

HAVE WE COME IN THE GRIP OF ‘MANAGERIALISM’?

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BRIEF HISTORY

Management is a requirement of any organization, and management studies are a body of knowledge, skills and competencies associated with managing organizations. In the early twentieth century, Management and Organization Studies did not exist as a formal discipline or practice. History suggests that there was no recognizable body of knowledge or a profession known as management. A number of academics and practitioners began the search for the best way of managing and designing organizations. Work done by them is collectively known as the Classical and Scientific Management schools of thought, which formed the prehistory of Management Studies and played a major role in the systematization, legitimization and professionalization of the field. Subsequently a new paradigm got created in business studies through the application of science to the solution of managerial problems. This paradigm took shape during the decades after the Second World War (WWII).

Peter Drucker (1973) saw the period between World War II and the 1960s as a management boom that changed society permanently because management became a familiar term, a legitimate social practice and a position of status supported by institutional and social norms that gave managers the right to hire, fire, give orders, control and evaluate the performance of others in the interest of efficiency, productivity, profit or providing a service for the common good.

This happened because immediately after WWII, graduate business schools became immersed in ways to apply neo-classical economic models to accounting information in order to formulate basis

for decision making in business (Johnson and Broms, 2000). Finance and controller functions gained ascendancy at every level of management. So did the use of the new quantitative instruments that were being devised and taught in think tanks and business schools (Locke 2009).

As things progressed, much of the work in Management Studies got involved in adopting a functionalist perspective with the aim of improving the efficiency and effectiveness of managers and their organizations, by identifying the rational techniques and ways of behaving that promoted these goals (Cunliffe, A.L 2014). Looking at things from this perspective, the primacy of the bottom line - the maximization of profit - became axiomatic bringing accounting to the centre stage. Johnson (1978) observed: "Given these circumstance, successful managers began to believe that they could make decisions without knowing the company's products, technologies, or customers, and moved frequently among companies without regard to the industry or market they served".

In 1987, Johnson and Kaplan (1987) published a book titled "Relevance lost: the rise and fall of management accounting", questioning that very management accounting, which was then and now being taught in business schools. Harvard Business Review dubbed the book one of the more significant published on business in the past seventy-five years.

They (Kaplan and Johnson 1987) observed, that driven by procedures and cycle of organization's financial reporting system, management accounting information is produced too late, too aggregated, and too distorted to be relevant for manager's planning and control decisions. With increased emphasis on meeting quarterly or annual earnings targets, internal accounting systems focus too narrowly on producing monthly earnings report. And despite the considerable resources devoted to computing a monthly or quarterly income figure, the figure fails to measure the increase or decrease in economic value that has occurred during the period.

Interestingly, Johnson (1994), in a rethink, noted that the real issue was not 'management accounting' as such, but the way it came to be used after WWII. Accounting information managers used to control and plan business at that time was not consistent with information-intensive, capital-using technologies after 1950. The high cost of implementing alternative accounting systems alongside those mandated by law caused companies to use the information from their financial accounting systems for more than one purpose. The post-war practice of controlling operations by the numbers caused businesses to lose sight of the processes by which people and customers make a company competitive and profitable in a global economy.

Attempt to generalize things on the line of physical sciences created more problems than cured. Nassim Taleb stated that investors who believed markets moved according to a random walk and are, consequently, statistically predictable, are “fooled by randomness.” (Taleb, 2001, Patterson, 2010). There are wild, unexpected swings in markets, which he called “Black Swans.” If mathematics-schooled traders used models based on historical trends and expectations of a random walk (models of predictable pricing), it would lead them to disaster. And there are “more Black Swans out there than people think.”

Point to note is, much of management studies to date is not only managerialistic, but is also reductionist, in the sense of trying to simplify a complex, ideological, political and social process to a set of principles, roles and techniques justified by one supposed rationality. These ideals stressed the importance of skills and competences of managers (rationality), integrating science with practice by research (the discovery of valid management concepts), and emphasizing moral responsibility as a means of preserving leadership (integrity). Implicit belief that got generated is, be it corporate or non-corporate sector, everything can be optimized by the application of generic management skills and theory.

Critical Management Studies scholars have argued that conventional ways of thinking about management are problematic because (i) they often focus on simplified 'rational' and 'technical' versions of the world and ignore moral debates about the nature, purpose and impact of managers on their organizations; (ii) highly result oriented. This means questioning what mainstream Management Studies takes for granted - the primacy of the profit motive and productivity, and the legitimacy of management (the right to give orders and control others). Such mechanistic thinking may have inadvertently planted the seeds of what came to be known as managerialism.

