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Meet the MasterMinds: James Hoopes Takes on the *False Prophets* of Management

Every now and then, a book comes along that is head and shoulders above the rest. Business historian, James Hoopes, has written such a book—***False Prophets: The Gurus Who Created Modern Management and Why Their Ideas Are Bad for Business Today***.

In the book, Hoopes traces the roots of modern management thinking by examining the ideas and practices of leading business “gurus,” past and present. He challenges the popular movements these gurus spawned, and is sharply critical of today’s gurus for perpetuating bad management practices in the name of democratic values.

A Distinguished Professor of History at Babson College, Hoopes has written a book that any student, practitioner or observer of management should read. You may not agree with Professor Hoopes, but he’ll give you plenty to think about.

MCNews talked to Hoopes about how consultants can recognize the good and the bad in the gurus' ideas and develop a clear-headed approach to leadership for themselves and their clients.

MCNews: Let's start with this: what motivated you to write *False Prophets*?

Hoopes: Twenty-five years ago, I came to Babson College to teach American History. I never expected to teach business history or be in a business school, but there I was. One of the things that interested and surprised me was the tremendous attractiveness of both the people who taught management and their ideas.

I found the whole leadership model very engaging. But over time, as I got to know that world better, it seemed to me that some of that attractiveness had been purchased at the expense of realism about the way managers have to operate. So I decided to look for the historical roots of what seemed to me a lack of realism in some management ideas, especially about the nature of corporate power.

MCNews: In the book, you talk about what you see as the inherent conflict between corporate power and democracy. Why is it important for us to understand that conflict?

Hoopes: Democracy is a wonderful ideal that will never be perfectly realized in this world, and it probably shouldn't be. The world is not a perfect place and humans are not perfect creatures. The sad fact is that in business organizations where profit, not freedom, is the primary goal, it's top-down power that often gets the job done best. We all need to recognize that corporations are not little models of democracy. If we cover up this reality, we can create serious problems for ourselves.

Some gurus have tried to dilute this reality by teaching managers to understate their power, over-emphasize employee participation and lead mostly by inspiration.

MCNews: Many managers follow the inspirational leadership model. Should we re-think that approach?

Hoopes: We need to be realistic about the fact that decisions in corporate life get made at the top. We like to think of ourselves as free. But, to some extent, you have to check that freedom at the door when you go to work.

If you can create an environment in which people feel free, obviously that's a wonderful thing. The trouble is, if you oversell the idea that everyone is free and that the workplace is nirvana, eventually there will be a hard landing for some disillusioned people. That can come back and hit a manager in the face.

I have talked to managers who got themselves into deep trouble by following the inspirational leadership model to such an extent that they let things get out of hand; they lost the ability to say no to the troops when no was what needed saying.

MCNews: In the book you suggest that democratizing corporations and legitimizing management is a pipe dream. Why do you think that?

Hoopes: There is a quote from James Madison that is getting a lot of play these days: "If men were angels, no government would be necessary." The same is true for our workaday lives—we wouldn't need managers if human beings were perfect. One of the reasons corporations exist is that people get themselves organized to get the job done best when somebody takes charge.

We are very lucky in America to have a mix of democratic political institutions and corporate economic institutions. That mix gives us freedom and civil rights in our political lives and lets us get wealthy from our work lives. It's really important that we keep that balance and not try to democratize the corporation or get idealistic about it in a false way. I think it's equally important for our country's political future that we understand this difference and that we not try to corporatize or managerialize our political institutions.

We want to remain a free people, so obviously we want to keep democratic bottom-up power in our political institutions. But to get our jobs done, we need some amount of top-down direction in our economic organizations.

MCNews: So how can managers wield the *right* amount of top-down power?

Hoopes: I was worried while writing the book that some people might think I was calling for authoritarianism in the workplace, but I certainly don't mean to propose such an idea at all. Bottom-up participation is vitally important. Everybody's ideas may be useful and should be considered as much as possible.

Some managers—not the really good ones, but some—slip into a kind of arrogance, a feeling that they must be special, even superior, by virtue of their positions. That's one of the temptations of undemocratic power. Those who manage most successfully temper their power with a healthy dose of common sense and with personal competence; they have enough humility to realize that their power and their competence, not their charisma, are the main reasons people follow them.

If managers can hang on to a bit of humility and at the same time demonstrate competence, then they do have a chance of winning some loyalty from people. People want to follow leaders who know what they're doing. If you start by trying to be the inspirational leader, it's easy to lose sight of competence and then you are headed for real trouble.

MCNews: Business leaders have a long history of following the advice of management gurus. What is the reason for this love affair with the gurus?

Hoopes: Well, first of all it needs to be said that gurus have done a lot of good. I don't know if I managed to say that as clearly as I might have in the book, but that's a big reason for the attraction.

The characters I wrote about in the book, most of them anyway, made important contributions to our understanding of how businesses work. At the same time, there is the danger that if the emperor is paying the guru, the guru may not mention that the emperor is not wearing any clothes.

There is an unavoidable conflict of interest built into the relationship between business leaders and the gurus advising them. The whole system is built on the best, honest intentions of both sides. But human beings are imperfect creatures, and sometimes that honesty will not be there on one side or the other. So there has been a natural tendency for the gurus to try to pretty things up and make corporate life seem more satisfactory to the democratic conscience of managers than it really is—or can be.

