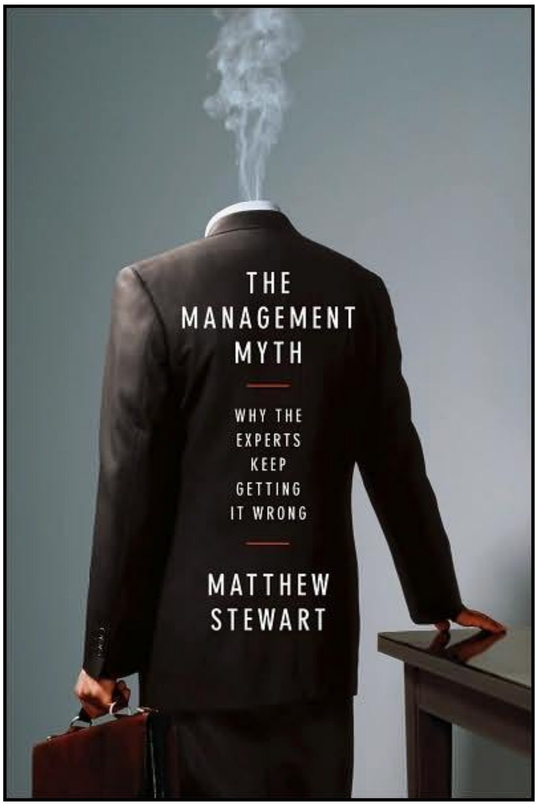
Why the Experts Keep
Getting It Wrong

The Management Myth



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The Management Myth
Why the Experts Keep Getting It Wrong

MAIN IDEA

The "management myth" is that business management is a body of discrete and specialized technical expertise which is a formal academic discipline. This is an illusion which has been created by self-proclaimed business gurus, business book authors and the business school industry. Management is at best a pseudoscience, the latest iteration of the long held American tradition of trying to offer technological solutions to far-reaching political and moral problems.

Matthew Stewart came to the management consulting industry as a complete outsider. He had a doctorate in philosophy rather than an MBA. Regardless, Matthew worked for ten years first as a management consultant and then as a founding partner of a new consulting firm. He analyzed business training and the business schools who award 140,000 MBAs every year and concluded:

- The main function of a business school is bring together the best people for consulting firms to recruit from.
- Business schools are a good signaling advice – a way for students to show prospective employers they are serious.
- An MBA from a prestigious business school is a good status symbol but is of no practical worth.
- Business schools help people learn the language of business – which is helpful but not essential.
- By attending a business school, students establish a good network of others they can call on in the future.

"What makes for a good manager? If we put all our heads together, the great management thinkers at the end of the day give us the same simple, and true answer. A good manager is someone with a facility for analysis and an even greater talent for synthesis; someone who has an eye both for the details and for the one big thing that really matters; someone who is able to reflect on facts in a disinterested way, who is always dissatisfied with pat answers and conventional wisdom, and who therefore takes a certain pleasure in the knowledge itself; someone with a wide knowledge of the world and an even better knowledge of the way people work; someone who knows how to treat people with respect; someone with honesty, integrity, trustworthiness, and the other things that make up character; someone, in short, who understands onself and the world around us well enough to know how to make it better. By this definition, of course, a good manager is nothing more or less than a good and well educated person."

– Matthew Stewart

About of Author

MATTHEW STEWART is a graduate of Princeton University and Oxford University where he earned a D.Phil in philosophy. On graduation, he became a management consultant working primarily with multinational banks. After a two year sabbatical during which he wrote The Truth About Everything: An Irreverent History of Philosophy, Dr. Stewart co-founded a new management consulting business with several other partners.

Upon selling his shareholding in this company several years later, Dr. Stewart left management consulting to become a writer and philosopher. He has since written The Courtier and the Heretic, Monturiol's Dream and The Fate of God in the Modern World.

Dr. Stewart's Web site is at www.mwstewart.com.

Matthew Stewart was very much an accidental business consultant. He was just finishing his doctoral dissertation on nineteenth-century German philosophy in 1988 when it suddenly occurred to him that he was broke and needed some money. On a whim, he printed ten copies of his CV and sent it to ten management consulting firms announcing his immediate availability for employment. Nine of those letters were rejected immediately but the tenth letter had gone to a small, boutique consulting firm whose founding partner agreed to meet Matthew.

Fortuitously, It just so happened this firm had only recently decided it would hire some consultants from outside its normal business school graduate domain in order to inject some more diversity into its ranks. Therefore, even though his business experience was nonexistent, Matthew Stewart was hired as a business consultant and offered a starting salary of $75,000.

“It seemed like an injudicious amount for an unemployable philosopher. It made me question the financial savvy of the firm’s partners. Yet shortly I had cause to wonder who was fooling whom. Like any other average consultant at a top-tier firm, I was soon being billed out to clients at the rate of about half a million dollars per year.”

– Matthew Stewart

Matthew wasted no time accepting the offer and in the few weeks before he was to start work, he immersed himself in all the books he could find which were written by the various management gurus. As a complete outsider, he was surprised to find the business press bestsellers were full of platitudes and rather obvious truisms. However, as startling as that was to discover, Matthew Stewart was surprised to find his background didn’t matter. His new employee ran classes (termed a three-week “mini-MBA”) for the new hires anyway teaching them everything they would need to start their consulting careers.

