



DRIVING CHANGE

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INTRODUCTION

Every organisation likes to think that it lives in a time of unique challenge and change. To stay fit and compete every organisation needs to go through the process of change. The drivers of change for each time period are different and each company responds to the challenges in a particular way.

Authors in the book try to find out how the best companies are preparing for the 21st Century and discuss the future of management.

The transition to the next enterprise is the most visible in US, but companies in other parts of the world are also responding to the change drivers. The markets, the technology, and the demands of the employees, of customers, and of citizens are driving companies to change boldly and bravely.

The good side of the business is obscured by too many reports of outrageous benefits of CEOs, of wholesale and often callous downsizing, of a lack of trust and humanity, of a focus on short-term financial gains, and of plain lying, stealing and cheating.

Executives nowadays are prone to reach out for fashionable, quick, simple and cheap solution with the objective of a permanent solution. New management practices often suffer too much early hype. When results out to be less than expected, idea is judged to be failure, and trend is declared to be dead.

Especially in CEO cocktail circuit in India, it was fashionable to have SAP ERP solution whether you needed one or not. Now after burning their fingers with ERP, these gentlemen are playing the blame-game.

The book tries to offer a framework for thinking and acting that authors hope will help business leaders drive the changes they need to make.

Current Scenario:

In the words of Klaus Schwab of the World Economic Forum, "we have moved from a world where the big eat the small to a world where the fast eat the slow"

Reforms and globalization today are no longer a matter of choice. For e.g., China began its reforms in 1978 and the results are there for everyone to see. In the new famous words of Deng Xiaoping, "it does not matter whether a cat is black or white as long as it catches mice!". The ear of "isms" is gone and all "isms" have become "wasms"! We have to be



forward looking and pragmatic in defining our strategies for the future. We hardly have any time to lose.

Therefore, there has been a paradigm shift in the way business is done today due to cluttering choices and information deluge the world over.

Organisations are faced with the challenge of re-drawing traditional conventions to keep pace with a fast changing environment. Today's business leaders are confronting with hot topics such as strategizing in unfamiliar times, creating excellence-centers in your organization and leading the people and strategizing for the future. They have been driven to change on a scale that really is unprecedented. The markets, the technology, and the demands of employees, of customers, and of citizens are driving companies to change boldly and bravely. Today inaction is the riskiest strategy. Business is bursting with promising, innovative ideas about management, work, products, and processes, and with new management tools to make better use of them.

Business leaders seem to need to think they have found the true way. **Running a company is often a matter of plain common sense.** It means reviving ideas that have been obvious for a long time but not widely practiced, like knowing the customer and caring for the employee. Today a whole set of new tools allows us to manage better than we ever have before, by using information technology and teams, by improving quality, improving innovation, creating the right corporate architecture and many, many other ways. These are practical instruments, now well tested, not matters of faith. They need to be used in a balanced, thoughtful way that is fitted to the particular corporation.

Here is a comparison of the characteristics of the 21st century Corporation and the 20th version.

Old Characteristics

Goal-directed
Price-focused
Product quality mind-set
Product-driven
Shareholder-focused
Finance-oriented
Efficient, stable
Hierarchical
Machine-based
Functional
Rigid, committed
Local, regional, national
Vertically integrated

Emerging Characteristics

Vision-directed
Value-focused
Total quality mind-set
Customer-driven
Stakeholder-focused
Speed-oriented
Innovative, entrepreneurial
Flat, empowered
Information-based
Cross functional
Flexible, learning
Global
Networked, interdependent

The new ideas will not necessarily drive out the old. Obviously attention to profits will remain critical to every corporation. Hierarchies are not going to disappear altogether in team-driven, flattened organisations. You can't become totally global and ignore local and regional factors. You can't become Cross functional and let go of functional excellence. Rather than a complete shift, we are talking about a change in balance here, new emphases, and tradeoffs. Although most companies will probably end up being a mixture of the old and new, they will all have to



adjust to new realities-to the needs of the employees, customers and communities, to new technology, to global markets, to demands for more speed and innovation and adaptability.

