SIGNALJOURNAL-EXECUTIVE BRIEF

The Middle-Management Disconnect

A One-Page Diagnostic for Protecting Gross Margin Targets

EXECUTIVE QUESTION *Are our managers making locally rational decisions that unintentionally work against the gross margin targets and enterprise economics we expect them to protect?*

Core Signal: *Local rationality can become enterprise irrationality when the metric a manager is optimizing loses line of sight to the economics of the enterprise. Closing that gap requires designed intervention — not simply more incentives, more financial information, or more training.*

1 · RECOGNIZE THE SIGNAL — WARNING SIGNS WORTH A LOOK

- ☐ Discounting, terms, or concessions cluster in the days before a quota or period deadline.
- ☐ A team's local number improves while cost, inventory, freight, rework, or risk shows up elsewhere in the business.
- ☐ Price increases are avoided even when the underlying economics support them.
- ☐ Sales or volume forecasts run consistently optimistic, especially for items expensive to hold in inventory.
- ☐ A vendor, program, or approach stays in place mainly because of what has already been invested in it.
- ☐ A single operational score — delivery, utilization, quality — is protected even as its true cost rises elsewhere.
- ☐ Maintenance, upgrades, or fixes get pushed to "next quarter" whenever budgets tighten.
- ☐ Unfavorable performance information tends to surface later than when people closest to it first noticed it.

2 · TEST WHERE LINE OF SIGHT MAY BE BREAKING

- ☐ Can the manager see the downstream financial consequence of this decision before committing to it — or only after it appears in next month's report?
- ☐ Does the local metric reward one result while quietly excluding the cost it shifts elsewhere?
- ☐ Does the manager have real authority and information over the outcome this metric is meant to represent?
- ☐ Would broadening this person's incentive to a number they cannot meaningfully influence actually help — or just blur accountability further?

3 · EVIDENCE TO ASSEMBLE BEFORE CONCLUDING ANYTHING

- ☐ Local KPI results next to the downstream financial outcome that KPI is meant to protect.
- ☐ Discount or concession patterns compared against quota or target timing.
- ☐ Recent forecast assumptions compared against what actually happened.
- ☐ How early the operating issue was visible internally versus when it appeared in financial reporting.

AVOID THIS MISTAKE Don't assume the fix is automatically broader incentives, more dashboards, or more training. Broader incentives can weaken effort when a manager lacks real control over the outcome; information alone does not reliably change behavior; training only produces lasting results when it changes daily practice and is reinforced afterward.

LEAVE THE MEETING WITH A CLEAR NEXT STEP

Which line-of-sight break should we investigate first — and who owns the evidence review?

Owner: ______________________ **Review by:** ______________________

Source: *SignalJournal Research: The Middle-Management Disconnect: How Mid-Level Incentives Quietly Defeat Corporate Gross Margin Targets*
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