These mini-MBAs essentially consisted of teaching the new hires how to apply the 80/20 Principle or Pareto’s Law to business consulting. Almost inevitably, any established business will find it derives 80% of its profit from 20% of its customers or 20% of products. The basic approach to getting new customers for consulting services was to point this out and to help them focus on getting more of these profitable customers while at the same time getting rid of the less profitable customers. That, in a nutshell, summed up everything they promised customers for their consulting services.

There was one other skill which had to be gained through the internal mini-MBA. Matthew Stewart had never used a spreadsheet so he had to be taught how to use this indispensable tool for consultants. He learned how to perform multiple regressions and other simple statistical analyses competently. Armed with not much more training, Matthew Stewart launched forth as a business consultant.

The consulting firm was actually a little more structured and organized than it appeared at first glance. One of the senior partners in the firm organized consulting assignments and did the selling of the service. Matthew Stewart and his peers were then the consultants who went in, gathered the data and carried out an analysis. Invariably, their analysis would uncover some 80/20 relationship which the firm itself had never gotten around to figuring out because it was too busy doing everything else.

The existence of that 80/20 relationship and what it would mean if the firm could exploit it would then be used to sell the company on the need for more consulting services to be purchased in the future. This was the entire business model in use.

1. Management consulting

Question	How do so many people who know so little make so much by telling managers how to do the things they are already paid to know how to do?
Answer	Consultants use good tools, but anyone can learn to use them. Managers need to learn how to consult with themselves.

A central paradox of the management consulting world is often the consultants are fresh out of university themselves. They may have senior partners with more experience who head up the teams but the consultants doing the bulk of the day-to-day work are essentially graduate students getting their first real-world experience. In no other field but business is it viable for new graduates to be advising highly experienced people.

Perhaps this is accepted in the business world because there is the underlying suspicion the latest business ideas and strategies are taught in business schools. Therefore, those new consultants will bring the latest thinking to the challenges facing the business. By and large, this turns out to be an illusion. Business schools are hardly the hotbed of original thinking but instead are repositories of numerous case studies about what worked in the past.

Consider some interesting facts about the management consulting industry as a whole:

- In 1980, there were around 18,000 consultants employed worldwide (depending on how the boundaries of the industry are defined). By 2005, that number of full-time consulting professionals had grown to more than 180,000 people.

- In the “top tier” firms, consultants work for an average of only two years before they seek other more permanent employment. For one reason or another, business consultants burn out relatively quickly. Accordingly, recruiting is a major ongoing activity for many of these firms as the old hands are replaced by fresh blood.

■ Around one-quarter of the graduates from the top business schools and about one-sixth of the graduates from elite universities begin their business careers as consultants. This is widely considered by graduating students to be a good way to enter the workforce and to figure out where to work in the future. From the recipient's perspective, however, one would do well by asking how many students fresh out of university can make a meaningful contribution to the way your business is run? That's what is likely to happen whenever you hire a business consultant.

■ Telling other people how to run their own businesses is a big business in and of itself.

■ The first firm to offer business consulting services was Arthur D. Little. In the 1910s, this firm started supplying advice to CEOs on problems in management along with its solutions to chemical and civil engineering problems. In 1963, Bruce Henderson left A.D. Little and established his own firm which he called the Boston Consulting Group. Virtually all other business consulting firms are breakaways from older firms.

"Management consulting, in its best moments, is a recognition of the quantitative nature of our reality – of the fact that a hard look at the numbers can explain much of the structure of the world around us. Those early days in my consulting career were in some ways the most formative of my life. Like a whole generation of MBAs, I had assimilated the belief that the most important problems in management are about numbers, and that management itself is an applied science of sorts. In retrospect, my first experience as a consultant begged a lot of questions: Is management all about the numbers? Is it a science? If so, what are the implications for life, work and education? If not, what are consultants doing?"

– Matthew Stewart

While these philosophical questions bubbled away in the background, Matthew Stewart plunged into his consulting assignments. Pretty soon, he found himself living in hotels in faraway towns working with clients who despised having someone come in trying to outguess them. Stewart also became skilled in various consulting ruses designed to increase the amount of consulting work which can be done for a client. These ruses included:

■ Acting as a defacto "ministry of information" – which meant taking good ideas from one part of the organization, reworking them slightly and then spreading the message throughout the rest of the organization.

■ Bringing in "experts" from afar – who come in, offer advice and then leave again in a blaze of glory never to be seen again. Stewart was often introduced as an expert on the German asset management market because he had studied nineteenth-century German philosophy at university.

■ Acting as a convenient "cover story" for management – when they want to instill a little fear among employees they should work harder or lose their jobs. Or whenever the management team wants to introduce some new practice they know will be unpopular with the firm's existing employees or middle managers.

