A Manifesto for Better Management

January 17, 2011

Management is responsible for many successes but also many epic failures. When too much emphasis is placed on immediate financial performance, other crucial dimensions get overlooked, and that opens the door to crises.

When seeking an explanation for the current crisis, many point the finger at excessively low interest rates, the real-estate bubble or job losses. Fewer mention the poor management by those leading many of the affected institutions, despite this being a crucial factor.

In this paper for the Crèdit Andorrà Chair of Markets, Organizations and Humanism, IESE professors Rafael Andreu and Josep M. Rosanas present their manifesto for better management.

The task of leading

Management is about leading. This includes all of the activities that define an organization's objectives and the actions necessary for achieving them. It also requires assigning tasks for setting it all in motion and creating a positive, effective work environment. Executives are the ones responsible for this.

Management is important because it generates economic value, not only for organizations, but for society in general. Companies produce goods and services to satisfy needs. Doing so efficiently, by taking full advantage of the technology available, depends largely on the quality of management.

In addition, management must tend to the general well-being of people at work, since that is

©IESE Business School

where they spend much of their lives. A decent job that gives people a sense of dignity and self-worth is the goal. But certain actions, such as temporary contracts, fall short of this ambition.

Moreover, companies often promote imperfect social models. By putting in more time at work, for example, people come to think of that as "normal" behavior, and subsequently adopt values — like measuring success by how much money they earn — without question.

Management evils

One of the most negative management trends to have taken hold, say the authors, is "economism," which places prime or exclusive importance on short-term economic variables.

Jobs are reduced to wages and incentives, neglecting aspects such as training, learning or development. Employees' deeper motivations are not taken into account; rather, self-interest becomes the lone driver, resulting in personal incentive systems at odds with corporate interests.

The most harmful management trend has been treating people as mere instruments whose sole purpose is to create value for shareholders. The consequences are twofold: employees follow orders without considering their merit, and leaders follow the crowd, enslaved, like everyone else, to the vagaries of the stock market.

A renewed concept

The way the authors see it, the business world needs managers who value stakeholder commitments, and whose sense of purpose goes beyond the immediate goal of producing solid financial results, as necessary as that may be. For this to happen, management theory needs to be reoriented.

First, management needs a purpose based on an overarching set of rules that indicate which direction should be taken and why.

Next, it must be founded on a holistic understanding of people whose actions have consequences on and connections with their fellow human beings. Such an understanding transcends mere self-interest. It also offers people opportunities to learn and grow.

Finally, management theory should be built on a rational concept of the organization. Each organization has a specific purpose and requires special resources to achieve that purpose. It

©IESE Business School

is important to recognize that every organizational participant may have parallel objectives, complex problems and major uncertainties to contend with. A rational organizational concept will motivate people, not only extrinsically, with compensation, but also intrinsically, through their personal interests, as well as transcendentally, by helping to satisfy other people's needs.

www.iese.edu/insight

©IESE Business School