

Innovating MANAGEMENT!!

Patricia A McLagan

How do we unleash human energy, creativity and tenacity at work while also creating an effective, efficient, enduring and aligned institution? This is a management problem with challenges for managers as well as for the people they lead. And it is a management problem that, the longer it is unaddressed, the more likely it is to create institutional crises.

Organizations seem to be making progress in the “efficiency” arena. We can thank technology for some of this. The automation of routine work, data crunching, information storage, data analytics takes massive costs out of the business. Unified communications, including Web 2.0, messaging, remote meetings, webinars, tele-presence makes direct communication possible, often without administrative support or management mediation. Simultaneously, various tools of efficient organization design have matured and moved out of the fad stage: process reengineering, strategic planning, supply chain management.

Yet the gains, while impressive, leave executives with the same fundamental concerns: how do we successfully implement strategies and make desired changes (2/3 failure rate is what executives usually report when asked to describe their successes with change¹)? How do we ensure continuous alignment and response when conditions and targets shift? How do we know what is *really* going on so that we can take appropriate leadership action in a timely way? How do we get the best cross-boundary coordination and alignment? How do we ensure that important information isn’t lost in the email and information fog and clutter?

Efficiency responses like those above are part of the answer, for they unleash people from the work that machines can do. They also help ensure that the inevitable bureaucracy of the organization adds rather than drains value (good processes do this, for example). But efficiency is NOT enough, and some efficiency mechanisms from the past should be abandoned (e.g., traditional punitive authoritarian methods) or significantly re-engineered (e.g., traditional individual performance appraisal and carrot-stick practices), for in today’s world they often have more negative than positive effects.

Today’s institutions are in jeopardy largely because management practices and processes are not up to the task. Einstein’s observation, “The significant problems we have cannot be solved at the level of thinking that created them,” is very relevant. Mainstream management actions like planning, organizing, controlling, motivating, as currently practiced, are suited to a world where product, career, and organization lifecycles were long and thus gave the illusion of stability. When “stability” is the norm, it makes sense to implement “plan then do then check,” to “cascade” goals down a hierarchical structure and check up on them quarterly, to see strategic plans as mechanisms for imposing the organization’s intentions and industry dominance on unwitting markets and customers.

¹ citation

But, managing stability, while still a part of today's management task, has been overshadowed by the challenge of leading and managing change. Change "management" has moved to the foreground because it is the best leadership orientation in a world where communication is continuous, there are few secrets, and customers may also be suppliers and competitors. Also, on their way to a customer, products or services or ideas meander or jet into and across many functional, organizational and national boundaries. Products are continually tested, embellished and morphed as they meet customer and worker-initiated creativities. Today's collision of ideas and information is creating the potential for a kind of Cambrian evolutionary explosion² around the world of work. The only thing holding real evolution of our institutions back is the lack of management processes suited to the new environment. Management practices that support stability – unless they are augmented by those that stimulate and nurture change – destroy the innovation, voluntary human alignment, and risk/failure/learning cycles that are vital for success.

It's ironic, but the very force (management) that must lead institutions in this complex and highly integrated socio-economic environment, seems to be the most entrenched in the old ways. This is probably not surprising. Innovations in any field often run headlong into the systems they are making obsolete. Clayton Christensen, in the *Innovator's Dilemma* describes how difficult it is to move into new paradigms. Whether shifting from mainframe computers to PC's, authoritarian political systems to democracies, oil-based to green energy, from defined benefit to defined contribution pensions, there is an entire system of mutually reinforcing factors that make it virtually impossible to implement the most obvious changes. This is true for management processes and practices. There is a complex lattice of consulting firms and models, accounting practices, executive compensation rubrics, University education programs, career management systems, precedent, organization norms and structures, and even follower expectations and dependencies that conspire to make it extremely difficult to implement new management methods.

