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Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages

Carlota Perez (Edward Elgar, Northampton, MA; 2002; ISBN 1-84064-922-4) $75

Facing Up to Management Faddism: A New Look at an Old Force

Margaret C. Brindle and Peter N. Stearns (Quorum Books, Westport, CT; 2001; ISBN 1-56720-396-5) $73.95

False Prophets: The Gurus Who Created Modern Management and Why Their Ideas Are Bad for Business

James Hoopes (Perseus Publishing, Cambridge, MA; 2003; ISBN 0-7382-0798-5) $27.99

Management Fads and Buzzwords: Critical-Practical Perspectives

David Collins (Routledge, New York; 2000; ISBN 0-415-20640-5) $36.95

REVIEWED BY FIONA CZERNIAWSKA

There's nothing like hindsight. The last two years may have been tough for consultants—ferociously tough in some instances—but they're probably neither unprecedented nor unrepeatable. Or so Carlota Perez would have us believe in her tightly argued, if jargon-heavy, *Technological Revolutions and Financial Capital*.

Perez identifies five technological revolutions in two hundred years, starting with Arkwright shepherding in the Industrial Revolution with the opening of Cromford mill in 1771, and ending in 1971 with the launch of the first microprocessor. Each revolution, she argues, has resulted from "the synergistic interdependence of a group of industries with one or more infrastructural networks." Emerging industries challenge old ways of working and give rise to new "techno-economic paradigms" (the combination of technological and organizational principles that rapidly become the generic standard of the age). Putting the dot-com boom in a historical perspective, she argues that these paradigms drive periods of gold fever–like innovation and investment.

Each techno-economic paradigm has a finite life spanning two periods: installation and deployment. Installation covers the time when a new paradigm is taking hold, coexisting increasingly intensely with the existing paradigm as the infrastructure it requires (gas stations for the new, affordable motor cars at the turn of the 20th century, for example) is being built. Toward the end of the installation period, these changes are coupled with a frenzy of investment—a "gilded age" of financial bubbles—and recession as the gap between real and paper values becomes economically unsustainable.

The second period—deployment—rises phoenix-like from the ashes of the first. "With the collapse comes recession—sometimes depression—bringing financial capital back to reality. This, together with mounting social pressure, creates the conditions for institutional restructuring . . . This crucial re-composition happens at the turning point which leaves behind the turbulent times . . . to enter the 'golden age.'"

With the consensus building that the economy is improving, we may now have reached the point at which our Age of Information and Telecommunications moves from installation to deployment, paving the way for sustainable economic growth. But such a transition will not happen by accident. Writing in the depths of the downturn, Perez argues "if the world economy is to move toward" a phase of synergistic growth, a new regulatory framework is needed, along with the global organizations capable of making it effective. This is the time for institutional imagination . . . A golden age of worldwide expansion is possible. Making it happen will require thinking big, deciding wisely, and acting boldly."

This is something consulting firms would do well to remember, even as they start to relax from the white-knuckle ride of the last two years. Historically, growth rates in consulting have been closely tied to changes in GDP—a buoyant economy gives clients the headroom to hire consultants. New management ideas fuel demand; in extreme cases (the heydays of business process reengineering and e-business, for example), they can inflate growth to two or three times that of GDP. Although there's no "next big thing" showing on the radar screens at the moment, it's surely only a matter of time before someone sets a bandwagon going, and everyone else jumps on board. But there's a danger here that we create an artificial boom all over again: puffing up demand only to see the bubble burst two years from now. As we finally reach the light at the end of the tunnel, what wise decisions should consulting firms take to ensure growth is longer-lived this time around?

Introspection is necessary because, as Margaret Brindle and Peter Stearns point out, consultants have been accused of propagating new, sometimes worthless, often untested management ideas—the kind of ideas that lead to bubbles, not sustainable booms. "While consulting has a pre-fad past, its meteoric rise is directly linked to faddism." Fads may build consulting markets and make millions for those whose names become associated with them, but they also create a febrile atmosphere in which new is synonymous with good. "With 'new' as the dominant paradigm in the competitive arena of business, it is hardly surprising that the leaders in that arena trot out fresh fashions with the volatility of Parisian designers."

As the title suggests, *Facing Up to Management Faddism* focuses on how and why business fads emerge, and on what managers should do in the face of continuous waves of change. "Understanding leads, finally, to an exploration of an effective response. Assuming fads, for all their drawbacks are here to stay, how can we best deal with them? . . . Fads can sweep over contemporary organizations, but they are not tidal waves. Properly assessed, they can be channelled and optimized."

