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Good General Managers Are Not Professional

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INTRODUCTION

An organization is doomed to mediocrity unless it is guided by good general managers in key positions. A company can bumble along for years, but good general managers are the ingredient which will make it stand out from the pack. No matter how rich its other resources such as technical know-how, uniqueness of product, market monopoly, ample finances, or luck, an organization will not excel unless it is led by what are becoming increasingly rare individuals.

Good general managers have always been a scarce commodity, but today the widespread addiction to professional management is drying up the supply. A minority of the so-called professional managers who are moving into the top positions exercise a high level of general management skills. You might even conclude from watching the professionally managed companies at work that they have set out to organize general managers into impotence.

The system is producing a horde of professional managers with demonstrable talents, but talents which are not in the mainstream of the enterprise. Professional managers can describe management concepts, apply elegant techniques, catalog the tools available, and make penetrating analyses of problems. In some organizations, they can succeed if they are simply good at making presentations to the board of directors, or writing strategies and plans, or even creating imaginative position descriptions. The tragedy is that these talents may mask real deficiencies in overall general management capabilities. These talented performers often fail miserably when they are charged with earning a profit, get-

ting things done, choosing a strategy and backing up that choice, and moving an organization forward.

Professional managers can survive and even thrive and advance in the bureaucracies of organizations. It is often when they are promoted to a general management position that the fatal flaws appear.

Professional general managers are willing to study, analyze and define the problem, but they run for cover when the grubby operating decisions must be made. They rationalize their behavior by delegating the implementation to subordinates while they move on to the next big policy decision, or begin another review of corporate strategy, or make a speech to the financial analysts.

Generally, it is a good general manager, not the staff specialists, who makes a company go, who turns an idea into a commercial success or converts a major disappointment into an opportunity which catches fire. When a serious operating problem arises, the good general manager jumps into the thick of the fray, collects all kinds of inputs, and stays close to the action until he is certain that his subordinates have diagnosed the situation and are on their way to a solution.

The job of the general manager is integration. While the ultimate integrator is the chief executive officer of an organization, jobs with large elements of general management may be found under titles such as president, chief operating officer, division manager, product manager, branch manager, store manager, or plant manager. The chief executive officer enjoys not only the greatest freedom, but also carries the most awesome responsibilities because his final tollgate is a board of directors which may understand little about the company. Moving down to

lower levels more constraints are imposed on those in general manager positions, diminishing the uniqueness of the role. Whatever the title, the general manager is the one who must convert the throngs of specialists into a vibrant enterprise.

The combination of higher education and on-the-job experience is producing a generation of management candidates who have little training or appetite for the job of general management. Whether the aspiring men or women come from a graduate school or from humbler origins, the organization immerses them in highly specialized units which reinforce the concepts implemented by the school or by books on management.

Most good general managers probably develop in an environment requiring quick and continual response to change. In such an environment, the person who is stimulated to his best thinking by the unexpected will emerge as a leader. This manager learns to deal calmly with difficult developments which cannot be anticipated. He faces the unforeseen with appetite and equanimity. By contrast, the person who develops in a highly controlled environment where the lead times are lengthy and everything is studied and planned does not gain the self-confidence needed to deal with the unexpected.

Defining a professional general manager is more difficult than describing the things he does. He immerses himself in a world of techniques, planning, financial controls, budgets, financial incentives, explicit manuals on what to do and how to do it, neatly defined job responsibilities, reorganizations, orderly reporting, and formal training programs. Conceptually, he is steeped in specialization, standardization, efficiency, productivity, and quantification. He insists on objective goals

such as earnings per share and return on investment. He prefers to work with aggregates and averages rather than with random bits of information. His initial response to a problem is to turn to his staff for in-depth studies and ‘to consultants for advice on every topic imaginable. He takes great comfort in making long lists of problems, facts, variables, conclusions, and alternatives. In his mind, the astuteness of the management correlates with the length of the lists. He likes to make policy decisions and to embalm all the policies in elaborate manuals.

