IN THIS ISSUE

**3524
HOW THEY
DID IT:**

This experience of U.S.A. has a lesson for us. The health of the U.S. automobile industry has improved steadily, with 1994 off to an excellent start, following a strong 1993. The Big Three sold 10 percent more cars and trucks in the U.S. in 1993 than in '92. And, for the second year in a row, an American car, the Ford Taurus, was the best selling car in America.

Not only Detroit but the U.S economy as a whole has turned the corner. Real GDP grew at an annualized 2.8 percent rate in the third quarter and an estimated 5.7 percent in the fourth quarter, up from an average 1.3 percent in the first half of 1993.

How did U.S industry strike a come back? Lawrence S.Bossidy asks this question in a talk and answers. The following are extracts from the talk:

FIRST: We're focusing on our customer. It came as no surprise when we found that our customers wanted a quality product which was delivered on time, without defects, at a highly competitive price.

When we realized that inspection of finished goods alone wasn't going to cure our defect rates, we set out to find ways to build quality into the product before the inspection stage. We're not there yet in some industries, but in many others the defect rates are less than 500 parts per million, well within the range of the Japanese.

SECOND: We began to buy smarter. Instead of regarding our suppliers as adversaries, many of us began treating them as partners, finding better ways of working together. We offered them more of our business not just if they lowered prices but also if they became part of our operations, working with us to help us improve cost, quality and speed.

THIRD: American industry has become more productive. We are analyzing all the work we do. We're determining what adds value in the eyes of the customer and what does not, and we've begun eliminating the latter.

For the work that does add value, we're overhauling our processes to remove bottlenecks, roadblocks and handoffs so we can do the work faster and with less cost.

We're also eliminating the wasteful administrative practices that sprouted in our operations as we grew or as we acquired companies which came with their own sets of infrastructure.

FOURTH: We began to change the way we organize business and the way we lead our employees. We used to manage by means of hierarchical, vertical layers. Now we are solving problems and revamping processes through horizontal, cross-functional teams composed of employees from different disciplines and reporting relationships.

Instead of getting the benefit of only the managers' brains, we're asking for ideas from every single employee on how to do his or her job faster, smarter and more economically.

We're finding that people are thrilled to be involved. They feel a sense of self-worth and dignity when ideas are solicited and when we invest money in their careers by paying for training and education. And they feel a great sense of satisfaction when they see that management is serious about change and their ideas are implemented.

At last, democracy is penetrating into corporate America, one of the last hotbeds of authoritarianism in our society. Americans are a freedom-loving people; they hate to be managed. They prefer to participate, to have a say, to have some control over their lives, to be led as opposed to be managed.

When employees find that they do indeed have some control over their work lives, that they have the power to make things better, then their creative energies are unleashed and they shoot for higher goals.

If we can observe these guidelines individually and collectively, we can avoid getting sick; we need not waste our energies on recoveries; we too can prosper.

**3525
BUSINESS
PROCESS
RE.
ENGINEE-
RING IBM
STORY:**

Business process re-engineering is one of the latest Management Mantras. What did it mean to one notable company? The IBM company. Louise Kehoe writes thus in The Financial Times:

"Anybody who says they enjoy business process re-engineering is either crazy or they have never done it," says Bob LaBant, IBM senior vice-president and one of eight executives in charge of revamping every aspect of IBM's worldwide operations to make them more efficient and competitive.

Re-engineering is tough, painstaking work that involves re-examining every detail of how a business operates, the IBM executive says. "You have to really get down in the dirt."

For IBM, company-wide re-engineering efforts began in earnest with the arrival 18 months ago of Lou Gerstner, IBM's chairman and chief executive, who established it as a priority across the company's operations.

Each of the company's top executives has responsibility for re-engineering part of IBM's business on a worldwide basis. LaBant, general manager of IBM North America, is in charge of re-engineering marketing, sales, customer support and service activities, or what he calls "customer relationships".

In the past, individual IBM product divisions have undertaken re-engineering projects, but never before has there been such a large scale, co-ordinated effort across all of the company's activities.

One of the biggest challenges facing IBM is to transform a sales and marketing organisation geared to mainframe computers into a "solutions provider" of complete information technology systems, while also creating a low cost distribution channel for "commodity" products such as personal computers.

To improve its ability to serve customers seeking "complete solutions", IBM earlier this year restructured its worldwide sales effort into 14 groups focused on a specific industry such as finance, health, insurance and manufacturing.

With the new management structure in place, LaBant is now focusing on business processes - the way in which IBM performs myriad tasks involved in forming and maintaining customer relationships.

The guiding principle behind the re-engineering is to meet customers' needs more effectively. The process began about two years ago with surveys, interviews and studies of customers. The results were boiled down to seven requirements.

