RETHINKING MANAGEMENT

Confronting the Roots and Consequences of Current Theory and Practice

NEIL DOUGLAS
TERRY WYKOWSKI

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Neil Douglas • Terry Wykowski

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Neil Douglas
Oxford Consulting Group
Houston, Texas, USA

Terry Wykowski
Oxford Consulting Group
Houston, Texas, USA

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This book is dedicated to our clients who have the insight and courage to learn, create and manage organizations and cultures, achieving their potential and serving the common good. It is an honor and privilege to work with you!

Preface and Acknowledgments

Some organizations are well managed and accomplish great things, some organizations succeed in spite of the artless quality of their management, some organizations muddle along sub-optimally and some simply fail. There is a dominant management paradigm that lies in the midst of a chain of circumstances or layers of influence that often brings about less than adept management behavior and, too frequently, organizational dysfunction and failure. The taken for granted unity of thought regarding management expressed as a paradigm, rooted in a core set of assumptions, has evolved over a hundred years or more. It has developed within the context of business but has become something like orthodoxy, finding its way into all kinds of organizations, including hospitals, educational institutions, foundations and governments. We believe that rethinking the concept and practice of management is long overdue, given our better-developed understanding of the realities of human nature, society and economic life and, with notable exceptions, the general underachievement of organizations in serving the common good and realizing their potential.

Thomas Kuhn, the renowned philosopher of science, first described the concept of *paradigm* and argued that mere disconfirmation or challenge never dislodges a dominant paradigm; only a better alternative does. In addition to challenging the existing paradigm, therefore, we propose an alternative as a result of this rethinking, bearing in mind that change in human behavior occurs by becoming conscious of underlying beliefs and their roots, confronting the validity of these foundations and seeking to replace them with more accurate conceptions of reality. The changed paradigm would lead to conceiving organizations as wholes instead of assemblies of disembodied fragments, with managers as facilitators of the work of others and shapers of culture, away from hubris and the illusion of control, with a clear sense of purpose and a moral compass. This conception of management does not bring to mind the romantic notion of the all-powerful and indispensable leader. What emerges, however, is something more complicated, more interesting and more relevant.

Our aim in this book is to make the case for a different way of conceiving and practicing management and, in the process, to lift the management bar across the board. It should be noted that the topics of management and leadership are not differentiated in this book, based on the premise that the distinction between them is a false one that brings about needless confusion. Deeply held assumptions and beliefs about human nature and the reality of organization and economic life have a causative relationship with respect to theories of management, patterns of management education and practice. The heart of our approach, therefore, is to identify and assess the roots and assumptions of the current management paradigm and to propose a set of more relevant roots and consequential beliefs. This different, and arguably more accurate, set of formative roots, beliefs and assumptions about the reality of human nature and economic life may, when coupled with certain existing assumptions, be causatively tied to better theories, better education, better practice and better organizational outcomes.

In general, the effect of the reassessment and reformulation of roots, beliefs and assumptions is a more positive interpretation of human nature and the expression of this is a more optimistic conception in a management paradigm. It may be easier to make this case in a theoretical sense than in a context shaped by a wide range of experiences in many different human settings. Observation of human behavior can, at times, lead to pessimism about human nature rather than the opposite. However, beyond the logic of the theoretical underpinnings and based on our experience, there are more than enough examples of real and widespread human activity driven by doing the right things for the right reasons to justify a more optimistic view. This view is further supported when taking account of the self-fulfilling prophecy associated with the current, dominant, relatively dark assumptions about human nature: "if you expect me to behave badly and treat me as if I will behave badly, I very well may behave as you expect."

Our first two books addressed the role of learning as an essential element of effective management. The first, *Beyond Reductionism: Gateways for*

Learning and Change challenges seductive yet simplistic and reductionist approaches to learning and change in organizations. The book is about strategies for overcoming the dynamics of systemic and cultural constraints and creating the foundations for learning where learning is perceived as the basis and the consequence of change. The second book, *From Belief to Knowledge: Achieving and Sustaining an Adaptive Culture in Organizations* continues the theme of organizational learning at a deeper level. It looks to the growth of knowledge as the logical outcome of learning, the result of able and purposeful human interaction and a positive attribute of culture. While this and the earlier book are centered on the role of learning as an essential element of effective management, the third book, *Rethinking Management*, is more broadly focused on management. This third book skirts nothing, while continuing to emphasize learning, and goes straight to the heart of management by undertaking a critical assessment of current theory and practice. It has been said that critical thinking without hope is cynicism and that hope without critical thinking is naiveté. It could be said that critical thinking *with* hope is tempered or rational optimism, which fairly describes our essential premise.

