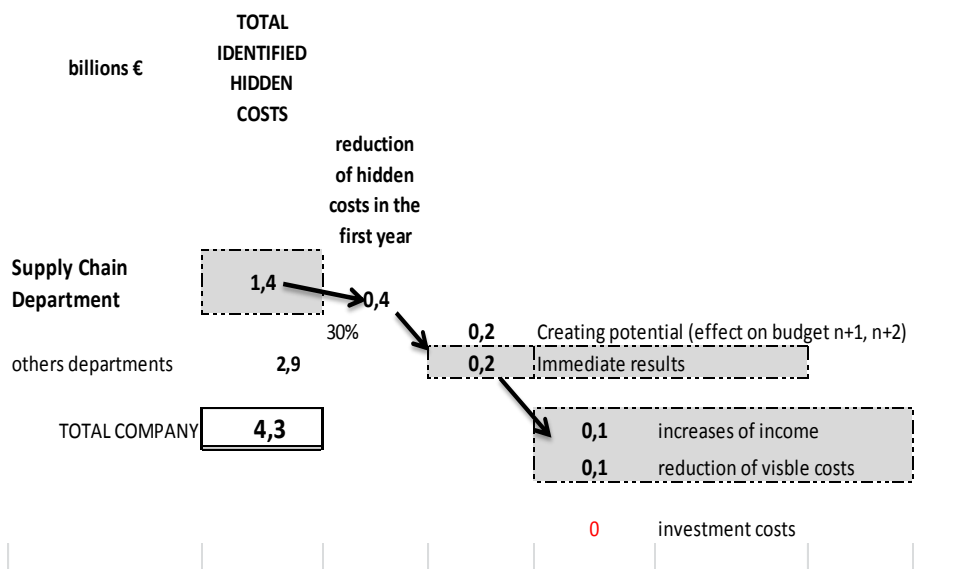


Figure 1 From the identification of hidden costs to budgeted measurable performance

If hidden cost reductions are included in the budget, they become measurable. We will therefore have converted hidden costs into measurable performance.

- **Prioritising hidden-cost reduction**

What are the hidden costs that we intend to begin to reduce and incorporate into the budget? How do we identify priorities among all these costed dysfunctions? This costed prioritisation may be on the basis of the financial value of the identified dysfunctions, on its operational urgency, or the personal motivation of those involved.

The assessment of all of the hidden costs of the high-end catering company came close to EUR 7 million, including hidden costs within the logistics

department of EUR 1.5 million. For this department, it was envisaged that a reduction of EUR 0.5 million would be applied for the first year, or 33% of the total. This priority was set on the basis of the highest figure on the hidden cost evaluation table for the department (intersection of the "overtime" column with the "output gap" line; see Figure 5).

- **Anticipated measurable performance stems from immediate results and potential creation**

Reducing a hidden cost over the course of a year means unlocking potential and immediate results

-**Creating potential** has economic consequences that will only be felt in year n+1 or n+2. The time freed up by the resolution of a dysfunction can be used to design a new product, to train for a new form of production management, or to diversify into new markets. It is a way to ensure that newly available time will be used to generate future performance. However, these actions may require implementation costs, to be incorporated into the first year of the budget.

-**Immediate results** have an impact on economic performance for the financial year. These are the result of either product increases or cost reductions. Product increases represent either additional growth in revenue or the generation of a contribution margin. For example, within our logistics department, sandwiches were produced during the night prior to sale at the production site (with night-shift overtime). The production is foreseen to be transferred to the shops and carried out in the morning. There is a reduction in overtime hours and additional productive hours become available.

- **Budgeted performance only becomes measurable only through stakeholder engagement**

At this stage, reducing hidden costs is no more than a collection of costed items in the budget. Performance becomes real only when actions have been put into place.

The need to reconcile the traditional budget process with the reduction of hidden costs means that explanatory efforts must be made, but affords the hidden-costs method credibility among stakeholders. It challenges both dreamers and doubters, while putting the **short-term** impact on real and measurable performance into perspective through conventional management systems.

However, conventional reporting does not take account of potential earnings from intangible investments made during that year. It can therefore be assumed that a company that is implementing the hidden-costs method and SEAM for the reduction of hidden costs will see **under-assessed or hidden performance** in the short and long term. The costed figures for potential creation and future hidden-cost reduction plans represent unrealised gains in the event that the company in question is assessed or purchased.

