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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
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IN THIS ISSUE

3773 FROM THE EDITOR'S DIARY:

A Multiplier Model: This is the 7th year. Come May, a small group, headed by Dr. T.N.Ramachandra Rao (84), organises a 15 days festival on Science and Technology for students of 9th and 10th standard. Noted scholars and specialists in various branches of science and technology come to MYSORE and interact with the students. They all come for the love of the subject and for the love of the young people. Only stay and travel cost is reimbursed. A life's experience for the students to interact with the nation's leaders in science and technology!.

A Remarkable Social Experiment: For the 19th year in succession, an organization in Karnataka selectively gathers willing educated young women who wish to place their time and talent at the disposal of the disadvantaged for **three** years. A 40 days intensive training in attitudes, values and skills which will enable them to take charge of projects in various parts of Karnataka, is given, utilising the services of educators, scholars and social workers. This year 95 girls have come from 17 district. I have had occasion to see some of them (from previous batches) at work. The cheerful, able service they give to the less advantaged people in the country, especially in the rural areas, has won the admiration of all concerned. How does the organization manage the funds? "Through voluntary donations". The training costs over Rs.7000 per day and the out-of-pocket cost per volunteer costs about Rs.12000 a year. The organisers have commendable integrity and sense of sacrifice. Here is a good cause for those who have discretionary funds and who want to "do something for someone somewhere".

An invitation and the request:

Should you come across such multiplier models and heart-warming projects, please send a note to me. Thank You.

EDITOR.

3774 EVERYONE CAN COUNT

People in essence are the same world over.
So the problems.

The difference comes only in the way people handle them and the government handles them. We are hardly able to influence the government but we can influence ourselves especially in respect of problems in our vicinity.

The following article by Larry Gossett appeared in Puget Sound Business Journal.

I thought some of our readers might find a thought starter in it of cource with a lot of modifications and become a local multiplier model.

What can one person do against poverty, neglect and violence?

You might surprise yourself.

Take the case of two young sisters living in foster care. Behavioral problems caused by abuse got the pair expelled from four schools in one year. A tutor with Treehouse, an organization that helps foster children, worked with the girls to build the academic skills and confidence they needed to succeed. After several months, both sisters were doing well in school and loving it.

It took one person to make the difference in those girls' lives.

We all have that opportunity if we choose to take it. The need is real. The solutions are at hand. Granted, the challenges our community faces aren't small. For example, one child in six in King County lives in poverty. Child poverty is not only an urban problem; these kids are from all over the county.

There are more white youngsters living in poverty then there are children of color, and a disproportionate number come from rural or suburban areas. Most of them have families in which one or both parents work but at low-paying jobs. For reasons mostly linked to poverty, these children are more likely to drop out of school and get in trouble with the law, drugs or sex.

We know how to help these kids. Special pre-school programs, tutors, youth programs and after-school activities have proven they can help children succeed. These programs link kids with positive, caring role models. It's the people who make the difference.

Most people want to help, and that's important. There are simple things every one of us can do to help improve our community and the lives of those living in it. Some are obvious, others may surprise you. A few suggestions:

- Contribute food and money to your local food bank.
- Hire neighborhood teenagers to help around the house while you're home, giving you the chance to be a role model to them.
- Create a family-friendly workplace, with such things as flexible schedules and paternity leave.
- Informally adopt a single parent. Offer to take the kids from time to time and help with spring cleaning.
- On your birthday, ask that gifts be given to your favorite charity instead of to you. Or, hold a Shelter Shower at your office and have people bring items needed at local shelters.
- Volunteer with your local school or charity. Teach a skill you have to someone else.
- This summer, barbecue in your front yard, not your back. Make every attempt to get to know your neighbors.
- Create a church care-givers network in which members volunteer for short-term needs such as driving someone to the doctor.
- Start a neighborhood barter club in which, for example, baby-sitting can be traded for yard work.
- Write your state and federal representatives and request that they fund effective human service programs.

These ideas for individual involvement won't erase the need for Aid to Families with Dependent Children or Medicare, but they will help take the pressure off individuals and families who, because of poverty, illness or other issues, are stretched to the limit.

It just may make it possible for an elderly woman to stay in her home, for a single parent to safely navigate his child's "terrible 2s", or for a teenager to graduate.

To find out how you can get involved in local community programs, call the Everyone Counts volunteer line at (206) 461-3655. (This is a USA number.) Another excellent resource is the book "101 Things You Can Do For Our Children's Future" by Richard Louv.

