

On The Necessity and Scientific Challenges of Conducting Research into Strategic Value Creating Management Models

Prof. Dr. Frans A.J. Van Den Bosch



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Management Models**

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**On The
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of Conducting Research
into
Strategic Value Creating
Management Models**

Farewell address

Address given in shortened form on the occasion of his farewell
as Professor of Full Management
at the Rotterdam School of Management, Erasmus University,
on Friday May 11, 2012

by

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Profile

Prof. Dr. Frans A.J. Van Den Bosch was (until April 2012) a full Professor of Management of Interfaces between Organizations and Environments in the Department of Strategic Management & Entrepreneurship, Rotterdam School of Management, Erasmus University Rotterdam. After his retirement he maintained a part-time appointment in the School. He was chairman of the Department (1990-2002), of the School's PhD Committee (1990-1999), of the Schools Promotion and Tenure Committee (2002-2007) and, from 2005-2011, of the Program Advisory Board of the Erasmus Research Institute of Management (ERIM). His major research interests are in the development of managerial theories of the firm and in topics such as strategic renewal processes, management innovation and corporate governance. He has published several books and over 175 articles in scientific journals, including chapters in books. Journals in which his scientific papers have appeared include *Academy of Management Journal*, *Journal of Management Studies*, *Management Science*, *Organization Science* and *Organization Studies*; he is a board member of several major scientific journals. He has supervised over 33 PhD theses. In 1993, on behalf of the Erasmus University Rotterdam, he acted as honorary promotor of Professor Michael Porter of Harvard Business School. Van Den Bosch has been actively involved in the business community and the public sector, e.g. as vice-chairman of the Rotterdam Chamber of Commerce, member of the City Council of Rotterdam, advisor of a Dutch trade union association and as chairman of the Board of Non-executive Directors of Dutch companies. At present his main activities concern research, PhD supervision, teaching and executive education.

Abstract

In his Farewell Lecture, referring to the statement “Nothing is as practical as good theory”, Professor Van Den Bosch elaborates on developing “good” Management Theory and its practical application to business and society. Management is likely to be the most valuable resource of goal-oriented organizations. However, nowadays in the media and in public debate the diminishing legitimacy of managers is coming under discussion. This raises the challenging question: are managers losing their societal legitimacy? If this is the case, the second question arises: how can a more solid theoretical foundation of Management contribute to new insights in terms of its role – as an alternative to the Market – as a coordinating mechanism for creating value for business and society?

Regarding both questions, the following four scientific challenges are addressed. First, the case is made that a managerial perspective on Research into Management is required. Second, taking a context-neutral approach in defining Management, it is proposed to focus on generic core activities of Management. Third, it is suggested that the creation of strategic value for society should be defined as the purpose of Management of organizations. Fourth, based on recent contributions to the literature, the importance for practice of strategic value creating Management Models are discussed, including a current application in the context of Shared Value Creation. Finally, the problems and challenges of changing the Management Model of an organization, i.e. Management Innovation, are highlighted.

The lecture is concluded with four recommendations. These recommendations are directed to scientists in the field of Research in Management, to Schools of Management, to the practice of Management, and to governmental and regulatory agencies. These agencies have to look after Management Models and their strategic value creation for society. In the context of the present financial and economic crisis, it is recommended these agencies have to consider correcting not only the “Invisible Hand” of the Market, but also paying due attention to its close connection with the “Visible Hand” of Management.

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Introduction

*Dear Rector Magnificus,
Chairperson and members of the University Board,
Colleagues,
Family and Friends,
Ladies and Gentlemen,*

About 40 years ago, I started my scientific career as a young assistant professor of Economics in this room by teaching more than 800 first year students the principles of measuring macroeconomic data. To catch their interest and attention, I quickly learned how to connect rather abstract principles to practice. About 25 years ago, as a Professor of Management, I delivered here in this same room my inaugural lecture entitled: “On the Boundaries of Organizations”. The first sentence of that lecture pointed out: “*Nothing is as practical as good theory*”. This statement of Kurt Lewin (1945) refers to what he called “social management” and provides a clear direction for the development of a Management Discipline.

The past 40 years have been a great time for me: developing and applying good theories particularly aimed at increasing the managerial understanding of organizations and, by so doing, helping the strategic renewal of firms and organizations. My energy to do so springs both from my curiosity and from a strong-felt need to clarify how the Management of organizations contributes to wealth creation for society.

In this last lecture – at least as a Full Professor in Management – I will again elaborate on developing “good theory” with a keen eye on its “practice” for business and society at large. The topic I have chosen is likely to be the most valuable resource – but, unfortunately, the least understood and may, therefore, be heavily criticised – of any goal-oriented social organization: Management. To address this curious paradox – being the most valuable resource yet heavily criticized – my lecture will be structured in a number of parts, see Box 1.

Box 1: Topics addressed

- | | |
|--|--|
| 1 Necessity: | – regaining the legitimacy of Management |
| 2 Scientific Challenge: | – defining Management as a scientific construct / model

– distinguishing it from the blurred meaning in daily practice |
| 3 Strategic Value Creating Management Models: | – define the purpose of Management Models

– introducing a scientific Management Model with four core activities of Management |
| 4 Management Innovation: | – results from changing the Management Model

– difficult but needed to create strategic value |
-

In the first part, I will reflect on the fact that nowadays in the media and in public discussions Management is increasingly being associated with people claiming high salaries and bonuses, having less interest in ethical standards and concerns for their employees, lacking leadership, using US-based jargon, spreadsheets and mainly financial instruments, and aiming at financial-economic goals such as shareholder value and short-term profits. Publications with titles like “The Last Manager” (2010) and “First, let’s fire all the managers” (2011) highlight the diminishing legitimacy of managers. Obviously, this severe criticism will have implications for the legitimacy of the knowledge production and dissemination of university-based Schools of Management. These Schools are – or will be – criticized as well (Khurana, 2007; Morsing & Rovira, 2011; Rousseau, 2012).