2.3 Linking the budget cycle with other SEAM tools

Reductions are measurably budgeted and will therefore be measurably tracked. The hidden-cost reduction process will be yet more effective if other planning tools are linked to other SEAM tools.

How can the yearly focus of budget guidelines be linked with PAPs? How can HR assessment policies and appraisals be linked with PNACs? These are the issues facing leaders and managers once they are able to establish the link between the budget process and hidden-cost reduction.

Below is a summary of the process of integrating traditional tools and SEAM tools (shaded):

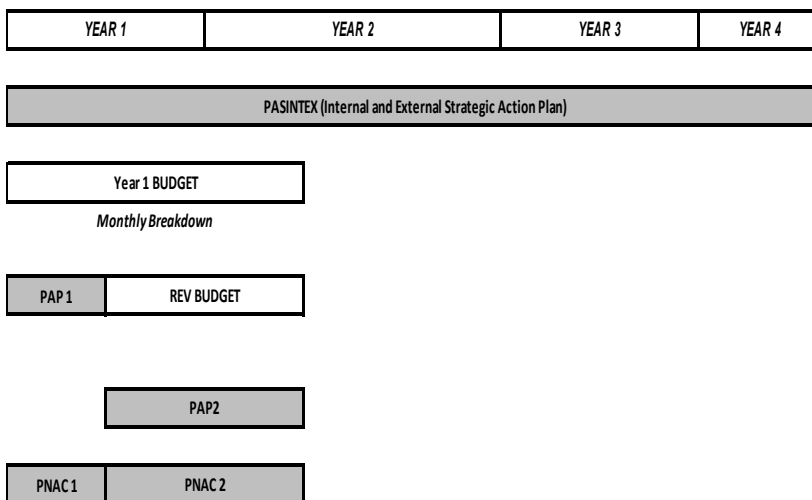


Figure 2 Link between budget cycle and reducing hidden costs

- **Link with PAP**

A company's strategic plan, or PASINTEX (the socio-economic version) is established over a three- to five-year period. It provides, *inter alia*, for the reduction of identified hidden costs. We can view the budget as the implementation of the strategic objectives for the first year, and we have considered above how the reduction of hidden costs can be introduced into the annual budget.

The **Priority Action Plan for the first six-month period (PAP1)** includes, among other things, all actions that will enable the budgeted reduction of hidden costs. In our example, the Priority Action Plan for our logistics department includes the implementation of project groups and a sandwich production transfer plan that is shared with and accepted by stakeholders. This initial PAP, drafted in follow-up to the annual budget, helps to hone the monthly breakdown.

- **The link to PNACs**

Periodically negotiable action contracts (PNACs) are drafted on the basis of the actions in the PAP. These contracts aim to set targets for all company stakeholders and identify how they can be achieved. Each PNAC is signed by the individual and their hierarchical superior and features both collective and individual targets. For example, the PNAC1 of the department head features a collective target, relating to the operating result of the company, and individual targets. One such individual target (accounting for 20% of her targets) was " **IMPLEMENT 5 PROJECT GROUPS**", with quantified achievement levels. If only one working group were to be set up, the department head would receive just 33% of the bonus linked to this target.

| PROGRESS CONTRACT | Name: | Position | Achievements | | | CAPABILITIES | Weighting |
|---|---|------------|--------------|-----|-----|------------------------|-----------|
| Annual PRIORITY TARGETS | Six-month targets | Indicators | 100% | 66% | 33% | | |
| REDUCE HIDDEN COSTS OF DEPARTMENT €0.4 million | IMPLEMENT 5 PROJECT GROUPS Planning, participant names and an initial report | | 5 | 3 | 1 | 1 MA 0.5 days per week | 20% |

Figure 3 Hidden-cost reduction targets in Periodically Negotiable Action Contracts

To meet this target, she needed a half-day with a management accountant each week the six-month period, PNACs are assessed and those individuals who have met their targets receive a bonus. In our case, the head of the logistics department did provide all of the implementation elements for the five working groups, and received 100% of the bonus for that PNAC benchmark.

Actions taken in the first year are then renewed in subsequent years, and the Plan of Internal and External Strategic Action Plan (PASINTEX) is updated.

