

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

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**INNOVATION
THE KEY:**

Here are the results of a Canadian Survey as reported in *The Globe and Mail*. It is time we make similar surveys in our country too. Though the findings may not be far different, it will be easier for us to relate. There are a few things that are acultural though and one such is innovation. What is urgently needed is a leadership that plumps for creativity, a management that creates a climate for it and an employee force that adopts a creative approach both work and home. The educational and training facilities are happily available in the country. This Editor and his associates form one such resource.

There's simple but important difference between very successful small businesses and those with less stellar growth: **The top companies innovate.**

They give high priority to technology and spend more on research and development, according to a new study by Statistics Canada based on a survey of almost 1,500 companies. They also stress inventory control, process control, reducing energy costs and their use of materials, both old and new.

"Innovation matters," said economist John Baldwin, who carried out the survey.

That's a blunt, bottom-line summary of a study that Mr. Baldwin said upsets much of the conventional wisdom that university business schools teach their students about small business.

He said the popular view has it that small businesses don't train their workers, don't export their goods and services, don't carry out R&D and are constantly at the mercy of their bankers because they don't have long-term capital invested in the business.

His survey turned up quite different results:

- * More than half the companies provide training for their employees.
- * Small business in all regions of the country are outward looking, selling either in other provinces or abroad.
- * More than half have introduced an innovation recently, even though many don't have a formal R&D unit.
- * More than half of their capital comes from equity and long term debt, not short term sources like bank loans.

The study was based on replies to a survey sent out in 1992 to 2,157 companies that had fewer than 500 employees and less than \$100-million in assets in 1984. To be eligible, they also had to have demonstrated rising employment, assets and sales between 1984 and 1988. The average company responding to the survey employed 44 people in 1989 and had sales of \$6.6 million.

Having narrowed his search to companies that were successful, Mr. Baldwin's survey was designed to find out what tactics they had used to grow.

As a group, they saw themselves as meeting specific customer needs and providing high-quality products.

Each was asked to rate itself on a scale of 0 to 5 in a number of categories. They attributed their growth almost as much to the skills of their workers (2.9 on the scale) as to their management skills (3.3). Marketing skills won a 2.9 rating.

The Statscan survey went further by dividing this already successful group into two - the ones that displayed moderate growth and the high fliers who had gained the most market share and higher profits.

"The emphasis placed on innovative activity is the most important difference between the two groups," Statscan said in a release.

The top group rated their ability to adopt technology 12 per cent higher on the scale than the lower group. They rated their ability to use R&D to innovate as 42 per cent higher.

The ratio of R&D spending to sales was 65 per cent higher for the more successful group than the less successful. Companies in the former group are twice as likely to have an R&D as a percentage of their total investment.

"Successful firms must master a number of things," Mr. Baldwin said in an interview. "A few things will drive you to the top."

He said R&D on its own was less important than a willingness and ability to innovate across a wide range of activities, whether it involved introducing new products, penetrating new markets or adopting new technologies.

The big differences showed up in the kinds of things top companies emphasized more than their less successful counterparts:

- * Developing new technology - a 21 per cent higher score.
- * Refining the technology of others - 16 per cent higher.
- * Improving their own technology - 7 per cent higher.
- * Process control - 26 per cent higher.
- * Using new materials - 19 per cent higher.
- * Using existing materials more efficiently - 14 per cent higher.
- * Reducing energy costs - 15 per cent higher.

As a rule, government programs designed to help business ranked last on the companies' list of contributors to their success. Mr. Baldwin said the only ones they seemed to like were R&D tax credits and export subsidies that helped them explore and develop new markets.

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UPDATING
OUR
OFFICES:

Office cost has been given attention for a few years now. Office comfort? Not so consciously till recently. What is current thinking, what are the current practices? A team attempted to answer the questions and the answers are found in the recent publication, Office Access. The accompanying review is by Barbara Noble in the New York Times.

By commission or omission, how offices look is no coincidence. Most Fortune 500 companies are organized and furnished by design. Decisions about who goes where and gets what perk are deliberated. Smaller businesses have tended to cobble their corporate look as they grow and develop, but how the use of office space evolves still reflects, de facto, relationships between co-workers and their differential access to power.

A nifty new book called "Office Access" is designed to guide businesses through the tricky waters of planning an office, from the sublimina of distributing offices to the nuts and bolts of choosing curtain fabrics or lighting fixtures.

True to its name, it makes accessible what might be called the semiotics of office design - what the position of a desk means, say, or the proximity of one person to another. It is intended for smaller businesses - the biggest growth segment of the economy - wanting to be more deliberate about spatial relationships.

But because the book throws down a challenge to conventional thinking about space, it could certainly find a home at larger companies too.

"Office Access" was commissioned by Steelcase Inc., a maker of office products based in Grand Rapids, Mich., and is being brought out by a San Francisco information and electronic publishing firm that goes by the name **The understanding Business** (or TUB). The book will look familiar to anyone who has used TUB's distinctive, graphicshappy "Access" city guides. As in those books, text shares equal billing with photographs, columns of epigrams and data-rich charts and diagrams.

