Management Ideas

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RESULTS
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a monthly newsletter to key executive-leaders
on practices, possiilities and ideas generally
for steped up performance
edited by
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on problem-solving and creative ideas

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IN THIS ISSUE

3694 FROM THE EDITOR'S DIARY;

When will your book be on the book-stands?" enquired a Director (friend) of a leading chemical company. (He was referring to the book, SPIRITUAL CULTURE in THE CORPORATE DRAMA, which incidentally is now in the press.) I said:"In a month's time." He said:"Please arrange to send 10,000 rupees worth of the book to our office." I replied:"Thank you very much. Your company can have the benefit of quantity discount." He responded:"Please charge the full price and I will tell you why. If we in the corporate world do not encourage such efforts, tell me whom can we expect it to do."

3695 DOUBLE-LOOP LEARNING:

That is a fancy term for learning from peers and, ofcourse, a little more. In my forty-some years of management consulting, I have found this method the best for post-experience education. I have commended it to many and helped a few who saw a point in it. I am glad a master leader like Jack Welch is practising it in GEC in a big way. The following is an interview with a key executive in GEC that appeared in **Investor's Business Daily.**

Running a TV station has nothing to do with building aircraft engines, right? Think again, says Steve Kerr,General Electric Co.'s vice president of leadership development.

Kerr's job is to unearth good ideas and make them a company case study. Making lessons portable is the dream of Jack Welch, GE's chief executive, who hired Kerr two years ago.

GE case studies aren't much different from those published in academia. But GE strongly urges managers to adopt their peers' best practices.

Recycling lessons is crucial for Fairfield, Conn.-based GE. If the $76 billion-in-sales firm were broken up, it would yield 12 Fortune 500 firms in businesses ranging from appliances to lending.

GE has been one of the nation's biggest creators of wealth. The concern's earnings have grown at a 15% clip over the past five years while the stock has increased 150% in value.

Kerr told **Investor's Business Daily** how he's making sure that GE doesn't make the same mistake twice.

IBD: What could the aerospace engine unit possibly learn from NBC?

Kerr: That's the initial response people have. Managers so articulate about what makes their businesses unique. Managers say things like, "They did that because they have progressive unions," or, "They're a consumer business and we're not," or "They're not as global as we."

Sure, every business is unique, but you can't do business like that. You've got to find what you have in common, then share the knowledge. Even if a manager is astute enough to see another's best practice, it'll look so different from his business. The tendency is to say "Yes, NBC is the best rated network, but how could that teach my plastics business anything?"

IBD: Where do you find GE case studies?

Kerr: Often our business leaders are a good source: They'll often call me and say they've found a way to do something better and wonder if it's a best practice.

Jack Welch is often a good source. He's got the biggest picture of the whole company. He'll tell me, "Hey, go to (the) Stamford plant; they've got our best customer university," or, "Go to the Louisville plant; they've got a one team concept that's working."

IBD: Can you think of an example that shows how knowledge capture works?

Kerr: Years ago, the Louisville plant had problems with compressors they were getting from suppliers. They solved the problem, which could have been a disaster. They formed multifunctional teams that involved the supplier and the work force. They were applauded by Jack Welch.

IBD: How do you teach the lesson to the other businesses?

Kerr: We brought six people from Louisville to two days of meetings at our training site in Crotonville, N.Y. We brought one person from marketing, one from the union and so forth. We then brought in 10 managers from six businesses one day, 10 from the other six the next.

We then put the six Louisville people in six rooms. Then at least one of the business managers went into each room. There they had two of these 40-minute sessions where the Louisville people explained what they did. Then, everyone got back into a meeting and tried to distill the portable lesson.

This is called double-loop learning, which unlike Harvard's case-study approach, forces students to figure out how best practices apply to their business.

IBD: What types of businesses can benefit from knowledge management?

Kerr: Every organization needs to move knowledge around. You could be a single business on the same property, and you'll find that Building No.25 has a good way of doing accounting that Building 19 doesn't have.

The more global you are or the more diversified your products and services are, the more you'll benefit from knowledge management.

IBD: What role does Welch play?

Kerr: For one, he's a key identifier of best practices. Secondly, he gives air cover. I mean, even if I do my job right, managers will still tend to say, "That's nice, but I don't feel like doing that in my shop." Having Welch behind me changes that.

