

In This Issue

Bush and Dooley's 'Continuous Improvement Management'

Motorola has established 'Motorola University', in the best tradition of the best companies and best management systems. Each Motorola employee will be required to complete at least 40 hours of education annually. Knowledge has become (at least for some) the major and dominant form of capital.

This is all a far cry from the traditional 'Management By Results', techniques, theories and practices which have brought no results to the U.S. economy and competitively devastated the U.S. industry.

Bush and Dooley start with the foundational theory of knowledge, mostly based on the philosophy of conceptual pragmatism of C.I. Lewis, and then they describe the proposed learning process, leading to a transformation to the Continuous Improvement Management, in the second part.

The authors also adhere to the supreme educational precept: 'The heart of education is learning, not teaching.' Recently fashionable infatuation with 'teaching', emphasizing the teacher, his style, delivery and showmanship, has totally neglected the learner and what happens to *him*. If the U.S. business wishes to become competitive, it has to deemphasize 'teaching', i.e. the how of education, and must re-emphasize 'learning', i.e. the what and the why of education. The U.S. business education needs great learners, not just great teachers. Especially in adult or part-time student education the emphasis on 'teaching' rather than 'learning' is totally misplaced. One great and expensive educational 'kindergarten' emerges, with all the obvious consequences. Wearing a 'funny hat' might attract attention, might 'improve' teaching, but it is deadly for learning.

In fact, even 'learning' is not sufficient and worthy of the tenders of the supreme form of capital – human knowledge. It is the 'learning to learn'

which constitutes the true and long-term investment worthy of world-class educational institutions.

Certainly the overzealous crash courses in second-rate statistical methods, taught by third-rate external hacks parading as teachers have done more damage to total quality management than all the Japanese competition together. Those who are inflicting 'quality statistics' on others (often for money) should often be learning, not teaching.

When a change is required, *how to change* is the last consideration. Primary imperative of change is *why change*, followed by a clear determination of *what change*. Change for the sake of changing is a domain of charlatans, whether at General Motors, in Russia or at Harvard University.

To know how to learn and be able to learn the right thing and for the right reason is far more important than how it is being taught. Great civilizations are characterized by great learning, by great students, poor civilizations are full of great teachers showing off in front of a human wall of infantile incomprehension.

One cannot have Continuous Improvement Management without an institution of Continuous Learning (Teaching is continuous by definition). The entire learning process must be mastered: described, evaluated, analyzed and improved as a system, not in its separate parts in the absence of true learners.

Kakati's "FMS and CIM Environments"

It is obvious that the flexible "just-in-time" systems, computer-integrated management, robotized environments, knowledge-producing companies and self-directed work teams are fundamentally incompatible with the traditional U.S. management hierarchies of command.

Stubbornly heroic attempts to combine the over-specialized and inflexible hierarchies of command with knowledge, autonomy and self-management enhancing high technologies have now failed on a large scale. Flexible mode of production requires

correspondingly flexible mode of organization. The two modes of management, the hierarchy and flexible self-management are totally incompatible, engaged in fierce paradigmatic competition and there is no doubt about the winning side (or paradigm).

Professor Kakati of Gauhati University has identified and described several variables which any new model of management has to accommodate in order to support even mildly successful Flexible Manufacturing Systems (FMS) and Computer Integrated Manufacturing (CIM), not to mention modern Human Integrated Manufacturing (HIM). In other words, there is no sense in having a flexible production system if the organization itself is inflexible and incapable of rapid responses to changing needs. American management traditionalists of the Iaccoca bend are learning this the hard way. As some overweight business dinosaurs, they are rapidly disappearing from our concerns, although not yet from our sights.

Dinosaurs, like the huge GM-type hierarchies, used most of their brains for internal maintenance, leaving little, if any, for external adjustments. Their extinction becomes inevitable.

Kakati concentrates on a set of some 14 dimensions of good management, like for example:

- (1) Separating strategic from operational decisions is nonsensical and bad management. All operational issues are "strategic".
- (2) Structures should not be separated from the process (or organization), there should be no formal structures, no static "box and lines" spiders of organization charts: they catch, strangle and suck.
- (3) Centralization and decentralization are not mutually exclusive responses: their dynamic unification is needed. Maximization of delegation in some areas has to be wedded to maximization of *implicit* controls in the overall corporate culture.
- (4) Hierarchical level and span of control are conjoint and inversely related. Downsizing the organization has to be done in the vertical and horizontal dimensions simultaneously.
- (5) High technologies are not separate or separable from humans. Investing in new technologies is useless without investment in qualifications of managers of such technology.

- (6) Intangible assets (knowledge) is the key; tangible assets make organization fatty, bulky and inflexible.

The world-class model of management is now emerging everywhere, in all business cultures, in all countries. Even US business hierarchies crumble.

Filios's 'Accounting Research'

It is often argued that economists cannot make use of controlled experiments, like natural scientists do. They cannot, as Filios argues, 'take a nation and submit it to inflation, or take a firm and destruct certain parts of its property.'

Yet, this is precisely what economists do in Eastern Europe and Russia: they submit their populations to various shock therapies, ranging from overnight price 'liberalization' and assorted tax and unemployment experiments, to actual stripping of assets and destruction of productive capacities. After evaluating the results, a set of 'corrections' and 'corrective measures' is decreed and a new round of controlled experiments started, usually with a new infusion of IMF money.

This cycle of social experiments is proving beyond doubt that the underlying theories are false, do not help the decision makers and have no predictive capacity. Yet they are being continued for political reasons. The problem with social sciences is not that they cannot experiment with human beings – they do and they always did – but that these experiments are used, run and financed by politicians and not by scientists.

Politicians do not have to 'prove' that things work, they just have to control mass media, maintain power and hold finances: then everything 'works', whether it works or not.

Filios proceeds to discuss how does one think scientifically about human beings. What is face-validity, predictive validity or convergent validation and discriminant validation in experiments involving human beings? His vehicle is accounting methodology and accounting research. One of the issues is the conversion of state-controlled accounting system in Eastern Europe to the free-market accounting practices.

Economic sciences have been caught unprepared

for dealing with the transformation of socialism to capitalism: most Nobelists in economics are mathematicians and statisticians, with little understanding of economic institutions. Institutional and therefore Transformation economics do not in fact exist as fields of inquiry. If it is not mathematics, then it cannot be economics (or accounting). Such is the numerical attitude which is devastating the post-communist economies because human beings are neither numbers nor (differential) equations.

Like Transformation Economics so also Transformation Accounting are the areas of research which are most sorely needed and have to be ultimately developed. After the current period of IMF-

induced destruction and chaos has ended and democratic political forces have won, the task before them will be larger, not smaller, than before the shock therapies started. The long devastated economies have been subjected to additional and much more radical destruction in the past few years, making the task of actual democratic transformation more than formidable.

Filius concludes with a discussion of foreign exchange accounting. He warns that a new concept of parity has to be developed in order to measure the purchasing power of ECU and its constituent currencies.