MCNews: In the book you say that “culture change” should be dropped as a management tool. Why is that?

Hoopes: Culture is a very ambiguous word—one that can cover up painful realities, such as the fact of power. I do believe it's possible that some corporations have something that fits the original anthropological sense of the word culture. But I also think that it's easy to use the word culture to cover up the fact that people are doing what you want because you are the boss.

If people are going along because they know this is what you, the boss, want, it can be very dangerous to kid yourself into thinking that you have changed the culture and changed people's values. In addition, you might also be engaged in a kind of manipulation that isn't very attractive.

It is very tempting, especially for young managers, to think they are going to change a company's culture and that will change people's behavior. A manager might think, well, I don't really have to address the serious issue of people's behavior directly. Instead, I can insidiously change their values so they will do what I want and they won't even notice they are being managed. So we are back to the democratic façade that isn't real.

Changing people's behaviors and attitudes is important and worth the effort, but we would do better to go back to some very old-fashioned words from the early twentieth century, like morale and procedures. Those are up-front, honest words that say we are going to change the way we do things around here, rather than talk about changing values and culture.

Given how many times culture is changed in most organizations these days, it can't be very deep "culture" in the first place.

MCNews: Are there gurus or leaders you would put in your “Hall of Fame?”

Hoopes: Peter Drucker, who I interviewed for the book, is an extraordinarily impressive man. He is a tremendous idealist, who has addressed the moral illegitimacy of corporate life head-on throughout his career. He insisted on recognizing that managers do have power that is not consistent with a democratic society. At the same time, he was very successful as a teacher of management and as a consultant.

Through that work, Drucker brought a lot of high-level awareness to people about what corporate life is. But I think he has been disappointed. His idea has been that the corporation is morally

illegitimate and it needs to become morally legitimate. My notion, which may never be a popular one, is that we are better off accepting the moral illegitimacy of the corporation—accepting the fact that we live in this imperfect world with imperfect institutions. So I disagree with Drucker on that fundamental point, but I think he is a real hero.

MCNews: Any other "Hall of Fame" gurus come to mind?

Hoopes: Alfred Sloan, CEO of General Motors from the 1920's to the 1950's might be everybody's candidate for the greatest manager ever, and I certainly wouldn't disagree with that. I might disagree with some people about where his greatness lies, though. He does fit the model I outlined in the book in that he accepted that the corporation is not a perfect institution. In fact, a couple of times in his autobiography he says that the corporation is not the most gentle institution of society and insisted on the importance of top-down executive power.

Sloan combined that understanding with a great deal of simple, human decency. He managed to keep it all in balance—his own human decency on the one hand, understanding the imperfect nature of the organization he was running, and at the same time never forgetting it was there to make money. Some people overestimate the decency in Sloan and underestimate his moral realism. He stayed focused on making money and didn't try to become a business statesman or a social leader.

MCNews: On the flip side, anybody you would put in your "Hall of Shame?"

Hoopes: Elton Mayo, who is in the book, really created the human relations movement in American industry in the 1930's. While Mayo did a lot of good, he was not a totally honest thinker. He was one of the people who failed to point out the lack of clothes to the emperor.

A lot of what's wrong with the leadership model in management today is descended from Mayo and the HR tradition that developed at the Harvard Business School in the 1930's. The fact that Mayo manipulated the data in the Hawthorne experiment is reason enough for consultants not to imitate him.

MCNews: What about present-day "Hall of Shame" candidates?

Hoopes: An interesting guy in the present is Kenneth Lay, former CEO of scandal-plagued Enron. The wrath against him when the Enron scandal broke was because he had been telling employees who were locked into their Enron shares that it was a great company and the future was bright, and meanwhile he was selling his shares. It made him look just horrible.

It turned out Lay's sales were margin calls, transactions he had to complete. He was forced into a sell position, but truly believed what he was telling employees, believed that their money was well invested in the company. He didn't know what was going wrong in his own company because he was a false idealist who thought he could lead the company just by inspiring the troops with their supposed bottom-up power.

He didn't have the accounting skills to keep up with the complex deals being done. The lesson we should draw from Lay's career is not so much the importance of morality but the importance of competence, or rather that the two are so directly related. It's immoral not to do your job. He didn't do his job, and he hid his incompetence, even from himself, with his false moralism and belief that he could run the company just by being a morally inspiring leader.

MCNews: Last question: If you could give one piece of advice to somebody on managing people or managing in a corporate environment, what would it be?

Hoopes: Remember that you have necessary, but unjustifiable, power over other people's lives. They did not elect you their manager, and so you need to be as fair and careful as you can in

handling their lives. The temptations of power are just as great for managers as they are for political figures. One bit of advice to help people stay honest is to keep this in mind: no matter how good you are, you will never be good enough to deserve such power over others. As hard as it may be in the corporate world, if you can mix just an ounce of humility with your pound of power, it might help you do as good a job as you can with as much decency and fairness as possible.

MCNews: That's great advice. Thanks for your time.

"Only if managerial power is understood as an undemocratic but necessary evil in an imperfect world does moral caution have a fighting chance to engage the manager's conscience."

– James Hoopes, ***False Prophets***

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