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
N. H. ATTHREYA MA PhD
author, educator & consultant
on problem-solving and creative management leadership

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

IN THIS ISSUE

3750 FROM A CONSULTANT'S DIARY

Comments Reserved: I was giving a workshop in Chennai. During tea time, an young canteen attendant came to me and feelingly said: "My manager says he took group training under you in 1963 and it has helped a great deal, all these years, both at work and at home. I don't know when or whether I'll be fortunate to have such a learning opportunity. I am glad I can stand in the corner and listen to you for a few minutes."

I prefer to reserve my comments.

3751 FLEX HOLIDAYS:

One wishes life is uniform for everybody, atleast in a country or even a city. Life is not so. Workplace often says: Fall in line. When it is not possible, inconvenience is experienced by one party or another. One way out is flexibility - as for example, in holidays.

This way we will have more company working days, meaning higher utilisation of resources, and employees can have more freedom.

Time off isn't what it used to be for American workers. Some want Hanukkah off; others want Christmas. Some want Columbus Day, others Martin Luther King Jr. Day. Some take sick days when they're sick. Some when their kids are sick. Or when their car is sick. Or when they are just sick of their jobs!

To accommodate this diversity - and to reduce unexpected absences and the abuse of sick days - many companies in recent years have instituted what are commonly known as paid-time-off banks. In these programs, employees receive a fixed number of days off a year, to be used whenever they choose and for whatever reasons they choose.

"Regular vacation time had never been a problem to schedule, but taking time off for appointments or a family care need was difficult," said Barbara Vance, a benefits administrator at People's Bank in Bridgeport, Conn., which started a paid-time-off program last December.

"Now, I can use a P.T.O. day for that," she added. "My daughter even asked me to use a P.T.O. day when she knew her baby sitter would be unavailable. Naturally, Grandma didn't mind at all."

Paid-time-off banks began several years ago, primarily at hospitals and health care companies, where unscheduled absences are acutely noticed and where women with families, who often seek more flexible schedules, make up a large percentage of the work force. Since then, many other types of businesses have started such plans, noting that they reduce unscheduled absences and in some cases cut the cost of sick-day benefits.

Unscheduled absences for reasons other than illness have been increasing in recent years. Family issues - like a child's illness - and personal needs account for nearly half all unscheduled absences, while personal illness accounts for only about one-fourth of such absences, according to a study released last month by CCH Inc., in Riverwoods, Ill., a publisher of employment law and human resources information.

Just two years ago, nearly half of all unscheduled absences were for personal illness.

"Many organizations see paid-time-off programs as the fairest way for a variety of life styles," said Sherri Hughes, an associate professor of psychology at Western Maryland College in Westminister, Md., who is also a workplace consultant.

The particulars of the programs vary widely. Most of the plans simply combine sick and vacation days; about two-thirds also include holidays and personal days, but may include certain fixed holidays that must be taken by all employees, according to a survey by Hewitt Associates in Lincolnshire, Ill.

At People's Bank in Bridgeport, for example, there are six fixed holidays: Christmas, New Year's Day, Memorial Day, Independence Day, Labor Day and Thanksgiving. And there are six "floating" holidays on which the bank will be open, including Martin Luther King Jr. Day, President's Day, Lincoln's Birthday, Good Friday, Columbus Day and Veterans Day. Floating holidays can be used at any time of the year, though employer approval is required.

In some plans, the number of days off rises with seniority; other programs are based on an employee's position at the company. Often, workers can save their unused days in other banks that can be used for extended illnesses. In some cases, though, the days can also be donated to other employees who may have extended illnesses but have run out of time off.

Some programs allow employees to buy additional time off, or to be reimbursed for time not taken - sometimes at full value and sometimes at a discount.

Companies benefit from the plans because of the decrease in unscheduled absences - that means fewer surprises in scheduling. Employers also seem to benefit financially, because they often allot fewer sick days to the P.T.O. banks than they have previously offered separately. (The companies often base the number of sick days actually used the previous year). Any savings, though, may be offset because employees who previously took no sick days may make full use of their P.T.O. days.

