Masters and Craftsmen in Management

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Summary

In our times we are witnessing the end of traditionally understood competition (Moore 1996). Speed becomes the name of the game. This change promotes organizations capable of creating and maintaining the ongoing ability to identify, satisfy and be paid for meeting customer needs faster than anyone else. Such organizations are very different from quite recent models of „high performance organizations” and „sound management practices”.

The shape of almost all of today’s companies can be characterized as corporate bureaucracies based on meritocratic criteria of selection, evaluation, compensation and promotion of people. Changing business environment has led to an end of corpocracy as dominating organizational form of doing business. Few agree, however, who and how would be capable of transforming today’s corpocracies into tomorrow’s hyper-active organizations.

The paper strives to answer this question by synthesizing content analysis of twenty five interviews with “star CEOs” published by Harvard Business Review in the last 5-6 years. The roles of “star CEOs” are analyzed in order to explain the difference between successful managers (“masters”) and ordinary players (“craftsmen”) in the face of current changes in business paradigm. The “masters” possess an ability of intuitive thinking which translate into instant recall of the „appropriate” elements from countless patterns stored in their memory and quick construction of the original „creative”, „unheard of”) and winning pattern of action out of these recalled „bits and pieces”.

Nearly all of today’s masters started as craftsmen and were trained to be craftsmen. This reveals the most important weakness of management theory and management education: they are both craftsmanship bound and based on craftsmen-like way of thinking and acting. Corpocracies are populated by craftsmen. The newly emerging competitive environment of business does not accept this.
The challenge

People from every historical epoch like to perceive themselves as experiencing an unusual pace and scope of change. It is up to the future historians to evaluate and compare the pace, depth and scope of change in our times, but as we see right now we are witnessing several ends at the same time. Some examples are: the end of traditionally understood competition (Moore 1996), the end of stability replaced by „punctuated equilibrium” (Thurow 1996), the end of communism and the end of the „welfare state”, and finally the end of the „nation states” gradually incapacitated by new supra-national and regional entities (Ohmae 1985; 1995).

For a student of management theory and practice the changing shape of the competition between companies is a key conditioning factor of all the other changes. All the experts agree that shortening life cycle of products is shortening life cycle of the competitive advantage companies enjoy on rapidly globalizing markets and in industries consolidating with equal speed.

_The older industrial economies have two options: They can try to match the wages for which workers elsewhere are willing to labor. Or they can compete on the basis of how quickly and well they can transform ideas into incrementally better products (Peters 1987: 27)._  

Speed becomes the name of the game. Proliferation of time based fast cycle competition gave birth to High Speed Management (Cushman & King 1995). Some authors call it Fast Cycle Time (FCT) strategy.

_Reducing product development cycle is emerging as a cardinal need for the nineties. The infectious demand for producing new products faster than will require more companies to adopt to fast- cycle-time (FCT) strategy._  

_We define FCT as the ongoing ability to identify, satisfy and be paid for meeting customer needs faster than anyone else (Mayer & Purser 1993: 41)._  

Organizations capable of creating and maintaining such an ongoing ability are very different from quite recent models of „high performance organizations” and „sound management practices”. The most important characteristics of such organizations are the following:
• customer focus: the whole organization is designed to add value to the end customer
• leaneness and meanness: fat is constantly eliminated and high mobilization of the whole personnel is permanently maintained;
• structures are flat and flexible - organized around processes not functions or hierarchies;
• organizational boundaries between organizational units and organization and its environment are blurred;
• responsibilities and functions are ill-defined and overlapping, empowered people take important decisions at every organizational level (including the lowest) and no one is free of „prosaic” tasks of implementation;
• information is over-abundant and free flowing, people can get access to it when and how they need and qualified and equipped to do so;
• Cycle time and financial goals are set as „stretch” - over-ambitious and constantly mobilizing;
• organizational environment stimulates and rewards continuous learning and action producing hyper-active organization.

