



Management Ideas

FOR STILL BETTER

RESULTS

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RENEWAL

a monthly newsletter to key executive-leaders on practices, possibilities and ideas generally for stepped up performance
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3804 FROM THE EDITOR'S DIARY

CONVENIENCE OF THE FEW vs CONTRIBUTION BY THE MANY

A cooperative housing society is a country in miniature. Especially in a city like Bombay. (I learn in other cities forming a cooperative of a number of flats in a building is itself a problem!)

The contributors are few and the critics are few and the rest just watch the fun.

The critics usually want things to be done according to the letter of the law and the contributors who normally form the managing committee prefer to go by the spirit of the law. They are busy people and they do not want to convert the society into a big bureaucracy. They argue: Let us get on with the game. In the bargain, they vote for the convenience value.

The critics for their own reasons keep complaining about one thing or the other; they point out the errors of commission and omission. The critics are knowledgeable people but they want someone else to implement their pet solution for any problem. Their contribution often is verbal.

Where there is total trust in a group of people, the society's running is smooth. Where there is not, (and this later is becoming a global phenomenon), total transparency becomes essential.

There is a byproduct to this transparency effort. In one of the societies, a member took the initiative and posed a couple of outstanding problems to the members, inviting them to suggest solutions. First class solutions came from "unsuspected" quarters, he reports.

For those who are used to the practice of "Daddy knows best", this approach may be a little uncomfortable.

For those who mean business and who focus on outcome, and who do not mind a little inconvenience, this approach has possibilities. As much for corporations and countries as for cooperative housing societies.

3805 MANAGING STRESS

We know stress, undue stress is a reality of modern times. We also know how to manage stress. A reminder from time to time helps us to be on track. Hence the following item from a clinical psychologist.

Wouldn't life be nice and easy if it came with guarantees that things would work out our way? Unfortunately, it doesn't. Life is fraught with ambiguity, change, instability and uncertainty.

The inevitable result is stress. Stress is an inescapable part of living in the '90s, and it is at the heart of many physical and emotional disorders. That's the bad news.

The good news is that we can regulate and manage stress with a simple change - a change in attitude. An attitude change can produce powerful results. Merely by changing how we perceive and interpret events, we can immediately and dramatically decrease our levels of stress and boost our coping ability.

Stress is triggered by our interpretations of events. Remember that events are simply neutral until we infuse them with meaning. Unknowingly and without intent, each person creates and maintains unnecessary stress.

The beauty of this reality is that change is possible. Everyone is capable of influencing and altering their lives. With a simple adjustment of attitude, you can significantly increase your ability to cope with life's ups and downs. You can feel more empowered and able to effect and direct positive changes in life and feel less at the mercy of circumstances, situations, events and/or other people.

Change your world by changing your mind. Where should you start? Try these tips for vaccinating against stress:

Begin to accept the fact that stress and unfortunate events are an inevitable and integral part of life.

Recognize that life is filled with a natural flow of peaks and valleys.

Draft a list of controllable and uncontrollable events in your life and focus your energy at affecting areas you can change.

Draft a list of your current coping behaviors and continue using the productive ones; gradually eliminate or replace the non-productive coping behaviors.

Develop a steadfast routine of daily or weekly rituals (e.g., exercise, meditation, massage, journaling).

Develop and maintain a social support system with people who are nurturing and understanding.

Record your current and past successes in a "Success Journal" you can use for reference as well as encouragement.

These vaccinations are inexpensive, easy to use, and transportable. They are the best remedies for living in a stressful world. The ultimate security is the confidence of knowing that you can handle any situation.

Give yourself the gift of ultimate security by developing these skills. Doing so will enable you to master your circumstances rather than being trapped by them.

Whenever I am coaching or counseling clients, as a clinical psychologist I always advocate that people be in the driver's seat rather than the passenger seat of their lives. Being the driver simply give you more options in life. And that's the best mental health insurance policy there is.

Ingeborg Marie Hrabowy in The Plain Dealer

3806 THINGS GOOD MANAGERS HAVE IN COMMON

"Manager of the Year" is an activity of a number of professional management bodies. One purpose is to raise a salute for those who pursue managerial excellence. The other is to raise the awareness level of those in the profession. A reporter used this as one opportunity for a study of management habits of good managers. It reads like a summary of a good book on the subject.