Poverty, neglect, violence - these incredibly complex problems can be solved, if each of us takes the responsibility to help, one person at a time.

3775 COMPUTER-RELATED PROBLEMS

Computers can be a big headache - and also a source of aches in wrists, shoulders and other parts of the body.

That's because computers came into widespread use without being designed for the users, said Harry L. Davis, a consultant who does business as Ergonomics Solutions at Work in East Rochester.

Here's what the Xerox Ergonomics Manual says about the most common computer-related problems.

What's wrong: Eyes tired. Headaches.

Check whether: Documents uneven with screen. Dirty screen. Light source behind computer creating glare. Screen too bright. Lack of rest. Changes in vision due to age.

Consider doing: Place documents next to and even with the screen. Clean screen. Reposition computer screen to reduce glare. Adjust contract and, if unsuccessful, contact systems analyst. Make an appointment for an eye examination.

What's wrong: Wrists are bent. Keyboard of work surface is too high or too low. Arms or writs resting on a sharp edge. Using excessive force to strike keys. A large number of the same hand, finger or wrist movements per day.

Consider doing: Reposition keyboard or work surface so wrists are straight. Install an adjustable keyboard station such as an articulating arm. Use a towel or soft padded surface to rest hands and wrists. Use a light touch when striking the keys. Take mini-breaks every hour and a half to two hours.

What's wrong: Neck, upper back or shoulder discomfort.

Check whether: Head is bent too far forward or backward during use of VDT screen. Head is turned to the right or left. Mouse not level with keyboard. Mouse position too far from worker.

Consider doing: Position computer screen so top of screen is level with or just below eyebrows. If wearing bifocals, lower screen until head is in relatively straight position. Reposition computer screen so primary work is located in front of the operator. Use a copyholder. Reposition mouse so it is level with keyboard. Avoid reaching away from body. Elbows should hang naturally at side.

3776 THE HAN GANG METHOD

We have been learning management from the West. How about the East? How about from China? This successful method, it is reported, is being closely studied in Japan and Germany. This item is from South China Morning Post International Weekly.

Salvation for tens of millions of workers and cadres toiling unprofitably in China's numerous loss-making state-owned enterprises lies among the smokestacks of Handan, a grubby and obscure town in Hebei province.

This year the Communist Party declared Handan's iron and steel works, known as Han Gang, to be the industrial model for the entire country. In 50 years, the only precedent is the Da Qing oilfields in Heilongjiang province. In those alternately mosquito-infested and freezing swamps, Maoist proletarian heroes like Iron-man Wang sacrificed everything to create China's first oilfield in the early 1960s. Once all Chinese knew that in agriculture they must learn from model commune Dazhai and in industry, they must follow Da Qing.

But since January they have been following a new model, the "Han Gang experience", which is all about making money, not heroic self-sacrifices at the frontline of socialism.

For the past 2,000 years, nothing of great note happened in Handan, now a company town of 100,000. Yet in the past six months, 10,000 Chinese factory managers have trekked here to discover its management secrets. The local government is now even planning to open an airport and build hotels and shops to profit from pilgrims.

More are bound to come. Every few days, the national TV news trumpets yet another province or some giant plant which has applied the lessons of Han Gang, saving billions in state subsidies. The People's Daily has even started running a column called Han Gang in the Eyes of the Leaders.

"Han Gang is a model of invention and reforming the enterprise system, a model of strictly scientific management and a model of the stress on two civilizations," said Hui Liangyu, governor of Anhui province, this month.

Guo Shichang, vice-governor of Hebei province, said: "The essence of the Han Gang market simulation and cost veto experience is its suitability for the establishment of the socialist market economy and thus an active exploration to change the economic development pattern from an extensive to an intensive development one."

The true fount of all this gobbledygook is the plant's president and general manager, Liu Hanzhang. A tall man with craggy features, who has been at the plant since it was built in 1958, Mr. Liu is now a star in great demand rushing from one corner of the country to the next to give lectures. And like so many successful American management gurus, modesty is not his strong suit.

"This is a unique management system, unlike any others in the world, and I personally thought it up. Now even people in Japan and Germany are studying it," he boasted in an interview. Mr. Liu was helped by a two-month management course at the University of California in 1988 and has made repeated study trips to Germany but believes his ideas are peculiarly tailored to China's situation.

His method was given a final blessing by the Party in March at a conference presided over by deputy prime minister Wu Bangguo.

