

Dinosaur Management

Why traditional management fails in a VUCA world

Forget what you learned at business school. With its focus on hierarchy, detailed planning and fixed structures, traditional management is designed for a world that no longer exists.

by Dietmar Bodingbauer and Michael Faschingbauer

Traditional management is based on forecasting, planning, rewarding, organizing or developing. These strategies proved to be successful for the entire last century. Most of the concepts are rooted in the thinking of F. W. Taylor, who successfully boosted productivity in the context of stable mass production. Generations of managers were trained applying these 20th century principles. Unfortunately, this context no longer exists. Simply sharpening the old tools and concepts no longer works in a world of volatility, uncertainty, complexity and ambiguity (VUCA). Time to question some fundamental assumptions:

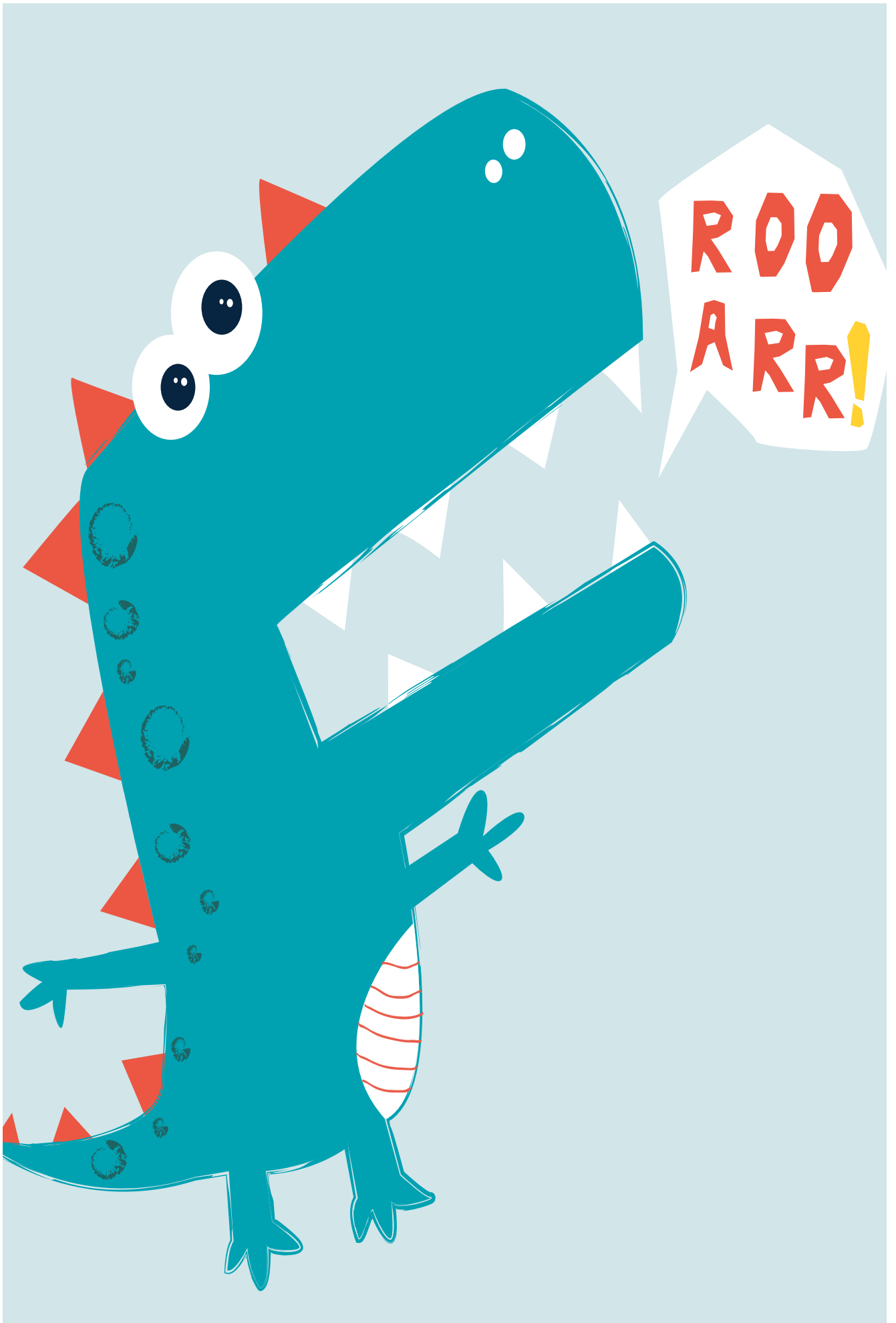
Thinking vs. doing – the hierarchical concept

A clear decision hierarchy can be very useful: it provides management with levers of control and scale even in a big enterprise. But hierarchy also separates decision-making from doing. This separation works well in environments where the outcome of doing is predictable. As outcomes in a VUCA context are rarely predictable, the whole structure needs a deep understanding of context and quick reactions to the unforeseen. The higher the uncertainty, the more it makes sense to change the focus of decisions. It ideally shifts from the managers' offices to the point of operation or customer contact. ►



Recommended reading

»Drive: The Surprising Truth About What Motivates Us«
Daniel Pink; Canongate Books Ltd.; 2018



The trap of detail data

IT provides managers with instant access to detailed data about very specific aspects of a business. Numbers become the basis for remote decisions. As it is highly unlikely that the figures show the whole picture, oftentimes management has no clue what is really going on face-to-face with customers. Modern management takes a step back. The more complex the situation is locally, the more autonomy and self-responsibility it gets.

Clearing structures

Generations of managers dreamed of friction-free organizations, with clearly separated tasks and a minimum of interfaces. Many organizations were built like this; enforced competition between units made things even worse. To enable innovation, we need to replace interference and competition with the idea of interfaces and cooperation. People working together and involvement of all relevant functions is a promising way out.

Fixed and individual targets

In a stable environment, fixed, pre-negotiated targets like growing efficiency or turnover by a determined rate make sense. With volatile markets, too much fixation can lead to missed opportunities. Is your company sufficiently prepared if a certain market boosts or collapses? Ready if new technologies appear? Suddenly, a pre-negotiated goal can be out of reach as well as much too low. Targets have to accommodate fast-changing markets; it's advisable to link them to the development of the industry. And individual, function-

oriented targets might be counter-productive in situations where teamwork and a »widely held view« are necessary.

Bonuses to foster performance

Variable, performance-oriented income is still considered a way to improve output and create motivation. This concept from the field of production – the more pieces you produce, the more you get paid – is not applicable for mental work. What is the problem with monetary incentives for brainwork? Recent studies (see author Daniel Pink) show that a bonus system only works to a certain extent. As soon as your income hits »no longer really having to worry about money,« these incentives even become counterproductive. The higher the bonuses, the lower the performance. Mismanagement by people in banking with enormous bonuses led to the financial crisis of 2008 and proves this observation in dramatic clarity. What brain-workers really need is summarized by Daniel Pink: Purpose (knowing what my work is good for), Mastery (growing my abilities through my work) and Self-Direction (a certain autonomy) rule.

That is what management in the 21st century must provide!

Remove or get removed

Naturally, many people rely on often-practiced and well-learned behavior in complex and therefore threatening situations. To succeed, we dare you to try something new. Let go of outdated management paradigms and remove outdated thinking from your organization. Otherwise, it's quite possible that the next meteor will hit your business. ●

»Control leads to compliance;
autonomy leads to engagement.«

Daniel H. Pink