Anyone who has ever worked for a good manager knows it.

It's not a physical recognition. Good managers come in varied packages. Consider the finalists for 1997 Manager of the Year of the Orange County, Calif., chapter of the Society for the Advancement of Management.

Co-managers of the year are Milton Gordon, president of California State University, Fullerton, and Ajay Myer, plant manager at 3M Dental Products in Irvine.

Other finalists: Cody Leser, district manager, Novell Corp. in Irvine; Lance Hicks, chief

executive officer, Finance 500 in Irvine; Gary Nelson, vice president of engineering, Scantron Corp. in Tustin; and Brad Gates, Orange County sheriff-coroner.

They range in age from 41 to 62. Four are white, one is black and one is East Indian. They work in industries that encompass manufacturing, law enforcement, education and finance.

Yet, when they and their nominators talk about the principles on which these managers have built their careers, there are recurrent themes.

These principles pay rewards in human capital and profits. Namely:

Give Employees Authority

No other principle came up as often as the need for a manager "to give people the tools, then stay out of the way and let them do their jobs," as Nelson put it.

Hicks merely calls it delegating. "You can't be a good manager if you don't delegate," he insists.

Novell employee Donna Hermann, who wrote Leser's nomination on behalf of his employees in three districts for the company, said he empowers employees by giving them the tools to accomplish their individual and company goals.

"He gave each account executive in our region a budget... to fund seminars and marketing over the course of the year instead of going to the corporate through each time," she said. "The net result was more 'bang for the buck' - superior seminars and marketing activities and higher sales for the company."

At 3M Dental, Myer calls this principle "windows of authority."

Each person has a range of responsibility and, as long as he or she is performing within that window, no reports or explanations are necessary.

"Once people know they're responsible for an assignment, they take ownership," he said. "Once outside that window, above or below, it's their responsibility to give me notice. No one is looking over their shoulder."

This approach enabled 3M Dental to win the California quality award in 1994 from the California Council for Quality and Service in San Diego - six years ahead of the division's goal - and the national Malcolm Baldrige Award for quality this year.

Communicate

Employee empowerment doesn't work without frequent communication.

"If people are to be successful, they have to have information," Myer said.

He talks informally with all 250 of his associates and has weekly staff meetings and semi-annual "state of the plan" presentations.

Then there are the weekly basketball games. "Good managers listen," Hicks said. "I have a constant parade of people in and out of my office. I have to listen very carefully and attend to each individually. If I don't, it adversely affects that person and the business,"

Behave with Integrity

Integrity, Gordon said, "is the real issue. If you're honest, you don't have to worry about what you said the last time around."

Scantron engineer Marianne Roper said of Nelson: "In an age when greed and self-promotion are all too prevalent in the workplace...he is a person of exceptional character... This is a genuine, good and decent man who does not just pay lip service to the Golden Rule; he really attempts to live it."

Hick's nominator, Bing Hg, said one reason he went to work for Finance 500 was "Lance is a straight guy with strict adherence to the rules and regulations."

Hire Greatness

Good managers aren't afraid to surround themselves with people who are smarter, Gates said.

"These are people who want to move up in the world and be successful. Even if they want the boss' job, that's OK."

Be Sincere

An insincere manager will be ineffective over time, said Gordon. "Phoniness shows through in every walk of life."

Get Your Own Priorities Straight

Before Nelson tried to manage others, he believed it was important to put his own priorities in order - family first, job second.

"I know what's important in my life," he said. "Jobs come and go." Nominator Roper added: "Anyone who knows Gary realizes that he is a company man who balances his career with a solid commitment to his wife, Patricia, and their two grown children."

Put yourself in Others' Circumstances

With his own priorities clear, Nelson said, "I can be sensitive to others' needs and come up with a system that works so they can be productive in work and personal lives, whether it's telecommuting, flexible hours or something else."

Hicks said part of his management style is "to walk a mile in the other person's moccasins... and not just listen, but truly help."

Mentor

Hick's helpfulness was mentioned repeatedly in nominating letters.

