

Management Ideas



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

edited by

N. H. ATTHREYA MA PhD

author, educator & consultant

on problem-solving and creative ideas

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**3501
A PORTUGUESE
CORPORATE
STORY:**

We hear of stories of U.S.A., UK, Germany and Japan not of smaller countries. They too have heart warming stories of pace-setters. One of Portugal we found in a recent issue of Financial Times.

"My head is in the clouds but my feet are firmly on the ground," says Belmiro de Azevedo. The management philosophy of one of Portugal's most successful businessmen is rooted in the down-to-earth values of the poor village where he was born and the capacity to dream that helped him climb to the top.

By drawing on the spontaneity, aggressiveness and frugality that characterised his background, Azevedo has built the Sonae group into Portugal's biggest private-sector conglomerate, with 1993 sales of Es228bn (\$1.4bn). The company was an almost bankrupt chipboard producer with an annual turnover of only Es5m when he was taken on as a researcher in 1965.

Azevedo, 56, tempers Latin passion with a dedication to education and a determination to rise above local horizons and take a global view. Partly thanks to his efforts,

Portuguese management style is no longer a prerogative term used to describe sleepy, family-run businesses unaware of international competitors until it is too late.

The son of a carpenter from a village near Oporto, Azevedo was given a job at Sonae soon after graduating as a chemical engineer. The owner was president of the sports club where Azevedo made a name for himself as a handball player. The young graduate turned the business around and was rewarded with equity.

As he expanded the group, Azevedo succeeded to the chairmanship, becoming principal shareholder along the way. He is now thought to be the third richest man in Portugal, owning assets worth an estimated Esl05bn. Sonae's industrial arm is still focused on wood-based products, a sector where the group dominates the Iberian market and has ambitions to become a European leader.

But a perceptive move into distribution in 1982 took it into an altogether bigger league. "Portugal was in the stone age in terms of retailing and an explosion was imminent," says Azevedo. Sonae's supermarket and hypermarket chains now lead the Portuguese market and account for 82 per cent of group turnover. Sonae's other core activity is commercial real estate.

Normally on the offensive, Azevedo is currently playing a defensive role in Portugal's biggest takeover battle. Led by Sonae, the core shareholders of Banco Portugues do Atlantico, the country's second largest bank, are fighting a bid by Banco Commercial Portugues, the fifth largest, to acquire a controlling stake of 40 per cent of BPA.

Family was the first nest of Portuguese management tradition that Azevedo flew. His own appointment and promotion was based on merit and he enforces the same policy. "A sense that people will rise just because they are family members is the worst possible climate for a corporation," he says. "Following the northern Portuguese custom would make it very difficult for Sonae to motivate the best managers."

However, Azevedo does follow his executives' progress with fatherly concern. Sonae has no human resources division for its 8,790 employees. But Azevedo devotes considerable time to personally guiding the careers of the group's top 100 managers. He is keen to ensure that each manager is in the position where his or her abilities are best put to use. As a result, Sonae has a reputation as a management school equal to any of the specialised academic institutions that have recently emerged in Portugal.

Small as Sonae was when Azevedo joined, the company exported to more than 60 countries and he spent three months a year travelling abroad.

The international outlook he gained is another quality that distinguishes Sonae from many Portuguese companies. "We approach strategic and organisational issues in global, regional and local terms and strive to be at the cutting edge of technology at a international level," Azevedo says.

Such is his drive to dominate trends affecting the group that there are often more Sonae managers at international business conferences on relevant issues than all the other delegates put together. One result was that supermarkets in Portugal were unexpectedly the first in Europe to have every checkout equipped with a scanner.

Education helped Azevedo rise above his background and today it is one of the assets most valued by Sonae. Azevedo himself spends two to three hours a day studying the latest management thinking and attends courses around the world. Dedication to self-improvement is a feature of the Sonae culture and managers are encouraged to spend time teaching at universities, as Azevedo did during his early career.

Azevedo supports academic learning with the common sense values of his upbringing. These tell him, for example, that much current management writing is "bunk, oldhat or repetitive".

Outside the office, he most enjoys conversing with the small farmers who live near his modest farmhouse. Frugality is a hallmark of Sonae and the successful leveraging of resources has played an important role in the group's expansion.

Emotion is also a vital element of Azevedo's management style. "You can't take a purely scientific approach to innovation. You must have dreams and visions as well," he says. "I think Latin managers have more flair for this. The margin of error is higher but they are more aggressive in pursuing new ideas."

Azevedo's own combativeness partly stems from a lifelong passion for sport. He says he is addicted to the 90-minute workout that begins his day. "We can be aggressive with each other in Sonae. If you are too polite the message sometimes doesn't come across as it should." The right degree of stress is important, too. "I don't know of anyone who has broken a world record while they were training," he says.

