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ADRIAN FAIERS

ORGANISATIONAL MYTHS – VOLUME 2

TACKLING ESTABLISHMENT DOGMA

Organisational Myths – Volume 2
Tackling establishment dogma
1st edition

ISBN 978-87-403-1962-0

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THANK YOU TO:

- *Mary, Maddie and Sam for putting up with a reduced service during the writing of this book;*
- *Kate Raworth for quickly responding to the request for a copy of the diagram included under Myth No. 23;*
- *@paul1kirby whose inspiring tweets provided links to many of the articles quoted in this book;*
- *Various Facebook friends, including the author, Michael White, for help and advice while I was proof reading.*

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I MAIN COURSE: MEAT OR NUT LOAF, RICE OR PASTA PLUS TWO VEGETABLES – FOUR SLOWLY COOKED MYTHS

1 MEAT OR NUT LOAF: MYTH NO. 14

Before reading this volume, make sure you have scored each of the 'myths' listed in the contents section above on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answers.

At the end of Volume 1 of Organisational Myths, doubt was cast on the effectiveness of performance related pay. Now we can go a step further and ask whether even more fundamental assumptions about pay are well founded.

Calls for evidence (and comments)

At various points in this book, the 'call for evidence' request will appear. For the next edition of this e-book the author keenly seeks comments, case studies, academic studies, systematic reviews and other evidence either supporting or challenging any of the arguments presented here. Recommended solutions are also welcomed. Please send any submission (together with a brief explanation of its relevance) to: info@skilldoctors.org.uk

MYTH NO. 14: TO ATTRACT THE BEST YOU MUST PAY THE BEST (PEANUTS AND MONKEYS)

Performance

On Tuesday 29 November 2016 the BBC Radio 4 Today programme carried yet another feature on excessive CEO pay. Theresa May, the UK Prime Minister, said she intended to impose limits as part of her government's proposals to tackle what it saw as corporate excess.

It was pointed out that in the late 1990s the average salary of a *FTSE 100 CEO (*100 top UK companies) was about £1m, 60 times the pay of an average worker; by 2016 it had increased to nearer £5m, 170 times the pay of an average worker.

It was less clear what benefits this had brought to the organisations which paid these excessive amounts. What benefits, for example, were derived from the vast pay packages given to the financial bosses who led the world into its 2008 financial crisis? (In June 2017 four Barclays c-suite executives, including the 2008 CEO, were charged for fraudulent activities during the crisis which some attributed, at least in part, to their desire to protect their remuneration packages.) And is there actually any evidence of a relationship between executive pay and performance? According to economist, Brian Bell, there is.

Link

King's College economists, Brian Bell and his team, created a database of pay since 2001 for CEOs, senior executives and workers in over 400 UK firms. These firms accounted for about 90 per cent of UK stock market capitalisation. The data were linked to stock market performance in the UK.

The results, published in 2011, found that CEO pay did indeed increase in response to an increase in shareholder value, perhaps unsurprisingly, since the majority of pay for CEOs comes from bonuses and stock incentive plans.

Significantly, Bell also found that CEO pay decreased less markedly in response to a decrease in shareholder value, about half as much as it increased in response to an increase in shareholder value.

Return on invested capital

Bell's data do not establish any causal link in the direction of incentivising. No evidence is presented that changing pay drives any change in shareholder value. (Call for evidence.) Moreover, research published by Lancaster University Management School at the end of 2016 showed that, whilst top remuneration packages in the UK's 350 biggest companies had increased by 82% over an 11 year period to 2014, the median economic return on invested capital over the same period had increased by less than 1%.

Blamed

It should also be noted that in a 4 April 2017 LSE podcast, Professor Alexander (Sandy) Pepper blamed the long term incentive component of executive pay packages for the escalation in CEO pay. He found that executives tended to undervalue such pay, effectively applying a 70% discount to its value, leading them to negotiate up. He suggests:

- removing this component,
- paying higher salaries, but lower overall totals,

- keeping annual bonuses and benefits such as pension packages and
- insisting that top executives use some of their own money to buy shares (rather than giving away shares in the long term incentive component).

Positive impact

And why should high pay incentivise? If you are earning £4m, what real difference does an extra 2.5% make to your life even if 2.5% does equate to another £100,000? And what real difference does it make if you lose, say, £50,000 from your £4m annual income for equivalent underperformance?

Moreover, there is evidence that increasing financial incentives above a certain level may reduce performance. (See box below.) Hence it is ironic that those at the top think they can pay peanuts to those lower down the pay scale when lower down the pay scale is exactly where higher pay may have a positive impact.

Power of incentives

In his paper, The World's Dumbest Idea (accessible via GMO), James Montier describes how in 2005, Dan Ariely and co-authors set up experiments to test the power of incentives. They conducted the experiments in India because there they could offer the participants meaningfully large incentives.

Participants were asked to play six games and were told that their pay would relate to their performance on the various tasks. Various levels of incentive were offered ranging from low (4 rupees if they reached the very good level in a game), to medium (10x higher), to high (10x higher again and offering the potential to win the equivalent of half a year's all-India, average per capita consumption if a participant achieved the very good standard in all six games).

Too high

Those who were offered the lowest incentives achieved around 35% of the maximum possible. Under the medium incentive version, 37% of the maximum was attained. But under the high incentive only 19.5% of the maximum possible was reached.

From the collected evidence on the psychology of incentives, it appears that when incentives get too high, people tend to obsess about them directly rather than on the task that leads to the reward. Effectively, high incentives divert attention away from the very areas where they are needed.

The analysis is supported in a Tech Crunch piece by Tomer Dean in which he describes how high rewards are ineffective at incentivising venture capital companies of which only about 5% achieve a 'venture rate of return'. What they appear to do instead is incentivise the companies to protect their rewards regardless of performance.

Emotional strength

Perhaps the only difference excessive pay makes is to feelings of self-esteem and self-worth. If so, surely that should be of great concern. Does the type of person whose self-esteem and self-worth comes from the size of their pay package really have the emotional resources to run an important organisation? The UK examples of Sir Philip Green and Mike Ashley and the US example of the Enron board suggest otherwise. There are many other examples.

Corrupting influence

In her 2016 article, Business Leaders and the Mixed Feelings They Inspire, award winning military historian, Elizabeth Samet, whilst acknowledging that public good may (at least incidentally) flow from personal ambition, describes how belief in the corrupting influence of the pursuit of personal wealth has permeated history right back to ancient Greece and Rome.

It could be added that if the desire to accumulate wealth really is a symptom of emotional insecurity, it is not surprising that collateral damage is insufficient to subdue it. Indeed, any religion, philosophy, or incidental wider benefit will be appropriated to rationalise and justify that desire. Some may additionally try to appease their consciences with philanthropy.

Charismatic leaders

There is another issue. Even if many people still believe that high remuneration packages are needed to attract the most charismatic leaders, faith in charismatic leadership can itself go too far, as described by Dan Ciampa, author of several books on leadership.

Charisma

In his 2016 Harvard Business Review article, How charismatic leadership can go too far, Dan Ciampa describes five phases in the decline from charisma being a positive attribute in a leader to charisma being a negative attribute:

1. there is a growing sense on the part of followers that the leader does not want to be questioned;
2. consequently, followers begin to self-censor, asking fewer questions and no longer playing devil's advocate;
3. a negative cycle develops in which compliments and agreement cause the leader to become overconfident;
4. since the leader's views and actions are the only ones that matter, followers reduce their willingness to be proactive;
5. followers continue to follow, but do only what is necessary and with a deep diminishment in enthusiasm and spirit.

Arguably, the failure of the type of charisma attracted by excessive remuneration packages results from attracting charismatic leaders with a lack of emotional intelligence. Perhaps some kind of OCD is involved: the wealthy collect money like train spotters collect locomotive numbers, or like the Cookie Monster collects and consumes cookies.

Cookie Monster

If protagonists of disproportionate wealth invoke the green-eyed monster in support of their stance, this book invokes the Cookie Monster. Protagonists may accuse those advocating a fairer world of jealousy, but those who doggedly pursue disproportionate wealth simply look out of control and silly. However, as discussed later, unlike the Cookie Monster, they are neither hilarious nor harmless. (If you follow one hyperlink in this book, follow the Cookie Monster hyperlink.)

Moreover, it has been argued that without emotional intelligence, charisma can too often slip into narcissism. Indeed, high pay may actually attract narcissistic rather than charismatic leaders.

Narcissistic leaders

A professor of business psychology at University College London, Tomas Chamorro-Premuzic, argues that 'our admiration for charismatic leaders comes at a price: perpetuating the proliferation of narcissistic leaders.'

Whilst he acknowledges that 'the existence of incredibly successful CEOs, such as Steve Jobs and Jeff Bezos (and Rockefeller, Ford, and Disney before them), may suggest that narcissism is a beneficial leadership quality, most overconfident, entitled, and egotistical CEOs are not just ineffective but also destructive – even when they manage to attain a great deal of success.'

Counterproductive work behaviours

He asserts that 'narcissistic CEOs overpay when they acquire firms, costing their shareholders dearly. Their firms tend to perform in a volatile and unpredictable fashion, going from big wins to even bigger losses. They are often involved in counterproductive work behaviours, such as fraud. They are also more likely to abuse power and manipulate their followers, particularly those who are naïve and submissive.'

Moreover, it is easy to forget that Steve Jobs was once sidelined by Apple for his destructive leadership of the Macintosh 'company within a company'. One of the accusations against him was that he drove people too hard. Allegedly, he later as good as admitted that the direction in which he had wanted to take Apple at that stage was wrong.

Establishment rules

Another concern is that the kind of person who demands a large pay package is the kind of person who plays by establishment rules, including organisational myths. They are part of an established system and the source of their self-esteem and self-worth might be put under threat if they rebelled against that system and its rules/myths. It requires a high degree of emotional confidence to take such a risk; hence a self-perpetuating, destructive duality is established. They are more concerned with preserving and enhancing their personal status than they are with an important job well done.

High pay becomes a perverse incentive and has unintended consequences.

Hence research conducted by Professor Sandy Pepper of the London School of Economics (LSE) with more than 750 senior global executives suggested that they respond better to immediate financial security rather than the gamble of long-term reward schemes, according to Louise Tickle writing in the Daily Telegraph on 17 January 2017. Moreover, the importance of personal status was confirmed by the professor's finding that relative pay was more critical than absolute pay.

Wrong responses

Conceivably, another unintended consequence attached to hiring people whose identity and self-worth come from the size of their pay package is that the associated emotional insecurities make them unable to control their anxieties or manage ambiguity.

Perhaps it is not surprising that such leaders choose the wrong responses to uncertainty and ambiguity, for example preferring to construct more and more complex financial structures in an attempt to spread risk, but, in practice, producing an increasingly fragile facade of security. Moreover, those risk-spreading complex financial structures can themselves be a source of personal fortunes, so it seems to them like a win-win. The fates of Fanny Mae and Freddie Mac suggest otherwise.

Need for certainty

One example of a damaging lack of ability to manage ambiguity and anxiety was demonstrated during the period following the UK referendum vote to leave the EU (Brexit). Business leaders, including those at the 2016 Confederation of British Industry (CBI) conference, were constantly asking the government to reveal its hand in the Brexit negotiations, because they demanded certainty.

At the conference, CBI Director, Paul Dreschler said, '…of course, when it comes to negotiations we understand in business the importance of discretion,' he then added, 'We're not asking for a running commentary, but we are looking for clarity and above all a plan.'

