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Hands-on Management Making a Comeback

Recent events will cause changes in Executive Management Style

Summary

Over this century of achievement, management theory has encouraged managers to adopt various management styles, depending on the times and the needs of the organization. In recent decades, ‘enlightened’ theories emphasizing employee empowerment and democratization in the workplace have gained general acceptance, replacing earlier “scientific” and process oriented approaches. As was learned the hard way in earlier years, we are now relearning that management styles come and go with the regularity of the pendulum. The pendulum has now begun swinging back as a result of such disparate events as September 11 and the fall-out of the Enron and energy trading scandals. As a result, Boards of Directors as well as Senior Management will need to shift/transition from a hands-off *laissez faire* approach to a much more hands-on, proactive approach if they are to survive and prosper. “Management by walking around” and more rigorous reporting systems may get a renewed life. As we have begun to see, managers will be held accountable for decisions made and actions taken within their organizations.

Background

As with politics, sports franchises, and women’s fashions, modern management theories seem to swing back and forth with the regularity of a pendulum. Beginning with the “scientific management” methods of Frederick

Taylor in the 1900's, we have gradually stepped each decade or two through the process approaches and bureaucracy models of the 1920's, the Hawthorne experiments and human relations approaches of the 1930's and 1940's, Maslow’s motivational hierarchy of needs of the 1950's, and Schein’s Complex Man theories of the 1960's. The pendulum then began to swing back in the late 1960's and 1970's with Peter Drucker’s Management by Objectives and Kenneth Blanchard’s “One Minute Manager” series in the 1980's, only to reverse course again in the late 1980's and 1990's with the concept of empowerment and Ouchi’s Theory Z, which emphasized a more democratic approach to management.

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Recent History

While each management theory added to the body of knowledge regarding management over the years, no one approach proved to be universally correct since it was soon replaced by a more current, more “enlightened” theory. Just as with the earlier theories, all proved to be incomplete, or lacking. So, too, are the current ones involving empowerment and democratization

in the workplace. This is not to say that they are wrong per se, just that (as before) circumstances are changing and management styles must change along with them.

For example, throughout the 1990's and coincidentally in parallel with the utility industry's shift toward deregulation, it became increasingly popular for senior utility executives to compartmentalize. The CEO would concern himself with "external" issues, and the COO would concern himself with "internal" issues. Alternatively, one executive would concentrate on the generation business, another the wires; or one on regulated and another on unregulated businesses. This compartmentalization would then cascade down throughout the organization in the search of the dual holy grails of "empowerment" and "accountability". Instead of staying well informed on the important details of the business and enforcing course corrections on subordinates when they would be most beneficial, executives at every level felt constrained by the management theory *du jour* to avoid taking early action, but rather to wait and to:

- "Hold their subordinates' feet to the fire"
- "Make them accountable"
- "Give them enough rope for them to hang themselves."

All too often, senior executives now avoid stepping in when they should in the mistaken belief that to do otherwise would somehow violate current management doctrine.

The Future

The Enron fiasco, subsequent developments at Arthur Andersen and in the financial services industry, other energy trading and accounting irregularities, as well as repercussions following the September 11 terrorist attack have once again shifted the pendulum. Congress and the shareholders ask, "Who was in charge?" "How could the Captain of the ship not know what was going on?" Will the entire organization be held responsible for the acts of just a few? In today's

increasingly hostile management environment, giving a subordinate enough rope for him to hang himself only ensures that you will hang alongside him when things go wrong.

This is not to say that the concepts of empowerment and accountability are no longer valuable. Similarly, it doesn't mean that there should be a wholesale shift towards a more authoritative management style. It does, however, mean that President Reagan's principle of "trust but verify" has renewed application in today's boardrooms and executive suites. It also means that "management by walking around" and more rigorous reporting systems may get a renewed life as senior executives obtain the information they need to audit what is going on within their own organizations in a timely manner. If not them, at the very least shareholders and the market will require it. Or worse, government bodies might conduct their own investigations. Make no mistake, hands-on management is making a comeback as managers see that they will be held accountable for decisions made and actions taken within their organizations.

The Wass Consulting Group, Inc.

The principals of WCG have served the utility and energy industries for over 30 years, and have lived through the changes industry has encountered.

Our mission has remained the same, to provide general management consulting services that address the challenges that boards of directors and senior executives face in their daily operations, including matters of mission, governance, strategy, organization, business process transformation and re-engineering, benchmarking, operational improvement, competitive analysis, due diligence, post-merger integration, market entry, litigation support, and others.

As a complement to these consulting services, we also provide Executive Search consulting for our energy clients.