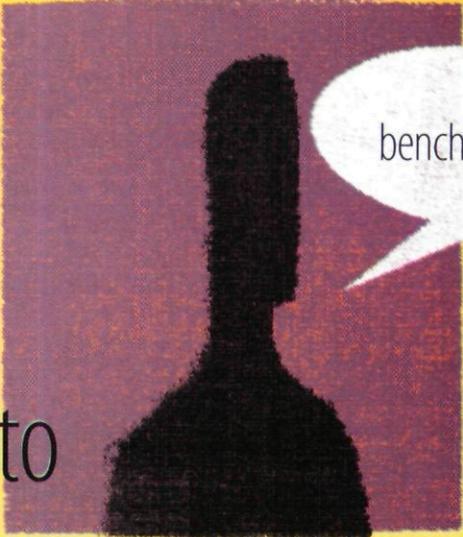
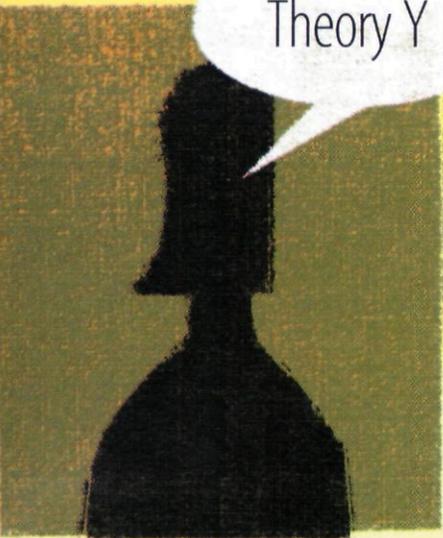


Five Forces



benchmarking

Whatever Happened to



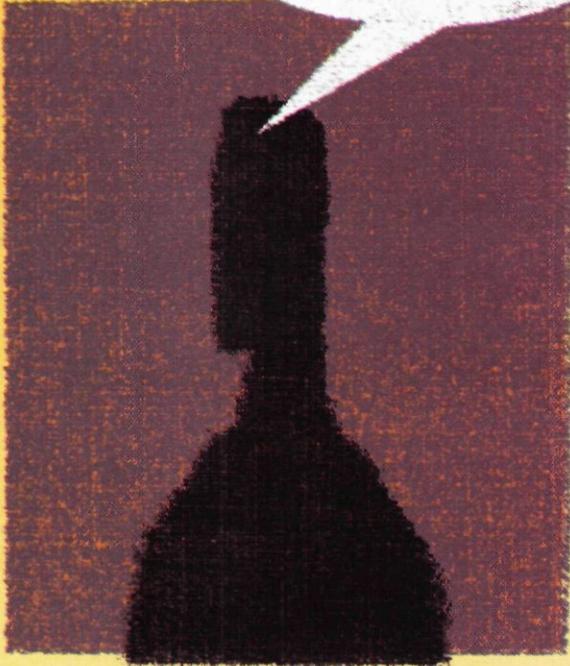
Theory Y

# Yesterday's Bright Ideas?

By Stuart Crainer and Des Dearlove



quality circles



balanced scorecard



Theory X

STUART CRAINER and DES DEARLOVE are the editors of *The Financial Times Handbook of Management* and founders of the U.K. training and consulting company *Suntop Media*. Their last article was "The Indians Are Coming," the July/August 2005 cover story.

Management ideas come and go with ever-increasing rapidity. It's easy to forget, for example, just how pervasive knowledge management was in the late 1990s. Today, it's just another initiative that failed to deliver on its promises. Yet the corporate hunger for buzzwords continues: Just in recent years, the business world has embraced culture change, TQM, Quality Circles, reengineering, the balanced scorecard, knowledge management (again), the learning organization, Six Sigma, and core competencies.

Today, of course, an entire industry dedicates itself to producing what is often euphemistically called *thought leadership*. It's awash with consulting firms, academics, gurus, and others desperate to make a buck by coming up with the Next Big Idea.