Customers told IBM: Understand me, the way my organisation works; fulfil your commitments; be easy to do business with; be responsive and accessible; communicate in my terms, not in IBM-ese; have competent peoople; and give me competitive prices.

The next task, says LaBant, was to analyse to what extent IBM was meeting these requirements. "We had so many different ways of doing things, mapping the sub-processes was very difficult."

The result, however, is a list of 12 customer relationship processes each of which is being changed to match more closely customer needs and increase efficiency by eliminating duplication of work.

"Solution delivery" is one example. A critical element of this is pricing. When a customer signs a contract with IBM to provide a complete information technology system, it typically involves computer equipment, software, technical support and consulting services as well as products from third parties.

"Somebody has to put a price on all of this. It used to have to go through several staff levels and then be referred to White Plains (IBM US headquarters) for approval," says LaBant. "It would take six to eight weeks to get a price back to the customer."

Now pricing is delegated to the local "client team" which arrives at a figure with the help of a software program called a "pricing tool".

In other instances, work is being centralised. Finance and planning functions, for example, are being managed on a national level.

"The things that get in the way of local teams have been consolidated on a national basis. Those things that are directly related to dealing with customers have been delegated to the field staff," LaBant explains.

Not surprisingly, information technology is playing a vital role in IBM's customer-relationship re-engineering. IBM has updated its use of IT to include computer systems that support functions such as contract management, opportunities management and skills management.

The re-engineering is also leading to job cuts. However, unlike past workforce reductions at IBM, in which employees were offered incentives to leave the company regardless of their role, experience or talents, the latest cuts have been carefully targeted.

Earlier this autumn 3,000 support staff jobs were eliminated, reducing the IBM US marketing and sales workforce to about 40,000, down from 71,500 in 1991.

"We made these (recent) decisions based on the affordability and benefits of the work being performed, not a headcount objective," LaBant stresses.

Reducing costs is crucial as IBM struggles to boost meagre profits after a period of heavy losses.

"Sales general and administrative expenses used to represent 35 cent of every dollar of IBM US revenues. We have dropped to the low 20s over the past three years but we are going to have to drive it down into the teens - not by cutting people but by re-engineering and getting our costs out and cutting out work that we don't need."

A critical element of re-engineering is winning the support of employees. Edicts from headquarters are of little value unless the "people in the firing line" accept them, says LaBant.

He has formed a cadre of "regular folks" as advisers. They include a sales representative, a pricer, sombody in accounts receivable and a project manager working with a customer. "I know them well enough that they don't sweet-talk me. They know I want bone-bruising feedback."

Another technique is to hold "town meetings". One week each quarter, the IBM US executives take to the road. "Last week we were in Kansas City, Tulsa, Dallas and Denver. We talked to about 2,000 IBMers."

Comparing the performance of IBM against competitors is also important. "We are constantly benchmarking. I know the efficiencies of every one of my key competitors." Because no other company covers IBM's broad spectrum of industry segments, LaBant has created a "paper tiger", a mythical competitor that is the "sum of the best" performer in each segment. Today, he acknowledges, IBM's efficiency is lagging. But he expects to be "on the paper tiger's back in 1995".

But a re-engineer's work is never done: "It is a continuum. When you say you are done, you are dead."

3526
HOW NOT TO
HIRE:

Hiring suitable personnel has been never easy. It has become all the more so, with all the nono-second hype and all. John Wareham, a headhunter, has this humorous piece in The Financial Times. It is real Humour—"Thinking in fun but feeling in earnest!"

Many people enjoy hiring incompetent underlings. After all, an incompetent subordinate can make a near-incompetent boss

seem, by comparison, a near-genius. And, uncertain of tenure, the incompetent is likely to take special precautions to please the boss.

He or she will want to do exactly as told in any circumstance. The incompetent will usually be more than delighted to follow foolish instructions and, when problems arise, to screen the boss from all fallout. A good living is thus to be commanded by the canny incompetent's well-honed fawning and grovelling skills.

Given that an incompetent underling can offer many satisfactions to the boss, how should a recruiter go about finding one? The knack of appointing such individuals is a talent shared by many senior executives. But it is largely unconscious - although the would-be recruiter constantly hires incompetents, he is likely to be unaware of the precise techniques exploited.

Indeed, unless properly instructed, the recruiter may actually wind up accidentally recruiting a competent subordinate. This is likely to cause untold heartache, for such a subordinate is likely to prove a troublemaker for the boss, always querying instructions, refusing to carry out orders that do not seem to make sense, maybe even indulging in "whistle blowing".

