



Management Ideas

FOR STILL BETTER
RESULTS
RELATIONS
REPUTATION
RENEWAL

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 management leadership

Published by: MMC School of Management III fl. Court Chambers, Mumbai 400 020.
Ph: 200 7911/200 0446 Fax: 208 0404 / 208 0446

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3789 FROM THE EDITOR'S DIARY

Education for Dhamma

It is not a case of wrong spelling. Dhamma is the word.

Dhamma education is education for everyone, education in the art of living, education as commended by Gautama Buddha, education as preserved for over 2500 years.

This education is offered by Vipassana International Academy, presided over by Sayagyi S. N. Goenka. (Address: Dhamma Giri, Igatpuri 422 403).

The Academy has many centres in India and abroad.

Your editor participated in a ten days' *sibir*.

He found it a great experience.

The *sibir* is essentially experiential - the guided practice starts you off in the skill of looking within and looking without.

The Academy follows the Indian tradition in such education - there are no fees.

The only 'publicity' is the word of mouth. There is quite a long waiting list still.

Recommended Reading

IF ARISTOTLE RAN GENERAL MOTORS by Tom Morris (Henry Holt and C. Inc. 115 West 18th St. New York NY 10011) \$25.00

The book's subtitle, namely, The New Soul of Business, explains the focus of the book.

The author says

"In this book I will share some very good news for everyone who cares about the attainment of long-term business excellence and the experience of personal happiness at work amid the turbulent and challenging times we face. This is not a book specifically about General Motors, as distinct from any other contemporary business concerned with basic issues of productivity, competitiveness and success. I use the name of this famous, paradigmatic American organization in my title as emblematic of any group of people working together. And I won't draw on just the ideas of Aristotle for wisdom, although he will often be my leading light. His name is also to some extent symbolic, representative of all the great thinkers whose insights can shed light on the problems we now face, in business and in life."

The book explains the inner foundations for enduring excellence.

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3790 PLAY TO BE DE-STRESS

A survey reported in the weekend Australian has relevance at least to those who are living in highly industrial cities where stress is an increasingly common phenomenon with its sad consequences. Play seems a welcome way to manage it.

Sport has replaced holidays and drinks after work as the preferred method of relieving work-related stress.

Employers are incorporating sport into the workplace environment because it has been found that participating in sport is the best method of stress relief.

A survey conducted by human resource company Morgan & Banks showed 39 per cent of employees use sport as their main form of relieving stress, with only 1 per cent turning to alcohol and 6 per cent of respondents using holidays to ease stress.

"I was pleasantly surprised that people are telling us the dominant method of relieving workplace stress is sport," John Rawlinson, director of Morgan & Banks Victoria, said.

"When you're working 12 hours a day in a job that is mentally stressful, it's essential that you get a bit of balance and actually work your body."

"People are realising sport is undoubtedly the best method of relieving stress."

Morgan & Banks Victoria has a running group and a netball team. It's Sydney office has corporate fitness and touch footy.

The reduction of stress in such industries as advertising and law was possibly a result of these organisations participating more in sport, he said.

Katrina Rathie, a partner at Mallesons Stephen Jaques who is responsible for the Sydney office social committee, said sport was the key factor for enhancing productivity.

"In a firm which prides itself on trying to look after its people, we think that sport encourages team building and also social interaction in a large office environment," she said.

The firm organizes fun runs, participates in the City to Surf, Walk Against Want and inter-company netball, squash, tennis, soccer and football, as well as go-kart racing, skiing and pool competitions.

It also boasts the largest football-tipping competition in the country.

"New-age' methods of stress release such as relaxation exercises, massage and meditation were also on the increase, particularly in the construction and media industries.

Mallesons Stephen Jaques has an osteopath who conducts stress-relief exercises and massage. It is also training a yoga group every fortnight.

"We have been extremely surprised - we thought that maybe a few women might do yoga, but instead it's all these 40-something men that have turned up," Ms. Rathie said.