For example, some managers go into Welch's office to brag about something they're doing well or efficiently. They were thinking they'd get an instant raise. But Welch will first ask them, "So who else is using what you found?" If the answer is nobody, they get embarrassed real fast.

Matt Krantz in ***Investor's Business Daily***

3696 THE PLACE OF SPEED

Speed can be a strength - for example, in response time. Speed also can be a liability. To highlight the later and often missed aspect, we are giving the following report of an international study.

The quick are the dead in the world of high-technology, says an international study of the electronics industry conducted by Andersen

Consulting and a team of U.S. business academics.

The best-performing electronics companies are not usually the fastest-moving, the study asserts, challenging the commonly held notion that speed is essential for high-tech success.

The study found that the most successful businesses surveyed take an average of 5.7 months to make a big strategic decision, almost twice as long as the 3.5 month average for the least successful.

The two-month lead hasty companies gain is generally squandered, a casualty of the lack of focus that comes from insufficient planning, says Kathleen Eisenhardt, a business strategy professor at Stamford University and one of the study's authors.

The research examines growth strategies at 30 major companies, including Northern Telecom Ltd. of Brampton, Ont., in an attempt to construct a profile of the ideal high-performing corporation.

Although the study was limited to electronics companies, Andersen says the profile is applicable to any fast-changing, highly competitive industry. Many of the conclusions are hardly new, including the view that haste makes waste in decision making.

But Andersen says its study, which is global in scope, goes beyond the usual anecdotes or observations of single companies, although the findings are not considered to have statistical significance.

The report found five other characteristics of high-performing companies in the electronics industry, which excludes software and semiconductors:

- They have abandoned traditional strategic planning, with its three-to-five-year horizons, in favour of multiple scenarios looking out over 18 to 24 months. This approach means the companies avoid depending on the success of a single technology or market, and they can more easily accommodate the wild swings in the direction of technology and recover from "inevitable errors."
- Collaboration, not competition, is the central element of their strategy, even though margins in the high-tech industry continue to be squeezed.
- The high performers' focus is evenly divided among cost, technology and product differentiation as areas of competitive advantage. This runs counter to the notion that successful firms concentrate on one area of core competence.
- Successful companies share a lack of hierarchy, which allows the central structure of the business to act as a kind of venture capitalist to its autonomous units.
- The best performers are twice as likely to consider customer needs as a strategic focus than the low performers. But Andersen says even the top companies have lots of room for improvement.

3697 A HEART WARMING SURVEY:

The following report is based on a recent survey of younger people at work. A prevalent notion is that the young people lack work ethic. The Australian survey says this is not so. In these days of virtual reality, this can be true of India too. The young people bring their best energy to the job. How we direct it is in the hands of the seniors.

A RECENT job survey shows there is a vast difference between employers' attitudes towards young people in the workforce and the amount they invest in training and developing young people.

The Morgan & Banks job index for August-October 1996 asked employers to consider whether the work ethic of young people was better or worse than that of other age groups and came up with some surprising results.

Mr. John Winter, head of economic research at Morgan & Banks, put the index together. He said the reaction went strongly against the commonly held notion that young people did not work as hard as the older generation.

"The exact question was, how would you rate the work ethic of young people you've hired against other age groups?" he said.

"Surprisingly, 30.6 per cent said it was significantly better, or better than other age groups, 37.9 per cent said it was the same as other age groups while the remainder said it was poorer."

The survey was made in all States and Territories. Questions were put to employers in a variety of industries and businesses of different sizes.

"Large companies with 500-plus employees had the most positive attitude towards young people, with 34.3 per cent of organisations surveyed giving the thumbs up to the youth work ethic," Mr. Winter said.

One in three organisations from Victoria rated young workers as better than workers in other age groups. This was a higher approval rating than in any other State, with Western Australia having the poorest outlook towards young people.

"The advertising industry showed its support with 38.8 per cent of agencies surveyed reporting that young people had a better attitude than those of other age groups," Mr. Winter said.

No definition of young people was given in the survey, allowing employers to use their own definition, but generally the understanding was that "young" referred to under-25s.

"With more people staying on at school and university, the definition of first time job starters has become wider in terms of age," Mr. Winter said.

"With such high levels of youth unemployment, young people are having to work harder to prove themselves and establish themselves in a career and I think that is what is coming through.

