Why boards need to care

01.12.2024 16:25:03 | Management Insights, Lukas Michel | 0 Comments | Boards

Boards play an important role in clearing out ineffective, outdated management and in replacing wrong leaders.

It is uncontested that good management yields higher profitability, growth, and productivity. It's also a fact, that management seems stuck with many organizations and leaders failing in many instances. In view of the World's serious challenges, there is an urgent need to restore management. Boards play an important role in clearing out ineffective, outdated management and in replacing wrong leaders.

Just about every day, we experience failed leaders and organizations, some unmanaged instances with small and negligeable effects, others with disastrous consequences for society. Some occurrences prominently make it to the media, the large amount rests silent and unattended. It makes sense to explore the roots of failures. The evidence is mounting, management, the craft of getting work done, and faulty leaders are the candidates.

We note that 'unmanaged' (Not managed: the cousin of mismanaged) is reality, not the norm, but also not an infrequent occurrence. 'Unmanaged' happens, and organizations muddle through regardless. While that might not surprise casual observers, it highlights the chicken and egg problem. Wrong leaders detour management which in return deteriorates over time, causes infected cultures and, eventually, leads to failures. That explains much of the huge differences in the quality of management between and within industries.

While the fix of wrong leaders is straight forward, boards need to act on their responsibility and, simply, hire good leaders, the fix of management is hard work.

Leaders operate in context. Good leaders require three capabilities: 1. Be smarter, more strategic, more knowledgeable, more charismatic in their roles. 2. Have the skills that fit the specific context, situation, or industry. 3. Have the ability to influence others. These three points could serve as the board's checklist. (Sadun, 2022)

We observe, the adoption of good management is low and varies widely. It is stuck in the past and has lost its impact. We continue to apply top-down strategies, separated from implementation, annual budgeting, control and command, target setting, and incentive pay and expect innovation, motivated employees, and expect better results. Good management is human, holistic, unique, emergent, diagnostic, interactive and systemic. That would result in continues strategy and implementation, dynamic budgeting, capabilities-based management, inner game techniques to learn fast, and purpose as the source of motivation to balance exploitation and exploration-type management. Our research is clear: good management is not readily adopted because we assume it’s good, we know better and, therefore, underinvest.

Muddling through is no option. Getting out of ‘unmanaged’ requires the adoption of good management practices and their adaptation to meet the needs of people, the specifics of the organization and its context. As such, it can be a competitive advantage – one of the few remaining, other vanish fast. We know that subtle differences of good management matter.

For boards to check on a CEO’s management and leadership is delicate but critical. Questioning management can be seen as an interfering intervention. Questioning leaders is existential as it deals with trust. But questioning is critical because of the time lag between observations of bad management and leadership and their delayed effects on profitability, growth and productivity. Board members are often last in sensing the smell. Results are lag indicators. What is needed are lead indicators.

The evidence is overwhelming. With the Global Executive Survey, boards can assess the management of their organizations through lead indicators. They know within a couple of days. Organization Twins display the maturity of their organization and competitive advantages indicate where the potential is. CEOs must have an interest in certifying their organizations for better

management as it demonstrates superior performance, higher competitiveness, and greater attractiveness for all stakeholders.

The world needs better management with organizations that perform at their peak. Boards need to care. Why guess if you can know?

Sadun, Raffaella (2022). The Myth of the Brilliant Charismatic Leader, *Harvard Business Review*, 2022

About Management Insights

Founded by Lukas Michel, Management Insights draws on more than 25 years of research and practice to help people understand how their organizations work. The Organization Twin brings organizational patterns into view for reflection, dialogue, and informed choice.

BEGIN REFLECTION

Private · Free of charge · Approximately 15 minutes

- Version zum Drucken
- Per E-Mail versenden
- Newsletter abonnieren

- Twittern

No comments yet.