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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3797 FROM THE EDITOR'S DIARY;

6 SIGMA QUALITY

General Electric Company initiated a comprehensive performance improvement programme sometime back and named it 6 Sigma Quality. And told themselves that by 2001, everyone in the supply chain should have taken this programme. And worldwide, and that means over 65000 people. This knowledge input is to be quickly followed by application or practice projects, projects that will raise quality or reduce the cost for the same acceptable quality. (Over 7000 such practice projects are now on.)

The idea started with Toyota. Motorola picked it up and applied it on the production line. So did others like Ford and Intel. What is special about GE is that its scope and comprehensiveness. The practice has been extended to ALL functions, All stages, All stations all along the supply chain.

Even cafeterias are not excluded. The logic seems to be that quality cannot be segmented. Quality everywhere is the only quality that will sustain an organisation's survival and success, on a long term basis.

The budget is 7 billions dollars - yes, 7 billion. The estimated benefit in nett savings is 10 billion dollars during the first year of full scale operation of the scheme. 500 key persons are working on implementing it.

For example, such a senior person has been stationed in India for two years for giving a four week programme for all those who are part of GE operations in India.

We may not be GE in size or stature. We may not have 100 billion dollars sale. We may not be able to do things the grand way GE is doing. The direction is what matters and we can make a beginning.

What follows is a brief extract from one of G.E.'s . publications:

"Our quality levels today are equal to or better than our competitors". Our customers tell us so. World class companies have demonstrated we can be much better if we take a rigorous approach to quality improvement. World Class Quality is our next great opportunity as a company and we will be focused on 6 Sigma for the next generation of our careers.

The Goal

Our goal is 6 Sigma quality. Quantitatively, this means that the average process generates less than 3.4 defects per million. Culturally, this means we need to learn how to be nearly flawless in executing our key processes.

Examples of processes include:

- Billing a customer
- Making the base of an incandescent light bulb
- Approving a credit card application
- Installing a turbine
- Lending money
- Servicing an aircraft engine
- Answering a service call for an appliance
- Underwriting an insurance policy
- Developing software for a new CT product
- Overhauling locomotive
- Invoicing an industrial distributor

Flawless execution of each of these processes is critical to customer satisfaction and productivity growth.

Today, our typical process generates approximately 35,000 defects per million.This is about 3 1/2 Sigma. To reach 6 Sigma, we will need to reduce our defect rates approximately 10,000 times. If we are to achieve this level of performance by the year 2000, we will need to reduce defect levels an average of 84% per year. The challenge is enormous; but so is the opportunity.

The Journey

We recognize that some companies have been on a 6 Sigma journey for greater than 10 years without yet achieving it. We would like to reach it sooner by learning and leveraging as much as possible from those that started before us.

Because the challenge and opportunity are enormous, the resources and training required by GE are unprecedented.

RECOMMENDED READING;

Dig Your Well Before You're Thirsty by Harvey Mackay (Currency - Doubleday)

Any day and especially today, talent alone will not save you. Genius will not. Experience will not. Guts and hard work will not. If you need money, help or hope, there is only one fail-safe place to find them - your network. But only if you have one.

The idea of net-working is not new. The science and art of net-working new. We all like to hear from a master on the subject. Harvey Mackay is such a master. He tells us how to go about. And says it in an engaging way, in an energising way.

3798 BEST OF BOTH THE WORLDS

When ongoing companies encourage inhouse ventures, it helps all concerned. It helps the organisation because it offers one more growth opportunity. It helps the people because they can venture with nominal risk. It is this idea Japan has explored with commendable success. The accompanying story from the Nikkei Weekly is a recent review

Most big Japanese companies emphasize the importance of developing new businesses. Yet at the same time, the massive, often inflexible, bureaucracy inherent in large companies makes introducing a new venture difficult.

To solve that quandary, more firms are encouraging "in-house venture businesses." While the term may sound like an oxymoron, it isn't. In effect, employees launch new businesses like a conventional venture, but with the assistance of the parent firm.

For the corporation, venture-business programs are a way to harness the know-how, creativity and connections of its younger employees and spot new markets. And if the start-up succeeds, it becomes one more unit to add to the corporate family.