"When you have a quarter of young people unemployed you really have to work hard to break the notion that young people don't work hard to keep a job in what is an incredibly competitive environment."

The survey was an extension of earlier ones which had found that organisations were not hiring young people in the numbers needed to sustain a company for the next 30 to 40 years and that few offered traineeships to encourage young people. Morgan & Banks thought this might have something to do with employers' perceptions of the youth work ethic.

"Organisations have developed the strange notion that the perfect employee is aged between 25 and 35 and that misses the mark," Mr. Winter said.

"It misses the input that young people have, a dynamic new outlook, the seed the organisation needs over time and the energy it needs in the future.

"Organisations want people on board who are experienced and qualified and highly trained, but (they) are not so prepared to invest in developing young people."

Source:Emma Blake in Weekend Australian

3698 WHAT BOSSES WANT

We cannot generalise on this subject. Each junior has to ascertain from his/her boss(es) what he/they want. Surveys give a sense of the trend. Here are the results of a recent survey.

Jean Gatz and Connie Podesta, both speakers and trainers who travel across the country, found many employees were frustrated about their company and concerned about their future.

"They said, 'I don't know what my boss expects. I don't know what my company expects.'

"The bosses said, 'We're going through so much change, we don't know what to say to our people,'" Ms.Gatz said.

To bridge the gap, they interviewed 300 business owners, chief executives, human resource directors and managers. When asked about the abilities they look for in determining which employees to hire, lay off, fire or retrain, they found the same eight behaviors came up over and over.

That resulted in their new book, *"How to Be the Person Successful Companies Fight to Keep"* (Simon & Schuster).

The eight competencies talked about in the book:

- Take charge of your personal life.
- Demonstrate added value.
- Have a positive impact on your company, customers and colleagues.
- Embrace and initiate change.
- Work harder, smarter, faster and better.
- Communicate openly and directly.

- Look for leadership opportunities.
- Commit to lifelong learning.

Here's an interview with Ms.Gatz:

Q— Why should business owners be concerned about their employees' education and training?

A— Any company is only going to be as good as its best or worst employee. Business owners need to think in terms of, "What do I need to invest in this employee so he can be the very best he can be while I'm signing his paycheck?"

If your company is not forward-thinking enough, you need to prepare for your own future. Anything you learn will help you be a better employee and prepare you for somewhere else.

Think of yourself as being a consultant. You have certain talents and abilities you can bring to your job now. But if that relationship ever changes, you can bring those skills to another job.

Q— What is most important to an employee's success?

A— Attitude was the No.1 answer from the 300 people we interviewed (about what a boss wants from an employee). No company can tell you what kind of attitude you're supposed to have, but your attitude transfers into your performance on the job.

We cannot forget that politics exists in every company. You need to make sure you have the right allies and advocates in place for you. It's also important to document your accomplishments. In a performance evaluation, you need to call those things to your boss' attention.

Q— Where does one's personal life fit into all of this?

A— CEOs told us they want employees to distinguish between the big stuff and the little stuff. They want employees to ask for help when they need it and work with their company on how to solve the problem.

An example: If somebody is dealing with a loved one in the hospital, instead of going to the boss and saying, "I need two hours off," say, "I need two hours off, but this is what I have worked out: I'm going to come in two hours earlier and I've talked with my team member and gone over what needs to be done."

Q— What should every employee keep in mind in today's marketplace?

A— Everybody these days is expected to work harder. If you're already working as hard as you can, you need to figure out how to work smarter and how to work better.

Employees have to be able to show added value every day. Then if anything happens beyond their control, they have skills they can take somewhere else. Think, "How can I improve my employability until I decide to retire?" Not until somebody retires me.

*Source: Marcia Pound, **Buffalo News***

3699 HOW GOLF IS LIFE

Rick Spence, editor of **Profit magazine**, says that everything he needs to know about business he learned from playing golf:

1 Keep your eye on the ball.

2. You can get up really early in the morning when you want to.

3 Every fairway has hazards. Some are just more obvious than others.

4 Follow-through is always more important than it looks.

5 Be quiet when it's another player's turn.

6 Always replace your divots.

7 Losing your ball isn't the end of the world. Take a penalty and move on.

8 The long ball doesn't always win.

9 Spending all day at the driving range won't help your putting.

10 Never hide under a tree in a lightning storm.

Source:Globe and Mail

3700 WHAT IS NEW IN MANAGEMENT?

Knowledge today is an industry. Perhaps for this reason, professional executives keep asking: What is new in management? "Balanced Scorecard" method of business management is one of the latest. What follows appeared in a recent issue of Financial Times (London).