Mr. Liu began developing it after 1990 when China seriously set about integrating the state sector into the blossoming market economy. Beijing ended the dual- pricing system, lifted price controls over all but a few commodities and began introducing a new company tax system.

Until then, state industries operated under a plan which set all costs and prices. In the early 1980s, profits were fixed in advance, although later, factories could sell extra output, often just five percent of their total production, on the open market. By 1995, the majority like Han Gang, had been pushed to sink or swim in the free market, and were selling 95 per cent of their output for whatever it would fetch.

At least a third of the 100,000 state-owned enterprises might have gone under if not for China's unwillingness to tolerate widespread bankruptcies. Some found they could not compete because of where they were or what they made. Others had antiquated equipment and could not raise new investment capital.

Most of all, plant managers and party secretaries found themselves locked in paralyzing power struggles over two questions. Did the plant have the right to boost profits by sacking unwanted workers? And could it drop its responsibility for pensions, housing and other social costs?

At Han Gang, propaganda chief Zhang Jiangping said the transition was painful, the plant lost money hand over fist and virtually all its products were uncompetitive. Life in the market place was unpredictable.

The free market price of steel had been on a helter- skelter, jumping to 4,000 yuan ($3,710) a tonne and then dropping to 2,600 yuan.

Steel customers were also no longer tied to suppliers and some chose to buy steel from private or collectively-run steel works which sprang up.

At the same time big state buyers defaulted on their payments, creating notorious debt triangles when the state curtailed public lending.

"It was a very difficult situation in which to survive but the biggest problem was the cost of production," Mr. Zhang said.

Seeking ways to make state enterprises like Hang Gang act commercially, the Communist Party looked abroad to Britain, which started the world-wide fashion for privatisation, to America with its down-sizing, and at Russia where huge factories were sold off amid a massive distribution of coupons.

Before 1989, then Party Secretary Zhao Ziyang leaned towards a mass privatisation but his successor, Jiang Zemin, has been determined above all to preserve the Chinese Communist Party from the fate of its older brother in Moscow.

In Russia, Yeltsin's reformers had set out to privatise industry not so such to boost productivity but to destroy the political power-base of the Communists. In China, Jiang

Zemin's priorities are the opposite, to maintain power.

"We oppose issuing shares. We are proud to be state-owned. The path we have taken shows that there are good reasons not to privatise because we have demonstrated how state-owned enterprises can be reformed," Mr. Liu said. "We believe the proletariat are still masters and should play the role of masters so I think in state enterprises, unlike joint ventures or private factories, they must take the leading role," he added.

In other words, the party wants to ensure that managers like Mr. Liu, a member for 36 years, are not kicked out as they would be if the plant was taken over and down-sized by capitalists. This does not mean all factories will be saved from bankruptcy but Mr. Liu's importance is that he claims to have a way of allowing over-manned state-enterprises to respond to market forces without first having a change of ownership.

His management manual is called ***Simulation Market Accounting - Letting Workers be the Masters and do the Accounting.*** It describes how he raised productivity by forcing the company to follow market forces by introducing internal cost accounting without actually privatising its various divisions. "What we do is find out the market price for everything and then work backwards," he said. Workers are motivated to save money because their wages are tied to performance. Workers keep 40 per cent of the saved cost and are fined 20 per cent of increased costs.

His book describes how in one workshop, workers recycled 40 barrels of used oil and saved 50,000 yuan. Even rags, brooms and towels were calculated under this system of "catching the ox nose" of strict cost accounting.

From all over the country come accounts of its success. Workers at the Xuanhua steel works sealed of 117 motor vehicles used for private purposes by managers. At the Yoahua plate glass factory, workers are even saving screws.

"This proves how much can be done by rationalizing internal management and operating methods," China Daily declared.

Mr. Liu's book says that at first, workers found it "quite painful because they were used to the comfortable days when people could squander money". Yet although Han Gang, with 30,000 workers, has streamlined its management and raised productivity, Mr. Liu says he has not been forced to fire anyone. This is because the factory entered a virtuous cycle of higher profitability, more investment and expanded production.

In five years, steel output more than doubled to 2.15 million tonnes and losses turned into a profit of US$84 million (HK$653 million). Customers now pay cash up front or get no steel. All debts are commercial borrowings and yet Han Gang has invested 2.4 billion yuan in buying new and used machinery from Germany and France.

Mr. Liu is confident he can propel Han Gang from 11th to 8th place in the ranking of national steelmakers within four years.