Mixed Results

According to the Nikkei Research Institute of Industry and Markets, around 10% of 404 leading companies have introduced some sort of in-house business program. And some of those firms have been doing it for quite a while, even if it wasn't initially called a venture program.

Fanuc Ltd., the world's top manufacturer of numerical-control equipment, has its origin, for example, as part of Fujitsu Ltd., which itself was offshoot of Fuji Electric Co.

That doesn't make them any less risky, however. Yasuyuki Watai, a research director at Mitsubishi Research Institute, said in-house ventures are still a matter of "trial and error."

Many firms have seen only mixed results.

Fujitsu Ltd. introduced its in-house venture program two years ago. Any employee can enlist the company's help for three years, including up to 49% of the start-up capital.

The workers have to resign their Fujitsu positions, however. And if the start-up hasn't turned a profit within three years, Fujitsu will close it.

But if the fledgling firm makes it into the black by that time, Fujitsu promises to buy a large chunk of shares in the new firm, thus providing both fresh capital and a reward for the successful entrepreneur.

The aim, Fujitsu President Tadashi Sekizawa said, is "to nurture venture businesses close to the American style," supporting an up-and-coming generation with dreams of building world-class companies along the lines of Internet pioneers Yahoo! Inc. and Netscape Communications Corp.

To date, Fujitsu is batting .333, with three of the nine firms it helped launch having turned a profit.

Yet of those nine, only two are headed by employees in their 20s. Those figures far from satisfy Fujitsu's goal of bringing ambitious, younger employees into the program.

Close to home

Ai Kenshi KK, one of the most successful of the new firms, was set up by a veteran in his mid-50s. Rather than simply wait for retirement, he chose to get out on his own, albeit not very far. The firm makes integrated circuits for cellular phones and supplies them to Fujitsu.

"Most of the start-ups to date were conceived within certain limits, as businesses," rather than as groundbreaking new enterprises, said Kazuhito Kojima, Fujitsu senior director in charge of planning.

Part of the reason for that is that Fujitsu weeds out the wilder ideas during the application-screening process. Still, Fujitsu is not about to give up on the idea of in-house entrepreneurs, particularly younger ones.

Harder and easier

At Yamaha Motor Co., in-house ventures are expected to turn a profit in just one year. On the other hand, the company allows workers from failed firms to return to the Yamaha fold.

"The purpose of the program is to energize the firm, not to lay off personnel," said Toshifumi Tachiki, head of the Yamaha Venture Capital program, which began in July 1995.

The parent firm provides about Yuan 10 million (91,700) to start a business. The applicant, who will become the venture's president, is allowed to contribute up to 30% of the total capital. If additional workers are needed, the new president is allowed to hire some Yamaha employees.

The program has received 110 proposals so far, of which seven passed a first screening requiring the approval of the board of directors. Of those, one will begin operation this month.

The new venture business, called YM Machine, plans act as a broker for trading and exporting of secondhand machine tools to China.

It will also import tools from China, which will be sold at low prices to small and midsize machinery makers. The new venture hopes for sales of Yuan 80 million in its first year.

Matsushita Electric Works Ltd., a leading maker of building materials and lighting equipment, also provides a no-fire guarantee for its budding entrepreneurs.

"We might be accused of being too soft, but if we punish those brave enough to try but fail by firing them, no one will volunteer," said Masaaki Hashimoto, chief of the sales-planning office.

At NEC Corp., the in-house venture program allows a firm up to three years to turn a profit. But the company has shown it may not always stick to that guideline.

Its first foray into in-house ventures was Gadget Interactive Ltd., an information-service firm that used computer networks. NEC closed it after just 18 months because it had no prospects of turning a profit and had exhausted its Yuan 100 million start-up capital.

Kazuhiko Kitamura, 37, president of Gadget Interactive, and another staff member left NEC to stay with the firm, restarting it as Gadget Ltd.

"I believed our business offered a benefit for society and I wanted to continue with the business," Kitamura said.

NEC's second venture worked out better. Authentic Ltd., a firm that develops and markets high-performance loudspeakers using natural granite, showed more than Yuan 900 million in sales and succeeded in posting a profit in its third year.