The book's writers - a committee, according to Mark Johnson, TUB's president and creative director - don't quibble with the truism that space and proximity are indexes of power. But they observe that the evidence of outmoded management thinking is obvious in many corporate environments. Some of the misguided assumptions about the best way to organize the office:

* **Title and organizational status should determine the location, size and furnishings of an office.** Until recently, it may not have mattered that vice presidents - of whatever - were removed, perhaps by several floors, from the people who work for them or, by walls and secretaries, from their peers. Under today's management styles, executives should see continuities between departments. Woe betide the marketing exec who doesn't understand finance. And the book raises the question implicit in the current enthusiasm for managing by walking around: "How effective can you be if you're away from the action?"

* **People who do the same functions should be grouped together.** A holdover from the days when managers thought "little people" like accountants or salespeople ought to be segregated for efficiency. It makes more sense to assume that people in different jobs, like executives in different divisions, will learn from each other and apply what they learn to their own jobs. Companies can encourage encounters outside the immediate work group by, for example, weaving a path to the elevator through work stations.

* **Coffee rooms, drinking fountains and lunchrooms are wasted space and possibly an invitation to poor work habits.** Threats of layoffs and downsizing may give managers the upper hand, but whip-cracking is a mistake. "Office Access" asserts: "Good conversation breeds good ideas, and serendipitous conversation breeds the best ideas of all." In other words, work often continues during break and meals, when the employee theoretically is on his or her own time.

If the book offers a guide to managerial philosophy on the macro level of allocating space, it also helps with the more prosaic decisions that everyone will have to live with day to day.

It offers suggestions for prevention and relief of carpal tunnel syndrome, by now well documented as a scourge of the millions of workers who use keyboards.

It also provides a guide to other potential irritations and threats to health. Deciding on the type of lighting, for example, may seem to be a "mere" technical problem, but as one of the book's charts indicates, the decision begins with the fact that there are several types of artificial light. And as other diagrams show, ambient light, wall surfaces, computer screens and glass create an almost infinite number of aggravating light-reflection glare combinations. Which makes light - as in simple old fiat lux - one of the most complicated elements of office design.

Mr. Johnson cautions that the book is not intended to be a substitute for an architect or a design consultant. But what it clearly can do is prepare a company to work with the pros when they arrive.

Some of the First Questions.

"OFFICE ACCESS" ends with an inventory of questions businesses should consider before redoing office space. A sample follows:

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How does your office renew and reward people's performance? How are people motivated to work effectively? Is everyone on a career path? What type of management's style reigns? Is work team-oriented and does the office physically make it easy for people to work together?

*

How are people organized in terms of proximity? Are they placed near others whose work they support? Does everyone have access to equipment like copiers and fax machines? Is there a place for quiet work? Is it easy to get from office to office?

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What kind of structure does your company have? Do people's job titles match their job descriptions and their responsibilities? Do employees have any say over their environment? Does everyone have enough room?

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Are your office seats comfortable? Is there a lot of sneezing and illness in the office (possible indicators of poor air quality)? Are glare and reflections a problem? Is work compromised by lack of privacy? Are there any views? Can they be shared by everyone?.

3472 JAPANESE PRACTICES:

What works for one country may not work for another. Even in the same country, what works for one industry may not work for another. In the same industry itself, what works for one company may not work for another company. In appropriate management, there is no substitute for judgement. We have to adapt and adopt. Here is a recent survey of Japanese practices by a Japanese professor.

There is a view, deeply ingrained in the traditions of Western management, of the organization as a machine for "information processing." But the hightech company of today needs to be much

more than that. It needs the ability to respond quickly to customers, create new markets, rapidly develop new products and dominate emergent technologies. This necessitates a more holistic approach, which sees the company not as a machine but a living organism that can have a collective sense of identity and fundamental purpose.

In terms of technology management in high-tech firms, corporate managers have to think about "pulling" technology toward collectively defined goals, while scientists and engineers are "pushing" technology.

However, the process of transforming research into practical application involves navigating between two distinct corporate cultures - operations, and research and development.

The mechanisms for vital bridge building between these cultures should be nurtured in both organizational and management practices.

Effective tool.

In Japan, some believe that cryptic slogans, which may sound silly to a Western manager - and perhaps more appropriate for an advertising campaign but certainly not for running a company - are in fact highly effective tools for managing the high-tech company.

Indeed, Japanese managers of hightech firms often go to considerable lengths, including the adoption of slogans, symbols, cartoons and metaphors for their business, to ensure that every employee shares a common vision of the firm, its mission - and even its "creed and culture." They see the use of such figurative language and modern symbolism as an effective way to articulate and propagate tacit organizational knowledge.