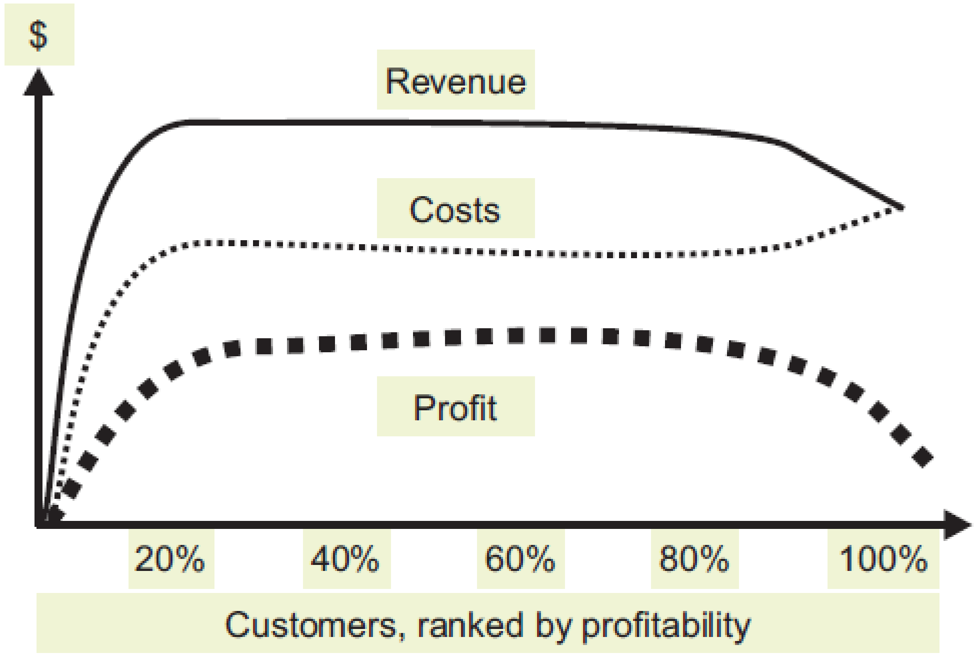
It's accurate to say a large part of each consultant's work day is spent figuring out how to position the client business to buy more consulting in the future. Consultants live to sell follow-on and implementation services to companies which are perfectly capable of doing most things for themselves.

Despite the growing skepticism Matthew Stewart was feeling about his job as a management consultant, it was difficult for him to leave. Within three years, he had more than doubled his starting salary and was earning a decent yearly bonus on top of that as well.He was also getting very used to the first-class travel and accommodation his consulting assignments involved – courtesy of the client who was unknowingly paying exorbitant fees. The firm he was with also hinted he had a bright future, but Matthew in the end felt a little uncomfortable about the overall direction things were heading. At age 28, he turned in his resignation and decided he would get back to doing what he had loved at university – being a philosopher.

"Not long after I started consulting, I made the humiliating discovery that my grand salary and even my exorbitant billing rate were just so much corporate chicken feed. It turns out management consultants are able to bill themselves out at half a million dollars per year in part because they work for people who think that half a million dollars isn't a lot of money."

– Matthew Stewart

When you get right down to brass tacks, the standard tool of any business consulting assignment is usually a skew chart analysis something along these lines:



Consultants live for these skew charts. They use the existence of a skew to show their services are needed because some customers are more profitable than others. If the consultants can help the company identify its most profitable customers and get more of these customers rather than more of the less profitable customers, then good things will happen.

"By the time I had produced by fifth or sixth version, I realized that I could do the same for just about any business anywhere. It made no difference whether the business was inherently good or bad, well-managed or in the hand of chimpanzees. There was always going to be a skew. In most cases most of the time, the skew chart merely records a curious fact of economic life. It isn't science; it's a party trick."

– Matthew Stewart

"Maybe the biggest surprise I encountered in my trip through the material world was the feeling of deja vu it inspired. The experts who aren't really experts, the degrees that certify ignorance, the atrociously written books, and the troubling questions about who is really in charge – where had I seen it all before? In its best and worst moments, management reminded me of the subject I had left behind – philosophy. Gradually it dawned on me that management is indeed a neglected branch of the humanities, and that the study of management belongs, if anywhere, to the history of philosophy. Management theorists lack depth, I realized, because they have been doing for only a century what philosophers and creative thinkers have been doing for millennia. This explains why future business leaders are better off reading histories, philosophical essays, or just a good novel than pursuing degrees in business. Indeed, it explains why we'd all be better off if businesspeople eased off of business degrees."

– Matthew Stewart

"Management consulting, in its best moments, is a recognition of the quantitative nature of our reality – of the fact, too easily overlooked by innumerate liberal arts graduates, that a hard look at the numbers can explain much of the structure of the world around us."

– Matthew Stewart

"You're going to get the data that they have but have never analyzed in the proper way, and then you're going to tear it apart – and find new and bold answers."

– Mitt Romney, vice president, Bain & Company

Matthew Stewart took a couple of years off to write his book about the evolution of philosophy. He was then approached by his old consulting firm to do some work as a freelance consultant in Mexico for $1,500 a day. He figured that would be a nice diversion and a chance to top up his savings. The original assignment was meant to last for four weeks but one client led to another and so on. By the end of a year in Mexico, Matthew was running a team with ten consultants who were generating more than $300,000 a month in revenue. Almost by accident for the second time, he had got back into business consulting.