To everyone who knows the real life workings of today’s companies the above description seems almost completely out of touch with reality. The shape of almost all of today’s companies operating in the Triad and close periphery of the Triad can be characterized as corporate bureaucracies based on meritocratic criteria of selection, evaluation, compensation and promotion of people. What was quite recently considered the highest achievement of scientific management Peter Drucker calls today „creeping credentialism” (Harris 1993: 118). Several „ends” in the changing business environment have led to an end of corpocracy as dominating organizational form of doing business.

The end of corpocracy is widely recognized by students and practitioners of management. Few agree, however, who and how would be capable of transforming today’s corpocracies into tomorrow’s hyper-active organizations.

The response
There are some masters of the management profession such as GE’s Jack Welch (Tichy & Sherman 1994) who show the way, but science of management is still lagging behind,
incapable of synthesizing their experience. I have decided to start my own synthesis by trying to find out „What masters do and how?”. I have approached this question by in-depth content analysis of 25 interviews with „star CEOs” published by Harvard Business Review in the last 5-6 years.

The roles of management super-stars leading successfully transformed or rapidly transforming organizations and interviewed by HBR can be analyzed from several points of view:

- the role content or „scenario”;
- the leadership ways;
- the „starship”: the ways of selling the leader and his strategy to the audiences inside and outside of the organization;
- cognitive structures and analytical tools used in post-modern management.

The content of all the „management stories” or „sagas” presented in the interviews is highly dramatic. This is rather surprising in the case of the world’s best-known and most successful companies. The stories presented in the interviews are all about such dramatic topics as:

- „surviving” (Globe Metallurgical’s Arden C. Sims) (Ragner 1992: 117-129);
- „saving from disaster or at the best decline” (Nike’s Phil Knight) (Willigan 1992: 91-101);
- „going against industry’s common wisdom” (Compaq’s Rod Canion) (Webber 1990: 115-123);
- „championing innovation and self-obsolescence of the old products at any price, even if they are early in their product life cycles and sell well” (Raychem’s Paul Cook) (Taylor 1990: 97-106);
- deliberately exposing sheltered until recently Mexican company to potentially devastating ‘cut throat’ competition on the US market (Vitro’s Ernesto Martens) (Nichols 1993: 163-171);
- building competitive advantage of European manufacturer’s based in the highest wages countries in the world and winning against manufacturers competing on low wages (Thomson’s Gomez or Swatche’s Hayek) (McCormick & Stone 1990: 127-135; Taylor 1993: 99-110);
• betting the very existence of a giant company on risky research projects freezing enormous resources for years and years to come (Merck’s Judy Lewent and Roy Vagelos) (Nichols 1994: 89-99; Nichols 1994a: 105-114).

Big stars of contemporary management first of all spell out the writing on the wall. They are never satisfied. They look for threats before turning them into opportunities. The whole process of management is consciously dramatized. Drama helps to create powerful sensation of urgency to change dramatically much more than to improve. Heroes of these stories do not seem to be interested in „correctness”, „normality”, „smooth functioning” etc. They dress up into disguise of „romantic revolutionaries”, they are terribly afraid of being taken for dull bureaucrats. Ironically „revolution” has become one of the most fashionable buzzwords of contemporary management. The saga of „GE revolution” under Jack Welch has become a symbol of this new management philosophy.

Drama helps to mobilize people around new strategies and new leadership. These new strategies, however, are simplified, reduced to one simple and understandable idea. The ways of leadership in the new management take us through one leading theme or message such as:

• Changing organizational culture (Bell Atlantic’s Raymond Smith) (Moss Kanter 1991: 119-130);
• Redesigning organizational architecture (Xerox’s Paul Allaire) (Howard 1992: 107-121);
• Product cycle management (Compaq’s Rod Canion) (Webber 1990: 115-123);
• Mastering the art of drudgery to reduce brilliant ideas to practice (Raychem’s Paul Cook) (Taylor 1990: 97-106);
• Orchestrated service (British Airways’ Collin Marshall) (Prokesh 1995: 101-112);
• Market segmentation (Nike’s Phil Knight) (Willigan 1992: 91-101);
• Employees confidence and understanding (TRW’s Frederick C. Crawford) (Dyer 1991: 115-126);
• You have to think and act as you think (Softbank’s Masayoshi Son) (Webber 1992: 93-103);
• People’s aspirations and values make the company (Levi Strauss’s Robert Haas) (Howard 1990: 133-144);
• Europe is a platform for global competition (Volkswagen’s Carl Hahn) (Avishai 103-113).
To an unfriendly observer new stars of management might seem narrow-minded, one-sided and obsessed with a single relatively simple idea. They seem to believe that such simple ideas facilitate communication process: mobilize people and organize their actions without restraining them and hampering creativity. As Jack Welch put it in his 1981 speech at New York City’s Pierre Hotel:

*What will enhance the many decentralized plans and initiatives of this company isn’t a central strategy, but a central idea - a simple core concept that will guide General Electric in the eighties and govern our diverse plans and strategies* (Tichy & Sherman 1994: 72).

Ideas are the essence of GE revolution. Tichy and Sherman (1994: 74) identify four of them:

- **being # 1 or # 2** world-wide in every industry in which GE chooses to compete;
- **integrated diversity** principle, which means that GE’s businesses can maintain operating independence, while working together in the team spirit and sharing resources;
- **boundarylessness** meaning breaking down all internal barriers of hierarchy, geography and function, developing close partnerships with customers and suppliers and producing increasingly supple and flexible organization;
- **speed, simplicity and self-confidence** as principles guiding every human action undertaken by the company.

It takes years to refine ideas into such simplicity. It took GE and Jack Welch nearly ten years. None of the managers I have studied came up with a leading idea instantly. Such ideas were developed in the long process of promoting change through interactive communication.

Being dominated by „big picture” star managers interviewed by HBR leave key actors all the freedom and seldom interfere with their actions. Such key actors are carefully selected, get all the support they need and are left alone. Only „grand axes” and „parameters” are set. These key ideas, however, are constantly communicated through multiple parallel channels until they become completely internalized. Says Thomson’s Allain Gomez:
Your job is to help the organization function by itself, to produce on its own....The CEO’s task is to monitor how the company is attuned to the outside world and it’s renewing itself internally (McCormick & Stone 1990: 130).

There is surprisingly little planning involved in the activities of interviewed managers. The elements of risk and surprise are ever present. Says Silicon Graphics’ Ed McCracken:

*We place bold bets on the strategic portions of our business and than subcontract everything else* (Prokesh 1993: 140).

In most cases managers do not pretend they know how the situation will develop. Because of that they jealously guard their freedom of movement enabling them to adjust and to „play it by ear”. They enforce however without compromises the leading theme, the idea they are obsessed with.

**Starship** is becoming an increasingly important element of top management role in the post-modern era. Starship is instrumental in promoting the message and proves key importance of communication.

The most striking is probably the fact that they all want to present themselves as „counter-intuitive” (Compaq’s Rod Canion) (Webber 1990: 115-123) and unconventional managers. Drama of their act is build of that. „Unconventional” sells well to the public both inside and outside the company and helps to „shake out” the existing structures and to promote „corporate revolution”.

Stars managers often break rules of the state of the art of management, go boldly against conventional wisdom and dominating stereotypes. Raychem’s Paul Cook believes that innovative companies have to obsolete their product lines as fast as they can even if the existing products sell well (Taylor 1990). Man behind Swatch Nicolas Hayek believes in concentrating production in the highest wage countries (Taylor 1993). Greater Southeast Community Hospital’s Tom Chapman (Washington D.C.) believes that hospitals can serve community, feel responsible for „social ills” of the inner city, get involved in fighting them and still remain economically viable business enterprises (Nichols 1992: 87-95).
None of the stars of management presented in the Harvard Business Review wants to convey an image of a thinker-strategist looking at the business “from above”. They all stress their personal involvement in operations. They all stress personal involvement in operations and “passion for details”:

- Xerox’s Paul Allaire builds up his image as **innovative corporate architect** transforming his company from “copier company” to “document company” taking advantage of multi-media digital technology (Howard 1992);
- ABB’s Percy Barnevik wants to be **a prototype of a global manager** promoting global competitiveness and consolidation of European electro-mechanical industry (Taylor 1991);
- Allied Signal’s Lawrence Bossidy is **a champion of restructuring and a salvager of a sinking company** (Tichy & Charan 1995);
- Compaq’s Rod Canion presents himself as **counterintuitive manager**. He skillfully exposes contrast between expectations based on „conventional wisdom” and his company’s reality. Unexpectedly for a high tech company he stresses discipline, balance, continuity and consensus as well as systematic, well-organized and well-balanced approach to innovation, and particularly to new product development. His message implicitly challenges such ideas as „management by chaos” (Webber 1990);
- Tom Chapman managing inner-city hospital in Washington D.C. is **a community hero** promoting conciliation of business and community interests in socially sensitive health care industry (Nichols 1992);
- Raychem’s Paul Cook is staring in a role of **innovation champion** (Taylor 1990);
- Frederick C. Crawford legendary champion of modern labor relations when President of TRW (1933-1958) is presented as **the spellbinder** intermediary and spokesman between capital and labor (Dyer 1991);
- French Tomson’s CEO Allain Gomez presents himself as **a builder of a global company** in the most competitive industry (consumer electronics) saving European competitiveness challenged by Asians and Americans (McCormick & Stone 1990);
- CEO of Levi Strauss Robert Haas acts ostensibly as **corporate evangelist** dealing in values (Howard 1990);
- Volkswagen’s Carl Hahn plays **a prototype European manager** leveraging European strengths and European values on the global markets (Avishai 1991);
Nicolas Hayek a man behind Swatch: one of the most outspoken business success stories of the 80s and the 90s is the high wages countries competitiveness champion successfully challenging the „outsourcing mania” and transfer of manufacturing from high wage to low wage countries (Taylor 1993);

Merck’s CFO Judy Lewent is the only in the sample scientific management champion. Using her company example she argues that even increasing complexity, uncertainty, and long time horizons should not preclude the use of highly sophisticated mathematical decision models such as option analysis based on Monte Carlo logic (Nichols 1994);

Chairman of British Airways Sir Collin Marshall is listening to the customers champion. He sees his mission as „filling customers value driven needs” (Prokesh 1995:103);

Masayoshi Son founder and CEO of Softbank the most successful PC software distributor in Japan is a star entrepreneur (Webber 1992);

Silicon Graphics CEO Ed McCracken is a high-tech frontier man taking the latest technology to the lower segments of the market in an environment characterized by increasingly chaotic and accelerating technological change (Prokesh 1993);

Robert McDermott retired US Air Force brigadier general and CEO of USAA unique cooperative insurance company owned by its members US military officers stars in a role of a soldier-businessman merging military values such as discipline, honor and honesty, „esprit de corps”, strict behavior and dress code, clear authority lines etc. with modern business principles such as employee empowerment, customer focus etc. (Teal 1991);

Vitro’s CEO Ernersto Martens is presented as high performance Mexican manager. He skillfully plays striking difference between stereotype of Mexican „manana manager” and reality of a Mexican company traded on New York stock exchange, using the latest technology, successfully taking over well known US company and rapidly becoming a major player on NAFTA glass and plastic containers market (Nichols 1993);

Nike’s CEO Phil Knight plays a role of a born again marketing orientation champion revitalizing his company through creative market segmentation (Willigan 1992);

Citicorp’s CEO John Reed is a global banking champion (Tichy & Charan 1990);

Nature Conservancy’s CEO John Sawhill plays a role of a manager-conservationist building a bridge between business and ecology (Howard & Margetta 1995);

President of Globe Metallurgical Arden Sims is a champion of restructuring of US smoke stack industries and a rust belt folk hero (Ragner 1992);
• Bell Atlantic’s CEO Raymond Smith plays a role of corporate culture change champion. His high profile is due not only to the landmark character of the company but also to the radicalism of engineered cultural change. Smith’s argument goes against widespread opinion that culture is purely natural phenomenon (Moss Kanter 1991);

