



**The End of "Scientific Management":
Replace the Traditional 3Cs
With Corporate Creativity
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In the recent book *The Innovator's Solution*, the authors observe that "to our knowledge, no company has been able to build an engine of disruptive growth and keep it running and running." What the authors are referring to is the deeply challenging problem of continuous, profound innovation – the kind that turns the tables upside down and shakes things up – the kind that enables sustainable profitable growth.

There are definite reasons why this challenge is so intractable. And, there is a very definite path out of the woods. But to fully understand why those critical elements are so critical, one must first understand the exact nature of the problem.

Historically, the basic principles that drive most of today's companies – their "design DNA", so to speak – can be traced back to two key past events: the scientific revolution during the 18th century, and the development of "scientific management" during the early years of the 20th century.

The scientific revolution, which began during the Enlightenment period in the 18th century, marked the ascendancy, and later the absolute domination, of pure reason, and belief in absolute and unchanging laws of nature. During that period, the analogy of a "clockwork god" or "god the watchmaker" became prevalent. This led to a growing worldview of the universe as a giant machine, with unchanging laws and unchanging components. This gradually led to the belief that man could control the world through science, and that basically, "progress" amounted to a gigantic technological design and engineering project!

It also led to development of the traditional scientific paradigm, which emphasizes a purely rational, empirical understanding the world, gained through the use of objective data and analytical thinking. Eventually, it established the left-brain – the sphere of rationality, logic, analysis, mastery of details, planning, prediction and control – as absolute monarch in nearly all spheres of human endeavor (in Western cultures).

Vanquished, the right brain – the realm of creativity, imagination, intuition, emotion, seeing the big-picture (pattern recognition), and soul – became more-or-less banished to the societal dungeon. Right-brain capabilities became regarded at best as irrelevant, and at worst as dangerous irrationality that could lead only to

chaos and darkness. As a by-product, right-brained people became societally and organizationally marginalized. In an era when innovation has become priority #1 on the agendas of CEOs, this is problem #1!

Scientific Management

Fast-forward a century or so: at the dawn of the twentieth century, President Theodore Roosevelt urged all state governors to give high priority to what he called "national efficiency." In response, Frederick Taylor, the "father of scientific management," had this to say:

"It is hoped ...that the same [scientific] principles (used by engineers and managers of industry and manufacturing) can be applied with equal force to all social activities: to the management of our homes, farms, the business of our tradesmen, churches, philanthropic institutions, universities, and governmental departments."

This thinking launched a management revolution that eventually yielded the "design DNA" for nearly all of our companies and social institutions. Following are some of its key assumptions, which are still deeply embedded in our legacy DNA:

- 1) Like the world, organizations can be understood and managed as efficient machines – mechanized production lines, to be specific.
- 2) Non-executive jobs should be broken down into streamlined, coordinated, routinized, repetitive tasks – i.e. into cogs in the machine.
- 2) Only a small, elite corps of senior executives is capable of long-range, developmental tasks like visioning, innovation, design, and planning. In other words, executives design and run the machine; regular employees serve as cogs in the machine.
- 3) An underlying assumption of stability and continuity (because machines don't change); or, that change is a very gradual phenomenon (carefully initiated, planned and orchestrated by management, of course!).

In terms of organizational designs, these assumptions yielded the classic bureaucratic model of 20th century corporations. In terms of basic management tools, the traditional "3 C's" emerged: compliance, control, and conformity. How?

The 3 C's: Compliance, Control and Conformity

When the overarching goal is a smooth-running production machine with workers as cogs, concepts like individual contribution, initiative and creativity were anathema! In a production environment, individuality and internal differences represented a major headache because they threatened the status quo. So, in connection with the classic management task of aligning workers with the organization's current task (and their

own individual task), the goal was behavioral compliance: task execution according to specs.

Compliance was ensured through an array of management controls. Control was an overarching value, with prediction as its goal. Surprise and the unexpected – anything that deviated from management expectations – were viewed as errors to be ferreted out. This led to social controls on the workforce like command-and-control management methods, steep power hierarchies, performance management systems, punishments and rewards, and the like.

Since most twentieth century organizations were founded on principles that emphasize standardization, routinization and repetitive production, “difference” was interpreted as a problem. This mindset extended into corporate culture. Great emphasis began to be placed on creating a high performance workforce through a “strong culture.” In practice, this amounted to conformity – i.e. on shaping collective thought, perception, attitude and behavior along relatively narrow lines believed by leadership to foster sustained performance excellence (founded on routinized, repetitive behavior – i.e. strategy execution).