Azevedo is reluctant to acknowledge criticism that his own pugnacity has, in the past, led to a despotic approach to running Sonae. Today, he says, he is involved in less than 10 per cent of decision-making. Associates commend him for recognising his assertive traits and building mechanisms of control and delegation into Sonae that protect the group from any dictatorial inclinations.

Four months' absence following an operation last year showed Azevedo that Sonae could prosper without him. It has also taught him that he can afford to spend less time on close

control of day-to-day affairs and devote more to strategic thinking. "I used to spend about three hours a day taking calls or writing to people," he says, "now I've cut it down to 20 minutes." More time for dreaming...with his feet on the ground.

What is new is fashionable not only in fashion industry but also "management industry." The implications are different. In the former, a few individuals are affected - with their consent. In the later, many are affected - without their consent. While we should certainly consider promising developments, we can ill-afford to jettison commonsense practices. Mott L.L. Groom, a consultant himself, has spelt out these commonsense practices in A to Z form (in the Boston Business Journal).

3502
A TO Z OF
COMMONSENSE
MANAGEMENT:

American business owners and managers are being "reengineered" with quick-fix business advice which makes more money for the authors than for the targeted audience. The only people who are thriving on this chaos are the consultants and professors with glib solutions to very individual problems.

"ABCs for CEOs" is a rebuttal to this American phenomenon. My objective is the return of common sense and intuition to the business owner and manager.

* Ask at least one dumb question of a subordinate each day. This will make you better informed and seem more human.

* Be a Philistine, banish culture. Substitute and nurture style ...preferably your own. Befriend busybodies. Feel the pulse of the organization through informal communication channels.

* Cheerlead often and openly. Be seen as supportive, involved and persistent.

* Delegate ruthlessly and to the lowest possible level. Let someone ambitious and energetic experience sleepless nights.

* Exact enthusiasm by exhibiting same.

* Forget fads. Follow Peter Lynch's advice, "read novels."

* Glance to the rear when leading; make sure they're still following.

* Hire and fire on attitude.

* Implode the bureaucracy.

* Jettison deadwood and naysayers.

* Kinetize the sales force with exciting products, incentives, and recognition.

* Liberate management from boards (or if you are chairman, vice versa), laud achievement, preferably through a company newsletter or magazine.

- * Manage by SUBjectives, especially if there are people in your organization.
- * Neutralize the lemming syndrome. Act individually, intuitively and even irrationally.
- * Organize around key people and objectives. Never let structure become dominant.
- * Pair principles and style (culture) for strategic direction; delegate tactics and action plans based on that foundation.
- * Qualify your quantifiers and vice versa.
- * Reengineer intuitively. Avoid rational exclusion of premonition. Right braining can be immensely profitable. Rotate key people and positions. Endure some mistakes to broaden and strengthen.
- * Suffer fools and naysayers before sycophants. Toadies inflate egos and mistakes.
- * Thrive on opportunity. Rise above chaos.
- * Underwrite new approaches, products and services coming from the field.
- * Visualize vision, but do it on your own time.
- * Walk around and manage, then get back to work.
- * X Axis business plan profits, against...
- * Y Axis stock price.
- * Z Axis the legal department, move them to a dimension as remote as possible. Call it a new paradigm.

**3503
AN INTER-
NATIONAL
SALES
SURVEY:**

A recent international survey of sales personnel covered UK, France, Italy and Germany. We can approach the findings nondefensively, therefore. They, however, may hold pointers for us in India, now that more and more of us are deciding to go global.

Salesmen and women are commonly portrayed as unloved, foot-in-the-door creatures, whose superiors provide motivation principally in the form of alternate bouts of public humiliation and recognition.

In recent weeks, salesforces have received an even worse press than usual, with revelations from the UK financial services sector of dodgy advice to clients, lack of training and poor management controls.

Now there appears to be fresh evidence of incompetence - although salespeople have some of their own grouses, too, about the inefficiencies of their organisations.

A survey conducted by Kinnaird Communications Group, a Glasgowbased consultancy, claims that only 5 per cent of field sales staff "possess the requisite natural selling skills that make them stand out as professionals", while 35 per cent "just manage to pay their way", leaving "an astounding 60 per cent just there for the beer".

Kinnaird says it arrived at these figures after an exercise which involved: questioning about 1,000 salesmen and women operating in the UK, France, Italy and Germany; looking at sales records; and talking to chief executives, supervisors and customers. The findings, says Robert Kinnaird, managing director, were supplemented by observations over many years among clients' salesforces.

The tiny portion of the day apparently spent face to face with potential customers is astonishing. Kinnaird calculates that, out the average salesperson's day, 42 per cent of the time is spent in the car, while 26 per cent is spent at home planning, having lunch, telephoning, writing reports and parking the car. That leaves less than one-third of the time on customers' premises. However, all but perhaps 5 per cent of that time will be taken up by fruitless "cold" calls, waiting in reception, interruptions and, in the case of the poorest salespeople, inadequate advance planning and an excess of small talk.

