MAGIC AND IRRATIONALITY IN MANAGEMENT : THE CASE OF FADS

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Abstract

Management tools are being launched by consultants with the help of academics and the media/press, at an ever faster pace. Managers wonder whether they should follow or avoid fads : what will be left over in every day's practice, when the "mediatic frenzy" is gone, they ask ? After observing hundreds of companies over 35 years, we offer some insights on this topic.

Key words: Consulting, management tools. Practices, techniques, humans, managerial behaviour. Learning organization.

1 INTRODUCTION

Over the last 40 years, in rapid succession, a number of management tools and techniques have appealed massively to businessmen. Like fashion in clothes, they do not appear to last very long.

In 1994, Bain & Co, with the "planning forum", conducted a survey in North America, Japan and Europe of the use of management tools and techniques. This survey has been conducted every year since then.

HEC school of management in Paris conducted the 1998 edition with Bain. 800 companies in 10 countries answered the questionnaire. Each company uses on average 12 (and planned to add one more in 1999) of the most frequent methodologies tools : activity-based management/costing, balanced scorecard, benchmarking, core competencies, cycle time reduction, KM, mission and vision statements, re-engineering scenario planning, self directed teams, strategic planning, TQM, value-chain analysis, etc…

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On a world wide basis, 82% of companies used "benchmarking", 80% used "strategic planning", 78% used "mission and vision statements". This barometer showed in 1998 that some tools were on the way up ("core competencies", "pay for performance", etc…), and some going sharply down ("TQM", "re-engineering", etc…).

The survey shows that companies are moderately satisfied with these methodologies : satisfaction is 3,84 out of five. 72% of companies consider that they promise more than they deliver. Two problems are outlined : lack of customization or fit with the local circumstances (85%) and insufficient involvement of top management (94% !!).

The key issue according to Bain is diagnosing what to use and when. Bain warns against falling prey to gurus, magic remedies and ready-made "quick-fixes", etc…

In the last 30 years, the life cycle of these tools from very high publicity and "air time" to receding in the background seems to become shorter in each country and each company. At company level, tools will now be "publicized" no longer than 3-4 years ("Oh !! Just another programme !"). In a given country, it might last no longer than 5-6 years. On the planet, after a US launch (in 90% of cases), it will take 4-5 years to reach Central/Eastern Europe and 10 years or more public/state agencies in continental Europe.

Eric Abrahamson, from Columbia University, has devoted many years, documenting this phenomenon. Alfred Kieser in Germany has also conducted some exciting analysis…

If the elusive "mediatic" dimension of these management tools is well documented by measuring the number of citations in academic journals and the business press[2], this does not allow to answer a number of more critical questions :

a) why, otherwise smart and experienced managers in most of the developed world, while they sense that these tools are over-promising, still keep using them? Why are they so attractive for them?;

b) what is the real organizational impact of these tools once hype and rhetoric are "passé"?

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c) having a better grasp of what these tools do <u>for them</u> (1st question) and for the company (questions 1 & 2), should managers follow or avoid fashionable methodologies ?

2 WHY ARE THE NEW TOOLS SO ATTRACTIVE AND BECOME FASHIONABLE?

The reasons are numerous:

a) eileen Shapiro, in her book "Fad surfing in the boardroom", points to the reduction of uncertainty, anxiety and responsibility for managers ("We asked X to conduct a thorough strategic analysis and Y to reengineer our order-taking/billing process");

b) these new tools are neatly organized into simple, easy to understand, packages;

c) it is easier and less risky for top managers to innovate around these standardized packages than from scratch. It reduces uncertainly and anxiety;

d) consultants and top managers help one another in the fad production phenomenon. It is easier for clients to buy (and consultants to sell) a standard well identifiable product. Junior consultants can more easily implement them in companies;

e) because they allow managers to reduce some of their « responsibility », the latter benchmark the "winners"(e.g. GE), they hire the most reputable consultant;

f) as Nitin Nohria and Robert Eccles point in "Beyond the hype", managers are desperately seeking "newness", equating "newness" with progress. They denounce the present hysteria of "universally applicable quick fix solutions – along with the obligatory and explicit caution that their recommendation are not so and will require substantial management analysis and commitment";

g) powell and Di Maggio have well documented the institutional isomorphism phenomenon;

