

# Management in the Time of “Generalized Uncertainty”: The Question of Relevance<sup>1</sup>

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In the landmark book by Gabriel Garcia Marquez, “Love In The Time Of Cholera,” people perplexed and overwhelmed by uncertainties of life find salvation in the old values and fundamental passions, in each other. I want to use this simple idea as a metaphor encapsulating the message I want to convey to you.

Many of us believe that we are living like in the time of cholera because of the overwhelming feeling of uncertainty covering all vital parameters of our activities and because of that, meriting a slightly pretentious term of “generalized uncertainty”. What does it really mean? Every historical epoch presents itself to posterity as “unusual”, “turning point in the history of mankind”, “unusually turbulent”, “volatile”, etc. There is no one capable of judging whether Alexander the Great created more uncertainty than Napoleon, Hitler or George W. Bush or whether Steve Jobs was more disruptive than Edison. Why the 21<sup>st</sup> century is perceived as a time of uncertainty more clearly and more dramatically by larger groups of people than the past? It is hard to imagine a more uncertain time than the 20<sup>th</sup> century in Europe characterized by the killing fields of two world wars, revolutions and counterrevolutions, genocide and torture, destruction of people’s lives and values, tangible and intangible assets of all kinds. These were also times of intellectual chaos and disruption and the rise and fall of two disastrous ideological utopias: fascism and communism. Nevertheless, we still tend to believe that we are experiencing the culmination of uncertainty. Why? Not so long ago, people didn’t have great expectations, dreams and aspirations. They were just patiently and obediently carrying their fates even through the most turbulent and cruel times. The carnage of World War I clearly proves that.

Basic dictionaries define uncertainty as a “state of being uncertain”. Uncertain of what? Is it of the generally shared ambitions, aspirations and dreams coming true?

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Uncertainty is a state of mind and let me explain. Around 1930 at the beginning of the big depression crisis, Keynes predicted that during the next 100 years, the standard of living in the most advanced countries will increase from four to eightfold. In spite of World War II, this overly optimistic prediction (as it seemed at that time) was confirmed in the 80 years since Keynes’s prophecy. In spite of the big crisis of the 1930s and the devastation of World War II, the standard of living in the western world increased four to fivefold.

Now our media, bookshelves and political agoras are booming with overoptimistic promises of the “new splendid world”, but all these promises are “iffy”. “Follow my advice” say politicians, economists, management gurus or consultants and “paradise is waiting just around the corner”. People like to believe in good news and in better future. Feelings of uncertainty come from disappointing confrontations of optimistic promises with reality. Marxists of the “New Left” type are the only tribe producing books and articles under such titles as “the endless crisis”. Their credibility, however, remains questionable (even if some points like “financialization” of the global economy are well taken), because of the fulfilment of the Keynes’ prophecy in the last 80 years and because the Marxist edifice built in the communist countries resembled much more “the house of horrors” than the “palace of hope”. People stick to the promises they want to believe in, even if every day experiences contradict them. They prefer uncertainty over despair.

Uncertainty is a kind of surprise: “I didn’t expect that!” types of exclamations. Surprises come not only from unfulfilled ambitions and great expectations but also from painful shortages of “sociological” or “economic imagination”, i.e.: the inability to explain what’s happening and to develop reasonable guesses about the future. This type of uncertainty is encapsulated in the question asked by Her Majesty Queen Elizabeth II during her visit to the London School of Economics: “Why did no one predict the credit crunch?” The written answer to this simple question was carefully crafted by heavyweights of British economic sciences under the auspices of the British Academy, ending with the following conclusion: “In summary, Your Majesty, the failure to foresee the timing, extent and severity of the crisis and to head it off, while it had many causes, was principally a failure of the collective imagination of many bright people, both in this country, and internationally, to understand the risks to the system as a whole”.

As a matter of fact, our sociological and economic imagination, at the disposal of experts and laymen as well, is formed out of bits and pieces of science developed in the times of prosperity and growth. The neoliberal utopia of the “end of history” is almost equally overoptimistic and unreal as the dusted myth of “classless communist paradise”. The

situation of social and particularly economic “dismal sciences”, when confronted with generalized uncertainty is encapsulated in the Humpty Dumpty story: “All the King’s horses and all the King’s men couldn’t put Humpty together again”. At present, uncertainty prevails among key actors of the system and science offers neither consolation nor support.