Disruptive innovation

However, destructive behaviour should not be confused with disruptive behaviour. At time of writing, disruptive innovation was still a buzz phrase of the moment. Even a traditional organisation like the CBI acknowledged exhortations to embrace disruptive innovation, thus implicitly recognising the need to manage ambiguity and/or uncertainty. The 2016 CBI conference was dominated by talk of disruptive innovation.

Mindset

One session described six ways in which a business could harness disruptive innovation. A later online article published by the CBI encouraged CEOs not to fear disruption, arguing that 'the biggest difference between the winners and the losers seems to be one of mindset'.

But how likely is it that the type of leader attracted by a huge pay package, with the implications described above, would have the emotional strength required as part of such a mindset?

The CBI online article provided examples from what it considered three disruptive companies, Amazon, Virgin Money and Airbnb, suggesting that top managers existed who did have that mindset. However, it was unclear how much of the disruptive innovation described was due to the type of leadership provided by highly paid top managers and how much was due to initial (or residual) entrepreneurial spirit. There was also a hint that the narrative had been written to reflect the buzz phrase.

About the same time as the CBI conference, Simon Walker, the then outgoing Director General of the UK's Institute of Directors, also attempted to describe the importance of disruptive innovation within a norm of highly paid top managers.

Contradictions

At the 28 November 2016 Bob Gavron Memorial Lecture for the UK's High Pay Centre, Simon Walker said, 'I have no problem with high pay per se. If you start a company from scratch and turn it into a world-leader, you should be entitled to the rewards.'

He also said, in contradiction it could be argued, 'One thing that characterises entrepreneurs perhaps more than anything else is the desire to cause disruption.'

He continued, 'Our market-based economic system has one overriding strength to it, and that is that the opportunity to succeed encourages adventurous people to try new, disruptive things. Occasionally this leads to their acquiring vast fortunes. Some people may not like this, but remove that incentive and society would stand still.'

Status symbol

However, the speaker went on to acknowledge that boardrooms have never been particularly diverse places, adding, 'The absence of diversity of thought means less challenge to the status quo, which is that high pay is the norm and no-one thinks it unusual…at the top end, pay has become a status symbol.'

Entrepreneurial spirit

Analysing Simon Walker's comments, there is again a danger of confusing the results of the type of leadership provided by wealth-seeking top managers with the results of initial or residual entrepreneurial spirit. Also, as he acknowledges, the desire to cause disruption appears not to extend to disrupting the side-myth that (the scale of) financial reward is the most important bedfellow of success.

Moreover, the suggestion that removing the high pay incentive would result in society standing still is a bold claim. Is it not more likely that people whose self-esteem and self-worth comes from vast fortunes will be driven towards a limited range of disruptive behaviours, those which disrupt without seriously unsettling the status quo on which they rely for their huge pay packages?

Different direction

And is it not more likely that, rather than making society stand still, removing the high pay incentive would merely take society in a different direction, a direction with perhaps more radical disruptive innovation, challenging the very status quo which the speaker appeared to berate?

Alternative motivators

Yet, ironically, the desire of top management to maximise wealth has resulted in those who seek it almost accidentally rewarding alternative motivators for those lower down the pay scale. The, so called, gig economy, illustrated by drivers who work zero hours contracts for the likes of Uber and Deliveroo, has helped organisations and their top teams to siphon off a greater share of profit for themselves by improving service while at the same time transferring certain costs to the workforce and markedly cutting the organisation's costs.

Many regard the drivers as exploited, because they often average below minimum wage and they lack the securities of employment. (See Myth No. 20.) However, the service provided by such companies gives its drivers other things they value like the obvious benefit of matching them with driving jobs and like self-employment with its associated perception, real or imagined, of flexibility, freedom and control. It could be argued that the founders are behaving like Theory X people whilst the drivers are treated as Theory Y people.

Resistance to change

Despite all this, stakeholders have little interest in changing the system of motivation by wealth. Even those, such as Graham Kenny, writing in Harvard Business Review in May 2017, who recognise the need for broader measures of CEO success than financial performance alone, still see bonuses as the incentive to achieve them. (Though see Professor Sandy Pepper's counterview above.)

Moreover, even shareholders have little incentive to bring about change, because most of those with the greatest potential for influence are themselves large organisations, such as pension funds, with senior teams equally motivated by the same measure of status.

However, perhaps most surprisingly, even those lower down the scale, including those most likely to suffer from such gross inequality, are unenthusiastic about challenging the disparity.

Only a few, as discussed above, seem happily motivated by other things. And there is always the fear of being dismissed as envious.

In addition, there are more subtle influences at work.

Century of the Self

Perhaps in some way, members of the workforce fear that challenging disproportionate wealth would hinder their own (probably unlikely) ability to become hugely rich. Indeed, as long ago as 1960, John Steinbeck suggested that everyone considered themselves to be a 'temporarily embarrassed capitalist'. This perhaps provided the source for Ronald Wright in 2004 to assert that Steinbeck believed that the poor considered themselves to be 'temporarily embarrassed millionaires'.

The potential to accumulate wealth appeals to some basic instinct and, perhaps, some insecurity in all of us. This is arguably more so since the beginning of the 20th century when happiness was increasingly linked to possessions in order to provide markets for the products of new mass production techniques. At the same time a PR industry grew up to promote desire for unnecessary possessions in support of that aim.

As well as describing these influences in more detail, more sinister undertones are superbly described in the Adam Curtis documentary series, The Century of the Self. He argues that the creation of desire for material possessions also became a method of keeping the potentially unruly masses under control via a mechanism known as the engineering of consent. (If you follow two hyperlinks in this book and can commit an hour, be sure to watch this compelling documentary.)

Change

With all these forces conspiring to keep the massing of personal wealth and conspicuous consumerism as the prime motivational force at all levels of an organisation, it seems unsurprising that those at the top demand huge pay packages. It might also, then, still seem inevitable that to attract the top leaders, top pay packages will need to be offered.

However, the underlying beliefs and value systems are increasingly being challenged. For example, widely reported research carried out at Princeton University indicated that while happiness in the US increases up to a personal income threshold of about $75,000 a year, beyond that figure additional income has little impact on happiness.

And it is not only happiness and mental health that are affected.

Case study: Roseto

It has long been known that trust in wealth and consumerism could well be misplaced and that there are more effective health and wellbeing protective factors. The effect even on physical health is shown by the salutary and inspiring story of Roseto, as described by Ichiro Kawachi et. al. in 1997.

Roseto is a small town in Pennsylvania where it was observed in the 1950s that the inhabitants had a 40% lower chance of suffering heart attacks than the local average.

The only observable difference was that Roseto was noted for its ethos of social cohesiveness and egalitarianism where conspicuous consumerism was taboo. However, as younger people found work outside the town and the influence of the status-based, consumerist social model increased, so the rate of heart attacks increased in parallel until it matched the average for the surrounding area.

Pay ratios

Happily, some organisations are starting to adopt self-imposed pay ratios. The UK retail chain, The John Lewis Partnership is one example and they regard it as a commercial advantage.

The John Lewis Partnership

The John Lewis Partnership is a UK retail chain wholly owned by its employees, who are all called Partners.

In her 2015 essay, Linking success: do pay ratios help or hinder commercial performance?, Jane Burgess, Partners' counsellor at the John Lewis Partnership, gives her view of the outcome of the fixed pay ratio between the highest paid Partner and the average pay of non-management Partners.

Stronger motivation

She says, '…whilst the pay ratio may narrow the pool of candidates at the senior level, it guarantees that those who join the Partnership share a stronger motivation than personal reward: they share the values of the business. In the Partnership's case, this goes beyond profit to the creation of a successful business in which the 'worthwhile and satisfying employment' of its members is the principal aim.'

However, it should be noted that even in the John Lewis Partnership the ratio is still 75:1. This begs the question: is this ratio low enough to attract a top team emotionally suited to effect the truly disruptive innovation required in a rapidly changing retail environment?

Signs

Moreover, many continue to believe the myth that wealth and conspicuous consumerism reflect and even encourage success, despite many signs of a shift in thinking. For example:

- on 8 December 2016 Annie McKee, a senior fellow at the University of Pennsylvania, described in the Harvard Business Review how emotionally intelligent CEOs handle power;
- a few days later the CBI's education department re-tweeted Roffey Park's CEO, Michael Jenkins, who tweeted that 'discussions about leadership should focus more on compassion and emotional intelligence';
- and on the same day as Michael Jenkins's tweet, widely reported academic research by Steven Brown, Yan Lu et. al. demonstrated that funds managed by hedge fund managers who bought performance sports cars like Ferraris were 16% more volatile and that the managers, themselves, were significantly more likely to terminate their funds and engage in fraudulent behaviour.

For peanuts you might get monkeys; for megabucks you get emotionally challenged Cookie Monsters.

How would you now score the statement at the start of this chapter on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answer.

If there has been a change in your score after reading this chapter, what actions will you take to reflect your change in perception?

Record your answer and diarise a date to review.

2 RICE OR PASTA: MYTH NO. 15

Before reading this chapter, make sure you have scored the statement below on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answer.

MYTH NO. 15: THE SUCCESS OF AN ORGANISATION IS DIRECTLY PROPORTIONAL TO THE QUALIFICATIONS AND TRAINING OF ITS WORKFORCE

Level of comfort

Whatever their training budget, there is little doubt that few organisations would dismiss the sentiment of the above statement. And who amongst the public would trust their lives to an unqualified surgeon or even the repair of their computer to an untrained computer engineer?

However, what if your choice were between a recently qualified surgeon with a 100% success rate and a surgeon with a string of letters after his or her name, but an inconsistent track record? And what if your choice were between a self-taught computer expert with a large number of five star reviews and a formally trained and qualified computer expert receiving an average of two stars?

Qualifications and training may provide a level of comfort, but their acquisition is not enough on its own to guarantee competence nor, more fundamentally, to confirm underlying ability. Two people with the same qualifications, or completing identical training, are not, automatically, equally good.

Reliable measure

What is needed is a reliable measure of relevant skills. However, this is not facilitated in many societies, which seem to value academic over vocational or technical education. For example, in the UK education is geared from the start to steering its children towards university. Less academic young people, that is, those not destined for university, can be left by the wayside at a very early age. Equally, it leaves the UK with a serious skills shortage, as illustrated by the Tier 2 shortage occupations list.

Three reports had the potential to change this:

- The March 2011 Government Review of Vocational Education (for 14–19 year olds), by Professor Alison Wolf, (The Wolf Report);
- The Government's July 2016 Post-16 Skills Plan based on recommendations from a panel including Professor Alison Wolf and chaired by Lord Sainsbury;
- The November 2016 report by Professor Alison Wolf, Remaking Tertiary Education

Although a UK example, the following analysis has international implications, as will be seen later when some of the lessons sought from overseas are brought into question.

The Wolf Report

The Wolf Report highlighted considerable variability in provision for UK teenagers hoping to pursue a vocational rather than an academic route. It stated, 'The staple offer for between a quarter and a third of the post-16 cohort is a diet of low-level vocational qualifications, most of which have little to no labour market value.'

Amongst other measures the report advocated the following in response to the situation:

- an end to steering 14 year olds, or 16 year olds, into programmes which are effectively dead-end;
- provision of more accurate (and honest) information about the validity and usefulness of courses, aided by simplification of the offering;
- increased access to the workplace for 16–19 year olds in education and an increase in the provision of good quality apprenticeships, including subsidies to employers;
- continued emphasis on English and Maths and the flexibility to enhance general skills in response to both frequent job changes and a rapidly changing workplace, focussing on student demands and needs;
- the involvement of employers in development and specification of vocational qualifications.

