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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IN THIS ISSUE

3744 FROM THE CONSULTANT'S DIARY:

At one of the workshops your editor conducted recently, one particiant said thus at the concluding session: "I feel sorry for four parties - one for you, two for my company, three for myself and four for my friends here".

"I feel sorry because a) you share valuable ideas, b) many of them are useful for my company, c) I want to share but nobody in my company asks what I brought from here and d) my friends here will say about the same thing.

"The others chimed: What he says is true, very true."

I asked him: Who according to you can do what to improve the situation?

He said: "Please ask my company to meet me and my fellow participants soon after we return and ask for the ideas we brought for ourselves and for our company. Let them have a discussion with us. This little step may give them value. Otherwise, this is more than waste. This is frustration."

3745 MANAGEMENT BOOKS 1997:

Over 3000 books on aspects of management every year. Even the specialised librarians cannot keep up with them. The nearest to knowing what is being published is a Book Review Editor. The following is from the Book Review Editor of Financial Times (London)

They lie around my desk in great jumbled piles, scores upon scores of books on business - the crop of '97, sent for notice and approval by proud authors and their publishers.

It is received wisdom that management books are rubbish. Their subject matter, we are told, ranges from gibberish to the blindingly obvious. Rupert Murdoch himself has said so, if not quite those words. As a man who publishes more than his share of them, he ought to know.

I am inclined to be more charitable. For a start, it is Christmas. And as I thumb through the piles, one or two have quite catchy titles - Cannibals with Forks, for instance - and several have pretty covers.

Besides, some aim to tell you something. Here is **"Dig Your Well Before You're Thirsty"**, by

Harvey Mackay, which is full of tips on the creepy art of networking. Earl G. Graves's **"How To Succeed In Business Without Being White"** looks equally informative, though being white myself I am perhaps not the ideal judge.

At the other end of the spectrum are books which avoid telling you anything at all, whose title gives nothing away, and whose text lives up to the title.

For instance, "Reality Hacking", by Nicola Phillips "is about being more aware of ourselves so that we can be more thoughtful about our forays into white space, and use the fact that if we are not doing it all the time then maybe the leaps of faith are not as big as we imagine them to be. Hmm.

Or take Salmon Day, by Douglas Lamont. It begins: "Memory mothers internationalism, babies globalization, and nurses the interaction of governments, business firms and citizens with free enterprise markets."

Then there is **"Rewiring the Corporate Brain"**, by Danah Zohar. "The quantum self is both-and", Ms Zohar informs us. "It has both a unique, particle-like individual aspect and a shared, relational, wave-like aspect." The message (whatever it is) is reinforced by a recommendation on the jacket by a Swedish executive, who tells us how the book "gives holistic clarification of how to cultivate and energize the organizations for the future".

A special prize should go to **"Information and Organization"**, by Mark Casson; though perhaps Mr. Casson has an unfair edge, being an academic economist. The tone of the book is neatly captured by the jacket, featuring one of those diagrams with circles and arrows which make the eyes water.

"The incompleteness of contracts," Mr. Casson tells us, "certainly exists as a rational response to information costs. It does not, however, create a major ambiguity which strategic behaviour by a specialised residual claimant is required to control".

This is perhaps a little out of the mainstream. In management terms, what are the themes which exercise this year's class of writers? What, as they themselves might put it, are the hot buttons?

Let us turn for guidance to Tom Peters, trend-spotter and guru (a term, he once shrugged off saying it was in common usage because "guru" is slightly shorter than "charlatan"). In his latest volume, **"The Circle of Innovation"**, Mr. Peters complains of a dearth of books on his chosen subject.

Or, as he puts it in his distinctive brand of near English: "Why are there so f-e-w books on... INNOVATION....and so-o-oo many on teams, empowerment, re-engineering, quality? 1. Beats me| 2. Too hard?"

Shuffling once more through the pile, I am not sure about that. Here, for example, are Innovation (foreword by Tom Peters); Managing Innovation; Winning through Innovation; Imitation to Innovation; The Innovator's Dilemma.