Given that the aim of this book may be seen as audacious, it is with humility that we offer it, having cast a wide net to capture insights and inspiration from diverse sources, including our own experience. We are deeply indebted to the thought and work of contemporary theorists and thinkers as well as those from the past, especially including Sumantra Ghoshal, Henry Mintzberg, Edward O. Wilson, Peter Richerson, Robert Boyd, Donald Campbell, Pierre Teilhard de Chardin, David Sloan Wilson, Herbert Gintis, Joseph Henrich, J.W. Stoelhorst, Thomas Piketty, D.D. Raphael, Lauri Koskela, Mike Kagioglou, John Hassard, Emman Downay, Richard Thaler, D. Kahneman, Michael Sandel, Richard Rorty, Eric Beinhocker, Gibson Burrell, Gareth Morgan, N. Nohria, Thomas R. Smith, Thomas Kuhn and Aaron Hurst. We have been enriched, stimulated and inspired by our ongoing relationship with colleagues and friends at the University of Oxford, its alumni association and, specifically, Pembroke College. We are grateful for the efforts and support of Stacy Noto, our Acquisitions Editor and her editorial and production colleagues at Palgrave Macmillan and Springer including Marcus Ballenger, S. MaryShiny, Kavitha Samson and Dana De Siena. We appreciate the help of John Skiffington with some of our figures and images and, as always, the challenge, encouragement and support of our families, friends and colleagues.

Endorsements

This ambitious book sets out to challenge the dominant model of management that has evolved over the past century and makes a cogent case for a new paradigm of management, embracing new principles to guide a more purposeful, innovative and empowering organizational environment to meet the challenges of the twenty-first century. Drawing widely on management theory and practice, as well as foundational disciplines, the authors create a new framework for action that will inspire all who seek to lead or be a part of a transformed, more human and ethical endeavor—an organization capable of realising the potential of individuals and being adaptive, innovative, fit for purpose and high-performing. A thought-provoking must-read for management teachers and practitioners alike.

Dame Lynne Brindley
Master, Pembroke College, University of Oxford
Former Chief Executive, British Library

In *Rethinking Management*, Douglas and Wykowski have wisely focused their analysis on the key roles managers play in organizational life and indeed in society as a whole. They specifically link management to "the degree of competence expressed in an organization's actions." Furthermore, they identify the current management paradigm itself as the likely source of dysfunction. Examples given include the failure to grasp the whole of organizational reality, and the illusion of control, when thinking that management exists for itself, rather than to facilitate the purposeful work of others. It is most rewarding, then, to read their concept of an alternative paradigm, based on human social behavior, where the management's central role is that of facilitation and the orientation toward the common good in groups. This translates into management that "seeks to provide the environment, the resources, and the collaborative spirit for others to succeed." Equally critical to the success of managers is the expression of humility and the application of ethical standards, instead of the emphasis on possessing power and the selfishness such power tends to engender. This new paradigm envisages that managers would provide a working context for collaboration and the potential to motivate people to high levels of achievement.

Raymond Sawaya, MD
Professor and Chairman
Department of Neurosurgery
University of Texas MD Anderson Cancer Center

I am not an expert in management theory and I have not attended a single lecture at a business school, but I have some experience of managing things. I also—like all of us—observe management practice in the vast range of institutions and organizations with which we interact daily. I am, therefore, interested and intrigued by Douglas and Wykowski's suggestion that a dominant paradigm, taught widely at business schools, may contribute to the rather high level of organizational dysfunction and underachievement to which we are all subject.