"It was hardly the way I had imagined that I would spend the year, but it was nonetheless a very pleasant time on the whole. My teammates were an adventurous bunch, mostly fresh recruits from the United States and Europe, and, in the time-honored tradition of management consultants everywhere, we built up our expertise on the spot, with the generous support of our local clients. I had almost complete independence in running the business."

– Matthew Stewart

While Matthew was busy building the firm's Mexico operations, unbeknown to him a turf war had broken out between the Chicago office and the New York office of his firm. The New York partners and the Chicago-based partners each started acting aggressively. In several instances, new customers which the New York office acquired had consulting contracts nixed retroactively by the Chicago office on the grounds the Chicago office already serviced that territory exclusively. Obviously this kind of interfirm rivalry was destructive and so the New York office decided to break away and form a brand new consulting entity. Even though Matthew Stewart was a freelancer rather than a permanent employee, he was offered the opportunity to become one of the founding partners of the breakaway firm – along with around 25 other founding partners.

"In order to launch our new vessel, an investment was required. We would have to pay a buyout fee to the parent firm, we would need working capital, and we had to cover some serious legal bills. My share of the proposed investment came to $225,000 – or something under 5% of the total, corresponding roughly to the share of the business my work represented. The amount I was called to contribute, as it turned out, was only a few pennies short of the total amount of money I had saved in the course of the previous year. It would clean me out. On the date agreed, I wired the money into the account of a firm that still did not have a name. I soon learned I was among the first to do so. Many of my partners apparently waited several days to send in their cash. Some waited weeks. One or two never paid in at all."

– Matthew Stewart

When the Mexican economy suffered a huge meltdown at the end of 1994, Matthew decided to close the Mexican office and go to New York. He assumed since he was a partner in the firm, he should be able to find something to do there. Matthew soon realized the New York partners were hell bent on growing the new consulting firm to be bigger than the original parent. In their haste to grow, Matthew felt uncomfortable about some of the risks they were taking. He decided this would be a good time to exit the firm but that would be problematic since there was no obvious mechanism available to realize the value of his shareholding in the firm. When he spoke with one of the senior partners, Matthew was convinced to stay on by the establishment of a "founders' fund" into which a percentage of revenues would go each year to be paid to the founders.

2. MBA – Master of Business Administration

Question	Why do so many people spend so much time and so much money on getting a degree which has no demonstrable effect on their future performance as managers?
Answer	MBAs are worthless. Managers would be better off studying whatever subject ignites their passion for learning.

"The intense interest at Harvard and other universities in the subject of management education was an inevitable consequence of the massive industrialization and economic consolidation of the final decades of the nineteenth century. The robber barons who had built the giant new enterprises – such as the militantly ignorant railroad magnate Cornelius Vanderbilt or the self-taught steel man Andrew Carnegie – could afford to disdain academic learning. But the huge organizations they built could not. Inside a large corporation, success no longer required inhaling large amounts of smoke from a blast furnace. A business career was a bureaucratic career, and like all such careers it evinced an inevitable proclivity for titles and degrees. At about the same time, universities like Harvard were debating the need for specialized degrees for diplomats and public servants."

– Matthew Stewart

In 1881, Joseph Wharton provided the University of Pennsylvania with a grant to establish the Wharton School as the first college-level degree program allowing students to major in business. Dartmouth followed suit, as did several other universities. In 1908, Harvard made the decision to join the fray, although it had not at that stage figured out exactly what students would be taught. From those humble beginnings, the MBA has almost take on a life of its own.

Consider these facts:

■ Over the past century, the MBA has evolved from being a handy accessory to a virtual necessity.

■ In 1968, fewer than 18,000 MBAs were granted. In 2008, 140,000 MBAs were awarded – representing one out of every four master's degrees of all types awarded that year.

■ It is estimated by the next decade, the population of living people with MBAs will exceed the population of Chicago.

■ Despite the popularity of business schools, professors Jeffrey Pfeffer and Christina Fong have concluded "neither possessing an MBA degree nor grades earned in MBA courses correlate with career success."

■ Jack Welch, one of the most widely celebrated CEOs in business history, holds a PhD in chemical engineering. He recently advised students at MIT's Sloan School of Management: "Concentrate on networking. Everything else you need to know you can learn on the job."

■ In a 1988 study sponsored by several business schools, it was found "key managers pay little or no attention to academic business research or its findings." This was confirmed by a 2003 study which stated: "most business schools have not been very effective in the creation of useful business ideas."

When Stewart's new consulting firm had been established, the expressed intention was to specialize in serving large financial institutions. With this in mind, the new firm expected it would need to establish offices in the major financial centers of the world so it could service clients. This kind of strategic consulting is the highest priced end of the market and therefore offers the best margins. However, within six months, reality set in. They found it was hard to compete in their target market because the incumbent consulting firm – McKinsey & Co. – was a well-known player. Instead, Stewart's new consulting firm launched consulting practices in media, telecommunications and other sectors. And rather than establishing offices in the major financial centers, offices tended to be opened wherever reliable client work could be found or wherever partners wanted to live. Every few months, new market segments would be added to the mix as circumstances arose.

