

What Do We Train When We Train Managers? A Perspective From Austria

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In Spring 2006 the by then called Austrian BAWAG affair exploded. BAWAG² is the fourth largest bank of Austria. It is owned by the Austrian Trade Union. For many years the dividends of BAWAG were a major source of funding for the operation of the Austrian Trade Union. So, the BAWAG affair was not just an example of the every now and then malfunctioning of a corporation. No, it threatened to undermine the political system by bringing the Austrian Trade Union close to the brink of bankruptcy. The prime cause of the affair were high losses due to repeatedly trading with derivatives³ over a number of years. This is by itself not particularly original. The aspect which makes the BAWAG affair interesting is the role of management within this affair.

As it becomes now gradually clear, management decided to trade with derivatives to fulfil the Trade Union's demand for high dividends. As management believed that the bank itself had not enough knowledge to enter the derivative trading business, it outsourced this activity to a, from their perspective trustworthy investment banker. At first, this scheme worked well but substantial losses occurred soon after. Then something interesting happened: Top management decided to cover-up the losses by temporarily "outsourcing" the losses to other companies, some owned by the Trade Union, some by BAWAG itself. This cover-up was probably within the legal framework and might have even worked-out. But top management also decided to continue trading with derivatives to make-up for the earlier losses resulting in more of the same losses. By then the CEO that had made all this decisions retired due to age and

the new CEO was not willing to continue the cover-up.

Even though the decisions for all this were taken by the CEO these decisions were partly supported and certainly not vetoed by the managers involved. From the top management meeting protocols one can derive that some managers raised their concerns but none vetoed the cover-up and the continued trading with derivatives. If at least one would have vetoed decisions of the CEO, the cover-up could not have proceeded the way it actually did.

This story raises some issues concerning managers and their training:

- What happens in management trainings if top managers can be so intimidated by their CEO that they act against their conviction?
- How come that top managers do not know how to deal with entrepreneurial risk?
- How come that top managers cover-up their flawed decisions?
- How come that a group of top managers do not learn from their own experience?
- What is flawed with training managers such that trained managers behave the way they did at BAWAG?

People now tell that the CEO always acted extremely self-confident and in control of a situation. His decisions were not to be questioned by his top management colleagues and even less so by other managers further down the hierarchical line. As CEO he seemed to have been particularly good at exerting "Viennese charm" but also rough and

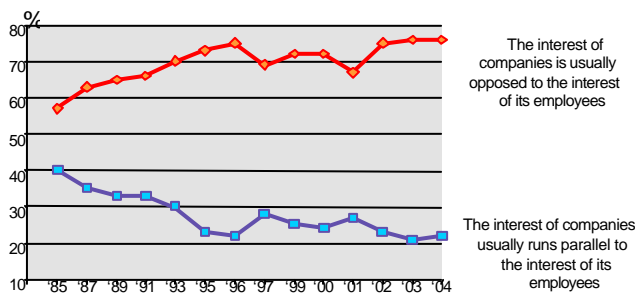
unpleasant behaviour. He was respected but also feared by his BAWAG fellows.

Already in the 1980s a famous scholar of vocational and management training, Chris Argyris⁴, has published extensively about managers' behaviour to cover-up their incompetence. Yet, one will not find much of this knowledge disseminated into Austrian management trainings.

Since 1985, the French Sociovision Cofremca specialized in sociological research has asked people in France every year for ayes or no answer to the same two statements⁵:

- The interest of companies is usually opposed to the interest of its employees.
- The interest of companies usually runs parallel to the interest of its employees.

The change in the answers over a period of 20 years is shown in the following diagram:



This development is alarming. It shows an ever widening gap of interest between the employees of companies and the companies' managers. Employees feeling themselves alienated from their companies will not enthusiastically work towards a common vision. Thus managers are gradually losing their most precious resource. In his article *Listening to Ordinary People* Alain de Vulpian writes: *Managers are not developing the piloting skills or the understanding of governance that the situation requires. They can see the gradual erosion of their ability to order, to organize from above, and to influence the course of events. Managers exhaust themselves in establishing chains of command that don't work, in exercising their authority on people who want to be self-determining, and in trying to manipulate men and women who will do only as they think fit. The lenses through which many senior managers see are the fruits*

of their own educations and their previous professional experiences.

