

Is there Life after “Management”?

Has management really kept up?

It may seem harsh to suggest that current management practice is not quite up to it in coping with current business conditions. However, many analysts have commented that the way we practice management has changed little over the last 50 years – and this during a period of unprecedented change in technology, economic conditions and socio-political structures!¹

But it appears as if the way we manage our organisations and institutions has not kept pace with the change in the rest of our environment. And in reality, the current global financial crisis isn't the real problem – it has simply served to highlight some of the difficulties that have been brewing for a while.

The paper will consider some of the shortcomings of the current system and propose new ways of approaching the issues of organisations; management; and the forming of strategy for the future.

We are not suggesting that everything associated with the current way of managing is “broken”, but rather that several of the elements have reached the end of their useful life. Many of these elements were derived under a set of assumptions vastly different to today's conditions. And they are producing outcomes that are no longer serving our best interests.

Against this backdrop, we will explore a set of alternative approaches that may provide a better fit with current conditions and our aspirations for the future. They're not fool-proof as yet, and many of the details are yet to be worked out. But we do understand the key principles and guidelines. And organisational leaders will have to figure out the best way to implement them in their specific operating environments.

You may have noticed

There is little doubt that business conditions have become increasingly difficult – even without the current crisis in the financial and capital markets. Some of the challenges include:

- Regulators and states playing a more prominent role in financial and capital markets – a factor that reduces the likelihood of high levels of debt-leveraged growth returning in the future
- Customers well informed through the internet – making asymmetrical value-adding (and high margins) harder to achieve
- A rapid reduction of transaction costs through EDI and related internet applications – ensuring that the middleman is squeezed out of many value chains
- The entry of ultra low cost competitors from emerging markets – threatening the position

¹ Hamel, *The Future of Management*, 2007

of many established industry leaders

- A conflict between the needs of shareholders (profits) and the demands from communities (survival and job security)
- Changing industry structures that continue to place more and more market power in the hands of fewer competitors.

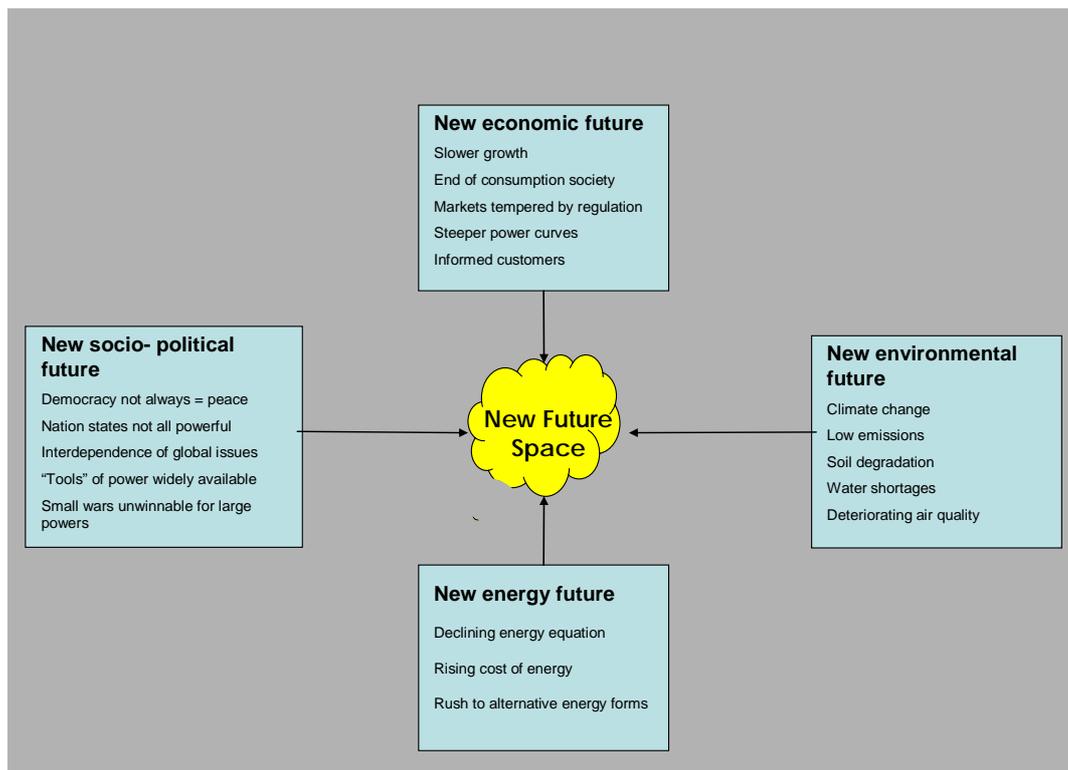
Indeed, if we consider the diagram below, we see that the “new future space” is being significantly re-shaped by major shifts not only in economic conditions, but in the makeup of our society, politics, environment and energy supply.