WHY CHANGE?

THE LAZY IDIOT THEORY

Frederick Winslow Taylor laid down the principle of “Scientific Management”, aimed at dividing the work into minute, repetitive components and then telling the worker just how to do it. Scientific management assumed the worker was ignorant, stupid, and would spend as much time “soldering” as he could get away with. The worker did exactly what the foreman told him to do, and management planned the work.

Taylorism did greatly raise factory output but it also dehumanised work. New manufacturing machinery, plus the huge demand for the Model T Fords around the world, pushed Henry Ford into making the next major advance in industrial organisation, the invention of the moving assembly line, which drastically reduced the assembling time from one hour to 35 minutes.

Alfred P. Sloan, president of GM, 1923 believed that a big company had to be decentralised, so that the divisions would have operational autonomy. But they would be guided, helped, coordinated, and above all held accountable by a corporate staff, especially by a finance committee. Management relies heavily on what soon became a huge staff. Sloan saw his own role as “selling ideas, rather than simply giving orders”, demonstrating more wisdom than many CEOs have shown.

HIERARCHY LIVES

The classic corporation was a huge success. It excelled at mass production. It worked well where control was especially important. With its intricate division of labour, it created functional excellence. People could get very good at their jobs. It made possible the American manufacturing revolution, which raised the standards of living.

However the classic corporation had inherent weakness that became more of a handicap as time passed. The hierarchies designed became so cumbersome they were an obstacle to getting work done. The staffs meant to think for the organisation and help the operational people became oppressive burdens that drove out innovation and entrepreneurship. The people doing the work had no real power; the people with the power did little real work. The classic corporation did not encourage coordination. In fact, the corporation drew more and more distant from the customer.

A QUANTUM WORLD



Rather than looking at themselves as pyramids or structures defined by hierarchical tables, companies are more inclined today to look at themselves as a series of related processes. What matters is how you do things and not how you design the organisation chart.

Another view of the organisation emerges from the “chaos theory”, which sees chaos not as a total lack of order, but as turbulence, movement, change that is unpredictable but that actually has rules of its own. The chaotic organisation has no head, but is self-organising, self-regulating, organic, adaptable, and complex. Perhaps what make the charodis idea appealing is the complexities modern organisations; the parts can’t know the whole, and the whole can’t know all the parts.

PART I: THE DRIVERS

THE COMPUTER REIGN

Computerised information changes the life of the business. It changes the way companies are organised, the way they are managed, the relationships among their people and with their suppliers, customers, and partners. It changes the scope and understanding of the business, the organisation and flow of work, the way work is performed. It changes marketing and distribution; it lowers the barriers confronting entrepreneurs, and reduces the differences between small and big companies. Information technology permits us to choose whether to centralise or decentralise an organisation, while retaining whatever level of control and information at the center. Information technology creates enormous efficiencies in the routine or backroom operations of corporations, to the point where they can function with a fraction of the people they once had.

Corporations can know more about their customers and their habits and react more precisely to their wants. They can carve markets into segments they didn’t even know existed before, and create new products for those segments. They can create market segments of one, or mass customise products by individual customers.

All these advantages come at a price, of course. The speed of change imposed by computer technology adds disruption and uncertainty to our lives, which is never comfortable. Our jobs become less secure. The sheer problem of running networks, managing them and protecting them to avoid systemic failure becomes a key concern. Corporations face new risks, the risk that their information systems can be invaded or sabotaged, and a risk that a single employee, empowered and wired, can create havoc, even bring a corporation crashing down. When any corporation is close to oblivion, then risk management has to be company’s priority.

II- THE MARKET’S IMPACT

The world’s markets are merging and heating up. Lower trade barriers, the spread of information technology, the merging of consumer tastes and needs, and the easy movement of capital has all contributed to the creation of the **global market**. Companies whose home markets are close to saturation need and see new opportunities in markets opening elsewhere. They are willing and able to introduce new products around the world all at once.