Cooper Health System in Camden, N.J., has a plan that combines vacation, holidays and six sick days a year. Previously, the company granted its employees 12 sick days a year, but the workers used an average of only six.

"The P.T.O. system does not provide any financial benefit, but it's not detrimental either," said Leslie D. Hirsch, executive vice president and chief operating officer at Cooper Health. "It does, however, allow employees greater flexibility and individual management in the use of earned time off in accordance with their own needs while still subject to the hospital's right to approve the scheduling of time off."

The workers who gain the most from P.T.O. banks are those who hadn't been using all their sick days each year and stood to lose them. But for workers who routinely used all their sick days, rightly or wrongly, there may be less time off.

"Those who used sick time inappropriately are now discouraged from doing so," Mr. Hirsch said. "Those who didn't use sick time inappropriately benefit by having more time off."

Whatever their effects on the bottom line, P.T.O. banks mean that workers are less likely to develop an early-morning faux flu and make that dreaded, raspy-voiced "can't make it in today" phone call to a superior,

"P.T.O. is valuable in case of a family-personal emergency," said Sharon Clark, a spokeswoman with Cooper Health System. "It's nice to be able to call my supervisor and tell her I'm taking an 'unscheduled P.T.O. day' because my son is sick, or my sitter cancelled, as opposed to lying and saying, 'I'm sick.'"

Source: Nick Ravo in the New York Times

3752 CEO: AN EUROPEAN SURVEY:

What is happening in the. English speaking countries (especially U.S.A. and U.K.) we come to hear. What of Europe? Here are the findings of a recent survey.

Europe's most respected business leaders are visionary and courageous, have a strategy and apply it, and demonstrate a deep understanding of their industry and markets.

Thus, Ferdinand Piech of Volkswagen is praised for "grasping the nettle", presumably a reference to the German carmaker's decision to settle its long-running dispute with General Motors of the over alleged industrial espionage earlier this year.

Pasquale Pistorio of SGS Thomson, the Franco-Italian semiconductor maker, is nominated for having "stuck with revenue plan even when revenue was dropping in the early 1990s. The Sicilian-born engineer, a champion of Europe's semiconductor industry, fashioned a single company out of the unlikely merger of SGS Microelectronics of Italy and Thomson Semiconductors of France in 1987 and took it to flotation in 1994.

John Browne of BP is credited with visionary management - the company was one of the first oil companies to realise the growing importance and sensitivity of environmental issues and has managed to balance these with maintaining strong profits. Mr. Browne was also praised for pulling off the "innovative BP/Mobil down-stream merger", a $5bn deal which combines the companies' European fuels and lubricants operations.

Also nominated by the oil and gas industry was Total's Thierry Desmarest. Although the company has raised eyebrows in Washington and been criticized by human rights groups for working in countries such as Iran and Burma, his peers praise him for his clear vision, adding he is also "extremely focused on the core business".

Other qualities most-admired are the abilities to reverse the fortunes of ailing companies and to grasp and focus on key issues. Jurgen Dormann of Hoechst, the German chemicals group, was singled out for "leading an extraordinary repositioning from a weak base". Appointed chairman three years ago, he is leading the group through a complex unbundling that divides it into 13 separate companies, after replacing the German board with an international one, and beginning to slash costs.

Percy Barnevik, the long-time chief executive of ABB, was praised for his "great work capacity and creativity" and for the "speed and completeness of ABB's integration". Although remaining at ABB as non-executive chairman after nine years as CEO, Mr. Barnevik's main job in future will be heading up Investor, the main holding company of Sweden's Wallenberg Industrial empire, and spearheading its planned expansion abroad.

Also in Scandinavia, Lars Ramqvist of Ericsson was credited with "acting on a tough vision". The Swedish telecommunications group has achieved annual earnings growth of about 50 per cent since 1993, largely on the back of the explosive growth of mobile telephony. Some 40 per cent of the world's mobile phone users are hooked up to Ericsson systems.

