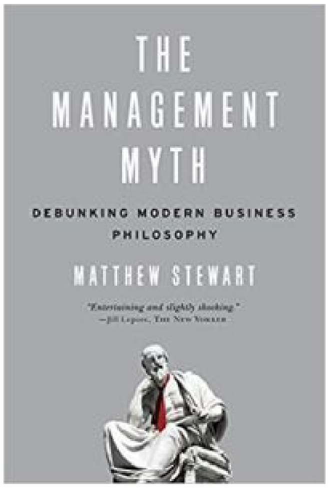

Book The Management Myth

Debunking Modern Business Philosophy

Matthew Stewart
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Recommendation

Each year, a thousand or so new business books join the tens of thousands already published. In many, the authors – often, "business gurus" or consultants – sell their advice with a level of certainty approaching fact. Former consultant Matthew Stewart takes a different view: He demolishes the notion of management as science. From Frederick Winslow Taylor's stopwatches and measuring tapes to Tom Peters's "eight fundamental principles" for excellence, Stewart exposes the flawed research and outright deceptive traits of popular management gurus and consulting firms. Stewart emphasizes the negative over the positive, and has a lot of fun weaving in his own hilarious and sometimes tragic years as a strategy consultant. While management consulting – like most fields – has both genuine experts and brazen charlatans, anyone considering hiring a consultant, becoming one or implementing the latest, greatest business idea should read this first.

Take-Aways

- "Management science" does not exist.
- People with MBAs perform worse in business than those without them.
- Complex human dynamics don't fit neatly into metrics, charts or frameworks.
- Business gurus and consultants make it up as they go along.
- Conceptualize the future and plan for it. Don't use guru or consultant strategy frameworks; they're rooted in the past.
- The research that gurus and consultants conduct and cite to sell their ideas often fails to follow basic research or scientific standards.
- Gurus and consultants habitually confuse correlation with causation.
- They trumpet everyday truisms as new, profound findings.
- Consultants say whatever it takes to sell their services, as gurus do to sell their books.
- Consultants succeed because people seek certainty in messy, uncertain arenas, like business.

Summary

Neither a Science Nor a Profession

Hundreds of thousands of people earn MBAs annually, but people with MBAs tend to perform worse in business than those without business degrees. Management consultants – typically, new MBAs – flood the workplace, inventing theories and practices. But business isn't a science, a technology or a profession. Its false prophets mislead organizations and society; they obscure what really makes organizations successful.

The Analyst

Frederick Winslow Taylor invented management science more than 100 years ago. He supposedly could measure how much workers should achieve each day, and precisely how they should carry out their jobs for maximum efficiency. Taylor suggested incentives to spur workers to greater productivity by slavishly following managers' orders and never showing initiative. Taylor believed his principles held universally across all industries and jobs. New MBA programs followed from Taylor's ideas, including Harvard University's.

> "Although their record in predicting the future is lamentable, the gurus' record in predicting the past is always stellar."

Taylor's scientific management process wasn't scientific; he made most of it up. For example, in determining that a steel worker should lift 47½ tons of pig iron per day, Taylor relied on guesses and estimates. Even among the biggest, strongest workers at Bethlehem Steel, only one of 17 was able or willing to match Taylor's brutal estimate. Bethlehem fired Taylor after paying him $2.5 million in today's money; then it shut down all his experiments.

> "The number of failed companies that were once credited by one strategist or another with having a sustainable competitive advantage substantially exceeds the number of successes."

Taylor built a reputation that he based on exaggerated anecdotes about what happened at Bethlehem. He considered narrow elements of the complexity involved in managing people and running successful businesses. He boiled everything down to a single measure of efficiency and applied analytics to problems that demanded human solutions. He arrived at unworkable solutions that no single organization has ever implemented.

The "Pareto Principle"

Taylor's work forms the foundation of modern-day management consulting. Clients today let consultants sort and analyze their data. Then, those consultants design brilliant-looking slides to share their insights. These often include, at the apex, a chart based on the Pareto Principle. This tends to separate a business into the top 20%, identified as a driver (customers or employees) accounting for 80% of a good thing (profits or performance). The consultants announce that clients must focus the majority of their effort on the 20% to achieve much more of the 80%.

