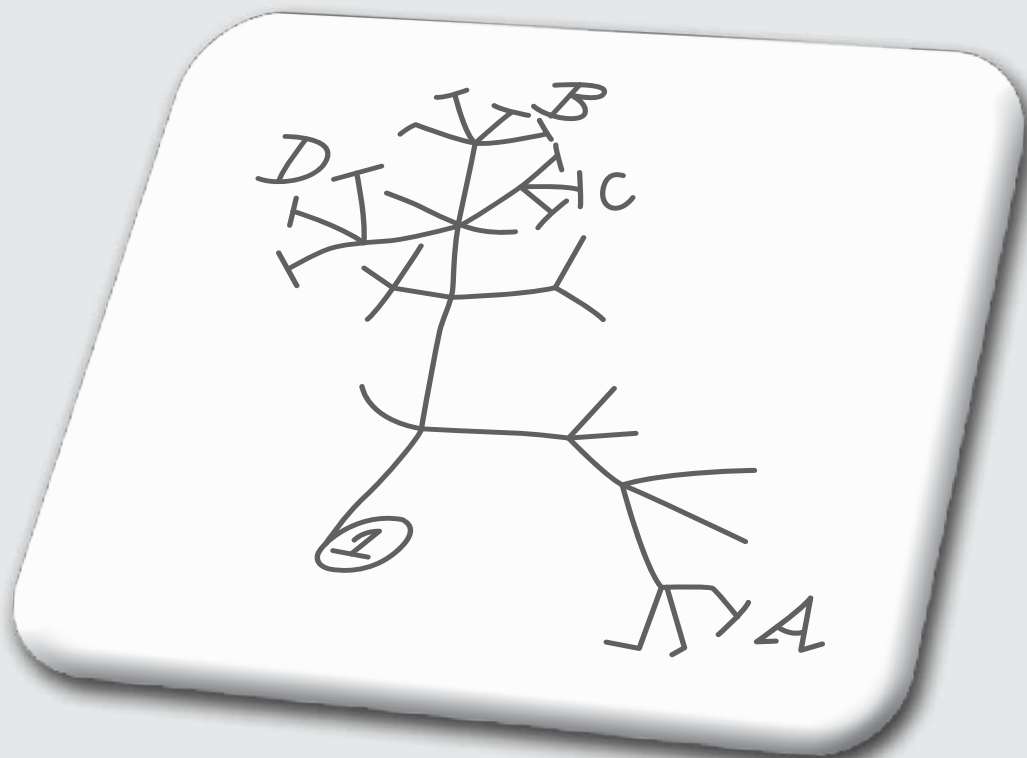


# A Solid

How Managers Can Benefit From Science

# Management Platform



Jan Madsen · Helena Svensson

## Introduction

**A**fter having worked in, worked with and observed several organizations in the corporate world, I started wondering: “why are we doing things the way we are in management, because in far too many instances it’s not working?” I’m interested in how people solve problems and make decisions and I’m especially interested in the irrational, illogical and emotional aspects of this. This interest, in combination with a long career in business and management led me to question some of the methods applied in contemporary management.

My observations indicate a pattern of problems in management we tend to repeat, time and again. I call these recurring phenomena and will throughout the book provide examples of such behaviour. Business schools educate and graduate scores of young business people, who will enter the corporate world and repeat the same mistakes over and over again. Some of the methods and approaches applied in the practice of management tend to create more problems than they solve, and to me this trend seems to be accelerating. I observe an increase in questionable methods and flawed ideas applied in the practice of management.

Over the past couple of year I’ve spent a considerable amount of time investigating some of the elements of the practice of management in order to turn my frustrations into constructive and workable suggestions because I firmly believe we can do better!

This book is the tangible result of this process and it represents a pioneering, risky and exciting attempt to solve issues in management that I think need a whole new perspective and approach. There will be mistakes, there will be misunderstandings and some of my opinions might be unpopular, but don't let the details stop you from seeing the bigger picture.

