

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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on problem-solving and creative ideas

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3545
WE TOO CAN
PROSPER:

In 1985, America was on the defensive on the economic front. Industry after industry, company after company, was losing global market share. Foreign products were pouring into America.

In 1995, America is on the offensive on the economic front. Industry after industry, company after company, has been gaining global market share. A record amount of American products is being sold abroad. The high quality of American products is widely recognized.

Today, America is No.1 in the global competitiveness battle. America is No.1 in exports. America is No.1 in productivity. Finally, America is No.1 in many key industrial sectors that are among the most important to long term growth. "We are ranked No.1 in such critical technologies as computer systems and computer software."

That is a startling difference in just one decade. Why did it happen? How could the situation change so dramatically and so quickly? In particular, what did companies in America do to generate this turnaround and comeback?

Jerry Jasinowski and Robert Hamrin attempt a detailed answer in their recent well-researched publication, **Making It in America: Proven Paths to Success from 50 Top Companies.**

In a recent talk on **America's Manufacturing Revolution**, Jerry Jasinowski says:

Let me highlight for you today just six of the ten paths to success that we uncovered in our research. Leadership in managing change, total quality management, investment and the use of information technologies, employee empowerment, innovation in product development and service, and going global.

I want to begin with leadership in managing change. I do so because that is where significant corporate transformation almost always begins: with true leaders who have a vision and passion. The vision makes clear where the company should go and what its focus should be. The passion makes certain that the vision is achieved.

One such leader in America is **Jack Welch**, the Chairman of GE. Listen to how this leader thinks:

"If your change isn't big enough, revolutionary enough, the bureaucracy can beat you. When you get leaders who confuse popularity with leadership, who just nibble away at things, nothing changes."

The bedrock of America's manufacturing renaissance involves corporate leaders recognizing and acting on a fundamental truth: there must be a balance between adhering to traditional business basics and embracing constant innovation to manage change. That dynamic tension between two powerful forces is a tough one to balance. But the truly successful company will, over the long run, build upon a foundation of long-held values such as understanding what business you are in while at the same time being boldly innovative and entrepreneurial.

Many business leaders recognize that the only way to deal with the change their companies face is to "shake up the organization". This involves putting into play a number of the paths to success simultaneously. The first general order of business in the 1980s was to cut high costs. Step one taken by American manufacturers was to identify the company's core competencies, and then shed operations not central to basic competitive capabilities. Step two was to flatten the organization, trimming several layers of management, and then to restructure and reengineer whole functions.

There are dozens of examples of real companies that have done this: Chrysler taking \$4 billion out of their cost base, Tenneco reducing costs \$300 million in 100 days, and Xerox reducing average manufacturing costs by 20 percent.

Another major component of the manufacturing revolution has been a renewed emphasis on all aspects of quality....quality

of products first, and quality of the company second. Concepts like "Total Quality Control" with its stress on the customers and doing things right the first time was the first step companies took to become competitive. This led to a more revolutionary way of thinking, called Total Quality Management, or TQM, which forced a whole new way of doing business by striving to eliminate waste in corporations and striving for continuous improvement.

Motorola is of course the classic corporate example of applying TQM techniques. Their excellent implementation produced cost savings of at least \$5 billion for the period 1987-1993.

The third path to success we will look at is investment and use of information technologies. The investment figures tell the story. Nearly half of business spending on equipment is for computers and other information technologies. And that doesn't even include the billions of dollars that companies spend on software and programmers each year. This investment has helped to greatly boost company productivity and create whole new systems of manufacturing.

The NAM recently released a comprehensive survey of technology use by American manufacturers that suggests the direction of these systems. It found widespread use - defined as more than 50 percent of factories using them - of four "hard" technologies (computer-aided design, computerized numerical control, computer-aided manufacturing, and local area networks).

But equally important were four "soft" technologies: Total Quality Management which I mentioned earlier, Just-in-time manufacturing, statistical quality control, and manufacturing cells.

A major result of the deployment of these technologies is the transformation of the American factory. Many factories now possess unprecedented agility and speed in the production process. In turn, this means that these factories can now engage in agile manufacturing which gives them the flexibility they need to meet customers' rapid and ever changing demands.

Some manufacturers are already moving beyond agile manufacturing to mass customization. This is the ability to customize products literally in quantities as small as one while producing them at mass production speeds. The ultimate outcome, fast approaching, is simultaneous manufacturing, where even as the customer is giving the order, the product starts to be made. The trend is clear: the mass production paradigm of the Industrial Age is being replaced by the mass customization paradigm of the Information Age.

The fourth path to success is employee empowerment. Many companies have been smart enough to recognize that all the most

sophisticated technology in the world won't be enough. Rather, people - their workers - are the most valuable resource, which dictates that they unleash the full power of these workers. This is what many manufacturers have done, under such names as employee involvement, participative management, and employee empowerment: they have given their workers power to make decisions about their immediate work environment more than ever before.