2.4 Linking annual HR appraisal systems with SEAM tools

Most companies use traditional tools for individual staff management, which bear various names: assessment interview, annual review, appraisal, and so on. Growing importance has been placed on the annual appraisal within the organisational dynamics of large companies (Dupont O., Dutrel S. 2006): it sparks new co-operative relationships, defines employee management, and generates new knowledge.

These management tools are either deeply rooted in the history of the company, or the group to which it belongs views them as a fundamental management tool.

"We have already annual appraisals; we don't need PNAC" HRD

"The annual maintenance is an institution within the group; we are not going to change just within your affiliate" Group DHR to an affiliate MD

When the hidden-costs method and SEAM approach are introduced, it is natural to wonder how SEAM tools, which are often on a **six-month cycle**, can be integrated into this conventional, **annual** HR approach.

2.4.1 Compatible or incompatible?

The following table shows the link between the annual appraisal (standard HR tool) and Socio-Economic Approach to Management (SEAM) tools. The intensity of the shading reflects the extent to which the tools are compatible.

| Aims of the yearly evaluation meeting | MASE TOOLS | | | | |
|---|------------|-------------------|---------|------------|-------------|
| | PNAC | Competencies Grid | PAP | 3C Process | Tab de Bord |
| | 6 mnths | yearly | 6 monts | monthly | every day |
| A. A point on the adequacy with the dominant values of the company. | | | | | |
| B. A point on the skills (key points) and training plans | | | | | |
| C. Yearly objectives leading to bonuses | | | | | |
| D. The wishes of short and medium-term evolution. | | | | | |
| E. social link in the organization | | | | | |

Figure 4 Compatibility of the annual appraisal with SEAM tools

On the basis of our experience and contact with executives who have introduced the hidden-costs method, we find that there is no incompatibility between the objectives of the conventional annual appraisal and the use of SEAM tools.

For example, one of the purposes of the annual appraisal is to set bonus-linked targets. We include these objectives in the PAP; they are tracked on dashboards, and bonuses are awarded through the Periodically Negotiable Activity Contract (PNAC). The most delicate aim of an appraisal for HR is the evaluation of how the stakeholder “fits” with the business plan or values.

The tools are both compatible and complementary. But, is it necessary to manage two six-monthly PNACs in addition to an annual appraisal for every member of staff?

One solution is to uncouple:

- **the annual appraisal, limiting it to qualitative considerations:** overall assessment; hoped-for professional development; assessment of employee application of company values; desirable behaviours and skills; employee and supervisor comments. This

qualitative annual report is still often the only assessment tool used by business HR departments.

- **and the six-monthly PNAC, with a focus on quantitative considerations:** targets; indicators; weightings; approaches; calculation of potential bonuses; bonus evaluation at the end of this six-month period.

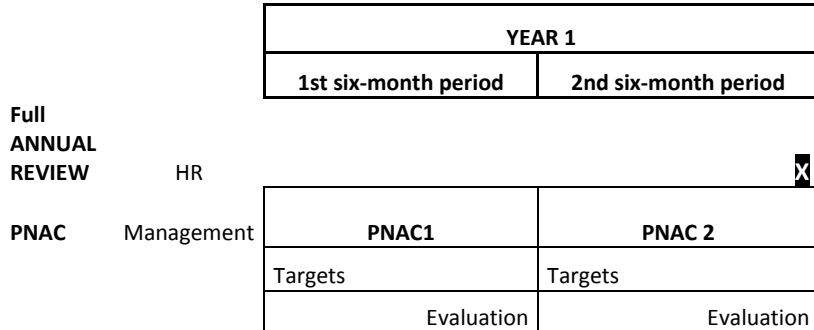


Figure 5: Uncoupling the PNAC from the annual appraisal

So as to avoid increasing the number of employee management tools and remain faithful to the spirit of socio-economic theory, **we propose that a single document be created for both the six-monthly PNACs and the annual appraisal.** We take as our example the tool that we implemented in the gourmet food company, and subsequently in other companies.

The annual assessment and target review is made up of four pages. The shaded areas are to be filled in at the end of the first six-month period; the white parts are to be filled in at the end of the second six-month period.

