

# From creation to innovation

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- From: [The Australian](#)
- January 27, 2010 12:00AM

**THE art of management is ripe for reinvention and there is a growing race in the world to reform management education. The goal of the race is clear: people want to create a new class of managers who can lead innovation, not just administer.**

In the American and British universities that are pioneering reform in management education, the theme is the same - they are mixing design and business to create a new breed of manager. I believe we need to go even further and introduce a third pillar, but more on that later.

The universities in the US and Britain are introducing design because it has inadvertently been the safe harbour for a kind of thought that the rest of the business academy has neglected: invention. Designers approach problems very differently to managers, and using design thinking stretches the art of management and organisational competence outside the organisation to include its customers and their experience. These are things we cannot control or run spreadsheets over.

The 20th century allowed something of a monster to develop by focusing fairly exclusively on the enterprise as an economic unit. The exclusion of humanities from business education left the asylum to the inmates in some areas, with management education focused on the pragmatics of finance and trade without paying attention to the wider responsibilities entailed in leading an organisation. This in turn paved the way for the highly technical, numerate approach to management education that dominated business practices in the latter half of the 20th century.

Recent events are casting fresh doubt on whether this approach is sustainable. One of the catalysts for this, beyond the global financial crisis, has been the rise of the customer and the demand for innovation in turbulent environments. Customers have simply outpaced the organisation in their changing habits and values. Now control and functional expertise look rather an inadequate toolkit to truly maximise an organisation's effectiveness.

The burning question for Australia is, where do we fit into this race to reform? Unfortunately, the news is bad. We are not just behind - we haven't even started. I got an email the other day from BusinessWeek in the US asking me about the Australian business schools that are leading the integration of design and business. I had to tell the journalist that virtually none of them would understand the question, let alone be doing anything about it.

In Australia, design is still largely seen as a cosmetic art of packaging rather than as the Trojan horse for a new way of thinking. The Cutler report on the future of innovation in Australia is a case in point. It acknowledged the criticality of developing Australia as an innovative country, but it failed to mention the word design anywhere as a key approach. Frankly, if you showed that report to a savvy thought leader overseas they would be amazed at this omission.

My firm is in the middle of this predicament. We are a consulting firm focusing on strategic innovation, and we build our approach around the integration of design thinking and business, but we have to hire all of our key innovation staff from North America. They like coming here because they like Australia and they like our firm, but it is heavily ironic that we cannot hire in our own backyard simply because there is no one to hire.

All of this matters a lot because the outstanding countries of the future will build their success on the kind of leaders they create. Leaders create the environments in which people work, and if Australian leaders continue to be modelled on an outdated view of managers as controllers or technicians, they will perpetuate workplaces that are conservative, political and hierarchical.

However, we need not be pessimistic. Despite our slow start, Australia is well-positioned to lead a revolution in management education. The opportunity lies in our cultural DNA. To illustrate what I mean, let me recount a conversation with an American chief executive working in Australia for an American-owned multinational. He said that while American managers pay lip service to inclusive management, they are at heart command and control leaders who expect compliance. In contrast, Australians, perhaps true to our convict heritage, like debate and challenge. As a result, they are either fired or promoted when they work in American firms. In practice this means that Australians like dialogue and conversation, and they like to think for themselves. What may be holding us back is the same heritage that made us like dialogue: we are convicts at heart and we fear vision and ambition.

If we can mix some vision and passion with our instinct for democratic dialogue, we can forge a winning way of leading that the world is looking for. So far the pioneers are integrating design and business and they are doing it in search of innovation.

The results are exciting but in my view the world is waiting for someone to go even further. Integrating design thinking into business schools will certainly produce more creative managers, but we need to do more than that and reframe the very nature of leadership. Presently business schools, and management itself, rest largely on the foundation of a certain way of thought: the scientific, or analytic, tradition. This tradition has dominated the Western mind since the Enlightenment and we have built our universities squarely around its edifice. And when management became a social science in the 1950s, it traded its position into an analytic science and lost its heritage as an art of leadership. The reason for this loss is simple: leaders don't lead by analysis. They never have and they never will. Common sense tells us this but we can do better than that and go back to the forefather of the analytic method, Aristotle. In about 400BC, Aristotle set out two roads of thought: the analytic method, or the art of deductive reasoning, and the rhetoric method, or the art of creating an effective argument for action through conversation, invention and intent.

Somehow we lost track of the second road but fell in love with the first, allowing it to dominate our conception of what thinking is all about. The common clichés of data, proof, objectivity and cause-and-effect reasoning all owe their origins to Aristotle's analytic method. These tools and assumptions now underpin the Western world, its universities, its organisations and its managers. Analytics appeals to us not merely because of its elegance as a method, but because it appears to offer us control; if I can analyse a problem and come up with answers, then I de facto control the situation. And that, after all, appears to be the art of the manager. The question is: does all this analysis make a person a leader? Aristotle's answer was simple: no.

He never considered the analytics as an art of leadership in any form, and would have been stunned to see what we have done with it. Aristotle created a second road to truth as the bedrock of leadership and he called it, variously, rhetoric or dialectic. These words are hard to use today because they have changed their meaning a lot from when he used them. But ancient rhetoric was the art of leading groups of people into uncertain futures by inventing arguments that could persuade them to take risks.

That is what the Greeks thought leaders did, and they were not far wrong. For the Greeks, leaders did not analyse situations, they transformed them, and they did it by inspiring others to act differently. Look at Barack Obama. His art is the art of rhetorical leadership, convincing America (and the world) that there is hope and a way forward.

While Obama is a shining example, it's also important that we don't limit the need for leadership to just those people we directly label as leaders. It is for anyone who needs to create an effective argument for change that leads to action.

To reform management we need to make it an art of leadership, not just analytics, and this means rediscovering the second road of thought that Aristotle created. Analysis is important but it must be subordinate to the higher arts of leadership that we find in the new rhetoric: crafting compelling arguments from imagination, invention, conceptual thinking, story and purpose. That is why the Australian psyche of debate and challenge is such good soil for rediscovery of an art of leadership, and leading change, based on rhetoric. We just need to turn our natural cynicism into a more constructive style of debate, and rhetoric would teach us to do that by turning cynicism into arguments. An argument is what cynicism becomes when it grows up.

That is why I am working with Roy Green at the University of Technology, Sydney, to rethink management education on three intellectual pillars, not two. The first two are design and business, but the third is rhetoric or the humanities.

There is a real opportunity for the Australian education system to distinguish itself by recovering rhetoric as the third pillar of the reform, as an invaluable tool for creating an effective argument for change. Nobody in the world is doing that yet. If we do that, we will reframe management as an art of leadership, not as a social science. The third pillar of rhetoric will rescue management from its false move to an art of analysis and recover it as an art of leadership.

The mix of the three pillars will be intoxicating if we can get it right and promises to revive a Renaissance-style integration.

The arts of business are largely quantitative and are about analysis and deductive reasoning; the arts of design are about innovation and visualisation; and the arts of rhetoric-humanities are about conceptual thinking and communication. Combined, these provide a powerful set of skills not just for the leaders of organisations, but for anyone - from engineers to corporate middle managers to government ministers - who seeks to inspire innovation.

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