

Management Ideas



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a monthly newsletter to key executive-leaders on practices, possibilities and ideas generally for stepped up performance
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3713 FROM A CONSULTANT'S DIARY : ZERO INTEREST : A SUCCESS STORY

Occasionally, we get feedback stories. We had one from Solapur recently. This is a well-run company with good financial discipline. Even so, they were paying interest in two digits. They invited your editor (N.H.Atthreya) to conduct a workshop on Outstandings/Collection Management. The followup work, the key executives did, has made the company a zero interest company. The CEO writes:

"When we had you a year or so back, the ratio of interest to profit after tax was 100%. We said we cannot afford this. We should aim for zero interest. Our people thought it is impossible any time and more so now because of the tight money market.

"The purpose of this letter is to tell you it is now a reality! It all happened because of the impact of your workshop. Now our cycle stock-Drs-cash is so controlled that it matches with the credit period allowed by my supplier and also all this is achieved with regular growth in sale.

"We once again thank you for the confidence you gave to our team members which has

helped us in making our company a zero interest company."

3714 PEER LEARNING CASE STUDIES.

Case study approach to management learning is helpful. General Electric Company has gone one step further. It makes company case studies. It unearths good cases and make them a company case study. The message is: 'Adapt your peers' best practices. The person in charge of this activity is a Vice President of Leadership and Development.

The following is an interview with Mr. Steve Kerr, the VP by Matt Krantz of Investor's Business Daily.

A 'word' about General Electric (GE). GE is a \$76 billion in sales company. "If broken up, it would yield 12 Fortune 500 firms in business ranging from appliances to lending. It has been one of U.S. biggest creators of wealth. The concern's earnings have grown at 15% clip over the past five years while the stock has increased 150% in value."

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

Kerr: That's the initial response people have. Managers are 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) Stanford plant; they've got our best customer university," or, "Go to the Louisville plant; they've got a onteam 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 business?

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 me 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.

Source "Investor's Business Daily"

3715 SOFTWARE FOR MONITORING GOALS ACHIEVEMENT

When bosses set direction, every one hears their message. Right? Wrong! Strategy usually does filter down from the top but by the time it reaches the rank and file who carry out the plans, the messages often become garbled. One company has solved this problem and here is its story

Philadelphia-based Cigna Property and Casualty Insurance Co. says it's solved this problem. The answer for the unit of Cigna Corp. is a new way of measuring — and awarding bonuses based upon — how closely employees are meeting managers' goals.

In late '94, Cigna P&C installed on 60 managers' desks computers loaded with software that tracks hard financial data.

That's not surprising. What's unusual is that the system also tracks nonfinancial data such as customer-survey results, defective-parts rates and employee-training test scores.

Much of that nonfinancial data hadn't been collected before. Cigna P&C has found that these data, along with straightforward financial data, are needed to gauge its progress toward meeting corporate objectives.

The system is also unusual in that it sorts data by business goal, not by business unit. Manager and employee bonuses then are tied to these measures instead of to financial milestones.

Cigna P&C says the goal-tracking system is a big reason it started making money again. Last year, the system's first full year of use, Cigna P&C reversed years of losses by reporting earnings of \$240 million. It collected \$4.4 billion in premiums. The firms had lost \$1 billion in '90 through '93.

"To make that kind of improvement, a lot of things needed to go right," said Tom Valerio, Cigna P&C's vice president and transformation officer. "The system helped us stay focused on final results." Why did Cigna P&C need a new measurement system?

Company President Gerald Isom wanted a way to check his progress while shifting Cigna P&C's strategy starting in October '93. He changed the firm's course after claims from the Los Angeles riots and Florida hurricanes caused it to lose \$275 million that year.

Isom decided to narrow the firm's focus to its most profitable states and markets.

To determine if Isom's strategy was filtering down to all employees, the firm hired Lincoln, Mass.-based Renaissance Solutions Inc. Newton.

With Renaissance's guidance, Cigna P&C created 24 "balanced scorecards." These are like resolutions. They list a goal, such as "to become an insurance specialist." Then they identify steps needed to reach each goal and ways to determine success in reaching it.