"When I first started, I was new to the industry," wrote employee Ron Homan. Lance Hicks took me under his wing. He counseled me daily and gave me innovative ideas."

Carolyn Plunkett, Hick's operations manager, added, "His patience and commitment to my knowledge of the industry have had a tremendous effect on my ability to do my job intelligently. He never seems to stop teaching others."

Set Objectives

3M Dental doesn't run on gut feelings, Myer said. "We love people's ideas, but then we go out and collect information," he said. "We try to find out the activities that must be done to achieve our goals. If we don't get the results, we did the wrong activities."

Challenge Old Rules

When Leser arrived 18 months ago, the Novell district was last in sales among the company's 30 districts. Now it's first.

"We needed to challenge old edicts," he said. "People would say 'We've always done it that way.' I said, 'That's ended. How should we do it?'"

Remove Obstacles

Leser considers his most important managerial role to be eliminating barriers.

"My style is to ask each person 'What is keeping you from being successful in your job,' then to tackle those obstacles," he explained. "I think that's why our district was able to go from last place to first in 18 months."

Make a Decision

I've always tried to give my people an answer, so they can walk out of a room and know what they're supposed to do," Gates said.

Have a Sense of Humor

Young academic administrators tend to take themselves too seriously, observes Gordon, who used to teach a Harvard University summer program for new college presidents.

"There are pressures every day. Almost every decision you make someone is going to criticize," he said. "I told those new presidents, 'If you don't see the funny mistakes, the silly things and laugh, you'll break up.'"

Reward a Good Job

"People need to be told they've done a good job," Gates said. Every few months, the sheriff's department gives Gold Star Awards to employees who peers say they have done distinguished work.

"It might be one outstanding task or a good job every day over time," he said.

Celebrate

The bottom line, Myer said: "We have fun. We celebrate every success. At the halfway point toward a goal, we have pizza. At six-tenths, we bring in bagels. At seven-tenths, the whole

team goes out to lunch. At eight-tenths, each one gets a \$25 gift certificate.

"We're not breaking the bank," he said. "We're recognizing success."

Jan Norman in Orange County Register

3807 DOING BUSINESS IN RUSSIA

Already our businessmen are availing of the opportunity of doing business in Russia. More may like to do. They'd like to benefit from the experiences of others. Here are those of a Swedish company.

Doing business in Russia offers rich opportunities but high risks. Sweden's Assi-Doman can vouch for this assessment. Dealing with the Russian market over the past two years has been like coping with Dr. Jekyll and Mr. Hyde.

The Stockholm-based forestry and packaging group has been a pioneer in moving into former Soviet bloc markets. Since its privatisation in 1994, Assi has built or acquired production facilities in a string of east European states, latterly establishing two plants in Russia.

But while, overall, the east European expansion has been a resounding success, Assi's taste of the Russian market is decidedly bitter-sweet. A legal and bureaucratic maelstrom, culminating in Mafia-style threats against its staff, last month forced it to pull out of Segezhabumprom, its paper-sack joint venture in the north-west Russian province of Karelia.

Only a fortnight earlier, the group celebrated the opening of its new \$25m corrugated board plant at Vsevelozhsk outside St. Petersburg.

The contrast between these two ventures could scarcely be starker. At Vsevelozhsk - built on a 14,000 sq.m. greenfield site - the factory floor is studded with machinery built to the highest western specifications. The Segezhabumprom plant, starved for years of investment, is a dilapidated monument to Soviet times.

Assi's ambitions were high when in 1996/97 it paid \$45m for a 57 per cent stake in Segezhabumprom. The plant, one of Russia's biggest pulp and paper mills, was already the country's largest supplier of paper sacks,

capable of churning out 250,000 tonnes of sack paper a year.

Assi's plan was to carve out a long-term future for the plant by raising quality standards and productivity. The idea was to tap the European Bank for Reconstruction and Development and the International Finance Corporation for the \$100m-\$120m needed to achieve the changes.

From the outset the project was beset by problems. Assi's plans to improve efficiency provoked local suspicion of job losses and a campaign started to get the new owners out. There were threats from powerful interests close to the former management which was opposed to Assi's way of working. These threats escalated to the point where Soren Oberg, the Assi executive in charge of the plant, required a 24-hour armed guard.