Also, along the way, the notion of "management" has been corrupted. Who wants to be a "manager?" Everyone wants to be a leader. And if everyone is a leader, what is the role of the leadership/management function in a business? Does the formal leader/manager have "mega-leadership" responsibilities? Does everyone, by virtue of being a leader, equally influence the decision processes? In management systems where the organization chart is the power bible, how does one manage the increasing amount of work that is cross-functional and cross-organizational? And in these management systems where the boss is often treated like a customer and is an extremely powerful adjudicator of others' careers and rewards, how does appropriate diversity and self-management really emerge? Back to the "leader"/"manager" semantic, why do we bother to distinguish "leader" from "manager" when the role itself requires strategy and vision (leadership), execution and follow through (management) and even some dollop of bureaucratization (administration)?

² The Cambrian geological period was the richest evolutionary period in the history of the planet and was the time when more than 50% of the modern animal phyla came into existence.

The semantic argument aside, organizations are a lot more efficient and cost effective today, thanks to improved work processes and technological and communication breakthroughs. That's the good news. Also, the good news is that these efficiencies make it possible to engage people's knowledge and creativity in new ways – for they are increasingly freed from routine and dangerous work. This is true for the work of management, too, for the dramatic breakthroughs in business information management and analytics, along with the new collaboration/communication technologies are making the traditional data gathering and processing and organization linking roles obsolete.

So what is the future for management? What innovations in management do we need in order to bring this important function from a lag to a lead position that will accelerate and help guide rather than slow down change?

There are three critical aspects of the management revolution we so desperately need: continue to pursue elegance and efficiency in all operations, eliminate or significantly transform outdated management processes and mindsets, and embrace radically new ways of leading.

Continue to pursue efficiency. Organizations should be more than the sum of their parts. Two, ten, one hundred, one thousand, hundreds of thousands of people working as an organization should add more value than the aggregate of their individuals working on their own. We are already experiencing the efficiency and synergy effects of such things as work and communication technology and process innovation. We are probably only at the beginning of a long efficiency curve and need to keep embracing the permutations and possibilities, knowing that the right efficiency mechanisms open up new possibilities for using human talent and energy.

Eliminate or significantly transform outdated management processes and mindsets. These include eradicating or significantly redesigning or repositioning such things as:

- Assuming that because someone is higher on the organization chart, s/he is better or can dominate those at lower levels.
- Static planning and review processes. Many organizations' primary management energy is focused on developing plans and budgets and reviewing them on a fixed period schedule. Such practices are useful for ensuring direction and discipline. But, if they are not accompanied by dynamic, learning-oriented, quick response connections between planners and implementers, they create an illusion of control and stability that may focus more on meeting the numbers than on optimizing resources and opportunities.
- Individual performance management systems that use competition with peers (e.g., ranking), money and ratings as primary incentives. These systems are often based on obsolete assumptions: that the "boss-subordinate" relationship is the major one (much work today happens on cross-functional teams and projects that *don't* report to the boss); that carrots and sticks really incent correct behavior (what often takes precedence is any behavior that will optimize the reward, even if that behavior does not support the larger good); that failure is bad

(actually failure and risk are often inherent in learning and innovation. What is “bad” is hiding it and setting low and defensive targets so that failure is unlikely).

- Job descriptions that constrain an individual’s ability to contribute outside very rigid definitions of specific work activities (in today’s workplace we want people to continually innovate on their own jobs and to provide expertise in ad hoc ways on problem solving and other kinds of teams).
- Closed strategy, planning and budgeting processes where only a few people participate or are informed about the outcomes. (Competitive advantage in today’s environment is primarily due to the quality of the plans and excellent implementation capability rather than keeping plans secret. In fact, when there is broader participation in and better communication about plans and budgets, the people involved are more likely to implement and own them.)

Embrace radically new ways of managing and leading. We are living in a period of great but scattered experimentation in management. However, many of these “experiments” are far from mainstream, and although they are proving their value, the status quo is a potent obstruction force. Here are some management innovations that have the potential to transform how organizations work – for management innovations have a multiplier effect on everything that happens in and around the organization.