But things weren't always like this. The history of management fads is surprisingly short: Corporate America's appetite for cure-alls began barely a quarter-century ago. And while the creator of tomorrow's fashionable management concept stands to make a fortune on book sales and consulting fees, the early gurus didn't set out simply to get rich. They were trying to make sense of a very different management landscape. And clunky as some of their ideas undoubtedly were, they had a genuine impact on how managers think today—in a way that most of the assembly-line, PowerPoint-ready articles and books that followed have not.

### The Birth of Business Thinking

The 1970s was a miserable decade for the Western corporate world. Oil and inflation crises were followed by even deeper crises of business confidence. As Europe and the United States lurched from one economic disaster to the next, the Japanese juggernaut was accelerating into the distance. With the death knell for the American model of capitalism ringing out, there was no shortage of obituary notices. The most famous and accurate came from two Harvard Business School academics, Robert Hayes and Bill Abernathy. Their article, "Managing Our Way to Economic Decline," in the July/August 1980 *Harvard Business Review*, proved grim and highly influential reading.

Hayes and Abernathy had wrestled with the demons of decline and emerged dismayed. Their message was that management itself was the problem with corporate America. Forget about union militancy and foreign competition—look upstairs, to the boardroom. Few articles buried in academic business journals excite or ignite debate, but this one did. Hayes and Abernathy announced that corporate America was approaching its final hours, and to many readers their grim assessment rang true.

But there was hope. A young associate at McKinsey & Co. was given an intriguing assignment: to travel the

world and seek out best managerial practices wherever he could find them. His name was Thomas J. Peters.

Undaunted by the magnitude of his task, the energetic and inquisitive Peters assiduously cultivated corporate and academic contacts, visiting business schools, corporate offices, and factories in the United States and abroad. Along the way, his search for best practices became a book project, and a McKinsey colleague, Robert H. Waterman, was enlisted to help in what was eventually published in the fall of 1982 as *In Search of Excellence: Lessons From America's Best-Run Companies*.

The book's timing was impeccable. The McKinsey duo poured soothing oils on troubled corporate waters. Their message was one of hope: Parts of corporate America remained pre-eminent in the business world. The rest simply had to learn from the best of the best.

*In Search of Excellence* became the first modern business blockbuster. Peters and Waterman not only became the first of a new breed of business guru—they thrust business thinking into the spotlight as never before,

spawning a whole new industry. (See "How the West Was Run," page 40.)

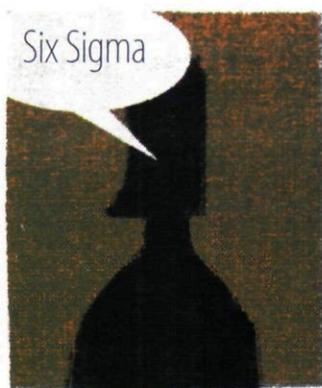
Ideas suddenly had a currency of their own. "There was a huge surge of interest. Really, Peters and Waterman brought legitimacy to the field of management. The agenda now was to come up with radical ideas to help America regain its competitiveness," says Columbia University management professor Kathryn Rudie Harrigan, whose 1980s work on alliances and joint ventures, as well as on mature and declining industries, was highly influential.

Other B-school academics also began to wield influence around the same time. And people listened. Rosabeth Moss Kanter began her illustrious career with the publication of *Men and Women of the Corporation* (1977) and *The Change Masters: Innovation & Entrepreneurship in the American Corporation* (1983). So, too, did Michael Porter, whose *Competitive Strategy: Techniques for Analyzing Industries and Competitors* was published in 1980.

Elsewhere, eyes turned to Japan. In 1981, Richard Pascale and Tony Athos, academics at Stanford and Harvard respectively, produced *The Art of Japanese Management: Applications for American Executives*. The book introduced the world to the Seven S framework—a concept that Peters and Waterman helped to hatch. Thinker Kenichi Ohmae went on to explain the Japanese approach to strategy. All this while "quality" gurus—most notably W. Edwards Deming, Joseph Juran, and Philip Crosby—emerged from obscurity.

To add froth to the ferment of ideas, there was a clutch of futurists—most notably John Naisbitt and Alvin Toffler—and a host of self-help evangelists. In 1982, Ken Blanchard struck gold with *The One Minute Manager*; seven years later, Stephen Covey unveiled his seven-habits thesis.

