MAJOR MANAGEMENT MYTHS

In 1968, Professor Don Paarlberg, a noted agricultural economist, completed his book titled "Great Myths of Economics." In this book, Paarlberg contends that while mythology is most often uncovered in the study of such subjects as weather, home remedies, and history, it can also be found in the field of economics. Paarlberg then proceeds to purge his own profession of economic folklore, half-truths, and untested rules-of-thumb through a candid assault on the validity of each. The book, being well written, was well read and enjoyed by Paarlberg's colleagues and those who were novices in the field of economics.

Three years have now passed since the publication of Paarlberg's book. Throughout this period, I have anxiously awaited the appearance of its sequel titled "Great Myths of Management." It seemed almost inevitable that such a book would be written. After all, the field of management is no less susceptible to the generation and sustenance of myths than is economics. Furthermore, the fields of economics and management are intimately related, the latter being the practical application of the former. Hence it would seem logical that economic myths would eventually plague management. Yet no such book has appeared. I maintain that in its absence, many managers continue to render administrative decisions within an environment of fiction, legend, and pseudo-professionalism.

This paper is designed to demythologize the management profession. Like Paarlberg, notable myths shall be openly attacked and, thereby (hopefully) destroyed. Some of those myths discussed will be shown to have an exclusive association with the field of management. Others will be found to have evolved from the minds of economists and later adopted by business managers. Still others will be linked to our existing social values and their impact on all aspects of the business community. You probably will not agree with every expose. You may be laboring under a myth not covered in this paper. Regardless, it is hoped that the following discussion will be thought-provoking and encourage you to re-examine your own managerial philosophy; fact or fiction.

The Hard Work Myth

Each of us can probably remember the words of our parents and grandparents as they expressed the belief that hard physical labor was really the only key to success. Yet from the days of my childhood I've been doubtful of this sentiment. Many farmers in my area were working sixteen hours a day but receiving little in return for their arduous labor. As the size of the monthly milk check decreased, the dairymen concluded that a larger herd was needed. The larger herd merely increased the labor requirement and accelerated those losses which occurred to a dairy operation which was basically inefficient. Finally, someone discovered that dairy herd management required something in addition to hard physical labor. The more progressive dairymen began to replace an hour in the milking parlor with an hour behind a desk.

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Largely as a result of technological advancements, this “brains over brawn” story of dairy herd management has now been repeated in almost every sector of the agricultural economy. Hard physical labor is still very much a part of American agriculture, but the hard work myth handed to us by our ancestors is no longer universally accepted. The power of the mind now has dominance over physical labor. The contemporary agribusiness manager not only recognizes this fact, but utilizes the underlying principle in his everyday operations. Management has ceased to become a labor-intensive activity. It is now mind-intensive and requires amounts of knowledge, information, and mental aptitude greatly in excess of that possessed by our ancestors. After all, if hard work were really the only key to success, then ants and bees would rule the world.

The Market Myth

In its initial form, economics is totally apart from ideology. It is concerned wholly with the use of scarce resources to attain given goals. The so-called free market system is proposed as an efficient vehicle for the accomplishment of this resource allocation process. Furthermore, economists are generally quite willing to let others specify those goals to be attained. Hence, economics is amoral, or absent of any ethical judgments. Its principles, therefore, apply equally well to a marketer of food products as to a pusher of marijuana. But herein lies the problem.

For decades economists have been telling agribusiness managers that the free market system is the ultimate solution to the many problems of supply and demand. They have been told that the answer to all their questions can be found through a better understanding of the market and how it operates. Moreover, every year managers spend millions of dollars attempting to use the unique characteristics of the free market to their best advantage. Unfortunately many of the traditional free market traits are but a myth to modern management.

First of all, our own history has shown that human wants are insatiable. Similarly, it has shown that the means by which those wants may be satisfied are limited. Hence logic dictates that the market is merely a convenient way of saying “no” to someone. Given this truth, is there any wonder why the free market has less than universal appeal to society?

Second, it can be shown that our free market is highly discriminatory. In a free market the theoretical supply and demand curves represent the quantities of a product people are willing to buy or sell at various prices. The intersection of these two curves determines the price to be charged and the quantity traded. Only a single price can prevail in a free market. Yet many sellers would have been willing to sell for less and many buyers would have been willing to pay more. We have labored under the myth that the free market treats all participants alike. In fact, it can be shown that while the free market is truly unbiased, it is not equally beneficial to all participants. So who benefits most from free market trade? The answer is those “select few” who would have sold for less or paid more for the product had the single free market price not prevailed. Hence, despite all of its economic virtues and intuitive appeal, the free market *does not* provide equal benefits to all participants.