For blue collar and white collar workers, financial and employment insecurity remains the main source of uncertainty. The increasing burden of social benefits and growing inequality of income distribution make progress in standards of living of the average wage earners more and more unlikely and uncertain. According to the study by the Royal Institute of International Affairs in London, the average middle aged worker in the OECD countries will draw something like \$100,000 more in benefits from the state during his or her lifetime than they will have paid in. However, their children will have to pay \$200,000 to \$300,000 more in taxes than they will receive in benefits. This is a “catch 22” situation, provided that the economic growth will remain modest or flat as most economists predict. In spite of the stagnation of growth and productivity in western democracies, voters are pushing for increases in benefit “here and now”. For the time being, the lion’s share of the fruits of the growth is being captured by a privileged few (like the proverbial 1% or 5% of the richest families in the U.S.).

The middle class is losing ground despite isolated nests of optimism and some realistically good chances of success. To this macro picture of uncertainty, one should add individual dimensions experienced by job holders. Analysis of 700 different occupations in the U.S. showed that 47% of employment could be easily automated. Additional pressure comes from the ever growing reservoir of cheap and desperate labour in the “third world” migrating towards the West in ever increasing numbers. Volatility of the markets, shortening life cycles of products, technologies and professions along with the drive for accelerated mergers and acquisitions add their share to generalized uncertainty as felt by individuals. Multiple carriers, skills and jobs call for big efforts and increased agility of individuals. Not everybody is psychologically and intellectually capable of coping with such a degree of uncertainty. Rapidly weakening trade unions are not able to offer any support. People are left with two contradicting feelings: increasing uncertainty and great expectations.

Uncertainty of consumers is well known and well documented. In modern societies, ever increasing consumption is a must imposed by the imperative of progress (whatever it means), sense of belonging, status requirements and self-realization as well. In other words, the generally accepted myth of Maslow’s pyramid of needs is built on consumption. Since the 1950s, mass consumption critics warned against “hidden persuaders”

enslaving people into “demonstration effect” traps. Consecutive generations of hippies, “greens” and apostles of moderation and austerity have only had limited, insular and short-lived successes. Consumption fuelled by soft money, ambition, vanity and greed remains the sacred engine of modern economies with no realistic substitute on sight. It is also a source of almost existential uncertainty related role expectations and powerful pressures enforcing “socially accepted” consumption patterns, credit worthiness and monthly payments.

Consumer uncertainty is linked to employment and performance assessments uncertainties. In this way, the uncertainty of consumers is embedded as a powerful motivator of people at work and is a powerful productivity increase factor. Fear and uncertainty are ever present even in the most luxurious and creativity minded work environments. Consumer and job holder uncertainties mutually reinforce each other. People are increasingly afraid of losing their jobs and lowering their consumption standards. “Theory F as fear” prevails in practice over MacGregor’s “Theory Y”. Expectations linked to the roles of consumers and workers are so high and demanding that the roles of citizens are being gradually abandoned. There is not enough time and energy left to fulfil them. We are too busy to govern our democracies and we leave this job to the generally despised “them”: professional politicians and specialized bureaucracies.

Managers are experiencing uncertainty because their toolboxes contain very few instruments fit for fixing 21<sup>st</sup> century problems. As Dorothy says in the “Wizard of Oz”: “Toto, I’ve a feeling that we are not in Kansas anymore”. Kansas stands here for the good times of prosperity and growth of the Western world in “the 30 glorious years” from 1945 to 1975, when still binding foundations of contemporary management science and management education were laid. Generalized uncertainty makes traditional principles of management at least partially useless. Let’s have a look at some of these principles:

- First, strategy and long range strategic planning is rapidly losing its magic touch in highly volatile environments. Agility is supposed to replace strategy, but what does it really mean?
- Second, monolithic structures are being replaced by pulsating networks and blurred lines separating organizations one from another. Intra-organizational management that we are accustomed to is being replaced by inter-organizational or network management that we still know little about.
- Third, the restructuring and reengineering beloved by financial markets can easily lead to anorexia inhibiting agility or the ability to respond to previously unknown challenges. Conflicts between long term and short term perspectives are being resolved in practice by shortening tenures of the CEOs. This leads

in turn to predatory practices reinforced by managerial compensation systems. These should be perceived as managerial self-defence against uncertainty, which is counterproductive in terms of survival and healthy development of companies.