With the ever growing attractiveness of becoming a manager, the assumption of many Austrian managers-to-be is that a successful attendance of a management training program is a good, may be even a mandatory prerequisite for a management career. But competition is strong. So, many aim nowadays not just at some management training program but at a certified one. Thus, MBAs from universities are in higher demand than ever while other management training programs are falling behind. By now, MBAs and other management training programs have become a major business in Austria. And so has their marketing. Lacking empirical evidence and without an agreed upon theory of what a good manager has to know, every institution offering some management training program makes at least one of the following promises to management trainees:

- In our management training program you will learn everything needed to become a good manager.
- Everything you need to know you will learn within a predetermined time span.
- The best way to become a good manager is to attend a school-like training program consisting of teaching, studying and exams and to get a certificate.

Of course, the MBA frenzy is not new. It has been around in North America for some time and has reached Austria a couple of years ago. But while in Austria the euphoria about MBAs is still unbroken, the side effects of management trainees becoming managers is gradually being looked at in North America. In 2004 Henry Mintzberg⁶ published his highly acclaimed and highly criticised book *Managers not MBAs*⁷. This book raises important concerns about management training programs in general and about MBAs in particular. Not only, Mintzberg argues and brings empirical evidence, are graduates from world-wide acclaimed MBA schools like Harvard and Stanford not good at being managers, they are actually dangerous because they believe they are good managers and act accordingly with great confidence. This, so Mintzberg, has become detrimental to society at large.

One of Mintzberg's fundamental hypothesis is that management is not a science but a craft. So the training to become a manager cannot be set up the same way as training physics. Rather it has to be modelled the way apprentices were trained in making Stradivarius violins. While I agree with Mintzberg I go one step further: Management is not a craft exerted by an individual but a craft for which more than one person is required. Organizations and their environments have by now become so complex that more than one point of view is necessary to reach appropriate decisions. But if management is a craft of the collective then training managers should resemble much more the training of a football team than the training of a student at university.

When I was still a student (not of management but of mathematics and physics) I worked one summer in a kibbutz in Israel. In 1967 this kibbutz, Yad Hannah, was an interesting experiment. It was a small and in most ways independent kibbutz consisting of roughly 50 people. Yet it belonged to a much larger kibbutz in another part of Israel. Yad Hannah was created for the 20 to 25 year old members of the large kibbutz to learn to run a kibbutz by themselves. People of that age from the large kibbutz stayed for a few years in Yad Hannah. They had to do all the work and also had to manage the kibbutz. Like many daughter companies Yad Hannah had to survive on its own. Yet the rationale for its existence was not to make money but to train managers-to-be of the large kibbutz. Even though I was not aware then I tend to believe now that Yad Hannah surpassed many of today's MBA programs in training managers.

In 1990 Peter Senge, like Mintzberg a PhD graduate from the Management School of MIT wrote an article⁸ that in many ways brought forth the ideas presented by Mintzberg a decade later. Managers, argues Senge, should not be seen as separate from the organization in which they operate. And in contradiction to the widely believed command-and-control function of managers, they, so Senge, have actually three functions:

Manager as designer

The first task of organization design concerns designing the governing ideas of purpose, vision, and core values by which people will live. The second design task involves the policies, strategies, and structures that translate guiding ideas into business decisions.

Manager as teacher

Manager as teacher does not mean manager as authoritarian expert whose job it is to teach people the "correct" view of reality. Rather, it is about helping everyone in the organization, oneself included, to gain more insightful views of current reality. This is in line with a view of managers as coaches, guides, or facilitators.

Manager as steward.

Unlike the roles of designer and teacher, it is almost solely a matter of attitude. It begins with the natural feeling that one wants to serve, to serve first. That person is sharply different from one who is manager first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions. Managers' sense of stewardship operates on two levels: stewardship for the people and stewardship for the larger purpose or mission that underlies the enterprise. The first type arises from a keen appreciation of the impact one's leadership can have on others. The second type of stewardship arises from a manager's sense of personal purpose and commitment to the organization's larger mission.

When Elio Vera asked me to write about management training that is peculiar of the Austrian situation and that gives an overview of what is required by public or private companies, I felt both honoured and uneasy. Uneasy because I do not see a substantial difference between management training requirements of Austrian companies versus any other company in the highly industrialized nations at least within the European Union. The managerial issues seem to be alike.