"What occurred in the late 1970s and early 1980s was a convergence of three factors," Richard Pascale says. "First, the convulsions during and after the Vietnam War called authority into question in every sphere, including business. Second, Japanese competitiveness woke Americans up from our hubris. The threat wasn't just about companies in distress—it was about jobs. Third, the onset of the 1980s brought the onslaught of disruptive technological change and truly global competition. Formerly slumbering oligopolies—GE, 3M, IBM, WR Grace, ITT, AT&T—all found themselves on their back foot. Their quest for answers credentialized the gurus and their ideas."



## Whatever Happened to . . . ?

**Bill Abernathy:** The co-author of the agenda-setting *Harvard Business Review* article died in 1983 at age 50.

**Anthony Athos:** "Of the business thinkers of the 1980s, I was most influenced by Richard Pascale and Tony Athos—more, actually, by Athos," says James Champy. "Athos was also a personal adviser, and was by far the most brilliant behavioralist

that I have experienced. Tony was perceptive, deep, and a realist. He understood organizational dysfunction so well that it pained him, and he eventually stopped consulting." Athos died in 2002.

**Warren Bennis:** Leadership theorist Bennis had learned of the power of people firsthand from Douglas McGregor in the 1950s. Says Champy: "Almost all the leadership thinking that I see is derivative of what Warren Bennis did back in the 1980s." In his

80s, he remains a highly productive leadership thinker.

**Ken Blanchard:** Blanchard's one minute of fame continues. The global success of *The One Minute Manager* launched a career in self-help evangelism that continues to thrive.

**Philip Crosby:** Crosby developed the idea of zero defects, headed quality at ITT, and then started his own consulting firm. His book *Quality Is Free* sold more than two million copies. Crosby died in 2001, at age 75.

**W. Edwards Deming:** Fame and influence in his homeland came late for Deming, born at the turn of the century. A 1980 TV program alerted the watching American audience to his work in improving Japanese quality standards and processes in the post-war years. Once discovered, Deming spent his remaining years as quality's most passionate advocate. He died in 1993.

**Peter Drucker:** "Peter described himself as 'an essayist on social change'—a corporate

## Impact on Today

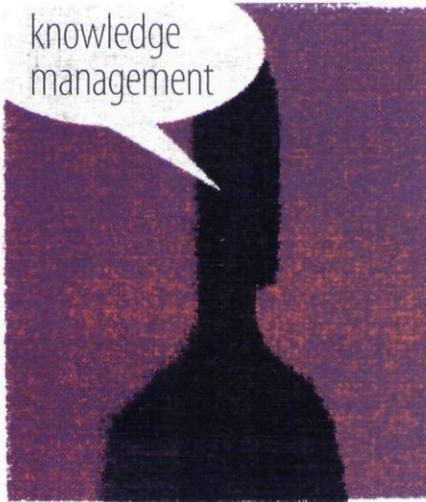
What impact did this first generation of mass-appeal business ideas actually have? Did these early thinkers change the business world? Two decades on, do their ideas resonate with today's executives and thinkers? And if so, has their effect been positive or negative?

Untangling ideas from their time and place isn't easy—whether, for example, any generation of business authors creates new trends or simply highlights existing trends. Similarly, it's hard to separate visionary thinkers from sharp-eyed observers. In the end, it may not even matter. What is clear is that the first blockbuster business books coincided with an important shift in business thinking: First, companies began to recognize, elevate, and, finally, celebrate human potential. Second, a global language of business emerged, complete with universally recognized models. And third, corporate America embraced a newfound commitment to learning and constant change, which manifested itself in the restless drive to seek out—and absorb—new ideas and best practices.

**People first.** Prior to the 1980s, a rationalistic and mechanistic management style had dominated the postwar years. Companies retained their faith in planning, market research, large-scale organization, numbers, hefty hierarchies, rules, and policy manuals. Being driven by behavioral values, for example, was largely out of fashion; mainstream discussion of emotional intelligence and management effectiveness had not even begun.

In contrast, books such as *In Search of Excellence* and *The Change Masters* were resolutely people-centered. Their themes reflected the beginnings of a movement in management studies that looked beyond rational

knowledge  
management



analysis to explore social complexity.