I want to make it very clear from the start that my objective is not to blame a particular type of person, organization, the financial crisis or such like. That said, I also have to add that my personal experiences are completely in line with the following statement from the former senior editor of Harvard Business Review Thomas Teal:

*“Look closely at any company in trouble, and you'll probably find that the problem is management”*

Thomas Teal (HBR, November-December 1996)

This rather provocative statement mirrors my own perception of the state of things in far too many organizations. Management has overall responsibility and the same management appears to be less and less in control. Management is in trouble! And nothing indicates to me that things are going to get better any time soon.

### **Management and decision making**

One could ask: What is management? There are many different definitions of the phenomenon, but one definition most people can subscribe to is this: managers are problem solvers and decision makers. The consequences affect everything from the well-being of the organization to its very survival and at end of the day is also key to managers own future employment opportunities.

Despite my comprehensive management experience and good observational skills, there were many behavioural patterns which I couldn't understand the causes of, make any sense of and was, therefore, incapable of changing. I had experienced, recurring counter-productive illogical behaviour time and again in business and management that people kept indulging in despite being warned and despite experiencing the dire consequences that followed.

When I started investigating the problem searching for some answers, one thing became clear: people in business and management talk a lot about increasing complexity causing many formerly well-functioning methods and concepts to be inadequate for the problems at hand.

Increasing complexity is obviously not making problem solving and decision making any easier, and the consequences of making the wrong decisions can be overwhelming.

Throughout the book I will grant the following to managers and decision makers in general: the necessary analysis and assessments prior to any important decision do not come easily in an environment that is growing in complexity. This problem was addressed by Eric Bonabeau in an article in Harvard Business Review:

*“Making high-stakes business decisions has always been hard. But in recent decades, as the complexities of global commerce have deepened, it’s become tougher than ever. The choices facing managers and the data requiring analysis have multiplied even as the time for analyzing them has shrunk.”*

Eric Bonabeau (HBR, May 2003)

“*Tougher than ever*” – this certainly sends a strong signal about the responsibilities of these same managers and their decision making. In my experience, we can now see this happening at all levels of the business world and in all types of organizations, and, due to increasing globalization, across national boundaries and cultural lines.

As a management consultant I have had the opportunity to work with many different types of organizations in different countries and the picture is the same: Managers appear to struggle to stay in control and on top of things. All too often, they make the wrong decisions, or fearing the consequences, they make no decisions at all. With this in mind, it is no wonder so many people find management a challenge nowadays.

### **The thesis of this book**

Increasing complexity is a bit like the weather. Everybody talks about it, everybody has an opinion about it, not many understand how it really works and nobody does anything about it. Many will no doubt claim that it’s not possible to do anything to change the phenomenon of increasing complexity – “we just have to live with it”. The thesis of this book is that it might well be so. We cannot go back in time to a less complicated or complex period.

Nevertheless, managers and decision makers aren’t helpless reactive machines. We have a choice. We can decide to just float along and let the tides of time steer our decisions. Or we can take a stand and then build and maintain knowledge that will help us make better analyses and decisions in the future. In this book, I suggest the latter and propose some disciplines that will help you tremendously in your future decision making processes.

I advocate increased awareness of how we build and maintain knowledge, both in general and more specifically in relation to management. In any airport around

the world you can find a plethora of literature on this month's smart management ideas. More often than not, such books are built on success stories about individuals and how they have succeeded. In the words of an excellent writer, Judy B. Rosener:

*"When you scan the business section of the bookstores, one thing becomes clear. The best-sellers are usually corporate success stories or narratives about colorful leaders. They explicitly or implicitly point to an organizational structure or a leadership style felt to be the pathway to success. The message these books send is that there is "one best model," one best way to design and run an organization and one best way to lead. It's a seductive message."*

Judy B. Rosener (1997, p. 26)

This book isn't intended this way; you will not find "the six basic rules of good management" or similar simple-step methods describing the one right way of doing things.