The good general manager takes a radically different approach to all the new management devices. He learns everything he can about them, but is more skeptical and therefore more cautious in how he introduces them to his operation. He recognizes their logic and value, but refuses to permit them to be overrefined. When the professional general manager discovers that a technique is not working, he will allocate more resources to refining it-both its concepts and its applications. The good general manager has learned that overrefinement of the technique reduces its effectiveness, and so he refuses to let the specialists in his organization spend inordinate time on this activity. The technique may not be working for a host of reasons unrelated to the technique itself.

The officer in charge of operations research for a large company admits the overrefinement of his work :

> We still tend to develop solutions which are more elaborate than the problem merits. The tools of operations research tend to encourage excessive detail which in turn lengthens the period needed for development of a solution. It is a common failing

> of OR specialists to come up with a solution long after the problem has been solved or is still of major concern to top management.

The professional manager permits the refinement and use of techniques long after their practical value has been exhausted. He is often intrigued with the elegance of the technique, and therefore is reluctant to withdraw support for the work of specialists who share his fascination. This love affair is much like that of the research engineer for a product he designed, or of the plant manager for a new machine tool, or of the controller for a management information system.

The good general manager uses techniques only so long as they contribute to overall results and objectives. He is quick to contain their use once his basic purposes have been met. He would not tolerate the kind of equivocation which was observed at "The Industrial Products Company":

> Market research activity was carried on in four different units of corporate headquarters. The vice presidents of marketing, corporate planning and economic analysis each had a unit reporting to them, and the vice president of sales conducted his own market studies in a planning unit for sales. Whenever anyone attempted to coordinate or reconcile the findings of the various units, the differences in interpretation and findings were generally sharp enough to end in stalemate. And, of course, each division manager conducted his **own** studies, independent of the corporate studies. Setting aside the cost and confusion of the duplicated activities, one division manager questioned the validity of the work: "The corporate market researchers are insensitive to

the significant changes in the market. They are so busy getting answers to the wrong questions, analyzing their findings, and misinterpreting what they hear, that we pretty much ignore their recommendations. In a week of talking to the right people, one or two experienced salesmen can learn more about acceptance of a proposed product than the market researchers can learn in six months."

In many quarters today, there is gleeful disdain for what has become known as conventional wisdom. While the professional manager dismisses it as sorcery and folklore, the good general manager may question one of its tenets, but he never ignores it. Rather than belittle it, he searches for the experience of generations of intuitive leaders which may be distilled in the admonitions of conventional wisdom.

When some strange new threat surfaces for the first time, a good general manager may be temporarily stunned, but he takes courage as he begins to think his way through the problem. The professional manager is more likely to look for a book on the subject, or find an expert who can give advice, or determine how professional managers in other companies have responded in a similar situation.

APPRAISING GENERAL MANAGERS

Our knowledge of what makes a good general manager and how to recognize one is extremely limited. An earlier paper, *Good Managers Don't Make Policy Decisions,*[1] discussed the five most critical skills of the general manager:

1 *Selected Papers* No. 26, Graduate School of Business, University of Chicago.

1. The good general manager keeps open a considerable range of pipelines within and without the organization. He continually checks his subordinates' perceptions of their problems against the size-up of others. He knows where to go in the organization for reliable information, and frequently bypasses the chain of command.

2. Focusing on the key issues. The good general manager knows that he must concentrate his attention on certain issues. They may be ones which only he can deal with, or ones which he is best qualified to deal with, or ones which the organization has not yet perceived as significant, or ones which actually threaten the survival of the organization. In the face of impossible demands on his time, he must remind himself regularly to avoid being swamped in detail.

3. Knowing how hard he ***can push the organization.*** A good general manager knows that he must not impose a heavy load of his own ideas on the organization. If he goes too far, indigestion in the form of resistance from the organization will disrupt and postpone his programs. Only during crises will the organization accept the dictates of the boss with tolerable resistance.

4. Giving the organization a sense of direction. In many instances, the organization can produce a viable strategy, but should it falter, the good general manager must have in his own mind a concept of where he is trying to take the organization. He will translate this concept into a language appropriate to each level of the organization so that he can gain support for his intended strategy. A formal corporate strategy often results from the exercise of this skill.

tionships in the stream of operating decisions. The good general manager does not permit himself to be insulated from operations because he knows that the most innovative elements of an overall strategy may evolve from opportunities presented by operating decisions.