"The scorecard gives firms a way to rapidly deploy a strategy and to provide early feedback on how well the strategy is working," said David Norton, president of Renaissance Solutions. Norton co-authored a '92 Harvard Business Review study with Harvard Professor Robert Kaplan that defined the scorecard. Balanced scorecards enable firms to shift their strategies within two years, Norton says.

After determining the goals, Renaissance Solutions installed 60 desktop computers loaded with its homegrown software. Using the software, executives can track their unit's scorecard. They also can crunch financial and nonfinancial data that show if the goals are being met, says Mark Post, Renaissance's vice president of technology.

Four types of data are collected: financial, external (customer-related), internal, and learning and growth. Internal measures gauge things like the average time to answer a customer's request for a premium quote.

Learning and growth lets managers, for example, set increasing goals for overseas sales after they learn more about those markets. The system selects and delivers courses to the employees that need extra training to make that goal happen, Post says. The system collects course test scores as one nonfinancial measure in the scorecard.

Cigna originally connected 60 executives to the system, though others could be added, Post says. Now, about 200 people are connected, and Cigna P&C plans to expand access.

The company's network uses a server from International Business Machines Corp. of Armonk, N.Y. The desktop PCs are powered by Santa Clara, Calif.-based Intel Corp. 486 chips and all run on Redmond, Wash.-based Microsoft Corp.'s Windows 3.1 operating system, says Post.

The firm is testing an intranet, an internal network based on Internet standards. The goal is to connect thousands of managers and employees to the system, Valerio says.

Registry's acquisition could expand Renaissance's reach. "Renaissance was famous for coming in, telling the client what to do and then leaving," said one critic.

Now, Renaissance and The Registry will meet with the client in the early stages of creating scorecards.

"We've learned that the last prong of installing a scorecard (installing systems) can often be the most important," Norton said.

Source: "Investor's Business Daily"

3716 A CANADIAN STUDY

Most of us are not in the nuclear industry. And therefore one cannot see an immediate relevance of the following item. What is significant is that some of the finding reports here can be true of a number of organisations in any part of the world. That is what your editor has noted in his professional work on MINDSET FOR MODERN TIMES.

A team, of about 75 people from the Canadian and U.S. nuclear industries has at Ontario Hydro's request, examined the Crown utility's nuclear performance. Here are a few excerpts from the team's report

Over several decades, Ontario Hydro has not maintained a consistent, long-term vision of how its nuclear assets should be maintained and operated. OHN (Ontario Hydro Nuclear), in turn, has not provided an authoritative and accountable managerial leadership system for use by all OHN managers.

No sense of urgency exists to drive immediate change. Many managers are content with the rate at which the organization is changing. Some even actively resist change...

There are significant number of managers at all levels of the nuclear organization who lack the basic management and leadership skills to be successful. They lack a fundamental understanding of the need for and value of a consistent, integrated managerial system.

Ontario Hydro has many highly motivated and experienced employees in managerial roles. However, their ability to provide adequate managerial leadership has been undermined by:

- Organizational structures with inconsistently defined functions and

poorly defined or missing functions and roles;...

- Unclear or frequently changing direction on the goals and standards for OHN and specific sites....
- Lessons learned and best practices are neither shared nor required to be shared between sites, work units and central support services....

It is easy to find employees at all levels who are assigned tasks with no completion dates, with accountability but no or limited authority, and no awareness of how their work supports OHN or site-specific goals.

It is also relatively easy to find employees in what are assumed to be first-line managerial roles, such as Shift Maintenance Supervisors (SMS), who are convinced that they are not accountable for the results of their subordinates and in fact have little or no authority in their role. Worse still, some of the managers of the SMSes don't even know what their shift maintenance subordinates are doing....

The practice of offering critical services, such as training and engineering, on a fee-for-service basis has created an attitude that the groups providing the service are not a part of the team. This lack of teamwork hinders performance of the service organizations and causes unclear lines of authority and accountability between the operating stations and corporate support services.... Managers do not routinely attach to assigned tasks clear expectations in terms of quality standards, timeliness or resource limitations. There is little expectation of excellent performance, either by management or employees, and little incentive to deliver excellent performance (financial incentives, for example). Failure to perform adequately or poor performance is routinely accepted by management, and many managers have similarly low expectations for themselves.