*Source: Joanne Casamento
in Weekend Australian*

3791 A CASE STUDY IN UPGRADING A RICKETY SYSTEM

Before the new computers arrived, the technology wizards at Cook & Franke S.C. invested in some high-quality personal pagers.

"We knew there would be a certain amount of confusion," said Joseph Berres, computer applications manager at the Milwaukee law firm, "and we didn't want anybody to feel abandoned."

Or frustrated. Or even low-grade hostile. Those are all possible reactions when a company dumps one computer system - even a slow, clumsy one - for something unfamiliar and, at first glance, inaccessible.

Cook & Franke's experience the past year shows how one local business that's heavily reliant on computers handled the challenges of a transition to a new system. The firm's management and technical staff decided to give strong consideration to the needs of its 100 employees - thus the pagers - as Cook & Franke took the steps toward the upgrade.

"They were aggressive in learning what it takes to support a network and methodical about putting it all together in stages," said Leslie Zengler, senior project manager at Techlaw Automation Partners Inc., a Chicago computer integration consulting firm hired by Cook & Franke.

Cook & Franke, 660 E. Mason St., until last year had been relying on a rickety, piecemeal computer system built around a 1980s Wang Corp. mainframe. The law firm had augmented the Wang from 1990 to 1995 by purchasing personal computers that resulted in "information islands" in the office.

"We had attorneys joining the firm who had never even heard of Wang," said John Berres, office administrator and brother of Joseph Berres.

In the late 1994, Cook & Franke solicited bids from computer vendors. Its goal was to find a consultant that would help them install one unified system that would allow Cook & Franke to keep pace with changing technology.

After several brainstorming sessions, the firm selected a Novell 3.12 network using two Compaq servers. One of the servers is dedicated to software applications, such as word processing and spreadsheets. The other is assigned to document management functions.

"We had to focus on documents: how to assemble them, how to share them," said consultant Zengler. "Document management is absolutely crucial to productivity."

During the next three months, employees at Techlaw built the network while the computer staff at Cook & Franke did additional behind-the-scenes work.

Although they declined to talk prices, the final tally included the cost of about 60 new PCs and 20 laptops, all purchased by Cook & Franke through mail order catalogs to save money. Cooke & Franke also hired a computer

service firm to upgrade some of the law firm's older, but still usable, PCs.

In addition, the law firm's computer staff made sure it was familiar with all the nuances of both the outgoing and the incoming systems.

"If someone said, 'I did such-and-such in Wang, how do I do it in Novell,' we wanted to give them an immediate answer," Joseph Berres said.

By March 1995, both Techlaw and Cook & Franke were ready to install the new system, but for the first two months, access to the network was limited to an 18-member test group of business attorneys and their secretaries.

"In essence, we created a mini-law firm," said Michael Lund, a shareholder at the firm and a member of the pilot group. "We all tended to work together anyway and we all needed to exchange forms or work with multiple documents."

The group's task was to pinpoint bugs in the new network, particularly concerning the centralized document management system.

They discovered the new system had some rough spots. Within weeks of working with the program, the group detected that users had too many choices.

"If you could file something one way, you probably had one or two other options," said Glenn Hertel, the firm's systems manager.

By May, when the rest of the office was ready to learn the system, the computer staff had simplified the process of naming and searching for documents. They also had done additional backstage work.

Before training began, Cook & Franke made sure employees had access to laptops programmed with solitaire games. At night, workers could take home the new computers so they could learn to work with a mouse and get exposed to a Windows format by playing card games.

Then the firm circulated a two-page questionnaire designed to assess co-workers' computer savvy. During training sessions, technical neophytes were grouped with other beginners, so as not to bore the more advanced users.

"The only way to train is by developing a training curriculum suited for your staff," Joseph Berres said. Training was done in a conference room that was set up as a computer lab. From May to mid-July, six to nine people were trained each week, participating in one of two levels of schooling. The most intense training was designed for the firm's secretaries - three consecutive full-day sessions. After one week of working on the new system, the secretaries returned for another day of troubleshooting the hands-on problems they had encountered.