These five skills, then, become benchmarks for appraising a general manager. As a further set of criteria, it is useful to evaluate performance of several demanding tasks which are in the general manager's domain:

1. To produce a continually increasing stream of profits. Our system demands month after month increases in earnings. Never is the general manager permitted to acknowledge that his organization has come through a difficult period, is emotionally and physically exhausted, and needs a release of pressure for a period of recuperation and consolidation. Recuperation and consolidation are acceptable, but only if earnings do not suffer.

2. To instill a ***sense of urgency.*** Instilling a sense of urgency is more vexing than ever because so many of the new management devices such as long-range planning get in the way of stimulating such an attitude. Formalities and structures and systems all work to dampen a sense of urgency. For example, the most productive organizations seem to be imbued from top to bottom with the determination to respond immediately to any customer need, even if it's irrational or virtually impossible to satisfy. Nothing stands in the way of delivery, or redesign, or special service in such an organization. Not everyone can get 'hyped up' about meeting budgets or increasing earnings per share, but everyone can become a fanatic on customer service.

flow of new products. This task may be the most significant one in assuring a healthy future for a company or a division. But despite all of the publicity about new technology and the rewards from research and development expenditures, new products which can support the successive tollgates of discovery, design, testing, regulatory approval, and market introduction, are growing harder to find.

4. ***To get people to*** work ***together.*** This task is at the center of the general manager's responsibilities. To quote Professor Andrews : "[2] . . . he must find a way to make organizational goals more attractive than department goals." And yet the constant reorganizations which plague some companies seem bent on finding arrangements which permit people to shelter themselves in isolation from the burden of relating to other parts of the organization or its overall goals.

5. ***To identify, develop and hold topflight people.*** In today's milieu of subordinates who are more highly educated, more mobile, and more likely to identify with a professional organization than to give their loyalty to an employer, the general manager finds the tools of personnel administration totally inadequate in coping with this crucial fifth task.

As the general manager tries to meet the test of acceptable performance on all of these tasks, he discovers that the developments of modern management are increasing the complexities to a point where his overall effectiveness is severely hampered.

In order to sharpen comprehension of the differences in approach between professional

2 Kenneth R. Andrews, The Concept of Corporate Strategy, Dow Jones-Irwin, 1971.

general managers and good general managers, it may be useful to focus on a few favorite techniques of modern management.

The Paradox of Planning

The formalization of long-range planning is probably the most significant general management technique to emerge in the past twenty-five years. But this tribute must be qualified by a disclaimer: the true impact of the technique has been minimal. Perhaps the promise has never been realized because the expectations were too high, expectations which were built up by planners and consultants.

The introduction of formal long-range planning almost always leads to overemphasis on the technique. The people assigned to planning may find it to be a welcome respite from operating problems. It is intellectually more rewarding. It does not carry the pressure which operations entail. Professionally, it is more respectable. Board members and other influential outsiders give it high status by their interest and support.

The professional general manager will probably set up a staff for planning and hire consultants to reinforce the staff. He will encourage the preparation of a planning manual and a proliferation of forms to be filled out by many different units in the organization. He will stress the preparation and analysis of the numbers which summarize his plans. He will demonstrate his mastery of the numbers in presentations to corporate management and the board of directors. He may even convince himself that preoccupation with the numbers is the best focus for the exchanges among his subordinates and with corporate management.

One corporation I am familiar with em-

ployed a consulting firm to devise an overall corporate strategy. Over a period of fourteen months and after the expenditure of almost $200,000, the consultant produced a report; however, the report stimulated almost no action in the management group. About a year later, the company hired a director of planning. He elected to approach his new task by organizing discussions throughout the company on the mechanics of planning. After some nine months of discussions, management has still not been able to agree on how planning is to be carried out. Almost three years have elapsed, and management is still discussing how to plan.