But most national models do not last long. In 1994, Beijing's giant Capital Iron and Steel Works, Shou Gang, was promoted as a national model. Last year it came close to collapse and its leader was dismissed in disgrace after launching a reckless expansion programme. In the 1980s, Gu Xinsheng, another model director of the Haiyun state shirt factory in Zhejiang met a similar fate after he boosted profits, sacked lazy workers and had to hire bodyguards to protect himself.

"The most lethal reason why other earlier models failed is because they became conceited, self-satisfied and stopped making progress," according to People's Daily.

In the same paper, Chen Qingtai, deputy director of the State Economic and Trade Commission, warned readers against cynicism. "There are still some people who think the Han Gang experience is only a method of accounting with nothing much new in it, but this idea is completely wrong," he warned. Factory managers should not take a wait-and-see approach "hoping for a miracle".

They should not expect that the government will come to their rescue," Mr. Chen said. He added that those factories which fail to adopt the Han Gang method could expect no mercy.

By Jasper Becker
South China Morning Post International Weekly

3777 SAVING ON FAX COSTS

The Office Professional Newsletter - there are newsletters on every conceivable subject and the number exceeds one thousand - has these suggestions:

i. When possible, transmit during offpeak hours when long distance rates are involved. Most fax machines and software packages allow you to programme faxes to be sent even when you are not at the office.

ii Don't use a full-size cover page unless it's necessary

iii Have your fax machines cleaned regularly. Dirt particles will slow transmission of faxes which increase long distance charges.

iv Fax a compressed version of documents and eliminate as much white space as possible.

v Write the number you are faxing to on the back of the last page of the material you are faxing. That way, you can see the number as you enter it on the keypad.

3778 BOSS STRESS

Here is a story of a British Study.

While you day-dream about strangling your boss, beware: It's more likely that your employer is killing you.

A study of British civil servants suggests that a feeling of little or no control at work explains why the Dagwoods and Dilberts of the world have the greater risk of heart disease - 50 percent higher than the people in the executive suite.

The study published in ***The Lancet,*** a British medical journal, was directed by Professor Michael Marmot of the International Center for Health and Society at University College, London. It used data from a study of 7,372 men and women employed in the British civil service, tracked from 1985 to 1993.

"The issue of control I think is a relatively new idea but certainly one that makes a lot of sense," commented Dr. Robert Carney, professor of medical physiology at Washington University in St. Louis.

Asked if bosses are a big source of job stress, Carney said: "Oh, absolutely." A study of British bureaucrats started in the 1960s found that those in low-status jobs had a significantly larger risk of heart disease. "In general, their health was worse and they died sooner; they were more likely to smoke and less likely to exercise".

In this study, Marmot's team looked at the effect of smoking, inactivity, high blood pressure and the feeling of loss of control.

When they adjusted to discount the effect of feeling out of control, the increased risk of heart-disease among low-status workers dropped to just 18 percent - making that the largest single risk factory identified in the study.

Carney said he urges his own patients "to take as much control over your life as possible." Stand up to the boss, perhaps, or get another job.

3779 WORKER EXERCISE PROGRAMS

Here is a U.S. Study. We may duplicate it to find out its relevance to our situation.

Companies that help employees get leaner, if not meaner, can shape up their own bottom lines, according to a federal study.

The Centers for Disease Control and Prevention, in a report published today, estimates that 56% of men and 61% of women in the U.S. never, or rarely, exercise. That inactivity results in $5.7 billion a year spent on treatment of heart disease.

To counter that trend, the agency is urging companies to provide exercise classes and the like for their workers, noting that the programs can result in significant savings.

The CDC points to Canadian Life Assurance Co. in Toronto, which offers its 1,200 employees exercise classes several times a week, an onsite gym and exercise equipment. For each worker, Canadian Life saved $679 in insurance claims every year, compared with a similar company that had no exercise program, according to the CDC. In all, Canadian Life saw a return of $6.85 for each dollar invested in the exercise program.

According to the study, 30 minutes of moderate exercise - anything from walking to yardwork - five time a week will sharply lower the risk of heart disease.

3780 SPEED ALSO CAN KILL

Speed is king, say management Gurus like Tom Peters and consulting firms such as the Boston Consulting Group. This is not absolutely true. We have to reconcile this thinking with other relevant factors. How to is discussed by Michael Schrage in The Boston Sunday Globe.

THINK THAT SPEEDING INNOVATIONS to market is the key to profitable competitiveness? Not so fast.