In the search for new management ideas, I believe the following covers the essentials of the existing paradigm in management writing by many writers:

- The old management model is inadequate for the challenges of the 21st Century.
- There is, or has to be, one right way of managing an entire organization.
- Leading to the natural conclusion: The existence of a new management model not yet discovered or developed. How does it look – how do we find it? We are searching for the new management model that will to solve the challenges of the 21st Century.

For a short while, I went in the same direction and started thinking about the contours of a new management model. I started by having a look at the old management model. If we are to discard it in favour of a new management model then I wanted first to fully understand what was meant by "the old management model".

This was a dead-end. It's not possible to identify "the old management model" – instead we observe a number of co-existing models. With this diversity in mind it makes very little sense to me to spend a lot of resources on searching for the new management model. The idea is flawed; there is not "one right way" of managing people. Accepting defeat, but still thinking we could do better in management, I instead started to ask questions about WHY people behave the way they do.

### **We need solid theories and methods**

In problem solving and thus decision making we rely on theories and empirical methods to solve problems. But when you notice that the ideas in use rapidly be-

come outdated and the methods often only produce temporary results, it's natural to start looking for other and more useful and reliable ideas. Some of the theories and methods implemented in contemporary management are both useful and reliable, however, there's one particular area of management theory which is especially dubious – that devoted to human nature. Management is about people and therefore our perspective on and understanding of human nature is crucial to success.

I believe our perspective on humans matters more than ever before when it comes to implementing workable solutions in our organizations. I advocate science, logic and a scientific view of human nature, things that I know are urgently needed. Nonetheless, I realize that such an approach is extremely demanding, especially because it is contrary to human nature, as I explain later in the book. Contrary to, in the sense that it in some instances such an approach violates the accumulated innate traits shared by most people. Above all, I advocate that we use these approaches to develop methods that COMPLY with human nature. It is easier to manage an animal (humans are animals) by respecting its inherent nature and abilities.

With the help of my writing partner, Helena Svensson – a lifetime student of evolutionary theory – I soon realized that there are actually scientific, evidence-based disciplines that can provide useful and reliable answers. When I added knowledge from evolutionary-based disciplines to my perspective on humans I realized how much it helped improve my understanding of WHY people do what they do, which made it easier for me to know WHEN to anticipate seemingly incomprehensible behaviour and figure out HOW to realistically try to change such counterproductive behaviour.

### **Compromising and building bridges**

I've spent more than two decades in business and management environments whereas my research and writing partner has a background in academia. Therefore, this book is to a degree a result of a number of compromises between my experiences and standpoints and those of my partner. Even when we agree there are compromises made between the practical and the theoretical, between the managerial and the scientific. Nevertheless, throughout the process many compromises have been solved and bridges built.

Despite these compromises, the fact remains that knowledge from evidence-based scientific disciplines can provide useful insights into the practice of management. Even though such facts can improve management performance, it's still not common practice to make use of this knowledge. Why is that so? In my opinion, the explanation is as straightforward as it is frustrating; the facts are not available to us, they are not easily accessible. In the words of Jeffrey Pheffer and Robert Sutton:

*“Perhaps the greatest barrier to evidence-based management is that today’s prevailing standards for assessing management knowledge are deeply flawed. Unfortunately, they are bolstered by the actions of virtually every major player in the marketplace for business knowledge.”*

Jeffrey Pfeffer & Robert I. Sutton (HBR, January 2006)

You could say there is a need for a bridge between the facts and the daily application of those facts in management. This book is an attempt to lay the foundations for a bridge of this kind.

## Statement

Increasing levels of complexity will influence the practice of management profoundly in the future, but we are not helpless victims of circumstance. We can decide to act and build knowledge from science and insight from critical thinking in order to achieve a more solid management platform. This will counterbalance our innately irrational dispositions and thus dramatically improve the quality of our problem solving and decision making.

## Chapters contents

To provide an overview, here is a short introduction to each of the chapters.