Matters reached a head when Karelia's public prosecutor challenged Assi's ownership and management, resulting in a Moscow court declaring Assi's share purchase "illegal". Backdated tax liabilities relating to the former management remained unsettled due to bureaucratic snarl-ups. Segezhabumprom's bank accounts were frozen in lieu of payment.

Meanwhile, Segezhabumprom's finances were bleeding. Payment problems meant the company suffered from negative cash flow, forcing Assi to pump in working capital to keep machines running. But when Assi asked for a contribution from its joint venture partners, the Karelian state property fund and Upak, a Russian paper sack distributor, they refused.

Berit Hallberg, a senior Assi executive, describes Segezhabumprom - where Assi has now written off its ^69m investment - as a special case. "It is quite different going into a new greenfield development than entering an old plant with a long list of problems."

Yet if Segezhabumprom demonstrates the difficulties of such a commitment, Vsevelozhsk has struck a brighter note. In spite of bureaucratic hold-ups which delayed the opening for almost three months, the project has been remarkably trouble-free. The St. Petersburg authorities chipped in with generous tax concessions to persuade Assi to locate in the region. Relations between company and local politicians are good.

Assi's initial aim at Vsevelozhsk is to serve multinational groups present in Russia, rather than compete with Russian companies for a share of the local market. Companies such as Coca-Cola and Proctor & Gamble were among the guests at the plant's inauguration and the first supply contracts have been signed.

Assi's ups and downs are watched keenly by other European paper and packaging groups. The Russian packaging market is growing by more than 10 per cent a year compared with about 4 per cent in Europe.

Tetra Pak, the Swedish packaging group, sold 1.5bn liquid beverage cartons in 1997, a figure it expects to rise to 4.5bn in five years. By that time the company expects Russia to be one of its 10 largest markets.

Nils Bjorkman, Tetra Pak president for Europe and Africa, says the company has invested SKr200m-SKr400m (\$25m-\$50m) in Russia in the past six or seven years. It has acquired two plants - one near Moscow and one close to the Black Sea - as well as developing sales, marketing and distribution networks. It is now starting to make operating profits.

"You must take a long-term view," Mr. Bjorkman says. "There is no way you can make a quick buck in Russia any more because the size of the investments is so big. But if companies don't invest they may miss out. It is a question of whether you believe Russia will emerge from seven or eight years of gloom and doom into a stronger economy. We believe so."

Greg McIvor in Financial Times, U.K.

3809 GETTING VALUE FROM MERGER

Mergers are not everyday events but they are here with us. A little background knowledge may come handy. Here is a report of a recent study.

Merger and acquisition fever shows no signs of abating as it spreads through the energy (Nova and TransCanada PileLines), retail (Hudson's Bay and K mart) and forestry (Bowater and Avenor) sectors.

As these deals are completed, transition teams must prepare to tackle the dreaded task of

integration - translating the mergers into sustained and increased shareholder value.

It is not egos, power plays or synergies that determine whether such deals create value. It's the ability to integrate the two companies and their staffs, processes and cultures.

Studies have shown that 65 to 75 per cent of mergers destroy shareholder value. A majority of chief executive officers agree that integration is the key driver of success or failure.

But merging organizations often fail to map out a clear vision and direction, allowing integration to stumble onto an extreme and disastrous course.

On one side is the "don't rock the boat" approach. In trying to forge a smooth transition, management operates under the illusion that no big changes are needed to make the merger successful. ("Perfect synergy" is often cited as the excuse.) This attitude breeds a deferral or avoidance of decisions and leads to political compromises.

It guarantees continuing instability, turf battles, finger pointing and widespread defections, ultimately destroying shareholder value.

At the other extreme is the "carpet bagger" syndrome. This approach exploits a mistaken principle of loyalty - key people, regardless of their skills, are replaced en masse by "trusted" staff. There is arbitrary conversion of all systems and processes, and the imposition of strategy by fear rather than consensus.

Both approaches wreak havoc on morale through the newly created organization, leading to confusion, paranoia and a sense of violation and betrayal. The result is a lack of employee involvement and, as a result, a deterioration of performance.