When you think about employee empowerment, you should think of the three "T" words: trust, teams and training. Employee empowerment require trust. It is built around trust - trust that is two-way: bosses trusting employees and employees trusting bosses. Teams are among the renaissance's most widespread and powerful elements. In 1980, virtually all manufacturing employees worked on their own. Today, millions of workers are working together in teams. Teams are so effective because they boost employee morale and teamed employees more readily take it upon themselves to focus on customer satisfaction and product quality. Training of workers is increasingly being recognized as an investment for the future, not a cost.

Companies have found that empowering workers leads to profound changes across the company such as reduced costs, increased productivity, improved quality, the restructuring of the workplace, and in some cases saving the company. The link between empowerment programs and such great results is clear: excited and committed workers. Here is one worker's voice that represents the new dynamic found in American manufacturing:

"It's like I want to beat them all. I want to do it because management has given us their trust and their respect and I want to earn that. I want to let them know that I don't want to lose that. I like it and I want to keep it that way. Whatever it takes, I'm willing to do that."

The fifth path to success I will highlight is innovation in all aspects of manufacturing, but particularly in new product development, and service. Since a top quality product has become a "given," the real challenge today is product innovation. Want growth in market share? Speed and creativity in new product development is the most effective way to get there.

In our research for the book, we found many companies that could be called "new product generating machines." One standout example is Rubbermaid, which has averaged one new product a day! The secret to its success is the innovative spirit that pervades every nook and cranny of the company. The spirit leads employees to say things like: "every team, every year, is charged with reinventing what they have" and "we're all product junkies."

Again, developing new products is great but it is not enough. American manufacturers have discovered the critical importance

of product delivery and service to their customers. The key fact of life is "treat the customer as king." Customer satisfaction is no longer sufficient. Rather, a company must "delight," or "please," or "surprise" its customers. They are doing this through getting to know their customers much better, providing them with superior service, and getting them involved in their product development decisions.

The experience of Great Plains Software shows that "treating the customer as king" works well. Located on the plains of North Dakota, this accounting software company has gone from start-up in the early 1900s, pitted against more than 60 competitors, to being the dominant firm in its field today. Its secret? Its young president based the company on his family's old-fashioned business value of serving your customers well for a lifetime. Its employees, well trained in superior customer service, have worked as a team to create a system that achieves that objective.

Finally, for companies interested in growth, they have to go out and find new customers. The main way American companies have done this in the last decade is by going global.

Even small companies, for the first time ever, are well represented among exporters: over half of U.S. companies with revenues less than \$100 million exported products in 1993, up sharply from 30 percent in 1990. American companies are also investing abroad quite heavily.

The results are clear. Companies that have gone global in a serious manner find that it is a driving force behind corporate growth, with foreign sales accounting for 40 percent to 90 percent of their total revenues. A good example here is Wadia Digital, a small manufacturer located in River Fall, Wisconsin - not exactly the crossroads of the world. Yet its initial business plan in 1988 stated that 28 percent of sales would be from exports. Well, they were way off. In each of the first five years, 70 to 80 percent of their sales were from exports. How? They simply build the best audio products in the world and the world comes to them.

This manufacturing revolution has had a profound effect on the American economy. More than any other single factor, the manufacturing revolution has contributed to America's economic resurgence and the structural changes, creating America's new economy.

**3546
BENCHMARK-
KING:**

Comparing with the best in the world with a view to enhance performance, "benchmarking" for short, is gaining acceptance in corporate circles.

In a recent Conference Board survey of 225 companies that practise benchmarking, nearly 75% rated these activities as successful in cutting costs and improving customer service and productivity, with cost assessment as the main driving force.

The report, co-sponsored by the IBM Consulting Group, pinpointed several keys to benchmarking success, including:

- * The commitment of top management to fund external comparisons on a steady basis and not punish their information technology organizations when they are found to be underperforming.
- * The advance formulation of clear objectives and plans.
- * And consistent, accurate data.

With managers striving to push decision-making further down the ladder and let workers take more and more responsibility, an old standby, the suggestion box, is making a comeback, says Industry Week.

3547
SUGGESTIONS
ON
SUGGESTIONS:

And companies are finding that employee suggestion systems are a lot more than feel-good management tools.

Nippondenso Manufacturing U.S.A, a Battle Creek, Mich., auto parts supplier, ran its suggestion system in 1991 at a cost of \$45,000, the magazine writes. Nippondenso says the system saved it nearly \$1.7 million that year, for a 38-to-1 return on investment.

American Airlines' system, IdeAAs in Action, has saved nearly \$250 million in its almost six years of operation. In 1991, almost 48,700 suggestions were received, and they ended up saving \$58.6 million for the AMR Corp. unit.

Successful suggestion systems have several points in common:

- [] They seek to involve many employees.
- [] They break down management-labor barriers found in traditional suggestion systems.
- [] They try to accept as many ideas as possible.
- [] They focus on the ideas themselves, not the savings to the company or the rewards the employees will receive.