Nobuyuki Kondo, the 49-year-old president of the firm, cited two factors in the success. First, a home-demonstration sales strategy turned out to be an ideal means of selling luxury items priced at Yuan 1.2 million a set. Second, the company took over the upscale amplifier business from NEC Home Electronics Ltd.

"Dealing in just upscale loudspeakers, for which the firm was set up, would have brought in sales of only Yuan 100 million at the most," said Kondo.

Now it has decided to branch out. Authentic plans to add sound-resource circuit boards for home-use personal computers and public-announcement systems for exhibitions to the product lineup.

One NEC official said the company is considering spinning off Authentic as an independent firm "if it doesn't affect Kondo's retirement allowance or pension plan."

3799 BEST ALLIANCES MAKE 1 + 1 EQUAL MORE THAN 2

Whatever helps survival and success is worth considering. Alliance is one approach that works for some and there are ways of making it work. The following article gives some valuable guidelines.

When I visited Japan last November, my interviewers described the prevailing mood in the business community as *heisolukan* - the feeling of being caught in a box where no escape is possible. Often when we look deeply inside our darkest dilemmas, exactly there we can discover the light. With one simple question a wise manager will find a way out: "How can my company prosper while everyone else is afraid? By building a "breakthrough strategic alliance," this article suggests, the adept company can leave its competitors in the dust.

Each month, Booz, Allen & Hamilton Inc. reports over 4,000 new strategic alliances - including supplier, distributor, marketing, sales, research, technology development and outsourcing alliances - are being formed, and the annual rate of growth exceeds 20%. Of these, high-performing alliances regularly achieve an annual rate of return of at least 30%, combining the financial, technical and human resources and talents of the players for strong competitive advantage. During the past few years a body of best practices has developed, which can be of great value to any Japanese company willing to take the time to study it. Here are some of the keys.

Step 1: Understand the "drivers".

The first step in designing a break-through alliance is to look at the business landscape and ask yourself what are the new opportunities (strategic drivers) created by the present situation, perhaps from unsatisfied customer needs, excess capacity, new users for our technology products or human talents? How can I use the financial turmoil in East Asia and the bankruptcies in Japan as a unique opportunity to develop a rapid and effective globalization strategy? What inventive use can I now make of the stresses my own company faces - its loss of market share, downturn in sales, market collapse, declining margins, low productivity, poor morale, stagnant innovation - for strategic advantage?

Step 2: Find the right partner

Finding the right partner is of course the crux of the matter. The two key questions to ask are: 1. Does the requisite "fit" exist at the strategic, operational and human levels? and 2. Does the prospect have integrity?

Both tests were met in the recent successful alliance between British Petroleum Co. and Andersen Consulting. The alliance involved the outsourcing of BP's accounting division to Andersen, which furnished the essential financial and management skills. The companies' strategies were well-aligned, their operational styles meshed, the human "chemistry" at all levels was excellent and the venture has prospered.

The foundation of every break-through alliance is trust, and the origin of trust is integrity. I define integrity as a dynamic state of balance where hand (action), eye (intelligence) and heart (compassion) work in harmony. When parties to an alliance have integrity, they can hold steady in uncertainty or change in an instant which is the critical survival skill of the new economy.

Step 3: Define the "breakthrough value proposition" (BVP)

How can you mobilize the creative energies of your best people? Answer: Help them to see what today they scarcely dream possible. During his presidential campaign, John F. Kennedy promised that if elected, he would send a man to the moon and bring him back within the decade. In this single image, Kennedy found the language to capture the imagination of the nation.

Every breakthrough alliance rests on a value proposition, which is 1. clear, 2. powerful, 3. measurable, and 4. at the time implausible. This juxtaposition of the measurable and the implausible furnishes the contradiction that fires the breakthrough. About five years ago, Merck & Co. formed a distribution alliance with the Swedish company Astra AB to market its new ulcer prevention drug, Prilosec. The two partners formulated the BVP: Within five years Prilosec will become the ulcer-prevention drug of choice throughout the world. When they began, the venture had no market share. Three years have now passed and Prilosec is already in second place.