And what insights do they hold? In Innovation, Fred Wiersema, a management consultant, tells us: "The innovation process has three major components. The first is invention - getting ideas. The second is development - turning ideas into reality...The third stage is getting the product on the market."

Perhaps some rocket scientists had already spotted that. For the rest of us, the book is a snip at $24.

Another boring topic, it seems, is intellectual capital. This deals with the exclusive value of intangible assets such as know-how, brand names and - presumably - book titles. So take your pick between Intellectual Capital, by Thomas Stewart: Intellectual Capital, by Leif Edvinsson and Michael Malone: and Intellectual Capital, by Johan Roos, Goran Roos, Leif Edvinsson (again) and Nicola Dragonetti.

Finally, there is one class of authors you have to feel sorry for: those - and there were many - who harangued us this year on how the Asian way of business is the key to vast wealth and personal fulfillment. The news that it more often brings a visit from the International Monetary Fund may dent their sales a trifle.

But hindsight is a wonderful thing, and it would be unfair to single anyone out: except, perhaps, the ineffable Mr.Peters, who was greatly struck - his temples "literally throbbing" by "the physical and mental intensity of the ....ECONOMIC EXPLOSION-CALLED- ASIA-

WHICH-IS-ALTERING-THE WORLD-BY-THE-HOUR, 7-DAYS-A- WEEK, 24-HOURS-A-DAY".

The world's bankers might agree. Certainly, they are not getting much sleep.

Source: Tony Jackson in Financial Times.

3746 ASSURING TOMORROW TODAY:

To say 'we have to make tomorrow today' is saying the obvious. To do that is not so obvious. Who do it and how do they do it - this is the subject of a five year research study. Here is a report on the findings.

Among the world's big corporations, which will still be in good shape in 10 or 20 years? Try these for size:

- American International Group (AIG) the US Insurer.
- Heineken, the Dutch brewer.
- Hewlett-Packard, the US electronics manufacturer.
- J.P. Morgan, the US bank.
- SGS-Thomson, the Franco-Italian semiconductor maker.

The names might seem rather a mixed bag. But these are the winners thrown up by a five-year research programme from Insead, the Fountainbleau-based business school.

The underlying premise of the study is straightforward. The success or failure of companies in the marketplace depends on a complex series of actions, which require many years to take effect.

By studying the past history of companies, it should be possible to spot the factors that have made a difference to long-run performance. On that basis, the Insead research team has bombarded companies with questions to find if they are doing the right things today to succeed in future.

By virtually all measures, AIG tops the rankings by a clear margin. Given the company's high reputation, this is interesting but not implausible. Some other findings are less expected.

Among electrical companies, such venerable US names as Xerox and Emerson Electric are edged out by Europeans; not only by SGS-Thomson, but by Danfoss, the Danish air conditioning and refrigeration company, and by Schneider, the French electrical engineer. And among consumer goods companies, Proctor & Gamble trails behind Heineken and Whitbread, the UK brewer.

The study has some notable limitations. The companies quizzed, all among the world's top 1,000 by revenue, were drawn only from Europe and North America. Thus, the top car companies were found to be BMW, Volkswagen and General Motors, Toyota of Japan, an obvious candidate, was not included.

Second, companies were drawn from only six sectors: autos, computers and electrical, financial services, fast-moving consumer goods, oil and chemicals, and other services. Third, companies were ranked only if they gave adequate responses to the survey. The questionnaire, consisting of 157 questions, had to be answered by executives in various functions and at various levels of seniority within each company.

So what are the measures of a company's success? In essence, the 157 questions were boiled down to 12 "capabilities": customer orientation, technical resources, market strategy and so forth. Companies were assigned a score for each, and the results totted up to give an overall measure of market effectiveness.

According to Jean-Claude Larreche, who headed the project, it was important to keep the questions specific. Companies were asked, for instance, whether they had a web site, and how responsive their telephone operators were. The answers counted towards their score on customer orientation.

Similarly, companies were asked whether they had rationalized their portfolios of products or services, as a means of measuring their market strategy. Another specific question - whether companies operated in a common language - counted towards corporate culture.