• Merck’s Roy Vagelos is presented as a bridge builder between science and marketplace. Says he: I needed to hold on to the values that were important to me as a physician and blend them with Merck’s need to remain profitable (Nichols 1994: 106);

• Whirlpool’s CEO David Whitman is a champion of globalization. He symbolizes a leapfrog jump: from local to global by-passing multinational phase (Fazio Maruca 1994);

• Walt Disney’s CFO Gary Wilson stars as value-adding CFO contradicting the idea of „functional isolationism” of corporate finance and preaching integration of finance into strategy (Willigan G.E. 1990).

Theories and concepts developed by science of management are certainly not the most important analytical tools used by stars of management presented by HBR. They are using metaphors instead. Metaphors represent leading themes and ideas they are obsessed with. Metaphors help to communicate in a specific way enhancing other parties’ involvement. Metaphors are often emotionally loaded. Metaphor creates tension resulting from difference between conventional view of a given subject and proposed by the metaphor. It is open-ended: a standing invitation to personal interpretation of similarities between two objects (such as company and „burning platform” or „market and wedding cake” and to development of „private scenarios” resulting from individual’s own experiences and knowledge. Metaphors are used because they enhance two key characteristics of post-modern management: involvement and creativity.

• Xerox’s Paul Allaire is using a metaphor of the CEO as organizational architect (Howard 1992);

• ABB’s Percy Barnevik has invented a metaphoric notion of multi-domestic company (Taylor 1991);

• Allied Signal’s Lawrence Bossidy perceives the CEO as coach and practices burning platform theory of change. His story is about persuading Allied Signal’s employees that their company is a burning platform and that they should jump into stormy waters. CEO’s job is to coach them to swim (Tichy & Charan 1995);
• Compaq’s Rod Canion believes that **product cycle is the heart of company’s success** (Webber 1990);

• Tom Chapman uses a metaphor of **disease** to describe inner city problems and believes that hospitals should cure such diseases as well (Nichols 1992);

• Raychem’s Paul Cook is in the business of leveraging in the global market his company’s unique strengths in technological innovation. He is using a metaphor of **intellectual and technical infrastructure** build around core technologies. Organizational culture is a key element of such infrastructure. High tech companies **sell confidence** that they will stand behind innovation (Taylor 1990);

• TRW’s Frederick Crawford sees the process of turning demoralized work force into highly productive and motivated one as **religious revival** of sorts. It takes outstanding communication skills. His story is about communicating with people (Dyer 1991);

• According to Thomson’s Allain Gomez; “**Organization is neither island nor inert. It is a living system interrelated to a set of wider systems**” (McCormick & Stone 1990:130). His story is about the rise of Thomson to better attune to the global market;

• Levi Strauss’s Robert Haas understands his company as a **center of seamless web of mutual responsibility and cooperation**. The web covers all the stakeholders of the company. The way to manage the web is through values (Howard 1990);

• Volkswagen’s Carl Hahn is mainly concerned with his firm’s position in global market place. He sees **Europe not as a fortress but a platform for global competition** (Avishai 1991);

• Nicolas Hayek uses a metaphor of **three-layer wedding cake** to portray competitive environment of global watch-making industry and sees a watch as an **emotional product**. These two metaphors explain almost completely his strategy (Taylor 1993);

• To Merck’s Judy Lewent **all kinds of business decisions are options**. Her story is about procedures and techniques of financial evaluation of research projects at Merck (Nichols 1994);

• Colin Marshall as Chairman of British Airways sees his company as competing in customer service. His ideas of superior quality service are represented by two metaphoric expressions of **seamless service** and **orchestrated service** (Prokesh 1995);

• Masoyoshi Son is an entrepreneur who in ten years brought his software distribution company Softbank from scratch to $350 million in yearly sales. To explain his business idea he compares **hardware to the skull, semiconductor to the brain, software to...**
Wisdom and data to knowledge. Wisdom and knowledge are the most valuable things in the body. I want to become number one in the business of supplying wisdom and knowledge all over Japan (Webber 1992: 94). His story is about making it happen;