h) a Van Der Viele points out that fads mobilize energy and enthusiasm in the company by their popular and progressive image. They boost the reputation of the CEO as "forward looking" and might reduce his feeling of powerlessness and anxiety when facing the complexity and unpredictability of the environment. One could argue that the task of the manager is to manage the unmanageable i.e. not feasible. The ensuing "narcissistic wound" has to be alleviated with whatever possible, including regression to omnipotent fantasies and "magic thinking" ("Quality circles will solve our problems");

i) over invested powerful "medicines" used by the all powerful X company will boost the executive's self-esteem, restore hope and sense of purpose;

j) human beings fall prey to mimetism. Identification is at work constantly. Two nations and their managerial methods are copied (the USA and Japan), great managers become gurus and identification figures: Percy Barnevick at ABB, Jack Welch at GE, nearly 40 years ago Harold Geneen at ITT, Lee Iacocca at Chrysler, etc…;

k) as most psychologists would agree **energy** does not come from the rational reckoning, but from **emotions** like hope, despair, anxiety. Powerful new methodologies used by very reputable companies leaders will help through identification, restore hope, energy and enthusiasm. They mask underlying feelings of helplessness and depression.

3 WHAT IS THE DIFFUSION OF THE FADDISH METHODOLOGIES/TOOLS ? HOW USEFUL ARE THEY FOR COMPANIES ?

Showing the ebb and flow of management tools in journals or press is not the most interesting issue. What we all want to document is their impact on management practices and organization learning. Only longitudinal observation can yield an answer to that interrogation.

Since 1969, the author has been observing as a scholar the impact of theses tools in companies. He started in 1969 studying the introduction of MBO in three large companies (including the cosmetics world leader L'Oreal) for his doctoral dissertation at HBS. He continued as a professor / consultant from 1971 to 1989 surfing on the last fads : first QWL, then quality circles, then TQM, then pay for performance. Then as head of HR development at France Telecom he introduced a number of "à la mode" tools, and so on…

Thus, for over 30 years, working with American, Belgian, Canadian, Danish or French companies, he could observe how these tools prospered, diffused or faded out (there are very few quality circles in few western companies left for example). From these observations, we offer the following reflections.

Let us differentiate two levels of so called "reality" (see figure 1).
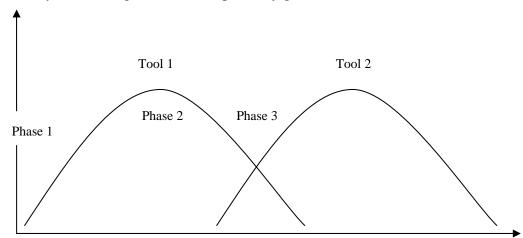
Reality 1 (R1) : What's being featured in the media, the "hot issue"; what can be read in the papers in or outside companies, "limelight" companies, the topics top management put heavy emphasis on (for example SIX SIGMA, KM, …), the campaigns, the programmes, etc…

Reality 2 (R2) : What is actually happening, what is being done within companies ("down in the shop").
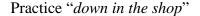
Very grossly speaking, organisational learning is using R1 as a launching vehicle to get to R2. Organisations learn by trying out, experimenting with organizational packages or management : "products". Let us look at how innovations start as promotion campaigns and then become more or less integrated in everyday business.
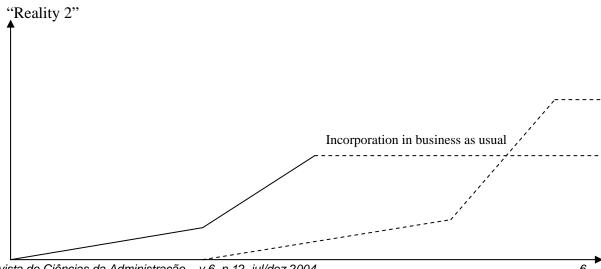
R1 ⎯⎯⎯⎯⎯⎯⎯⟶ R2
        Organisational Learning

Publicity
Campaigns ⟶ Actual Behaviour
Programmes

"Reality 1" Limelight (amount of publicity given)