In the past, however, there were periods in which Management was by and large considered as a respectable and valuable function in society (e.g. Chandler, 1977). This raises the *challenging question*: are managers losing their societal legitimacy? And if this is the case, the second question arises: how can scientific research into Management contribute to new insights into this most critical or valuable resource of goal-oriented social organizations? These two questions are reflected in the use of “Necessity” in the title; see also Box 1.

In the second part, I will emphasize that it will be a serious scientific challenge to develop Management Models and theories aimed at defining Management as a scientific construct. Such a definition must be disconnected from its historical meaning and its blurred and often negative perception of those people who are managed.

In the third part, instead of referring to the construct of Management, I will propose Management Models as being a key component in developing a Management Discipline. The noun “Management” has been associated with assumptions that managers of firms have believed to be generic or even close to eternal truth. The concept of Management Models, however, highlights that managerial choices have to be made to keep delivering value in changing environments.

In the fourth part, I will point out that organizations operating in highly dynamic environments will regularly be confronted with the need to change their Management Model, i.e. to realize Management Innovation. Management Innovation implies changing key elements of the Management Model in a way that is new to the organization. In my view, the topic of Management Innovation belongs to the most difficult ones in the Strategic Management of organizations. This is because managers themselves are both the central actors and a source of power within their organization. *In the fifth and concluding part*, I will formulate a couple of recommendations.

1. On the Necessity

In one of the classics in Economics, *The Wealth of Nations*, Adam Smith (1776) highlighted the key role of markets as being to produce wealth. Markets operate as “Invisible Hand” to coordinate economic activity. About 200 years later, in 1977, Alfred Chandler published his book, “*The Visible Hand*”. In Chandler’s analysis, the “Invisible Hand” was partly replaced by Management, and – as Management by definition is performed by human actors – Management was labelled as “The Visible Hand”. According to Chandler, with business becoming increasingly complex, Management did a better job than Markets in coordinating activities within multi-unit firms. Markets are driven by supply and demand and economic profits. According to Chandler (1977: 10), managers became separated from the owners of the firms and “preferred policies that favoured the long-term stability and growth of their enterprises to those [policies] that maximised current profits.”

As long as Markets and the Management of organisations are considered as distinct constructs in theory, practice and in the minds of politicians, they operate in a sense as a countervailing power. From such a comparative perspective, Markets and Management *compete as both partly complementary and alternative ways* to produce wealth in society. Management, however, became more and more associated with the ownership of firms and their financial interests. Instead of the Market operating as “The Invisible Hand” and Management as “The Visible Hand”, through powerful interest groups the Market extended its influence into firms and became more visible by ‘taking the hand’ of Management. To restore the countervailing power balance and to regain legitimacy of Management as an alternative way to produce wealth, Management and the Management Discipline indeed deserves a more solid theoretical foundation. To clearly distinguish the constructs Market and Management, in my view such a foundation should definitely not be based only on Economic Theories like Agency Theory and Transaction Costs Economics. One has to take into account the most critical resource of goal-oriented organizations, i.e. Management, including intentionality of human actors, the needs of social organizations and their strategic contribution to wealth creation for society. Obviously, contributing to such foundations of the Management Discipline is a huge challenge for Research Institutes in Management and for university-based Schools of Management. As pointed out by Ghoshal (2005: 87), this challenge includes: “... to build management theories that are broader and richer than the reductionist and partial theories we have been developing over the last 30 years.”

2. On the Scientific Challenges of Conducting Research into Management

If you ask a scholar about challenges of conducting research into a comparatively new area, many challenges will come to the scholar's mind. I will resist this inclination and will limit myself to four important challenges, in particular focusing on the Management construct itself; see Box 2.1. In my view, clarifying definitions of Management and its purpose is a prerequisite for building Management theories.

Box 2.1: Scientific challenges of conducting research into Management

- | | | |
|---|--|--|
| 1 | Towards a managerial perspective of Research in Management: | – make Management “Visible” in Models, propositions and hypotheses |
| 2 | Towards theory-based and generic definitions of Management: | – applicable to e.g. large firms, small firms and not-for-profit organizations: <i>context-neutral</i> |
| 3 | Towards clarifying the purpose of Management / Management Model | |
| 4 | Towards Management <i>Models</i> | |
-

The first challenge is to develop an interest in adopting an explicit *managerial perspective* in Research in Management (Bartlett & Ghoshal, 1993; Simon, 1967). This sounds curious as outsiders expect that Research in Management will already use such a perspective. The fact is, however, that this is not yet the case. In most theories, frameworks, and models used in the so-called functional areas of Management – like Financial Management, Marketing Management, and Logistics Management – the concept of Management is not yet really “Visible”. In most of the articles published in top journals like Strategic Management Journal and Journal of Management Studies, this is also the case. The Management construct lacks presence in (conceptual) frameworks, propositions or hypotheses, i.e. in the heart of theory building and testing. There are exceptions, such as articles based, for example, on Upper Echelons Theory. This theory focuses on the role of top management and its background characteristics (Hambrick & Mason, 1984) but does not consider generic managerial activities. Much work needs still to be done, particularly with regard to defining Management in a more context-neutral way.