Politics became news and then the film and now business. Investigative journalism has entered the corporate Board Rooms. The need has come to keep every aspect of business life above board.

3548
ETHICAL
DILEMMAS:

This explains the relevance of the following article by Paula Ancona in Rocky Saturday News.

In last year's best-seller **The Firm**, a newly minted tax attorney accepts an employment deal that seems too good to be true.

It is. Throughout the book the young attorney is tangled in a knot of ethical dilemmas about bending rules for big clients and revealing improper behavior when lives are at stake.

Most of us won't have to face such heavy decisions. But whether we're well-paid lawyers, rank-and-file employees or big-shot managers, most of us do face ethical quandaries at work.

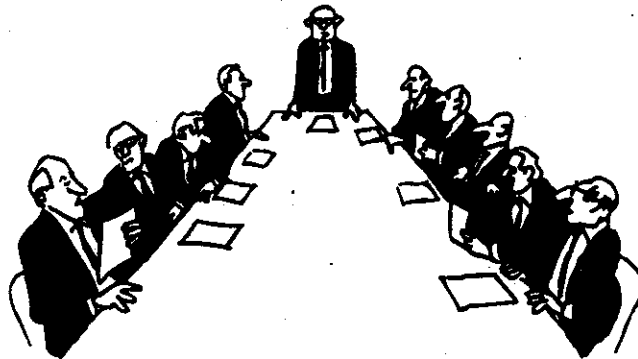
And we strive to make ethical decisions, which author Kent Hodgson defines as thoughtful, professional, value-based, appropriate actions that affect ourselves and others. Here's how organizations can help employees make those choices:

- # Don't rely on ethics codes or ethics consultants to make your organization more ethical. Encourage employees to think for themselves about the consequences of their actions. Let them see top managers acting ethically. Don't let stated policies clash with the way things really are.
- # Use these questions to clarify ethical gray areas: Is it legal? Does it create a win-win or win-lose situation? How will it make me feel about myself? Would the negative consequences be out of proportion to the importance of my goal?
- # Build employees' self-esteem with positive feedback and coaching. They'll be more able to withstand pressures to act unethically.
- # Keep deadlines and other pressures relaxed enough that employees have time and energy to think about doing the right thing.
- # Help employees sell the benefits of their ethical solutions to co workers and bosses. They should anticipate questions such as: Will this work here? Will this be of value to me, the organization and others involved? How much will this cost and can we afford it?
- # Try an annual ethics audit. Have managers and their employees review their big decisions by asking: What did we do right? What did we not do that we should have done? What should we do in the future with similar situations?
- # Or do a mini-audit after each staff meeting.
- # See how well your organization maintains these five principles of ethical power, as defined by Blanchard Training & Development, Inc.: A clear purpose, pride, unwillingness to make short-term decisions that clash with values, allegiance to commitments and valuing employees who take time to reflect.
- # When faced with an ethical dilemma, identify the key people who will be affected. Which option do they want and why? What probably will happen if you choose that option?

3549
ADVICE
FOR
LIVING:

Able people learn from their own experience. Wise people learn from the experience of others. Perhaps it is to these second group the following letter was addressed - by a group of six hearty healthy 90 + year olds. (We wish we could reproduce their photograph as well).

[] When you ask how people are, listen. [] Put your mind and your zeal into something that will profit somebody. [] Patience gets you a lot farther than being over-anxious and aggressive. [] Treat others as you'd like to be treated. [] Get as much education as you can, so you can be a leader. [] Too much help will hinder people's progress. Get them started, then guide them to find their own way. [] Take little steps; you'll get more done than if you move too fast. [] Think of the future and plan carefully. [] Be careful whom you choose for a mate. [] Greet someone with a smile. [] Use the humor around you to feel better when you are down. [] Don't look for pity; it makes you feel worse. [] Try always to look your best and have a smile. [] Try to make a happy day for someone who doesn't feel well. [] Never be mad when you leave home for work. [] Greet your family with a kiss when you return home. [] Have little parties with your children. [] Never argue when you are eating; it spoils the meal for everyone. [] Do as much yourself as you possibly can. [] Keep your mind active. Read. Act on what you see. [] Try to accomplish something every day. [] Try to do what's best for your health. [] Share equally with others. [] Remember birthdays and others' special days. [] Congratulate people when they've accomplished something. [] When you help others, you help yourself. [] You have to take care of yourself if you want to help others. [] Each person should have his or her own little garden. [] Making music brings families together. [] Share your life with young people by telling them stories about when times were different. [] Let your children learn from your struggles so they can reach for more. [] Make your children's friends welcome in your home. [] Do not express dislike for someone when that person is not present to offer a defense. [] Keep your tears to yourself, but share your courage with others.



"Our financial problems are over. We are bankrupt."

Liwanowski/Prawo i Zycie/Warsaw, reproduced in World Press Review

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LAUGHING
MATTER?

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