At the same time, the questions had to be put to executives at various levels of seniority. For Professor Larreche, this is the chief answer to one obvious criticism of the study: that companies were asked to rate themselves.

The nearer the top of the company, it appears, the rosier the view of its performance. But it is very rare, Prof Larreche claims, for companies to delude themselves at lower levels of the organization.

Take International Business Machines, he says, with which he was working when it ran into trouble some years ago. "The culture might have looked monolithic," he says, "but there was a lot of dissent internally."

The aim, in fact, is to conduct a kind of corporate intelligence test. "The information is there in companies," Prof Larreche says. "There may also be illusion and political games, but you can correct for that."

So what are we to make of the findings? Can it really be true that Whitbread, viewed in the UK as solid but unremarkable, is better equipped to survive than Proctor & Gamble?

On closer inspection, the picture is not clear-cut. Proctor & Gamble ranks very high in the areas that one might expect: in its market strategy and market operations, and in its international reach. Whitbread ranks higher in organization and systems, human resources and innovation.

Proctor & Gamble also ranks low in customer orientation. This seems surprising: but not, Prof. Larreche insists, to those within the company. "They have been so good at marketing," he says, "that sometimes they have not concentrated enough on the customer. Their top management has been trying for several years to change that."

In oil and chemicals, the top company is W.R.Grace, ahead of Shell, DuPont and Monsanto. This might seem odd, given that W.R.Grace has recently undergone a palace revolution and the replacement of almost the entire board.

Again, though, the detail has some plausibility. W.R.Grace ranks low on mission and vision, and on human resources. But it more than compensates with a very high ranking for customer orientation and market operations. And indeed, Grace is a world leader in producing speciality chemicals for individual customers.

In spite of its apparent defects, the study has one unusual virtue: that of attempting to put US and European companies on a consistent footing. American readers are bound to suspect European bias; but the study claims to be objective, which is more than can sometimes be said of US triumphalism.

Of the six sectors surveyed, US companies come top in four: in computers with Hewlett-Packard, in financial services with AIG, in oil and chemicals with W.R.Grace and in other services with DHL, the international courier.

Europeans come top in autos with BMW, and in consumer goods with Heineken. Both rankings are credible enough: although it is perhaps an unfortunate coincidence that Prof Larreche is Insead's Alfred H. Heineken professor of marketing.

As always with wide-ranging studies of this nature, there is fascination in less familiar names. In the electrical sector, who would have thought that Groupe SEB, the French maker of kitchen appliances, would come ahead of Emerson Electric? Or that for mission and vision, the Danish shipping company A.P. Moeller would emerge streets ahead of Shell and British Airways?

In general, the study is offered as a means of showing how the best companies go about their business, and allowing others to diagnose their shortcomings. Go back to IBM, Prof Larreche says. "There was a time when it was the best at customer orientation. If we had had this tool 20 years ago, we could have seen it going wrong."

Source: Tony Jackson in Financial Times.

3747 ETHICS AT WORK

Does it pay? A standard question raised in corporate board rooms. It is a good question. We don't preside over a company to liquidate it. The only extension of the question is:Does it pay long- term? More and more companies are finding that good ethics at work is sound business. Here is a case history.

On the evening of Dec.11, 1995, while returning home from his surprise birthday party, 70-year old Aaron Feuerstein received horrible news. A fire had just swept through his Lawrence, Mass., factory, destroying three buildings.

For other companies, such a tragedy could have resulted in a work shutdown, relocation to cheaper turf and massive layoffs. But the president and chief executive of **Maiden Mills,** which employed 2,600 people, had other plans.

Assembling his work force, Feuerstein announced that he was going to rebuild the plant, continue paying all employees their full salaries for the next 90 days, and all workers could remain at his company.

These promises would cost him $15 million.

Feuerstein's announcement made national headlines. He was praised by President Clinton, bestowed honorary doctorates by prestigious universities and sent hundreds of thousands of congratulatory letters from people throughout the United States.

But Feuerstein was puzzled by all the attention. "What?" he later asked. "For doing the decent thing?"

Since the era of the robber barons, American business has enjoyed a heady, almost single-minded fixation on the bottom line.