Tool 1   Tool 2

Phase 2   Phase 3

Phase 1

Time

Question : At which of the three phases of figure 1 is diffusion most extensive? Paradoxically, maximum diffusion takes place in a fourth phase when the tool is not any longer spoken of and the three phases cycle is over. Some would even say provocatively that *the more a tool is publicized, the less it is used* and vice versa. One of the reasons is that when the initiators stop pushing them down, the "folks down below" stop resisting and dodging and examine the tools on their own merits often deciding themselves to do something with it.
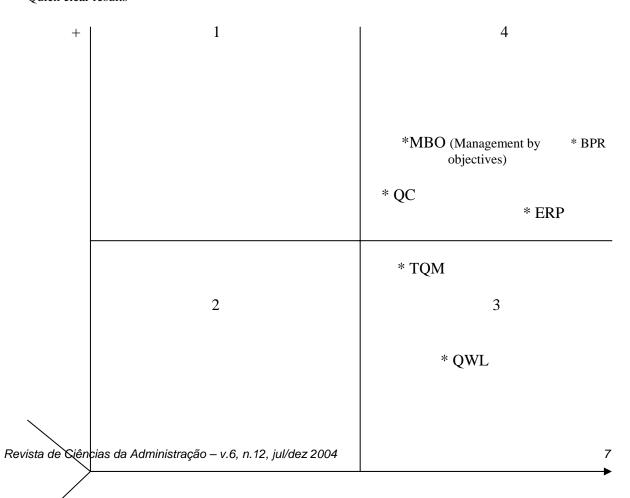
Practice "*down in the shop*"

"Reality 2"

Incorporation in business as usual

Tool 1 Experimentation   Tool 2

Figure 2

But different tools have had a very different breadth of diffusion: how can these differences be accounted for? For example, there are not many quality circles left and there is more OD supply than demand today. On the contrary, MBO has been adopted by all firms of the developed world.

Let us look at figure 3.

Axis 1
Quick clear results

+ | 1 | 4

*MBO (Management by   * BPR
objectives)

* QC
* ERP

* TQM

2   3

* QWL

Axis 4
Magnitude   * KM
of recurrent gains

                                                                    * OD

                                                                    Axis 3

                        High change in behaviour roles and power position

    Axis 2
     Communicability
     Easy explanation and transmission

<u>Figure 3</u>

NB: tools are positioned here only on axis 1 and 3.

    Axis 1
    "*Clear quick results*" seems pretty obvious. This dimension is positively correlated with ease, speed and range of diffusion. The possibility of isolating the impact of management tool from other context variables will add to its economic credibility.

    Axis 2

    "*Communicability*" refers to the ease of communication. Quality circles have a far higher communicability than QWL, which covers many different approaches, methodologies and tools. MBO is higher on communicability than OD, etc… Fads are generally packaged to be easy to mass market. Junior inexperienced consultants must be able to introduce them, managers must be able to sell them more easily.

    Axis3

    "*High change in behaviour, roles and power positions*". How far reaching are the changes brought about by a given tool ? How many key actors have to be convinced or are in a position to resist the change ? How "irreversible" is it ? How homogeneous is it with the present culture and mode of operation ? Comparing QC and autonomous work groups on this dimension, one can see that QCs are far less disturbing and easier to diffuse.

Power positions and behaviour changes required by QC are not so important as with OD or QWL. Michael Brimm hypothesized (in a way which confirms the author's own experience) that the careers of successful pioneers in job redesign have been hindered rather than fostered when the success of these experiments disturb too many people at the top and middle of the apex. A particularly prevalent reason is that the innovator is perceived as a deviant constantly thwarting bureaucratic procedures. The strong personalities of many of these pioneers and their sense of mission cause increased friction.

For example, ERP have on axis 4 a very high potential of recurrent gains, few quick clear results on axis 1, they can be easily explained and communicated (axis 2). But it impacts more or less according to cases the roles and power positions of actors according to the situation. Only on axis 1 (quick clear results) might there be a block to massive diffusion. The magnitude of potential gains (axis 4) despite some resistance of impacted actors (axis 3) allow to predict extensive diffusion in many companies, which is actually the case.

5 SHOULD MANAGERS FOLLOW OR AVOID FASHIONABLE TOOL/METHODOLOGIES?

We have above stressed how functional/useful fashionable tools are for the psychological comfort and reassurance of top managers. We have tried to understand why these tools diffuse more or less after the "advertising launch" is over. If the reader is a little bit more conscious about the risks outlined in the first section of the paper (reduction of anxiety/uncertainty by mimetism, follows the world class leaders, etc…), he will pause and analyse first. "Is this tool really what's needed for the organization (and not just useful for me) ?"

If the answer is yes, should the manager use the "market label" or rename it in order not to have a problem in the company when it becomes discredited on "the market" of managerial tools 5 years later? Or should he keep the same name so that the fashionable i.e. passionate i.e. energizing dimension of fads helps the organization to "unfreeze" ? The executive must avoid fooling himself (or fooling others (neither naïve nor cynical).

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