- Ed McCracken is leading high-tech start-up Silicon Graphics that became over $1 billion company supplying audio and video computing capabilities. He sees his company as chaos producer (Prokesh 1993);
- Robert McDermott compares his insurance business to the job of painting a bridge. Bridges are painted from one end to the other and then back to the start, which, by then needs repainting. It’s an endless cycle to keep the bridge in working order (Teal 1991: 123);
- Vitro’s Roberto Martens compares opening of the Mexican economy (as a consequence of joining NAFTA), appreciation of peso and inflow of imports to the wolf disguised in grandma. He tells how he dealt with the wolf (Nichols 1993);
- Nike’s Phil Knight compares his market segmentation strategy to breaking things into digestible chunks and creating separate brands and sub-brands representing them (Willigan 1992);
- Citicorp’s John Reed sees competition through metaphor of Chinese board game Go. In this optic competition is about occupying space (Tichy & Charan 1990: 136);
- Conservationist John Sawhill sees the mission of his company as building an ark or building a lot of little arks (Howard & Magretta 1995: 110);
- Bell Atlantic’s CEO Raymond Smith tells the story of changing his company’s culture from bureaucratic and monopolistic into entrepreneurial. He compares the old Bell’s system to a football team, who was always winning because there was no one on the other side. He tells how he was coaching his employees for a real game (Moss Kanter 1991);
- Roy Vagelos a scientists, who turned Merck into pharmaceutical powerhouse, uses a scientific metaphor. Says he: Look, we want to take a molecular approach; once we select the targets, it’s up to you to figure out how to work on them (Nichols 1994: 108). Molecules are linked into structures. What links them is information. Vagelos used information to knit together the complex structure of Merck including a giant prescription benefits management company;
- CEO of Whirpool David Whitwam sees most international manufacturers as just flag planters because national or regional divisions still operate as autonomous little entities.
Conventional view of them is one of little pictures each containing unique constraints and opportunities. The Whirpool way of going global is to integrate them into one broad picture (Fazio Maruca 1994);

- Gary Wilson interviewed as CFO at Disney’s sees his company through two metaphors: the one of a living organism with unique history and culture and the other of a football team with a need to achieve functional balance in order to succeed. These metaphors help him to define a role of the CFO. He is against narrow functional specialization and sees himself as a business strategist with strong financial background (Willigan 1990: 87).

Concepts and key ideas used by stars managers are clearly build around these leading metaphors. It’s hard to establish, however, whether, metaphors serve as cognitive instruments enabling to formulate ideas, or they just help to communicate and to explain them.

The explanation
Simon and March (1993) explain the difference between „masters” (or „expert managers”) and ordinary players („craftsmen”) by masters’ ability of intuitive thinking:

- instant recall of the „appropriate” elements from countless patterns stored in their memory;
- quick construction of the original („creative”, „unheard of”) and winning pattern of action out of these recalled „bits and pieces”. Master performances in management are similar in this respect to master performances in art.

As March and Simon point out:

*The experience of expert managers will lead them to correct decisions without explicit, conscious calculation. Intelligent managers manage not by analysis alone but by analysis thoroughly interwoven with the rich intuition (capabilities for recognition) and rules for action acquired through years of training and experience in the managerial domain* (March & Simon 1993: 309).

As opposed to „masters” „craftsmen” have to go through lengthy process of gathering and analyzing tons of data and even if their decisions are „correct” according to learned patterns
and rules, craftsmen are still unable to come up with original, unusual and winning structures of actions in turbulent environment. It has to be remembered, however, that management is a team game and the winning teams consist of master and craftsmen working jointly together. Nearly all of today’s masters started as craftsmen and were trained to be craftsmen.

The last statement may lead to discovery of the most important weakness of management theory and management education: they are both craftsmanship bound and based on craftsmen-like way of thinking and acting. Corpocracies are populated by craftsmen. The newly emerging competitive environment of business does not accept this.
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