Station management does present performance plans, daily work plans and outage plans. However, it is either unwilling or unable to do anything about minimally acceptable performance or non-performance. This fact is underlined by the number of missed deadlines and commitments, and increasing backlogs in all areas. For example, a high

percentage of preventive maintenance activities are not completed each month. Several managers at various levels indicated that there are no consequences when key objectives are not met....

Senior station and senior corporate service management does not fully support lower-line management. Both good ideas and problems tend to be suppressed due to senior management's lack of support. As a result, bad news and effective solutions are not flowing up through the organization. Problems are often solved at a level too low to assure sustained performance improvement....

A characteristic of most superior performers in the nuclear power generation field is the enthusiastic acceptance of an intrusive internal program of self-assessment throughout the entire organization. This includes oversight from respected nuclear quality groups...of experienced personnel. These oversight groups consider themselves, and are considered by the staff, to be an integral part of the team. They conduct their evaluations on behalf of the site vice-presidents and the CNO (chief nuclear officer), utilizing standard policies and programs developed at the corporate level with monitoring by corporate to assure adherence and effectiveness across all sites.

The IIPA (assessment) team saw neither effective self-assessment nor oversight accountabilities and authorities at OHN.

Ontario Hydro has stated for years that "Our people are our most important resource." In spite of this statement, OHN (Ontario Hydro Nuclear) is not looking after its people very well. There are pronounced cultural problems that need to be addressed. The malaise is deep and wide and continues to worsen. It will not be quickly or easily corrected.

This culture is the result of long-standing managerial tolerance for cumbersome and ill-defined work processes that make it virtually impossible to get work done at the shop-floor level and in the engineering office. In addition, this leadership has permitted the development of organization walls that discourage collateral working relationships and teamwork. Some of the behaviours that the team observed that supports this assessment are:

"It's acceptable to cut corners." "It is not acceptable to make waves." "Those who have made waves have been fired or sidelined."

"The messenger with bad news will be told to fix the problem." "Attention to detail is not as important as getting the job done." "Not meeting commitments is the norm." "One person can't make a difference." Non-performance is accepted or even expected because senior management has neither set nor enforced standards for employees, nor have they assigned specific accountabilities and authorities to managers and individual contributors. As a result, few employees display all of the behaviours required to ensure that station operations remain within safety limits and that every task is completed down to the last detail.

This culture has a negative impact on productivity. More important, however, is the lack of commitment to the establishment and maintenance of a strong safety culture. The organization as a whole and employees as individuals must learn to consider safety an overriding priority, and safety issues must receive immediate and effective attention. The specific problems itemized below are example of much larger generic issues for OHN:

- Employees lack a questioning attitude;
- Deficiencies with safety systems are tolerated at all levels of the organization;
- Procedures are violated and management is tolerant, justifying that "that is okay";
- Managers, staff and suppliers are not accountable for timeliness or meeting quality and safety standards. Staff are in effect rewarded for poor performance...

Employees generally identify with their business unit, station, union affiliation or department, not Ontario Hydro or OHN, and generally do not work well with other groups. For example, training groups and line management do not exhibit a strong sense of working as colleagues with a common goal.

... The IIPA (the assessment team) observed a number of challenges to operations, indicating a lack of consideration of overall safety implications. For example, one challenge involved an alternate cooldown process that

was modified and adopted without formal engineering review and appropriate analysis of the configuration.

Decisions are dominated by a production mentality, and managers feel excessive pressure to continue planned evolutions. The production-dominated culture and its ultimate impact on long-term station performance was most apparent in management decisions regarding the start of the 10 year inspection at the Darlington vacuum building. This requires a full station outage. Although only about 60 per cent of the scheduled outage jobs had received final planning, the decision was made to move forward with the outage on the original schedule, causing the remaining work plans to be issued during the outage when station resources were stretched to the limit.