When you add all this up, the problem becomes clear: our legacy organizational DNA completely lacks any “innovation genes.” Machines can only execute repetitive tasks; they cannot learn, innovate or change. More problematically, our legacy DNA generates organizations that actively (if unwittingly) stamp out the sources of innovation! Over-simplifying a bit, the foundations of innovation can be traced to two key factors: the right-brain, and inclusion of internal differences. The scientific revolution banished the right brain; and in the interests of production efficiency, scientific management banished differences!

The Path Forward: A Climate of Corporate Creativity

In the today’s hyper-competitive global economy, all of the assumptions outlined above have become major impediments to sustainable growth. Change is fast and furious. Increasingly, American business leaders are not the initiators of change but rather the reactors to change, initiated by competitors scattered around the globe.

As global competition accelerates, non-strategic left-brain functions (activities utilizing defined, repetitive, linear, knowledge-based routines and rules, like programming, accounting, production, etc.) increasingly will be outsourced to developing economies. Right-brain functions – like creativity, imagination, pattern recognition, lateral thinking, emotional and relational competence – will take center stage, becoming increasingly rewarded and hugely influential in businesses capable of sustaining profitable growth.

Further, a transformational change is required in the relationship between executives and the workforce. Here’s an illustrative quote:

“The person who figures out how to harness the collective genius of his or her organization is going to blow the competition away.”

- Walter Wriston, former Chair/CEO, Citicorp/Citibank

Mr. Wriston put his finger on the wave of the future. Implementing this idea, however, requires turning a couple of old beliefs upside-down.

The first is the legacy assumption that real genius resides exclusively in the executive suite – in the small, elite corps of highly-educated leaders/managers. Under this exclusionary mindset, senior executives often become insulated and isolated from their people and their customers, both of whom are generally most deeply in touch with the day-to-day, changing realities of the marketplace and other phenomena that need to be integrated into organizational sense-making activities.

This gene in our legacy DNA originated at a time when the vast majority of Americans were lucky to have finished grade school. In the 21st century, it is far from uncommon for large numbers of employees to possess stronger backgrounds and deeper functional competence than their managers and leaders!

The second element that needs upending is the “3 C’s” of compliance, controls and conformity. These breed pervasive fear, resentment, apathy, disengagement and subversion. It is quite unrealistic to expect sustained performance excellence if an environment fosters employees who couldn’t care less about their company, because they have decided their company couldn’t care less about them. It’s equally unrealistic to look for sustained profound innovation in an environment where differences are repressed.

A New Leadership and Management Paradigm: All Hands on Deck!

A new leadership and management paradigm is needed; it must satisfy two primary objectives:

- Performance: Delivering excellent performance through disciplined, coherent execution of the current business model and strategy, which must be aligned with current marketplace needs. Moreover, to successfully execute, the workforce must be in alignment with core purpose, strategy and goals. Alignment is key to performance.
- Innovation: Continually creating and launching new business models, strategies, products and services. Systemic innovation capability depends critically on making room for, and constructively harnessing, internal variety and differences.

This new paradigm might be labeled “All Hands on Deck!” Its purpose is to build a workforce primed for sustainable high performance and innovation founded upon an ultra-high-engagement, ultra-high-inclusion culture.

Achieving this requires a transformational change: as leaders and managers, we must give up the illusion that somehow, we “deserve” the right to dominate and control other adult human beings; that somehow we are smarter than the people we lead and manage. Instead, we must join into community with the people we lead,

learning to acknowledge and treat our employees as independent, highly-capable, unique, individual adults.

A Community of Individuals

The enterprise must work toward something paradoxical and qualitatively new: maximum social variety coupled with maximum social integration (alignment). Social systems must encourage and support maximum diversity and maximum individuality simultaneously with maximum community and a sense of belonging.

The goal is a high degree of internal coherence and alignment based not on the external, social pressures of control, conformity and compliance. Instead, the enterprise will need to build authentic, individual-level commitments toward a shared purpose and goals. The old "one-size-fits-all" approach to management is thrown out, replaced by unique, individual relationship between the enterprise and each employee.

The Social Glue

Many leaders are reluctant to let go of traditional controls and of giving power away to individuals. They fear the organization will fall apart, spin out of control. Under the old paradigm, control and compliance were the "social glue" that held the whole thing together, yet so tightly and rigidly that change was like steering the Queen Mary. Today a speedboat is needed, calling for a different sort of social glue: mutually shared "deep purpose."

"Deep purpose" goes to the spiritual and ethical core of enterprise's identity. It's an existential question: why are you (the organization) here? How are you going to make a contribution to this world – via service to your customers, stakeholders, employees, and society at large? These questions include, but go way beyond, shareholder return.

Admittedly, shareholder return is a necessary reality but when shareholder return is the ONLY purpose of the enterprise, existentially, this places the enterprise in an inherently exploitative relationship with customers, employees and community. In this setting, the relationship – at its deepest root – is a one-way street: customers, employees and community exist to serve US... no mutuality!