Many of the measures were implemented by the Conservative-Liberal Democratic coalition government of the time, particularly investment in apprenticeships. However, in 2016 the, by then Conservative majority government, issued a new plan.

The Post-16 Skills Plan

The government's Post-16 Skills Plan acknowledged that technical education remained the poor relation of academic education and that not enough attention had been paid to lessons from abroad, where access to high quality technical education was far more widely available.

Pledges included:

- after an excellent academic grounding, presenting every 16 year old with two choices: the academic or the technical option, the latter of which would also be world class;
- improving the quality of education and student choice;
- easily accessible movement between the two choices;
- college-based and employment-based (apprenticeship) education, building on apprenticeship reforms following the Wolf Report;
- employers sitting at the heart of the system together with a strong and stable network of colleges and other training providers.

It was less clear how the measures advocated by this report would impact on tertiary education, still predominated by academic universities. The third report addressed this issue.

Remaking tertiary education

Remaking tertiary education pointed out that around half of 18 and 19 year olds went on to tertiary education with the overwhelming majority choosing a university degree course and less than 2% of awards being at sub-degree level.

It advocated an increasing emphasis on and parity of esteem for technical education, applying lessons exemplified by Germany's Fachhochschulen, France's IUTs, The Nederland's and Finland's polytechnics, those well-resourced tertiary colleges in Canada which concentrated on vocational subjects, and community colleges in the US.

It also advocated tertiary level apprenticeships. However, whilst recognising the effectiveness of highly developed apprenticeships at tertiary level in many European countries, the report tellingly concluded that in the UK 'it would be impossible to drive general tertiary reform through the apprenticeship programme', noting that the number of 'higher' and 'degree' level apprenticeships remained tiny. Consequently, apprenticeships were not included in the analysis.

Content vs approach

Whilst all three reports championed the need to promote vocational/technical education against academic education and, whilst all three advocated elevating the importance of workplace training against college based training, they equally all fell short. They placed due emphasis on content, but arguably not enough on approach. This is illustrated by the admiration of the third report for overseas technical institutions of one kind or another.

Such institutions reflect a healthy respect for technical or vocational content over academic content, but a more questionable respect for a technical or (perhaps better named) practical approach over an academic approach. As such, any attempt to emulate these institutions is likely still to fail young people in the UK for whom the academic approach has failed.

An illustrative example of the perceived differences is set out in the table below.

CONTRAST	EXAMPLE
CONTENT / APPROACH	CONTENT / APPROACH
Academic / Academic	History and development of the lathe / study, research & written work
Technical / Academic	Comparative operation of lathes / study, research & written work
Academic / Practical	Comparative operation of lathes / scientific experiment & written work
Technical / Practical	How to operate a specific lathe / demonstration and practice

Table 15.1. Examples to summarise the sense in which interrelationships between academic versus technical content and academic versus practical approach are discussed in this chapter.

The continuing importance placed by all three reports on an underlying academic core and the emphasis on qualifications in Maths and English also illustrates the lingering reliance on the academic approach. Qualifications and exams, it is suggested, are very much a part of the academic approach.

Workplace vs educational establishment

Moreover, whilst all three reports advocate some shift from learning based in educational establishments to learning based in the workplace, all three seem reluctant to question the fundamental importance of educational establishments. However, it is argued here that the association between educational establishments and the academic approach is so strong, that the shift from academic to technical education will be hindered as long as such establishments play too prominent a role in learning provision. As a result, not only will society fail to serve those for whom the academic route is inadequate, both society and its organisations will fail to fully develop or benefit from their skills.

Dismantled

It is further argued that there are other associations which are so strong that they need to be dismantled in order to ensure a proper transition. These are set out in the table below. The list includes the sacred cows of qualifications and exams.

Academic content	Academic approach	Technical content	Practical approach
Broad	Education	Specific	Training
Theoretical	Study	Applied	Demonstration
	Research		Practice
	Written assessment		Observational assessment
	Exams		Alternative scoring
	Qualifications		Modern
	Traditional		

Table 15.2. Associations between certain terms and concepts

Table 15.2. Summary of the sense in this chapter in which terms and concepts used in the field of education and training are seen to be associated.

Five key shifts

Hence, in order to ensure true parity of esteem for the technical/practical approach, together with the organisational and societal benefits that this will bring, this book advocates five key shifts in emphasis, which include tackling the trappings of the academic approach.

1) From ACADEMIC to TECHNICAL/VOCATIONAL CONTENT
This is not about replacing all academic education and training with technical and/or vocational education and training. It is about ensuring that they have equal status. In Germany, for example, graduates with a Master's degree have a fast track into higher civil service positions whether from a traditional university or a technical university (Fachhochschule).

2) From an ACADEMIC to a SKILLS FOCUSSED, PRACTICAL APPROACH
A greater challenge is giving a technical, vocational, or practical approach equal status to an academic approach.

In the UK, for example, apprenticeships are being strongly promoted as an equivalent to a more conventional academic approach. However, resistance is strong and, perhaps because many apprenticeship programmes are designed by those who have followed an academic approach themselves, apprenticeships are becoming increasingly academic in their approach as well as their content. For example, according to the Post-16 Skills Plan, in the UK there is a requirement for apprenticeships to contain 'at least 20% off-the-job learning of knowledge (in a college or private training provider)'.

3) From ESTABLISHMENT to WORKPLACE
It is argued that equal status for technical content and a practical approach can be achieved only if the temptation to move training out of the workplace and back into educational establishments is resisted.

4) From CLASSROOM to ON THE JOB
Moreover, the temptation to carry out workplace training in proxy classrooms, e.g. meeting rooms, boardrooms and many online settings rather than on the job or on the shop floor, must also be resisted – the greater the move to proxy classrooms, the greater the temptation to increase written (academic) content over practical content. Of course, written content acts both as an aide memoire and as a tool for simple assessment, but with it comes the danger of reinforcing both the idea that academic is better and a reliance on traditional qualifications and exams, which, it is suggested, not only reinforce the academic approach, but also are highly overrated as a tool for identifying relevant skills.

5) From QUALIFICATIONS and EXAMS to SKILLS ASSESSMENT and SKILLS PASSPORT
The Wolf Report emphasised the importance of Maths and English GCSE qualifications, whilst recognising that 50% of young people are unable to achieve them. Academic content and the academic approach, it is argued, will not lose their superior status as long as qualifications remain the predominant measure of attainment and the 50% remain in danger of being lost to the system.

What is needed is an entirely different approach to assessment, one which measures truly relevant skills. The currently preferred, but arguably blunt, instruments of qualifications and exams tend to measure broad knowledge and, perhaps, say more about type of individual than they do about relevant skills.

No effect on earning power

Evidence that qualifications say more about type of individual than they do about relevant skills might be taken from Professor Alison Wolf's 2006 paper on certifying the workforce. In it she presents data from a large UK longitudinal study which shows that, with few exceptions, gaining a qualification as an adult has little or no effect on earning power and in a few cases (level 1 academic for males or level 2 occupational for both sexes) it actually has a negative effect on earning power.

Note there are other differences between males and females and it is found, for example, that an academic level 5 qualification (post graduate) has a positive effect on earning power for both males and females, but the effect is greater for males.

Simply a badge

One possible part explanation for some aspects of the effect is that gaining a qualification 'at the right time' is what is important, something Professor Wolf, in a separate article, calls 'signalling'. That is, arguably, a qualification obtained at the conventional time is simply a badge indicating to employers the type of person you are i.e. 'like them'.

Interestingly, the paper also cites 2004 evidence by Katerina Ananiadou et. al. that employer-provided, uncertified training does have a positive impact on earning power.

Such an alternative assessment system has been tried in the past, but has never been given a fair chance of achieving equal status, perhaps not least because of resistance from all those who gained some of their own status, self-esteem and self-worth from academic qualifications. Maybe now that countries like the UK are increasingly finding themselves at a skills disadvantage, the time has finally arrived for the Skills Passport.

Skills Passport

Across Europe there is still a skills passport system in operation, the europass, or European Skills Passport. However, it is complex and arguably less useful than some of its unsuccessful predecessors, such as a scheme run in the UK which eventually became the Purple Passport (now something completely different) and locally run schemes such as the Sheffield Skills Passport. The latter places considerable emphasis on providing alternative assessments of relevant skills, whereas the europass is more about making the instruments of conventional job applications, such as formal qualifications and CVs, more recognisable across national boundaries within the EU.

Various Skills Passport schemes also exist in the UK within specific industries such as the nuclear industry, archaeology, health and public health. Again all have limitations, not least wider applicability and in some cases a failure to provide an alternative assessment framework as opposed to a mere summary of traditional qualifications and experience.

Log book

Perhaps the closest thing in the UK to a more universal Skills Passport is the log book described in the Post-16 Skills Plan. However, this is a shadow of what is proposed in this chapter as it is limited to the assessment process proposed for, so-called, T-levels and then forms only a small part of the process. (The T-level is intended as a level 3 technical equivalent of the UK's academic A-level qualification.)

T-levels

More worryingly, whilst the idea of T-levels sounds promising, the Post-16 Skills Plan implies that the practically assessed technical element of the T-level will be minor compared with what it describes as 'core content'. This sounds like academic content. The example quoted is that a 'prospective employee with a Health and Science certificate with a specialism in dental nursing…will have 'mastered all the core content in the Health and Science route'.

Whilst it is recognised that a dental nurse will need some academic understanding, the emphasis appears to be strongly on broad rather than specific academic understanding which is, moreover, assessed via an academic approach. Further reading of the Post-16 Skills Plan seems to imply that even with employer input, those who design assessment techniques too readily fall back on academic methodology, because they find it too difficult to come up with more practical methodologies.

Although early reports about the UK government training proposals suggested there would be two technical routes, one college-based and the other employment based (apprenticeships), there was little comfort that the latter would be sufficiently free of academic content and assessment.

Methodology

What is required is an assessment in which traditional qualification and assessment techniques become a decreasingly important component and in which independent assessment of directly relevant and transferrable skills is paramount. The prototype Skill Doctors website describes how this might be achieved in the context of vocational education for 16–19 year olds in the UK and also suggests that the methodology could be rolled out more widely.

In summary, the paper outlines a mechanism for financing regulated, peer-reviewed assessment of skills by employers with the assessments being uploaded to an individual's (printable) online Skills Passport. The role of educational establishments within this structure (and only this structure, which would run in parallel with more traditional education) substantially shifts from buildings-based, primary providers to workplace-based, on the job gap-fillers and providers of essential, more rounded educational content. Skills Passport assessment of soft skills will also contribute to ensuring development of the latter.

In its 20 January 2017 budget recommendations to the Chancellor of the Exchequer, the UK's CBI emphasised the importance of apprenticeships being 'genuinely employer led'. This particular Skills Passport methodology would provide the mechanism for them to achieve this.

Clearly a need

There is clearly a need for deep-seated change. It is not just the UK which is experiencing skills shortages. In the US, despite the community colleges held up for emulation by Remaking tertiary education, the system is still not delivering the workers needed 'for middle-skill jobs that pay $40,000 or more a year and (that) require some postsecondary education but not a college degree', according to Joan C. Williams writing in the New York Times on 27 May 2017.

Even at the top

Even at the top, the reliance on MBAs as an indicator of suitability for employment should be questioned. Arguably, such reliance is at best a lazy interview technique and at worst an inexcusable waste of resources, which is also fraught with dangers. It may be easy to use possession of an MBA as a first filter when selecting candidates for management positions, but the cost to the individual, both in financial and in personal terms, is profound. Moreover, there are costs to organisations, such as lost work time during study, and to society as a whole.

