

# 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

## IN THIS ISSUE

- 3579 MAN OF THE YEAR
- 3580 MANAGING FOR EXCELLENCE
- 3581 WE TOO CAN PROSPER
- 3582 MONEY TALKS
- 3583 CORPORATE ANOREXIA
- 3584 SOME TURNAROUND SECRETS
- 3585 LAUGHING MATTER?

### 3579 "MAN" OF THE YEAR:

Shri Kantisen Shroff is the **Man of the year**. What has he done to earn the honour? The answer will be: What has he not done? In the area of "man making" in Saurashtra, in the area of water management in Kutch, and in the area of waste management all India - to mention just three of the many. The story has been well told in the 13th Anniversary special of the periodical, "THE WEEK".

Looking for, choosing, and writing about "the man or the woman of the year" is a symbolic act of saluting tall men and women of our country. To have more and more of human excellence in our society and the resulting quality of life, every city and every company can consider instituting such a practice.

At the Indian Centre for Encouraging Excellence - your editor happens to be the Hon. Director - we have been having functions to salute women and men and we found it a rewarding experience.

We commend this practice to every organization regardless of the size and nature of work.

**Managing For Change And Growth:** It is rightly said that an enterprise which does not plan for its future is not likely to have one. Thinking through, thinking hard and thinking ahead of the events, likely or are desired to happen, are the means of preparing enterprise to the most likely demands that it may be expected to face in the foreseeable future. It is the means of taking stock of the enduring growth and viability potential of:

- a. the present technology and product mix;
  - b. the capital and assets structure; and
  - c. the organisation structure and manpower mix;
- all of which cannot be had ready-made, but need considerable lead time to be developed and put to productive use.

This is the most valuable resource and also a critical element in the planned progress of all economic enterprises. Since time is perishable, when once it is lost, it is lost forever. Things must hence be made to happen in the proper time schedules in a disciplined manner. There will surely be many hurdles if the focus is on mere problem-solving activity, instead of converting new business ideas into economic results with the needed lead time.

Internally, the strengths of the human organisation must be made fully productive, with the weaknesses rendered irrelevant to the purposes at hand. Externally, the opportunities within the domain and reach of the enterprise must be exploited in due time; and the threats must be warded off in the longer time perspective.

Planning in the strategic perspective would imply the commitment of resources today for the anticipated results of tomorrow, with the full knowledge of the risks thereby involved. And the Long Range Plans (LRPs) will have to be implemented through a sequence of Annual Operating Plans (AOPs), which alone in turn will generate the wherewithal for the mobilisation of resources which will become productive in the long run. In this process, Management will come to be severely tested on the touchstone of its Business Development Capabilities.

Growth is a survival need of all economic enterprises in modern economic societies. It is needed in both physical volumes and monetary terms, concurrent with productivity improvements, if only to be able to cope with the ravages of monotonically rising costs of inputs arising from inflation, the whole of which cannot always be transferred to customers. Such growth can come through expansions or diversification projects. Every manager has to learn to provide for himself a flexible framework for an integrated approach to growth and betterment through both LRP and AOP.

Strategic Planning is an endearing activity to top management personnel in every enterprise. It invariably boils down, however, to Planning, in the sense of projecting past growth trends on a trajectory at best, with little or no thinking about the Strategies, derived from the Mission which defines what one wants to be in the long run.

3580  
MANAGING FOR  
EXCELLENCE:  
(Dr.H.N.  
Nanjundiah)

Strategies determine what one chooses to be. It is then and then only that Planning, as a programme of management action, comes to be defined in terms of the what, where, when, how and who of the activities to be undertaken towards planned performance and results.

Lacking business development and managing capabilities of their own, the Marketing strategies of private sector business enterprises have been in a quandary. The trial and error solutions to problems of massive complexity have brought, in their wake, more complex issues to the fore. Add to this the political immaturity and factionalism. The stage is set to keep the Indian economy in a continuing state of "underdevelopment!" A Manager has to go on record to say what needs to be said, even when the policymakers do not wish to hear, for the express purpose of awakening interest in the realities of the situation and exciting policy interest in such realities.

3581  
WE TOO CAN  
PROSPER:

Professor P.V. Indiresan, in another insightful article (PARADOX PARADISE) *The Week* Dec.31, 1995) says:

As a young lad, the recluse billionaire Howard Hughes went to a banker for the then substantial loan of \$18,000 to build an aeroplane. After listening to him patiently, the banker said he would not give that sum. The heart broken boy pleaded that \$18,000 was the barest minimum he needed. The banker said, "That is exactly the reason why I will give you not \$18,000, but \$25,000! Something or the other is bound to go wrong with your calculations. With only \$18,000, you will be stuck without sufficient money to complete the project. In the bargain, I too will lose my investment. So, have \$25,000; then, both your project and my money will be better safeguarded!"

Compare that with the way our projects are funded--invariably sub-critically, with the funding agency paring down financial support to the barest minimum. Not surprisingly, few of our projects ever see the light of day, and our laboratories are full of halfbaked designs.