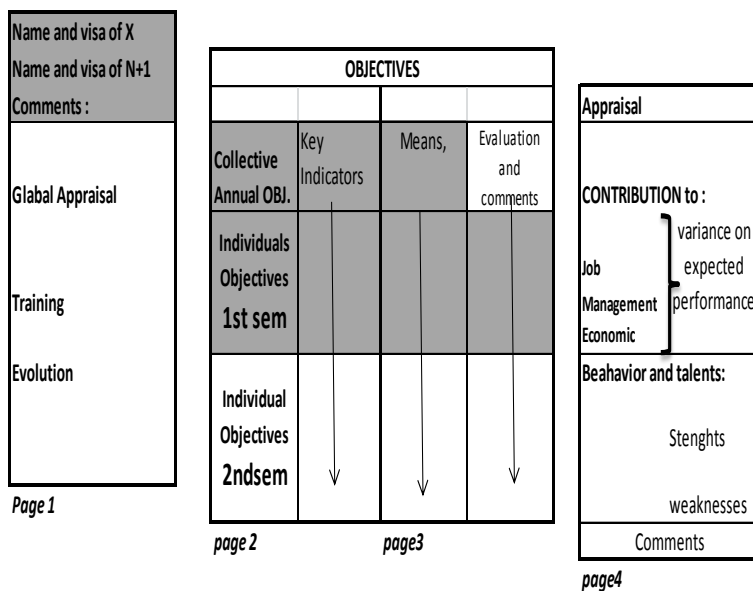


Figure 6 Single document for annual PNAC appraisal

- The **collective annual targets** are set at the start of the year (early in the first six-month period), and include: definition, indicators, weighting. In our example, this was the gross operating profit (GOP) of the company and the number of previous PNACs (business plan implementation indicator).. These targets are evaluated at year end (end of the second six-month period for PAP2).
- Depending on each department's Priority Action Plans (PAPs) for **the first six-month period, individual targets** are negotiated at the beginning of the first six-month period. They include targets for hidden-costs reduction. They are evaluated at the end of the first six-month period and a performance-linked bonus is awarded.
- Depending on each department's the Priority Action Plans (PAPs) for **the second six-month period, individual targets** are negotiated at the beginning of the second six-month period. They include targets for hidden-costs reduction. They are evaluated at the end of the second six-month period, at the same time as the collective targets, and a bonus is awarded.
- Pages 1 and 4 address the specific assessment criteria required by the group that owns this gourmet catering company. They relate to the values and operating methods that the group wishes to see in all of its subsidiaries.

Despite having differing aims, company- or group-specific HR tools can in fact be reconciled with hidden-cost reduction tools.

A leader who takes the precaution of observing certain principles and who links the reduction in hidden costs to the budget, the budget process, and to dominant HRM tools (Plane JM, 2003) will no longer need to invest time, energy, and money in justifying their choice of method.

CONCLUSION

Hidden costs-performance theory is innovative and attractive for most leaders and managers. How could they fail to be interested in a method that can not only detect dysfunctions that cannot be measured with standard management tools, but also reduce them through the socio-economic management approach (SEAM) that has been implemented in close to 2 000 organisations?

There is institutional pressure to standardise management tools. This isomorphism is coercive, normative and mimetic (Scott, 1995). The introduction of a heterodox method such as the hidden-costs method into mainstream management practices is met with a number of obstacles connected to its partial application and interpretation.

Through our interviews and personal business experience, we have demonstrated that a heterodox method as “ hidden-costs method”) can be interlinked with orthodox methods (existing mainstream management methods). Incorporating hidden-cost reduction into the traditional budget

process helps to “mainstream” an innovative method that is not yet known to or recognised by the corporate and academic spheres.

We are aware that "dancing with the devil" may not always be seen as desirable by staunch advocates or the creators of hidden costs-performance theory, as this may cause management tools to drift (E. Chiapello, P. Gilbert, 2013). However, it helps to legitimise this approach in the eyes of practitioners of orthodox management methods. The results of the hidden costs/performance method become measurable in much the same way that bi-focal lenses allow the user to see at both long- and short-range. Managing on the basis of hidden costs is just another perspective on how a company can be run.

The mainstreaming of the hidden-costs method is not an end in itself. This method and its toolbox, the socio-economic approach to management (SEAM), are helping to guide capitalism towards a more human-centric dynamic (H. Savall, V. Zardet, M. Peron, 2015). It would be a shame if its heterodox nature were to limit its application to 2 000 organisations in forty years: enabling its compatibility with mainstream management methods will contribute to its growth.

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