"Greed is a virtue," disgraced trader Ivan Boesky once said, echoing the winner-take-all sentiments of a billion-dollar food service company founder. "What do you do when your competitor is drowning? Get a live hose and stick it in his mouth.

But in the warmer, fuzzier '90s, a new breed of corporation is emerging: "The Do Good Co.," whose leaders place principles before profits and karma before capitalism. Many are based in New England, where the first American corporations were created more than 200 years ago.

Often they are run by Woodstock-influenced boomers - "the generation that didn't exhale,"jokes Gary Hirshberg, chief executive of Stonyfield Farms, a New Hampshire-based yogurt producer known for its pro-environmental policies. And many are proving that, despite sometimes dire predictions of hard- nosed analysts, they can do good and prosper.

Feuerstein certainly demonstrated this, although returns on investments were not on his mind when he assured his employees that he would keep them on the payroll. "Corporate America has made it so that when you behave as I did, it's abnormal, he said.

Yet Feuerstein's short-term financial sacrifice produced long-term rewards; increased employee devotion and productivity and sky-rocketing sales. Whereas the company's pre-fire 1995 sales totaled $400 million, its projections for the upcoming year total $500 million.

All corporate leaders face dilemmas that force them to make "right vs. right" decisions. Harvard Business School Professor Joseph Badaracco Jr. calls these occasions "defining moments."

The traditional 20th century corporate leader ran his firm with shareholders' interests exclusively in mind, as Nobel Laureate economist Milton Friedman advocated. To do otherwise, Friedman said, would be a breach of fiduciary duty toward the shareholders.

But broad-minded company leaders asses the needs of numerous stakeholders, employees, customers, stockholders, suppliers, lenders, communities and society at large. According to Carol Cone, chief executive of Boston's Cone Communications, who studies such firms, these corporations will be prevalent in the 21st century. "The public is starting to demand that businesses make social issues a part of their strategies," Cone said.

Indeed, many companies, both publicly and privately held, are already taking actions that would have choked Gordon Gecko, anti-hero of the film "Wall Street."

Take Minneapolis-based Honeywell Inc. Although the company could greatly reduce labor cost by moving its operations from the impoverished inner-city district where it has operated for 112 years, it stays put. Why? Because it is creating jobs for the community's residents. "Our company was founded here, got its first bank loan here and hired its first employees in this community." Honeywell's Andre Lewis says. "And now we are going to stay and be a part of the solution."

Can a do-good company ever be too good for its own well-being? Yes, says Harvard Divinity School's Brent Coffin, if it loses sight of its overall purpose.

"It takes ongoing work to sustain the doing good and the doing well," Coffin says. "The marketplace puts one's convictions to the test. A business is not a philanthropy, social aid service or school. And if it tries to be all things to all people, it won't be able to fulfill its mission."

John Hood, president of the John Locke Foundation in Raleight, N.C., and author of "Heroic Enterprises: Business and the Common Good" (Free Press, 1996) agrees. "Some companies may be putting self-aggrandizement before their purpose," says Hood. "They need to remember that their shareholders are not empowering them to manage charities but are asking them to manage their corporations."

Sometimes a company will take short-term losses to achieve intangible long-term benefits - the kind that might not show up on their financial statements. Cone refers to this as investing in the Goodwill Bank. "They do something to warrant the community's respect, and the community shows its appreciation in return," Cone says.

McDonald's Corp., long praised for its civic attentiveness, might exemplify a Goodwill Bank depositor. After 21 people were slain at a San Diego County McDonald's restaurant in 1984, the company quickly bulldozed the building and donated its site to the city.

Eight years later, during the Los Angeles riots, the Goodwill Bank may have paid McDonald's some surprising returns. The corporation had been an aggressive employer of residents in the inner city, even stipulating in its leases that it would hire from the community. During the civil disturbance, no McDonald's restaurant was harmed - although many other fast-food outlets were razed and vandalized.

What compelled Fountain Valley-based Kingston Technology Corp. founders John Tu and David Sun to give their employees a $100-million bonus package last year after selling 80% of their corporation to a Japanese concern? Certainly not quick financial returns. They could have kept the money for themselves.