Perhaps the most incriminating evidence levied against the market myth is the simple fact that the free or perfectly competitive market is now almost nonexistent. Agricultural markets are often described as “approaching a perfectly competitive

environment." Such an environment would require that the actions of one person would in no way have an appreciable impact on existing market price or quantity of product sold. Any agribusiness manager who has watched his sales decline as a result of the free-wheeling marketing strategy of his larger competitors knows only too well that his market is far from being perfectly competitive. In fact, as the number of agricultural enterprises diminish and the size of those remaining increases, a workable free market becomes more of a myth. To minimize market exploitation under these conditions, public restraints are placed on buyers or sellers. When this occurs, agribusiness managers soon discover that socio-political pressures have a devastating impact on existing market practices. To further complicate matters, public constraints, if they are placed on a market, have the effect of giving one party the title of "villain" and the other a title of "victim."

Alas, we must conclude that the concept of a free market is a myth to modern management. In fact, agribusiness managers must now cast aside those traditional market traits and replace them with a fresh understanding of the social, political and economic impact of their marketing activities.

Information Myth

How often have you used or heard the expression, "What I really need is more information?" I maintain that agribusiness managers have for the past decade operated on the assumption that "more information" will always be valuable, useful, and readily attainable. Yet none of these is necessarily true. The myth, of course, revolves around the understanding that *more* information leads toward *better* information, which in turn contributes to improved decisions. This progressive logic is faulty in many respects.

First of all, many businesses have already found themselves capable of producing an information surplus. That is, many firms can now generate a volume of information in excess of their ability to organize, interpret, and use it. Information on finance, inventories, sales, and operations continues to flow into the manager's office where it either piles up, is filed away, or disposed of without notice. In this situation, the value of the information generated is never realized and the costs of its generation are never recovered.

Secondly, the relationship between the physical volume of information and its true value to an organization is a tenuous one, at best. In short, *more* information does not necessarily produce *better* information. For example, a general sales forecast can form the basis for an almost endless quantity of information. It can be categorized by product line, market, time, and alternative economic conditions. But unless the general sales forecast is somewhat reliable, the additional categorization becomes meaningless and perhaps even detrimental to managerial performance.

Finally, management must realize that information generation, as a distinct process, is subject to what economists call the "law of diminishing marginal returns," i.e., the value of each incremental unit of information decreases as additional units are generated. Management, no doubt, can reach a point of information saturation after which any additional amounts of information add nothing to, or perhaps even detract from, the decision-making process.

Your need of more information is a myth. What you really need is better information, i.e., that which is reliable, can be rapidly prepared, understood, and applied.

The Computer Automation Myth

Those of you who read this letter regularly may have noticed that the March issue was missing. The reason the March issue never appeared was because I became a victim of the computer automation myth. My sad story follows:

Three regional agribusiness management seminars had been planned for the month of March. Considerable time and effort had been devoted to our preparation for these seminars. Facilities had been reserved, subjects had been selected and researched, participant exercises had been written, and a formal program had been distributed. It was decided that a computerized management decision game would be used to illustrate those subjects being discussed in each seminar. Hence, the computer game was to be the critical element in the total integration of each two-day seminar. The computer program was obtained and adapted to WSU's machine capabilities. A test run was conducted to confirm the program's operational status and a rather elaborate terminal network was installed to facilitate our direct access to the computer in Pullman from each of our distant seminar locations.

All was now in a state of readiness as our first seminar began. The first set of management decisions were collected and transmitted to the computer for its analysis, and ... nothing, absolutely nothing seemed to operate from that point on! The computer balked, kicked, and refused to cooperate. As if it were in the final stages of dying, the marvelous machine could but produce an intermittent series of random numbers in place of what were to have been meaningful results. You can, no doubt, guess the remainder of this story and the reason the March issue of this letter was never prepared.

In deference to my colleagues in the field of computer technology, I must acknowledge the tremendous accomplishments made possible only by the computer. Things as mundane as my monthly paycheck or as sophisticated as man's flight to the moon are now controlled, or at least facilitated by the digital dynasty -- or computer. They have saved millions of man-hours and dollars. They have reduced time-consuming activities to mere nano-seconds. Yes, they represent a truly magnificent technological achievement and a benefit to mankind.