The survey shows that analysts, in particular, respect chief executives who exhibit a strong "share-holder orientation". Claude Bebear of Axa-UAP, the giant insurance group, for example, is credited with "building a large company without the group's shares underperforming". Since becoming chairman in 1982 of Mutuelles Unies, Axa's predecessor, he has converted an obscure mutual company based in a provincial French town into one of the world's largest financial groups, culminating in the recent merger with UAP.

Similarly, Aad Jacobs of ING, the acquisitive Dutch banking and insurance group, is considered "share-holder friendly". Martin Taylor of Barclays, nominated in the banking section along with Citibank's John Reed ("visionary"), had "created shareholder value". Mr. Reed, head of the New York-based bank since 1984 has created a globally known brand name, Cwees van der Hoeven of Ahold, the Dutch super-markets group that has expanded successfully in the US, "delivers on his promises".

There is also recognition of those successful in particularly demanding industries or environments. Bill Gates, nominated in the technology sector, was praised by another chief executive for "staying at the top of the most innovative sector". Thomas Schmidheiny, chairman and controlling shareholder of Holderbank, the world's biggest cement company, was credited with "strong leadership and clear vision of industry trends", while Jack Welch of General Electric had "improved earnings in a conglomerate environment".

The survey also suggests CEOs sometimes admire unorthodox approaches to problems. Bernard Arnault of LVMH, the French luxury goods group, was nominated for his "effective undermining" of the planned 24bn pounds Guiness and Grand Met merger. In a controversial move, Mr. Arnault has sought to block the deal and engineer a three-way merger including Moet Hennessy, his drinks subsidiary. His tactics have included investing heavily in building up LVMH stakes of more than 11 per cent in the two companies.

Analysts and CEOs differed in their ranking of important management characteristics. Both singled out the most important single characteristic as the ability to be innovative in approaching changing market conditions.

Source: Virginia Marsh in Financial Times

3753 SOCIAL LEAVE

Identifying a community need and the common citizen's need, some U.S.companies are giving "social leave" to interested employees. The employees come back enriched and enthusiastic. We too can consider it in India. In fact, our needs are even more.

Nancy Pappas did not report to her corporate office for an entire year, leaving her workload to be distributed among her colleagues.

And when she finally did return, Pappas wasn't given her old job back. She was promoted.

Pappas works for Xerox Corp. as a marketing manager in the Century City office. But in 1993, Pappas devoted her energies to Rebuild L.A. (now RLA), the Peter Ueberroth-led organization born from the 1992 riots to bring more corporate investment to the neglected areas of Los Angeles.

Pappas, who spent the year as a project manager working with the Asian community, was a participant in Xerox's "social leave" program, which is marking its 25th year of operation. In that time, nearly 425 Xerox employees have taken up to one year off from their regular jobs to work full time in their communities.

Pappas, who was out of the country during the May 1992 civil unrest, watched it unfold on television.

"I was shocked that this was happening in Los Angeles, in my hometown," Pappas said." I felt I had to be involved in the rebuilding in some way." Pappas applied to an employee committee and was one of nine winners named that year.

When it comes to corporate citizenship and employee work-life programs, Xerox is one to be copied. Its social leave program is just one part of a broad initiative to acknowledge that workers have a life outside of the office.

Xerox made its 12th consecutive appearance on the much-publicized list of the best places for working mothers, released a week ago by Working Mother magazine. In fact, Xerox ranked among the top 10 and has landed on the list every year since it was launched.

Among Xerox's offerings: adoption assistance; child-care subsidies; after-school, holiday and summer child-care programs at certain sites; flexible job arrangements, such as flextime, job sharing and working at home; elder care consultation; and full pay during maternity leave. Xerox also has a program to encourage community involvement.

To Xerox, the programs are more than good public relations. They are a way to make Xerox more competitive in a tight labor market and to help employees be more productive, said William R. Ernisse, vice president and general manager of Xerox of Greater Los Angeles.