Although the 1980s may have reinstated people on the U.S. corporate agenda, that didn't last long. The emphasis on the human side of enterprise proved largely theoretical. In the early '90s, the pendulum eventually swung back to more rationalistic approaches.

**A new language.** At one level, the invention and popularization of a new language of business marked the begin-

ning of the buzzword culture—the management-speak that *Dilbert* creator Scott Adams and others love to lampoon. (Indeed, the global language of management is, in the eyes of many both in and out of the corporate world, a terrible linguistic aberration, a vacuum of meaning wrapped around neat phraseology.) But at another level, it was the first time that managers as far apart as Cleveland and Cleethorpes had read the same business books—and could have a conversation using a common language. For example, “sticking to the knitting,” one of Peters and Waterman's exhortations, may not have been the most elegant phrase, but it was distinctive and instantly recognizable to managers everywhere. In short, the process of globalizing management was under way.

The clearest contributions to the new language came not from buzzwords but from two key frameworks: Michael Porter's five forces and the Seven S framework. These became common currency.

Porter's five-forces framework became the most fre-

de Tocqueville. His voice and commitment to writing books that were accessible to business readers were huge factors in our work—and, I believe, in the work of many others,” says Richard Pascale. “The defining moment in the work on Japanese management was when Athos and I, with some temerity, rejected the strait-jacket of academic prose and tackled our subject as an essay in the Drucker tradition.” Marketing guru Philip Kotler observes: “Peter woke us up to management by objec-

tives, knowledge workers, business lessons from nonprofit organizations, the role that pension money plays in world capital markets, the importance of innovation and marketing, and many other business issues.” Drucker died in 2005, at age 95.

**Kathryn Rudie Harrigan:** As Henry R. Kravis Professor of Business Leadership at Columbia Business School, Harrigan is an influential academic whose output includes key works on strategies for declining businesses, joint ven-

tures, and revitalizing troubled businesses. She runs a Columbia program on turnarounds.

**Rosabeth Moss Kanter:** Kanter led the way in the rediscovery of the human side of enterprise in the 1980s through best-sellers such as *The Change Masters*, dubbed a thinking man's *In Search of Excellence*. The sociologist-turned-management theorist, Ernest L. Arbuckle Professor of Business Administration at Harvard Business School, continues to set the humane agenda.

Kanter's most recent book is *Confidence*, which took her ideas into the populist self-help market, with mixed reactions.

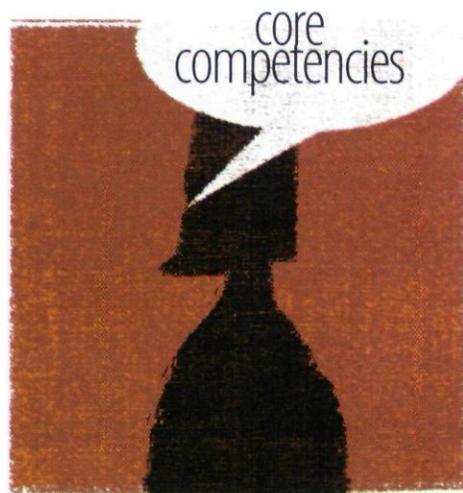
**John Naisbitt:** The author of 1982's pop-futurist blockbuster *Megatrends: Ten New Directions Transforming Our Lives*, Naisbitt remains an active speaker and commentator. Philip Kotler cites Naisbitt's influence, especially for his more recent argument that we must move toward high tech and yet preserve high touch. Says Kotler: “With high-tech advancing,

quently taught, copied, and referenced model of its kind and remains the bedrock of millions of hours of B-school teaching. "Porter made a deep, deep impression," says Columbia professor Harrigan, a student of the Harvard professor and later his co-author. But talk to contemporary academics, and there is a tendency to belittle Porter, suggesting that his sheer popularity undermines any academic credibility.

"It is like teenage rebellion," she observes. "Every generation needs its own identity, its own music, and so on. They scoff at what went before."

Meanwhile, the Seven S framework emerged after Richard Pascale, Tony Athos, Peters, and Waterman spent a week locked in a hotel coming up with something that made sense of organizations. "The Seven S model was the basis of the McKinsey practice for years, and most thinking on organizational design and change is still derivative of the model," says James Champy, co-author of *Reengineering the Corporation*, the top agenda-setting book of the 1990s. "Some people will say that it is old stuff, but it is the most robust organizational model that I have ever seen—and it stands up when you apply it to any enterprise."

