

Management Ideas



FOR STILL BETTER

RESULTS

RELATIONS

REPUTATION

a monthly newsletter to key executive-leaders
on practices, possibilities and ideas generally
for stepped up performance

edited by

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on problem-solving and creative ideas

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3417 SADACHAR BONUS: An electronic manufacturing company faced this problem, namely, how to reward the well-behaved and good-performing worker, without upsetting the conventional increments and without creating an union problem. "We announced a sadachar award. We said 10% of the workers will be chosen to get this award. In cash terms, this meant two months wages. We had criteria like punctuality/regularity and cooperating with others in the relevant departments. In two years time, we found that almost 100% of the operators modified their work behaviour and became eligible for the award! We have therefore to revise our scheme. The point is that the workforce responds to creative compensation schemes." Incidentally, this Bombay company, though situated in the troubled Wagle Industrial Estate belt, has not faced IR problem for years.

3418 24 WAYS TO KILL BUSINESS CREATIVITY: *One great thing about our countrymen is that they are creative. One equally great thing about our countrymen is that they have to go outside the country for their creativity to be appreciated! We kill creativity in our people right, left and centre - the same way others do in other parts of the world. Michael Michalko (author of Thinkertoys - a Handbook of Business Creativity for the 90's) has identified the following 24 ways, to jog our awareness:*

- 1) Never, ever, examine yourself or the way you manage.
- 2) Never hire smart people. Turn down applicants with broad intellectual or artistic interests. Instead look for applicants who are good looking

and make good impressions. The perfect applicant is one who is most comfortable working within the "box."

3) Whatever it is you do, do it over and over and over again. Never look at where your business, market, or competition is going.

4) Discourage all questions.

5) Encourage a corporate mind-set that labels people who are creative as "flakes."

6) Have lots of structured meetings. Kill ideas immediately as they are offered with comments like: "It'll never work," "It costs too much," "it's been tried before," "If it was any good, someone else would have done it," "Get a committee to look into it," "I'll get back to you," "Yes, but....," or try giving dirty looks or silence. If a meeting should produce an idea that you can't kill, demand instant documentation and cost estimates. Require prior assurance that the idea will succeed and let everyone know that their career is "on the line."

7) Force everyone to work with your system. Never tolerate any suggestions that implies that your system may contribute to a problem.

8) Make your strategic plans and goals as vague as possible. Never let your people know what your "real" plans are. Never change your plans.

9) Never offer meaningful incentives or rewards. Maintain that all profits must go back into the company for the good of the company.

10) Never allow people to loosen up in meetings. Something happens when people arouse their playful sides, they start coming up with ideas. Keep things serious.

11) Discourage all initiative. Tell people exactly how to do their jobs. If you hired the right people, you probably won't have employees who are taking initiative.

12) Maintain a highly centralized organization.

13) Do not be accessible to your employees. Always keep your door closed. Use body language to show that you're not to be disturbed.

14) Cultivate blandness. Establish dress codes and symmetrical organizational charts. Discourage anything that might excite employees about their work.

15) Promote your least creative employees as high and as fast as you can. Make them highly visible by awarding them company cars, titles, parking spaces, special bonuses and other perks.

16) If someone offers an idea, tell them it's irrelevant. If they prove it can work, tell them it's unsellable. If they prove it's sellable, tell them you'll create a committee to study it. Make sure no one with real power is on the committee. This way no one with real clout will push it.

- 17) If someone wants to try something new, remind them of all their past failures and mistakes.
- 18) If you notice someone becoming preoccupied with a problem, tell them to think about it on their own time, but not yours.
- 19) Never allow intuitions, gut feelings or hunches.
- 20) If you absolutely must accept a creative idea, provide no feedback whatsoever to its creator.
- 21) Send lots of memos and copies to everyone about playing it safe. When you play not to lose, you don't have to worry about taking risks, innovating or confronting challenges.
- 22) Attend outside seminars that are designed to change the way you think. Then hold a meeting with your employees, and make noises about the need for innovation, creative thinking and risk-taking. Praise these as abstracts "notions," and then don't change a thing about the way you manage or reward people.
- 23) Do not buy or read my book, **Thinkertoys (A Handbook of Business Creativity for The '90s)**. If an employee mentions it, walk away, without comment, as fast as possible.
- 24) When your company is no longer competitive, make sure your employees realize that the collapse of the company was beyond your control. Blame it on the recession, the global economy, the government, unfair practices of suppliers or unethical customers.