The attorneys were given a half-day of training in which they learned the basics of sending electronic mail, searching for documents, navigating through Windows and basic editing.

The staff's review of the new system was generally positive. Some workers approached the new technology with a certain degree of hesitation while others embraced the new system, eagerly experimenting with the computer's capabilities.

The computer staff had taken steps so no one could unintentionally click into trouble. Before the training sessions started, they had programmed safeguards into the network, prohibiting users from gaining access to the heart of the system.

"We made sure nobody could accidentally reformat the hard drive," John Berres said.

They also made sure that no one was stranded for long once the trainees were let loose and confronted computer problems on their own. Besides being reachable through their pagers, the computer staff had installed a communications program, called PC Anywhere, on the new terminals.

With this software, Hertel, for example, could call a user-in-distress. Without having to walk over to the user's workstation, Hertel could log onto a computer and essentially take over the user's screen, thereby fixing the problem from a remote location. The technical staff is still using the function a year after the end of the initial staff training.

Now Cook & Franke is focusing on what John Berres calls "advanced fine-tuning."

For example, Cook & Franke is currently working toward an Internet hook-up. While the firm's management envisions building a home

page someday, their more immediate need is for the superhighway's e-mail capabilities.

The firm is planning to schedule a series of training sessions this fall to expose the staff to Internet.

Cook & Franke is also developing a document assembly program. The program will allow attorneys to select basic information about their clients from a list of criteria, allowing the computer to create a basic document, such as a living trust, that the attorney can then customize.

But getting the program ready is time-intensive, something the Cook & Franke readily accepts, Zengler said.

"The staff there was both very flexible and thoughtful," Zengler said.

Source: LuAnn Lanke
in The Business Journal

3792 OTHERS LEARN IN FAILURE OF WORKER DEMOCRACY

Just like there can be something too little, too late, there can be something that is too much, too early. Worker Democracy seems to belong to this category. Before we are ready, before doing the needed preparation, we vote for worker democracy, because it sounds so good. Others elsewhere have done it and rued it and we can learn from them, even at this late hour.

These days, the Harman Automotive Inc. rear-view-mirror factory here may seem like just another industrial casualty as it limps toward a final shutdown at the end of the month.

A quarter of a century ago, though, it was internationally renowned as the site of an audacious experiment in worker empowerment. The said trail from then to now is filled with lessons about innovation, management and plain old human nature.

The Bolivar Project, as Harman's effort to tear down the adversarial walls between workers and management was known, attracted research grants from the Federal Government, leading universities and organizations like the Ford Foundation. The goals, considered revolutionary then, were to grant Harman employees increased job security and safety, recognize them as individuals with varying interests and needs and give them roles in decisions affecting work conditions and training.

So many corporate and labor union honchos trekked to this rural Hardeman County seat 90 miles east of Memphis to see the results that local managers finally set a quota of one group a week to limit the distraction. And Bolivar's early successes - some carefully exaggerated by its backers - soon encouraged the Big Three auto makers and others to begin drawing workers into a wide range of decisions formerly reserved for managers.

But while other companies have since absorbed and refined insights gained from the Bolivar (BALL-uh-ver) Project, the Harman plant itself fell victim to a fundamental misreading of how employees, especially managers, would react to the changes.

"I didn't recognize soon enough how critical a role the managers have to play," said Sidney Harman, the former owner and chief executive of Harman International Industries, the conglomerate that owned Harman Automotive when the experiment began. "You don't go anywhere unless you get those guys to passionately sign on."

Lacking the training and, in many cases, the will to lead without commanding, Harman's managers were in over their heads once key groups of workers decided to use their new freedom mainly to create opportunities to leave work early. Mr. Harman, who sold the factory in 1976, was not around to pull the project back to sanity. And the subsequent owners were happy to see it die.

