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# Management's Three Eras: A Brief History

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Organization as machine – this imagery from our industrial past continues to cast a long shadow over the way we think about management today. It isn't the only deeply-held and rarely examined notion that affects how organizations are run. Managers still assume that stability is the normal state of affairs and change is the unusual state (a point I particularly challenge in *The End of Competitive Advantage*). Organizations still emphasize exploitation of existing advantages, driving a short-term orientation that many bemoan. (Short-term thinking has been charged with no less than a chronic decline in innovation capability by Clayton Christensen who termed it "the Capitalist's Dilemma.") Corporations continue to focus too narrowly on shareholders, with terrible consequences – even at great companies like IBM.

But even as these old ideas remain in use (and indeed, are still taught), management as it is practiced by the most thoughtful executives evolves. Building on ideas from my colleague Ian MacMillan, I'd propose that we've seen three "ages" of management since the industrial revolution, with each putting the emphasis on a different theme: execution, expertise, and empathy.

Prior to the industrial revolution, of course, there wasn't much "management" at all – meaning, anyone other than the owner of an enterprise handling tasks such as coordination, planning, controlling, rewarding, and resource allocation. Beyond a few kinds of organization – the church, the military, a smattering of large trading, construction, and agricultural endeavors (many unfortunately based on slave labor) – little existed that we would recognize as managerial practice. Only glimmers of what was to come showed up in the work of thinkers such as Adam Smith, with his insight that the division of labor would increase productivity.

With the rise of the industrial revolution, that changed. Along with the new means of production, organizations gained scale. To coordinate these larger organizations, owners needed to depend on others, which economists call "agents" and the rest of us call "managers". The focus was wholly on *execution* of mass production, and managerial solutions such as specialization of labor, standardized processes, quality control, workflow planning, and rudimentary accounting were brought to bear. By the early 1900's, the term "management" was in wide use, and Adam Smith's ideas came into their own. Others – such as Frederick Winslow Taylor, Frank and Lillian Galbreth, Herbert R. Townes, and Henry L. Gantt – developed theories that emphasized efficiency, lack of variation, consistency of production, and predictability. The goal was to optimize the outputs that could be generated from a specific set of inputs.

It is worth noting that, once they gained that scale, domestically-focused firms enjoyed relatively little competition. In America, there were few challengers to the titans in the production of steel, petroleum products, and food. Optimization therefore made a lot of sense. It is also worth noting that in this era, ownership of capital, which permitted acquisition and expansion of means of production (factories and other systems), was the basis for economic well-being.

Knowledge began accumulating about what worked in organizational management. While schools dedicated specifically to business had been offering classes throughout the 1800s in Europe, the economic juggernaut US gained its first institution of higher education in management with the 1881 founding of the Wharton School. A wealthy industrialist, Joseph Wharton aspired to produce “pillars of the state” whose leadership would extend across business and public life. Other universities followed. The establishment of *HBR* in 1922 was another milestone, marking progress toward the belief that management was a discipline of growing evidence and evolving theory.

Thus the seeds were planted for what would become the next major era of management, emphasizing *expertise*. The mid-twentieth century was a period of remarkable growth in theories of management, and in the guru-industrial complex. Writers such as Elton Mayo, Mary Parker Follett, Chester Barnard, Max Weber, and Chris Argyris imported theories from other fields (sociology and psychology) to apply to management. Statistical and mathematical insights were imported (often from military uses) forming the basis of the field that would subsequently be known as operations management. Later attempts to bring science into management included the development of the theory of constraints, management by objectives, reengineering, Six Sigma, the “waterfall” method of software development, and the like. Peter Drucker, one of the first management specialists to achieve guru status, was representative of this era. His book *Concept of the Corporation*, published in 1946, was a direct response to Alfred P. Sloan’s challenge as chairman of General Motors: attempting to get a handle on what managing a far-flung, complex organization was all about.

But something new was starting to creep into the world of organization-as-machine. This was the rise of what Drucker famously dubbed “knowledge work.” He saw that value created wasn’t created simply by having workers produce goods or execute tasks; value was also created by workers’ use of information. As knowledge work grew as a proportion of the US economy, the new reality of managing knowledge and knowledge workers challenged all that organizations knew about the proper relationship between manager and subordinate. When all the value in an organization walks out the door each evening, a different managerial contract than the command-and-control mindset prevalent in execution type work is required. Thus, new theories of management arose that put far more emphasis on motivation and engagement of workers. Douglas McGregor's "Theory Y" is representative of the genre. The idea of what executives do changed from a concept of control and authority to a more participative coaching role. As organizational theorists began to explore these ideas (most recently with efforts to understand the "emotional intelligence" factor in management, led by writers such as Daniel Goleman), the emphasis of management was shifting once more.

Today, we are in the midst of another fundamental rethinking of what organizations are and for what purpose they exist. If organizations existed in the execution era to create scale and in the expertise era to provide advanced services, today many are looking to organizations to create complete and meaningful experiences. I would argue that management has entered a new era of *empathy*.

This quest for empathy extends to customers, certainly, but also changes the nature of the employment contract, and the value proposition for new employees. We are also grappling with widespread dissatisfaction with the institutions that have been built to date, many of which were designed for the business-as-machine era. They are seen as promoting inequality, pursuing profit at the expense of employees and customers, and being run for the benefit of owners of capital, rather than for a broader set of stakeholders. At this level, too, the challenge to management is to act with greater empathy.

Others have sensed that we are ready for a new era of business thinking and practice. From my perspective, this would mean figuring out what management looks like when work is done through networks rather than through lines of command, when "work" itself is tinged with emotions, and when individual managers are responsible for creating communities for those who work with them. If what is demanded of managers today is empathy (more than execution, more than expertise), then we must ask: what new roles and organizational structures make sense, and how should performance management be approached? What does it take for a leader to function as a "pillar" and how should the next generation of managers be taught?  All the questions about management are back on the table – and we can't find the answers soon enough.

*This post is part of a series of perspectives by leading thinkers participating in the Sixth Annual Global Drucker Forum, November 13-14 in Vienna. For more information, see the conference homepage.*

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