> "Management is all about people. Paying attention to employees, encouraging teamwork and helping each worker achieve some psychic satisfaction are all good things, and undoubtedly form part of an effective manager's job."

Client self-reproach, mixed with appreciation, usually turns into a long-term contract for the consulting firm to implement sweeping changes. The consulting firm then transfers out its most experienced people and substitutes new ones fresh out of business school.

The "Humanists"

After Taylor came Elton Mayo, an Australian immigrant with a bachelor's degree and a big idea. Mayo rejected Taylor's notion that workers could transform into predictable machines. He believed companies could improve performance and contentment by applying psychology. Mayo scared industrial leaders and politicians by insisting that worker revolutions, like that in Russia, would spread worldwide unless they adopted "industrial psychology." Industrialists liked Mayo's approach because it didn't demand better working conditions or higher pay. Grant money flowed, and the Harvard Business School gave Mayo an appointment.

> "At the core of Taylor's new thinking about management was the notion that all human activities, however humble, can be improved through rigorous analysis."

Accomplishing little after years of spending millions at Harvard, Mayo advised a massive workplace experiment – already underway for three years – at Western Electric's Hawthorne plant in Chicago, which employed 33,000 people. Tremendous amounts of data were available, but the experiments' poor structure ruled out proper interpretation.

> "The attempt to find pseudotechnical solutions to moral and political problems...is the most consequential error in Taylor's work and is the cardinal sin of management theory to the present."

Mayo fit the data to his theories. He announced that astounding productivity gains came from psychoanalysis, during which workers addressed longstanding issues from their deep pasts. After exorcising their demons, Mayo claimed, workers bonded with their teams and worked harder. Though academics thoroughly debunked Mayo's Hawthorne experiment findings, his wisdom survives in popular business mythology.

> "Trust is the infrastructure on which the marvels of technology deliver their gains in productivity. Where trust is lacking, efficiency is rarely possible; conversely, inefficiency erodes trust."

Mayoists from Peter Drucker to Douglas McGregor relied on managerial humanism. McGregor's Theory Y, for example, states that pay and hard incentives matter less than "inspiring leadership and empowered" employees. Gary Hamel, Tom Peters and others regularly "rediscover" Mayo's arguments, even if they don't acknowledge him.

Misleading Gurus

These gurus mislead by perpetuating the false notion that you can magically get more out of a workforce without putting any more in. They promote the idea that happy workers make good workers, and sell it as if they discovered a new, profound truth. But any aware person knows that if you treat people well, they reciprocate. Every religion preaches this message, and philosophers since Aristotle explain it. It's true as philosophy, not science.

> "Confusion between explanation and prediction afflicts almost the entire discipline of strategy."

You can't engineer the trust that organizations need to inspire performance; you must earn it. Despite the consultants' preachings, you can't eliminate managers and expect people to organize themselves into a utopia that benignly neglectful executives empower. People need referees because conflict will always arise, even under the best conditions.

"The Strategists"

Co-opted by consultants, professors and gurus, "strategy" has lost all meaning. The first firm to bill itself as strategic was the Boston Consulting Group (BCG) in 1965. The BCG four-box matrix, which divides a client firm's business into "cows, dogs, stars and question marks," made BCG synonymous with strategy. McKinsey called itself a strategy firm soon after and designed its own boxes.

> "Since Peters, it has become clear that the market for inanities masquerading as profound insights knows no limits."

In 1969, Michael Porter joined the Harvard Business School. He brought knowledge of an industrial economic process by which policy makers could see monopolies forming, and make adjustments to encourage competition. Porter reversed this work. He called it the strategy of helping firms figure out how to make themselves monopolistic to generate bigger profits. Porter's work gave academic legitimacy to the field of strategy.

> "If you can't manage it, measure it!" (Erica - should this say, "If you can't manage it, you can't measure it!" and should it be attributed to Taylor?)

Firms tend to make decisions first, then hold strategy sessions to prop up their decisions and to sell them to their organizations and investors. When a firm takes strategy seriously, that means its decline has begun and its leaders are desperate. No evidence exists that firms that engage in strategic planning outperform those that don't.

Fads, Models and Frameworks

Management often fails to prove strategic fads, models and frameworks empirically before hiring consultants and putting these models into practice. BCG's four boxes, Porter's "Five Forces Framework" and Tom Peters's eight fundamental principles of business excellence, for example, have caused people and firms endless suffering because no one ever tested them prior to their application.