The authors clearly describe their interpretation of the current orthodoxy and then propose a case for a new way of thinking about management practice. Their argument is compelling and I'd recommend it to all managers—at any level of any sized organization; read it and think about it. I am particularly taken by their proposal that the central function of good management is facilitation—seeking to provide the environment, resources and collaborative atmosphere for others to succeed. That certainly resonates with my own experience, and I find it a more intelligent and powerful approach than the often-portrayed manager as all-powerful driver.

Overall, this book deserves to be read widely and to be thought about carefully. If it is the case that poor management practice, and a damaging prevailing dogma, underlies many of the ills of day-to-day life, it follows that a radical rethink could have quite profound benefits for us all.

Professor Matthew Freeman, FRS
Professor of Pathology and Head of the Dunn School of Pathology
University of Oxford

Most managers laugh about the continued incompetence of the pointy-haired boss in the popular Dilbert cartoons, never imagining that their own employees might see some resemblance to their own organization and the behavior of their 'boss'. In Part One of *Rethinking Management*, Douglas and Wykowski reground the reader in the pivotal role management plays in organizational dysfunction, providing failure classifications that allow the reader to label what is broken and detail the *why* of the pervasive management paradigm in our culture. Part Two gets into the heavy lifting as the authors put forward an alternative management paradigm, resetting our expectations of what 'management' means as well as the manager's revised role in the organization. For managers ready to take on the challenge, Douglas and Wykowski set a framework in place that allows managers to identify the shortcomings of their organizations, conceive a different path for the future and, most importantly, provide the tools for lifting the performance of their organizations.

Margaret Weddle
Vice President
Shell Oil Company

Reading *Rethinking Management: Confronting the Roots and Consequences of Current Theory and Practice* made me reflect on Dodgson and the nature of organizational life. In 1872, Charles Lutwidge Dodgson (aka Lewis Carroll), a mathematician from Christ Church College, Oxford, revealed a concept which was true then and is true now. The Red Queen, the antagonist, told Alice, the agonist, you have to run just to stay in the same place. The Red Queen's further observation is even more pertinent: if you want to get somewhere else, you must run at least twice as fast as that!

The book, a brilliant piece of narrative that makes a compelling case for change, will find its way into the archives of the annals of management, along with the works of Henri Fayol (1945) and Peter Drucker (1954). The authors, Douglas and Wykowski, take a broader look at the current business environment and seek to recognize and describe the problems so that managers and, through them, their organizations can react sensibly to a rapidly changing world. If you are, as I am, working under the influence of the "Jack Welch school of management," where the manager is beheld as an all-powerful and indispensable leader, then you will find this book riveting and thought-provoking. The authors, while acknowledging a degree of appeal in the old conceptions, masterfully present their case for a paradigm shift in thinking. Simply put, the authors believe that motivation exists in almost all employees and that the manager's primary role is to elicit and release it. The book, in its distinctive blend of narrative that makes the case for change and criticism of outdated assumptions, offers a touchingly humane insight into its brilliant authors. I absolutely would recommend this book as a source of reference for all aspiring millennial managers.

Michael Thambynayagam, PhD
Director of Technology and Senior Advisor, Schlumberger
Former Managing Director of Schlumberger Gould Research

In their latest book, Neil Douglas and Terry Wykowski provide a compelling analysis of the factors and forces that lead to management failure. The roots of dysfunction are varied but benefit from clinical dissection to identify common and repeated themes. A different and improved approach—a new paradigm—is proposed based upon behavioral theory and more clearly defined management purpose. All interested in the theory of leadership and improved management will find this analysis fascinating and useful.

Andrew Hamilton
President
New York University

I learned a great deal about the anthropology of management through Douglas and Wykowski's new book, *Rethinking Management.* It was intriguing to see culture, symbols, language and patterns of behavior expressed in the two management paradigms presented. The arguments for a new paradigm were compelling and soundly based on research in multiple disciplines and pulled together brilliantly!

