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## In defense of middle management

By Ray Fisman

Slate

Saturday, October 16, 2010; 10:15 PM

Imagine a world without middle managers. If you've done time in a cubicle, you might picture a paradise where workers are unshackled by pointless bureaucracy, meaningless paperwork and incompetent bosses. A place where stuff actually gets done.

Despite a proliferation of management gurus, management consultants and management schools, it remains murky to many of us what managers actually do and why we need them in the first place. A new World Bank-Stanford study titled "[Does Management Matter?](#)" provides an answer. Working in collaboration with the consulting firm [Accenture](#), the researchers randomly selected a set of textile factories in India to receive a complimentary five-month management makeover and compared the profitability and efficiency of these revamped factories with a control group of factories that continued doing business as usual. It turns out that management does matter: The consultants boosted productivity by about 10 percent by improving quality, managing inventory and speeding up production.

The study's authors enumerate 38 practices that define good management. These include routines to record and analyze quality defects, production and inventory tracking systems, and clear assignment of job roles and responsibilities.

While all this sounds reasonable enough, keep in mind that this is also a set of practices that has the potential to create a Dilbert-esque world of unwieldy reporting requirements, Big Brotherly monitoring and rigid protocols that blunt creativity and innovation. (If you doubt any of this, just think about the last time you filed an expense report.)

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To assess whether good management thus defined was good for business, the World Bank hired Accenture to provide its usual

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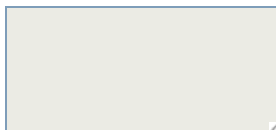
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advice - essentially, to implement the 38 elements of good management - for a group of mid-sized textile companies that specialize in cotton weaving in the area around Mumbai. The researchers initially approached 66 firms; 17 (with 28 factories among them) agreed to be guinea pigs in the management experiment. Fourteen factories were ultimately provided with the full consulting experience, while six others served as a comparison group to benchmark

the improvements that came with "better" management.

For Stanford professor and co-author of the study [Nick Bloom](#), to observe the chaos that reigned in the cotton weaving factories before the consultants arrived is to glimpse a world without managers.

Bloom recounts seeing store rooms strewn with rotting yarn, unsorted by color, quality or any other attribute - employees had to rummage about to find the requisite product, if it was there to be found at all. Factory floors were a mess, hallways blocked by heavy machinery and littered with discarded tools. Equipment was dirty, unkempt and often well past expiration dates. On average, the companies in their sample were using only about 10 of the 38 best practices on the consultants' list.

Before the consultants rolled up their sleeves, each of the 20 factories received a one-month diagnosis of its management and performance. This was effectively an initial management-health check. The 14 factories selected to work with Accenture then received four months of management practice upgrades. For the most part, the same managers were kept in place, but the previously ad hoc ways of getting things done were replaced by the standard protocols of modern management. Finally, Accenture did a follow-up evaluation in all 20 factories to assess whether performance improved after the consultants' intervention.

The before and after photographs of stockrooms and production lines tell pretty much the whole story (some of these photos are reprinted in the study's back pages). Out of disarray and confusion, there arose order: In storerooms, bags of yarn were now stacked, carefully arranged and elevated to protect against dampness. Offices previously cluttered with random stacks of paper were now equipped with charts to prioritize and track the flow of inputs and outputs working their way through newly organized assembly lines. Defects were cut in half, and inventories fell by nearly 20 percent, even as output increased by 5 percent. Overall, the authors calculate that profits at each factory - assuming the new practices remained in effect - would improve by more than \$200,000 a year.

Better management also led to a further round of changes in the factories, separate from those instituted by Accenture's consultants. All of the new monitoring and control mechanisms created a flood of information that had the potential to overwhelm the factory boss. So, not surprisingly, the Accenture factories also began using computers more intensively following the changes in management practices. (This was probably good for the job prospects of computer-literate workers, less so for unskilled laborers now at risk of being made redundant by the factories' improved efficiency.)

Equipped with new detail on the operations of each individual factory, the company boss might feel more comfortable yielding greater discretion to each factory manager; any drop in production - or mysterious disappearance of yarn from the supply room - would raise red flags at the head office.

Indeed, the researchers found more delegation of responsibility to factory managers after the new management practices were put in place. Previously, without a way of keeping an eye on middle managers, owners had been limited in their ability to expand and often employed immediate family members who could be trusted to keep their hands out of the till. (When Bloom asked the owner of the most efficient company among the 17 in the study why he hadn't expanded beyond a single plant, he shook his head sadly and answered, "No sons.")

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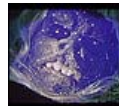
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