The second challenge, therefore, is to develop *conceptual definitions of Management* that do not refer to historical attributes of Management, such as

hierarchy, and activities like control or commanding people. These attributes refer to specific choices made in the past and in a particular context. The problem is that these choices do not reflect the more fundamental underlying core activities of Management as a critical resource. For example, the Management activity of commanding people, i.e. exercising a dominant influence over others, represents an extreme choice regarding, among others, the way of decision-making. Commanding people was and still is often applied in the armed forces but seldom in universities nowadays. Taking a context-neutral approach, in my view a scientific definition of Management must contain *generic core activities of Management* that are as relevant in analyzing the Management of building pyramids in ancient Egypt as in analyzing the printing offices in the time of Desiderius Erasmus, or the Management of Royal Dutch Shell or universities.

Examining the classical definitions of scholars such as Taylor (1911), Fayol (1949), Barnard (1938) and Drucker (1954), more recent ones by Mintzberg (2009), for example, or review articles such as Hales (1986), it appears that there is no agreement on a limited number of context-neutral core activities of Management. There are, however, promising developments. Based on an extensive review of the available literature, Birkinshaw and colleagues recently suggested focusing on four core activities of Management that collectively enable social organizations to achieve their aims; see Box 2.2. These four context-neutral activities consist of two core activities of Management relating to the *goals* of social organizations: managing objectives and managing motivation. These two core activities are closely related to *leadership*, unfortunately at present a kind of stand-alone subject and disconnected with Management as described here. Relating to the *means* are two other core activities of Management: managing coordination and managing decision-making.

Box 2.2: Context-neutral core activities of Management

- **Management of a social organization consists of four core activities of Management ^{a)}**
 - managing *goals*, i.e.: (1) objectives and (2) motivation of people;
 - managing *means*, i.e.: (3) coordination and (4) decisions in order to achieve its aims
- **Purpose of Management Model: strategic value creation**
 - Strategy perspective: connects inside with outside (stakeholders)
 - refers to long-term organizational outcomes
 - avoids “one-best-way” of Management

a) Adapted from Birkinshaw (2010)

The third challenge is to theorize about *the purpose of Management*. In my view, this is very important as it may contribute to the legitimacy of Management and to increased understanding of Management as an alternative way to produce wealth for society. Furthermore, this will enable the scientific assessment of the influence of Management on organizational performance. Management of social organizations – be it a firm, non-profit organization, or soccer team – is about direction: i.e. what are the goals to be aimed at and why and how and for whom do these goals add value? Are, as is often thought in practice, financial targets like profits and return on investment (ROI) the purpose of Management? No, financial goals are by definition no strategic goals: financial sound behaviour is a prerequisite for continuing activities. In a scientific approach Management ought to be associated with more generic and context-neutral goals.

From a Strategic Management perspective, it makes sense to formulate *the creation of strategic value* for society as being the purpose of Management of social organizations. Strategic value includes economic value but is a more all-encompassing value concept. Strategic value creation connects “inside” formulated ends to organizational outcomes as perceived by external stakeholders. Strategic value creation is a kind of “Litmus test”, indicating the long-term viability or sustainability of organizations in terms of wealth creation for society. Such a test is important for the employees of organizations, their Management, and external stakeholders as well as for society. Choosing strategic value creation as the purpose of Management of a specific organization also avoids the dangerous fallacy of “the-one-best-way” of Management. Such an approach denies the responsibility of Management to continuously search to improve strategic value creation for their organization in a dynamic environment. This issue brings me to the fourth challenge: the development of Management Models. This is the subject of the next part.

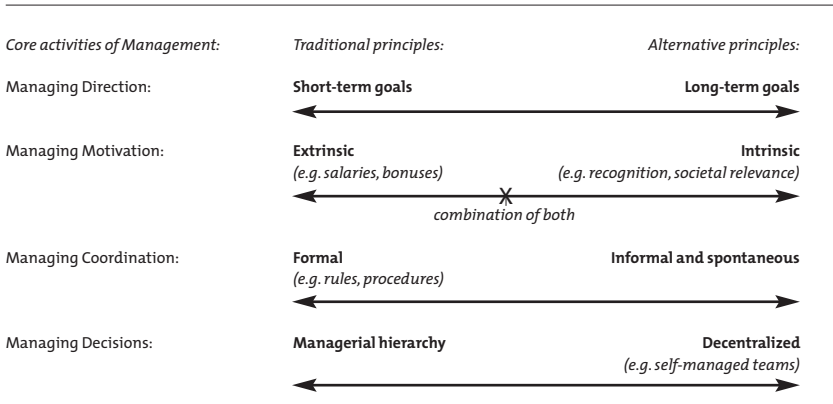
3. Strategic Value Creating Management Models

In this part, I will elaborate on the concept of Management Models. In doing so, I will illustrate how different Management Models – in the same environmental context – may differ in terms of the strategic value they create for an organization. I will also speculate about the influence on Management Models of assuming so-called complementarity between the four core activities of Management. A brief contemporary application will highlight the scientific and societal relevance of Management Models.