But there is a third option - building and sharing commitment - which seems to work. The idea is based on a clear sense of mission and precise ground rules, it focuses on the establishment of new relationships, and it advocates bold and timely decision making. It may come across as soft and fuzzy, but it is based strictly on action and facts.

The complexity of integration lies in making a number of critical, one-time decisions. The new company has to look, for example, at brand

strategies, the selection of technologies, an array of administrative functions, organizational structures, and decisions on layoffs and compensation. To make things even more complex, integration can be hampered by nebulous cultural and people issues.

So many variables rule out a silver bullet solution. But successful integrations seem to share six characteristics:

- A strong transition team; made up of six to 10 senior managers drawn from both companies, all with great career prospects at the new organization. They will perform detailed integration planning (according to a clear road map) and manage the process.

The team's role is not to perform every task, but to make sure it gets performed. The group has to have appropriate resources - including staff - as well as incentives and career protection.
- A compelling vision and a strategy. The merged top management team should focus on setting core goals and values, outlining the future and defining good, bad and ideal performance. It should seek answers to the fundamental questions: How will we get there from where we are today? What businesses are critical to maintain and which ones are worth more to some other player?
- A supportive organizational structure. It is crucial to decide at the beginning on the most appropriate structure, the level of functions and decision making, and the systems and processes to implement the strategy.
- Balanced performance and measures. The management team should be able to translate the vision into measures that clarify the definition of performance. For example, what performance is required in terms of financial results (short-and long-term), customer loyalty, employee satisfaction and retention, growth, and business efficiency. To achieve this goal, the team has to resist the temptation to focus on integration at the expense of management.
- A promotion of early visible integration successes. Quick hits help show that the company is serious about integration, the

synergies are positive, supporters will be well rewarded, and the process is working. To reinforce this momentum, management should be able to promote successes at regular intervals throughout the integration process.

- A comprehensive communications campaign. Aggressive, constant and consistent communication, both internal and external, is critical. Reaching all target audiences - employees, customers, industry and financial communities - with a message of clear vision and direction prevents confusion and misinformation.

In 1997, in the high-tech industry alone, there were 4,000 mergers and acquisitions worldwide. If history is any guide, only 1,000 of them will return value to the shareholders.

Employing these principles could significantly increase the success rate, in high-tech and other industries, and guard against the destruction of shareholder value.

By Joe Shlesinger Globe and Mail Canada

3809 FROM A CONSULTANT'S DIARY

Organizations make strengths productive and weaknesses irrelevant, observed Peter Drucker years back. We cannot say they automatically do but they supremely can.

People live by and thrive on their abilities and not on their disabilities. This again is saying the obvious.

Corporations hire people for their unique strengths, most certainly not for their weaknesses.

These are powerful home truths. Few buy them in practice though.

Many spend a good part of their energy and other resources in focusing on weaknesses of the people in the organization - noting them and "remedying" them through ingenious methods. The strengths are taken for granted; and we know what happens when good things are taken for granted.

For decades I have been pleading with CEOs: Focus on strengths. Look for, recognise, capitalise and celebrate strengths in your people.

Provide for and manage weaknesses but discourage the great temptation to harp on weaknesses.

That it pays handsomely to do so I came to know recently. The famous SRI Gallup organization does precisely that.

Dr. Donald O. Clifton, the Chairman and CEO, has written a powerful book on this 'philosophy of management'. Soar With Your Strengths is the title. Delacorte Press is the publisher. This is based on over 40 years of research extended over 250,000 successful people in various walks of life.

To share the many years of scientific research on this corporate thrust in an organized form, the Gallup organization conducts every month, a week long programme on Leadership at

Lincoln, Nebraska. I had occasion to speak to a Bombay CEO who attended such a programme recently.

This is the type of soft import we need in great measure.

3810 POINT TO PONDER

The future is not a result of choices among alternative paths offered by the present, but a place that is created - created first in mind and will, created next in activity. The future is not some place we are going to, but one we are creating. The paths to it are not found but made, and the activity of making them changes both the maker and the destination.

— John Schaar

3811 LAUGHING MATTER?



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