In favour

One particular danger is that MBAs tend to promote a particular approach to business and organisations are in danger of following that approach, warts and all. In an interview with the Singaporean Business Times, international recruitment agency, Atlantic Research Technologies, noted, 'Many of our worldwide clients…often regard the candidate with an MBA as a person with a more 'modern' or 'American-style' business outlook, and since this type of business model is currently in favour…an MBA might be offered as evidence of one's commitment to a more 'aggressive' or 'world class' management style.' What happens when that management style goes out of favour?

Weak leadership

Surely, a truly confident organisation would not only rely on its own interview technique and at most use qualifications as a final rather than initial selection filter, it would also place more emphasis on its own ability to train its workforce than on the arbitrary approval of outside examiners. The resistance of organisations to offer tertiary level apprenticeships (as identified by Remaking tertiary education) is suggested as further evidence of the weak leadership described in the previous chapter.

Methodological monoculture

Indeed, is one danger of the academic approach as a whole, groupthink (another example of ASS, discussed under Myth No. 13 in Volume 1)? Steven Pearlstein writing in the Washington Post on 6 September 2013, described business schools as part of an elaborate institutional infrastructure that indoctrinates students with the shareholder-first ideology and equips them with tools to manipulate quarterly earnings and short-term share prices.'

2013 research by Dan Kahan et.al. describes how increased information, such as that favoured by the academic approach, actually reinforces prejudices rather than challenging them. Their findings suggest that in what the researchers call identity-protective cognition, people often seek information in order to confirm or reinforce their pre-existing beliefs rather than to find the 'right answer'.

And a 7 February 2017 article in the New York Times quotes Andy Haldane, Chief Economist at the Bank of England, as saying, 'the (financial) profession has 'borrowed too little from other disciplines' and become 'a methodological monoculture,' with the associated risk that everybody in the field can be wrong in the same way and at the same time.'

Agile

However, despite the issues above, the system is unlikely to change while c-suite executives continue to use traditional qualifications to reinforce their own choices and/or select employees in their own image. (If traditionally educated people are so brilliant, why do they appear so incapable of working with people unlike themselves?) Whilst it might be feared that an in house, Skills Passport approach would merely enable them to create, rather than select, employees in their own image, the proposed peer and student review component should address that concern.

What is hopefully equally clear is that the five key shifts recommended in this chapter should help to make the system more agile in a world where the skills required are arguably changing far more rapidly than they have at any previous stage in workplace history. (See Myth No. 3.)

Perhaps now more than ever it is time for qualifications and training to undergo some disruptive innovation of their own rather than the tinkering proposed by traditional reports. Qualifications may ultimately filter for brilliance. The Skills Passport approach has the potential to reveal and even develop exciting new types of brilliance amongst those who are currently not empowered to shine.

How would you now score the statement at the start of this chapter on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answer.

If there has been a change in your score after reading this chapter, what actions will you take to reflect your change in perception?

Record your answer and diarise a date to review.

3 TWO VEGETABLES: MYTHS NOS. 16 AND 17

Before reading this chapter, make sure you have scored myths 16–17 (see contents) on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answers.

MYTH NO. 16: ACCURATE BUDGETING IS ESSENTIAL FOR GOOD BUSINESS

Despite awareness, horror stories continue: desperate attempts at the end of the financial year to spend budgets so that they are not lost in the following financial year; essential activities being refused because the budget has been allocated, while non-essential activities continue – perhaps exacerbated by territorial budgeting between departments; less expensive options not being sought because there's still plenty in a budget and so on.

Clearly needed

It is accepted that there are justifications for accurate budgeting. For example, if spending budgets are set too low or income projections set too high, they may become demotivating, especially when coming in on budget is also part of the mantra.

Clearly needed in the management of resources, budgets, it could be argued, should nevertheless be as vague as practically possible; they should provide guidelines, allowing for agile responses to changing circumstances. If there are too many rewards attached to coming in on budget, the priority will be to ensure that the organisation does come in on budget, leading to horror stories like those above.

Once budgets have been set, the priority, it could be contended, is to improve on the situation they describe not to deliver on it. There is certainly a need to measure success against the right indicators.

Short-termism

Even major accountancy firms such as KPMG recognise dangers inherent in planning, budgeting and forecasting (PBF), as set out in their 2015 joint report with the Association of Chartered Certified Accountants (ACCA), Planning, Budgeting and Forecasting, An eye on the future.

The report concluded, 'Traditional performance measures reinforce short-termism in organisations as they are rarely, if ever, aligned to strategic goals.' It also recognised the dangers associated with static budgets. The authors implied a need to change emphasis from Key Performance Indicators (KPIs) to Strategic Performance Indicators (SPIs), as some organisations have been doing for a long time.

Lack of buy-in

Possibly the single most common issue identified by the report was lack of buy-in to the PBF process across the organisation and particularly from the operational side of an organisation. The authors saw the proportion of total time spent on PBR contributed by operations increasing from 7% to 12% and the proportion spent by finance decreasing from 65% to 50%. It is unclear whether or not this would mean an undesirable overall increase in resource allocated to the PBR process; either way, adjustments would be needed at least to prevent resources being taken away from the key purpose of operations.

Politically agreed figure

In addition to the dominant role of finance in the PBR process, another problem is that the PBR process was seen as belonging to the CEO in 41% of organisations and to the CFO in 33% of organisations, according to a survey of 900 finance professionals in 50 countries conducted by KPMG to inform the report. Consequently, 46% of respondents believed that the budget was a politically agreed figure rather than a number aligned to real business.

Rolling (quarterly) forecasts

One contributor to the report, Svilena Tzekova, Senior Manager, KPMG Financial Management, described how since 2013 she had been arguing that rolling (quarterly) forecasts should replace corporate budgets. She also pointed out that by the time of the report, 69% of respondents were saying that this would happen within five years (2020). (See further discussion under Myth No. 17.)

Other pitfalls

There are other pitfalls when setting budgets as indicated by business consultant, Patrick Mixon, in his Linkedin article, Prevent the 10 Most Dangerous Budgeting Mistakes. However, his list contains apparent conflicts such as that between mistake 4, over optimistic projections as against mistake 6, over pessimistic projections (sandbagging) and that between mistakes 2 and 7, rushing the budget or failing to plan ahead and phoning in the budget as against mistake 8, too much detail or too complex.

Accuracy

Hence, it is hardly surprising that accuracy becomes the refrain. As suggested elsewhere in this book, accuracy is what top managers (arguably unable to manage ambiguity and their own anxieties) most want, because it gives them the comfort of certainty – certainty, perhaps as much as anything else, about their own position and status. The KPMG report implicitly recognises this danger noting that 'senior managers tend to be rewarded handsomely on performance against budgets'.

And with certainty, comes the danger of inflexibility. Accuracy can become a self-fulfilling prophecy. Budgets become targets and targets distort, as illustrated by the effect on one hour and half hour completers of marathons described in the New York Times. At those target times spikes occur in the numbers of completers.

Self-fulfilling prophesies

Hence, coming in on budget may have delivered efficiency benefits if the spending budget was set low, but if it was set high, what then is the effect of a self-fulfilling prophecy in the form of a, so-called, accurate budget? Similar arguments apply to income projections.

And it is the way in which budgets become self-fulfilling prophesies that does harm. Apart from the issues mentioned at the start of this section there is the real danger that the desire to come in on budget may actually discourage any improvement which would reduce spending or increase income.

Cost benefit analysis

The cost of preparing and monitoring detailed and accurate budgets also needs to be taken into account. For example, at what point does going slightly above a less expensive, less detailed and accurate spending budget actually exceed the cost of producing the greater detail and accuracy?

Shrewdly, the KPMG report guidelines for establishing SPIs include: 'Is the cost/benefit relationship sensible – in terms of data availability or resources needed to collect data versus value.' However, this author has been unable to access any comprehensive cost benefit analyses of the budgeting process itself. (Call for evidence.) If a less detailed, less expensive budget, were regarded as a maximum, would that really encourage setting too high a figure or would it provide more incentive to improve?

When it comes to budgeting, perhaps a little too much is taken for granted.

MYTH NO. 17: TIME SPENT ON PLANNING IS TIME WELL SPENT

On 4 April 2017 the UK exit from the EU, Brexit, provided another example of a well-worn myth, when a report published by the parliamentary cross-party select committee on Brexit said: 'The government has talked about walking away from a bad deal, but has not yet explained what terms would be demonstrably worse for the UK than 'no deal'.' The committee called for a 'thorough assessment of the economic, legal and other implications (of no deal)' to be published, along with evidence of the steps 'being taken to mitigate what would be the damaging effect of such an outcome'.

It all sounded very sensible, but how much resource would have been used to plan for this highly unlikely outcome was not clear. This was at a time when many were suggesting that there were not even enough civil servants to carry out the Brexit process, itself.

Actual circumstances

Beyond a certain point, it could be argued, planning does not prevent unforeseen consequences; it merely changes the set of unforeseen circumstances. If plans are too detailed and too rigid, they may even prevent a correct response. The planned response will have been designed in the light of predicted circumstances not actual circumstances.

And is there another problem with planning for unlikely and undesirable possibilities? Does it make them more likely to happen?

Too much detail

There are commentators, such as best-selling business author, Paul B. Brown, writing in Forbes, who share reservations about too much planning. In addition, most articles or textbooks about planning at least reluctantly mention the dangers of including too much detail – even if they do give far more attention to recommendations which will result in considerably greater detail.

However, the author has been unable to access clear examples of the harm caused by too much detail, perhaps because most analysts are more interested in examples which blame failure on inadequate planning. (Call for Evidence.)

Fear

In addition, some commentators (such as co-founder of Methodic Studios, Joel Falconer and business coach, Taylor Elwood, the editor of gaming publication, StartFrag) also suggest that some overdo planning out of fear and in order to avoid actually getting on with the job.

Precisely incorrect

There are a few other challengers. In May 2012, business author and Managing Partner and Founder of the venture capital firm Cue Ball, Anthony K. Tjan, wrote an article for the Harvard Business Review claiming that 'Great Businesses Don't Start With a Plan'. He found that of the hundreds of successful entrepreneurs he and colleagues interviewed, 70% did not start with a business plan. He argues that, although planning is not in itself a bad idea, it is the desire to write the perfect business plan which is counterproductive, because it results in being 'precisely incorrect rather than approximately correct'.

No business plan

Another challenger is a 2015 internet post by the India based Bharat Book Bureau which claims that not one Fortune 500 company started with a business plan. It specifically mentions Hewlett Packard as having $500 and no business plan at its outset. It also claims that, even now, very few Fortune 500 companies have any kind of pre-planning.

Interestingly, the post suggests that pre-planning is a modern disease created by business schools. (See chapter 2, Myth No. 15.) It makes the bold claim that the precautionary principle is turning out to be the top reason for start-up failures rather than a lack of planning. (The authors appear to be talking about a wide definition of the precautionary principle in which pre-planning involves being ready for any and everything.)

Deviate from plan

The challengers are supported by research reported on the Stanford Business School website in May 2017, which concludes that 'successful tech firms are often discovered and not planned.' Stanford's Professor William P. Barnett and Elizabeth G. Pontikes of the University of Chicago studied the early choices made by software entrepreneurs operating in 4,566 organisations in 456 different market categories over 12 years. They found that the entrepreneurs who did the best were often those who were willing to deviate from plan by adapting their vision and products to find the right market.