- Network management mindset and tools. The organization chart for any organization is a fiction. It describes one kind of accountability and resource allocation structure. But the reality is that much of the work of any business happens in less structured ways. People must regularly cross levels and silos in order to get work done. In the process of doing this they develop strong ties with people in their formal structure and immediate work sphere. They also tap into people and resources referred to them – thus continually building and expanding their networks through “weak ties.” But how do you ensure alignment and accountability? How do you minimize redundant work when people do not follow the organization structure? How does the work that people do in the network but not under the “boss” get recognized and appreciated? There are new mechanisms – technologies and processes-- for ensuring that the issues within these questions are effectively addressed.
- Large team alignment and participation mechanisms. It is easy to say that more people should participate in some of the business decisions, but there is a danger and fear of too many meetings, wasted time, and people usurping others roles. Fortunately there are excellent and efficient large group planning, innovation, and problem solving techniques that bring the best ideas to the table, ensure that appropriate roles are reinforced, and serve to simultaneously set the course and create accountability for follow through...
- Collaboration around goals and common interests. Social networking and other collaboration technologies make it possible for people to work together regardless of where they are in the world or the hierarchy. They are making empowerment easier, and hiding from accountability more difficult. These tools will continue to transform how work is done and how power is distributed.
- Change management practices. There is a great deal of material and expertise available to help organizations effectively implement planned changes as well as to optimize opportunities and

learning as they emerge. The new change management (which is less about rigid control and more about optimizing opportunities while being tenacious through the difficult times) requires new mindsets for and ways of dealing with resistance, cycle times for change, resource requirements, follow through, learning, the role of leaders, and creating and sustaining the immense energy needed for transformation.

- Visual management. We are constantly seeking new ways to convey and process information and knowledge. Creating more paper and written descriptions and reports is not the answer. Rather, graphics, creative data displays, and methods that appeal to right brain processing are becoming more accessible and used for business and management purposes. The innovative, creative, effective and enduring organization will excel at optimizing these methods for quick communication, continuous alignment, and even to energize people.
- Better management and self-management methods. We know a lot more about how to manage participation and accountability and how to more fully engage knowledge workers. There are many successful methods for dealing with diverse views, guiding and engaging talent, stimulating creative and systemic thinking, dealing with complexity and more correctly interpreting events that may appear positive or negative in the short term, but have the opposite impact over time. As we shift to more virtual workspaces, there are also effective methods for managing outcomes rather than time and effort.

Management practices, processes, and mindsets while adapting to the needs of the 21st century, are still lagging behind the conditions that are shaping the world today. In the worst case scenario they not only lag, but are barriers to the innovation and full use of resources that the management function is supposed to accelerate. The reason for this is clear in many instances: some of the people in current leadership roles are either not suited to the new challenges or are reluctant to open up to the personal changes they require. Leaders are also slow to change – or resist it because they are generously being rewarded for practices that optimize the short term or that keep special interests entrenched. My upcoming book, *The Leadership Inferno: Facing the Shadow Side of Power* goes into more detail about these matters.

There is a lot of promise, however. Organizations are becoming much more efficient in their short term use of resources. Many new leadership/management approaches have arisen and are showing results. It's time to bring these into the mainstream, to question ongoing practices and eliminate those that don't work or have negative effects, and to take seriously the dissatisfaction with leadership that has exploded in all sectors – public, private, political, religious. If leadership does not transform itself, then revolution will occur and do the job. Board, shareholders, citizens, and workers themselves will be more inclined to remove current leaders, perhaps simultaneously destroying the good practices, processes and institutions that have been built over time.

At the turn of the century, the World Economic Forum identified ...“the move toward professionalizing management (as) the single most widespread global development.” Since then there have been many very visible and troubling signs that there has not been enough progress in this important area. It's time to act – and the buck stops with people in formal leadership positions right now, at this moment.