In the recent review of the implementation and achievements of the EU Research Framework Programmes⁹ the Panel wrote: *The overall European economic and research landscape is in flux. Global knowledge-based competition is changing fundamentally the environment in which European*

research and industry operate. Europe and the rest of the industrialised world can no longer take their technological leadership for granted. Whilst Europe still maintains leadership in certain industrial areas, supported by a well-educated workforce, concern about the future arises from the rapid expansion of European industry research and technological development and demonstration outside Europe and the inability to attract the best talent into Europe from around the world. The increasing availability of high-quality, industrially relevant knowledge, efficient innovation environments, and easier access to markets outside Europe are contributing to a gradual loss of European competitiveness. Europe is, increasingly, falling behind its main competitors. Europe's performance, in terms of growth, productivity and job creation is not sufficient to maintain prosperity in the future. The broad consensus is that research, education and innovation are at the heart of any response to these challenges.

Taking all what I have described as pieces of a large puzzle called *management training requirements by the companies* here are my conclusions:

Hypothesis 1: There is a large discrepancy between what companies really require and what management training programs offer. After all, the customers of management training programs are the managers-to-be and not the companies. But even in those cases where companies buy management training programs it seems that companies mostly ask for skills already present in the company and not for new skills. So far, I have never encountered an Austrian manager being promoted for his or her stewardship capacity except in family owned companies.

Hypothesis 2: The command-and-control view of management is still the predominant paradigm enacted through management training programs. Neither Argyris' theory of defensive routines of management teams nor Senge's concept of the three functions of management nor Mintzberg's critique of MBAs has so far had much impact on the design of management training programmes in Austria. There are, of course, good reasons for that. The companies do not know about these recent conceptual developments and the institutions offering

management training programs do not want to take risks by offering innovative programs. There is little incentive in the management training market to replace a well selling programme by a new one for which there is a high risk that it may not be bought. And even though an interdependency between the malfunctioning of corporations and management training programs might not be a totally odd idea such a suspicion is not enough for triggering change.

Hypothesis 3: The management training requirements are not defined by what companies say they require but by the perceived capacities of managers being successful on their career paths. Promoting a command-and-control manager by the owner of BAWAG to become CEO sent at that time a clear message about the qualities and skills wanted.

Hypothesis 4: Existing management training programs are a reason for but also a consequence of the malfunctioning of companies. Given appropriately trained managers, companies probably could do better than they do today.

Hypothesis 5: Most of the managerial capacities required for a company to live up to its potential cannot be taught in classrooms. "Learning by doing and reflecting upon" both individually and as a management team seems to be the best learning process we know at present. Management training programs could learn a lot from training programs for airline pilots and for football teams.

Hypothesis 6: Universities have an outstanding tradition to compete on ideas. Without this tradition, engineering and the natural sciences would not be today where they are and the European position within a globalized economy would not be where it is. However, as far as ideas about organisations and management are concerned more competition, particularly across language barriers could create more innovation in management training and thus better managers.

Notes

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² http://www.bawag.com/bawag/home/nav__en.html

³ [http://en.wikipedia.org/wiki/Derivative_\(finance\)](http://en.wikipedia.org/wiki/Derivative_(finance))

⁴ See Chris Argyris, *Skilled Incompetence*, Harvard Business Review September 1986 and Chris Argyris, *Teaching Smart People How to Learn*, Harvard Business Review May-June 1991

⁵ See Alain de Vulpian, *Listening to Ordinary People - The Process of Civilization on the Way to a New Society*, Reflections Vol. 6, Nr. 6/7, 2005 <http://reflections.solonline.org>

⁶ Mintzberg is Professor of Management Studies at McGill University in Montreal, Canada

⁷ Henry Mintzberg, *Managers not MBAs - A hard look at the soft practice of managing and management development*, Berrett-Koehler Publishers 2004

⁸ Peter Senge, *The Leader's New Work - Building Learning Organizations*, MIT Sloan Management Review 32 / 1, pp 7-23, Fall 1990

⁹ European Commission, *Five-Year Assessment of the European Union Research Framework Programmes 1999-2003*, December 2004, http://ec.europa.eu/research/reports/2004/fya_en.html