Back of the envelope

This author is reluctant to suggest that the amount of time and resource allocated to any element of planning should be proportional to the probability of that element occurring, since that would doubtless prove an additional opportunity to avoid action by embarking on more research and analysis. Rather, it may be time to elevate that much maligned business tool, the back of the envelope.

As Anthony Tjan says in the article referred to above, 'The most researched business plan holds little value without a genuine Heart behind the idea and the Guts to just get it going.' And even one of the most respected of international business consultants expresses reservations, less about too much planning and more about the wrong kind of planning. KPMG's report, Planning, Budgeting and Forecasting, An eye to the future, expands on the idea promoted by Svilena Tzekova and discussed under Myth No. 16 that rolling forecasts should replace corporate budgets.

Rolling forecasts

Tzekova rolls back somewhat in her contribution to the KPMG report, allowing the main authors, John O'Mahony and Jamie Lyon, to go on and explain that the purpose of rolling forecasts, along with more conventional planned initiatives and budgeted resource allocation, is to continuously test the extent to which changes in the internal and external environment are impacting on the achievement of strategic objectives and, presumably, therefore, to enable appropriate responses.

Unstructured data

They reiterate the need for operational involvement in the PBR process, another contributor, Hayley Rocks, Senior Manager KPMG Financial Management, pointing out that in her experience 'poor quality data has resulted in Finance overriding numbers produced by Operations', leading to 'updating the business's budgets and forecasts with projections based on intuition and experience' – rather than real world information (implied).

She argues that organisations must incorporate 'unstructured data' from the coal face into the PBR process rather than exclusively favouring 'hard data' and the siren call of 'big data', pointing out that only 21% of survey respondents had PBR systems which included unstructured data that enabled an agile response to rapidly changing variables.

Whilst Rocks does reiterate the call of the main authors for an improvement in data quality, there is some apparent conflict as one of their key messages appears to be the important opportunities provided by big data and by automation. Hence, they arguably downplay the importance of unstructured data gained through conversation with peers, own experience and sampling the views of suppliers, consultants and customers, as advocated by Rocks.

Perhaps the two most important, still largely ignored, pieces of advice in the KPMG report are:

1) Key performance indicators (KPIs) must reflect strategic objectives not (just) rigid budgetary objectives set by Finance in darkened rooms;
2) Executives should be 'incentivised appropriately', that is for performance against targets that have been flexed in response to external and internal changes rather than against rigid targets.

But while KPMG remain perplexed that organisations appear so slow at making the shift from rigid budgets to rolling forecasts, the tardiness is understandable given the reluctance described throughout this book (e.g. Myth No 14) of c-suite executives to control their anxieties and manage ambiguity.

How would you now score the statements at the start of each section in this chapter on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answers.

If there has been a change in your scores after reading this chapter, what actions will you take to reflect your changes in perception?

Record your answers and diarise a date to review.

II DESSERT:
A SELECTION OF HALF A DOZEN NOT SO SWEET MINI MYTHS

4 MYTHS NOS. 18 TO 23

Before reading this chapter, make sure you have scored myths 18–23 (see contents) on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answers.

MYTH NO. 18: COMPREHENSIVE REPORTING IS ESSENTIAL FOR EFFECTIVE MANAGEMENT

Or is it now apparent that a key purpose of reporting is to monitor delivery against the bloated budgets and plans described in the previous chapter and to manage the anxieties of the emotionally challenged c-suite executives also described over the main course? Moreover, those executives and some of the pyramid of managers who feed them might not even be needed if it were not for their overly complex budgets and plans. More helpfully, they could be carrying out more productive functions.

And even some of the most ardent advocates of reporting believe it has its limits. In his 2015 book about developing, implementing, and using what he describes as winning KPIs, New Zealand business presenter, David Parmenter, lists eight myths about performance measurement, the first of which is that most measures lead to better performance and the third of which is that all performance measures are Key Performance Indicators.

Case study: UK's National Health Service (NHS)

It is, of course, a management truism that what gets measured gets managed. However, senior executives are often concerned about the wrong measures, perhaps simply those with which they are familiar, or which help them to manage their own anxieties, or which protect their personal priorities or world views. (See the section on methodological monoculture under Myth No. 15.)

As governor of an NHS mental health trust in the process of a merger, the author encountered a trust chair, with the type of business background much favoured by the NHS for its non-executive directors (NEDs), who categorically refused to include patient recovery outcome measures in the set of KPIs for the proposed merged trust.

Key purpose

As it turned out, the Chair (and most of his board) was unaware that the full business case for the merger (which he and the boards of the two merging trusts refused to let governors see) already contained a commitment to make recovery outcomes a key measure of success of the merged trust. It seemed that his business background had led him to concentrate on familiar technical, financial and operational aspects of the service at the expense of its key purpose.

In a national staff survey of the whole NHS, the trust chaired by that particular business oriented NED came joint bottom as measured in terms of staff saying that they would be happy with the standard of care provided by their organisation if a friend or family member needed treatment from the service.

Making information digestible

In a separate article, David Parmenter also argues against spending too much time on end of month reporting. Indeed, of the underlying themes in this book, one of the most important is this: too much management time is spent making information digestible for the next layer up. And the ultimate purpose of the surplus effort is managing the anxieties of those at the top, people for whom a key motivation is fear that the fragile system will fail to deliver what they most require from it, status. After all, as argued elsewhere, they are often people whose self-esteem and self-worth comes from the scale of their wealth, so perhaps not the most emotionally suitable. (See chapter 1, Myth No 14.)

Case study: Google

There are organisations and individuals which recognise the problem of too much reporting. In his December 2013 Harvard Business Review article, David Garvin describes how Prasad Setty, then from Capital One, belonged to that group when hired by Google to lead a 'people analytics group'.

He said: 'I didn't want our group to be simply a reporting house. Organisations can get bogged down in all that data. Instead, I wanted us to be hypothesis-driven and help solve company problems and questions with data.'

Moreover, McKinsey in their article (see Myth No. 22) suggesting a new definition of capitalism said, 'Google, for example, defines its mission as 'to organize the world's information and make it universally accessible and useful' – a statement about solving a problem for people. And it famously refuses to provide quarterly financial forecasts.'

However, systematic studies detailing the effects of too much reporting are difficult to access, as are convincing case studies. (Call for evidence)

Hence, another way of identifying some of the issues is to look at two of the most commonly used tools for reporting, Excel and PowerPoint (the former, of course, also being a major tool for the budgeting and planning just discussed over the main course in Chapter 3, Myths No. 16 and No. 17).

Excel

It must be conceded that much of the criticism of Excel is from companies wanting to sell their own alternative software. Moreover, these alternatives are often even more geared up to bolster the bloated planning, budgeting, reporting, auditing and anxiety managing system. At least Excel is generic. Nevertheless, Excel is not short of more serious critics and, especially in the hands of the c-suite's special agents, consultants, it can become another instrument of control, an intended eradicator of ambiguity and a conduit for the anxiety management so important to those at the top.

PowerPoint comes in for another level of criticism.

PowerPoint makes you stupid

The title of Franck Frommer's 2012 book, How PowerPoint Makes You Stupid, quotes a 2010 statement by Marine Corps General James N Mattis. Frommer blames the effect on 'faulty causality, decontextualized data and seductive showmanship' taking over our thinking.

Numbing effect

Frommer also quotes Edward Tufte's 2003 essay, The Cognitive Style of PowerPoint, which accuses PowerPoint of 'a smirky commercialism that turns information into a sales pitch and presenters into marketeers'. By way of example, Tufte presents a detailed analysis of one specific PowerPoint slide that he says was so effective at managing NASA's anxieties about damage to the 2003 Columbia space shuttle, it led to their decision to allow it to return to earth with well known, disastrous consequences.

Tufte is especially scathing about the numbing effect of PowerPoint templates and stylesheets and he compares a particular set of PowerPoint guidelines issued by the Harvard School of Public Health with the format of reading primers for 6 year olds.

PowerPointed

And, as reported in a 2000 New Yorker article, Can a software package edit our thoughts?, three researchers at Arizona State University, including Robert Cialdini, a professor of psychology and the author of Influence: Science and Practice, conducted an experiment in which they presented three groups of volunteers with information about Andrew, a fictional high-school student under consideration for a university football scholarship. One group was given Andrew's football statistics typed on a piece of paper. The second group was shown bar graphs. Those in the third group were given a PowerPoint presentation, in which animated bar graphs grew before their eyes.

According to Cialdini, when Andrew was 'PowerPointed', viewers saw him as a greater potential asset to the football team. The first group rated Andrew four and a half on a scale of one to seven; the second rated him five; and the PowerPoint group rated him six.

The experiment was repeated, with three groups of sports fans who were accustomed to digesting sports statistics; this time, the first two groups gave Andrew the same rating. But the group that saw the PowerPoint presentation again gave Andrew a six. According to Cialdini, 'PowerPoint seems to be a way for organisations to turn expensive, expert decision-makers into novice decision-makers.'

Indeed, it appears to share some of the same issues as face to face meetings. (See Volume 1, Myth No. 7.)

Taking over

And PowerPoint seems to point to something bigger. According to Frommer's critique, the French sociologist, Norbert Alter, reported that in the first half of the 1980s, 'the information sector, which accounts for the work of production, processing and diffusion of information, compared to all other sectors combined, amounts to more than half the active population in developed countries.'

Is the collection and supply of information taking over from the job in hand? And in the current world of big data, is there a risk of an ever increasing problem; or does the way in which big data is handled present the opportunity to delegate more and more of the responsibility to machines? If the latter, we could be entering a brave new world. Perhaps it is time to apply the brakes on reporting.

MYTH NO. 19: USING EVERY MINUTE OF THE DAY IS ESSENTIAL FOR EFFECTIVE TIME MANAGEMENT AND EFFICIENCY

Or is efficiency a euphemism for exploitation, which leads to an unhappy and therefore unsuccessful organisation?

Case study: Dentsu

In November 2016 the offices of Japanese advertising agency, Dentsu, were raided as part of an investigation into overwork, following the suicide of a staff member, which the labour ministry ruled to have been 'karoshi', or death by overwork.

According to a BBC report on the raid 'Long and often unpaid overtime is a persistent problem in Japan. It has been blamed for depressing the economy and even the birth rate, as well as the more immediate effects on the wellbeing of workers.'

And the drive for efficiency is itself questionable, regardless of the impact it has on humans when it is little more than exploitation. Often, so much emphasis is placed on efficiency that not enough attention is given to the necessity of the processes or tasks, themselves. As twentieth century management consultant and educator, Peter Drucker, put it, 'There is nothing less productive than to make more efficient what should not be done at all.'

Busyness

For example, if other parts of this book have any credence, the need for all this activity and overwork could be reduced if less time were required preparing the overly complicated plans, budgets, audits and reports required to help c-suite executives manage their anxieties about uncontrolled ambiguity and uncertainty and how it will affect their situation and status. As discussed, they may believe they are working on behalf of shareholders, but shareholders are part of the same system and even the basis of shareholder interests has been questioned, as will be discussed under Myth No. 22.

More generally, as Drucker said in his writings about simplification and decentralisation, corporations (organisations) tend to produce too many products (or deliver too many services), hire employees they don't need and expand into economic sectors that they should avoid. Busyness can take our eye away from the important questions.