The Americans have an interesting way to promote technology development. Anyone who has a saleable idea, but not the money to develop it, can float a company. Making a token investment of one dollar, he keeps half the shares for himself, and offers the rest to a venture capitalist at a price equal to the cost of development. By law, this capital is locked in for three years. At the end of that period (hopefully) the product will be doing so well in the market that both the designer and the capitalist can sell their shares to the public at substantial profit.

That is how designers become multi-millionaires in the USA. As their contribution is not financial, but their hard work, this form of financing is called sweat capital. It is high time India instituted legal provisions of sweat capital.

# Money Talks

## A YEAR-ROUND PERSONAL FINANCIAL PLANNER

*So you're determined to put your financial house in order this year. Then get yourself organized and give yourself a logical timetable. By Patricia M. Scherschel*

### JANUARY

Tote up all your assets and liabilities to determine your net worth. Next, prepare a monthly income statement. Use round figures representative of your take-home pay, rent, food expenses, etc.

### FEBRUARY

Gauge your portfolio performance against your objectives and revise accordingly. Decide which stocks you want to keep and which to sell.

### MARCH

Implement your new investment game plan. Don't devise a financial strategy—even pay someone to do it—and then fail to put it into action.

### APRIL

Review your loan profile. Are you taking on too much debt or borrowing unwisely?

### MAY

Review the type of policy you hold. Whole life assurance has a set premium and offers a return on your investment. Term assurance policies cost more and offer no return, but you can buy more death benefits with them.

### JUNE

Study your retirement income program or at least start one. Will you be able to afford your dream lifestyle when you retire, given your present savings rate?

### JULY

Review your will, or at least start writing it. Also, determine who will serve as executor of your estate and as guardian of your children.

### AUGUST

Take a break—retirement and estate planning is heavy going.

### SEPTEMBER

Reassess your financial investments. Investigate new investment opportunities, such as unit trusts, gold certificates, stock index futures, etc.

### OCTOBER

Review your property and medical insurance policies. Do you have sufficient medical insurance?

### NOVEMBER

Tie up loose ends. Make an inventory of your important household goods. Consolidate your files.

### DECEMBER

Assess your savings program. Then resolve to tackle any shortcomings in the coming year.

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## Some Money Resolutions for 1996

**Develop—and stick to—a realistic savings/spending plan.** Determine how much you can save monthly. Set a year-end goal. Then either stash away a certain percentage of each paycheck and/or deposit windfalls—tax refunds, bonuses, etc.—to achieve it.

**Don't spend your raise.** Deduct your next increase from your paycheck and put it in a separate savings account. Out of sight, out of mind.

**Shop for a bank that provides the services you use most at the lowest cost,**

**but don't compromise on service.** If they don't treat prospective customers on a par with the way they treat regulars, head for the next bank on your list.

**Take a break—but don't let it break the bank.** Instead of one long vacation abroad, why not plan a few long weekends out of town? Then you'll have more trips to look forward to, at lesser costs.

**Get fit—health-wise and money-wise.** Don't dash off to the nearest health club and dedicate your body—and hard-

earned cash—to fitness. Wait for a few weeks to see just how serious you really are.

**Cut your work-related costs.** Review your commuting costs and consider car-pooling. Assess your working wardrobe and determine what you really need.

**Overhaul your spending habits.** Take note of situations when you're most likely to overspend. Then either avoid them or control yourself.

3583  
CORPORATE  
ANOREXIA:

What is new and what is new from elsewhere is certainly worth considering. Equally worth considering is whether it is relevant. Using expensive Indian and foreign experts, companies are going for *delaying*, restructuring, *downsizing* and re-engineering. Before it is too late, it is well to learn from field research studies of such exercises in the west. Hence the relevance of the following article from *Financial Times (London)*.

The once fashionable idea that people can revitalise their health simply by taking a succession of desperate slimming cures has long been discredited. Only the gullible and misguided still fall prey to it. Yet precisely that proposition has gripped many American companies, and some supposedly more sanguine European ones, over the past five years.

Now, after an orgy of delaying, restructuring, downsizing and re-engineering - all too often merely a mask for job cuts - more and more companies are realising that they have landed themselves with a potentially lethal disease which will be exceedingly hard to reverse: corporate anorexia.

Whereas the term was almost unknown two years ago, there is now a growing chorus of concern about it among senior executives. They are worried that they have expended so much effort on increasing efficiency that their companies have lost the ability to be creative and to grow organically.

The new academic studies document the extent of the problem, and suggest how - but only with considerable and continual effort - companies can overcome it.

A survey of 12 large US companies by Deborah Dougherty and Edward Bowman concludes that downsizing tends to damage the product development process by breaking the network of informal relationships which is vital to getting innovations off the ground within any organisation. The researchers recommend devoting more resources to innovation even if the company is shrinking, and taking much greater care to retain people who have the experience and know-how to "work the system".