David Julian Hodges, PhD
Professor of Anthropology
Hunter College
City University of New York

Rethinking Management: Confronting the Roots and Consequences of Current Theory and Practice explores the cultural undercurrents and entrenched practices which contribute to mediocrity and dysfunction within modern organizations. In confronting these failures the book presents an alternative paradigm, which encourages radical change in corporate structure and thinking, and replaces the outdated model of an omnipotent management and an acquiescent workforce. The authors have forensically dissected conventional management structure (theory and practice) to expose its weaknesses and flaws and then used their considerable expertise to construct a model which is at the same time more effective, flexible and better suited to modern challenges.

Marc Bullock, MD, PhD
Southampton University Hospital, NHS Trust
Fulbright Fellow in Cancer Research

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PART I

The Roots and Consequences of Organizational and Management Dysfunction

Virtually all of the goods and services we require for living in the modern world are produced and delivered by and through organizations of one kind or another. We assume that the organizations that touch our lives will meet our needs and wants. In fact, in spite of conspicuous successes, in far too many cases, organizations either clearly do not meet the needs of people or do so in a marginal and less than satisfying way. In a general sense, such organizations, ranging from corporations that make things and provide services to healthcare, educational and social service institutions to governments at all levels to media conglomerates are not advancing the well-being or the state of material, physical and psychic health of our societies. Irrespective of the causes, the state of dysfunction is illustrated by a largely indisputable set of circumstances.

The potential exists for seriously negative, apparently unintended consequences for all of us associated with the behavior of a spectrum of diverse types yet loosely connected organizations. The wealth gap between America's very rich and everyone else has reached record high levels with a clear trajectory of increasing wealth for upper-income families and no wealth growth for middle- and lower-income families. According to a recent Pew Research Center report, while most American families remain financially stuck, upper-income families have seen their median wealth double from 1983 to 2013 [1]. As reported by Thomas Piketty in his book *Capital in the Twenty-first Century*, "Inequality reached its lowest ebb in the United States between 1950 and 1980." "Since 1980, however, income inequality has exploded. The upper 10 percent's share increased from 30 to 35 percent of national income in the 1970s to 45–50 percent in the 2000s." "If the growing concentration of income from labor that has been observed in the United States over the last few decades were to continue, the bottom 50 percent could earn just half as much in total compensation as the top 10 percent by 2030." "The top 10 percent could therefore use a small portion of their income to hire many of the bottom 50 percent as domestic servants" [2].

This circumstance threatens the cultural expectation of upward mobility, broadly based prosperity as the propellant of overall economic health and the solidarity of democratic citizenship. Widely accepted explanations of wage stagnation create the sense that we are powerless to do anything about it. A critique of these explanations in *The Nation* magazine argues that wage growth is largely a matter of how our productive enterprises are organized. "Over the past thirty-five years, a 'shareholder revolution' has re-engineered our companies in order to channel wealth toward the top, especially corporate executives and shareholders, rather than toward innovation, investments and workers' wages." As the economist J.W. Mason recently noted, companies used to borrow to invest; now they borrow to give money to stockholders. Meanwhile, innovations in corporate structures have shifted the risk down, toward workers, even as profits rise. As a result, the basic productive building blocks of our economy are inequality-generating machines [3].

The effects of inequality extend to circumstances as basic and profound as variation in life expectancy among various communities within the USA. The measure of a nation's health is life expectancy. The USA has done worse than other wealthy countries at improving health for working-age adults while it has performed about the same in reducing mortality at ages over 65, according to Stanford University research published in the journal *Demography*. These contrasting trends have made the USA a strikingly unequal society in the ages at which people die. Using data from 37 countries from the Human Mortality Database, the researchers examined mortality and longevity trends between 1947 and 2007. "They found that in the USA, inequality in age at death has not fallen since 1950, although life expectancy has risen." "The research shows a higher death rate among young males in the United States, the lead author pointed out. Mortality is associated with education, income, social support, lifestyle, disease and living conditions. And so, the problem with young American males is rooted in a lack of universal access to health care, he said" [4].