The four core activities of Management are the building blocks of the Management Model concept. However, each of these core activities can be performed in different ways (at least conceptually). To highlight the element of deliberate managerial choice for each core activity of Management, I discuss the choices to be made between *two contrasting principles*. Setting goals for example – i.e., the core managerial activity of providing direction – can focus on either short-term or long-term goals. With respect to managing motivation, traditional principles emphasize focusing on extrinsic motivation like salaries and bonuses. An alternative principle, however, is focusing on mainly intrinsic motivation. An example is a professor who prefers to work in a university because she or he values intrinsic motivations like independence, creativity, educating critical minds and contributing to society. In a sense, such a professor could manage his or her personal mission statement, which is an excellent example of intrinsic motivation.

Box 3.1 shows two contrasting principles for each of the four core activities. The first two core activities – direction and motivation – have already been discussed. Coordination can take place in a formal or more informal way. Managing decisions can take place through a managerial hierarchy or in a decentralized way. By the way, both traditional and alternative principles can create strategic value! So a movement in Box 3.1 to the right side does not “automatically” imply it is the right choice.

Box 3.1: Four core activities of Management and the strategic choices to be made



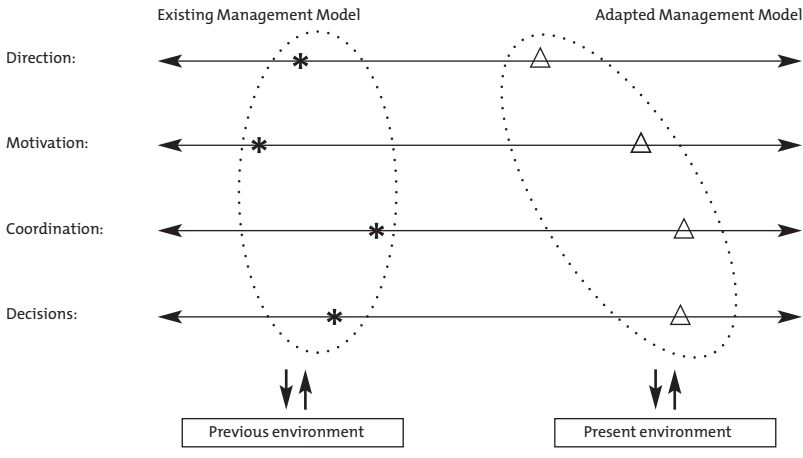
Adapted from Birkinshaw & Goddard (2009)

A Management Model depicts the various strategic *managerial choices* to be made. I will illustrate two of these choices. The first one is very important but less understood, in particular in practice. It relates to the basic question: who is involved in performing core activities of Management, and how? The answer seems simple: from a traditional perspective, managers are – by definition – conducting the four core activities of Management. Based on the scientific construct Management Model, however, this answer reflects a traditional viewpoint and is as such not always correct. Also employees could perform various core activities of Management like decision-making and coordination. As already pointed out by Fayol (1949), there is a clear conceptual distinction between Management and managers! In the distribution of core managerial activities, i.e. Management, both employees and managers are involved (Grey, 1999).

The second example regarding strategic choices deals with situations where because of environmental changes, such as the present economic crisis, the strategic value creation of the existing Management Model often decreases. Instead of actions that are mainly financially oriented, like cost reductions and laying off employees – the traditional, but today still very common, choice in managerial practice – a more *strategic choice* is to *change the existing Management Model* to create strategic value; see Box 3.2.

Box 3.2: Adaptation of Management Model due to environmental changes

Core activities of Management:



I would like to extend the literature on Management Models by introducing the key assumption that *complementarities* (Milgrom & Roberts, 1995) exist between the four core activities of Management. Different activities in organizations are expected to be complementary, i.e. the effect on performance of raising the level of one activity will increase if the level of complementary activities is also raised at the same time (see the upper part of Box 3.3). A very interesting example is how the organizational performance of creating new technological knowledge by R&D will be sharply increased if core activities of Management are also changed. We have contributed to this insight by showing how “social” innovation leverages the impact of technological innovation on performance. “Social” innovation relates to non-technological determinants of innovation such as innovations in management and organization (Volberda et al., 2004, 2005, 2006, 2007).

Let me briefly illustrate the complementarities argument. If in changing the Management Model (see Box 3.2) managing motivation shifts towards more intrinsic motivation, while no other changes are made, for example, in how coordination is managed, the resulting effect on strategic value creation is less or might be even negative. Changing the Management Model requires one to take into account also the theoretically predicted effects of complementarity among the four core activities of Management. This way, the highest strategic value creation will be attained. However, due to lack of managerial insight, managerial and organizational inertia and in particular vested interests, most

organizations are likely to deliver less strategic value creation than could have been attained. I would like to term this phenomenon “*managerial underperformance*”; see the lower part of Box 3.3.