The volume of international financial transactions has increased more than trade in goods and services, which in turn have grown more than the world’s gross national product. The greatest



acceleration came from direct foreign investment by multinational corporations and from international bond issues, international loans, and international currency transactions. Massive deregulation and privatisation has forced or freed up many monopolies and protected industries to fight for their lives. More demanding customers create new competitive opportunities. However, the coming of world markets is the overwhelming reason for the intense competition that draws tight the nerves of business today.

During the cold war, the government was the pace setting player on the global stage. Government made the strategic decisions. Businesses were important but they were responding to government orders. In the process of course, business created substantial economic wealth. But the shift from military to economic competition is fundamental. It means that business firm is now the key to global economic competition. Governments can help and hinder. But they are supporting players at best.

Even companies that can honestly say that their business is still local should realise they are part of the world market in the sense that customers everywhere have come to expect better quality and speedier responses, that their markets are more vulnerable to international competition, that information about products and services are universal., and that innovation can suddenly turn a business upside down.

SOCIETY CLAIMS

INTRODUCTION:

A company, which pursues only profit at the expense of everything else, cannot survive in the 21st century. A company should have concern for public interests. The successful 21st century enterprise will have to resolve the conflict in a way that satisfies both corporate and society interests.

1. AN ISSUE OF EQUITY:

Concept of stakeholder

What really hit the public are not so much of the ethics but the issues of equity – issues of pay, privilege and security. It's not just a matter of layoffs but of layoffs plus stagnant pay for workers plus huge increases in the rewards. Business week reports that the CEO of a large company earned on average 42 times as much as the ordinary factory worker in 1980, but by 2000 the multiple had reached 200 times the factory wage.

Then the organisation realized that they must do for the society. The corporation is responsible for the society not just the shareholders. To what extent should the corporation deal with social problems that government, schools and other organisation seem to be handling so poorly.

2. OWNERS WITHOUT CONTROL:

There is no longer certainty that the corporation will in fact be run by stockholders. We must analyse whether the corporation is satisfying the basic demands that opportunities be equal and that rewards be commensurate to abilities and efforts. The promise that big and small, rich and poor, powerful and weak is partners in the joint enterprise.



In fact the managers act as trustees for all who have an interest in the enterprise – the stockholders, employees, suppliers, consumers and public.

3. SOCIAL RESPONSIBILITY:

Maximizing the shareholder returns is not the only thing for a corporation but how the company can contribute the greatest public good. In 1996 president Clinton lectured businessmen on five ways to show citizenship toward their employees

- 1) Be family friendly by promoting *flexible schedules*.
- 2) Give employees *health and pension benefits*.
- 3) Help workers with their *education and training*.
- 4) Make *employees* more like *partners in the business*.
- 5) Provide a *safe workplace*.

In Europe and Japan shareholders have traditionally been treated as nuances. In Japan the employee's interests are guaranteed lifetime employment. Creating a good environment for employees is a social responsibility. Employees are company's assets and treating them well is sound business strategy.

4. Honorable Profits: –

Companies of 21st centuries will have to compete for employees, suppliers, and consumers. Companies should obey the law, honor contracts, respect the individual, and assure the quality of their goods and services, and deal kindly with the environment.

Managers should keep in mind that closing an unprofitable plant to save a company is good business but how to deal with the people who lose their jobs? Manager needs to know what to do that is morally right and socially responsible without ruining your career and company.

5. Code of Ethics and Standards: –

By 1991 around 84% of companies in the USA had code of ethics. Code is necessary because even the good people today don't know what they are supposed to do? Americans have legalistic approach towards code of ethics. Italians have no sense of responsibility towards society. The Japanese have strong sense of needing to advance their country and society.

Standards are even more important in global business because international transactions can fall through the gaps between different national legal systems and moral codes. Corporations have to show that they can behave ethically, that they can serve society's needs, that they can still improve the lot of ordinary people.