The USA has some of the best and most respected universities in the world and at least some of our schools prepare students to succeed in those universities and in their subsequent careers and lives. There are indications, however, that American education is failing large segments of the population as well as society at large. From the Opinion Pages of the *New York Times* at the end of 2013, the Editorial Board wrote: "The American workforce has some of the weakest mathematical and problem-solving skills in the developed world. In a recent survey by the Organization for Economic Cooperation and Development, a global policy organization, adults in the United States scored far below average and better than only two of 12 other developed comparison countries, Italy and Spain. Worse still, the United States is losing ground in worker training to countries in Europe and Asia whose schools are not just superior to ours but getting steadily better." We participate in an economy, which creates demand for skills for which we don't produce an adequate supply and limited demand for the qualifications we do produce. "Millions of laid off American factory workers were the first to realize that they were competing against job seekers around the globe with comparable skills but far smaller paychecks. But a similar fate also awaits workers who aspire to high-skilled, high-paying jobs in engineering and technical fields unless this country learns to prepare them to compete for the challenging work that the new global economy requires" [5].

At another level with a different set of problem-laced dynamics, the *U.S. News and World Report* magazine describes how nearly 90 percent of 2012 graduates of for-profit colleges had student loans with the average debt among those who borrowed reaching nearly $40,000. This debt is both a personal and a societal burden. "We're paying greater attention to for-profit colleges because investigations are turning up worrying borrowing levels, debt levels, default levels and poor outcomes in general." The article argues that for-profit colleges can look like predatory debt mills that favor a corporate bottom line over students' success. "Here's what you should know about for-profit colleges and student debt. For-profits are expensive. For-profit graduates struggle to find employment. For-profit borrowers default at a higher rate" [6].

The combination of safe drinking water and hygienic sanitation facilities is a precondition for success in the fight against poverty and hunger. The World Health Organization reports that about 2.6 billion people, half the developing world, lack even a simple "improved latrine" and 1.1 billion people have no access to any type of improved source of drinking water. As a result, 1.6 million people die every year of diarrheal diseases attributable to lack of safe drinking water and basic sanitation [7]. In spite of the breathtaking speed of development in incremental and frequently insignificant technological undertakings, paradigm breaking and revolutionary progress are painfully slow in the great challenges such as climate change, cures for cancer and other diseases, addressing the basic requirements for healthy living to millions of people in the third world and how to live sustainably on the planet. These and many other circumstances persist in spite of what are perceived to be high levels of education in the developed world and democratically elected governments presumed to be accountable to the people. Beyond how organizations fail people on a grand scale, everyday failure results in jobs not created, economic gains not realized, opportunities for innovation lost, service quality improvements lost, quality of life improvements not achieved, human potential wasted or underutilized.

Several interconnecting factors underlie the state of organizations failing people, including ideology, corruption, technology and how organizations are led or managed. Ideology refers to a systematic body of assumptions or beliefs characteristic of a specific group, in this case to the collective belief in some organizations, that the idea of *organizations failing people* is irrelevant. These organizations exist, virtuously with almost religious zeal in the collective minds of their members, only for the creation of wealth for their principals and shareholders. Corruption is present whenever unjust, unfair, exploitative and sometimes illegal practices are undertaken for the purpose of producing gains for a few at the expense of the many. Regularized or legalized corruption may occur when power and influence are used to alter environments or markets in favor of the narrow interests of organizations or even individuals. In a democratic society, corruption seems to be the right word to identify the systemic manipulation of large segments of the population to support acts that produce consequences detrimental to their own interests. Technology can be applied responsibly or not, for real or contrived efficiency. Technology can be an element in an organization's effectiveness and essential worth or it can be a barrier to meeting the needs of people through mindless application of automation because it is cheap and easy. For example, a seemingly trivial aspect of how companies relate to their customers pertains to the way telephone robotics is used to transfer corporate costs to customers. The apparent insignificance of this practice notwithstanding, the result is uncountable hours of frustration and loss of personal productivity. Of these potentially undermining factors, management is arguably the most significant because it influences the others by either restraining the effects of the undermining factors or facilitating steps to overcome them and because it is directly related to the degree of competence expressed in an organization's actions. Further, as the practice of management has the potential to undermine organizations, it has the potential to weaken our societies as well. Management, broadly speaking, is the subject matter of this book. The aims of Part I are as follows:

- To examine the dimensions and consequences of organizational and management dysfunction
- To identify and describe the classes and implications of management failure
- To explore how the practice of management and the models of management education have evolved in a manner inconsistent with the reality of human nature and economic life
- To survey the roots, that is, the assumptions regarding human nature and economic life, underlying current dominant patterns of management practice and education and to identify the elements of the current dominant paradigm.