Speed

A perhaps less recognised danger of busyness is the risk of focus shifting to speed. Deadlines are shortened and quality suffers; speedy decisions are often favoured over correct decisions. Indeed, in all walks of life, those who are more considered are often regarded as ditherers by those ridden by anxiety and the need for instant solutions.

This is seen when the media harangue politicians for quick answers in hugely complex situations (though in their case, there may be an ulterior motive of hoping to generate an even better story when the quick decision falls apart). Even adversarial court systems, like those in the US or UK, demand instant memory recall and quick answers, interpreting hesitation as a sign of guilt as they harass and harangue defendants with the rationalisation that they are exposing guilt when at least sometimes they are probably creating a false appearance of guilt, not to mention being part of and helping to maintain a seriously flawed systemic approach.

Multitasking

Another symptom of the overwork culture is misguided faith in multitasking. However, as self-appointed change agent, Mark C. Crowley, tweeted on 15 November 2016, 'If you can resist the temptation to multitask, it's extraordinary what you accomplish when you focus on one task at a time.'

And whilst the inability to multitask continues to be denigrated, evidence suggests that it is inefficient, because the brain is able to concentrate only on one task at a time and efficiency is compromised switching between them. Neuroscientists have described it as draining the brain's energy reserves and there is evidence that it causes actual brain damage. A 2014 article in Forbes reported on such research carried out at Stanford University and suggested that multitasking also damages careers.

As business reporter, Matt Smith, said in his February 2017 article for Simplicity from Complexity, Will you be productive or just busy?, 'Allow time for 'deep thinking' instead of 'default thinking.'

Whose interests?

And there is another question when considering all this busyness: Do we live to work, or work to live? Whose interests are we really serving when we allow ourselves to be coerced into non-stop busyness?

MYTH NO. 20: ZERO HOURS CONTRACTS ARE EXPLOITATIVE AND SHOULD BE BANNED

A constant pledge of the UK Labour party is that it will bring an end to zero hours contracts. It formed part of their 2015 UK election manifesto, and after the 2017 March budget, Labour Leader, Jeremy Corbyn, tweeted, 'Labour will end zero hour contracts' a position he maintained throughout the 2017 snap general election campaign when the same pledge was in the Labour manifesto.

Disposable labour

The argument against zero hours contracts is that they are exploitative, a view shared by the UK's Trades Union Congress (TUC). The TUC also claimed that workers on zero hours contracts earned a third less than those on regular contracts and paid less tax and National Insurance, costing the exchequer £1.9 billion a year. Most critically, they claimed that zero hours contracts allowed bosses to treat workers like 'disposable labour'.

Unsurprisingly, industry felt differently and on 21 May 2017 the Daily Telegraph reported that the UK's Confederation of British Industry (CBI) had made a submission to Matthew Taylor, who was leading a review into modern employment, urging policymakers to embrace new ways of working and branding assumptions that all workers favoured fixed employment as 'lazy' and 'outdated'.

Proper regulation

Their submission stated, 'As we define what good work is, it is important that there is a focus on actual workforce experience and that the trap of lazy generalisations informed by outdated assumptions about the ways that people want to work are avoided. Business strongly believes that work can be both flexible and fair – whatever the form of contract.'

There is little doubt that such contracts are exploited by unscrupulous bosses. But they are also attractive to some workers, even, counterintuitively, to some workers who might be considered vulnerable. For example, one NHS mental Health Trust in the East of England investigated the possibility of using an internet based job matching service to help people experiencing or recovering from mental ill health to access work on a manageable basis. Perhaps what is needed is not an end to zero hours contracts, but their proper regulation to make them fair for both boss and worker.

Leisure time

Indeed, why should everybody be forced into 9–5 (at best) regular employment contracts in a modern world where, for example, automation is an additional factor that has the potential to provide more leisure time for those who want it? Perhaps this is a case of those whose self-esteem and self-worth disproportionately come from their work (and/or from the associated income) imposing their values on others who do not want it. (See also the reference to zero hours contracts under Myth No 14.)

Work-life balance

In his 17 January 2017 Harvard Business Review article, What matters more to your workforce than money, Andrew Chamberlain of Glassdoor reports that at higher income levels the importance of work-life balance as a contributor to workplace happiness falls (by 28%). He suggests that high earners are more willing to give up leisure time for work income. Hence there is some suggestion that it is actually higher incomes that are exploitative, by manipulating employees away from what could be considered a healthier work-life balance.

However, perhaps surprisingly, the importance of pay (compensation and benefits) as a predictor of workplace happiness also falls (by 23%) as earnings increase from less than $40,000 to more than $120,000 annually.

Positive culture and values

The researchers suggest that adjusting compensation packages is unlikely to improve employee satisfaction much, particularly among higher-earning employees. Strikingly, across all income levels, the top predictor of workplace satisfaction was the culture and values of the organisation, followed closely by the quality of senior leadership and by career opportunities in an organisation.

Control

Control is also an important factor in workplace satisfaction, as shown by the famous Whitehall and Whitehall II studies, but there is concern that zero hours contracts can give too much one way control.

However, what the CBI submission to Matthew Taylor argued for was a partnership between business and government to ensure that the law set 'appropriate and effective minimum standards', and 'to promote good workplace practices for the mutual benefit of business and workers in areas where the law is an inappropriate or ineffective tool for change.'

Two way or one way

According to the Daily Telegraph report referred to above, Matthew Taylor had himself said that the critical issue on workers' rights within zero hours contracts was whether flexibility was 'two way or one way'. He said: 'What we need to tackle is one way flexibility…where people feel they have to be available for work, but are not guaranteed work. There's is a quid pro quo about flexibility, where it benefits the individual and organisation and it's not simply about the transfer of risk.'

When the Taylor Review was published on 11 July 2017, neither side was jubilant, but the trades unions were reportedly the least impressed.

MYTH NO. 21: EXTERNAL CONSULTANTS ARE ESSENTIAL TO IMPROVE MANAGEMENT

There are many reasons why c-suite executives bring in consultants. Two of the most common are to justify their need for endless information, or to get someone else to do their dirty work. Consultants are conveniently independent, but still part of the system.

Case study: The UK's National Health Service (NHS)

In the NHS the author regularly saw consultants costing vast sums come in to create huge information funnels or to do the dirty work. Often a team of several people, all with brains the size of a planet, would spend multiple hours a day over a period of many weeks, first coming up to speed with a problem at great cost, then constructing an unusable spreadsheet the size of a football pitch which only they could fully grasp.

Externalise

In many cases, a main purpose of these pitch-sized grids was to collate data in a form which would help those at the top to manage their own anxieties as much as manage the organisations. If, on the other hand, those at the top had been better at controlling those anxieties and managing ambiguity, those below them could have spent their time preventing situations which might cause them anxiety rather than re-formatting data for the latest cumbersome spreadsheet.

On other occasions, the role of the consultant was to externalise a senior management/c-suite decision to get rid of people.

Proviso

There is a proviso to any blanket dismissal of consultants. As described by ESSEC's Jérôme Barthélemy, there is, of course, another type of consultant, the consultant hired to help an organisation improve its product or service rather than focus blindly on the bottom line.

Case study: The Bordeaux wine industry

In his 19 May 2017 article for the Harvard Business Review, Jérôme Barthélemy describes the findings of his study into 311 Bordeaux wineries over a 10 year period looking at the effect of consultants hired to help wineries improve quality. He found that even these consultants had their limitations.

The study showed that those wineries with the poorest terroir (complete natural environment in which a particular wine is produced, including factors such as the soil, topography and climate) were those that benefitted most from hiring consultants. Ironically, these were also those least likely to bring in outside help, because they were the least able to afford it.

No matter

He also found that if a winery's aim was to achieve outstanding quality, they were unlikely to benefit from outside consultants. This was because, although he found that on average wines made with the help of consultants had higher quality ratings, the consultant's expertise was not unique and they were therefore able to achieve only good quality, not outstanding quality.

Barthélemy tellingly observed that, 'Compared with low-quality resources, high-quality resources tend to be very productive no matter how (well, or badly) they are managed.'

Hence even the proviso has limits. Steve Jobs famously rejected the need for consultants when building his highly successful Apple empire. It is therefore suggested that consultants are too readily engaged by those who least need them and perhaps too rarely engaged by those who need them most. And perhaps even those who need them most could save time and money by reading a few books or articles instead.

MYTH NO. 22: AN ORGANISATION'S PRIORITY IS TO CREATE WEALTH, WHICH WILL TRICKLE DOWN

An 18 January 2017 article in the Economist described a growing dilemma for the leaders attending the World Economic Forum in Davos. 'Who matters most: shareholders or the people?' Whilst there appeared to be a growing zeitgeist for the latter, the law and convention seemed to favour the former.

Shareholder value

As far back as 1919 a US court ruled that 'a business corporation is organised and carried on primarily for the profit of the stockholders.' The author of the piece in the Economist asserts that in the 1990s this view spread to Europe, Asia and Latin America owing to reforms to governance laws and the rising influence of institutional investors. But the principle is not rock-solid. The Economist piece describes six distinct corporate groups, each with its own interpretation of what shareholder value means. He argues that business organisations have some flexibility in choosing which one they belong to.

Maximise profit

Whilst more recent judgements such as AP Smith Manufacturing Co. vs. Barlow in 1953 and Shlensky vs. Wrigley in 1968 have also tempered the principle to some extent, the basic thesis still holds.

Whether this includes an obligation to maximise profit is less clear. Some commentators, such as Steven Pearlstein writing in the Washington Post on 6 September 2013, have argued not. In the UK, it is perhaps clearer that companies do not have a legal requirement to maximise profit (or avoid tax) according to Tax Research UK.

Good for all

Nevertheless, regardless of whether or not there exists an obligation to maximise profit for shareholders, there is a prevalent belief that when companies generate wealth it benefits the whole economy and that even shareholder wealth probably flows throughout the wider population and trickles down to all levels. The role of companies in generating wealth is therefore largely accepted as good for all and something that needs to be encouraged.

Wrong with the economy

However, it is difficult to find compelling evidence to support this idea. (Call for evidence.)

Moreover, Steven Pearlstein writing in the Washington Post article referred to above is categorical that there is no empirical evidence that maximising share price makes the economy or society better off. He argues that, 'much of what Americans perceive to be wrong with the economy these days (the slow growth and rising inequality; the recurring scandals; the wild swings from boom to bust; the inadequate investment in R&D, worker training and public goods) has its roots in this ideology.'

Even where evidence of trickle down does exist, it is limited. For example, the research by Bell et. al. establishing a link between shareholder value and CEO pay referred to under Myth No. 14, found that, workers' pay also increases in response to an increase in shareholder value, but it does so by 12.5 times less, because, unlike c-suite pay packages, 95% of average workers' pay comes from basic salary.

Not benefitted

Pearlstein further reports, 'Roger Martin, the outgoing dean of the Rotman School of Management at the University of Toronto, calculates that from 1932 until 1976 – roughly speaking, the era of 'managerial capitalism' in which managers sought to balance the interest of shareholders with those of employees, customers and the society at large – the total real compound annual return on the stocks of the S&P 500 was 7.6 percent. From 1976 until the present – roughly the period of 'shareholder capitalism' – the comparable return has been 6.4 percent.' In other words, attempting to maximise shareholder return has not benefitted even the shareholders.

Martin points out that it is actually those companies that put the customer first (e.g. Apple, Johnson & Johnson and Proctor & Gambol) which have performed best at generating shareholder value.