Step 4: Empower the champions

A breakthrough alliance requires imagination, perseverance and the executive skills of champions. Because corporate presidents usually cannot devote full attention to the details, the task of the champions is to pilot the alliance to its highest and best destiny. One of their first tasks is to calculate the strategic return on the investment (STROI). In a breakthrough strategic alliance the gain will show up as an overall boost in competitive advantage, not only financial, but also a dramatic increase in market share, organizational or innovative capability. In computing STROI, the alliance-formation teams, led by the champions, consider such questions as: From whom will we take market share and by how much? How more rapidly will our sales teams by able to close new accounts? The process focuses everyone on the task of finding solutions, and then the inconceivable becomes tangible.

Step 5: Pay attention to differences in operating styles

The task of preparing an operational plan puts the alliance into a "shakedown cruise," and almost immediately differences in operating styles will show up. One partner may favor consensus and collaboration, the other hierarchy. Such divergences need not in themselves prove fatal, but they will certainly create strains, and if the parties are not sophisticated about dealing with these early differences, the chances of the venture's failure will be high. The key is to aim for synergy.

Step 6: Deploy your lawyers intelligently

There are serious unanswered legal questions in this new field, which require lawyers to be sensitive as well as creative. The central tension derives from the fact that trust is the foundation upon which every successful alliance is built. But this fiduciary standard of care can create an open-ended joint liability, antitrust, tax and other legal problems. Skillful counsel will assist the parties in bringing out their best creative work, while establishing reasonable boundaries on risks.

Step 7: Provide for effective mediation

Breakthrough alliances view conflict as an opportunity for discovery and use mediation to open new pathways for creative section. At the right moment a trained alliance mediator can make all the difference in helping parties to overcome obstacles at the beginning of an alliance, regenerating troubled alliances and terminating hopeless ones, with dignity.

The Challenge

Why do the vast majority - perhaps 95% - of strategic alliances between Japanese and foreign firms fail? Certainly Japan has one of the world's most sophisticated traditions of networked organizations. Inside Japan nearly every day a new alliance is being formed - see, for example, the recent Fujitsu Ltd.Sony Corp.

chip-fabrication alliance. Japanese managers are as adept at forecasting strategic returns as foreigners. Japanese lawyers are as skillful. Japan has among the world's most successful mediatory institutions (chotei, wakai). With this depth of experience, what is the problem?

The problem lies not in the hand or head, but in the heart. Todate, Japanese companies have approached their foreign alliances from an extremely parochial viewpoint. How will we gain, how will it serve us? they calculate. These are legitimate questions, but the change of heart that must occur is to ask new questions: How by this alliance can I be truly of help to my partner and to society? What do people thirst for? Why are they afraid? How by joining forces can we make things a little better? For business greatness is not likely achieved if it is not accompanied by a break-through in human relations. The escape from the box will not be difficult, once we realize the box has always been ourselves.

Julian Gresser in Nikkei Weekly

3800 GOING TO A SEMINAR? LEARN TO GET YOUR MONEY'S WORTH

In recent times, we hear of a number of management seminars sponsored by enterprising organizers and management associations and institutes. More and more corporations and individuals avail of them and it is as well. Only, we should get the best value possible. How-to is discussed in the following article.

The average (growing) salesperson spends $758 a year on some form of self-improvement. Seminars, books, tapes or courses to make themselves better people and salespeople - in short: to make more sales.

Seminars and courses are the best opportunities because they're live performances. They offer "in your face" information that is timely - and makes you evaluate the information in terms of what you are doing "right now".

Salespeople go to the seminar eager to get more information, but few know how to attend for maximum benefit.

Here are a few rules and ideas I've compiled from both seminar leaders and seminar attendees. If you're going to a seminar, take these thoughts with you so you can walk away with the gold:

1. **Lower your sensitivity meter** - or better turn it off You're here to get information, not be offended by a remark or word. If you want everything to be peachy clean and politically correct, get out of sales and take a nice job at the post office. A woman at a US Airways ticket counter put it the best I've ever heard it. I was traveling with my girlfriend, and wondered aloud what the politically correct word was for traveling partner, not yet spouse. She said, "Don't worry, we're not in politics, we're in business," Cool.