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CHAPTER 1

The Role of Management in Organizational Dysfunction

Anticipatory Summary

- Based on the argument that organizational dysfunction in meeting the needs of people exists, attention is called to the role of management in this dysfunction and the dominant, if somewhat less than universal, taken for granted unity of thought expressed as a management paradigm.
- Within the context of a challenge to the relevance and efficacy of this paradigm, examples of well-managed organizations and endeavors are explored as exceptions to the general state of management dysfunction and underachievement.
- The consequences of management dysfunction are surveyed in terms of long-term trends in key indicators of operational and economic health in many organizations and in specific industry examples including healthcare, energy, pharmaceuticals, manufacturing, financial services and the media.
- The proposed source of dysfunction is the well-established management paradigm itself, which has evolved over decades and is deeply rooted in a set of less than completely valid assumptions.

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"I'd like my life back." Following a perfunctory apology, this was the response of BP's Chief Executive to questions about the explosion and sinking of BP's Deep Water Horizon drilling platform [1]. Described as the USA's greatest environmental disaster and by investigators as completely preventable, this incident killed 11 employees and produced unprecedented damage to the Gulf of Mexico, beaches, coastal wetlands and communities and wildlife. Apparently upset by the inconvenience, this out-of-touch and insensitive comment, along with a string of others, reflect a management and culture with no apparent sense of purpose other than financial performance and self-interest and an astonishing ethical blindness. Unfortunately, this attitude is not as out of the ordinary as we might hope. There is a school of management thought that sees organizations as black boxes and sees management's interest as centered on the financial implications of the black box's inputs and outputs. What happens inside the box is not worthy of a great deal of senior management's attention and energy.

It is our belief that this mindset is a natural consequence of how management is conceived. While this is not a universal conception of management, we argue that there is a dominant, taken for granted, unity of thought regarding management expressed as a paradigm, rooted in a core set of assumptions, that has evolved over a hundred years or more. It has developed within the context of business but has become something like orthodoxy finding its way into all kinds of organizations, including hospitals, educational institutions and governments. We believe that rethinking the concept and practice of management is long overdue, given our better-developed understanding of the realities of human nature, society and economic life and, with notable exceptions, the general underachievement of organizations in serving the common good and realizing their potential. Thomas Kuhn first described the concept of *paradigm* and argued that mere disconfirmation or challenge never dislodges a dominant paradigm; only a better alternative does. In Part 2 of this book, therefore, with great humility, we propose an alternative paradigm of management developed as a result of this rethinking.

There are prominent exceptions to what we see as a general state of management underachievement. There are examples of well-managed organizations and endeavors that achieve great things and deliver high-quality goods and services reliably and sustainably over long periods of time. Such performance often seems to have been achieved in spite of conventional management wisdom. NASA's Apollo program is recognized as a clear management success reflecting collaboration between public and private entities with scientific, engineering and human dimensions. The project to sequence the human genome across multiple organizations over a considerable period of time is an example of successful coordination and achievement. A profound example of the application of management expertise is how manufacturing in the USA became mobilized, and how individual organizations reinvented themselves and were collectively able to produce the armaments for America and its allies to defeat fascism in World War II. This happened in what seems to be an impossibly short period of time and represented extraordinary accomplishment of collaboration, planning, supply of materials, production and delivery. The overall management of some social movements, most notably, the Civil Rights Movement through the middle years of the twentieth century, can only be regarded as highly successful. Some technology companies such as Apple, Google, Oracle and Microsoft are often cited as examples of organizations with very effective managers. Among our client companies, an energy company with a broad set of outcome goals pertaining to growth and earnings also held environmental sustainability to be a goal. This company did not ignore its goal of sustainability and undertook efforts to achieve results in sustainable operations consistent with its other purely business-oriented performance goals. We have encountered highly effective managers of clinical and research projects and departments, who were able to organize, inspire and bring about exceptional accomplishments in spite of a lack of support from their larger institutions.