An altogether more far-reaching remedy for corporate anorexia - and the sclerosis which often accompanies it - is prescribed in a recent issue of *Sloan Management Review* by Christopher Bartlett and Sumantra Ghoshal, who have carried out a five-year research programme in 20 large US, European and Japanese companies. Their antidote involves the complete transformation of what they call a company's climate or "behavioural context" all the small details which mould how the organisation feels and functions at every level, both formally and informally.

This does not mean, as in so many companies over the past few years, initiating a hectic succession of 'culture change' initiatives and other programmes, many of which are short-lived, self-contradictory or both.

As the academics put it, many companies which have tried to "transform" themselves - from Digital, Westinghouse and Sears in the US to Mazda, Yamaha and Matsushita in Japan - "have woken up with little to show for it except a massive hangover". Their managers and other employees have grown punch-drunk with the constant succession of changes in strategy, structures, systems and ways of operating. "Not only have the organisations become too physically strained and emotionally exhausted to maintain the momentum of improvement, but employees' day-to-day behaviour has reverted to old, familiar patterns". say Bartlett and Ghoshal. The efforts of these and other companies have failed for various reasons, the academics suggest. In particular, they have not recognised the extent to which they have institutionalised an oppressive, authoritarian, "polluted" climate for their staff - what Bartlett and Ghoshal call a "context" of compliance, control, contract and constraint.

In stark contrast to this, vibrant organisations such as Intel, 3M, Arthur Andersen and Kao of Japan have developed a far fresher atmosphere based on a much healthier quartet of characteristics: self-discipline, support, trust and stretch. Such an environment triggers the entrepreneurship, collaboration and learning which are the foundations of continuous self-renewal.

Controversially the academics suggest that such a climate can often be created without trying to change corporate culture as deeply as some companies have struggled to do, usually in vain. Instead of attempting the difficult task of altering people's basic attitudes, and the assumptions which underpin them, Bartlett and Ghoshal suggest it is often enough to change their work context, and thereby their behaviour.

Encouragingly for the mass of companies which can only dream of flying as high as Intel and co, the academics say they have found several cases in which a determined top management "was able to recreate such behaviours in stale, tired organisations in a relatively short time". Corning, the 100-year-old glass maker, has been transformed since 1987 under new leadership. From a demoralised company with a culture with epitomised compliance and control - but which failed to meet its corporate budget six years running - it has become far more self-disciplined, team-based, and dependent on personal relationships and trust. Its performance has benefited accordingly.

At a time when many western managers are complaining bitterly of rampant overwork and job insecurity, Bartlett and Ghoshal's emphasis on support, trust and "liberation" may sound somewhat hollow. Yet they insist that trust and support really do co-exist with discipline and stretch inside their model companies. It is the tensions between these four characteristics, they argue, which create the very power of this type of organisation.

3584  
SOME  
TURNAROUND  
SECRETS:

Professor Achilles Armenakis of Auburn University and his team interviewed scores of turnaround specialists to identify strategies and steps that work. Their findings are noted in the following article by Matt Krantz (*Business Investors Daily*). Your Editor will welcome comments from the Readers who have had experience in this area.

Managers who overreact to problems often are worse than those who ignore them.

"Crying wolf when no wolf is present can be as counterproductive as acting in a Pollyannaish manner when conditions are urgent."

Overstating a problem to spur change can backfire on the manager.

When employees realize that things aren't so bad, they soon question their alarmist leaders and their decisions, the study said.

Worse yet, if the overreacting manager's suggestions are taken, a minor problem could be turned into a major one.

So how can managers explain the need for organizational change without overstating it? To get the answer, Armenakis, with five other researchers, interviewed hundreds of members of the **Turnaround Management Association**.

Most of the respondents were turnaround agents for at least eight years, winning an average of three clients a year. Their average consulting time was nine months per client.

Armenakis found that successful change agents avoid actions which have negative "symbolic" effects on the organization.

For example, 74% of those interviewed said they resist the temptation to fire the heads of lagging divisions. Armenakis calls this practice "killing the sacrificial lamb."

Unless the situation is severe, sacrificing key managers can discourage the survivors, the paper said.

Successful turnaround artists also shunned changing the company name, logo or ticker symbol.

These types of changes do nothing to improve the company's bottom line and usually stir up confusion, Armenakis said.

Instead, successful change agents often choose actions with outward symbolic meaning that can improve the bottom line.

Eliminating executive perks, such as company cars and exotic furniture, is the move used by 76% of the turnaround agents questioned, according to the report.

In addition, 59% of the surveyed change agents recognized leading departments and 52% lauded key managers.

Armenakis said turnaround managers stress the need to explain clearly the urgency of the company's problems.

Avoid comparing restructuring to a battle or athletic event, Armenakis said. These analogies mean nothing to many employees, further muddying what needs to be done.

Instead, use medical metaphors to communicate the need for change. The study found that 48% of turnaround agents use this tactic.

Images of "bleeding" and "dying" portray urgency to anyone regardless of race, social class or position within the organization.

"Organizations are made of people from many walks of life. Not everyone has fought in a war or sailed in a ship," Armenakis said.

"But everyone understands what a patient goes through. It's an understanding that cuts across all lines."

3585  
LAUGHING  
MATTER?



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