What compelled actor Paul Newman to found Newman's Own? The company is the only one in America to donate 100% of its after-tax profit to charity - a stunning $90 million over 15 years. "There are many other people who could do what Paul's doing," says his vice president, Ursula Hotchner. "But I guess they want to have it in their pockets. Paul is so excited about this company. He always say, "This gives me a great kick.'"

Perhaps what compels these companies and other do- gooders like them are the words of Muhammed: "A person's true wealth is the good he does in this world."

Source: Susan Vaughn in L.A. Times.

3748 PROTECTION FROM HIGH-TECH THIEVES:

Send a thief to catch a thief, we have heard. A former thief has gone one step further - he has become an advisor on this speciality! Here is the story.

Former high-tech thief Jess Phi is building a new career: protecting companies from people like him.

When he was in his 20s, Mr. Phi was a leader in what eventually became a statewide gang of thousands of Vietnamese immigrants. Police say the group terrorized rich Asian-Americans, trafficked in drugs and pulled off a string of thefts at high- tech and other manufacturing sites, often with help from insiders.

In 1985, a fellow gang leader snitched on Mr. Phi, and he was arrested and convicted of interstate robbery. Now out of jail and off probation, the 37-year old Mr. Phi has become a trusted inventory- control manager at Northern Telecom Ltd.'s Nortel plant in Santa Clara, Calif. "I just want to do my job and stay out of trouble, " he says.

But gangs continue to plague manufacturers in Silicon Valley and elsewhere. Thefts of high-tech gear have reached more than $8 billion annually, according to an insurance-industry estimate.

Here are a few of the workplace ploys in a gang's bag of tricks, courtesy of Mr. Phi. He says he used them himself, recommended their use to gang members, or knows of others who use them successfully:

Getting Hired

Security experts recommend doing very thorough - and often expensive - background checks on prospective employees to curb workplace theft. But Mr. Phi argues that it's fairly easy to thwart those background checks, especially for someone who has lived abroad (there are an estimated 150,000 Vietnamese in the San Jose area alone) and especially when employers are eager to hire scarce high-tech talent. Members of sophisticated gangs won't be wearing gang emblems or clothing or giving each other secret handshakes, he adds.

Mr. Phi says he advised applicants to "look sharp, know what you're talking about. Say:'I'm a good materials engineer, here's a list of my experiences,' and tell the interviewer you went to a college in a different country and worked for a company in a different county" so its tough to check. If someone does check, he told them, have an associate pretend that you indeed used to work there. He also advised associates, once they were hired, to work to get other gang members employed by recommending them to supervisors.

Casing the Joint: Part I

Thorough planning is the key to pulling off a lucrative heist, Mr. Phi says. When he planned a theft of 5,000 integrated circuits, for which his gang got $10,000, he was tipped by an insider to the circuits' location in the plant.

Getting into the facility, though. proved troublesome. Mr. Phi determined it couldn't be done during daytime hours or after 6 p.m. because of tight security. He decided it would be easiest at 7 a.m., when the shift changed and employees were milling around bus stops near the plant's front entrance. He also noticed a water-flow tunnel near the back entrance and decided to use that as an escape route.

The heist went off without a hitch. His people got into the plant, grabbed the integrated circuits, made their escape through the tunnel and sprinted half a block to their parked car. They were back in San Jose within hours, he says.

Casing the Joint: Part II

Mr. Phi says that if you do your homework, it's surprisingly easy to get the lay of the land at a targeted company by posing as a buyer or a sales representative and then getting a plant tour from an unsuspecting sales manager. "I walk in and say, 'I know you guys did a good job for so-and-so, and you mention a couple of customers. Maybe I say, 'I want to sign a contract for a $20 million order. Here's my card,' which is bogus - anybody can make one up - and here's my phone number, which is a car phone that will be disconnected after I get the goods I want. 'Show me your process.'"

During the tour, a sophisticated thief cases the facility and then uses an insider or plans his way in to nab the goods he wants. Mr Phi says he told associates to get at least an hour-long tour, preferably during the lunch hour, when manufacturing workers were more likely to be at lunch.