The Bolivar Project started with a chance meeting in 1972 between Mr. Harman and Irving Bluestone, a top official of the United Automobile Workers union. Both men had been called to testify before a United States Senate subcommittee about anger and alienation in the workplace. Mr. Harman, whose company was best known for its Harman-Kardon stereo equipment, bluntly told the panel that the main problem was corporate America's habit of treating employees like replaceable pieces of machinery.

"Are you for real?" Mr. Bluestone, impressed, asked when they were introduced. The two men quickly agreed that Bolivar would make a suitably challenging testing ground for giving workers greater control over their surroundings. The ramshackle factory there had been fashioned by previous owners out of three huge, leaky Quonset huts. With its fiery

metal casting lines, it was a hellish environment for many workers, and relations between management and the union were often tense.

By 1975, though, visitors here found eye-opening signs of cooperation. Workers were experimenting with redesigning their jobs to smooth out workloads and limit interruptions that sapped productivity. If they filled their production quotas early, they could attend an every-changing array of classes right in the factory, from practical courses like welding to more artistic pursuits like sewing and piano lessons. They also had a new credit union, a pioneering stock-ownership plan and a free-wheeling plant newspaper called The Mirror.

Labor relations improved so much that the 1975 contract with the U.A.W. was actually completed four months before the old one was to expire, saving Harman the need to build inventory in case of a strike.

"What an experience to enter a factory where everyone is an adult!" Carla Eugster, an economist and union organizer, gushed in a letter to The Mirror after a visit late in 1975.

The fresh thinking about quality of life in the factory also began to have an effect on the town. Mr. Harman's proposal for an on-site day-care center evolved into a community day-care center at a church. Workers at the factory, more than half of whom were black, presented the community's first interracial gospel concerts.

But the Bolivar Project began disintegrating even as its legend spread. Management's biggest mistake was to agree to let workers who completed their daily production quotas go home early. The new policy, known as "earned idle time", almost immediately created tensions between those like assemblers and polishers, who could finish three or four hours early by working in teams, and others stuck with jobs operating, say, metal-casting machines that required a human presence for the entire shift.

"We were too idealistic", said Michael Maccoby, a Washington-based consultant who was director of the Harvard University Project on Technology, Work and Character in 1972 when Mr. Harman and the U.A.W. handed him the task of designing and coordinating the Bolivar project.

The employees' freedom to leave also undercut the effort to draw workers into classes that could broaden skills or foster social ties. Worst of all, a shortened workday soon came to be viewed as an entitlement. Supervisors came under pressure to bend rules to let people go home. Some workers began to cut corners on quality or even put false bottoms on boxes so they could pack them with fewer mirrors and appear to meet their quotas early.

As complaints from customers shot up, Harman had to increase its spending on quality control. Absenteeism and false sick claims, which declined in the early years of the project, soared in the 1980's.

"It turned some employees into thieves," Lee Woods, a longtime union activist in the factory, said, referring to the lost working hours.

It also attracted the worst kind of job applicants. "When we hired people, the first question once they got in the factory wasn't 'Which machine should I run?' but 'When can I go home?'" said Martha Cooper, a quality engineer.

Managers whittled away at earned idle time as new technology and other changes provided openings, but it survived in parts of the factory well into the 1990's.

By then, the factory was probably beyond saving, though, and not just because of the project's missteps. As far back as the 1970's, Harman had been slow to move toward the plastic-based technologies that were taking market share from metal mirrors. When it tried to catch up, its marketing efforts were not as deft as those of its rivals, according to many longtime employees.

Some Harman employees say that both the Bolivar Project and the factory were doomed once Mr. Harman sold all of Harman International to Beatrice Foods upon becoming Under Secretary of Commerce in the Carter Administration in 1976. Beatrice was a highly leveraged conglomerate with operations ranging from food to luggage to chemicals. It paid little attention to the automotive group, which it finally sold in 1984 to **Harvard Industries**, the current owner. And Beatrice, which is now a unit of **Conagra Inc.**, had no interest in the worker-empowerment experiment.

"It was a mistake to sell to them," said Mr. Harman, who bought Harman International's stereo-equipment business back from Beatrice when he left Government in 1979.