"From a business standpoint, if we can make somebody better in their personal life, they're going to be better in their professional life." Ernisse said. These programs also reduce turnover and training expenses, which run more than $125,000 for a salesperson and more than $300,000 for an engineer, he said.

Pappas said the experience at RLA turned her into a better employee for Xerox.

"It helped me relate better to co-workers and to customers," Pappas said. "It really gave me a depth of experience that I didn't gain at Xerox, even though I didn't go for that reason."

Source: Nancy Rivera Brooks in L.A. Times

3754 INSPIRING LEADERSHIP:

All of us do see inspiring and effective leaders. We talk about them in our private conversations. If we write about them, more can have the benefit and longer. Here is a sample, though from the West. We invite you to write about any leader you can think of. Kindly explain the choice: Editor

When Mark Soderberg walked into the Volant Inc. factory here, he was stunned to see half-finished skis piled everywhere. As a manufacturing consultant, he knew that accumulating even small quantities of work-in-progress violated the most basic canons of quality management, yet he counted skis by the thousands. Even more shocking, Volant was scrapping as much as 40% of its daily production. The harder people worked, the more they fell behind.

"You've got to stop production," Mr. Soderberg told a supervisor.

"Hey, we're trying to get product out the door," the man barked back.

That was in 1995. Today, orders are pouring in. Scrap rates have been slashed. And the big-name sports figures and investors who own the company are marveling over the paradoxical truth that when you overlook the basics, nothing is more punishing than success.

Volant is the creation of the brothers Kashiwa, Hank and Bucky, who grew up on skis in New York's Adirondacks. Hank became an Olympian, the 1975 World Pro Champion and a ski commentator. Bucky, with a Ph.D. in fluid mechanics, joined Los Alamos National Lab, after working for ski maker K2.

Some years ago, as Bucky set out to create a new kind of less expensive ski, his thoughts turned to steel. Rolling the top and sidewalls from a single sheet of steel would cost less, by his reckoning, than building up layer upon layer of other materials, the conventional method. Even better, steel would resist lateral twisting in the pressure of a ski turn, giving the edges a tighter grip of the snow, while flexing more easily along the length of the ski.

Bucky's prototypes dazzled everyone. Olympic legend Jean-Claude Killy not only invested but introduced the Kashiwas to his friend Mike Markkula, a co-founder of Apple Computer, who brought in other investors as well. Hank Kashiwa bargained for the assets of a defunct ski company in Reno, shipped seven boxcars of manufacturing gear here and put Volant into business in 1989.

Distributors and customers loved the radical new skis - until they fell apart on the slopes. Volant had to attach the three-sided steel cap of the ski to the base within a few thousandths of an inch of the turning edge, lest the pieces pull apart. "The ski was as hard to make as we though it would be easy," recalls Hank. Before long the skis were holding up on the slopes, but at the expense of ridiculous rework and scrap rates in the plant. "We hadn't paid enough attention to the little things," says Mr. Markkula.

Despite the company's manufacturing problems, orders for the radical steel skis soared year by year. The industry-wide explosion of "hour-glass" ski designs in the mid-90s made Volant's patented technology even more attractive. But higher demand only intensified the manufacturing problems. Delivery delays and supply shortages mounted. "The more you built, the more you lost," Mr. Markkula says.

Finally, in 1995, word came that a former Boeing engineer was available as a manufacturing consultant.

Boeing. Manufacturing. Now we're talking.

In came Mr. Soderberg, an engineer with experience in sporting goods as well as aerospace. After supporting his wife through an ultimately unsuccessful fight against cancer, he had been resisting a return to the rigors of business. But his respect for the Kashiwas and lifelong passion for skiing drew him to answer Hank's call for help. Last year, after several months as a consultant, Mr. Soderberg accepted an offer to become chief operating officer.

His first order: Shutting down everything for a few weeks, breaking the vicious cycle of quality problems and delivery pressures. Then, recalls Hank, "He tore this place apart."