WHAT IS MANAGERIALISM?

According to Mitchell (2016) managerialism refers to the “knowledge and practices of organizational governance and operations” and is “marked by concepts like accountability, transparency, participation, and efficiency, as well as practices like double-entry bookkeeping, strategic planning, Logical Framework Analysis, project evaluation, and organizational self-assessment” (Roberts et al., 2005). Most broadly, managerialism is “an ideology prescribing that organizations ought to be coordinated, controlled, and developed through corporate management knowledge and practices” (Hvenmark, 2015).

There is no generally accepted definition of managerialism, but as a working definition it can be said that managerialism is an ideology based on the belief that optimization of the productivity and outcomes of all organizations can be achieved through the application of managerial expertise,

theories and techniques. Many of the key conceptual components of managerialism have a much longer historical genealogy than is usually recognized. It is argued that those operating in the fields of business or management, or in economic and political life more generally, need to become more aware and more critical of the ideology of managerialism and its variants.

The central doctrine of managerialism is that the differences between such organizations as, for example, a university and a motor-vehicle company, are less important than the similarities, and that the performance of all organizations can be optimized by the application of generic management skills and theory.

Putting differently, one can use the following equation.

Management + Ideology + Expansion = Managerialism.

Managerialization is often associated with the rise of the managerial class and of a managerialist ideology. Thomas Klikauer (2013) argues that it is, above all, an ideology, a belief system that promotes the interests of a narrow sector of society as the general interest. And, he believes that this ideology is the dominant societal discourse of the 21st century. He argues that managerialism is responsible for promulgating a “rat race” mentality that causes human beings to view each other as competitors to be defeated or tools to be used to capture wealth, and to a culture of violence that promotes war among nations, terrorism, and poverty, and reaches down to infect households (e.g. domestic violence) as well. An ideology is a system of beliefs, values, ideas, interests, social structures and practices that explicitly and implicitly shape the way we see and make sense of our experience. This system inevitably has an underlying logic that also influences the way we do things, and that we use to evaluate what is good or bad, appropriate or inappropriate action. Capitalism is a prime example - the belief that organizations have to be managed for the economic benefit of owners.

PRESENT DAY CHALLENGES

Challenge, today, is to prepare students for increasingly complex organizations. Much has changed from industry 2.0 to industry 4.0, necessitating students to develop deeper understanding of the continuous changes that are taking place and their fallouts. Among others, the ability to think critically, decide wisely, communicate clearly, and implement effectively have become the orders of the day.

Institutions tried to respond to the changing requirements by adjusting the number and type of required courses, without getting into the overall architecture of programs and structure of curricula. Mindset change rather than addition/alteration of courses had become the need, as

institutions are faced with basic questions of purpose, positioning, and program design (Datar et al. 2010). Caught in this milieu, many institutions seem to lose their way; and inadvertently slipped into what is called 'managerialism' instead of doing justice to management education.

It's important to think about the relationship between theories and practice because the aim of management research and education is to influence practice. Theories provide the organizing themes for curriculum design, guidelines for course content, topics for teaching and models for management consulting and training. Think about management practices such as business process re-engineering, 360-degree feedback, performance measurement and talent management, all of which are heavily researched, taught in business schools and commonly used in organizations today. Yet despite this, the relationship between management theory and practice is seen to be problematic - usually by academics, which believe that managers are not implementing the theories they've so carefully constructed!

“The relevance of theory to practice came under scrutiny well over 30 years ago with criticisms that theory is divorced from practice and doesn't take into account the complexities and uncertainties managers face. Management researchers have tried to narrow the theory-practice gap in a number of ways. Some study managers and their activities inductively, developing theory from practice by focusing on how people make sense of their experience. Inductive studies work from participant interpretations in particular contexts, for example, through the stories of managers themselves or by carrying out an ethnographic study in which the researcher spends an extended period of time in an organization observing activities and talking to employees” (Cunliffe, A.L 2014).

One can go on and on; but that may not be necessary. The metaphor used by Sumantra Ghoshal “smell of the place” says it all. The video featuring Ghoshal's talk about this is still downloadable and is available at

<https://www.youtube.com/watch?v=YgrD7yJwxAM>

Looks like we have, perhaps inadvertently, reached a highly convoluted stage from where we find it difficult to extricate ourselves. Readers of this publication, particularly those in academia, may express themselves clearly answering the questions.

- (i) Have we reached such a stage? If yes, would we like to come out? If yes, what should we be doing from now on?
- (ii) If we have not reached such a stage, would there be any problem to continue with what we have been doing? What would the problems be? Why?

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