Observers are often struck by the clarity with which executives of these Japanese high-tech firms express the explicit relationships between business conception, corporate organization and technology strategy. It is also frequently noted how distinct these visions are among the firms. Here are several examples:

NEC Corp.'s self-defining logo, "C&C" (Computers and Communications), is more than just a wording for corporate identity. As opposed to a thinly veiled phrase to strengthen brand image, the C&C logo represents the entirety of NEC's corporate strategy, spanning both business and R&D strategies. It is intended to represent the technological and market fusion of computers and communications. Indeed, NEC is using the "C&C" metaphor for formulation and planning of its corporate and technology strategy.

Essential element.

In its attempt to emphasize that technology is the root of

organizational knowledge, NEC uses the image of a tree to represent the company: the branches are the five product groups, the roots the set of core generic technologies; and the sun represents customers - an essential element to keep the roots of the tree strong and healthy, even when it is not shining (that is, even when sales and profits are poor).

On the other hand, Toshiba Corp. sums up its corporate identity as "E&E" (Energy and Electronics) - namely, energy as the base of everyday life, and electronics as a driving force behind today's highly sophisticated information society.

Today, Toshiba operates four corporate R&D laboratories. The firm's strong emphasis on research is ascribed to Kisaburo Yamaguchi, who fostered basic research in the firm and came up with the adage: "A manufacturer without R&D facilities is like an insect without its antennae." The implication is that research is supported primarily in order to maintain a window on future trends and cover any future competition.

Konosuke Matsushita, the founder of Matsushita Electrical Industrial Co. had a "tap water" metaphor for consumer products - to supply electrical appliances to consumers with the same flow and abundance as tap water.

Listening to customers.

With this philosophy as a basis, Matsushita has always focused on products in consumer-related areas. Historically, Matsushita's development engineers have been encouraged to work closely with manufacturing, marketing and sales counterparts. This policy was demonstrated most recently by a campaign in which teams of Matsushita and sales shop employees visited 10 million households throughout Japan to listen to customers' comments on various consumer-related products.

Sony Corp., meanwhile, defines itself as an audiovisual device supplier with the "finest sound and picture." In its 13-year project to develop an electronic camera of high image quality based on charge-coupled device technology, Iwama, Sony's President at that time, encouraged his engineers by identifying a "big target" for their efforts.

Identifying the firm's key competitor as Kodak, Iwama said the target was not merely the replacement of imaging tubes in video cameras, but the creation of an electronic, rather than chemical, technology for making pictures.

In order to demonstrate a cumulative process of technological diversification based on internal development, Sumitomo Electric Industries Ltd., uses the "Bamboo Garden" metaphor. This image suggests the growth of many different stalks of bamboo (that is, products) over the course of time, each clump of bamboo nourished by underground roots. Propagating through its underground roots, bamboo emerges in clumps separate from a common root system.

Horizontal coordination.

According to Masahiko Aoki, Profesor of Economics at Stanford University, horizontal coordination among operating units based on knowledge-sharing, rather than skill specialization, is an important internal characteristic of Japanese firms.

This contrasts with the hierarchical coordination that is more familiar among Anglo-American theoretical economists.

In the stable markets for which fairly standardized products are supplied, informational efficiency can be exploited by hierarchical coordination and economies of specialization. However, Aoki goes on to explain that the efficiency of the hierarchical mode of coordination may become problematical when diverse consumer tastes come to demand a variety of products; when demand shifts in a volatile fashion from one variety to another; and when the need to deliver ordered products without delay becomes imperative for gaining a competitive edge.

Can we prove that the use of figurative language such as metaphors is especially effective in the corporate management of high-tech companies? In the horizontal mode of coordination, some methods must be developed to coordinate among interrelated units. Can all the above-described efforts made by Japanese high-tech companies be interpreted as a way to make this horizontal coordination possible?

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Humour, said JB Priestly, is thinking in fun and feeling in earnest. Moreover, it can become news. Since for most people news is the only way to continuing education, contests of this kind we too should go for.

**3473
AWARD FOR
OFFICE
CLUTTER:**

According to Cox News Service, Atlanta businessman Steve Jordan takes top honors for his. He recently won an award from the Professional Organizers Collective of Atlanta for the disgusting clutter in his office.

A retired IBM employee who runs a couple of free-lance businesses from home, Jordan says he doesn't understand it himself. "I was always a neat freak at the office," says Jordan, whose secretary used to pick up after him. Now he lacks time and space to file things. It's a classic complaint. His mortgage broker business is in one huge pile of paper. His house rehab projects are in another. Receipts, letters, computer printouts and yellowing newspapers are everywhere. Scores of names are scattered about on business cards, Rolodex cards, note pads, even paper napkins.

What's the solution? "Maybe a small thermonuclear device," Jordan says. But wait. In observance of National Get Organized Week, POCA is giving Mr. Messy \$200 in office supplies, plus a halfday of advice by four organization experts.

Organization expert Patty Chirico says she'll go in with big black trash bags and color-coded file folders and show him how to declutter his desk, regulate the information flow and whittle the piles of paper.