### **Chapter 1 – Increasing complexity and some consequences**

All too often, and with severe consequences, management training and development are out of sync with reality because the strategies used aren’t adapted to deal with increasing complexity. Here, strategy is understood as the direction for the organization, the business models chosen and the collective sum of decisions made in the organization. Due to rapid changes in the environment surrounding any organization today, these strategies are in constant need of updating. Nevertheless, despite continuous and on-going attempts to adapt the methods and concepts used by managers become obsolete at a pace never experienced before. Obsolete methods and concepts are bound to create problems, both large and small.

## **Chapter 2 – Too much opinion too few facts!**

Most of us, most of the time, would like to be in control of our environment. We prefer nice and simple explanations to all the phenomena around us and we usually dislike uncertainty. This propensity is a challenge because increasing levels of complexity also involve increasing levels of uncertainty. These impacts our decision making processes. Thus, understanding these processes and how we deal with uncertainty in environments with high levels of uncertainty becomes essential.

## **Chapter 3 – Science bias!**

Science can contribute in two, equally important, ways to the practice of management. Both scientific method and the comprehensive body of scientific facts are useful anchors in a fast changing environment. Among non-scientists, science is often perceived as the facts, the scientific findings and not so much as a method. These facts are doubtlessly of enormous benefit to both management and to our lives in general. Nevertheless, the method used to generate these same results, the scientific method, is both straightforward and a useful tool even for the layman trying to sort out facts from opinions.

## **Chapter 4 – Critical thinking**

Research has consistently demonstrated that we humans are far more irrational than we like to think. All too often we're overconfident in the judgments we make and at times our decision making processes are deeply flawed. Much of what managers have learned is based on assumptions concerning rational and logical judgment and decision making. The impact of irrational influences or emotions is seldom a part of the curriculum of any management training program. We like to think our decisions are based on thorough analysis. In reality, they are very often based on simple and fast rules of thumb.

## **Chapter 5 – Management is about human beings**

The idea that there is one right way of managing people underlies most management theory. Despite the popularity of this idea it is flawed, and instead of pursuing this direction resources should rather be invested in building and maintaining a more solid perspective on human nature. Such an investment enables managers to develop methods and practices that take account of human nature.

Regardless of where managers practice; in public administration, in the business world or in non-profit organizations, one thing remains the same: management is about human beings! Organizations and management are built and regulated direct-

ly and indirectly by human individuals and human groups. Thus, understanding that humans in general share a long array of universal traits and behaviours constitutes an anchor in a fast changing environment. The understanding of human universals such as emotions, facial expressions or certain behavioural patterns can be utilised as a platform for more solid and sustainable management methods.

### **Chapter 6 – An evolutionary perspective**

Evolution has shaped human behaviour and continues to shape the way we behave and the way we think. Thus, human decision making is influenced by both our evolutionary past (nature) and what we learn from our environment (nurture), but I firmly believe nature proceeds nurture. A comprehensive understanding of human nature therefore requires at least some basic understanding of the process of evolution.

We are not slaves of our evolutionary past; our behaviour or ways of thinking are not completely genetically determined. Just because the process of evolution has equipped us with some cognitive capabilities that made sense in our past and sometimes create mismatches today, doesn't exempt us from taking responsibility and implementing counter measures. In this chapter I want to demonstrate how useful some basic insight into the evolutionary perspective on human nature is for management.

### **Chapter 7 – Final thoughts**

In this final chapter, I sum up some of the key findings and insights offered throughout the book. Specifically, I'll discuss three important examples; all relating to the way we organize ourselves in the effort to achieve defined goals: bad apples or bad barrels? What type of manager do you want? and social or financial rewards for motivation? These examples are discussed on the basis of the findings of this book. My aim is to demonstrate how science and critical thinking can contribute to a management practice that better fits human nature.

## **Disclaimer**

All conclusions and suggestions are mine, meaning I am alone to blame for any misunderstandings, misinterpretations or misconceptions of any kind.