He began with symbolic moves: floor stripes, brighter lights, an edict that everyone would wear goggles - measures to notify the shop that quality workmanship begins with a quality workplace. He eliminated work-in-progress, created feedback systems to track defects and established the other rudiments of modern manufacturing. Workers were thrown into problem-solving and process-analysis teams. "I want every idea in this room," he would say. People who piped up with great solutions sometimes got $100 bills.

Vicious circles turned virtuous: As inventories declined, output quickened; as quality increased, costs decreased. (Don't let the bean counters fool you: Spending on quality almost reduces costs.) Mr. Soderberg also introduced a subtle design change in the ski that drastically eased the manufacturing tolerances, working weekends to retool the manufacturing gear. "It was a nasty challenge," he says.

But a worthy one. This year for the first time Volant completed its preseason shipments ahead of schedule. The company expects record orders (unless El Nino ruins the snow season) and its first profitable year ever. A move into counterseasonal products - biking or golfing, perhaps - is under study.

"It was just the basic of manufacturing," Mr. Soderberg demurs. Maybe so, but a lot of companies fail on the basics - especially, it seems, when they begin life on a single brilliant idea. Innovation gives birth to entrepreneurs, but only execution allows them to survive.

Source: Thomas Petzinger Jr. in Wall Street Journal

3755 SHARING ADVICE

We can learn from each other on matters management and in today's situation management leadership matters. Here is a good thought starter, especially for the medium-sized and small companies in India. Not that we do not have associations. What we miss is the unexploited opportunities such associations offer for everyone's good.

Like many fast-growing, midsize companies, Wixon Fontarome Inc. welcomes advice on how to run between the corporate giants' legs without getting trampled.

However, before it joined the Council of Growing Companies, Wixon Fontarome had little contact with peer companies that could share insight on dodging problems.

The St. Francis food ingredients maker's challenges come from every corner of the operation. One day, it's employee retention; the next day, it's finding an environmental consultant who can solve a manufacturing problem quickly.

"Sometimes we get so wrapped up in the product development side of our business that we lose sight of management issues that affect our company," said Peter Gottsacker, chief operating officer of Wixon Fontarome, a $60 million company with 165 employees.

To improve his grip on the day-to-day operations of his company, as well as the big economic picture, Gottsacker joined a local chapter of the council, a support network of executives who also run emerging, midsize companies.

In addition to the local chapter, the network includes a nationwide organization of entrepreneurial executives who are not only looking for solutions to common problems, but willing to help their peers.

"The council provides a safe haven for entrepreneurs who may be cut off from other business leaders," said Robert Morgan, national president and chief executive officer of the Council of Growing Companies, Bethesda, Md.

Morgan said the executives who join his group usually are too busy nurturing their companies and do not have the staff resources to have the freedom to stay current on professional development.

Nationally, the council has 1,300 members. One-third of the executives hail from high-tech firms. In Wisconsin, a close-knit group of 25 entrepreneurial companies belongs to the council.

"We believe we are a special breed who get together to exchange views on how to run our companies better," said Gerhard Von der Ruhr, president of Criticare Systems Inc., Waukesha, and chairman of the Wisconsin Council of Growing Companies.

Von der Ruhr said retaining valuable employees and recruiting people are the most common problems that emerging companies face and discuss at council meetings.

"We all have problems motivating young people who don't want to work long hours," Von der Ruhr said. "And throwing money at them doesn't work."

The council members have shared personnel strategies with Gottsacker on how to motivate employees.

"We are not able to offer new benefits or stock option plans to employees like big companies," Gottsacker said. "But we arranged to take employees to Disney World, and that really changed the culture of our company."

The council also is useful to members who seek information on suppliers, professional services, strategic alliances and legislative initiatives, said Von der Ruhr.

Gottsacker said the personalities of the Wisconsin entrepreneurs who belong to the Council of Growing Companies keep him going back.

"The chemistry works for me," Gottsacker said.

The CEOs of entrepreneurial companies can be lonely people, Morgan said. He said the council is designed to be their safety net.