By contrast, the good general manager and his operating managers may appear to be almost indifferent to the planning activity, if not openly derisive in their comments. The general manager may see planning as handicapping his efforts to instill a sense of urgency in the organization. He is skeptical that the entrepreneurial function can be synthesized by planners. He has discovered that the future cannot be predicted with any great certainty and that he must hedge against any one of several eventualities. He knows that managers get more rewards for short-term results and that the first team of players probably will have changed before the long-term arrives. He observes that the long-term thinking has little impact on operating decisions. He is disturbed by the planners' insistence on global or total strategies. He is reminded constantly of the ineptitude of the planners in trying to influence operating managers. He has observed that planners start with an analysis of aggregates and look for opportunities rather than identify a need and try to fill it. He is reminded daily of the crises, major and minor, which demand a quick response rather

than in-depth study. He recognizes that his best operating managers are not nimble in thinking theoretically or hypothetically. And if he is a division manager, he spends a good portion of his time trying to reconcile the conflict between corporate management and his division, much of which is generated around the planning process.

At heart, the good general manager knows that he and his organization must be concerned with long-range plans, for the strategy which evolves from planning is essential to holding together the ever-growing swarms of specialists who work for him. Periodically, he pulls out the plans for review with his subordinates, but he avoids the constant nagging and reference to plans which over time may convince them that skill in planning is the only thing that matters.

One successful general manager who takes an extreme position against planning, describes his dilemma in these terms:

> We pay strict attention to details. The company will do all right so long as everyone here understands how important that is. We plan operations carefully. When we moved to this location a couple of years ago, we planned it so carefully that we moved on a Saturday and Sunday, and were back in operation on Monday. But we don't even draw up a one-year plan or budget. An organization is likely to go stale and forget details if they emphasize budgets and long-term plans.

Clearly, the professional general manager and the good general manager pursue divergent courses as they try to harness the power in the planning process.

The Empty Promise of Reorganization

Frequent and major reorganizations are an

obsession of the professional general manager. Reorganizations are proposed as the solution for all kinds of problems from lagging earnings to nagging operations quagmires. If management is under fire, the critics can usually be silenced by a reorganization. The announcement of a reorganization carries with it a symbol of decisive action; and yet, if you observe an organization over a period of months, how often does it go through a series of changes and then revert to structures which were earlier abandoned ?

The professional general manager takes an orgiastic delight in rearranging the boxes on the chart, changing the reporting relationships, concocting new titles, polishing the job descriptions, and moving the players from job to job. Specialization is a way of life for him. He has been taught to break a problem into parts for analysis, so it is a natural tendency to fragment the management element in an operation. Part of the rationale for the continual movement toward greater specialization in jobs is that the narrower the responsibility, the greater the opportunity to develop technical expertise. And many organizations have grown so complex with legal, accounting, financial, social, scientific, and legislative dimensions that a generalist is not able to master the many areas of expertise. In this environment, a powerful argument can be made for accumulating inside specialists in order to avoid the use of expensive outside specialists. And, of course, at some point as the boxes increase, more levels of management must be added to supervise the units.

One victim of specialization in a well-known company is bitter about what has happened to him:

> Once upon a time I was an all-round marketing man. I knew my product line,

> my customers, the competition. Over the years, they have whittled away at my job until today I am strictly an order-taker. The product managers plan the strategy. The market researchers study the market by talking to strangers. They aren't even interested in my opinions. So, I say, "To hell with it. Let somebody else do the thinking."

The good general manager is wary of reorganizations. He reluctantly adds boxes, but his boxes represent general management assignments rather than staff specialties. In dealing with additional complexities, he searches for opportunities to split off new profit centers. They offer great opportunities for developing general managers and often at low risk to the overall company.

The increasing emphasis on specialization is a strong deterrent to getting people to work together. When a professional manager is confronted with subordinates who are not working together, he asks his organizational planner to devise a system so that they need not work together. If he can create enough boxes on the chart for more specialists and can define job responsibilities precisely, the duties of each manager will be so well-known that they won't need to work together. Each can pursue his own interests without interference from others.