Box 3.3: Complementarities between core activities of Management in a Management Model and Managerial Underperformance

- **Complementarities: relationships between Direction (Di), Motivation (Mo), Coordination (Co) and Decision (De)**
 - Strategic Value Creation of a Management Model = $f(Di, Mo, Co, De)$
 - A simplified illustrative example of the impact of ΔMo on strategic value creation, taking into account the complementarity with Co:

$$\Delta f = \left(\frac{\partial f}{\partial Mo} + \frac{\partial^2 f}{\partial Mo \partial Co} \Delta Co \right) \Delta Mo$$

- **Managerial underperformance**
 - by partly changing the Management Model instead of making an all-encompassing change
 - results in less Strategic Value Creation than could have been attained

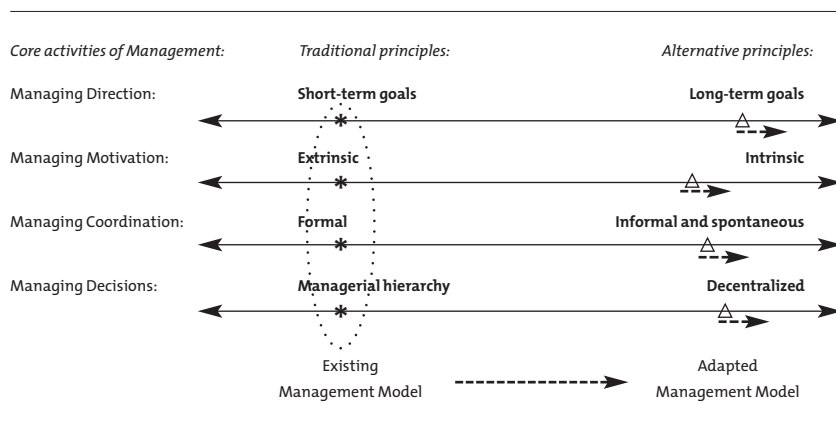
Taking a *dynamic perspective* on deliberately changing an organization’s Management Model reveals interesting phenomena. Let me illustrate this with the emergence of the intra- and internet as a fundamental change that requires, among other things, changes in the Management of coordination, both external and internal. However, the concept of the Management Model reminds us that the other three core activities of Management are involved as well. For example, the intra – and internet allow more decentralization of information and, therefore, the decentralization of decision-making. The internet also makes markets more transparent and clients more powerful, and an adapted Management Model is thereby required. The speed of choices made regarding adaptation of the Management Model and the chosen or emerging sequence (i.e. first changing direction, followed by changing motivation) are likely to be different for organizations competing in the same industry and with similar organizational complexity. These differences in organization-specific implementation of changes in the Management Model result in differences in strategic value creation, strategic positioning and competitive advantage.

A brief contemporary application will illustrate the scientific and practical relevance of Management Models. It refers to a very interesting and most recent topic in strategy research: *Creating Shared Value*. Associating the present dramatic economic and financial world wide crises with clear failures of capitalism, Michael Porter & Kramer (2011) recently pointed out the following:

managers of firms have to realize that a focus on short-term economic profits and regarding shareholders as being the only significant stakeholders in a firm does not contribute to wealth creation for society. Porter and Kramer propose broadening the goals of the firms by focusing on the concept of Shared Value Creation, i.e. creating economic value that also creates social value for society by addressing its needs and challenges. Well-known large firms – Nestle being one of the frontrunners – are already starting to experiment with Shared Value Creation. I predict this will not be easy!

The concept of Management Model is helpful not only in analysing why this is the case but also in providing scientific insights into *how to change the existing Management Model* over time. In Box 3.4, the existing Management Model is based on traditional management principles like short-term goals and extrinsic motivation. Shared Value Creation, however, requires a fundamental change in terms of managing direction towards goals with a longer-term orientation. Top managers of organizations have to change the core managerial activity of direction and must have the courage to communicate about it, particularly to shareholders.

Box 3.4: Visualization of the required fundamental changes in existing Management Model (*) for delivering Shared Value Creation (Δ)



A plausible next step would be to change Management of motivation from extrinsic towards a more proper balance of both extrinsic and intrinsic motivation. Compared to money-oriented incentives, intrinsic motivation is far better at encouraging managers and other employees to generate (and implement) creative ideas about how to contribute to society. Intrinsic

motivating is able to unleash unexpected energy of top, middle and frontline managers and other employees to realize Shared Value Creation. This process of changing the goals – i.e., direction and motivation – allows changes in the way decisions are managed towards a more decentralized approach. Also a proper balance between formal and informal coordination has to develop. Changing the Management Model towards realizing Shared Value Creation will take many years. To accomplish this, very hard but intrinsically rewarding managerial work is required, supported by an *adapted corporate governance orientation* (Kwee et al., 2011) enabled by “smart” non-executive Boards. The outcome, however, will strengthen the societal legitimacy, sustainability, competitive advantage and, thereby, the strategic value creation of organizations that do not accept “managerial underperformance”.

4. Management Innovation by Changing an Organization's Management Model

In this part, I will introduce the recent topic of Management Innovation and will relate it to a change in the Management Model; see Box 4.1. Such a change, however, is a serious managerial challenge as – in principle – all the four core activities of Management are involved in creating strategic value. A Management Innovation hence implies the implementation of a coherent change over time in the Management Model, i.e. in the principles governing the four core activities of Management. This type of change takes – in particular in existing organizations – a long period to accomplish. I will illustrate the managerial challenges by using the introduction of self-managed teams as an attractive and current example of Management Innovation, also, for example, in the cure and care sector. The key role of top management will be discussed, as well as how so-called “ambidextrous managers” in existing organizations may enable and speed up the implementation of Management Innovation.