These changes have prompted the Governor of the Reserve Bank of Australia to comment that “*times of great change and apparent chaos are good times for re-invention and innovation; it’s when societies and institutions seem to develop new capabilities and approaches*”.

An emerging new order?

Many researchers and commentators have suggested that the confluence of these and other factors suggests the emergence of a new order – not only for business, but for many aspects of our lives²³⁴⁵.

This would seem an appropriate time to rethink aspects of how we manage our organisations into the future.



² Ramo, *The age of the unthinkable*, 2007

³ Porter, *On competition*, 2008

⁴ Friedman, *Hot, flat and crowded*, 2008

⁵ Senge, Scharmer, Jaworski, Flowers, *Presence*, 2006

Rethinking organisations and management

If we examine the very concept of “organisation”, we realise that organisations and organising are means of reducing uncertainty and complexity⁶. They are vehicles for accomplishing tasks and outcomes, with a combination of resources, in an efficient and effective manner. And so, the key building blocks – or DNA - of these organisations are^{7,8}:

Building blocks	Benefits
Standardisation	Low variation and high efficiency
Specialisation	Reduction of complexity
Goal alignment	Clear objectives and activity congruence
Hierarchy	Control of multiple resources
Planning & control	Forecasting and regularity in operations
Extrinsic rewards	Motivation of effort and compliance

To be sure, this DNA has provided organisations with sustained prosperity over the years. But recently, these very features have also robbed organisations of their ability to adapt and cope with uncertainty. Because these organisational principles were formulated during a period of relative stability and certainty (post the industrial revolution), we argue that they are seriously out of synch with prevailing business and industry conditions.

⁶ Thompson, *Organisations in action*, 1967, 2003

⁷ Mintzberg, *The structuring of organisations*, 1979

⁸ Chorn, *Strategic alignment*, 2004

What we need are organisations that promote far higher levels of adaptability, flexibility and ability to cope with uncertainty.

In searching for metaphors to describe capabilities that are better suited to current conditions, five diverse examples can be identified^{9,10,11}:

Metaphor	Features	Applications
Life	Variety and diversity; more experimentation than planning; broad gene pool prevents over-adaptation	Use wider information sources in research; involve more stakeholders in planning
Markets	Optimum resource allocation in complex situations; resources flow to where they are needed	Internal talent market; supporting innovators with needed resources; apolitical resource flows
Democracy	Distributed and accountable leadership; activism and dissent enabled	Empowerment and local decision making; encourage dissent and initiative
Religion	Meaning provides resilience; people have courage	Define business beyond \$\$; connecting staff to mission
Modern cities	Diversity spawns creativity; serendipity can be designed	Creative design of work areas; pleasant work environment

Each of these metaphors provides an example of how diversity, variety, activism, meaning and innovation can be re-introduced into our organisations. But this requires a very different approach to the way we

⁹ Mintzberg, 1979

¹⁰ Hamel, 2007, op cit

¹¹ Chorn, *Organisations: A new paradigm*, 1991

think of and design these organisations.

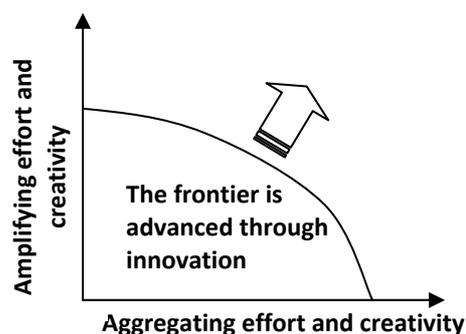
Indeed, it places the spotlight very firmly on the role of management and the contribution they can make to improve the overall effectiveness of our organisations in these changing conditions.

What is the role of management?