In a stroke of luck, the new consulting firm found there was a voracious appetite in the marketplace for consulting services based on sourcing – helping companies optimize their supply chains and reduce inefficiencies in this area. Sourcing turned out to be the driving force for the growth of the new consulting firm, accounting for at least two-thirds of the firm's revenues. For the first three years or so, the firm grew at a rate of about 40% a year and seemed destined for greatness.

"The firm's hyperactive expansion naturally called for massive investment to cover sign-on bonuses, new office space, recruiting, and client development expenses. Although the business was generally running at or close to capacity, the cash flow wasn't enough to fund the expansion, and until very late in the process, banks were understandably leery of lending us anything. The money therefore had to come from the partners.The partners agreed to reinvest a large part of their first year's bonuses in equity of the firm, and then to delay receipt of bonuses for subsequent years by one year, and then by even more. At the dawn of year 4, the net cumulative cash payout to some partners was actually below that of some of the senior associates who worked for them."

– Matthew Stewart

Even though the firm was in a tight spot financially and struggling to find money for expansion, it came to light the CEO of the consulting firm was paying himself $3.2 million a year while the rest of the partners were earning about $500,000 each. To make matters worse, his close cronies were also receiving around $2.5 million in annual salary as well.

"As a result of all the backroom dealing to acquire new partners, the finances of the firm – an, above all, the compensation of the partners – became shrouded in bureaucratic secrecy. Our shareholder's agreement had established a board to oversee the management of the firm, but the board had become increasingly irrelevant. Clustered around the CEO in the New York office, there emerged an apparatus of partners who assumed control of the administrative machinery of the firm and hoarded all of its secrets. An associate working with one of the members of the compensation committee had found the partners' compensation list on a desk and made a photocopy. It soon made the rounds. At around the same time, it was discovered even while the CEO was finding money to compensate himself for the arduous task of running pointless planning meetings and hiring unneeded partners, the founders' fund was not being funded. The revelations showed that we so-called partners weren't partners in any real sense at all. We had become employees."

– Matthew Stewart

Business schools may have started out relatively recently by comparison with other disciplines taught at universities but they have quickly become multi-billion-dollar enterprises in their own right. Today's business schools are entirely focused on turning business management into a rigorous academic discipline which can be taught and learned systematically.

The subjects taught at business school typically include:

■ Business strategy – how to win a market everyone else is also gunning for.

■ Case studies – where companies and individuals overcame all kinds of challenges to become great successes.

■ Marketplace forces – and how to create a sustainable competitive advantage in the face of market upheaval.

■ Business management techniques – how to run a business using best practices and more expertise.

■ Game theory – where companies collaborate to create a viable marketplace and then compete aggressively to see who wins the largest market share.

For all their efforts, though, business schools have a lousy record at producing entrepreneurs who make the biggest breakthroughs in history. These typically get made by outsiders who look at things creatively and with fresh eyes. There are perhaps two main reasons for this phenomena:

1. Business schools are inherently designed to be analytic, reductive and risk averse. They try and break the big picture down into small elements which can be managed when in the real world, it's the big picture that counts. Put bluntly, business street smarts can't be genuinely learned in an academic setting. It has to be acquired in the school of hard knocks by doing things in the marketplace, making mistakes and finding out what works.

2. In acting as "citadels of capitalism", business schools frequently team up with big firms. It's not at all unusual for business school professors to act as consultants to large corporations and for these firms, in turn, to fund elaborate research projects, contribute to school endowment funds and to hire the best graduates of these programs. These links make it almost impossible for rational analysis and thought to occur. There are huge in-built incentives for business schools to choose only the cases for analysis where the corporations and their leaders are the heroes.

"The analytical bias of the strategy discipline results in part from the fact the audience that professors seek most to impress is themselves. A sure sign that strategy has gone off the rails of reasonable inquiry is the emergence of heroic authority, or 'guru' figures within the field. As a general rule, when the truth of a theory is judged not with reference to the facts but according to the state of mind of some unique figure of authority, then what you have is not a discipline but a cult."

– Matthew Stewart

"The attempt to turn strategy into a rigorous academic discipline has done considerable violence to the core value in almost all strategic thinking – the fundamental idea that one should always keep an eye on the big picture. The academic discipline of strategy, like the business school system from which it emerges and the managerial perspective it represents, is fundamentally analytic, reductive and risk-averse. By the default setting of all such institutions, it is bound to prepare people to become bureaucrats rather than entrepreneurs."

– Matthew Stewart

When all of the backroom dealings came to light, a group of partners got together and suggested a "strategy review" was needed. Rather than firing those with hidden agendas, everyone wanted to consult with each other about what to do – a typical consultant's mindset. The only problem with this was when the CEO found out, he appointed three of his cronies to head up three task forces which were to look at "business strategy",

"compensation" and "governance".

"The CEO also hired an external consultant, a professor from Columbia University, to 'assist in the process.' The result of the rebellion was we, the consultants, were going to experience a taste of the medicine that we all along had been dishing out to client organizations. For over three months, the firm's business activities slowed dramatically as the partners met with their task forces, formed subcommittees, sat through long video conferences, and drafted hundreds of pages of charts and analyses. The CEO's consultant went around interviewing all the partners and asking them questions that he had suggested. As the end of year 4 approached, the final reports were ready and, with the benefit of all that internal reviewing and external consulting, the firm at long last had a 'strategy'."