2. **Self-evaluate it.** Don't "know-it". When you hear a fact that will make you better, don't tell yourself "I know that," rather ask yourself, "How good am I at that?" Self-evaluate is the only way to get real and get better.

3. **Search for idea-gems.** Look for what you don't know - not what you do. Try to walk away with six things you can use tomorrow.

4. **Listen with the intent to understand.** Don't cut off the thought too soon. Stick with it - listen all the way out. Don't be smarter than the presenter. Just listen with the intent to learn and get better. The best way to do this is take notes and shut up.

5. **Don't do it like they do it.** Do it like you do it. Adapt the seminar leader's concepts and words to your personality and style.

6. **Ask anything any time.** Challenge any thing any time. If you don't understand, ask why. Write down questions as they occur to you and ask them at the first appropriate moment.

7. **All info won't work all the time.** So what? Pick out what will work and concentrate on that.

8. **Take the information and adapt it to your product or selling situation.** Think "how will this work in my sales environment?" Try to adapt the principle as soon as you hear it.

9. **Don't criticize the presenter.** Instead, listen for the one or two gems that may

impact you forever. As the great Glenn Turner says, "No statue was ever erected to a critic, but the people they criticized, many statues have gone up."

10. **Your objective is to make yourself better.** That's why you came in the first place. Don't strut what you already know. Find the "ah-ha's" and convert them to your world. Leave with new things that will help you, not the same information you came with.

11. **Sit with someone you don't know.** Stay away from the people you came with. Make new friends. Look for a potential customer or contact.

12. **Take great notes and record them at the end of the event.** Too many times great ideas go fallow before they have a chance to be implemented. All great seminar ideas fall victim to the everyday work that awaits you after the event. If you record your notes and listen to them everyday for two weeks, you are more likely to do things you would have put off for months-maybe forever.

12.5 **Focus on yourself.** Many people are jealous or envious of the presenter. Kind of like Monday morning quarterbacks or movie critics. My biggest recommendation is one that has appeared in this column before: Resign your position as general manager of the universe. Don't worry about everyone else, just concentrate on becoming the best you can be for yourself.

Jeffrey Gitomer in Business Journal

3801 FLEXTIME

Maybe this is a little inconvenient for a few. It is attractive for many. Those who have got over the bureaucratic hurdles report pleasantly on this meaningful work-timing. Here are the findings of a recent survey.

Allowing employees to rearrange their schedules not only helps them balance the demands of work and their private lives, but also helps employers.

Those are the findings of an on-going study by the Radcliffe Public Policy Institute and Fleet Financial Group.

Researchers from the Cambridge institute met with 55 employees at Fleet units in Providence and Framingham to determine whether reorganizing work schedules and responsibilities and introducing flex-time and telecommuting would enhance the quality of employees' lives and improve productivity.

According to Paula Rayman, the director of the institute, the changes worked. She said supervisors reported turnover rates for employees who took part in the project were lower than other employees.

Terrence Murray, chief executive and chairman of Fleet, hailed the study's findings yesterday. "Helping our employees fully integrate the different spheres of their professional and personal lives is part of our strategic business planning for the future," he said.

In Framingham, researchers followed 20 underwriters who had complained of long commutes, difficulty managing workloads, and burdensome administrative duties that took them away from their primary duties and increased the need for overtime.

To address those concerns, researchers reassigned some tasks, revised the company's system for assigning and monitoring loan underwriting, and encouraged a handful of workers to telecommute.

In Providence, where 35 employees participated in the study, flex-time and telecommuting were introduced.

Diane Lewis in Boston Globe

3802 FROM A CONSULTANT'S DIARY

PERFORMANCE ASSURANCE OR PERFORMANCE APPRAISAL?

In a recent assignment, a client asked us to assist the company in making a paradigm shift from performance appraisal to performance assurance.