Where Japanese companies once took pride and profit in their rapid new product rate, Sony chairman Akio Morita - the country's influential Ministry of International Trade and Industry - now complain that their industries have become a little too innovative. Too many new products are being launched in too little time.

This "product churning" has meant that every six months an ever-so-slightly new and improved portable radio or VCR hits the shelves. Last year's hit is this year's discard. Indeed, some consumer electronics companies generate more styles of cordless phones in 12 months than Baskin-Robbins has flavors of ice cream.

Call it "The New Planned Obsolescence." Instead of building products that are designed to break down over time, the Japanese speed junkies introduce products at rates that swiftly obsolesce the previous generation. It's extinction by speed, not by decay.

But this relentless push for accelerated product cycle times, Morita and MITI proclaim, is simultaneously exhausting consumers and corroding profit margins. The ideology of rapid introduction/obsolescence has begun to undermine productivity.

However, precisely at the moment that Japanese industry is re-evaluating its rapid innovation cycles, many American companies are embracing "speed to market" as the new gospel for competitiveness. Think of it like the quality movement - but on amphetamines. Today management gurus like Tom Peters and consulting firms such as the Boston Consulting Group swear that "speed is king."

Companies like Hewlett-Packard, Motorola, Xerox and Proctoc & Gamble now swear that the faster they get to market, the more share and profit they can win.

Actually, speed can kill. While it's true that it shouldn't take a GM or a Ford five years to create a new car and that Intel or Motorola shouldn't require 18 months to craft a new microchip, the emerging reality is that a lot of companies seem to care far more about going faster than in understanding what direction they're heading. What they will discover is that their perceived need for speed will drive them smack into a brick wall.

What's it really worth to Sony to introduce a pink walkman in six months instead of nine months? How valuable to Unilever is it to be able to roll out a new soap every year instead of every two years? What's the real competitive value to Ford of slashing its auto development cycle from 3.5 years to 2.5 years? Is chasing after speed really worth the time?

"Most people are pursuing speed with absolutely no understanding of the economic basis behind it," asserts Donald G. Reinersten, a Redondo Beach, Calif. consultant specializing in reducing the innovation cycle.

"You'll see people pursuing rapid development with no clue to whether it's worth $20,000 or $2 million to the company. Ask any two people in the organization what speed to market is worth and I guarantee you will get answers that vary by two orders of magnitude. Why? Because they're approaching the answer from radically different perspectives. That's the rule, not the exception."

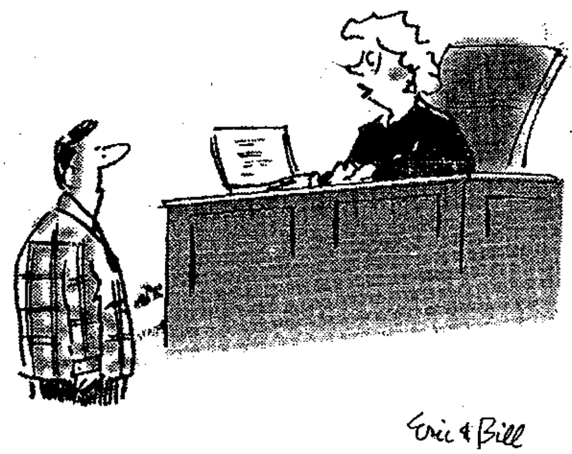
Reinersten has a unique place in the history of cycle time reduction. While at McKinsey & Co. a decade ago, he wrote a seminal magazine article on new product development that attempted to quantify the benefits of cycle time reduction. Focusing on companies in the competitive computer disk drive business, Reinersten demonstrated that it was foolish to emphasize the cost of new product development at the expense of time.

"To optimize product cost as a way of optimizing overall productivity was not the right parameter," he recalls. "Speed - for that particular product segment - offered better leverage."

Indeed, he wrote, "Six months of delay can reduce product's life cycle profits by 33 percent." This figure has evolved to become a mantra to managers who argue that it's safer to be obsessively early than fashionably late. Reinersten doesn't recant those numbers, but says it has been misapplied. "It's sad," he says, "but the thing most people don't understand is the thing we identified 10 years ago: That speed in a development cycle is purchased at a certain price. You really need to know what it's worth to you."

Clearly, a company's customers should determine the rate of appropriate innovation, not one's processes. Many of Japan's smartest companies now wonder if they're paying too much of a price to go too fast. American companies would be smart to slow down and think before they invest to speed up and innovate.

3781 LAUGHING MATTER?



"Did you act alone or were you networking?"

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