Much precious face-to-face time was found to be spent talking to people with no influence on the purchasing decision. An unproductive monthly call cycle, made up of "tea and sympathy" visits, is the only outlet for salespeople "to find solace or escape from what they regard as a very lonely existence," says Kinnaird.

Salespeople complain of inadequate marketing and advertising support for products from head office, poor sales literature, and products or services provided more cheaply by competitors.

A particular irritation seems to be that few marketing managers or, indeed, chief executives, have any direct field sales experience. This point is endorsed by Paul Williams, a former sales director for Philip Morris cigarettes, and now a course director with the Chartered Institute of Marketing, the professional body which organises sales training. Says Williams: "The bane of my life is the fact that most chief executives have a financial background - probably the worst background you can have to motivate salespeople. The way you get salespeople to respond is to create the right attitudes, emotions and feelings in them."

He also believes that Kinnaird's figure of 5 per cent for the sales elite is probably about right: what sets this upper tranche apart is charisma in a sales situation, he says.

Apart from the elusive charisma, the other main qualities that make a successful salesperson are a sense of humour and good planning and preparation skills, says Williams. "They certainly also need initiative, because nearly all of the time they're on their own, as well as a belief in their company and their products or services. They've got to believe in their colleagues - the people in accounts, marketing and distribution - and finally, they have to believe in themselves."

John Hunt, a professor at the London Business School who has assembled a vast databank of occupational profiles, adds to that list of qualities, physical energy, tenacity and resilience in the face of rejection. The salesperson's primary motivator is recognition, hence the "religious events where everyone gets a prize one way or another", he says. It is not so much that effective sales staff like people but they enjoy "the game of using their own interpersonal skills to hook someone on to their sale".

Fiona Rogers, the Chartered Institute of Marketing's own marketing director, says there are "always going to be naturals, but the training of a salesman is absolutely critical. It's not just a question of product training in the features, benefits and uses of the product, but it's also about the techniques of selling. Good-quality training can override the lack of some of the personal skills".

As well as improving training, Rogers believes the value of the salesperson to the organisation is often not exploited. Her words will be welcomed by the unloved ranks of salespeople. "They are your frontline people. They are a most valuable information source, not just on customer attitudes and preferences, and what's going on in the marketplace, but also what the environment is like for the competition."

3304
ASTUTE
INTERVIEW-
WING:

Interviewing has been described as an art. When you study the successful practitioners, you find some key strategies they adopt. Here are some:

Prepare in advance. Be sure you understand the job requirements and the type of personality best suited for the position. Study the resume and draft a list of questions.

Define the interviewers' roles. If you have several employees interviewing, each should be assigned a role and a different set of questions. You want to make sure that you get all information necessary to make a good decision. One interviewer should be the 'point person,' providing an overview of the company. She should be the most outgoing of the group. Then there's the 'technical evaluator,' who assesses the candidate's experience relative to the job requirements. The 'overviewer' discusses corporate culture and digs into the candidate's interpersonal skills and motivation level. And the 'salesperson,' who may have come on board recently, helps clinch the deal.'

Talk less. Interviewers don't spend enough time listening. You should spend only one-third of the time talking about the job, asking questions and responding to questions. Candidates give away tons of valuable information-about their character, work ethic and attitudes-that can help you make a decision. But you must listen between the lines.

Probe for information. Experts recommend "situation interviewing," in which you present a case study related to a specific job function. To a candidate for a customer-service position, you might say, "An irate customer called to complain about a late shipment. How would you account for the delay?" That way, you won't get a canned response. The answers are more spontaneous and insightful.

Open-ended questions also yield revealing information. You don't want the candidate to utter 'Yes' or 'No'. Ask questions that begin, 'Who, what, where, why, please explain'. In an attempt to predict whether the candidate will be a team player and whether he's motivated, you might ask him how he handled conflicts with previous bosses and co-workers.

Be gracious. In rejecting a candidate, tell her, 'You had many fine qualities, but you're not the best match for us now. Thank you for your interest. It was a pleasure meeting you. If you're sincere about wanting her to stay in touch, say it.'

Those who believe the only way to make money from a good idea is to clad it with patent or copyright protection should pause to consider a small Californian software company called Cygnus Support. Cygnus gives its products away for nothing, with no restrictions on their reproduction. The company specializes in software tools for computer programmers.

3505
ONE WAY OUT:

Though its products are free, Cygnus charges \$300 (U.S.) an hour to have its first-rate programming staff tailor its programs to a customer's specific needs. Cygnus reserves the right to include any of the modifications it makes for customers in its free products, giving it a built-in R&D advantage over competitors.

Source: The Economist.

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