3419 TOSHIBA'S BONUS FOR QUALITY:*The conventional sales bonus does not take dealers quite into account. One Japanese company in UK does it and here is a report from Charles Batchelor in the Financial Times:*

Toshiba's UK copier salesmen will not necessarily get bonus payments for hitting their sales targets. Dealers must also conform to the company's quality programme to gain their sales incentives.

Two years ago Toshiba launched a campaign to persuade its complete UK dealer network to register for BS5750, the widely used but increasingly controversial quality systems standard. It recently decided to provide an additional encouragement by linking incentive payments to adherence to its quality programme.

Number three in the UK copier market after Xerox and Canon, Toshiba has focused on its quality programme to boost customer satisfaction, says Angus Drever, general manager. Thirteen of the company's 80 UK dealers have qualified for BS5750 and another 20 have applied for registration. Toshiba hopes to have its entire network registered within the next two years.

BS5750 has attracted criticism because it is not a guarantee of product or service quality but a measure of the consistency of a company's internal procedures. In theory it could be obtained by providing a poor but consistent level of service.

To flesh out the standard, Toshiba insists that its dealers agree to implement its code of practice, provide an eight-hour response time and regularly monitor customer satisfaction. "We could have set a 16-hour response time but nobody wants to wait two days for a repair," comments Drever.

Under the second stage of its quality programme, Toshiba has tied dealer-incentive payments into a 10-point quality programme.

It is too early to say whether the incentive scheme will provide an additional boost to customer satisfaction. But it does indicate that quality systems require an attention to detail that goes well beyond buying a certificate off the shelf.

3420 HOW IBM FIGHTS BACK: *IBM which has been a consistent winner for decades, got into bad times recently and that was big news. It proved, among other things, that eternal vigilance is not merely the price of liberty but business leadership as well and even giants can dip. IBM is fighting back and is on the comeback trail and there maybe a few lessons for us. Here is a story by Jack Falvey in the Wall Street Journal.*

Last week Louis V. Gerstner, IBM's first chief to be brought in from outside the company since April 1914-when Thomas J. Watson Sr. joined what was then called Computing-Tabulating-Recording--made his most important turnaround decision to date.

Mr. Gerstner decided to listen and act on the recommendations of his 200 top customers, rather than on the advice of his internal management team. He walked away from the turf wars of competing lines of hardware, software and consulting services to come down squarely on the side of the customers who requested continuity in the relationships they have built with the company over the years. Recognizing and protecting that intangible asset has been identified by Mr. Gerstner as a key focus of his sales organization.

Contrary to the standard turnaround strategy of reorganizing everything in the hope of getting something to work right, Mr. Gerstner's measured approach of rebuilding IBM's strength in sales is an encouraging sign that Big Blue may be on the comeback trail.

Few managers realize that 80% of the sales process is controlled by specific knowledge of a customer's business. Applications experts and industry specialists are secondary to the relationship of trust built by a skilled, professional salesman with his customer. And the proper function of a successful sales organization is to provide the sales representative with the goods and services necessary to help his customers do business more effectively.

When John Patterson built National Cash Register's international, top-class sales team, he did it by going into the field and asking customers what challenges they were facing in handling funds (and employees) at retail. To encourage business owners to confide in his salesmen, he required his representatives to dress as professional business people rather than in the more casual attire popular in his day.

The white shirts that Watson took with him from NCR when he left his boss, Patterson, behind weren't the only changes that he implanted at IBM. The concept of a protected geographic territory was also an NCR innovation. It gave the company one face to the customer and fostered professional partnerships.

Businesses have changed dramatically over the years, but the needs and expectations of customers haven't. The concept that Patterson passed on to Watson in the early days of this century--building continuity and relationships of trust--is exactly what Mr. Gerstner's customers in the 1990s have asked him to protect.

IBM's next move must be to determine what products and services it can most profitably sell because of its strong customer base. If the industry is moving rapidly from hardware to software to consulting services, so be it. However, if IBM's product offerings are too complex for its sales team or customers to understand, perhaps the problem is with its products rather than its sales team.