To be fair, the project had shown signs of losing momentum before Beatrice took over. Once the project had served the U.A.W.'s goal of persuading the Big Three to negotiate more power sharing with the union, the union's interest in preserving it waned. And though Mr. Harman knew many local managers were not completely on board, the resistance ran deeper than he realized.

"They put on a show when the big boys were down," said Paul Reaves, a plant supervisor from 1972 to 1993 who was one of the most enthusiastic supporters of the project. "They said the right things, but they would admit in the back rooms they hoped it would be discontinued."

The long decline of the Harman factory has occasionally been masked by strong demand when auto sales were booming. But Harvard Industries, which is now in Chapter 11 bankruptcy for the second time this decade, has never had the resources to update the plant thoroughly. Employment, now about 400 as the plant finishes orders and hands off business to former competitors in its last days, was near its peak of 1,250 as recently as 1992.

Would more support and better execution have saved the factory from closing? Not forever - but that is not the point, according to those who backed the project. Mr. Bluestone, now a labor relations professor at Wayne State University outside Detroit, cited the case of the General Motors factory in Tarrytown, N.Y. It was scheduled to close in the 1970's, but an agreement to install labor relations programs inspired by Bolivar improved operations so much that the factory survived until 1996. "That was a whole generation of jobs," he said.

Moreover, many of today's most praised workplaces reflect values tested in the Bolivar project and refined by experience with product-quality programs imported from Japan in the 1980's. And because of changes Bolivar helped set in motion elsewhere, untold numbers of jobs have been salvaged or made more meaningful. Indeed, worker empowerment has almost become a cliché. At factories throughout the country, it is common to find workers, who shut down production

lines if defects or hazards appear and operate in teams to parcel out tasks. Some teams even deal directly with customers and suppliers on quality issues, schedule their own vacations and have the final say in hiring decisions affecting their group.

The Bolivar project never got that far, Mr. Maccoby said, but its primitive successes reflected its birthdate. "Bolivar," he said, "was the industrial version of the computer built with vacuum tubes."

*Source: Barnaby J. Feder
in New York Times*

3793 HAPPY COMBINATION

The concept of 'core competency' is a powerful concept, if it is properly understood. Since it has become a buzz word, the more clarity we get, the more effectively we will be able to use it. Herewith a story that makes the point well.

'Core competencies' is one of the most used and abused phrases in business strategy. Nowadays it has simply become a pretentious phrase for activities - things a business does do, or would like to do.

The disease has even struck my own company. Last week I picked up a sheet that proudly proclaimed that the competency of London Economics include economic knowledge, business experience, analytical skills, problem-solving, industry knowledge, innovation, project management and customer focus.

That list is a terrible muddle. It conflates the organisation's resources - its economic knowledge and business experience, with things the organisation does - problem-solving and project management, and with characteristics we need, but probably don't have - innovation and customer focus.

But it is not very different from the list generated by most companies. One business I know claimed to have no less than 43 core competencies.

The phrase "core competencies" seem to be due to a Harvard Business Review article by C.K. Prahalad and Gary Hamel. It is a popularisation of what has become known over the past decade at the resource-based theory of strategy. "Resource-based theory", in

turn, seems to originate in a 1984 article in the Strategic Management Journal by Bo Wernerfelt; and in turn the ideal it describes was first expounded 20 years earlier in a jewel of a volume, "The Theory of the Growth of the Firm", by Edith Penrose.

I mention this history partly to emphasise that the best ideas in management are rarely the newest and also to stress that what really matters is not the words we use but the thinking that lies behind them.

We can debate for ever whether something is or is not a core competence but unless we know why the answer matters the debate is a waste of everyone's time. We need to start by distinguishing what the business is - the resources it has such as economic knowledge and business experience - from the things it does - like problem solving and project management.

