Management Advice:
Which 90% is Crap?

by Bob Sutton, Stanford University

As the dot.com boom was fading away in 2001, *Fortune* published an article by management guru Gary Hamel that still drives me up the wall. He proposed "Hamel's Law of Innovation," an inverse log scale where, "[f]or every 1,000 ideas, only 100 will have enough commercial promise to merit a small scale experiment, only 10 of those will warrant a substantial financial commitment, and of those only a couple will turn out to be unqualified successes." Hamel never mentions that variations of this "law" have been discussed, developed, and studied in hundreds, perhaps thousands, of articles and books on organizations before his "New Math" ever appeared in *Fortune*.

The way business knowledge is sold makes it even harder to tell good advice from bad.

At first, I couldn't believe that someone as well-read as Hamel claimed an old idea was new and that he had invented it. But I eventually realized the problem wasn't Gary Hamel, or any other individual making claims of originality. Rather, his column reflected a prevailing practice in the business knowledge business. I asked two former *Fortune* columnists why "Hamel's Law" and similar claims that old ideas are brand new appear so often in the business press. Both emphasized that you couldn't blame Hamel—that was just how things were done. Both writers even speculated that some *Fortune* editor probably had inserted the phrase, "Hamel's Law," to create the impression that the magazine publishes exciting new ideas. After all old news doesn't sell magazines!

This is just one of the many inane practices that reign in the market for business knowledge. Granted, "Hamel's Law" has the virtue of being supported by a vast body of evidence. But it is still the kind of thing that undermines progress because an idea can't be refined, extended, and improved over the years if every person who "discovers" it claims it is brand new. It is

also the kind of thing that drove Jeff Pfeffer and I to write *Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management*. Not only were we frustrated by the percentage of useless, wrong, and (in the case of "Hamel's Law") recycled advice that rains down on managers from the business press, management consultants, gurus, and yes, academic researchers like us, we realized that the way business knowledge is sold makes it even harder to tell good advice from bad.

I wish I could wave my magic wand and provide you with a 100% reliable and shock–proof "management advice crap detector." Alas, life is too messy and uncertain, the evidence that we have to work with is too crude, and the researchers who interpret their findings are too biased. Anyone who tells you that their business advice (including this advice) is nearly always right is, well, full of crap. But we've found five guidelines that can increase your hit rate, that will help you do a better—if imperfect—job of deciding which advice to ignore, study more closely, and perhaps implement on a trial basis.

TREAT OLD IDEAS AS IF THEY ARE OLD IDEAS

My Stanford colleague, Tony Bryk, describes American educational policy as "The United States of Amnesia," because the same bad ideas—like flunking lots kids (i.e., "ending social promotion") and tying teachers' pay to student scores—sweep through school systems every few years. There is a huge body of research that shows they are ineffective, yet no one seems to remember these policies have failed over and over in the past. And even when an idea, like "Hamel's Law," is supported by evidence, as I said, no progress can be made on ideas that are constantly being rediscovered. That is why, after I read about Hamel's "New Math," I proposed Sutton's Law: "If you think you have a new idea, you are wrong, Someone else probably already had it. This idea isn't original either; I stole it from someone else."

BE SUSPICIOUS OF BREAKTHROUGH IDEAS AND STUDIES.

As we were writing *Hard Facts*, I went through an instructive exercise. First, I started reading through management publications, which didn't just claim to have new ideas, but constantly carry on about their "breakthrough" ideas and research. The *Harvard Business Review*, for example, publishes a list of "Breakthrough Business Ideas" every year. I read through it care-fully each year, and I've never actually seen a new idea on their list. Sometimes they are old ideas wrapped in new language (like emotional intelligence), but that is as far as they go. Between Jeff Pfeffer and I, we have made the list three times, and I confess that none of our ideas were new, let alone a breakthrough. Take, for example, my alleged "breakthrough idea" from their 2004 list: "The No Asshole Rule," which asserted that organizations should try to avoid hiring jerks, and when people act like jerks they shouldn't be allowed to get away with it. The only "breakthrough" I know of associated with this rule (which my father first told me when I was nine years old) was that *HBR* had the nerve to publish "asshole" in its respectable pages (which I applaud!).

If you want an instructive comparison, read the acceptance speeches given by Nobel Prize winners. I did this a few years ago. All the winners in economics, for example, carefully went through the ideas they borrowed, listed the scores of people who inspired them, and empha-sized that their contribution was a logical extension and blend of existing work. Something is wrong with this picture—the gurus claim breakthroughs, but the Nobel laureates do not. As we were writing *Hard Facts*, the best advice we got about breakthrough ideas came in an e-mail from Stanford's James March, perhaps the most prestigious living organizational theorist. He warned us that "most claims of originality are testimony to ignorance and most claims of magic are testimony to hubris." Soundly put.

WHAT ARE THE INCENTIVES FOR
THE PEOPLE WHO ARE SELLING YOU THE IDEA?

The people who sell management ideas are a lot like the Merck representatives who sold Vioxx to doctors: The financial incentives for getting you to buy their stuff blind them to the drawbacks and entice them to mislead their customers. A recent "meta–analysis" of 93 published studies that examined over 200,000 mergers showed that the negative effects of a merger on the acquiring company's stock price become clear within 30 days of the an-nouncement, and persist thereafter. And despite infamous botched mergers like Daimler–Chrysler and American Online–Time Warner, they keep happening, and about 70% of them keep failing. But that doesn't stop investment bankers from telling you that your merger will be different, that you and they are smarter than the rest. Because if the deal doesn't go through, they don't make money. Indeed, it seems that everyone but the shareholders of the acquiring company and all those fired employees seem to benefit from mergers. Even if it is a bad deal, the CEO of the bigger company has an argument for more compensation, IT inte-gration firms profit as they try to weave together the resulting mess (The HP–Compaq merger still hasn't ended for people in IT), the law firms involved profit from legal work, and on and on. Sure, some business thought sales people are outright lying, but psychological research suggests that many others have actually convinced themselves to believe their own lousy logic and arguments. Human beings see what they believe, and disregard the rest.