A great deal has been written about management success. In 1982, the book *In Search of Excellence: Lessons from America's Best Run Companies*, generally regarded as one of the most influential business books of all time, identified 16 "best run companies" [2]. Thirty-three years later, of the 16 organizations, 5 no longer exist and 5 are greatly diminished. Of the remaining 6 companies, IBM is the clear example of skillful and effective management over a period of more than 100 years. The company has reinvented itself a number of times, always sustaining its core purpose of being the "gold standard in enterprise computing and IT," in the words of its current CEO, irrespective of the state of technology and the trends at any point in its history. IBM learned and adapted, always focusing on solutions for organizations. It is interesting to consider the list of IBM's competitors in computing that no longer exist. These include Burroughs, Amdahl, Control Data, Data General, Digital Equipment, Scientific Data Systems, Wang, Honeywell and Sperry-Univac. Rather than learning and reinventing themselves, when these companies experienced difficulties, they seem to have doubled down on their existing technologies, reduced costs, clung to their existing business models and disappeared. The common denominators among the examples of successful management are fairly easy to discern: a clear and consistent purpose expressed in terms that matter to customers, employees and other constituents, an ability to adapt to changing circumstances and evolving opportunities, with the capacity to access human potential within an essentially moral or ethical context.

Forms, types and sizes vary but virtually all organizations share the trait of having been organized for purposeful behavior and they at least claim to have come into being and to carry on to meet the needs and desires of people. Business organizations have an elementary motive of profit not only with capital providers perceived to be the essential stakeholders but also with other constituencies having a vital stake in their operations and survival as well. These organizations provide products and commercial services and occupy a central role in our economies and societies. Other types of organizations do not operate with profit for shareholders as a part of their primary purpose, although they seek to maintain a positive financial position to support their existence and growth over time. Organizations such as these are also central to our societies and include healthcare providers, social service agencies, schools and other educational institutions, foundations and governments and related services.

Given our collective reliance on organizations, in an ideal world companies and institutions would come into being and function to have some positive impact on the *common good*. Although our world is clearly less than ideal, with few exceptions, by some definition and to some degree, all organizations have a connection with the common good, if only at the level of doing no harm. Even the most profit-oriented commercial organizations that seek to provide something useful and beneficial to some group of people have an obligation to support a healthy *commons* if for no reason other than their own long-term interests. There are highly profitable companies, for example, that rely on high levels of consumption fueled by wide product choices at very low prices. These companies shift production to parts of the world where labor costs are low to support their ability to pursue their business models by providing products to consumers at prices that will produce desired levels of demand. It could be argued, however, that such strategies will ultimately be self-defeating, at least in a macro sense, because of damage to the commons due to the loss of domestic jobs, driving lower levels of consumption and, therefore, lower levels of revenue and profit for these organizations. It follows that almost all organizations have some inherent purpose that transcends financial performance and profit, as unclear as that purpose may be for some organizations. To the extent that organizational behavior aligns with such purpose, organizations can be said to behave purposefully. We may be reminded that there are financially successful organizations whose purpose is nothing other than creating wealth for their owners. These exceptions seem to define those organizations that exist solely to produce wealth from speculation and gaming within the context of market dynamics. In the world of organized purposeful work, these entities are aberrations; they exist beyond the logic of organizing for purposeful behavior and are, therefore, beyond the scope of this writing.

To have a useful and sustained existence, organizations must deal with matters such as what and how much of it to produce or provide service for; division, structure and coordination of skills and labor; application of tools and technology; execution of work consistent with temporal demands; responsible use of resources; application of authority and discipline; recruitment of people; and compensation. Management as a concept and as a practice has become the point of focus for these and other functions and tasks. We have suggested that rethinking the concept and practice of management is long overdue, given our enriched and better-developed understanding of the relevant realities of human nature, society and economic life. Our critique of management in this book is not to suggest that the classical functions of management identified above are wrong or irrelevant but rather to suggest that this set of functions is incomplete. And more significantly, to focus our critique on *how* these functions are carried out, underpinned by current theory, and the *consequences* of existing practice.