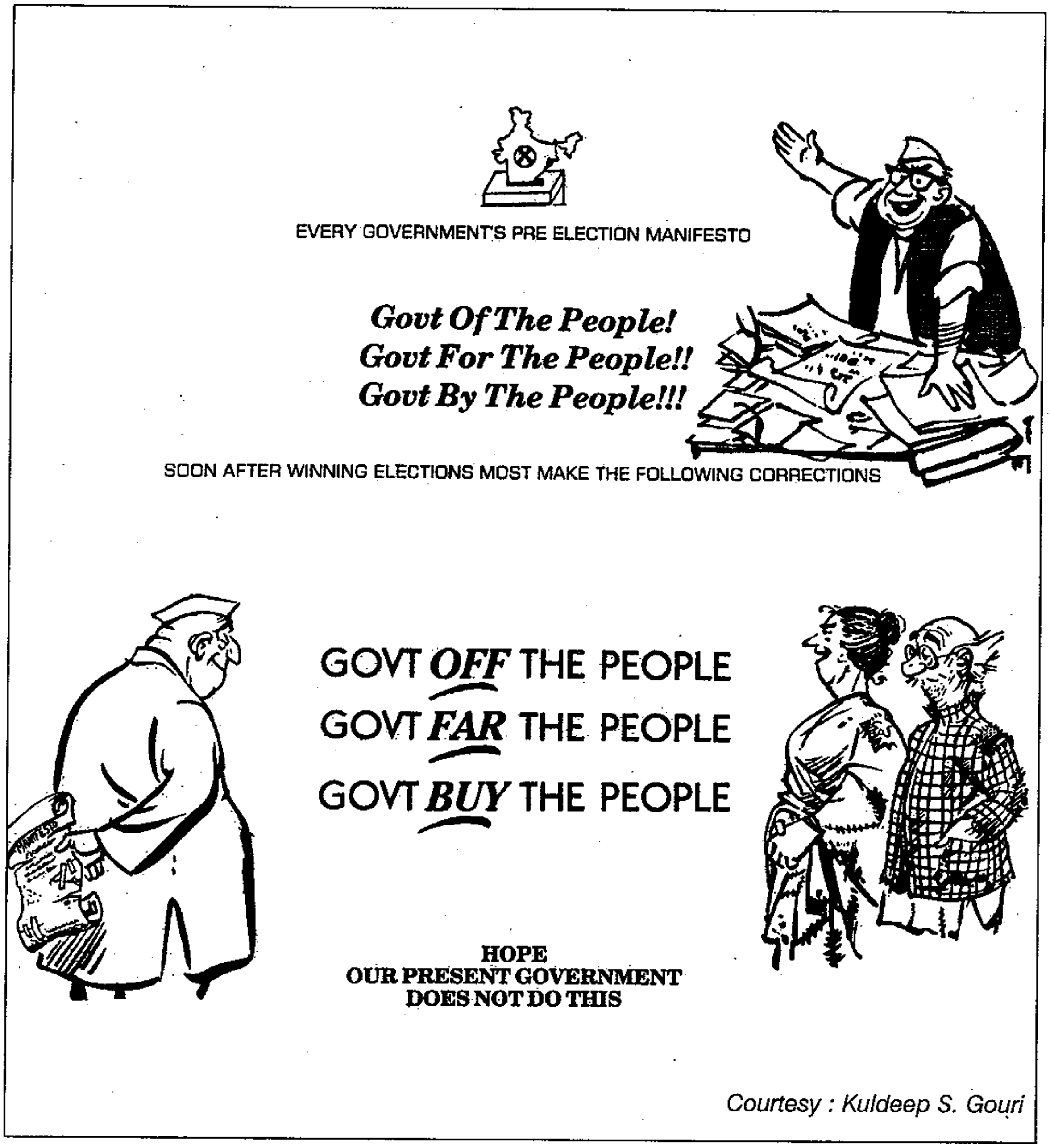
Practically all concerned welcomed the step.

They welcomed it because performance assurance is a COMMON concern - they all want to plan performance, prepare for performance, record performance, analyse performance, recognise good performance AND take steps to improve performance.

Typically, the performance appraisal systems in organizations are a judgemental, unilateral, post-mortem ritual. The systems consume time and therefore money and leave no one wiser or better. They continue because they argue "until we have something better, we will have this." The result is avoidable misery to the affected.

More importantly, the main issue, namely performance assurance, remains unaddressed.

3803 LAUGHING MATTER?



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