



Fashion Gurus & Fashion Victims

In this issue, **Andrew MacLennan** investigates the winners and losers in the endless parade of management ideas and asks are you a Guru or Victim?

Is your organisation a fashion victim?

Certainly, it is likely to have made use of some popular management tools. To take just a few examples from a recent survey of global companies¹, some 75% have adopted Customer Relationship Management, 74% are into benchmarking, 61% are pursuing Total Quality Management and 57% are using the balanced scorecard. In fact, the average corporation is using 13 popular management tools, many of which relate to people management.

The popularity of these tools is understandable. An enormous industry has developed, which promotes them enthusiastically. Every executive is deluged with tales of success at conferences and in business books. Consultants and other suppliers make persuasive cases for the adoption of specific tools and colleagues have an uncanny tendency to paint very positive pictures of the management techniques they choose to employ.

It is perhaps inevitable that executives under pressure to deliver good results quickly should be attracted to what appear

to be quick, reliable solutions.

Management tools may be popular, but do they work? With so many tools and so many firms using them, the results are of course varied, but the overall picture is disappointing. Research shows that the use of popular management techniques is associated with enhanced reputation and higher CEO pay; however it is not associated with superior economic performance².

So where do they fall down? This is a difficult question to answer, partly because we know far more about the performance of tools that were popular some time ago than we do about the ones in widespread use today. The systematic evaluation of tools takes considerable time and relies upon research in a wide range of settings.

However, we now know that Management by Objectives is too bureaucratic, time-consuming and thwarted by the setting of easy objectives. We can observe that Product Life Cycles do not, in fact, follow predictable patterns and Just-in-Time makes production lines grind to a halt when supplies are delayed. We can also be sure that the tools that are popular today will fall out of favour and be replaced by new ideas in due course.

Beyond the specific limitations of any one management tool, lie more fundamental questions. Why is it that – on average – they fail to add value? One problem is that some management tools and ideas are – to some degree – inherently flawed.

For example, individual performance-related pay very rarely works as intended. The initial conception of the balanced scorecard also suffered from significant design problems and although some of these have been addressed since, practical applications of this tool are typically plagued by its original limitations.

A second cause of problems with management tools is that they are often poor choices for the particular problems or opportunities they are intended to address. Diagnosis of problems and screening of opportunities in complex organisations is remarkably difficult, so it is unsurprising that the wrong tools are often used. Frequently, problems are defined at

a superficial and symptomatic level, and underlying causes ignored.

Thirdly, many good and well-selected management tools are poorly applied in individual settings. There can be little doubt that where techniques are not adapted to the particular circumstances and needs of an organisation, their value is constrained. However, proponents of most tools provide no explanations as to how their techniques might be customised and there is little evidence that managers are skilled at figuring this out for themselves.

Indeed, the application of management tools suffers from similar failure rates to strategy implementation efforts in general – about 75% fail to deliver intended objectives. It seems managers are no better at implementing management tools than other forms of strategic change. Managers tempted by the wholesale adoption of pre-packaged management tools probably spend less time considering how to make them work well than they would for more original interventions.

There is a fourth, more subtle issue that affects the success of management tools.

The rationale for their use is essentially based on replication – assuming that approaches that have worked elsewhere, can be packaged, popularised and ‘imported’ to a wider range of organisations.

This pattern might explain why improved economic performance rarely follows the use of management tools – replication by definition militates against differentiation. By the time a management tool becomes popular, the future competitive advantage it might yield has diminished, along with its potential impact on the bottom line.

The use of such tools is a major cause of ‘competitive convergence’, whereby rivals in industries continually become more like one another, less able to differentiate and forced to resort to price-based competition, ultimately depressing the returns available to all in the industry.

A very popular tool, benchmarking, provides a good example of this in action. It has long been known that benchmarking is weakened by problems comparing like with like. Most

benchmarking data to some or other extent compare apples with oranges.

However, this has not diminished interest in the tool. Rather, it has fuelled greater investment in benchmarking, aimed at gathering more accurate and comparable data. However, if differentiation matters, this approach is almost futile.

It has long been known that benchmarking is weakened by problems comparing like with like. Most benchmarking data to some or other extent compare apples with oranges.

For example, it is possible to gather highly accurate and apparently comparable data on recruitment costs. If the data reveals wide variations, those firms with high costs might naturally seek ways to reduce these – usually by examining ‘higher-performing’ competitors and replicating their practices.

Yet, consider what this data ignores. It explains nothing about the employees recruited, what induction and training they require, the cost of employing them, their performance, how long they will be retained and ultimately, their contributions to profit. Even very accurate benchmarking data are always non-contextual, and ignorant of different competitive strategies – which are necessary for sustained industry profitability and, of course, the superior performance of any one firm.

Finally, the success of management tools may be limited by a deeper assumption underlying their very creation – that there is such a thing as ‘good management’ that can be identified in one setting, isolated, understood, packaged, communicated and implemented elsewhere.