CSR

However, according to a 2010 paper by Iain Clacher and Jens Hagendorff, neither is there strong evidence that, for example, the announcement of inclusion in the FTSE4Good index (a measure of Corporate Social Responsibility (CSR)) creates shareholder value. (Call for evidence.) Their research was inspired by Milton Friedman's (in)famous 1970 New York Times article, The Social Responsibility of Business is to Increase its Profits.

Long run interest

In his much quoted New York Times article, The Social Responsibility of Business is to Increase its Profits, Milton Friedman argued in characteristic style that if corporate executives effectively spent shareholders', or employees', or customers' money on social good, they were imposing a tax and that was the role of democratically elected (and therefore controlled) government.

He did go on to acknowledge, 'it may well be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill, or lessen losses from pilferage and sabotage, or have other worthwhile effects.'

Improvements in lived experience

By September 2014, even a conventional business consultant like McKinsey was talking about re-defining capitalism. The authors, Eric Beinhocker and Nick Hanauer, redefined prosperity in a society as 'the accumulation of solutions to human problems' rather than a simple monetary measure.

Whilst providing some questionable examples of human problems, the authors go on to say, 'If the concept of growth is to have significance, it should represent improvements in lived experience,' and 'it must be a measure of the rate at which new solutions to human problems become available.'

Not always the best solutions

Their argument takes an inevitable McKinsey turn when they further suggest that capitalism is an unmatched evolutionary system for finding solutions. However, the argument honestly acknowledges the inefficiency of capitalism, which, like evolution, succeeds via a process of 'natural selection' with its implicit waste.

However, it is not always the best solutions which survive; it is often the most popular, for whatever reason. Moreover, it is particularly important that society defines those problems which it wants solved, because, as the McKinsey authors suggest, 'It can be challenging to distinguish between problem-solving and problem-creating economic activity.' Moreover, corporations sometimes simply create the problems they want to solve.

Trade-offs

The authors indicate a role for democracy and government, saying, ‘Democracy is the best mechanism humans have come up with for navigating the trade-offs and weaknesses inherent in capitalism,’ and point out, ‘It is notable that the most prosperous economies in the world all mix regulation with free markets, while unregulated and anarchic economies are universally poor.’

A more complete economic model, which develops some of the same underlying themes, is discussed under Myth No. 23. In the meantime the existing model of capitalism, which does define prosperity in monetary terms, continues to demonstrate its limitations.

More likely to spend it

Speaking in the 4 April 2017 London School of Economics (LSE) podcast referred to under Myth No. 14, Deborah Hargreaves, Director of the UK’s High Pay Centre, claimed that evidence confirms that high executive pay does not trickle down. People earning millions tend to save their money or spend it on high value assets like really expensive houses or yachts … one offs. ‘They do not affect the economy day to day,’ she said.

Savings rate

She went on to explain that if you spread the money more evenly and give it to people lower down the income scale, they are much more likely to spend it. Her view is supported by a 2014 study by Emmanuel Saez and Gabriel Zucman which shows that the ‘bottom’ 90% have an effective savings rate of 0%, whilst the top 1% have a savings rate of 40%.

Deborah Hargreaves argued that shareholders should be doing more to challenge high executive pay, following the example of BP shareholders, but suggested that many did not care because they were in the same kind of ‘high pay regime’, themselves, as discussed under Myth No. 14 in this Volume.

Performance

Also, in the LSE podcast referred to previously, Max Steuer went on to explain that selection of high paid executives had little to do with performance and that selection had far more to do with career path, character references and whether or not the candidate would ‘fit in’. However, psychometric testing was little used. Even height and being well spoken were important. He also found little evidence of scarcity, often used to justify high pay.

Hence, it seems that the high pay culture, far from improving performance and hence producing wealth that trickles down, may be part of a system that selects against performance by prioritising other things. Moreover, as Professor Sandy Pepper explains in the same podcast, high paid executives define fairness of their pay packages relative to those in similar positions rather than other members of the workforce, further stimulating concentration of wealth and reducing any chance of trickle down.

Wealth depletion

Robert Ayres, INSEAD's Emeritus Professor of Economics and Political Science and Technology Management, goes further, arguing in his 28 March 2017 blog that 'shareholder value maximisation (SVM) has become a major cause of aggregate wealth depletion (growth slowdown) in the U.S. and other rich countries. In addition to draining capital that could be invested in R&D projects, SVM is also adding to corporate debt as companies borrow to fund share buybacks and it is contributing to inequality as CEO compensation is increasingly tied to per-share earnings and share prices.'

Hence, there is a growing view that, far from trickling down for the benefit of all, the creation of wealth has become confused with the concentration of wealth. And concentration of wealth does real harm.

Grenfell Tower

The harm caused by the abject failure of wealth to trickle down was starkly illustrated in the early hours of 14 June 2017 when a residential tower block in the wealthiest borough (London's Kensington and Chelsea) in the sixth richest country in the world (the UK) burned down with huge loss of life. Early indications were that Grenfell Tower, which was home to 400–600 low income people, had been refurbished on the cheap: no sprinklers were fitted and a late decision was made to clad it with cheaper, less fire resistant cladding, causing fire to spread rapidly and uncontrollably.

MYTH NO. 23: ORGANISATIONS MUST GROW OR DIE

Another angle on Myth No. 22 is that growth is essential for the survival of organisations. And it is not just business economics that relies on growth. Whole countries believe that economic growth is essential. In April 2017, a leaked UK Foreign Office memo stated, 'Trade and growth are now priorities for all posts…work like climate change and illegal wildlife trade will be scaled down.'

Prosperity without growth

However, in the lead up to the UK's 2015 general election, the Labour leader, Ed Miliband, was seen carrying a copy of Tim Jackson's book, Prosperity without Growth. Moreover, despite association with this risky philosophy, contrary to common perception and against hostile media coverage, Miliband actually managed to slightly increase Labour's share of the vote in 2015.

Prosperity without Growth argues that it is possible for national economies to work without growth and it offers mechanisms for sustaining employment, maintaining social investment, reducing inequality and achieving both ecological and financial stability. The approach was always going to be a difficult sell, because it requires more effort than the growth approach. However, the motivator provided by the book is sustainability.

Complacency

Although the ideas have moved from fringe to mainstream, growth remains the simple, and arguably lazy, preference. All that is required is to keep growth and spending harmonised. However, experience tells us, firstly, that the interplay between growth and spending is always in danger of becoming an uncontrollable spiral and secondly, that on a planet of limited resources and growing population, continuing growth may not be sustainable.

In addition, for individual organisations the same analysis might not be relevant. It can be argued that one organisation's increased market share does not affect overall market size. Hence organisational growth might be perceived as sustainable. However, activities to increase market share often do result in increased market size. Moreover, at what level does market share, itself, become unviable? Does too big a market share inevitably lead to complacency and ultimately to collapse?

There have been many examples in which blind pursuit of growth and/or too rapid growth have led to failure.

Case study: Swissair

Growth did not work very well for Swissair. The Swiss national airline had once been considered so financially secure it was known as 'The Flying Bank'. However, a new c-suite in the late 1990s decided to pursue an aggressive growth policy. The pursuit of growth became so obsessional that risky loans were taken out to finance it and risky acquisitions were made, for example, the acquisition of the partially ailing Belgian state airline, Sabena.

Although other factors, such as the drop in transatlantic air travel following the 9/11 terrorist attacks in the US, were also blamed for the collapse, the lack of checks and balances in pursuit of aggressive growth are generally regarded as what caused the grounding of the Swissair fleet in October 2001 and, after the Swiss government had tried to keep it going, the airline's total collapse on 1 April 2002.

Threshold

There are more subtle considerations. Michael Mankins in his 1 May 2017 Harvard Business Review article convincingly argues that there are good grounds for pursuit of growth even above pursuit of profitability once the cost of equity capital falls below a certain threshold. More precisely, it is the ratio of forecast long term return on equity to cost of equity capital which is the deciding threshold.

Indeed, he implies that for some organisations it is pursuit of growth which is the difficult option compared with increasing profitability by restructuring, using process improvement tools such as Six Sigma and other cost focused approaches. (But see Volume 1, Myth No. 5.)

He suggests that what holds organisations back from pursuing growth, even when the cost of equity capital makes it the better option, is:

- a lack of suitable ideas;
- allowing established practices and thinking to stifle too many growth options; (See the section on methodological monoculture discussed under Myth No. 15.)
- a lack of expertise to convert growth options into profitable new business.

Downsizing

Further evidence in support of the notion that growth is good is that the opposite, downsizing, is bad, according to research carried out by Michelle L. Zorn, Patricia Norman, Frank C.

Butler and Manjot Bhussar and reported in the Harvard Business Review on 26 April 2017. After controlling for other factors, they found that companies which downsized were twice as likely to declare bankruptcy within five years as those which did not.

Yet Swissair's collapse is by no means the only example where growth was the key factor in a company's collapse. Another famous example is the spectacularly short-lived Pets.com, which opened a national chain of warehouses despite revenues never coming close even to advertising spend, let alone to overall costs.

Real dangers

Indeed, the hazards of growing a business too quickly have long been known, as described in 2014, for example, by Chairman and co-founder of Sageworks, Brian Hamilton, writing in Forbes. He pointed out five of the dangers for rapidly expanding commercial organisations as being:

- keeping tabs on increasingly complex financial information;
- believing that increased profit will automatically follow increased sales;
- difficulties associated with quickly hiring the best people;
- losing customer focus;
- increased difficulty collecting payments.

Further risks associated with too rapid growth described by other commentators include:

- other cash flow problems and lack of cash for expansion costs;
- lack of appropriate systems;
- accommodation becoming overcrowded, which may affect staff morale;
- increased pressure on existing staff, again affecting morale and potentially increasing staff turnover with associated loss of expertise;
- other human resource issues such as resistance to change and fear of risk;
- pressure on management leading to a reactive rather than proactive approach and to distancing from staff;
- any of the above negatively affecting productivity and/or quality;

Many of these issues apply just as much to non-commercial organisations as they do to commercial organisations and although the commentators suggest some methods for overcoming them, they remain real dangers.

To what end?

And even if organisations do succeed in overcoming the pitfalls, to what end? Is survival a sufficient end in itself? As seen under Myth No. 22, the list of beneficiaries is not as extensive as we are often led to believe. Moreover, the growth of one organisation is often at the expense of another which may have been better at delivering wider, more desirable benefits. Hence, even to the extent that the myth is true, society needs to ensure that those organisations which do grow and thrive are the organisations it wants.

And we need an alternative model, even if it is one which the c-suite executives described in Chapter 1, Myth No. 14 will resist.

Doughnut economics

In April 2017, Kate Raworth (heralded by one commentator, George Monbiot, as the twenty-first century John Maynard Keynes) published an alternative. Her book, Doughnut Economics, proposes an economy which 'meets the needs of all within the means of the planet'. She argues that rather than aiming for growth whether or not it helps us to thrive, we should aim for economies that 'make us thrive, whether or not they grow'.

Whilst Kate Raworth is based in Oxford University's Environmental Change Institute, her book does not stop at environmental impact. It presents a complete alternative model of economics to support this noble ambition.

Circular model is incomplete

She describes the flow of income in the old economic model as circular: 'households provide labour and capital to firms, in return for wages, rent, and dividends. They spend that income on goods and services, and so it goes round.'

Growth becomes a (lazy) way of maintaining that system.

Raworth's alternative model argues that the circular model is incomplete, excluding, amongst other things, environmental factors, income distribution and the unpaid support economy (including carers). Building on the 2009 model proposed by Johan Rockström et. al., which included environmental boundaries, Raworth provides an economic model with both economic and social boundaries.

