

# Management must nix archaic models

**Economic growth depends on innovative ways to run companies.**

**Ignoring employees' worth is risky move.**

By **Pujan Roka**

Economic policies and government interventions can no longer sustain or grow the economy, argue leading management experts who see the practice of management – the discipline of managing human capabilities and productivity – as the bottleneck for the new economy everyone is yearning for.

Julian Birkinshaw, a professor of management at the London Business School, argues that the current economic crisis is also a failure of management.

In his book “Reinventing Management,” Birkinshaw blames ill-designed and badly executed management models for the struggling economy.

Gary Hamel, a leading management thinker, explains the limitations of management in his book “The Future of Management.”

When the corporate world institutionalized management more than a century ago, it was based on two main ideas: principles of scientific management introduced in 1911 by American engineer Frederick W. Taylor, and concepts of bureaucracy and division of labor introduced in the late 19th century by German sociologist Max Weber.

Taylor’s scientific methods were designed for factories and



Some business leaders have realized the need for “management innovation,” Pujan Roka explains.

industrial outputs. Weber was influenced by the socialist ideologies of his time. Hamel says their ideas are not quite applicable in the Information Age.

Business schools have been criticized for not reforming their curriculum that is based mostly on century-old principles. Many critics say too much emphasis on the topics of profit-making has led to no or little consideration for the topics of trust and social values.

Business educators agree with this criticism.

Nitin Nohria, the dean of the Harvard Business School, said in a 2008 article in Harvard Business Review, “Managers have lost legitimacy over the past decade in the face of a widespread institutional breakdown of trust.”

In 2008, the Harvard Business School established the MBA Oath – a pledge of integrity taken by graduating business students.

This oath is similar to the oaths of integrity taken by doctors and attorneys before starting their respective professions.

Many leading business schools, such as MIT’s Sloan School of Management and the University of Chicago’s Booth School of Business, have em-

braced the MBA Oath.

A handful of business leaders have also acknowledged the need for what experts call “management innovation” – re-engineering the practice of management to align with a world that is now more connected, informed and democratized.

They are experimenting with different management models.

Hindustan Computer Limited of India has come up with the philosophy of “employees first, customers second,” which is also the title of the book by its CEO, Vineet Nair. The company philosophy has been credited for transforming Hindustan Computer Limited into a \$2 billion business.

You cannot serve customers and grow your business unless you focus on your own people, Nair said.

Google allows its employees to spend 20 percent of their paid time in projects of their personal choice. Many successful products like AdSense and Orkut have resulted from this program.

In 2002, SAS CEO Jim Goodnight asked his employees whether they were OK with taking the company public. Eighty-seven percent of the employees said “no.”

Goodnight listened, placing faith on his organization that has produced a steady increase of revenue year after year.

Management experts refer to companies such as HCL, Google and SAS as “management innovators.”

One of the new models of management is to use collective wisdom over hierarchical decision-making, writes Birkinshaw in his book. He cautions the

shortfall of traditional business “alignments” such as management by objectives, key performance indicators and strategic planning. He argues that alignments emphasize short-term gains but obscure long-term visions.

Gary Hamel asserts that most organizations “exploit no more than a fraction of their employees’ imagination” and recommends turning ordinary employees into extraordinary innovators by tapping into their creativity.

Hamel envisions the future of management as a discipline of managing human creativity and passion.

Passion can be instilled in organizations by creating meaning and purpose that transcend financial goals, insist Raj Sisodia, David Wolfe and Jag Sheth in their book “Firms of Endearment.”

They studied long-term performance of companies that are “delivering emotional, experiential and social values and not just profits.”

These companies, which they called “firms of endearment,” returned an average of 1,026 percent for their investors over a 10-year period ending in 2006 compared to 122 percent for the S&P as a whole.

Many believe technological innovation can recover the economy. While this is true, we must also pay attention to its enabler – the practice of management.

This is why management innovation is important for economic growth.

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