Management texts and journals abound with descriptions on the role of management. In focusing on the achievement of competitive advantage, Hamel¹² describes the essence of this role as:

- Amplifying effort and creativity, and
- Aggregating effort and creativity.

Economists would graph this role by using a “production possibility frontier” to represent the inherent trade-offs between the two goals:



¹² Hamel, 2007, op cit

In any relationship like this, the key to advancing the frontier curve (ie moving the curve outwards to increase both variables) is to introduce innovation.

Innovation is thus a key role for management as they seek to make the organisation more effective. But what kind of innovation?

While process, product and even strategy innovation produces gains in effectiveness and competitive advantage^{13,14}, the greatest leverage and sustainability is achieved by management modifying the organisational form and the way work is done. This so-called *management innovation*¹⁵ may well be the most fruitful of roles that managers can perform as they inject adaptability and flexibility into their organisations.

We argue, therefore, that a key role of management is to seek ways to make their organisations resemble aspects of life, markets, democracy, religion and cities. This is the business of management innovation. This is the key role for management.

Reconsidering strategy

Given these views about organisations and the role of management, what are the important implications for the way we develop and set strategy for our organisations?

Two issues need to be considered at this point. The first relates to the way we think of “the future” and what it

¹³ Duggan, *Strategic intuition*, 2007

¹⁴ Trott, *Innovation management and new product development*, 2005

¹⁵ Hamel, 2007, op cit

holds for us, and the second addresses the important distinctions between “strategy” and “planning”.

in which we operate, and in the second time period we “discover” this environment and plan a response to it.

The future is not pre-determined

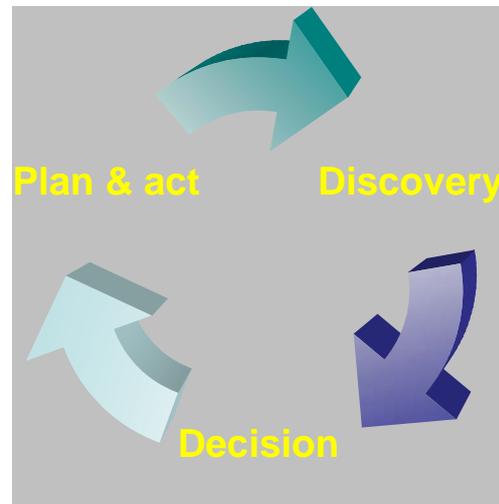
Consider this personal account that relates to an incident with my daughter some years ago. From an early age my daughter had a fascination with the traffic that would rush past us on a busy highway. She would often exclaim “daddy, that’s the traffic” as she pointed to cars and trucks travelling past.

One morning, as I was driving her to pre-school along this same part of the highway, she said to me “daddy, we are the traffic”. I was astounded that she had realised that one could observe a phenomenon as an objective observer in one time period, and then actually be part of that phenomenon in another.

If I had had a problem with my car that morning and required roadside assistance to get started again, I would have created a sizeable hold up and delay in traffic conditions. Imagine then some 30 minutes later when I had dropped her off and turned on the radio to listen to the traffic report – I would have been advised to avoid the intersection at which I had broken down earlier, in order to avoid the disrupted traffic flow!

This is a useful analogy for the future and our relationship with it.

The future does not exist *a priori* – it is influenced by the way we act and react. In a given time period we take an action that affects the environment



So, while we may be unable to completely control our environment, we can influence and study it.

We study the environment by examining the trends, drivers and uncertainties that shape the way it unfolds. By doing so, we can construct “alternative futures” – or scenarios – that describe the different ways the future can unfold.

Instead of trying to predict the future, we focus on developing the capabilities to cope with these alternative scenarios. Competitive advantage is achieved by learning and adapting to these futures as they unfold.

Of course, the better our scenario planning, the better we are able to understand how the future is unfolding and what capabilities are required to win.

So, the key implication is that our conventional approaches to strategic planning – those that have fixed goals

and assumptions about key factors such as growth and interest rates – are becoming less useful in an uncertain and rapidly changing world. Furthermore, our approach to strategy should embrace the inherent uncertainty and recognise that competitive advantage is gained by studying the future (through scenarios) and adapting to the change as it unfolds.

This leads to our second implication for strategy – *we often confuse “planning” activities with “strategy”*.

Planning is not strategy

The simple distinction is:

Planning	Strategy
Setting objectives and actions to achieve a set goal	Positioning and equipping the organisation for the future

However, a better understanding may be achieved by examining the origins of both in military history.