The trend toward selling consulting services has not been a difficult skill for IBM sales people to master. But having sales representatives bill their hours to a client means that you will have neither full-time sales professionals nor full-time professional consultants. Combining those two functions does not build on IBM's strengths. IBM has the consulting, software and even hardware resources in house to compete successfully in today's marketplace. Selling should continue as a separate discipline.

Unfortunately, in the past, IBM has organized itself out of emerging markets. In the 1970s, when customers wanted computer screens on top of their Selectric typewriters, IBM couldn't respond because its office products group was constrained from developing a product with a computer screen that competed with IBM's own computer group. Wang, on the other hand, was right in tune with customer needs and had no trouble combining the technologies of the typewriter and the computer to produce the Wang Writer. By the time IBM combined its two divisions to produce a similar product, the market had already been widely penetrated by competitors.

In the 1980s, IBM organized its sales team to get bigger and bigger hardware accounts ("elephant hunting"). In doing so, it walked away from its smaller customers at just the time when they were looking for the minicomputers and workstations they needed to stay competitive in the information age.

After these missteps, Mr. Gerstner is acting quickly to turn up the volume on customer desires and complaints. Listening more carefully to customers will not only help IBM in reorganizing its sales force, it will also help it bring the right products and services to market.

Of course, this is not easy. The fact that many groups within IBM would like to have their own independent sales staffs is an indication that the company has not reidentified its core business and its appropriate sales focus. When a company enjoys long-term sales success, products and services supplemental to the base product ("flanker products") seem to grow geometrically. Sorting out the apparent future winners is a daunting task.

Nevertheless, building on (or rebuilding) IBM's traditional sales strength is a great comeback strategy. IBM was once so tuned into its customers that it knew before they did what they needed next. It had no peer in quality and customer responsiveness. Having succeeded at all this before indicates that it could succeed with the same strategy again.

It's a good thing that Mr. Gerstner doesn't know much about the computer business. Otherwise, that expertise might blind him to the more fundamental basics to which he seems committed.

3421 SALES COMMISSION AND CUSTOMER SERVICE: It's important to reward salespeople for meeting and beating sales targets. But if you leave out their records on customer service, you're missing half the battle, writes Small Business Reports (July).

Incentive programs can be far more effective if they include rewards for meeting a customer's ongoing needs. Providing on-the-spot cash bonuses every time a customer praises a salesperson by letter or phone call is one way to go about it.

Rewarding repeat business is another approach. You could, for example, double or triple the original commission for a sale every time the customer comes back for more. On the flip side, you might want to deduct credit for sales that lead to unhappy customers who fail to pay their bills or decide to cancel orders.

Pegging rewards to team results is another way to ensure customer satisfaction. It sends the message that everyone who interacts with a customer is responsible for all aspects of that relationship.

3421 TRENDS FOR THE TWENTIES: *Proactive management means closely watching trends and taking advantage of the relevant ones. Trend watching has become a business specialty, therefore. Professor Gus Kalogeras has this to say:*

Four major trends will greatly effect the business environment in the year 2000.

* Trend 1: Global markets: We have all heard this prediction, which is already reality. It's tied to the quest for lower production costs through greater volume.

If a U.S. firm were planning to produce 1 million units for the U.S market only, while a Japanese competitor were planning to produce 10 million units for the world, the Japanese manufacturer will have the lower production costs and price.

This factor, more than any other, is driving the global markets trend.

* Trend 2: Increased diversity: Studies predict that 30 percent of the work force will be Spanish-speaking by 2010. The white male will become the minority, and the labor force will become older, with the associated increased medical benefits.

Benefits will put more emphasis on adult care (employees' parents) than on child care.

Contd.../

* Trend 3: Greater public policy emphasis: In the 1950s very few colleges offered a course on public policy because its importance was minimal. Today, chief executive of most large companies spend the majority of their time on public policy issues mainly involving the environment and ethics/values.

There are so many examples of poor ethical choices made by business: cigarette advertising, flammable children's pajamas, junk bonds, and the savings and loan crisis, to name a few. There are also some good ethical examples: recalls of Perrier water and Tylenol pain reliever.

* Trend 4: Accelerating technological change: By the year 2000 we will have not just personal computing on every desk but also very personal computing: portable wireless networks. Managed digital information will be found everywhere.

Television processors will be faster than today's fastest graphics processors. Children's toys will have faster processors than do today's PCs and workstations. The distinction between media, networks and even industries (like publishing, entertainment, computer) will crumble.