Organisations should not make products that can injure or affect the health of the customers. Organizations should not use processes that can damage the environment.

The Customers Demands

Introduction: –

IBM followed the policy of spending a lot of time making the customers happy. IBM sold excellent products but it provided good service, listens to what customers have to say and help them solve their problems. Eventually the customers started to have more choices and became more demanding.

First came improvements in the quality of products and services. Then came an effort to find out what satisfied the customer. Then the goal of the organisation became to capture the long-term loyalty of the customer.



1. When things got better

The customer began to realize that things could be made better. E.g. Japanese cars were very good cars and the prices were reasonable. Customers wanted things better and they wanted them faster. Many organizations challenged the foreign competition and they did improve their quality. Intolerable quality failures still happen too frequently.

2. A Measure of Satisfaction

As corporations began to try to serve customers better, they realized that they didn't know them very well. The marketing people didn't try to understand the customers systematically. And they could not find much of an audience at home to listen. Satisfaction ratings provide a rough measure of quality of the product or service.

Customer satisfaction measures only give you a reading on the surface of the customer's experience. What happens when the customers first use the product? And what is that experience? Is it satisfaction of delight or anxiety? Customers may have surprisingly strong emotional reactions to things that don't seem very important to the organisations. The mistake made so far was that companies focused only on engineering improvements.

3. Information problems

Customers experience with the whole company is important. Customer wants solutions and a good total experience. When a customer deals with a company he doesn't want to be bounced from one part of the company to other, to get an answer to a question, or to get service or to order a product. The idea of solving problems rather than just selling things extends in to many businesses – transportation, banking, and insurance, computer systems.

4. Zero defect

Managers should measure the cost of losing customers. Just a 5% reduction in customer defections can increase profits by 25%. As the customers get used to the company, customers tend to buy more and more from it. When the company throws out scrap, it costs the company the price of the part but when an unhappy customer stalks out the door that costs the company a stream of profits. The customer may not even mention the reason for defecting. The company has only a 40% chance of retaining the unhappy customer.

5. Segmenting the world

Segmentation is done by region, by life styles, by generation, by incomes or by cultures. Market analysts have to deal with more working women, more singles, more elderly, more people working at home. Corporations need to know more about the millions of new customers they can acquire. In Indian context, there are around 200 million people with growing buying power.



PART II THE RESPONSE–THE PLAYERS

The Employee:

Keep interested in your career, however humble, it is real possession in the changing fortunes time.

On one hand, the 21st century enterprises need the willing help of intelligent, motivated, collaborative and enterprising people. On the other hand the efficiencies of technologies and new management approaches make it possible to work better with fewer people, and the pressure from investors forces executives act with an appearance of decisiveness. This is the biggest problem with today's enterprises.

Reengineering syndrome:

With so many changes happening around companies restructure themselves to keep pace with the change. But this philosophy has been looked upon as anti employee. Employees are a company's biggest and most important assets. People misunderstood BPR and made it an exercise of eliminating workforce substantially in the name of cost cutting. This affects the employee morale.

Successful companies (implementing BPR), redesigned many activities that added value for the customer rather than redesigning just one or two activities, and they looked not only at structure, or at skills, or at incentives, but at all those elements.

Having said this, it does not mean that there should not be any lay-offs. In fact though technology and other drivers reduce human effort per activity, they open new avenues for employment in other areas. **E.g. more number of jobs available in ITES, Biotech and other service industries.**

Japanese companies handled these issues far better.

They chose to achieve efficiencies, by restructuring, by 'Value Engineering', but not by wholesale staff cut that many American companies carried out.

Preventive Measures

- Try to anticipate process improvements so as to obviate hiring too many people
- Tough minded relationship with its employees
- An insecure work force focuses more on security than the business (hence proper communication is important in difficult times to reassure employees and keep them motivated)
- Getting rid of work and not people (work that doesn't add value)



Even in bad phase what Corning did...