- Fourth, human resources of an organization are being gradually replaced by a collection of freelanced highly paid talented and low paid and low skilled work force composed of “disposable people”. Both groups are in constant search for better opportunities. Good practices in human resources management such as tapping peoples’ commitment and innovativeness hardly apply to such populations.
- Fifth, corporate governance and supervision is incapacitated by growing information gaps between executive and non-executive directors and mechanisms of co-optation of the boards. Supervisory boards do not have countervailing power *vis a vis* management and cannot effectively play the role of safety catch of sorts that they were created for.
- Sixth, business ethics crises result directly from generalized uncertainty. Managers and other business actors maximize short term gains at any price because the long term gains remain uncertain.

In a situation where instruments from the traditional management tool box become useless, managers are left with two ways to respond to uncertainty: intuition and technology. Such approaches can be compared to “beating the bushes” with powerful flails. Acquisition sprees by technology firms illustrate the best of this philosophy of management, provided that their pockets are deep and full of cheap and patient money. But not much more has been invented yet.

The name of the game and the most fashionable buzz word in contemporary management is “agility”. Reading lots of books and learned articles, it is hard to figure out what it really is. Of course, agility is a metaphor. I found in Wikipedia that it is the name of a dog sport in which a handler directs a dog through an obstacle course in a race for both time and accuracy. Layouts of such courses are set *ad hoc*, constantly changing and unknown in advance both to the dog and the handler. Dogs run off leash with no food or toys for incentives and the handler can touch neither dog nor obstacles. Consequently the handler’s controls are limited to voice, movement and various body signals, requiring exceptional training of the animal and coordination with the handler. Surprisingly, this metaphor well represents management in high uncertainty environments. I do not know how dogs and handlers are trained for agility courses. I know that most managers are trained in business schools for very different types of games, characterized by a much higher degree of certainty.

In the “good old days”, stable friendly business environments instilled confidence in the future and inspired long range strategic plans to be implemented in well-defined business domains. Complex corporate machines meant to produce such clearly formulated objectives were organized in functional silos and elaborate hierarchies with clearly set authority lines. To serve the needs of such corporations, business schools were conceived as assisting elite institutions forming top levels of the hierarchies with overblown highly specialized staff structures. The schools themselves were organized around functional academic disciplines parallel to corporate silos and striving for the highest academic standards embodied in methodologically elegant abstract theories sanctified by academic journals that no practicing manager would ever touch. Quantitative models were the closest to this ideal and graduates were well equipped with quantitative skills. In stable environments, historical case studies were good enough to provide insights into business practice.

This model of management education was immensely successful and as such, was replicated more or less adequately worldwide with the help of generally recognized quality standards and accreditation systems. In spite of several waves of well-grounded critiques, this model that is almost completely irrelevant in the contemporary world is still present in the DNA of most of the business schools and is reinforced by academic conservatism and associated rituals.

The present business environment permeated with generalized uncertainty is radically different from “the good old days in Kansas”. The time of “dinosaur corporations” is slowly coming to an end. They are being gradually replaced by pulsating networks composed of small and agile entrepreneurial entities. In the public domain (health, education, welfare, environment), they are being broken into small private and semi-private innovation driven organizations. Management becomes a massively performed function with a strong entrepreneurial flavour. Responding to massive demand, management education is becoming massive and highly differentiated as well. Elite models of astronomically costly management education are being gradually marginalized. Problem driven interdisciplinary knowledge is in high demand. Soft skills such as teamwork, leadership, negotiations, entrepreneurship and business ethics are gaining importance as keys to managerial success. Strategic planning is being dethroned by uncertainty and speed of change. High speed management and speed of response are the main survival techniques in such environments. Transformational capabilities are gaining importance equal to operational excellence.

Management theory is a practical branch of science. Its only *raison d'être* is to help managers and other actors active in organizations to understand them better and to

achieve better results. Business schools and management development institutions are the places where the body of practical knowledge is being created and disseminated. To ensure their survival and sustainable development, this knowledge has to be practically relevant in the present world. It seems to me that our discipline has considerably deviated from the mainstream of practical relevance in two opposite and equally erroneous directions: pretentious academism and pop culture style journalism linked to made-up management sagas helping to sell consecutive “management fads”.