Imagine you are on a flight across Europe and just after take-off, the captain's voice comes over the public address system.

In a reassuring voice he tells you that the focus of his efforts will be to fly at 3000mph. He will not be paying much attention to other measures, such as fuel consumption, angle of flight or altitude, because he feels these are either irrelevant or distracting.

This approach to measurement is not designed to inspire trust in the passengers. Yet it is the approach most companies have taken to setting targets and measuring their performance, according to David Norton, the creator of a new style of business measurement called the Balanced Scorecard.

Norton, the affable president of Renaissance Solutions, the international strategy consultancy, and his partner Robert Kaplan, the Arthur Lowes Dickinson Professor of Accounting at the Harvard Business School, developed the Balanced Scorecard working with a dozen companies in the early 1990s. sponsored by the accountants KPMG.

Its adherents believe the scorecard could become one of the most popular and useful management tools of the decade. It is disarmingly simple, yet comprehensive enough to allow companies to monitor and adjust not only their day-to-day performance but also their strategy.

Norton and Kaplan's research identified two significant deficiencies in most corporate strategies. The first was a measurement gap. Most companies measure their performance using financial ratios, combined with process measures such as quality, productivity and unit costs.

These measures often provide no more than a narrowly focused historic snapshot of how a company performed in the past. They do little to show what it might be capable of in future.

When Norton and Kaplan probed to find which factors determined the companies' success, they found they were often things which went unmeasured, such as customer satisfaction and loyalty, employee commitment and the speed at which organisations learn and adapt.

The second shortcoming was a strategy gap. Many companies embarked on a wave after wave of ambitious-sounding improvement programmes, often accompanied by brave, if banal, words from senior executives, only to find that few bore fruit.

Norton and Kaplan came to the conclusion that strategy was rarely translated into action because it was rarely translated into measures that employees could make sense of in their everyday work.

The Balanced Scorecard is an attempt to overcome these two shortcomings. "The scorecard is not a way of formulating strategy," says Norton, "It's a way of understanding and checking what you have to do throughout the organisation to make your strategy work."

The Balanced Scorecard, which is explained in their book of that title, combines several vantage points from which an organisation's strengths and weaknesses can be assessed: the customer perspective; an internal perspective to assess the quality of people and processes; a financial perspective, which accounts for the way shareholders view performance; and a future perspective, which measures how effectively a company learns, adapts and grows.

According to Norton and Kaplan, a company's perspective on itself and the world should be built by combining these four perspectives into a single, balanced, integrated view.

For example, imagine a company sets itself an objective of sales growth or market share. The scorecard demands that it translates what that means into measures of customer acquisition and retention, marketing and advertising. To achieve that, however, the company would need to examine what needed to change internally, for instance in working practices or production processes.

Once the need for internal change is understood, it should be possible to assess what new skills and competencies the company needs to acquire to improve its performance. For each of these steps, Norton and Kaplan outline a set of measures and yardsticks that companies can use.

The Balanced Scorecard has a growing band of corporate advocates. Norton says 60 per cent of large US corporations use some version of a scorecard that integrates financial with nonfinancial measures.

In Europe companies as diverse as Skandia, the innovative Swedish insurance company; BP Chemicals; Xerox and Renfe, the Spanish railway company, are among its adherents. Norton is being asked to speak around the world and recently addressed a London conference organised by Business Intelligence.

The scorecard is attracting this following for several reasons. It is simple to understand and use. it is not abstract. It can help to make sense of a strategy both to senior managers and frontline employees, as long as the right measures are used. The scorecard can be conveyed using numbers, but most companies use an easy-to-understand array of graphics, not unlike the instrument panel in an aircraft cockpit, which can be understood almost at a glance.

It is highly flexible, utlitarian and unpretentious. You do not have to commit yourself to a new management theology to adopt it. It allows a company to have a rounded, comprehensive view of its activities, taking into account soft assets such as knowledge and creativity, without being vague or woolly. Norton and Kaplan are measurement works, they love numbers.

The scorecard is not without its problems, as Norton acknowledges. What gets measured, gets managed. But what gets measured is often what is easy to measure. Often companies will need to start measuring things that have gone unrecorded. Even if they have much of the basic information, such as customer complaints, collating it will be difficult.