**Restless innovators.** The third legacy was the realization that the business world continuously evolves and that it is only by creating a culture of innovation that companies can maintain their position. Post-1945, corporate America had assumed that its position in the global economy was unassailable. As long as it re-



mained true to its homegrown business ways, it would stay out in front. Executives and observers were shocked by the speed with which Japanese competitors invaded the domestic market in the late 1970s. For a time, U.S. executives blamed the incursion on cheap labor, but then the penny dropped. Japanese companies, such as Honda and Toyota, built factories on American soil. They staffed them with U.S. workers, paid the same wages as U.S. companies—and still outperformed their U.S. rivals. Suddenly, the focus changed. *How the work was done* attracted the attention of researchers and executives who had previously been obsessed with numbers. Eyes were

opened to seek out innovative practices and learn from management practitioners who were doing the work. "If you want to find solutions to seemingly intractable problems, go to the front lines and find smart people actually solving the problems. There you will find innovative answers," says consultant and author Bruce Tulgan of Rainmaker Thinking, a New Haven, Conn.-based think tank.

Best practice was now sought out; benchmarking became fashionable. A host of articles and books have since developed from this formula of comparing companies, most notably James Collins and Jerry Porras' *Built to Last: Successful Habits of Visionary Companies*. "Getting these insights out of the business schools and onto popular bookshelves has done more than enlighten the broader public and make management thinking into sound bites and infotainment material," Tulgan says. "It has put pressure on management thinkers to push learning and discourse, and encouraged business leaders and managers to practice the most up-to-date techniques."

we can lose our humanity unless we actively cultivate and protect high touch. This has become a central issue in marketing."

**Kenichi Ohmae:** Entrepreneur, nuclear physicist, concert-standard flautist, and much more, Ohmae is a true Renaissance man. Ohmae was talking about the power of regions, the rise of the global consumer, and the true nature of globalization long before any other commentators. He introduced the Western world to the true nature of Japanese business

thinking. Based in Tokyo, the restless globalist's most recent book is *The Next Global Stage*.

**William Ouchi:** To Douglas McGregor's Theories X and Y, Ouchi added Theory Z in his 1981 book of the same title. In analyzing Japanese working methods, Ouchi found a different attitude to managing people with lifetime employment: a concern for employees including their social lives, decisions made by consensus, slow promotion, excellent transmittal of information from top

to bottom and bottom to top with the help of middle management, commitment to the firm, and high concern for quality. Ouchi holds the Sanford and Betty Sigoloff Chair in Corporate Renewal at UCLA's Anderson School of Management.

**Richard Pascale:** A sporadic producer but seminal thinker, Pascale's published output includes *The Art of Japanese Management*, *Managing on the Edge*, and *Surfing the Edge of Chaos*.

**Tom Peters:** At the height of the world's enthusiasm for *In Search of Excellence*, a U.S. business magazine wrote an article in which people were asked whom they would like to speak to for management advice. Tom Peters was first choice, Jesus Christ second. Emboldened by such recognition, Peters spread his wings. "The book gave me license," he says. James Champy observes: "Tom is very solid. Many of his ideas have crept into much of contemporary management thinking,"

The new restless culture was later given a theoretical underpinning by another business blockbuster—Peter Senge's book *The Fifth Discipline: The Art and Practice of the Learning Organization*. But by then, the notion that change was the only business constant had become ingrained in the managerial psyche.

## Modern Gurus

Whatever we may think of its early pioneers, the business-ideas market has moved on. Timothy Clark, professor of organizational behavior at the U.K.'s Durham Business School, has studied the phenomenon. "This [business-thinking] industry is similar to the movie or music industry," he says. "Its economic rationale is to produce ideas that are targeted at a mass audience. Members of this industry either thrive or falter by how successful they are in launching popular ideas."

A magpie science, management draws inspiration from a broad range of subjects—economics, psychology, biology, chaos theory. Today's obscure model in a dry academic publication is tomorrow's snappy guru presentation. There is also a trend for management trends to come and go more quickly.