Box 4.1: Management Innovation (MI) by changing an organization's Management Model (MM)

- $MI = \Delta MM$ (Δ : change)
 - To create strategic value, in principle a coherent change in the way the four core activities are managed is required:
 ΔMM involves: Δ Management of direction, Δ Management of motivating people,
 Δ Management of coordinating people, Δ Management of decision-making
 - Example: Management Innovation by introducing self-managed teams
 - Role of managers in Management Innovation: contradiction between exploitation and exploration
-

Although in the literature several scholars – including Evan (1966), Kimberley (1981) and Damanpour & Evan (1984) – have published on the topic of Management Innovation or closely related topics, the publications of Hamel (2006) and of Birkinshaw and colleagues (2008, 2009) have been particularly significant in stimulating research and putting Management Innovation high on the research agenda. Various Management Innovations have been described (Mol & Birkinshaw, 2008), yet the introduction of self-managed teams still represents a very insightful example.

Self-managed teams, however, are not a new phenomenon. Triggered by the research of McGregor (1960) in his book “The Human Side of Enterprise”, the

US-based company Procter & Gamble was already starting to experiment with self-managed teams in the early sixties. After about five years of hard managerial work in a greenfield plant, productivity was about 30% higher than in other plants. Furthermore, a remarkable flexibility was attained. Procter & Gamble's top management concluded that they had given up tight control over people in order to gain control over results (Waterman, 1994). In connection with this, Waterman (1994: 35) points out: "[...] when they first discovered the concept, they found the results so astonishing that they deemed it a major competitive advantage and declared the approach a trade secret".

Based on the available empirical evidence including ours – in a case study of a plant of Royal DSM (Vaccaro et al., 2012) – it can be concluded that the four core activities of Management indeed do change as a result of this Management Innovation; see Box 4.2. For each core activity a clear change in the way of Management of it takes place. Furthermore, self-managed teams lead to a *redistribution of core activities of Management*: more employees become involved with these activities, resulting in fewer managers being needed. Such changes are not possible without “a real commitment from senior Management” (Birkinshaw, 2010: 167). In a recent publication, using quantitative analysis and introducing a newly developed scale for Management Innovation, we concluded that CEO leadership behaviour – i.e., particular combinations of the core activities direction and motivation in the Management Model – is indeed important and positively influences Management Innovation (Vaccaro et al., 2012).

Box 4.2: Introduction of self-managed teams as an example of Management Innovation

- **Introduction and implementation of self-managed teams requires changing the management of:**
 - *Direction:* employees in teams set goals
 - *Motivation:* based on team evaluation
 - *Coordination:* strongly horizontal due to removal of hierarchical Management layers
 - *Decisions:* employees decide when and how tasks are performed
 - **This example highlights a *redistribution of core activities of Management*: more employees are involved, fewer managers remain**
 - **Within the Management Model of organizations, managers can (partly) be replaced (by employees), not Management!**
-

This brings me to my final issue: the *contradictory roles of managers* in Management Innovation. On the one hand, managers are likely to focus on exploitation and on defending the existing Management Model. After all, managers are part of and also ruled by their existing Management Model. On the other hand, exploration of other principles that govern the core activities of

Management, i.e. Management Innovation, is needed in changing environments. However, this requires managers to think and act beyond their existing Management Model. So exploiting the existing Management Model and at the same time exploring ways in which to adapt it are perceived by most managers as contradictory goals.

The contradiction between exploitation and exploration (March, 1991), however, has been addressed in the literature on *ambidexterity*. Ambidexterity means being able to perform two contradictory activities. We have contributed to this literature in several ways. One of our contributions clarifies how decision and coordination influence the ambidexterity of a manager (Mom et al., 2007, 2009). It appears that increasing the decision-making authority of middle managers, for instance, and increasing those managers' personal coordination mechanisms (by the way an example of complementarity), makes them more ambidextrous. They are, therefore, more able to explore adaptations to the Management Model. This finding indicates that changing the principles governing the core activities of Management performed by managers enables a more organization-wide change of the Management Model of existing organizations over time. Increasing "self-management" by managers could be a first step towards more all-encompassing changes in the Management Model.

5. Conclusions and Recommendations

In the Introduction, I raised the challenging questions: “Are managers losing their societal legitimacy?” And if this is the case: “How can scientific research into Management contribute to new insights into this most critical resource of (social) organizations?” The first question relates in particular to practice – i.e. to the people who are associated with Management due to their position, job description or custom. But to me the same question is relevant for scientific Research into Management as well; and also for knowledge institutions focussing on teaching and research in Management, like university-based Schools of Management.

To cope with this issue, I have addressed here the second question and have indicated a way to make scientific progress and to contribute to the Management Discipline. Instead of formulating scientific conclusions, I have chosen to incorporate my arguments in recommendations. These recommendations are directed to scientists in the field of Research in Management, to Schools of Management, to the practice of Management, but also to governmental agencies. I limit myself here to only these four stakeholders and to only one recommendation for each stakeholder (see Box 5.1).

Box 5.1: Recommendations

- **Scientific research into Management:** make the Management construct more “Visible” in theory-building, frameworks, propositions and hypotheses
 - **Schools of Management:** allow Foundations of the Management Discipline a more prominent place in the curriculum
 - **Practice:** being manager is more than a job title; Management of an organization is responsible for the strategic value creation of its Management Model
 - **Government:** consider institutional mechanisms focused on changing the Management Model to enforce the goals desired by society.
-

My first recommendation is directed towards my fellow *researchers*: to make the Management construct based on the core activities of Management – and preferably the Management Model – more “visible”: a kind of “Visible Hand” of the Management construct needs to be developed in the Management Discipline and in conceptual frameworks, propositions and hypotheses. And, eventually, to illustrate or test this construct in qualitative resp. quantitative scientific research. In so doing, it will not only reflect respect for Management, it will also enable the development of “good” theories for the Management

Discipline that will, in turn, be relevant for “practice” (Lewin, 1945; Simon, 1967). As pointed out by Andrew Van De Ven (1989: 486): “Good theory is practical precisely because it advances knowledge in a scientific discipline, guides research towards crucial questions and enlightens the profession of management.” However, as Ghoshal (2005) pointed out, the reverse version warns us of the fact that “bad” management theories are destroying “good” management practices.