But, I must disagree with those computer technicians who insist that those blue and gray cabinets with blinking lights and whirling tapes are inanimate pieces of hardware. I'm convinced that every computer has a heart, a soul, and a data bank of memory cells filled with pent-up, almost human emotions; all of which may be unleashed upon the unsuspecting user at that point in time when his dependence on the computer is complete.

Management's introduction to the computer is usually on a modest level. With continued use and increased familiarity, his dependence on the machine increases. At some point in time (known only to the computer), management's dependence is almost complete. It is at this point that the computer automation myth becomes predominant. When the computer fails or refuses to perform up to expectations, management must suffer the consequences. Those managers who operate under this myth are destined to be victimized. Many firms will probably not survive.

The Cost Cutting Myth

Rarely will one find an agribusiness firm which has not been confronted with a period of "belt tightening." During periods of financial stress or a deteriorating market,

management's suspecting finger will ultimately be pointed towards the elements of cost in the Profit and Loss Statement. The question being asked by management is totally predictable; i.e., "What cost items can be cut without causing irreparable damage to the firm's current operations?" Herein lies the cost-cutting myth. The very nature of the question being asked signifies management's goal to continue the firm's present operations and cut those cost items which will be least detrimental to the achievement of this goal. The cost-cutting myth dictates this standard approach to the problem. Unfortunately, it is often an unnecessarily painful process.

Had management not been subject to this myth, it might have asked the question, "How might the firm's current operations be changed so as to reduce those costs incurred?" You will note a substantial change in emphasis between this and the previous question. The first question suggested that the firm's current operations were to continue, but perhaps on a reduced scale. The latter question suggests a change in current operations such that costs will be reduced. A few moments of thought about the two alternative schemes will lead one to conclude that management has a much wider range of actions from which to choose under the last question than under the first. During periods of stress, management must have open to it the widest possible choice of actions. The cost-cutting myth imposes an unnecessary constraint on this choice.

The Experience Myth

The experience myth is most often observed through its use as a management appraisal devise. Consider for a moment that you, as a manager, are faced with the comparative appraisal of two employees. Each is of a different age, has a different educational background, a different personality, a different work pattern, and a different business philosophy. What standards will you use in your appraisal of these two individuals? Because of their individual diversity, you will find it most difficult to find and establish units of comparability. Eventually you will select the experience criterion as the only basis upon which the two may be reasonably compared. As such, experience is being used as the "least common denominator" between two distinctly indivisible units.

Unfortunately, the assumption that experience, alone, is a comparable quality is a notable myth. The number of years employed is a notoriously poor measure of true experience. I am reminded of the statement, "Many managers claim to have had several years of experience when, in fact, they have had but a single year's experience several times over."

The Communications Myth

The final management myth of some importance shall be referred to as the communications myth. This myth evolves from the inevitable conclusion that manager-employee problems are always the result of a communications breakdown between the two parties. The lack of manager-employee communication will, no doubt, create problems of this type, but it is not the only contributing factor. In my opinion, the major cause of manager-employee problems in the agribusiness industry is not the lack of communications, but the lack of commitment. Probably the most frequent complaint of middle management people and employees is top management's loss of enthusiasm for a project once it has been begun.

Quite often, management's lack of commitment to a new project is the result of their natural resistance to change. When this occurs, it precipitates a chain reaction within

a firm. For example, resistance to change may be the result of management's fear of failure. Fear, of course, is a natural human trait. But, it is also very pervasive and can hang over a firm like an invisible shroud, stifling creativity all the way down the line from top management to the lower-echelon workers. It is also fear which causes some managers to build up empires around themselves as a form of protection.

Our very best managers are not immune to failure. Buried deep in the musty files of many agribusiness firms are records of product cancellations, plant phase-outs, and major layoffs of personnel. The successful manager tries not to hide these failures, but to learn from them.

Summary

This paper is designed to unveil a series of myths with which agribusiness managers are confronted. Moreover, seven major management myths are exposed, described, and (hopefully) destroyed.

The common belief that hard physical labor is the only key to success is shown to be less valid, particularly in the field of management where the power of the mind now replaces the ethic of arduous labor. The concept of the free market system is exposed and shown to be somewhat irrelevant to the contemporary manager's problems. The paper also shows that more information is a poor substitute for better information, the two often being confused for one another. Management's over-reliance on computer technology is found to be a tenuous and almost inevitable outcome of the computer automation myth. The cost-cutting myth imposes dangerous restrictions on management's choice of alternative actions during times of financial stress. Experience, alone, is shown to be an unreliable standard for personnel appraisal. Finally, the lack of manager-employee communications is proposed as being less detrimental to management's success than is the lack of personal commitment to new business endeavors.

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