In contrast, the good general manager questions the long run benefits from reorganization. He is likely to concentrate on making the present organization work rather than devising drastic changes. He has seen the havoc wrought by reorganization and sees its primary benefit as a device for keeping management consultants off the welfare rolls. He knows that major reorganizations almost never deal with the real problems. He insists

that his organization be lean with a minimum of staff departments. It is difficult for over-specialization to make much headway in a lean organization, because the demands of the company require that each member of management keep closing the gap and trying his hand at something where he is not a specialist. So a lean organization is consistent with an organization strategy of low profiles for specialists. One successful company president describes his difficulty in persuading his staff subordinates to relate their activities to the overall company goals :

> A good part of my day is spent in cutting the staff people down to size. I don't want to demoralize them, but most of them have an inflated idea about their contribution to the company. They seem to be dedicated to finding something wrong as justification for their existence. They would be more useful to me if they could plan their work in the context of things going on in other staff departments and in the offices of the line managers.

Keeping the organization lean, or understaffed, may be one of the most effective devices for maintaining a sense of urgency. Employees who are stretched out and working harder than they ever thought they could, don't have time to devise a complicated solution for a problem which doesn't require such an approach.

As an example of how the malignancy of the staff departments grows, the president of a medium size company explained the rapid build-up of staff specialists to his board of directors in these terms:

> We must have staff departments as capable as those of the large companies with

> which we compete. There is a minimum size, below which a staff function is of limited value. The reason for this is that capable men will not be attracted to small staff organizations in our type of business because the functions of a small staff would necessarily be limited to service-type work without opportunity for broad and significant accomplishments.

The staff people who work for this professional general manager are being invited to divorce themselves from day-to-day operations, although direct involvement in operations might be just the vehicle they need to establish their competence with the rest of the organization.

The professional general manager creates for himself a sense of security with his retinue of specialists. He sees all of the advantages of an ever finer division of labor, but chooses to ignore the disadvantages. The good general manager, as he observes the specialists banked around him, concludes that either deliberately or inadvertently they are condemning him to less risk-taking, less innovation, and more inaction.

AN OVERDOSE OF STANDARDIZATION

Standardization is one of the powerful pills in the professional manager's medicine kit. In small dosages, it works wonders; so if symptoms persist, ever larger dosages are prescribed. As the vice president of manufacturing in a multi-plant company sees it:

> Our strong push for standardization extends to all twenty of our plants. It facilitates everything we are trying to accomplish : reduce costs, improve schedules, control quality, automate the processes, sim-

> plify the product line. One of the reasons we have picked engineers for the plant management positions is that they already recognize the advantages of standardization and don't have to be sold on its merits. We see no limits to the benefits of continuing the push which began when I was moved into this job four years ago.

Professional managers, whether in general management or one of the functional areas, echo similar opinions. The controller promotes the concept because it facilitates financial controls and budgets; many sales managers see it as a way to escape from the unreasonable customer demands for custom-made products or as an answer to complex pricing and distribution problems; most manufacturing managers support the views of the manufacturing vice president just quoted; the engineers who invented standardization are evangelistic in their advocacy; and, of course, the professional general manager sees it as a major step toward simplifying coordination of the various units which report to him.

The professionals in general management and in sales are volume-oriented, and therefore are searching for the high volumes which often accompany standardization. Many companies have been persuaded to abandon low-volume, high-margin products in favor of high-volume, low-margin products. The "old fashioned" customer who voices his willingness to pay extra for custom products or services is silenced between blankets of modern management.

The good general manager is one of the last bastions in the defense against the excesses of standardization. He recognizes that a pervasive preoccupation with standardization builds resistance to the introduction of

new products; that it results in manufacturing plants which are difficult to adapt to changing market conditions; that it reduces customer service to routine simplistic responses which satisfy no one; that it leads to the most destructive kind of price competition; and that it nullifies the negotiating skills of his best salesmen. He sees the "standardize-it" mentality as the antithesis of the innovative mind. Much of his ammunition must be wasted on shooting down the extremists who see no practical limits to the standardization movement.