Irrespective of the degree to which organizations have a relevant purpose and are achieving it, there seems to be considerable pride among many managers and a generally non-critical attitude regarding how their organizations serve their sets of constituents and achieve their potential. Great universities train managers who tend to be compensated very well, which provides the evidence for the assertion that how we practice management is just fine, thank you very much. Notable successes and the self-satisfaction of some managers notwithstanding, examples of organizational dysfunction and attendant management dysfunction seem to clearly outnumber successes, which leads us to conclude that there is something wrong with how we conceive and practice management.

Management dysfunction exists and this dysfunction has consequences. The practice of management has evolved inconsistently with the *reality* of organizations, their environments and their constituencies. We will argue, in other words, that management as a concept and practice has developed based on a flawed and incomplete set of assumptions and beliefs. These deeply held assumptions about human nature and the reality of organization and economic life have given rise to flawed theories of management, patterns of management education and, ultimately, to management practice and dysfunction. Alternative and, arguably, more accurate assumptions about the reality of human nature and economic life exist and, when coupled with certain currently dominant assumptions, may be causally tied to better theories, better education, better practice and better organizational outcomes.

The Consequences of Management Dysfunction

From the point of view of business performance, "asset profitability or return on assets has shown a downward trend over the past four decades; a trend illustrating a steady decline in firm performance that not many have even noticed much less investigated. Indeed, there continues to be a profound cognitive dissonance around this point: on one hand, we all acknowledge experiencing increasing stress as performance pressures mount, on the other hand, we seem unwilling to accept that all of our efforts continue to produce deteriorating results." We contend that the long-term decline in performance is the result of firms' slow and ineffective response to change. This gloomy assessment is from a comprehensive study of 20,000 US firms by Deloitte, the international consultancy, initially produced in 2009 and updated in 2011 and 2013 [3]. Referring to this study in a contribution to Forbes magazine in 2012, "Something has gone terribly wrong with the U.S. private sector—the supposed engine of economic growth and the supposed creators of jobs. When the best firms have rates of return on assets or on invested capital of, on average, just over one percent, we have a management catastrophe on our hands" [4]. The Deloitte study concludes that declining performance in asset profitability is largely the result of the failure of organizations to adapt. The failure to adapt is at least a consequence of the combination of flawed conceptions of reality and extreme self-assurance. These states are expressed as a tendency to simply reduce costs as a way out of trouble rather than seeking to innovate and reinvent themselves, coupled with the inability to connect workforce passion with an organization's reason to exist.

At the level of individual organizations, there are many well-known examples of market-leading firms that lost perspective, became the victims of inertia and became non-competitive and disappeared; they failed to learn, adapt and survive. These organizations misperceived game-changing transformations in industry after industry, including computing (where the transformations were from mainframes to mini-computers to personal computers to tablets), in telephony (from landlines to mobile phones to smart phones), in photography (from film to digital), in media organizations and stock markets and so on. At the macro level, market-, economy- and society-wide factors negatively affect the behavior and performance of many organizations of all types across industry boundaries. These factors include the myopia associated with extreme short-term thinking, the herd-like dynamics that produce unsustainable bubbles and profit obsession. Some exceptional organizations are managed in such a way that they sustain learning, nimbleness and "ruthlessness with respect to their purpose" and are able to reinvent themselves over time. They are willing to disrupt their own business model because they can sense and respond to threats on the horizon. Again, however, they seem to be the exception rather than the rule.

Although far from exhaustive, the following specific examples are indicative of the consequences of management dysfunction.

Healthcare

The testimony of healthcare leaders before the United States Senate Subcommittee on Primary Health and Aging last year brought a chilling reality to light. As reported by Healthcare IT News, deaths by medical mistakes hit record highs. "Preventable medical errors persist as the number 3 killer in the U.S.—third only to heart disease and cancer—claiming the lives of some 400,000 people each year." Serious complications resulting from preventable errors that do not result in death approximate 3 million per year. The total cost to the nation of these mistakes is estimated to be $1 trillion per year [5]. These mistakes include errors in ordering and administering medications, permitting the existence of environments for hospital-acquired infections, enabling premature dismissals and