Napoleon’s exploits offer good examples of how effective strategy is used to achieve competitive advantage. And the work of Von Clausewitz, in his classic treatise on the practice of military warfare¹⁶, provides valuable insights into Napoleon’s work.

He outlines the four key elements that constituted Napoleon’s approach and contributed to his many of his greatest victories¹⁷:

1. Study everything you can about the history of the situation. Combine your own experience with the research and insights of others
2. Immerse yourself in the battle (competitive situation) and empty your mind of all your pre-conceived notions (the so-called “beginners mind”). Thoroughly absorb what is taking place around you
3. Wait for the flash of insight to occur – ***the combination of selected elements of past examples that combine in a unique way to identify the “decisive” point in the battle***
4. Follow through with resolution and enact your plan.

A few points are worth commenting upon:

- Do your homework, study the research and previous history
- When immersing yourself in the situation, lose your pre-conceived notions and favourite management techniques
- Focus on the “decisive point” as opposed to the “objective point”. The decisive point is the element that can shift the game in your favour, while the objective point is the goal that was set before the competition began. Importantly, the decisive point usually emerges after you have immersed yourself in the situation and understood the true nature of the situation
- The process whereby the insight emerges may be described as “strategic intuition”¹⁸ and is the process that describes major innovations and breakthroughs. Importantly, it is not a “break” from the past – but rather a

¹⁶ Von Clausewitz, *On war*, 1832

¹⁷ Duggan, 2007

¹⁸ Duggan, 2007

“bend” in the road. Studies into scientific breakthroughs^{19 20} describe this bend as a new combination of past events / examples in order to produce a different result.

A more complete comparison between planning and strategy may be presented in the table below:

Strategy, as is defined in the table below, is a more appropriate approach when managing the organisation’s future in an uncertain environment.

This is not to say that planning does not have its place. Indeed, there are many instances where projects are undertaken in a relatively steady state. In these cases, particularly where the completion of the project is required on time and within budget, the use of the planning approach is essential.

However, where the organisation is seeking to navigate through conditions of uncertainty and is required to be adaptable and flexible, management need to embrace the concept of strategic intuition in their definition of strategy.

	Planning	Strategy
Approach	<ul style="list-style-type: none"> ○ Define your starting point ○ Determine your objective ○ Identify key actions and initiatives to achieve your objective 	<ul style="list-style-type: none"> ○ Learn from history and own experience ○ Clear your mind and immerse yourself in the situation ○ Seek the flash of insight from strategic intuition ○ Act with resolution and commitment
How to win	By focusing your efforts and resources at the objective	By identifying the decisive point and focusing resources at that point
Objectives	Chosen beforehand	Emerges as you learn and adapt
Key element	Objective point	Decisive point

¹⁹ Kuhn, *The structure of scientific revolution*, 1962

²⁰ Tang, *Competition and innovation behaviour*, 2006

So, what does this all mean?

We have argued that parts of the current model of organisation, management and strategy have not kept pace with the changes in the environment. Our organisations are unable to adapt quickly enough and our strategy processes can't cope with the high levels of uncertainty.

It seems as if the new order emerging at this time may well be an opportunity to re-examine the way we do things.

Clearly, we need to inject greater levels of diversity, activism and meaning into our organisations. Some of the new metaphors such as life, markets and democracy provide examples of how this might be done. Happily, we don't have to throw the baby out with the bathwater. Depending on the organisation and its context, we can introduce these new elements in a progressive way, learning our way into the new approaches.

In so doing, we have to remember that a key role of management is to innovate in their pursuit of competitive advantage. And not just any innovation – management innovation seems to offer the most leverage and the best long-term gains.

Developing strategy in conditions of complexity and uncertainty represents a further challenge. However, if we begin to conceive of our organisations in terms of some of the new metaphors described in the paper, we will recognise that strategy is a learning process and we will begin to

construct scenarios to help us study and understand the future.

We will realise that the only truly sustainable competitive advantage is to learn and adapt more quickly than one's competitors. In so doing, we will distinguish between planning and strategy and use them both appropriately.

These are challenging times, but the survival and future prosperity of our organisations depends on us rising to the challenge and re-examining the way we design and manage our organisations.

Dr Norman Chorn

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His work has three primary areas of focus:

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