

Essay 1: Does management work?

A company can be managed with a methodology and instinct or just instinct. In the long run, having a methodology that plans and incentivize for long term goals, through tough but achievable short-term performance benchmarks, will make a difference in the firm's survival.

That is what the data shows, as in "IGC Report: Does management matter? Evidence from India", by Nick Bloom (Stanford, NBER and CEP). In this article, a consulting firm acted on a group of companies in India that were managed without any consistent methodology. The results of the interventions were significantly positive in the companies.

So if management works, how do we know which methodology is the best one?

There are a lot of managers using outdated models of management. Although it is not as grave a problem as in the first case, outdated management means underperformance and a risk for the sustainability of the company in the long run.

As Taylor explained in his on "Scientific Management", there are 2 types of managements:

1. Management of initiative and incentive
 - a. Motivate the workers through special incentive
 - i. Best practices that contribute to the economic results of the company
 1. Promotions
 2. Bonus
 3. Shorter hours of work
2. Scientific management
 - a. The role of the manager is larger here. It is his responsibility and framework:
 - i. To gather the knowledge of the workers, then to classify, tabulate it and reduce it to knowledge of rules, laws and formulas which are guides to the workers daily rules.
 - ii. Select and train, teach and develop the worker
 - iii. Cooperates with the men, in order to insure all of the work being done according to the science that has been developed
 - iv. Have an almost equal division of the work and the responsibility between the management and the worker

The summary of Taylors view on this topic is, as he says:

“Under the management of "initiative and incentive" practically the whole problem is "up to the workman", while under scientific management fully one-half of the problem is "up to the management."

But to him it is the role of the manager to set up the daily tasks of each of the workers. This is not, however, the most efficient managerial methodology that there is, in my regard. That title is reserved for the Agile Framework, as seen in the completely revolutionary advances we are seeing in the technological sector, motivated in this concept of production.

In "scientific management", the task management was designed by the manager preparing in advance what is for the worker to do the next day, while in an Agile methodology, like SCRUM, this role was succeeded by the Product Owner (PO).

It is the POs objective that he lists all the product obligations to reach its delivery of the Minimum Valuable Product (MVP) at the end of the sprint. The ones responsible for the completion of the tasks is a team of developers (in the case of software, for example), managed by the PO and assisted by a SCRUM Master. The team has a quick daily briefing that permits communication between everyone and the workers are empowered to reach the goal as a team.

This methodology is a result of the “Agile Manifesto”, which was a software development proposition, based on the following values:

- Individuals and interactions over processes and tools
- Working software over comprehensive documentation
- Customer collaboration over contract negotiation
- Responding to change over following a plan

That is to say, the items on the left are valued more than the items on the right.

So if good management is developing teams that are self sufficient and engaging with the objectives that were designed, I consider that Taylors view of management was fundamental in order to show a new layer to the best practices to manage a business.

But why do we have continual lack of management? It is interesting to note why not even a rudimentary management process is implemented in companies around the world. It demonstrates in my opinion that the profit motive is not enough to incentivize for efficiency.

As we know, values are subjective, which facilitates the existence of different points of view on many things, including what are right and wrong ideas. But be it incompetence or poor judgment, there are ways to measure good versus bad management. That is what I learned watching “The Profit”, reading “Lessons from The Profit”, by Alex Tabarrok and reading “HBR - Does

Management really work?”. Below are some best practices that I suggest to be applied by a company:

1. Study management
 - a. It will save a lot of time that would be lost in errors
2. Set targets
 - a. Long term goals
 - b. Tough but achievable short-term goals
3. Incentives
 - a. Reward high performers with promotions and bonus while retraining or moving underperformers
 - i. How to motivate a change? Start small, show results, compare methods, demonstrate value in the change to the staff
 1. Example: a corner in the factory starts a MVP using lean manufacturing versus the rest producing in an older methodology
4. Monitoring
 - a. Collect and analyze performance data to identify opportunities for improvement
 - b. Get the numbers right
 - i. Which products are selling and which have the highest price-to-cost margin
 - ii. Concentrate production on high-margin, big sellers. Drop the rest
5. Clean up shop
 - a. Liquidate inventory that isn't selling
 - b. Arrange the floor/process in order to get more efficiency
 - i. Fewer products -> simpler
 - c. Create inventory system
 - i. Track orders and the inputs needed to create those orders
 - ii. Take advantage of costs savings through economies of scale in input purchases
6. Depersonalize
 - a. Many people cannot separate business decisions from their own preferences and emotional biases, which is one reason why great business leaders are rare
 - b. Create a solid corporate governance in order to have a culture that promotes the values that execute the executive strategy of the brand

So management is not only necessary, but it is also the key to transforming companies. But I believe that there are different levels of management quality:

1. Use any type of management method, even if outdated, such as Taylor's (which as seen in HBR's article few use).
2. A superior stage of management maturity is if you use new models such as Scrum

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