The present model of technocratic management and management education does not enable us to cope with generalized uncertainty. Competitive pressure will have it replaced by a new one. How quickly? Thomas Jefferson believed that “every generation needs a new revolution”. My generation’s revolution in management education was set in motion in the late 1950s by the famous Ford & Carnegie reports, which urged widespread adoption of a model of professional business education founded on basic social science. It produced a “golden standard” of academic management education that is still prevailing. However, I am persuaded that the time has come for a new revolution. Revolutionary change will be driven by four competitive imperatives: 1) to minimize cost and response time, 2) to innovate, 3) to trust and 4) to cooperate. A “problem solving attitude” is to prevail, geared toward as yet unknown future problems.

Greed is not good anymore because of purely pragmatic reasons. It triggers parasitic games inside organizations, slows them down and makes them more resistant to change. Benefiting from initiated *ad hoc* intra-organizational and inter-organizational cooperation networks calls for common ground in trust-enabling values. Blurring of the lines between organizations and environments requires interconnectivity, conditioned by common values, communication and operational standards. The upcoming managerial revolution will be driven by values because under generalized uncertainty conditions, formal rules, regulations and structures fail to adjust fast enough to volatile environments. I happen to believe that creative people of strong values and broad horizons will make much better managers than narrow minded cynical technocrats and “laptop labourers”.

Values have to be translated into management education and development. How? I am impressed by the “five minds of the future” concept out of the Harvard School of Education (Prof. Howard Gardener, 2008): the disciplined mind, the synthesizing mind, the creating mind, the respectful mind and the ethical mind. Each one of them carries a set of values to be internalized through education and development processes.

The disciplined mind is embedded with such values as intellectual rigor, complexity and accuracy of analysis and the time discipline of the analytical process. Top business

schools clearly adhere to these values and provide benchmarks others should follow. But this is beginning and not the end of the management game.

The synthesizing mind is underpinned by such values as a complex and multifaceted approach to problems and the ability to draw skilfully from silos of specialized knowledge. Present management education curricula are mostly missing such interdisciplinary subjects as political economy, economic sociology, behavioural economics, social issues of business, etc. What is missing the most are the courses combining “soft” and “hard” economic, social, managerial and institutional ideas. Management theorists abandoned a long time ago the idea of a “general theory of management”, epitomized by such names as Herbert Simon and James March. The lack of theory makes synthesis difficult and paradoxically misses the point of practical relevance requiring a complex and interdisciplinary approach.

Creativity is the value probably the most obviously linked to the managerial practice. Training of “corpocrats” for vanishing types of organizations does not have to contain it. In spite of lots of learned books and articles, creativity is not an academic discipline. It belongs to the world of *praxis* and has to be developed through trial and error experiments, active contact with art and involvement in social causes. All of them are seldom practiced by business schools.

A respectful mind is the opposite of the arrogance and superiority complex that top business schools graduates are often accused of and rightly so. Respect shown to others (particularly the less fortunate) and openness to others neither falls into the category of knowledge nor skills. It is “lived” as a deeply internalized value enabling one to work, to succeed and to feel well in complex and dynamic multi-cultural social setups. Respect is likely to breed compassion and empathy and to help integrate business into the world of generalized uncertainty. Teamwork exercises and in-depth studies of other cultures can help to develop respectful mindsets. How can we expect respect from someone who never cared to speak any other language than his or her own mother tongue and who knows nothing but stereotypes about history and culture of other nations?

Formation of an ethical mind should certainly go beyond the lip service paid to “business ethics” and occasional workshops devoted to the subject. Relationships between business ethics, corporate governance, behaviour of the firm and sustainable business success deserves serious empirical investigations and coursework. The aim is to develop a code of conduct that is at the same time practical and deeply rooted in transcendental values. Otherwise “codes” or “pledges” for graduating students will be treated cynically as just another empty ritual.



To wrap up my presentation and leave you with some food for thought certainly more solid and tasty than the one I cooked up, let me quote my favourite poet T.S. Eliot: “After such knowledge, what forgiveness? Think now/History has many cunning passages, contrived corridors/ And issues, deceives with whispering/Guides us by vanities/Think now”.