Once companies embark on a more integrated approach to measurement a different problem arises. They start measuring too much, too often. It can become a bureaucratic nightmare.

According to Norton, the biggest failing is that companies do not use the measurements to motivate people because they do not link measures to a programme of actions. Getting the right kind of measurement does not solve a problem. A perfect set of scales just tells you how heavy you are, it doesn't do the dieting and exercise for you.

The Balanced Scorecard could be another passing management fad, travelling a familiar journey from the bookshelves, through the conference circuit to the scrapheap. Yet there is some reason to think it might escape that fate.

There is a growing consensus that business needs to augment traditional financial mesures, but as yet no-one has managed to come up with a practicable set of tools. There is a recognition, among blue-chip companies at least, that they need to take a broader view of the sources of competitiveness; to take account of soft assets such as brands and people.

Environmental pressure groups are calling on companies to adopt social audits and alternative measures of their impact on society.

The idea of stakeholding, advocated by the likes of Will Hutton and John Kay, calls on companies to adopt a more inclusive approach involving employees, suppliers and the community as well as shareholders.

Even City analysts respond to accusations of short-termism by complaining that they would take a longer-term view of a company's prospects if only they had ways of measuring them.

The Balanced Scorecard is the best answer so far to these diverse concerns. Yet the strongest guarantee that the nonfinancial measures advocated by Norton and Kaplan will play a large role in corporate life is the outlook facing the accountancy profession. In the UK, for example, on present trends, there soon will be a glut of accountants.

One of the ways the profession could deal with this oversupply is by persuading clients that they should start measuring a lot more aspects of their business.

Source:Charles Leadbeater in
Financial Times

3701 ENRICHING THE PUBLIC AS WELL

A public sector company in Broach is having a book summary session every Thursday in its well-laid auditorium. Duration: Two hours. Number of books summarised:About three. Who can attend? Besides personnel of the company, any interested member of the public. Who can make the presentation? A member of the company or a member of the public. Range of coverage:Whatever will enhance quality of life. How many usually attend? Over a hundred. This is good liberal education. This is good PR.

3702 IN LIGHTER VEIN

Intel Corp. is generous with awards for its employees. But there is one prize nobody covets: a leather dog muzzle mounted on a wooden plaque.

The Muzzle is awarded when a senior executive at the semiconductor giant makes a boneheaded remark to the press. It's bestowed by majority vote of Intel's executive management committee, and must be displayed prominently in the recipient's office until another executive earns the award.

Andrew Grove, chairman and chief executive officer of the Santa Clara, Calif. based company, gave the first Muzzle in the early 1980s to Roger Borovoy, then general counsel, who was quoted as saying that "negotiating with the Japanese is like negotiating with the Devil." Intel had just begun sensitive negotiations in Japan at the time, and Japanese executives weren't amused.

Mr. Grove admits to receiving the award himself several times, but is sketchy about particulars. He does recall a gaffe by Craig Barrett, Intel's president and chief operating officer; it earned the Muzzle and came back to haunt Intel.

Digital Equipment Corp. recently sued Intel for copyright infringement, inspired partly by a comment of Mr. Barrett's published in an August 1996 article in The Wall Street Journal. "There's nothing left to copy," he was quoted as saying. Mr. Barrett says he meant that Intel could no longer take ideas for making speedier chips from older mainframes, supercomputers and minicomputers. But at a recent press conference, Digital's Chief Executive Robert Palmer cited the remark as evidence that Intel had copied chip designs from Digital and others.

Muzzle winners often maintain they were misquoted. Mr. Barrett says a reporter once incorrectly reported that he had made a precise projection of Intel's quarterly earnings. No matter; the Muzzle is based on what papers print.

"The one person who has the most control over what is written is the executive being quoted," explains David House, a former Intel senior vice president and now the CEO of Bay Networks Inc.

Intel senior vice president Ronald Whittier is the current possessor of the Muzzle. He received it for an indiscreet comment, which he claims he never made, about the number of chips Intel sells. He is waiting to nominate someone new, and says, "I wish I could get rid of the damn thing."

Source: Dean Takahashi in Wall Street Journal

3703 LAUGHING MATTER?

'There's good and bad news — the light at the end of the tunnel has allowed us to see another tunnel.'

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