It's a story in which consultants play an important, but essentially non-speaking part. Debunking the work of consultants has become something of an academic pastime of late, but although they're quick to criticize some of the work done by consultants, Brindle and Stearns attempt to offer an even-handed approach, acknowledging that, if consulting firms have grown on the back of management fads, then it's only because they're meeting a need among clients. Quoting, for example, a survey carried out by the Wharton School of Business showing organizations that adopted the Boston matrix as a strategy tool saw production fall, not rise, they conclude: "Yet the BCG portfolio matrix continues to be taught, as well as marketed by consultants . . . While some critics have portrayed contemporary consulting firms as vultures that prey on business, the actual linkage remains more complex."

Fads, argue Brindle and Stearns, address real needs, but in a fuzzy way. By constantly offering new hope of resolution, fads obscure the underlying problems they purport to address. "Faddism is a heady brew," say Brindle and Stearns. "But the trick to greater maturity is simple. Pour in a need for change to deal with problems old and new. Add a sense of perspective, distilled from an understanding of what faddism is all about and what the long-standing management issues are. Stir in common sense."

In Brindle and Stearns's view, responsibility for stopping management bandwagons in their tracks lies with the adopters (clients), not the proselytizers (gurus, consulting firms, and business schools). For James Hoopes, that responsibility lies a little closer to home.

"America is the premier market for management gurus not just because it pioneered big business but also because working in such organizations contradicts some of our deepest democratic values," argues Hoopes in *False Prophets* (the title is something of a giveaway). "Management power is an American paradox, a vital necessity of our economic well-being and an obvious contradiction of our democratic values . . . Our ability to create wealth depends at least partly on managerial authority. Top down power and its potential abuse are here to stay in corporate America. It is foolish to think otherwise."

Many familiar faces appear here in new guises. Hoopes takes as his starting point Scientific Management. Frederick Taylor's attempts to establish corporate authority over the workforce were disastrous, but honest. They were exercises in raw power that showed executives the need for a new accommodation with a democratic society: "not power and productivity but humanism beneath the business schools' path to social respectability." As a result, the 1920s and '30s saw the corporation-as-machine metaphor cede to one in which organizations were likened to living organisms; managers were no longer engineers as much as therapists. Elton Mayo is portrayed as an evasive snob offering a "fuzzy mix of therapy and management" that "meshed well with the consciences of American managers committed to democratic values." His spiritual successor, Chester Barnard, saw managers as moral leaders.

Hoopes provides an excellent, occasionally pugnacious picture of how the ebbs and flows of management fashion have been influenced by wider cultural forces; many management gurus were also active in political circles, for example. Mary Parker Follet's ideas on the corporation as a person were mirrored in her political science treatises. Barnard was asked by the State Department to apply his thinking on human relations to the prevention of the arms race (a conspicuous failure, Hoopes robustly notes: "neither cooperation nor moral influence but balance of power prevented nuclear war").

Hoopes argues that gurus' often unrealistic ideas make it harder for managers to do what they have to do—manage. "To make corporate life palatable to Americans, some of the gurus have unrealistically minimized the amount of power it takes to manage, whereas others have claimed management power can be made morally legitimate." Michael Hammer and James Champy's highly influential *Reengineering the Corporation* (1993) contained one good idea—using technology to break down interdepartmental boundaries—but "way oversold" the spiritual rewards they claimed to be a central part of their program. Ultimately, what Hoopes wants is honesty: "because managers sometimes have to use their power arbitrarily, they cannot claim moral authority."

Though very different in approach, David Collins's *Management Fads and Buzzwords* shares Hoopes's pugnacious style. But, while Hoopes takes history as his starting point, Collins begins with sociology. At its heart, he argues, the study of management is the study of human interaction, albeit of a specific type. People—not the "disembodied" environmental forces beloved of gurus—shape organizations: "put plainly, there can be no 'competitive imperatives' where managers can exercise choice over systems, structures, and strategies."

Collins offers an exhaustive (and intermittently exhausting) survey of the guru industry, its protagonists and detractors. He rightly highlights the messianic fervor so often associated with it: his book is punctuated with "believers," "atheists," "redeemers," and "agnostics." But his most scathing criticism is directed at those points where the guru industry has slipped the lease of reality. "We might be inclined to forgive the gurus and their ghostwriters, if they were to offer thoughtful and sensible accounts of human action at work. Alas, I do not feel that forgiveness is due . . . Indeed, I would call down a plague on each of their many houses, villas, converted barns, and country estates." Like Hoopes, Collins deplores the type of management theory that simplifies what is inherently complex and that offers up ideal notions of working life far removed from everyday life. "The ready-made science of management demands our allegiance, while denying the value of our lived experience," he argues. "The ideas and assumptions which are part-and-parcel of 'guru' models . . . maroon each of us on an island of ideas and understanding which is alien to us, yet demands from us both faith and conformity."

Management ideas, fads, buzzwords, and bandwagons have all played an integral role in the consulting industry's past. But, if we rely on clients to put the brakes on, as Brindle and Stearns suggest, we will be doing the industry a long-term disservice. Surely, the time (as Hoopes suggests and Collins implies) has come for more honesty: management consulting has no simple answers because managers face only complex problems.

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