MANAGEMENT CONSULTANTS

The management consultant has become a status symbol for the professional general manager. The hundreds of management consultants who roam the business world have provided much of the horsepower for the professional management movement, for the trappings of the movement are readily saleable merchandise. The mystique of the consultant is reflected in these comments by a division manager in a large conglomerate:

> It is virtually impossible for a division manager to gain approval from the corporate office for a project of any size unless it is supported by a report from an outside consulting firm. In refusing to play this game I have relied on my own staff. This policy has confirmed to my staff specialists that they are the experts I have confidence in and will rely on. As a consequence, the staff work in this division is the best in the company.

The professional general manager's first thought when a problem arises is to find the best experts available. He has no hesitation in seeking their counsel on the most vital issues in the company such as devising a corporate

strategy, evaluating key managers, or introducing a new product.

The good general manager uses consultants in more narrowly defined roles such as tax negotiations, a pension question, or a patent matter. He refuses to permit them any major influence in the mainstream issues, mainly because he is unwilling to relieve his line managers of full responsibility for these decisions. Consultants are yet another complicating factor in the world of the good general manager, but he has learned how to contain their hard-sell tactics.

MANAGEMENT INFORMATION SYSTEMS

I should have saved some time for management information systems. They have become a highly visible miscarriage of modern management. The professional general manager presses for total systems where every shred of data is collected and analyzed and printed on forms which engulf everyone's desk. The mountains of paper provide him with a kind of assurance that everything is under control.

The good general manager insists that only relevant information be accumulated and that his subordinates devise key indicators which keep them informed about significant trends.

SUMMARY

Businessmen are deluding themselves as they listen to each other chant the litany of modern management achievements. If you examine the individual management specialties one at a time, the achievements are formidable. But the specialties do not fit together automatically to move an organization forward. Today's general manager is confronted by innumerable blocks, some of them created by his own subordinates, others by consultants, legislators, environmentalists, and consumerists. Either business leaders do not rec-

ognize the indispensable function of their general managers or they prefer to ignore their managers' accelerating inability to pull it all together.

Staff people should not be exasperated by my preoccupation with the general manager. Rather they should think hard about how they can make themselves more effective supporters of the general manager.

How many thousands of specialists are working away in their cubicles on projects no one with clout cares about? In fact, how many general managers are hoping that the specialists never complete their projects because they are almost certain to come up with grandiose recommendations which the managers can't possibly implement ?

Boards of directors don't know how to select chief executive officers and chief executive officers don't know how to pick division managers. They promote a successful functional manager to general management and hope that he works out. If he doesn't, he usually must leave and his years of experience are lost to the company. The turnover of general managers in some companies is little short of criminal.

The conglomerate binge of the early seventies was partly inspired by the professional manager who believed that he could manage any kind of business. As he acquired companies with a record of good management, he usually could not resist the urge to replace the existing managers with professional managers. The pattern was for earnings to improve in the short-term, while in fact the elements which make for long-term strengths were being dissipated. How often, after the professional managers have decimated the company, is it announced that the business is being sold because it does not fit into company strategy ?

Years ago, the paternalism of the owner-manager could lead to abuses, and some say it is dead and unacceptable to today's professional manager. But which is more paternalistic? Today's professional general manager who plans everything in detail and instructs his subordinate exactly what to do (because he knows better) or the manager who thinks of a subordinate as a whole person and looks after all of his needs? The good general manager has borrowed many of the practices of the paternalist while avoiding the abuses of coercion and intrusion. Some of the best of today's general managers foster a working environment which is very close to that of the paternalist.

A critic of this paper will insist that one of my good general managers can only manage a comparatively small organization, that as an organization grows larger it must be managed in the mode of the professional. This is a weak justification for the evils of professional management and there is ample evidence that my good general manager can be effective in a large organization if given half a chance. Some endangered species have more resilience for survival than others, and good general managers don't go under easily.

Ask a top manager how he picks persons with high potential for general management, how he grooms those candidates, and how he measures their performance once they are promoted to general management.

The answers will be scanty. The heady modern management techniques of the staff specialists will continue to be wasted on inconsequential issues unless leaders recognize the subtle developments inside their organizations which are undermining the ability of the general managers to keep the organization competitive.