It is widely thought that it is possible to discover why some managers and

organisations outperform others, and thus seek the requisite information, skills, tools and approaches to replicate this ‘good management’.

This assumption may be right – at least to an extent – but the development and application of most management tools ignores the challenges present in researching large, complex, constantly changing systems like organisations, and the need for new knowledge to be held contingently – and open to revision in the light of new evidence. Very few of those involved in developing and using management tools address these issues.

Harassed managers want quick resolutions to critical and specific problems. They lack the time, esoteric skills and inclination to examine the scientific evidence underpinning every management idea, and generally assume that there is a sound body of knowledge into which they can tap. The activities of various other groups perpetuate this myth.

Management gurus continually offer up new ideas but virtually never provide the health warnings that ought to accompany their new management tools.

Management consultants perhaps ought to play a role in interpreting the thinking of management gurus and add value through guiding application. However, it is perhaps a market reality that greater returns can be made from encouraging clients to adopt one fad after another in the search for the magic bullet. High quality customised management consultancy support is much harder to sell than pre-packaged ‘products’ and virtually impossible to de-skill, barring profit-making by using bands of energetic but inexperienced graduates.

Business schools have a role to play in fostering genuinely ‘good management’ but academics have played a curiously limited part in influencing the actual behaviour of practicing managers. Testing the legitimacy of management fads is an almost impossible challenge – profitable management ideas are quickly generated but good research into them can take many years and substantial resources. Alongside this challenge, a great deal of original academic research remains highly theoretical and poorly aligned with ►►

Some of the management tools & techniques

- | | |
|----------------------------------|-------------------------------|
| 360° feedback | Management by objectives |
| 4+2 | Management by walking around |
| 7-S model | Managerial grid |
| Activity-based costing | Matrix management |
| Balanced scorecard | Mission statements |
| BCG matrix | Outsourcing |
| Benchmarking | Performance-related pay |
| Business process re-engineering | Profit impact of market share |
| Capital asset pricing model | Project management |
| Competitive strategy | Quality circles |
| Conglomerates | Scenario planning |
| Contingency planning | S-curve & product life cycle |
| Core competencies | Self-directed teams |
| Corporate venturing | Service-profit chain |
| Cultural web | Six sigma |
| Customer relationship management | Skunkworks |
| Customer segmentation | Stakeholder mapping |
| Customer surveys | Stock buybacks |
| Economic value-added analysis | Strategic alliances |
| Employee participation | Strategic planning |
| Empowerment | Supply chain integration |
| Experience curves | Systems approach |
| GE Work out | T-groups |
| Growth strategies | Theory X & theory Y |
| Hoshin Planning | Theory Z |
| Internal markets | Total quality management |
| Just-in-time | Value chain |
| Knowledge management | Virtual organisation |
| | Zero-based budgeting |



- Take time to properly assess the business challenges faced to ensure underlying problems are addressed and best opportunities pursued.
- Seek deep understanding of the management tools available, in particular assessing the risks they bring as well as their potential benefits
- Select management tools carefully, ensuring good fit with the particular situations in which they will be used
- Customise management tools as necessary, using pilots where possible to refine them before wide-scale implementation
- Ensure systematic integration with other management systems
- Plan a long-term programme to embed the tools selected, review their impact and refine them over time

Above all, with management tools, we can do no better than remember the words of Jan L.A. van de Snepscheut: "In theory, there is no difference between theory and practice. But, in practice, there is."

1. Rigby, D. (2005) *Management Tools*. Bain & Company, 2005.
2. Staw, B.M. & Epstein, L.D. (2000) *What bandwagons bring: Effects of popular management techniques on corporate performance, reputation, and CEO pay*. *Administrative Science Quarterly*, 45: 523-556.

the needs of managers. Partly to blame are government research assessment and funding systems which drive large amounts of research in increasingly esoteric areas where individuals earn reputations amongst peers with original contributions to knowledge. The same systems have triggered an explosion in the number of academic journals for publishing research, very few of which are read by practicing managers.

The contribution of business schools is further constrained by the fact that, relative to other academic disciplines, management is a new kid on the block. The world's first business school was founded in only 1881, putting management academics several centuries behind many other disciplines. In reality, this means that large swathes of management science are simply not yet understood.

This is perhaps not as dire a situation as first it sounds. After all, commercial rivals need not be 'perfect', but simply outperform their competitors to thrive. Advancing management thinking represents an opportunity for competitive advantage and organisations can play a big part in that, alongside the gurus, consultants and academics.

The history of management tools and techniques suggests that wise executives:-



Andrew MacLennan is Managing Director of Strategy Execution Ltd which he founded 10 years ago to provide consulting and management development services. Andrew is a global faculty member of Duke Corporate Education, the custom executive education subsidiary of the Fuqua School of Business. He is co-author of *Making Strategies Work* published by Pearson and is currently writing a book on strategy implementation for Routledge.

www.strategy-execution.co.uk