* Result 1: Information explosion. With rapid technological change comes huge volumes of information. Researchers measured the amount of information that existed from the beginning of man to the time of Jesus Christ. They then estimated how long it would take to recreate that same volume of information.

By the time of Columbus (1,500 years) the amount of information had doubled. By World War II (500 years) the information doubled again. By the Vietnam War (20 Years) the information doubled again. Computer performance is doubling every two years, which facilitates this information explosion.

* Result 2: Specialization, decentralization and worker empowerment. No one can absorb all of the information being created, so we have more specialists. Workers are becoming the specialists. In the better-run companies they are now being empowered to make decisions, and decision making has to be pushed down to the lowest level.

I was at United Motors in Fremont, Calif., where Geos are built. Officials said, unlike most companies, the graveyard shift was the most productive. I asked why. They said that they were not sure, but that the only difference between the shifts was that there were fewer managers around on the graveyard shift. That is empowerment of the worker.

* Result 3: Flat, networked organizations: Those empowered workers can leave messages for the president of the company through computers. They don't need white-collar workers moving data up and down a pyramid-type organization.

I think that this is the main stimulus behind the huge restructuring/downsizing taking place today, the white collar layoffs and organizations becoming flat, rather than hierarchical.

* Result 4: Emphasis on long-term profits, short product design cycles and quality. With rapid technological change, the product cycle keeps shrinking. Since the profit from one generation of a product is needed to finance the development of the next generation, no one can afford a major product flaw or recall.

* Result 5: Emphasis on process rather than on function and leadership rather than on number-crunching.

Shrinking product life cycles require quick decisions. That not only results in the empowerment of the worker, but it also facilitates team building.

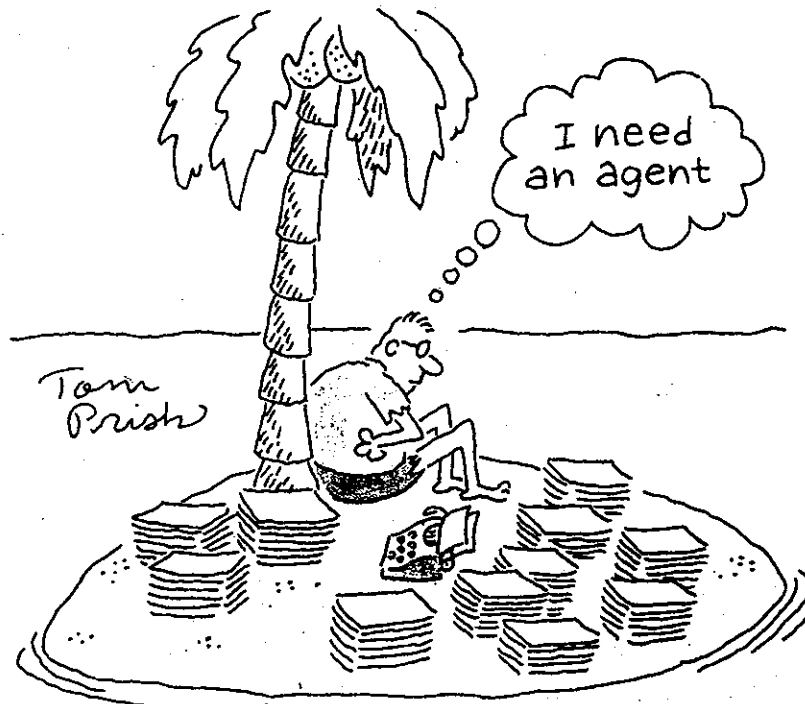
Leadership skills become more important in the team environment. The number-crunching emphasized in business schools is more for the lone worker, not the leader who has to motivate the team.

3422 LAUGHING MATTER?

"Folks, the subject of my sermon this evening is 'Liars'. How many in the congregation have read the 69th chapter of Matthew?"

Nearly every hand in the audience went up immediately.

"That's right," said his reverence. "You're just the folks I want to preach to. There is no 69th chapter of Matthew."



Edited, Printed & Published by N.H. ATTREYA OF MMC SCHOOL OF MANAGEMENT
3E1, Court Chambers, New Marine Lines, Bombay 400 020.

Annual Subscription Rs.190/-.