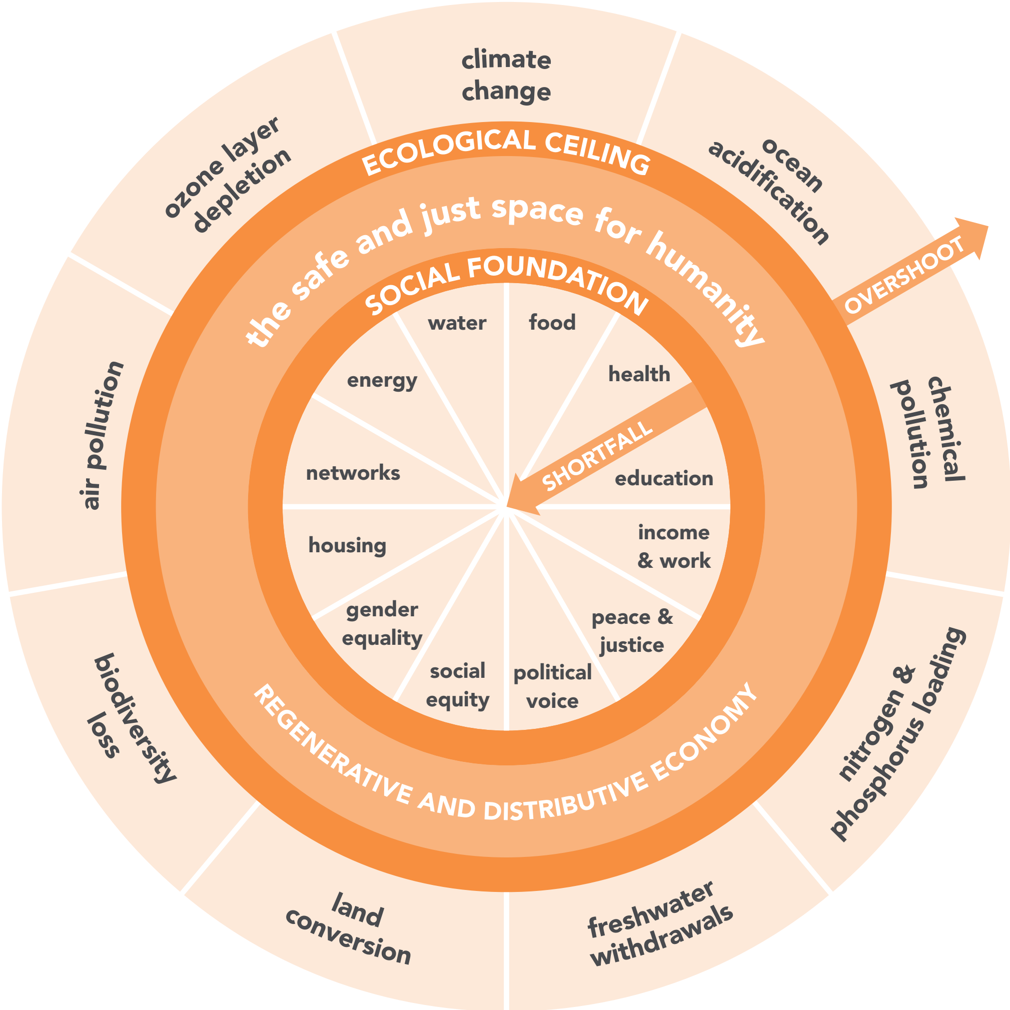

Diagram 23.2. The doughnut model of economics courtesy of: Doughnut Economics: seven ways to think like a 21st century economist, by Kate Raworth (2017) published by Penguin Random House.

In this model, the outer ring of the doughnut represents the safe zone in which the economy delivers an ecologically safe and socially just environment to humans. Crossing into the hole in the middle represents deprivation. Crossing the external boundary represents environmental harm.

Hopefully, the Cookie Monsters referred to previously will not also eat the doughnuts. However, whilst Raworth's model provides a clear basis for organising the economy, the c-suite executives described over the main course under Myth No. 14 seem unlikely to take it on board while their self-worth originates in the 'cookies' described in that chapter and elsewhere throughout this book. With a little more effort, organisations can avoid death without blind pursuit of growth, but the culture of wealth concentration may need to die in order to ensure the right kind of growth.

How would you now score the statements at the start of each section in this chapter on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answers.

If there has been a change in your scores after reading this chapter, what actions will you take to reflect your changes in perception?

Record your answers and diarise a date to review.

III COFFEE AND PETIT FOURS: COMMON INGREDIENTS AND CLOSING MYTH

5 CONCLUSIONS AND MYTH NO. 24

Before reading this chapter, make sure you have scored the statement below on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth).

Record your answer.

MYTH NO. 24: ORGANISATIONS NEED CERTAINTY

Constant demand

Throughout this book an implicit underlying suggestion has been that organisations do not actually need certainty; they need the ability to implement (disruptive) innovation given certainty is not a feature of the real world. Uncertainty is compounded by the rise of artificial intelligence and black box technology, not to mention crypto-anarchy. Organisations need to be agile. (See Volume 1, Myth No. 3.)

Yet certainty remains the constant demand of those at the top. As discussed under Myth No. 14, after Brexit, business leaders constantly criticised the government for its failure to deliver certainty and reveal its negotiating intentions in the manoeuvers to leave the EU.

Media anxiety

It would have been reassuring to believe the government's claim that it was demonstrating constructive ambiguity. However, political and media scrutiny reduce the likelihood that managing ambiguity is any more feature of the real world than certainty. This is partly because scrutiny is an important part of democracy. However, does media and political anxiety (discussed under Myth No. 19) become the wider world equivalent of organisational c-suite anxiety (discussed under Myth No. 14)? After all, many top journalists and politicians have similar backgrounds to those they scrutinise and are arguably part of the same system. (See Myth No. 15.)

Retrospectively analysed

Conversely, how much longer will disruptive innovation survive as a positive approach to real world uncertainty? Successes are retrospectively analysed to prove they resulted from disruptive innovation and failures are analysed to prove that they resulted from a refusal to embrace the mantra.

This is clearly nonsense. Domino's turned itself round by tackling the blindingly obvious not, as suggested by an article in the Harvard Business Review, because it was somehow disruptive and innovative. Apart from anything else, Domino's offered highly traditional, big discounts.

Fashion Café failed despite being disruptive and innovative because it was also ridiculous (not to mention grossly mismanaged). The money-motivated restaurateur behind Fashion Café, Tomasso Buti, had a track record of success, but, according to Business Pundit, was eventually charged with wire fraud, conspiracy, money laundering, and transportation of stolen property. Some of the same arguments apply to many of the other twenty-five worst business failures listed by Business Pundit.

The complex and the complicated

Moreover, some uncertainty results from confusion between the complex and the complicated as highlighted by Niels Pflaeging in his talk at Sibos 2016. However, the boundary he claimed between the two is surely on the move with the development of big data and artificial intelligence, for example.

And herein lies a proviso to the arguments under Myth No. 15 and elsewhere about the over-emphasis on the academic approach and on understanding process. Whilst over-analysis may inhibit humans, the boundary between helpful analysis and over-analysis is potentially considerably higher when it comes to problem solving by computers using big data and artificial intelligence. (See Volume 1, Myth No. 3.)

However, as discussed under Myth No. 18, the cost and effectiveness of managing data, big or otherwise, must be given proper consideration as must the cost and effectiveness of auditing, budgeting and planning. (See Volume 1, Myth No. 1 and Volume 2, Myths No. 16 and No. 17.) The system is reinforced by education which fails many who are not served by an underlying academic approach (see Myth No. 15) though it is recognised that education must cater for more than just the requirements of the workplace.

A special call for evidence

Throughout this book there have been general calls for evidence either in support of or in contention with the book's assertions. Submissions will inform the next edition. More specifically, for the next edition of this e-book, readers are asked to submit examples of cost benefit analyses of management processes themselves. Readers are also invited to submit examples of case studies, academic studies or systematic reviews.

Cost benefit analysis forms an important part of management and lean delivery processes have been developed in light of those analyses. However, perhaps more rigorous cost benefit analysis is needed for each of the planning, budgeting, analysis (including collation of information), auditing and reporting functions so that management itself, as well as the processes it manages, can be made more lean and resources transferred to improving services or, perhaps, different types of auditing, such as social auditing. However, social auditing such as that promoted by the New Economics Foundation (NEF) can, itself, be quite demanding of resources.

It is recognised that much of the existing analysis may be internal and some may be commercially sensitive. It is also recognised that other evidence may exist that is not open access.

Please send any submission together with a brief explanation of its relevance to:
info@skilldoctors.org.uk

Another proviso

There is another proviso. The dangers of inadequate planning (see Myth No. 17) and lack of adequate backup plan were catastrophically illustrated by the failure of British Airways over the weekend of 27–28 May 2017 when their computer system was knocked out by a power supply being turned off and on incorrectly, leading to drastic disruption for thousands of passengers over several days.

Damaging extent

However, to summarise perhaps the key argument of this book, to a damaging extent it is often not organisations that need certainty; it is the individuals who run them. And this is unlikely to change until organisations choose different types of people for the top positions, people motivated by different values and incentivised by different rewards. And those rewards must be offered for a different set of strategic performance indicators (SPIs, as discussed in the 'short termism' box under Myth No. 16) and preferably the social and environmental performance indicators implicit in Kate Raworth's doughnut model of the economy. (See diagram 23.1.)

We support them

However, we cannot simply blame emotionally challenged c-suite executives motivated by the 'cookies' of disproportionate wealth (Myth No. 14). We support them to stay there, perhaps because many of us secretly aspire to their narrow definition of success. We, too, would receive a boost to our self-esteem from a giant pay package and it is our equally limited fantasies which lead us to support the fragile and unsustainable support system described by the myths above, regardless of any unintended consequences for our happiness, health and even our freedom. (See Myth No. 14.) And our support continues despite there being at least one viable alternative, Kate Raworth's doughnut model, as described under Myth No. 23.

Measure of success

To break and replace this unsustainable system we may need to abandon certainty and break a few eggs of our own, because, to coin the cliché, without breaking eggs we cannot make an omelette. How many of the two dozen eggs described in this book are you prepared to break? How many of these twenty-four purported myths will you whisk into a new kind of meal?

Perhaps an omelette sounds like a modest banquet. But made with a couple of dozen eggs there will be plenty to go round. And surely this more than sufficient meal is better than waiting for the crumbs from the table of a pointless feast gathered and consumed by a tiny elite of over anxious Cookie Monsters.

How would you now score the statement at the start of this section on a scale of 0–10, where 0 = 100% myth, 10 = 100% truth (and 5 = half truth)?

Record your answer.

Now compare all your scores after reading each myth with the scores you gave each myth before reading this book (as listed in the contents). If there has been a change in any score after reading this book, what actions will you take to reflect your changes in perception indicated by those changes in score?

Record your answers and diarise a date to review.

AUTHOR BIOGRAPHY

Since graduating in biochemistry from Oxford University, the author has gained broad ranging experience at senior level in the commercial, statutory and voluntary sectors.

His writing credits range from writing a weekly column for the Oxford Mail to:

- a series of children's stories for BBC national radio;
- a five star rated online chemistry text (www.chembook.co.uk);
- articles for professional journals.

After spending more than half his career in international marketing and PR within the music industry, he is currently a tutor and recently served a two year term as an NHS governor, following a period as a senior NHS mental health commissioner.

His PR activities were recognised in 2006 with his appointment to membership of the Chartered Institute of Public Relations.

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