Next, *Schools of Management* are invited to reflect on the idea of giving integrated and compulsory courses on the Foundations of the Management Discipline a more prominent place, at least in the undergraduate curricula.

I would like to stimulate our Master students, belonging to the Managers of Tomorrow, to write a very good Master thesis on how Strategic Management and the intersection with Entrepreneurship can contribute to the Management Discipline. On the occasion of the 25th Anniversary of our Department I take the opportunity in my Farewell Lecture to launch a *new award*: “The Best Master Thesis Award on Research into Management of the Department of Strategic Management & Entrepreneurship of the Rotterdam School of Management”. Starting next year, each two years the best Master thesis will be selected by a jury. The reward consists of invited presentations for our alumni and a prize of 3000 euro – to be shared between the Master student and the supervisor.

My third recommendation is directed to people in *practice*. I would like to point out that being a manager is definitely more than a job title. Being involved in the Management of your organization – either as manager or as employee – means hard work to understand and keep improving the Management Model of your organization that you are held responsible for. But it also means keeping involved in professional education, updating and extending your managerial knowledge. To put it in other words, consider your Management Model always as a “work in progress”; it continuously deserves your attention, energy and intentionality to improve the strategic value creation and to avoid “managerial underperformance”.

Fourth, comparative international research has documented that *governments* and other institutional agencies are powerful actors to influence Management Models (e.g. Guillén, 1994). Their aim is to get the principles that govern the core activities of Management of these Models more aligned with societal desired goals. In this connection, two of the core activities in Management Models – direction and motivation – deserve special attention. Too

much focus on short-term financial goals and on extrinsic motivation of top management destroys strategic value creation for society and has contributed to the present economic and financial crises. Therefore, strong governmental agencies are required to correct not only the “Invisible Hand” of the Market, but also its close connection with the “Visible Hand” of Management.

6. Thank you!

Reflecting on my challenging 40 years, I would like to finish my Farewell Lecture by expressing my gratitude to all people that have helped and taught me to stay a “happy” scientist. What does this funny label mean? As a sign of gratitude – and because I am also a teacher who likes to share his insights – I would like to suggest the following five points. These points worked well for me in becoming and remaining a “happy” scientist (see Box 6.1).

Box 6.1: Personal reflections on key issues to remain a “happy” scientist

- Develop a strong intrinsic motivation;
 - Be driven by curiosity, understanding and enjoy teaching;
 - Maintain a portfolio of various activities;
 - Take care of and enjoy your inner circle;
 - Learn to manage – not only in the academic world, but most importantly: yourself.
-

A first point of attention is: keep developing a strong intrinsic motivation to be a scientist. Second, be driven by curiosity, by acquiring understanding and by enjoying teaching critical minds. Third, avoid putting all your “eggs” into one basket – i.e., do not focus on only one activity but on clusters of activities that provide you energy. Maintain a portfolio of mutually related activities. For me, a dynamic portfolio of changing clusters of activities – both in number and in content – worked well. These clusters are scientific work, teaching and Management activities within the School. But also positions outside the academic world and case study research within firms enable you to stay in contact with the real world you are trying to investigate.

A fourth point of attention, related to another dimension of human life which may be the most valuable: take care of and enjoy your inner circle of family and friends. And finally, observing my fascination for Management you could have predicted this insight: learn to Manage in the academic world. The academic context requires adaptation to changing Management Models, which enables you to strategically renew yourself. In doing so, keep focusing on long-term personal relationships rather than on short-term transactions. However, most importantly is to learn to Manage *yourself*.

Notes

Introduction

- For my inaugural lecture (in Dutch), see Van Den Bosch (1989).
- For the reference to “Nothing is as practical as a good theory”, see Lewin (1945: 129); see also Van De Ven (1989). The statement of Lewin (1945) also highlights the challenge of Research into Management aimed at both “Rigor” (with respect to science production) and “Relevance” (with respect to society). Ghoshal (2005) reverses more or less Lewin’s statement by pointing out that “bad management theories are destroying good management practices”!
- For the assumption of Management resp. “the managerial function” being the most valuable resource of goal-oriented organizations, see e.g. Penrose (1959) and Pitelis (2002).
- For “The Last Manager”, see Kuiken (2010) and for “First, let’s fire all the managers”, see Hamel (2011).
- Comparing the labels “Business Schools” versus “Schools of Management”, an outsider would expect that for Schools of Management the construct Management, core activities of Management and the Management Discipline are likely to receive more attention both in teaching and research. To what extent this is the case is an empirical question, although I am not sure there are much differences. In my view, Schools of Management will benefit from having a clear focus on Management. However, this requires strategic choices to become different (Fraqueiro & Thomas, 2011; Friga et al., 2003; Wilson & McKiernan, 2011), e.g. as a *European*-based School of Management. In this connection, Ghoshal (2005) pointed out a key role of both deans and governing boards in stimulating the Management Discipline.