> "The repeated expenditure of pointless effort breeds a nasty cynicism among consultants about the human condition."

On paper, guru theories and frameworks sound good. In practice, they fail to produce. Peters, Jim Collins and others label things after they happen. They cherry-pick companies that succeeded by doing things the gurus' instincts told them were right. The gurus' principles of excellence never predict future success; they have no value.

> "Future business leaders are better off reading histories, philosophical essays or just a good novel than pursuing degrees in business."

Firms that work hard to create worthy offerings and avoid obvious mistakes succeed without ever consulting a strategy group. For example, while GM and Ford were working with consultants on strategy, Toyota built better cars that gained it greater market share.

The popular gurus' work rarely follows basic research or scientific methods. It almost always fails to use control groups. Gurus misinterpret their data habitually, for example, presenting correlations as causation, which misleads all but the most discerning readers. When a reporter checked the companies Peters identified as "excellent" in his bestseller *In Search of Excellence*, she found that firms that did the exact opposite of Peters's eight fundamentals outperformed the so-called excellent firms over a five-year period.

> "Throughout the years I spent consulting, I never lost the sensation that I was just making it all up as I went along."

Gurus' advice tends to erode in value shortly after their work appears. When they give specific, actionable advice, they base it on what used to work in specific contexts and cultures. Gurus cover themselves by passing off banalities, like "stay close to your customers," as wisdom.

Successful Nonsense

Guru-driven fads let consultants rack up billable hours. When one strategy fad fades, another appears and the cycle continues. Executives must knowingly play the game for consultants to find work and for business gurus to sell millions of books. Leaders play along for their own reasons.

> "One can go grocery shopping with a scientific attitude. But it does not follow that there is a science of grocery shopping."

Some of what the consultants sell is useful. They repeat what their clients already know, but communicate it better. Contrary to conventional wisdom, leaders don't hire consultants to learn their rivals' secrets. They use consultants to deliver messages inside their own organizations. Many of these messages are unwelcome; they convey bad news or require outside reinforcement. No executive wants to play the bad guy, so consultants give messages insiders don't want to present. Consultants communicate and lend authority to decisions that executives already made, with or without them.

Strategy consulting appeals to leaders because it separates their work from that of those below them. Their world of thoughtful, higher-order visioning and strategizing compares flatteringly to the managers who implement their plans. Gurus effectively evangelize that message to workers and the popular media. Few executives waste their time reading popular business gurus' bestsellers, but they buy boxfuls for their mid-managers or send them to speeches and workshops. Most gurus' teachings elevate the executive's role to that of the mystical, strategic hero. Gurus pacify and indoctrinate middle managers and workers to accept the phony science of management – a new opiate for the masses.

Seeking Solutions

People want to believe in a science of management just as they hope for science to solve every other messy, complex and intangible element of life. But management isn't a technological or scientific invention; it resembles a religion. Its central philosophy – that analysis and process can solve everything – has proven to be bankrupt. Still, many firms, gurus and business schools seek a magic formula. Management consulting firms sell the fantasy that they can reduce human behavior to charts and graphs.

Business gurus and consultants tend to do the following:

1. **Instill fear** – Compare a peaceful past to a scary present and future, no matter if you've said the same thing for decades.
2. **Side with the oppressed worker** – This works for gurus only. Decry management and hierarchy, and incite audience members to unshackle themselves from bureaucracy – to lead from anywhere – to unleash their brilliant ideas.
3. **Include a "happy ending"** – Scare your audience. Then, present a grand vision of a better world to come, but only if they follow your advice.
4. **Empower and inspire audiences** – Tell people they must master their own fate. They can lead from the bottom or from any circumstance. They have no excuse not to rise to great power and success. They need only will it.
5. **Tell your story** – Tell audiences how you were once like them, but came through the darkness of corporate futility to the heights of a successful career as a guru or consultant.

Business consulting and management fads aren't likely to end as long as business schools remain centers of useless training rather than of education. Business schools produce narrowly focused careerists, not moral thinkers. Companies should look to the humanities, especially philosophy, to create a better future.

About the Author

Matthew Stewart, PhD, studied philosophy at Princeton and Oxford universities, and writes for *The Atlantic* and other publications.