– Matthew Stewart'

The inevitable result of all this consulting was the CEO managed to move the firm down the path towards a new management structure. In essence, the CEO appointed his two closest friends to head up two operating divisions within the company and all day-to-day decisions had to be approved by one of this triumvirate. This had the effect of making people who were previously treated like partners to now become more like employees. At the same time as this was happening, the CEO was also working behind the scenes to force from the firm those who had caused the strategic review to happen at all one by one. And this included Matthew Stewart who saw this as the perfect opportunity to exit the business.

Actually, "exiting the firm" might be something of an overstatement. Matthew was working in Barcelona leading a team of ten consultants working on a large project for a newclient when he noticed he hadn't been reimbursed for his expenses for a couple of months. He checked with his bank and found he had not been paid either for those two months so he rang the firm's accountant in New York who promised to look into it. When the accountant rang back to confirm he was no longer on the payroll, Matthew realized he had been terminated but nobody had got around to mentioning it to him.

"Not long after this, I read in the Wall Street Journal that, against all odds, the firm had found a purchaser. The lucky buyer was a relatively new Internet consulting company that had recently acquired a string of software and web consulting firms. The offer was worth an astounding $300 million in the form of the richly valued shares of the acquiring company. The offer took me by surprise, not just because of the ludicrous amount of money involved, but because I knew very well that the members of the firm collectively had about as much expertise on Internet-related subjects as the average high school graduating class. The purchaser avowed that it was buying a 'strategy consulting' firm in order to complement its web consulting with some expertise in 'strategy'. Three hundred million dollars turned out to be the market value for a big fat word, 'strategy', sitting on top of a pile of old presentations and broken promises whose actual value was exactly zero."

– Matthew Stewart

3. Management gurus

Question	How is it that the big names in management thinking earn millions by writing books which are jargon-ridden and patently obvious?
Answer	Managers should feel confident about thinking for themselves rather than trying to pick up on management idea du jour.

The business world has seen a number of gurus establish themselves over the decades. Some of the more colorful and noteworthy have included:

■ Frederick Winslow Taylor – the first management guru. He was employed by the Bethlehem Steel Company in 1899. At that time, Bethlehem Steel was a huge enterprise which produced, among other things, raw high-carbon iron which was called "pig-iron". The company produced thousands of tons of pig-iron every day and Taylor was assigned to figure out: "How many tons of pig-iron can a laborer load onto a wagon in the course of a working day?" By trying various ideas, Taylor was eventually able to increase the average amount handled by each worker from 12.5 tons a day to 47.5 tons. Taylor introduced the concepts of:
• Work smarter, not harder.
• If you can't measure it, you can't manage it.
• Enhanced worker selection and recruitment.

■ Elton Mayo – who introduced the humanist revolution from 1922 onwards which underpins industrial psychology and the study of human behavior in the workforce.

■ Peter Drucker – who published Managing for Results in 1964 to introduce the concept of business strategy. Drucker would make a career out of talking about business strategy and his ideas would provide the impetus for the formation of highly influential consulting entities like the Boston Consulting Group in 1963.

■ Michael Porter – a qualified aerospace engineer who developed his seminal five forces framework for determining the competitiveness of an industry framework while working on his Ph.D in economics at Harvard University. Porter's book, Competitive Strategy, was published in 1979 setting out three generic strategies which bring success to most businesses most of the time.

■ Tom Peters – who coauthored In Search of Excellence: Lessons from America's Best Run Companies which would go on to sell more than 6 million copies.Tom Peters would use the popularity of that book to launch seminar series, consulting gigs and various other add-ons.

■ Jim Collins – the author of Good to Great.

■ Michael Hammer and James Champy – who introduced the business reengineering craze.

■ Gary Hamel, Charles Handy and Stephen Covey – who focused on business advice, individual excellence and organizational issues.

Realizing he had to strike quickly while the acquisition was pending, Matthew Stewart gathered all his savings and hired a prestigious law firm to pursue his unpaid salary, unpaid bonuses, his equity interest in the firm, his founders' fund interests and other retained interests as a shareholder in the company.

"My instructions to the lawyers were simple: maximum speed. The firm, I knew, would not be able to stay above water much longer. Maximum speed in the legal world, as I soon discovered, turns out to mean somewhat faster than a tree grows but a lot slower than ketchup coming out of a bottle."

– Matthew Stewart

Eventually, Matthew Stewart's case went to an arbitrator in New York. This arrangement had been specified as the way to handle disputes by the original shareholder's agreement. The arbitrator heard evidence for three days. The management firm attempted to show the court Stewart had been working part time only and had not been following accepted procedures but Matthew was able to show his work had been solid and well valued by the firm at one time. About two months after the hearing, the arbitrator issued a judgement which in effect awarded Matthew Stewart everything he had sought: his missing salary, unpaid bonuses, retained interests in the event of a sale and interest in the founders' fund. In total, he was awarded what he would have received if the firm had honored its commitments less legal fees.