Morgan plans to expand the reach of the council into 32 new U.S. cities by the end of 1998. The Milwaukee-area chapter got off the ground a year ago. He said two chapters already exist in Australia. Councils are starting in 15 other countries, including Canada.

3757 BENCHMARKING RECONSIDERED

One of the panaceas offered in recent times for corporate excellence is "bench marking". And for some years now, companies have plumped for it. Two researchers went to 300 companies that are fans of this practice to find hard evidence. One conclusion:" Best practice can be extremely dangerous." The following is a report on their ten year study.

A former general manager of Nestle's US operations and an Oxford University academic have poured cold water on one of today's more pervasive management panaceas: the idea that copying "best practice" is a path to corporate excellence.

Augustus van Nievelt, president of VN International in the US, and Leslie Willcocks, a management academic from Templeton College, Oxford, base their conclusion on data from 300 companies going back more than 10 years. "Best practice can be extremely dangerous," they argue. It is, they say, like telling the worst students in a class to imitate the study habits of the best. "Such an experiment is likely to have a disastrous effect on the unfortunate laggards who need assistance at a much more basic level."

Best practice, business process re-engineering, total quality management, and benchmarking are all management techniques that attempt to combine information technology with corporate reorganization aimed at improving efficiency and competitiveness. They have enjoyed fitful popularity since the 1980s. None of them, however, has proved consistently successful and the question of how best to invest in information technology for competitive advantage remains unanswered.

Messrs. van Nievelt and Willcocks are scornful of consultants who advocate such techniques in spite of scant evidence of their appropriateness and efficacy in specific circumstances. "They (the techniques) are rarely assessed against what our research has found to be a key measure of performance: relative customer satisfaction - that is, customer ratings comparing the company with its major competitors."

Only limited improvements in performance can be expected from reducing complexity without investing in IT, they say. "But providing a highly complex organization with significant investments in IT is predicted to lead to major economic damage."

The research is based on data Mr van Nievelt has collected since 1983 with a view to identifying the significant variables that govern a business's organisational performance. He calls it benchmarking organisational performance.

Messrs van Nievelt and Willcock's most important finding is that companies that are falling behind their principal competitors should not try to improve on a broad front, but focus on unique attributes that will shift them into a market niche or help them leapfrog the competition.

A market leader that improves its product or service would expect to gain a bigger share of a more profitable market. When a market laggard improves its offering, however, product differentiation decreases as it catches up and the resulting price war will chiefly hurt the company with the smaller market share.

International Business Machines, the world's largest computer manufacturer, provides an example. In the late 1980s and early 1990s, IBM's leading position in the computer industry began to slip as networks of personal computers found favour over the traditional mainframes that were its strength. IBM reacted as if it was still the unchallenged market leader, embarking on an aggressive campaign of corporate decentralisation, restructuring the business into autonomous units in an attempt to cut costs and remove layers of management.

With hindsight, it was the wrong move, Mr van Nievelt and Mr Willcocks point out: "Across the board corporate decentralisation is likely to have rather mixed results, since empowering businesses that are in a less than favourable competitive position is predicted to lead to severe performance deterioration."

And IBM's performance deteriorated, Louis Gerstner, who became IBM's chief executive in 1993, took an opposite line, spending his first six months finding out what customers wanted. Product improvements followed, and today IBM is reckoned to be well on the way to recovery. This "back-to- basics" approach is applauded by Messrs van Nievelt and Willcocks who quote Jack Welch, of the US GEC group, who told his business unit managers: "Be number one or number two in your market or get out."

Mr van Nievelt and Mr. Willcocks say: "The significance of this brilliant but hard to copy strategy has not always been fully appreciated."

Source: Alan Cane in Financial Times.

3757 LAUGHING MATTER?

"Now that you've all put in your two cents' worth, I should like to interject my fifty-one percent controlling interest."

Drawing by Joe Mirachi; © The New Yorker Magazine, Inc.

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

Annual Subscription Rs. 240.