1. Use slack time to train workers so they would have skills to make them employable.
2. Let temporary workers go
3. Go to partial shifts.
4. Go to job sharing by working half days.
5. Consider pay-cuts.
6. Help employees get other jobs, paying them to relocate if they go to another Corning

Motivating Employees

- Employee involvement in decision-making through Quality Circle
We need management commitment for this to be successful. Also employees need to be trained for problem-solving tools, team skills.
- Equality of sacrifice
In bad times, even management should bear the brunt (may be taking pay cuts and/or perks).
When Chrysler was on the verge of bankruptcy, Lee Iacocca, decided to take a token salary of \$1p.a. until the company was back on track, while laying off few employees and also pay-cuts.



PART III THE RESPONSE—THE WEAPONS

Mastering Information

The trouble with computers, says Paul Allaire, the Xerox CEO, is that the technology “outstrips our ability to use it effectively”. Some of the CEOs like Paul who hadn’t used the computer personally were anxious to know what information technology means and how to handle it. But initiatives have anxieties too about the effects on managers’ personal lives, and about the effects of an almost unimaginable mass of information.

However the impact of computers on business is enormous and inescapable. A typical Fortune 500 company stored 8 billion characters of electronic data in 1970, 33 billion by 1990, and will probably have 400 trillion by 2010.

Experts Mystified

Beyond the sheer difficulty of adopting information technology on a large scale, huge strategic and management problems come with it. When computers start to transform an industry so much that totally new kinds of players may appear, when the shape of that transformation is unpredictable, when betting on the wrong system or technology can be devastating, then business leaders have reason to agonize about information technology.

Ironically, while computers give us the means to make more data based decisions computers can’t help us know the future of computers themselves. While computers are giving managers more and better information to use for fact-based decisions, the computer system themselves call for a measure of good intuitive decisions.

As the shape of the 21st century enterprise emerges, we can see five fundamental ways in which information technology leads the way:

- 1) *By enhancing the efficiencies and economies of existing operations*
- 2) *By creating new products and services*
- 3) *By creating new businesses*
- 4) *By tying the customer more tightly to the company*

Examples

Andersen, getting all the knowledge out: It consults its clients on information technology. Today’s clients need a broader base of knowledge because they want comprehensive solutions and they want them quickly and they may well want them to be global.

Spurring Innovation

American business would seem to be in the grip of a frenzy of innovation. The Hewlett-Packard chief executive, Lewis Platt, says that the life cycles of new products last only 9 to 18 months and he remembers a decade ago when they lasted for years.



However, you see products like Kleenex, writing pads, evaporated milk containers are still the same. This is because everything doesn't change all the time. The ability to innovate is important. Innovation is not confined to products and services, but to the company itself, its management, its organization, and its processes.

To innovate successfully you need four things:

- 1) The entrepreneurial or inventive spirit
- 2) The willingness to commit resources to innovation
- 3) The methods to do it
- 4) The right type of organization to do it

There are problems faced by organizations to keep innovating

- 1) How do you keep large organizations to keep innovating, especially if they are successful at what they are doing already?
- 2) Reengineering and cost cutting certainly hurts R&D
- 3) Labs closed and shrunk and researchers laid off
- 4) The turmoil of downsizing tended to break the network of informal relationships that are so critical for getting research done in an organization.
- 5) When researchers undertake a project that is both risky and iffy they need friends and sponsors, trusting relationships that take time to build

Patent Champs:

Although Japanese businesses and universities may be weak on basic research, they are geniuses at getting patents for new products. Organizational knowledge creation is the key to the distinctive way that Japanese companies innovate. The manufacturing process for a new product can be developed while the product itself is developed. The focus on the customer has also spread to the R&D process.