Duping the Documents

A loading-and-receiving dock area is often the most vulnerable to theft, Mr. Phi says. With lax security, it's fairly simple to look at chalkboards or clipboards and determine "what's coming in, which day it's coming in and who's driving it in," he says. "Generally, there are so many movements in the receiving area that I could walk in, pick up a box and walk out."

Mr. Phi says that one time, aided by an insider, he and his associates found out when a valuable shipment of high-tech components from China was being unloaded at a dock. They intercepted it, slapped new shipping documents on it and shipped it overseas to a gang member, who received a payoff from the Chinese company, which was part of the conspiracy. The shipper then changed the label and sent the parts back. "Same product, different label, but you've paid twice," he says.

Tempting the Temps

Mr. Phi contends that many high-tech thefts are the work of security "temps" - guards contracted to patrol a facility for three to six months and then hired at another company. In that brief employment period, it's easy for the guards to figure out how to get around a company's security system. One technique: turning off the video camera while a theft is under way. A contract guard earning $7 an hour may be making $15 an hour to steal components, Mr. Phi says. And, he maintains, the guards can move from one employer to another pulling off similar thefts.

What is Mr. Phi's own security motto? "Own the process. Don't issue anything to anyone without my signature," he says. That includes issuing anything to upper management. "If you're afraid of management, you don't have a security system," he maintains. "If a vice president comes down and asked for, say, a disk drive, I ask if he has approval. What department do I charge it to?" He also says employees in the manufacturing area he oversees know what to tell strangers." 'Go see Jeff,' they say. Wandering around the shop by yourself tells me this guy is trouble."

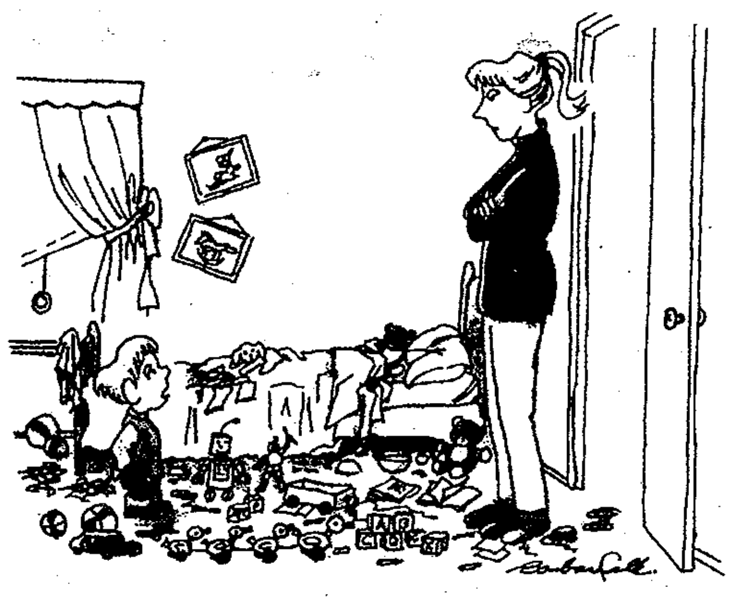
For his part, the former gang leader acknowledges he can't hide his past. When goods are stolen at work, he knows he's often a suspect. When some disk drives were taken, officials "came up to me and said, 'How'd we lost this much?' "Local police also ask him occasionally if he knows anything about major thefts in the San Jose area, his ex- parole officer says.

Mr. Phi, who earns about $35,000 a year, admits it has been tough at times to forget the days when he carried $10,000 in cash and partied with friends. But, associates say, he is devoted to his family and is eager to move ahead at his company.

Mr. Phi says he was especially pleased recently when a new senior manager overseeing expensive component systems asked him to take charge of inventory control for his area, which had been hit by occasional thefts. "He told me I had 100% authority to go into his system and clean it up," Mr. Phi says. "That made me feel good."

Source: Timothy D.Schellhardt in
Wall Street Journal

3749 LAUGHING MATTER?



"I leave everything on the floor 'cause that's the only place I can reach."

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