So how can the intelligent executive assure himself that the person he hires will be a genuine incompetent, and not one of those emotionally mature, stable, savvy achievers who always turn out to be troublemakers? The answer lies in heeding the following eight commandments.

‡ Never conduct a real search for qualified candidates. Instead, restrict yourself to hiring other people's rejects and make all your appointments from the unsolicited CVs that cross your desk. These, for the most part, are going to be directed to you by out-placement firms that specialise in finding new employment for people whose present employers do not want them around anymore. This is a rich pool which, if carefully fished, can be relied upon to produce out-and-out incompetents over and over again.

‡ Place great emphasis on appearance and presentation. Take to your bosom the advice of Oscar Wilde that: "It is only shallow people who do not judge by first appearances."

Favour the kind of candidate who most fits your own notion of what an executive ought to look like. Pay close attention to the candidate's clothes. Work upon the assumption that a Brooks Brothers suit denotes stability, and that silver hair bespeaks wisdom.

Never hire an executive who wears unseemly hose, or who sports scuffed shoes. Hire the best-looking candidate, the individual who bears the strongest physical resemblance to your own attractive personage. By all means feel free to hire your own offspring and siblings.

‡ Talk to candidates but never interview them. It is naturally very important to impress upon those in your organisation that you are serious about hiring "good people". Thus, you will probably want to spend a lot of time talking to candidates about your job, sharing your values and philosophies.

Tell them at length about your company and yourself, your upbringing, your view on everything. If the would-be recruit's attention flags at any point, then throw the ingrate out, for the candidate who cannot at least seem to be paying attention for hours on end to incoherent ramblings from a prospective boss is unlikely to be a proper incompetent.

‡ Don't bother to ask for too much material on the candidate. Simply assume that it is all on the CV. Or adopt an _avant garde_ attitude and work to the assumption that you must not invade anyone's privacy by inquiring about any possible "employment gaps".

‡ Hire from your own social circle. Explain to your colleagues that "the chemistry has to be right" before you will hire. This way you can restrict your hiring to people who not only look and dress like you, but who also share you opinions on pretty well everything. Put a great deal of emphasis on "name" colleges and clubs.

By so doing, you will more or less exclude the kind of independent-minded person likely to prove a troublemaker. With any luck at all, you will wind up recruiting a first-rate non-threatening incompetent with whom you can harmoniously co-exist.

‡ Reject generalists in favour of technicians. A wonderful way to by-pass competent people is to make technical - as opposed to emotional - qualification your key selection criterion. This is a much-favoured technique, because spotting and quantifying technical education and exposure is infinitely easier than spotting and hiring the emotional qualities that go to make a truly competent person.

‡ Place great reliance on references from past employers. A good way to hire an incompetent is to solicit bland comments - about the only comments offered these days - from previous employers. It is vital to take such comments at face value, and to ignore or overlook cagey endorsements. So, when someone says: "In my opinion you'll be fortunate to get this candidate to work for you," tune out the sub-text and delve no further.

‡ Never get a psychological evaluation on the candidate. The vital thing in hiring incompetents is for everyone to believe or pretend to believe that the incompetents is for everyone to believe or pretend to believe that the

incompetent is a great prize. Unfortunately, a psychological evaluation may let the cat out of the bag.

So, when the company chairman - having suddenly noticed what can no longer be hidden, that your staff never seem to get anything done - suggests that it might be smart to have your future candidates screened by a professional before any hiring, proclaim loud and long that you simply do not believe in all that mumbo-jumbo. And, never let yourself be evaluated. That could be the end of everything.

3527 ENGINEERING EDUCATION: 10 KEY INGREDIENTS:

What India makes makes India. What India makes depends on the quality and quantity of our engineers and technologists. This quality depends on the quality and the relevance of their education. CEO of Martin Marietta Corporation Norman R. Augustine spelled out the key ingredients of such an engineering education in his University of Colorado Engineering Centennial Convocation. The following are the points he made at this insightful address.

1. Emphasize the basics.
2. Develop team skills.
3. Teach the political process.
4. Develop communication skills.
5. Place greater emphasis on "Systems Engineering."
6. Understand the internationalization of human activity.
7. Open the doors wider to women and minorities.
8. Commit to continuing education.
9. Assure that an engineering education is affordable.
10. Require a five-to six-year course of study for an engineering degree.

We wish our corporations organise several workshops in various part of India on Engineering Education and use this address as a think paper. That could start a movement that will assure a good future for our country.

3528 LAUGHING MATTER?

It was dusk. The shepherd was with his flock. He heard the cry of a lamb in the distance. His wife asked him: Go and find the little fellow. And he went after it - all night, leaving his healthy flock.

He brought the lamb safe. Only, most of his flock had been eaten by wolves!