Poor work planning and scheduling has led to under-utilization of many workers within OHN (Ontario Hydro Nuclear). For example, maintenance crews are often unable to start work because materials, equipment or support is not available. In addition to draining productivity, this also undermines employee confidence in the managers who planned the work in the first place. There are also skill mismatches where the wrong people are assigned the wrong jobs, such as engineers preparing work packages and operations and maintenance procedures.

Serious shortages of key management, supervisory and some technical skills exist within OHN, particularly in plant and systems engineering, radiation protection, licenced operations personnel, and training. Too many gaps have been filled with temporary appointments, and there are inadequate plans in place to replace many key employees with specialized skills who are approaching retirement in the next five years. In addition, there is a lack of personnel with the special skills and experience needed for effective self assessment and oversight.

Assignments often occur without proper regard to necessary requisite skills, particularly at the supervisory and management levels. For example, many employees at Bruce have been placed in front-line supervisory positions with no understanding of their accountabilities and authorities. Worse still, after holding these positions for several years, many supervisors

have still not received even the most basic training or coaching by their managers on how to manage, set priorities, and handle employee communication.

In short, the mix of skills and assignments given are not in alignment with the work to be done. The solution is not to hire more employees, but to provide better training for those we already have.

Generally OHN employees, especially managers (who are charged with stating what work will be done, when, and how), are sufficiently acquainted with the differing standards and "conduct of" requirements in the nuclear industry. However, their attitude of "our technology is so different and superior that we really haven't anything to learn from stations who use other technology" exhibits the kind of technical and managerial attitude that has contributed to the current state of station performance. This heavy reliance on past technical acclaim has set the tone of the current culture of a lack of urgency and inattention to disciplined operations and maintenance behaviours and attitudes at the stations.

Source: "Globe and Mail"

3717 WHAT IS NEW?

We have heard 'pray together to stay together'. We have noted that anything we do together keep us together as a fighting fit team. An enterprising agency has started to cook together as an approach to organizational team building!

William Garner, a first vice president of FCC National Bank, was in the kitchen chopping chocolate into fine, feathery pieces for tiramisu. At another table, under a ceiling covered with hanging pots and bowls, Mike Majchrzak, the bank's vice-president for account processing, and Bob Tangredi, the vice-president for credit review, were making ravioli. "Is this spinach?" Mr. Majchrzak (pronounced MY-zhack) asked as he picked up a handful of basil leaves for the sauce. "Without a gas grill and steaks, I'm lost."

The three executives, along with four of their colleagues, were working against a tight deadline. It was 2. p.m. on a weekday afternoon, and they had to finish preparing a meal by 2.30 - a group task not all that different from a

business project - so that they could have time to eat and review the events of the day.

While ravioli and tiramisu may not be staples in the Harvard Business School curriculum, they were at the core of a day-long team building workshop that the executives said would help them work together more productively.

It was a long day of corporate bonding for the five men and two women chopping, whisking, sauteing and kneading at a cooking school called *Cooking by the Book*. These high-ranking executives had travelled to Manhattan from their headquarters in Wilmington, Del., first sitting in a circle to talk about themselves and then donning white kitchen aprons and going to work to create a late-afternoon lunch.

The theory is that learning to work together in the kitchen will enhance their collaborative skills in the office.

But the ravioli was falling behind schedule.

Mr. Tangredi cranked the pasta dough through a roller as fast as he could. Mr. Majchrzak, who was filling and assembling the ravioli, could not keep up.

"We need help," Mr. Tangredi cried.

Mr. Garner, the leader of the group, and Ann McNally, the bank's vice-president for financial administration, came running. "Don't screw it up, Ann," Mr. Garner warned with a sly smile, as he and Ms. McNally began helping with the ravioli.

Ms. McNally glared at him. "It really helps when the boss is standing over you," she replied.

The cooking class, in which the team also made sweet-and-sour egg-plant and fennel-scented salad, was the culmination of a day that encouraged frank, comfortable dialogue. It was corporate group therapy: as time went by the executives became more and more open and outspoken about their relationships with each other - how they work together and what they really think of each other.