1. On the Necessity

- Regarding the more solid – and distinctive – foundation of the Management Discipline, Ghoshal (2005: 79) is quite critical regarding the influence of theories – e.g. Agency Theory and Transaction Costs Economics – inspired by ideologies like expressed by e.g. Friedman (2002: 133) who pointed out: “Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.”

2. On the Scientific Challenges of Conducting Research into Management

- It is quite remarkable that in publications dealing with the legitimacy and future of Schools of Management (e.g. Rousseau, 2012; see also related papers in the references), discussions about Management as a theoretical construct are by and large lacking. Therefore, I focus here in particular on the theoretical underpinning of the Management construct.
- Regarding a managerial perspective, see e.g. Simon (1967) who emphasized that Business School Faculties must have a deep understanding of the problems managers face; see also Bartlett & Ghoshal (1993), who are among the first scientists in Strategy to explicitly point out such a challenge and provide interesting conceptual frameworks.
- Due to unclear conceptual definitions of Management and insufficient theoretical foundation – distinctive from an economic foundation – of the Management construct, over time Leadership became separate from Management. In my view, Leadership is to a large extent part of the Management Model itself, in particular associated with the core activities “direction” and “motivation”. See also Birkinshaw (2010).
- Relating to the lack of agreement on the scientific definition of Management, see also recent research on the definition of the concept Strategy in the field of Strategic Management. Ronda-Pupo & Guerras-Martin (2012) show that in the period 1962-2008, key terms like “management”, “direction”, “motivation”, “coordination” and “decision” do not appear as core terms comprising the definition of the strategy concept, although the term “actions” does belong to the core terms.
- Birkinshaw and colleagues: see Birkinshaw & Goddard (2009); Birkinshaw (2010).
- In a recent research project for the Port of Rotterdam Authority, Van Den Bosch et al. (2011) developed a conceptual framework in order to assess the strategic value of the Port of Rotterdam for the international competitiveness of the Netherlands; the strategic value is composed of both quantitative (i.e., economic importance including economic value added and employment) and qualitative measures (i.e., strategic importance, conceptualized as the contribution to the determinants of the international innovation-driven competitiveness of a country).

3. *Strategic Value Creating Management Models*

- Guillén (1994: 3) introduced Management Model in a more encompassing way; as paradigms of organizational management, e.g. scientific management being “in fact an ideology aimed at establishing legitimacy and reinforcing credibility”. I use the concept of Management Model in a less encompassing way at organizational level.
- Conceptualizing the organizational knowledge absorption and application from a Management Model perspective reveals key influences on knowledge absorption of the core activities of the Management Model. See e.g. Van Den Bosch et al. (1999) in which the use of system capabilities can be associated with “coordination” and socialization capabilities with “motivation”.
- The purpose of Management / Management Model is closely connected to organizational objectives or to the corporate objective. See also Freeman et al. (2004) and Sundaram et al. (2004).
- Regarding the influence of “social” innovation, i.e. the non-technological determinants of innovation, on leveraging the impact of technological innovation on firm performance, see also Mihalache et al. (2012).
- Regarding complementarities, see also Ichniowski & Shaw (1999) and Rivkin (2000).

4. *Management Innovation by Changing an Organization's Management Model*

- An example of recent research on how collaboration between firms – aimed at process innovations in the Port of Rotterdam – may influence core activities of the Management Model as described here, i.e. Management Innovation, is Hollen et al. (2012).
- In order to engage in learning and continuous improvement, self-managed teams do often need a kind of structure, e.g. in terms of specialization (division of labour), hierarchy (relationship with supervisors) and formalization (procedures, regulations, etc.); see e.g. Bunderson & Boumgarden (2010). If such a structure is determined by the team members, they are more likely to perceive this team structure as *enabling* instead of *coercive* (Adler & Borys, 1996).
- Examples of our contributions to the ambidexterity literature are Alexiev et al. (2010), Jansen et al. (2008, 2009) and Mom et al. (2007, 2009). See also Tempelaar (2010).
- Another interesting example of Management Innovation is the creation of so-called Internal Network Forms; see e.g. Van Wijk & Van Den Bosch (2000) for a case study of the Rabobank. This case study also illustrates that a Management Innovation introduced in a part of the organization is likely not be viable over time if an enabling organizational context is missing.
For the distinction between exploitation and exploration, see March (1991).

5. *Conclusions and Recommendations*

- For the importance of institutional and of socio-political processes influencing the diffusion of organizational and management practices see e.g. Ansari et al. (2010), Guillén (1994), Heugens et al. (2009) and Sanders et al. (2007).
- Regarding my first and second recommendation, see also Ghoshal (2005), Pfeffer & Fong (2002) and Friga et al. (2003). Developing a Management Discipline will definitely benefit from classical sources such as Barnard (1938) and Selznick (1957). Going back to original contributions (Ad Fontes to quote Desiderius Erasmus) is often a rewarding journey.
- Regarding my third recommendation, I would like to emphasize that “people in practice” are not by definition “passive consumers” of management theories. They may contribute to the Management Discipline by questioning the assumptions, research methods and findings in e.g. research projects conducted in their organizations and industries. Alumni of Schools of Management can also play an important role.
- Regarding the concept of managerial knowledge see e.g. Van Den Bosch & Van Wijk (2001).

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