Some of the examples of innovative companies:

- ✓ 3M: The most innovative
- ✓ Hewlett-Packard: Fighting creeping elegance
- ✓ American Express: An avalanche of cards

STEPPING UP THE PACE

(It's not the big companies that eat the small; it's the fast that eat the slow)

New products and services must be first to market or they'll fail to win their potential market share. Flexible factories switch the models coming off their assembly lines in a moment, responding to reports of that day's sales flashed from cash registers across the country. With the help of information technology, managers assemble data from all over the world to make an informed decision on a strategic issue in hours instead of weeks. Research projects keep going in 24 hours a day as labs on one continent hand their day's work electronically to labs on the next continent in the sun's path. What's the rush? Speed alone will not make a company successful in the 21st century. Doing everything in a rush will probably do more harm than good. The effective approach to speed is not to hurry up or to skip important steps,



but to get there sooner by eliminating waste and improving processes. In fact, the most important thing about speed is not necessarily to work faster but to learn faster.

KINGSTON: A HIGH VELOCITY MARKET

Kingston Technology Corporation of Fountain Valley, California, built its enormous success on the idea that it can fill an order for computer memory upgrades in 24 hours. When John Tu, a quiet, studious emigrant from Shanghai by way of Germany, and the younger David Sun, a boisterous native of Taiwan, founded the company in 1987 they had some creative ideas about the company. It would be like a Chinese family. Employees would come first, suppliers second, and customers third (the assumption being that happy employees and well-treated suppliers will do the best for the customer). Tu and Sun prefer to do business on the basis of trust rather than complicated legal documents. And they made speed critical to their business.

When Tu and Sun entered the business of providing memory upgrades for computers it was the norm to take two weeks or more to fill an order. They saw a chance to change the market by cutting that time down to one day. "We've created a computer industry that believes that everything is more or less the same as anything else," says Gary MacDonald, vice president for marketing at Kingston. It's all a commodity market. They are essentially virtual products, things that can be acquired anywhere, anytime, and in any quantity. If I can get it from you, I'll get it from someone who is equivalent to you. It's only when things are perceived as unique that the customers are tolerant of delay. Speed is intrinsic to the industry. It is a high velocity market."

SNAIL MAIL

When we work with computers we seem to become so infected with their speed—with time stated in terms of millions or even billions of instructions per second—that we want everything to move at warp speed and delay becomes intolerable. Our lives do, in fact, move faster. Banks have finally awakened to the obvious fact that people detest standing in line for more than a few minutes to get access to their own money, so we now have shorter lines and ATMs. We have virtually instant access to our records, whether they are at the brokerage house or the social security administration. The airlines can make a reservation and assign a seat in a couple of minutes. L.L.Bean and Lands' End will deliver an order in a day or two with the help of FedEx or UPS. Lenscrafters makes us a pair of glasses in 60 minutes. We are not willing to wait 45 to 60 days for a car ordered to our specifications, so Ford is trying to shrink that cycle to 15 days.

AUTOS: STRETCH GOALS

When an American sees a new car he wants, he wants it right now, off the lot if possible. A Japanese consumer goes about car buying more deliberately, studying and thinking about the choices. But it is the Japanese who gets the specially ordered car first. Back before speed became a competitive as well as a cost and quality improvement strategy, it took up to 26 days to deliver a Toyota and 45 to 60 days to deliver a Ford. Slow distribution and slow information handling caused most of the delay. The actual assembly of the car did not offer much potential for improvement. However, Toyota did cut the time it takes to build a car from two days to one day, and Ford has now converted most of its plants to 24-hour assembly. Better information technology gets the customer's orders right back to the assembly plant and



beyond to the supplier- so the car and its components are pulled through the system. Toyota can deliver a car in a week in Japan, and Ford has a “stretch goal” of delivery in two weeks, which means redesigning the whole pipeline.

REDEFINING QUALITY

(Quality isn't complete until it makes an impression on someone)

Total quality management and its various offspring and cousins have seniority over all the current initiatives, fads, theories and metaphors that we talk about to describe how we are changing the way we do business and corporations. We could go back further but let's start in Japan soon after the world war 2 when the US occupation forces brought in three American engineers to help improve Japan's deplorable communication network by showing them how to use the statistical process controls developed two decades earlier at Bell labs.