The reason is that the main strategic question for any business is how well what it is matches what it does, and if you muddle the two you can't even begin to answer the question effectively. The resource based-theory of strategy emphasises that each company is characterised by its own collection of resources. But in looking at these resources, the vital step in understanding the nature of the business is to draw a line between those resources which are quite idiosyncratic to that business, and those which can be readily bought in the marketplace. The Coca-cola brand is unique to the company, but fizzy drink technology is available to anyone.

I have called this the difference between distinctive capabilities and skills, but the terms are not important: what is important is the different ideas they express. The reason this dichotomy matters so much is that any but the most transitory of competitive advantages has to be based on distinctive capabilities.

A competitive advantage based only on skills - those resources of the business which others can go out and buy - will quickly be eliminated. If it yields profits, others will go out and buy the same resources. So Coca-Cola's competitive advantage is based on its Coke brand, not its technology.

You can buy the skills incorporated in Marks and Spencer (others have, by poaching their employees), but you cannot attack the

company's competitive advantage because you cannot buy its distinctive capabilities: its structure of relationships and its reputation with customers.

And correspondingly, when Marks and Spencer wants to apply a distinctive capability - its reputation with customers - in a new market, it can go out and buy the service skills it needs.

There is no shortage of people who know how to design a personal equity plan or process a life insurance policy. So what is needed in defining a company's strategy is to identify the markets and activities in which its distinctive capability is relevant, and then put together the skills needed to capture these markets and perform these activities.

No company will ever have 43 distinctive capabilities. It is rare for any company to have more than one or two. Sometimes it may have none at all. In that case, it is not going to have any competitive advantages and it will do well to make an average return on capital. That hard but obvious truth is often difficult to accept.

London Economics' distinctive capability is its technical skills in economics, and an established position, especially in the recruitment market, which makes it quite difficult for others to replicate that stance. That means we should only try to sell work which

could only be done by someone with exceptional abilities in economics.

Other reasons offered for pursuing new lines of business - that market is growing, this market is very profitable, we could do it - should all be rejected. Even if we could do these things, if they don't match our distinctive capability we won't make money in them for long. And because it is hard to reproduce our distinctive capability, I don't mind telling readers of the Financial Times what it is.

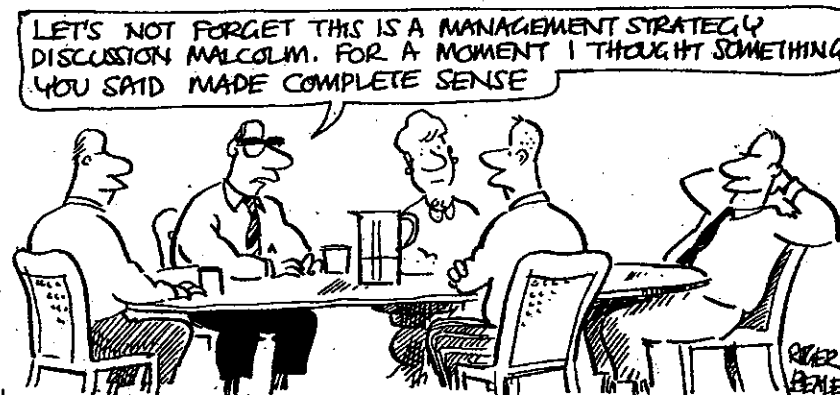
When Oxford establishes its business school, the distinctive capability it enjoys is the Oxford brand, which immediately implies an intellectual, relatively academic positioning; because that is what the brand conveys and that is the market in which it carries weight.

The job of its director is to put together the resources which complement the distinctive capability in achieving that market position.

For other business schools with different distinctive capabilities - or none - the strategy should be different. That is why there will never be any successful generic strategies for companies. The real competencies of companies are their distinctive capabilities and these are few in number and individual in nature. Any effective strategy is specific to the business that deploys it.

*Source: John Kay
in Financial Times*

3794 LAUGHING MATTER?



Edited Printed & Published by N.H. ATTREYA of MMC SCHOOL OF MANAGEMENT
3E1, Court Chambers, 35 New Marine Lines, Mumbai 400 020

Annual Subscription Rs. 240.