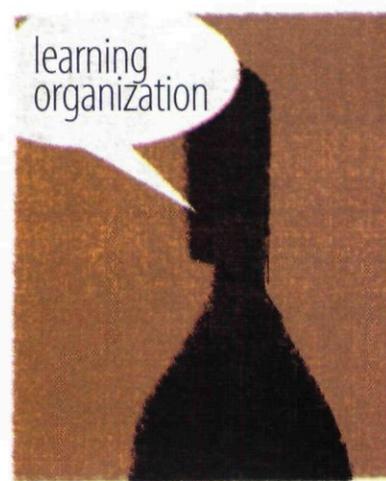
"Ideas are circulating faster," Clark says, "with the consequence that the lifespans of recent management fashions are considerably shorter than those for ideas which came to prominence in earlier periods; their peaks are much higher." Research confirms this. A recent academic study found that the period of time between the introduction of a fashionable management idea or technique and the peak in its popularity has fallen from a mean average of 14.8 years in the 1950s through the 1970s, to 7.5 years in the 1980s and to 2.6 years in the 1990s.

Some ideas, however, have more staying power than others. The big idea of recent times is shareholder value. But it's hardly new. Interest in the concept was initially

ignited by the work of American accounting professors. Among them was Alfred Rappaport's 1986 book *Creating Shareholder Value for Business: The New Standard for Business Performance*. Rappaport, a professor at Northwestern University's Kellogg Graduate School of Management, asserted that traditional means of assessing corporate performance, such as price-to-earnings ratios and earnings per share, were inadequate. All corporate performance, Rappaport argued, should be judged on the economic returns generated for shareholders—measured by discounting forecasted cash flows by the cost of capital. "Cash is a fact, profit is an opinion."

The notion that shareholder value provided a more accurate measure of economic performance quickly took hold. Recognizing the opportunity, consulting firms developed their own variations on the theme. Yet despite an array of confusing acronyms and complicated metrics over the years, the basic concept remains much the same: Creating shareholder value is about maximizing the return for shareholders.

And take reengineering (or business-process reengineering, as it was also known), championed by James Champy, co-founder of the consulting firm CSC Index, and Michael Hammer, a former computer-science professor at MIT. For a time, it seemed that the entire corporate world was divided between companies that had embarked on reengineering programs and those that were just about to. Champy and Hammer's 1993 best-seller *Reengineering the Corporation: A Manifesto for Business Revolution* produced a wave of reengineering



And Philip Kotler cites Peters as an influence "for continuously provoking us to think and practice excellence."

**Michael Porter:** "His reach is huge, taking on problem after problem," says Kathryn Rudie Harrigan. Porter now consults to nations rather than companies—his report on the United Kingdom's competitiveness instigated a flurry of government action—and is currently wrestling with one of the most intractable problems of all: health care, which is

the subject of his just-published book *Redefining Health Care*.

**Peter Senge:** Senge brought the concept of the learning organization to a mass audience. He argued that vision, purpose, alignment, and systems thinking are essential for organizations. In *The Fifth Discipline*, Senge gave managers tools and conceptual archetypes to help them understand the structures and dynamics underlying their organizations' problems. True learning organizations, alas, remain thin on the ground, though Senge,

from his post at MIT, keeps trying.

**Alvin Toffler:** Toffler's first high-impact work was the 1970 book *Future Shock*, in which he argued that businesses would have to restructure themselves repeatedly and reduce hierarchy. "This sounded sensational to many readers," Toffler later reflected. It also sounded laughable to many others. At a time of security and arrogance, Toffler preached insecurity and humility. Still a prominent futurist, he has been ahead of the curve ever since. Toffler was

contemplating the impact of technology and knowledge long before the Internet—witness *The Third Wave* (1980), in which he had to explain to readers what a word processor was.

**Robert Waterman:** Waterman's post-*Excellence* career has included *Adhocracy* (1993) and *What America Does Right: Learning From Companies That Put People First* (1994). These days, he prefers spending time with his watercolors to spending it with drab corporates.