In a hyper-competitive world, this arrangement simply isn't good enough. The difference between success and failure is frequently razor thin, so the edge will be your people. This brings us back to "deep purpose." For most people, sustainable levels of energetic commitment and drive stem from being tapped into something deeper and higher than themselves. The source most often is a feeling of being of genuine service to the world.

When their desire to be of deep service finds a basis for alignment with an enterprise that also is tapped into that same energy of contribution (rather than exploitation), tremendous drive and commitment are released. Embedded in an environment where

employees are treated like adult human beings, a veritable powerhouse for sustainable levels of performance excellence and profound innovation is the happy result.

Example

There is a successful example, drawn from the healthcare industry, of how a company can tap into its original "deep purpose", and also create a social system that simultaneously maximizes social differentiation and social integration, to ignite performance, passion and unsurpassed customer service. It happened at a hospital in Europe, in a joint venture with a prominent American IT company. The heart of this venture was a transformational change aimed at creating a truly customer-driven operation. The two entities worked together to integrate all of the hospital's disparate, legacy communications and database systems into one seamless, integrated whole.

The heart of the new system is an integrated customer data record, offering any and all individualized information, from administrative data to purchasing history, to patient tests, to digitized X-Rays, MRI's and everything else conceivable. All of this information is now accessible to ALL relevant departments and managers, simultaneously. As a result, the new data system became clearly customer-centered, no longer fragmented by bureaucratic silos and departmental turf battles.

In parallel with this data integration project, the hospital completely redesigned its patient service delivery processes, from bottom to top. The hospital created customer-focused service delivery teams comprised of any and all relevant personnel, including testing, nursing, doctors, surgeons, and whoever else was involved, and held the team jointly accountable for the patient's welfare. Using the newly redesigned data system, these multi-disciplinary patient teams, including multiple physicians from different disciplines, could now work together, viewing patient data simultaneously and assessing it from a variety of different perspectives. An integrated perspective could emerge, with improved diagnoses resulting that otherwise would have been missed.

The resulting changes in the social system for this hospital system have been enormous: though there is still a high degree of internal differentiation (around disciplines and clinics), it's now coupled with high degrees of internal cohesion and integration driven by the patient needs. Since the hospital's flow of treatment activity is so much more driven by its focus on maximum service to customers, an attendant increase in staff sense of pride has also evolved, born of knowledge of effectiveness and the confidence of a job well done.

Trends and Implications

Due in large part to the leveling effect of the Internet, today's customers are becoming increasingly sophisticated and knowledgeable about their spending options, causing the balance of power to shift from sellers to consumers. Simultaneously, as baby-boomers age, they are becoming increasingly demanding, impatient... and, well,

fickle. Looking for innovative, high-quality products and services that cater to them, they do not tolerate the frustration, inefficiency and headaches of the old fragmented, turf-driven, internal bureaucracies. Enterprises who can adapt to this emerging new landscape will thrive; those that don't will wither and go extinct.

This new power structure demands truly consumer-centric business models, and companies that can transform their internal information systems, processes and job structures to provide fast, seamless, high-quality, customer-centered service experiences and product innovations.

It calls, too, for firms to work toward establishing common ground between multiple, highly-differentiated disciplines and work groups, and for highly-integrated cross-discipline service delivery teams at the "front lines," empowered to meet the individual needs of individual consumers. This must happen without having to work through laborious, labyrinthine piles of red tape. Also, leveraging numerous disciplines to create truly innovative, never-before-experienced, services and treatments are becoming the order of the day.

Meeting these calls-for-action demands significantly higher levels of workforce engagement and creativity than has ever existed in business before. The 3 Cs only block such engagement and creativity. Replacing them with a new paradigm of "All Hands on Deck" offers a powerful remedy for organizational success in the 21st century.

About Dean Robb, Ph.D.

Dr. Dean Robb is Founder and Executive Director of the Center for Corporate Renewal (www.ctrforcorporaterenewal.com). Since 1994, he has helped numerous domestic and foreign business leaders build high-performing, innovative, entrepreneurial enterprises. His expertise combines 26 years of practical, real-world experience in corporate America with in-depth research in human and organizational systems.

The Center for Corporate Renewal helps senior executives build the capability to:

- Strategic Focus: Make sense of a changing environment and gain focus on the next right strategic move
- Disciplined Execution: Align and mobilize the entire organization behind this new strategic focus
- Creative Renewal: Renew the entrepreneurial spirit by repeating these two actions over and over again.

For information on how Dr. Dean Robb can work with your organization to instill a spirit and ethic of renewable corporate entrepreneurship, email him at drobb@ctrforcorporaterenewal.com or call him at 908-757-4721,

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