The cooking class is a novel approach to the big business of corporate team building. The workshop, which cost a total of \$7,500 (U.S), was run by the Team Cooking Group, a partnership of **Cooking by the Book and Take Charge Consultants** of Downingtown, Pa. Dr. Filomena D. Warihay, the president of Take Charge, said that similar workshops have

been conducted for businesses like Pfizer Inc. and the Cigna Corporation.

"We developed the cooking idea so a team would see that one senior executive alone cannot create a gourmet meal — they have to team up," said Dr. Warihay, who has led three previous workshops for Mr. Garner's team.

The cooking workshop is an example of the new creativity in corporate team building, which began more than 20 years ago, said Dr. Carol Dubnicki, the vice-president for human resources of the Chicago based Amoco Corp., which has long experience in team-building programs.

"Instead of just talking about how they can work together as a team, executives are doing experiential things like mountain climbing and river rafting," Dr. Dubnicki said. Such activities, she added, can break down barriers and make people "more comfortable and trusting with each other."

Trust is a key element in what may be the most extreme form of team building — climbing to the top of a telephone pole and jumping off while attached to ropes and a harness. Pecos River Learning, the Minneapolis-based company that conducts that program, says that 20,000 executives a year endure this experience.

"It's a terrifying event for people — they think they're going to die — but they learn they can do things they thought were impossible," said Hersh Wilson, a senior vice-president of Pecos River Learning. "They also learn it feels good to have support and to collaborate."

(An associate of your editor has been conducting such outward bound programmes in India for over two years.)

The workshop for FCC National Bank was tame by comparison. "It's a culinary Outward Bound - and much safer," said Suzen O'Rourke, who runs *Cooking by the Book* from her white-brick loft apartment.

The day began at 9.45 a.m. with the seven executives sitting in a circle on the floor of the large, book lined room that Ms. O'Rourke uses as her living room/dining room. Dr. Warihay, Take Charge's president, and Rosaria Taraschi, its vice-president, led them through several exercises. First, each executive was asked to pluck a food or cooking utensil from a bag

without looking and to explain how it relates to his or her personality.

Faye Dadzie, the bank's vice-president of human resources, reached in and came up with a jalapeno pepper. "I tend to be spicy," she said, "and at times I cause tempers to flare."

Roland Ridgeway, the vice-president for community development, plucked out a garlic clove. "I add flavour to a group," he said.

Next, they went over the results of a questionnaire, filled out before the workshop, on their strengths and weaknesses as a group. They gave themselves high marks for ethical behaviour, respect for each other and sharing the workload.

"Give yourselves a round of applause for your strengths," Dr.Warihay said. Everyone clapped.

Then it was time to reverse course. In the questionnaire, the executives had said that they had trouble giving and receiving comments on each others' work. They began to talk about it. They said that they were uncomfortable asking each other about their own performances, for fear of appearing vulnerable or not having all the answers. They also said they were reluctant to make critical comments because they feared hurting someone's feelings and jeopardizing a business relationship.

Dr.Warihay defined the team's problem as one of "feedback—the ability to seek and give each other information about what's working and what's not."

3718 LAUGHING MATTER?

The executives agreed that once they were back on the job, they would talk with each other more often.

The morning session ended on an upbeat note with what Dr.Warihay called "strength bombardment." She asked everyone to describe "the attribute or skill you value most about each of your colleagues." The group was very attentive as the executives took turns heaping praise on each other. Ms.McNally turned to Joe Dudzinsky, the vice-president for card holder services, and said she appreciated his "good will towards the employees—the willingness to be Santa Claus."

Then it was time to cook, a novel experience for some of the men. Sitting down for lunch was the finale. The team ate at a big square table in the living room and reviewed the day.

Ms.Dadzie said she learned that "it's O.K. for people to have different opinions—you have to listen to them."

Mr. Garner said he was pleased that the team had "worked out some of our communications issues." Finally, it was time for dessert, and Ms.O'Rourke served Mr.Garner the first piece. He looked at his plate and gasped.

"Oh, my God," he said. "I made tiramisul!"

Source: "Globe and Mail"



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