The late W. Edwards Deming went to Japan in 1950 to preach his quality message; another American Joseph Juan soon went to Japan.

Japanese executives followed the advice of the two Americans dutifully and meticulously and added some ground-breaking concepts of their own.

THE FAD THAT WON'T GO AWAY

TQM came in for a lot of criticism and ridicule for its missteps and failures. Indeed by 1990's, it was being dismissed as a fad that was fading. Consultants who specialized in quality improvement found that their business slipped away, on this they put a new label such as reengineering on what they were preaching. The truth is that TQM is tiresome. Perhaps than Japanese is more suited to it than the American, for it takes years of patience, detailed labour to make quality improvement take hold and even then the work is never done.

The quality professionals are not much help. They tend to practice an off- putting combination of righteousness – TQM, after all is not a religion- with a maddening compulsion to put quality matters in an excruciating, abstract detail.

MOTOROLA – BIG GOALS

The best performers in quality have set themselves extraordinarily difficult goals, achieved them, and then set even more difficult goals. Motorola is definitely the most famous example. Quality has improved so much since then that defects are now normally measured at Motorola in parts per million rather than percentages. An 8% defects rate equates to 80000 defects per million parts. In 1981 when Motorola started its quality drive it set a “reach” goal of reducing defects 10 fold in 5 years. That was not good enough, so Motorola decided to improve another 10 times again by 1989, then 10 more times by 1991. That would have brought Motorola's defect rate down to about 8 in 1 million parts.

Motorola tweaked this goal a little more by announcing its SIX SIGMA standards in 1987.



Statisticians use the Greek letter sigma as a symbol for standard deviation. Six sigma amounts 3.4 mistakes per millions parts and Motorola aimed to reach that by 1992, from a starting point of 6000 mistakes. Motorola didn't meet the six-sigma target although some of its product and processes did and even exceeded the goal. The company as a whole got to 150 parts per million (ppm) by 1992. by early 1997, Motorola had squeezed errors down to 20 ppm, not SIX SIGMA but vastly better than what the rate had been. in the old percentage measure, Motorola achieved 0.25 % failure rate. Richard Buetow, Motorola senior VP for quality, explains that 20-ppm doesn't mean that if Motorola built one million space stations, only 20 would have a problem. Rather, in each step in the process of putting together a space station, problems would arise only 20 times in 1 million steps. "No other company in the world has reached this level and most don't even know where they are," he says.

PART IV THE RESPONSE–THE ORGANISATION

Global reach

If you want to be a global enterprise then..

- Select the right mode for your own ventures
- Select the right domain of your activity
- Choose right portfolio of products and services
- In different countries have same products in different market segments
- You should know the people, especially partners and customers and the culture of the place where you operate
- Assess different types of risks in different areas
- Internationalize the staff
- Need right geographic spread to minimize the risk
- Your business should be integrated internationally
- You need right organizational architecture

The extended corporation

The new enterprise needs to focus on their core competence and outsource non-core activities. To outsource it should keep in mind following points:

- You need a sound reason to get into partnership. It can help you in bringing new products into your markets, gaining new technology or access to new markets.
- Trust and chemistry of the relationship are important.
- Need to treat your customers and suppliers as partners.
- Test all the alternatives, including giving chance to your own people.

The learning loop

For a learning organisation...

- Need a culture to encourage learning and learning organisation
- Systematically monitor what you are doing you can do it better.
- Structure and culture should encourage the transfer of knowledge from one part of organisation to another.
- Train your employees to maintain their competitiveness.

- Benchmarking, teams, IT, and empowerment all have the effect of helping create learning systems.