Although the firm at first attempted to ignore the judgement – necessitating Matthew Stewart to initiate another lawsuit to force them to comply – they did eventually pay him out because they were in the throes of completing the agreement to be acquired by the Internet consulting company. It was necessary for all of the legal loose ends to be tied up before that could happen so Matthew Stewart's law suit got settled. He received some shares in the acquiring company as part of the settlement and

Matthew managed to sell these the moment he received them which fortunately coincided with the crest of the dot-com bubble. Three weeks later, the shares had lost half their market value and within a few months, they would be trading for around one dollar as the Internet consulting company went from a market valuation of several billion dollars to insolvency.

"The fall of my firm did not reflect well on the formal apparatus of managerialism in our society – the elite business schools, the top-tier management consultancies, and the learned discipline of management theory. My firm was made up of management consultants with the best pedigrees, most with MBAs from the finest universities, all ostensibly paid to supply humankind with their expertise on management. But we couldn't manage our way out of a shoe box. And the best training that money can buy could not save us from ourselves. Indeed, the rhetoric of management served all along to obscure the ethical contradictions at the base of the firm's existence. Everyone involved was 'maximizing shareholder value' all the way to the end of the party. Most managers, consultants, and MBAs, to be sure, are good people and do good work. But the alarming reality is that these comforting facts obtain despite, rather than because of, the education these folks receive and the ideology they share. The firm held out the ideal of professionalism as the glue that would keep all the pieces together, yet all it offered was the specious professionalism of the gurus, a purely voluntary code that recognizes no standards and accepts no enforcement other than goodwill, self-interest, and arbitrary whims of the so-called professionals themselves."

– Michael Stewart

As can be seen from this star-studded cast of rich characters, becoming a business guru is big money. Gurus sell their books by the millions and there is a huge demand for whatever else they develop and offer. Becoming a guru really isn't all that difficult. All you have to do is introduce some new kind of management idea which eventually takes on a life of its own.

There are five steps which are generally involved in becoming a management guru:

1. Start by explaining: "we're all going to die" – usually by stating the marketplace is in a state of flux at the present time. Therefore, what worked in the past won't keep working in the future. We've got to find a better way to get things done.

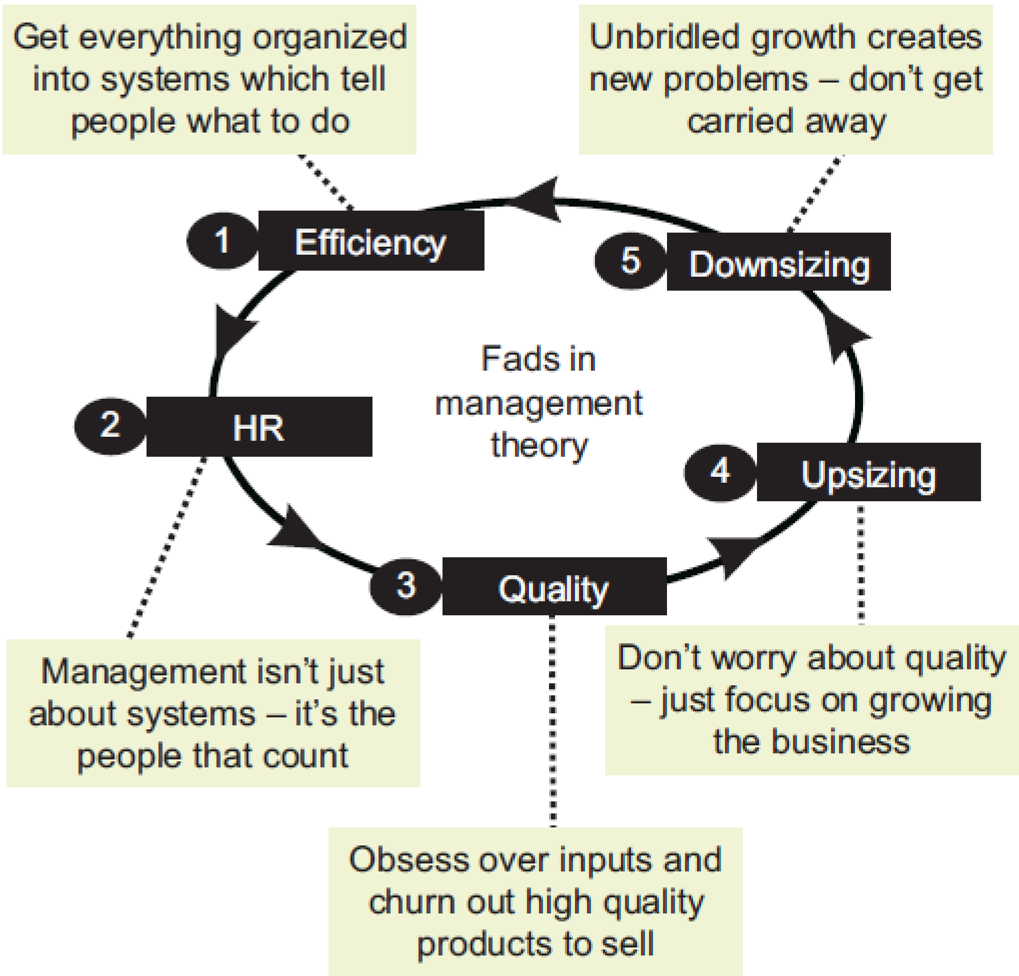
2. Next, point out: "the bureaucracy is killing us" – and therefore we have to go outside the normal organizational structure to get the right things done. People love hearing that kind of thing and will sign on enthusiastically to anyone who is talking rebellion.