ARE THEY TELLING YOU THAT "ALL THE BEST COMPANIES" OR "MOST OF THE FORTUNE 500" DO IT?

Just a few weeks ago, a manager at a Stanford executive program—from a big health insur-ance company—told me that he had been forced to institute a General Electric–style "A,B,C" ranking system on his team of eight people. He complained to his boss that he had spent years melding together a cooperative and effective team and couldn't understand why it made sense to fire one of his people and give 80% of the bonus money to his top two people. His boss answered, "This system is being used throughout the Fortune 500." This logic re-minds me of the blunt old saying, "Eat shit. 100 billion flies can't be wrong."

The monkey–see, monkey–do method of management is flawed for dozens of reasons, but I'll just raise two of the most insidious. First, prevailing practices might be wrong—after all, blood–letting was an accepted practice before the advent of modern medical research. And, in fact, we can't find a single study in peer–reviewed academic publications that supports the virtues of giving the lion's share of rewards to just a few people. Studies of everything from top management teams to baseball teams show that when the distance between the best and worst paid people is smaller, the organization performs better. Second, even if a system or practice is right for another company, it maybe wrong for yours. This type of strategy may work at General Electric because it is an integrated part of their culture, where competition and the "up or out" system attracts people who like that sort of thing. (As an aside, I re-main skeptical about the value of "rank and yank" for any company. I wonder if GE succeeds because or despite of the practice). But if it is installed piecemeal in a company, without changing much else, it can be destructive (I believe that this is exactly what happened at Sun Microsystems and is one cause of their long stagnation). As we say in *Hard Facts*, just because former Southwestern Airlines CEO Herb Kelleher was the most effective airline CEO in history doesn't mean that your CEO should start drinking a quart of Wild Turkey a day, as he

and other people who work for him have reported. And it doesn't mean that your CEO should start an affair with the editor of the *Harvard Business Review* either, as GE's Jack Welch did.

DOES IT SEEM TOO OBVIOUS?

If so, this is a good sign. The most effective companies are masters of the mundane. And we can't find any evidence that organizational performance is linked to anything mysterious or overly complicated. If you can't understand a company's business model or business practices, odds are that their people can't either. One of the main things Steve Jobs did when he returned to Apple as "acting" CEO in the 1990's, for example, was to get rid of the dozens of different computers that the company was selling, and replace them with a line of just four computers: two desktops and two laptops. As Jobs put it, it was so complicated, that "we couldn't even tell our friends which ones to buy."

In fact, most of the best ideas—especially those that are easiest to implement—that emerge from academic studies are remarkably simple. It turns out, for example, that conscientious people tend to be stellar performers (Duh!). Or take one of my favorite studies: groups that stand–up rather than sit down during meetings make decisions 34% faster, and their decisions are just as good as sit–down groups. So, if you want to "speed–up" your business, perhaps you should get rid of the chairs in your conference rooms, rather than buying that fancy enterprise software system that may take forever to install, cost fortune, and still fail to return the expected value. Plus, implementing, even the simplest—and most powerful—change is hard enough. Consider hand washing in hospitals. It turns out that about 90,000 Americans die every year from infections they catch from health care workers and settings. One of the most effective steps that health care workers can take to reduce these deaths is simply washing their hands before touching patients. Yet a 2004 survey published in the Annals of Internal Medicine found that only 43% of physicians wash their hands. That's

57% who do not. The CEO of a hospital in Florida told me that he wears a button that says, "It's OK to Ask," indicating that it is OK to ask doctors if they've washed their hands. He told me that the button campaign seems to be working, but "the doctors hate it," even though it saves lives. Such smart and simple changes meet resistance even with those who should and do know better.

These guidelines just scratch the surface. If they sound like common sense, they are. But such common sense is, unfortunately, uncommon in our species. It turns out that facing the hard facts is something that human beings are remarkably bad at doing. We "shoot the messengers" who bring us bad news; we seek, remember, and act on bad evidence that supports our dearly held beliefs; we avoid, forget, and fail to act on evidence that clashes with our ingrained if flawed ideologies. The best leaders have the courage to act on what they know right now and the humility to change their actions when they encounter new evidence That is why, although *Hard Facts* contains much research and many nuances, the main idea is that the best leaders and companies have "the attitude of wisdom": They have the courage to act on what they know right now and the humility to change their actions when they encounter new evidence. They also know how to argue as if they are right, and listen as if they are wrong—so they can develop and think about their ideas without becoming narrow-minded slaves to bad or incomplete ideas. As former Intel CEO, Andy Grove, put it, "I think it is very important for you to do two things: act on your temporary conviction as if it was a real conviction; and when you realize that you are wrong, correct course very quickly." Amen.

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ABOUT THE AUTHOR

Robert Sutton, a professor of Management Science and Engineering at Stanford Engineering School, is the best selling author, with Jeffrey Pfeffer, of *The Knowing-Doing Gap: How Smart Firms Turn Knowledge Into Action* and *Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management.* He is also the author of *Weird Ideas that Work: 11 ½ Practices for Promoting, Managing, and Sustaining Innovation.* In addition, he has consulted for and spoken at companies including Pepsi, Gap, General Motors, Motorola and Xerox, and shared his research and opinions on television and in publications nationwide. With a unique perspective and blunt style, Sutton is an exciting voice on the landscape of business thought.

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