—S.C. and D.D.

programs, many consultancies, and a deluge of books promoting alternative approaches to reengineering. Thanks to reengineering's popularity, CSC became one of the world's largest consulting firms. But go back further and you realize that reengineering simply followed hard on the heels of empowerment, best-practice benchmarking, and the catch-all for Japanese management practices, Total Quality Management.

### Is Anything Really New?

Today, a new acronym is the height of fashion—CSR, for corporate social responsibility. Corporate governance, too, is uppermost on boardroom agendas—if not always in corporate minds—and consulting firms are keen to board both the CSR and corporate-governance bandwagons. The fact that both have been around for years is no obstacle to them becoming repackaged as current fads. The harsh truth is that most management ideas are far from original. Most great ideas have already been discovered, they are just continually rediscovered and restated in a new way. For instance, expect to see shareholder value re-presented as stakeholder value in the near future.

So why do companies crave new, or repackaged, ideas? In part, it is simply a response to a changing business world: The old management drugs don't seem to work anymore. "The audience of managers have lost faith in many taken-for-granted recipes for success," says Timothy Clark. "In part, this relates to perceptions about increased competition in their own industries and markets, and globalization. Detached from the reassurance of the tried-and-tested, they cast about for ideas which they hope will increase their competitive success and performance."

But do the big ideas serve any useful purpose? Do they actually *work*? A cynical view is that many companies use management fads as little more than a way to administer an electric shock to the organization: The big idea itself is less important than stirring up the corporate pot. New fashions undoubtedly shake managers and organizations out of complacency; they get them to question the taken-for-granted; they help organizations to update their thinking and modernize their operations and structures. Yet whether they actually impact positively on performance is difficult to say. More commonly, these ideas fail to become embedded as organizations too quickly move onto the next idea and solution. In the end, initiative fatigue and disillusionment set in as idea after idea fails to live up to its boundless promise.

Some people even argue that there are only two management ideas in the world, identified and explored by MIT professor Douglas McGregor in *The Human Side of Enterprise* (1960). His work addressed the central dichotomy of management: whether workers are

## How the West Was Run

To everyone's surprise, *In Search of Excellence: Lessons From America's Best-Run Companies* became a massive international best-seller. When it appeared in the fall of 1982, it created a new publishing genre—the business blockbuster. Yet the early signs for the book had not augured well.

Authors Tom Peters and Robert Waterman initially produced a 1,300-page manuscript called *The Secrets of Excellence* that distilled their extensive research into common characteristics of "excellent" companies. Unfortunately, as Waterman recalls: "The first manuscript was terrible. We had no idea how hard it would be to write a book." Meanwhile, the eager first-time authors had distributed fifteen thousand copies of their draft to interested parties. This, their publishers reckoned, was likely to be substantially more copies than would actually be sold.

Then, in December 1981, Peters left McKinsey and, sidelined by a car accident, set to work revising the manuscript. "We went through twenty-five different drafts. It was a tough process, but it got better and better," he remembers. In the spring of 1982, he and Waterman delivered a 360-page manuscript to Harper & Row, which published it later that year.

Far from cannibalizing its own market, the pre-publication distribution of thousands of copies turned out to be a stroke of viral marketing genius. Corporate America was hungry for encouragement, and Peters and Waterman offered an upbeat spin on grim business conditions.

"I first read Peters and Waterman when I came to the airline SAS to take responsibility for improving service," recalls Swedish executive Jan Lapidoth. "The CEO, Jan Carlzon, like most of the CEOs I have met, didn't read business books. Period. They trust their networks to provide inspiration and verification of their own ideas. I reported to Jan that what he was doing at SAS was well documented in *In Search of Excellence*. The book became testimony to our own strategies."  
—S.C. and D.D.

self-motivating individuals or fundamentally lazy and require constant policing. These two positions he characterized as Theory Y and Theory X, respectively—the carrot and the stick.

There is a view that the pendulum simply swings between these two basic theories—and everything else is just window dressing. Yet there is more to management ideas than just their individual impact. There is a cumulative effect. The biggest legacy of the ferment of thinking in the 1980s was not the particular tools and techniques that emerged, or the thinkers who became star consultants. The ideas had their greatest influence by subtly altering how managers thought about the world—about human potential, about a global language of business, and about constantly seeking a better way to work. These are the lessons that endure. ♦

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