3. Then exclaim: "There is hope for a brighter future" – as long as we all follow the guidelines and turn our organizations upside down. Get involved in helping a socially responsible form of power emerge. The future will be free of unnecessary bureaucratic restraints.

4. Now suggest: "You have the power to make a change for the better" – even if you occupy the low rung on the corporate ladder. When it comes to driving change, passion, imagination and persistence will trump positioning on the organizational chart every time.

5. Finally, issue a call to action: “Follow me” – cast aside your chains, rise up and do things better. Seize the moment and be an agent for change.

Of course you also need to have a gregarious personality and be something of an extrovert to pull these five steps off with panache but anyone can do it. Alternatively, if all this pulpit bashing isn’t your style, you can always jump on the latest fad and run with it. Business fads by and large come around again and again in this kind of sequence:



The simple truth is business gurus come along all the time. Some shoot to fame and then are never heard from again while others enjoy long and lucrative careers as agents of change. The gurus really don’t know more than anyone else. They’re just better than average at selling their ideas and parlaying what they do for all its worth. Don’t get caught up in believing a guru knows more than you do. They get things wrong just as often as everyone else. “In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.”

– Jack Welch, former CEO, General Electric

“The most reliable way to make money from strategy is to sell it to other people.”

– Matthew Stewart

4. CEOs

Question	How come CEOs make so much money – so much that exorbitant and unnecessary business consulting fees end up appearing to be inconsequential and incidental?
Answer	CEOs make more than they deserve because of historical manipulation of free market forces. Regulations will be required to provide checks.

In just the same way as some authors make a successful career out of talking about their books and thereby becoming business gurus, a number of high profile CEOs also make very good money by becoming well known.

Becoming a high profileCEO can be very good money. Consider a few relevant facts:

■ In 2006, the CEOs of Fortune 500 companies averaged $15 million a year in compensation.

■ In 2008, CEOs take home about 400 times the salary of the typical worker. Three decades ago, that multiple was only about 40.

■ Along with more money, CEOs have become the superstars of the business world. It’s not unusual for university presidents, philantropers and politicians to promise they will manage their responsibilities like CEOs managing their companies.

■ American CEOs earn two to three times as much as their European counterparts, even though there is no statistical evidence they do any better for their shareholders.

■ The big question today is who works for whom? Do managers exist to serve their corporations or is it the other way around? In many companies, the members of the board of directors are personal friends with the CEO. The CEO is often also serving as chairman of the board. Shareholders can be in and out of companies within minutes. Nobody is managing the managers.

In just the same way as business schools and management gurus have managed to mark out exclusive and lucrative patches in the management marketplace as a whole, high profile CEOs have done the same thing. They have succeeded in creating a sense of mystique around their professional expertise which is not born out by the facts. A free market does not exist for CEO talent – all too often the CEO of one company sits on the board of another company and has undue influence in the selection of the next CEO.

"The managerial market, where information is almost by definition imperfectly distributed, is very far from a free and efficient market. In 65% of large, public corporations in America, the CEO is also the chairman of the board. There probably isn't a major US corporation that does not have the CEO or former CEO of another corporation on its board. The consultants and auditors that managers and board members hire to provide a punitive outside check report to the same people they are supposed to be checking on. If someone does catch the board members in a mistake, in any case, the universal use of directors' liability insurance means they need never worry that they will have to pay for malfeasance. The people who play the game are the same ones who write the rules. We should hardly be surprised that they always turn out to be the winners."

– Matthew Stewart

"To be sure, a truly free market in management services – one where judge, jury, and advocates are embodied in distinct individuals – is a fine ideal. The problem with the shareholder-value model is that it achieves by stipulation what is often not achieved at all through decades of concerted effort. The model works only on the supposition that the market for managerial services is highly liquid and efficient. But markets are not born free; they are made free. As economists such as Joseph Stiglitz have pointed out, in an imperfectly knowable world markets achieve the level of freedom and efficiency described in classical economic theory only when a number of restrictive conditions are met – conditions that in many cases must be established through government intervention, in the form of laws and regulatory bodies."

– Matthew Stewart

"The time has come to recognize that higher education in management rests on a fatal fallacy. The idea behind the contemporary business school is that preparing future business managers means training them in a discipline called Business Management. After 100 years of fruitless attempts to produce such a discipline, it should be clear it does not exist. Preparing managers to manage, in fact, is not different from preparing people to live in a civilized world. Managers do not need to be trained; they need to be educated. And for that purpose, although a certain amount of business-related subjects may prove useful, the business schools as they are presently constituted are at best superfluous."

– Matthew Stewart

"Good management arises not from the dispensing of business school diplomas, but from a universal respect for the law, a common set of values and expectations, a skilled population benefitting from good public education, and the legal framework that supports salaried employment."

– Matthew Stewart