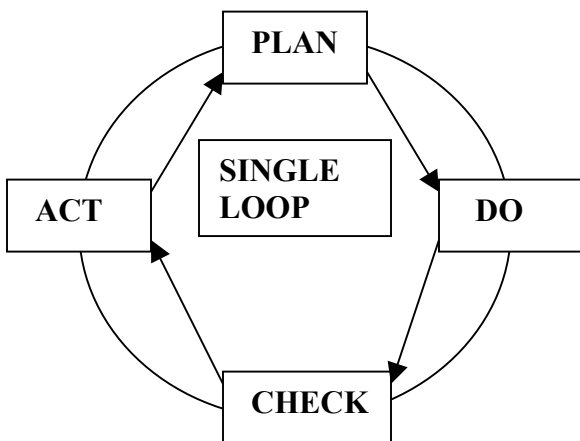
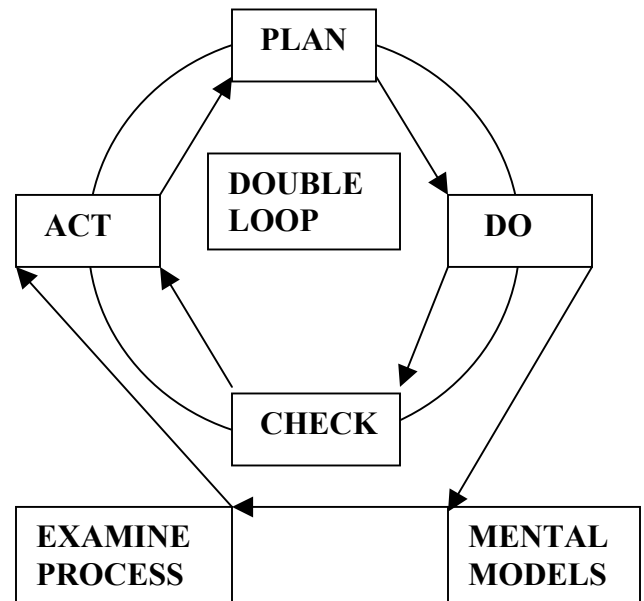


Fig. LEARNING CIRCLES



The civic enterprise

Ethical behaviour and good corporate citizenship are becoming more closely tied to the long-term performance of the company's shares.

An integrated architecture

There is nothing easy, automatic, or formulaic about organisation and design. Each situation is unique.

Architecture has to support the vision, objectives, and strategy of the corporation.



Conclusion:

Adopting new characteristics doesn't necessarily mean killing the old ones. Future organisations will have a mix of old and new, the balance varying from company to company depending on the leader, the industry, the market and the country. Organisations will be complex and diverse, flexible and restless. Each company will have a unique response.

The new enterprise will require you to be good at the old basics of running a business well: cash flow, finance, marketing, and timing. You will need to have the right instincts, and as ever count on the good luck, too.

The successful enterprise will be dynamic, integrated, effective and responsible.

Business is going to be stressful, risky and uncertain, possibly even more than it is today. The drive to innovate more and to do everything faster is bound to be stressful. The lack of job security, assured future is stressful. Those looking for comfort in the new enterprise won't find it.

New enterprise overburdens management with changing corporate culture. Performance appraisals for promotions, salary and bonuses i.e. managing your BOSS' perception about your contribution for the organisation will be critical.

The leader will be similarly burdened with excess of new roles. He must create the vision and work constantly to imbue the company with it. The leader must show by example that teams matter and spend time working with them. The leader must demonstrate commitment to ethics, to quality, to alliances and partnerships. **Leadership demands enduring qualities.** It takes vision, courage, persistence, and a willingness to take risks to make the new management work.

Companies that innovate better can grow through new products, extensions of existing products. Companies that have speeded their processes can launch products and penetrate the markets faster. With well-developed alliances, right information technology, data about customers, new enterprises can serve customers better. The new enterprise focuses more clearly on customer, does a better job in finding a customer and builds the loyalty of the customer.

Privatization and deregulation all around the world are opening up great segments of the world's economies to private enterprise. The loosening of tariffs and trade restrictions is making markets more global. Technology enables us to create a flood of new products, and information technology gives us more sophisticated ways of reaching the right customers with



these products. New technologies and new approaches to management and training make people more productive. The new corporation, focused and designed to seize new opportunities, has an extraordinary future.