Management
Development Manual

Developing Management Skills for the 21st Century

Rodney Overton

Internationally published award winning writer of more than 30 other business publications

Sydney Business Centre

Business Development for the 21st century

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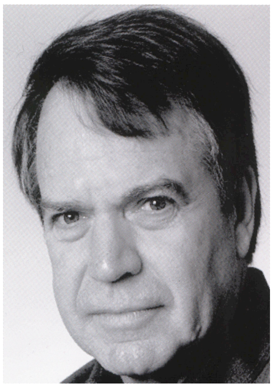

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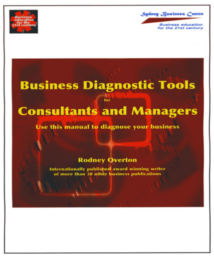

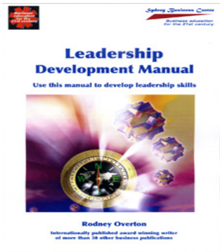

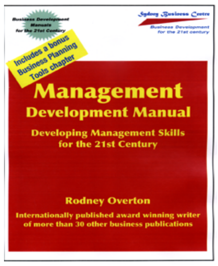

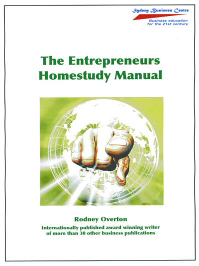

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Foreword

What are they key issues facing your business? Any manager of any business will constantly be faced with a number of issues with the potential to have an impact on their business, whether the issues are positive or negative.

Management in the 21st century is incomplete, imperfect, and quite often insufficient to meet pressing needs. That makes management tomorrow as exciting as ever, an exhilarating subject to study and a dynamic profession to practice. In almost any corner of your life, your workplace, your community, or your global marketplace, there are problems that simply won't be addressed unless someone in management owns them.

Management has been around since the dawn of civilisation. In primitive societies almost everyone had to do physical labour. To escape this burden, about the only choices were going into politics (kings) or religion (priests). Civilised urban societies led to more specialisation, created new vocational alternatives to manual labour, and saw a tendency of those who did not work with their hands to look down on those who did.

When we read that the Pharaoh build the Pyramids, we know that in fact that actual work was done by other people. As these labourers cut, moved, and placed the stones, the first managers were there to tell them what to do, to see that they did it, and to chastise those whose performance was unsatisfactory.

Basically, these were the functions of managers until the twentieth century. The apogee of this form of management was perhaps reached in late nineteenth in the factory system.

When I commenced writing this manual I was very mindful of the countless people with the misleading title of 'manager'. One particular case involved a rather egotistical person who 'managed' a high profile luxury goods retail outlet.

When questioned on what is was they actually managed this person was quick to stress the important job of opening and closing the doors and writing the staff rosters for 8 or 9 people as well as selling behind the counter.

Planning, organising, leading, motivating and controlling were anathema to this manager. Do you have a say in budgeting? Of course not!

In due course the manager and the high profile luxury goods retail outlet parted company. When it came time for the ex-manager to apply for a new management position they were rather miffed to be completely ignored by numerous organisations.

This management development manual concentrates on what an empowered manager is expected to do in an organisation that is prepared to delegate real management skills, with the expectation of the manager being able to produce tangible and measurable results by performing four basic tasks in the running of the business - planning, leading, organising and controlling.

The art of management cannot be understood and learnt in just a day – it is a process that encompasses your lifetime. It involves all the tricks of a circus - from juggling numerous responsibilities to performing a balancing act on the highwire in the most precarious of situations. New skills are picked up faster through experience than from book knowledge, so make the most of each incident, positive or negative, and go from strength to strength in your journey as a manager.

Always remember that management and managers can and should be measured by a range of Key Performance Indicators (KPIs). What is the ultimate performance measure of a manager? It will depend on their brief and job description, but certainly a good measure is, 'has the manager added value to the business?'

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June 2008

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Management Skills in the 21st century

Observe always that everything is the result of a change, and get used to thinking that there is nothing Nature loves so well as to change existing forms and to make new ones like them.

Marcus Aurelius

What is a Manager?

A manager is someone who manages people. They succeed because of empathy, patience, knowledge, restraint and courage.

They fail because of inexperience, ignorance, intolerance, fear or simply because of circumstances which were too much against them.

No person is identical to another person and since no people problems are identical there is no standard formula for solving people problems, and every manager will have their own unique style anyway.

Management positions, are positions in which employees, set policies, exercise overall responsibility for execution of these policies; and/or direct individual departments, bureau's, or regional offices, or are empowered to manage the resources of an organisational segment, such as a section or unit.

Human resources managers and executives have identified "limited mobility" as a barrier to growing leaders. Three pillars of leadership development are varied job assignments, education and training, and self-development. Being required to produce results in varied positions and contexts is critical to leader development. Pace-setting programs intentionally rotate high-potential candidates across functions, organisational elements, and geographic regions for development purposes. The most visible trend in developing leaders is a strong shift in emphasis toward this type of on-the-job approach.

Many companies, organisations and managers peak at an optimum size or level of competency by performing at least one rung below the maximum level of incompetence.

What do managers do?

The job of the professional manager is not to like people.

It is not to change people. It is to put their strengths to work.

And whether one approves of people or of the way they do their work, their performance is the only thing that counts, and should be the only thing that the professional manager is permitted to pay attention to.

Performance is more than the bottom line. It is setting an example and being a mentor. And this requires integrity.

Dissent, even conflict, is necessary, indeed desirable. Without dissent and conflict there is no understanding. And without understanding, there are only wrong decisions.

Leadership is not charisma, not public relations, not showmanship. It is performance, consistent behaviour and trustworthiness. The professional manager is a servant. Rank does not confer privilege or give power. It imposes responsibility.

The ultimate test of any manager is to ask are they performing and meeting objectives such as:

- Growing the business
- Introducing successful new products
- Expanding the customer base
- Recruiting, training and retaining, highly skilled and competent staff
- Making a profit for the company

Business management is really about turning your products and services into cash, maximising your profits, providing an adequate return on investment and value adding to create and grow a business that can be sold for capital gains at a future date.

Management is both art and science. It is the art of making people more effective than they would have been without you. The science is in how you do that.

As a manager can your group or team produce more goods, handle more customer calls, sell higher value merchandise, impart knowledge more effectively? That is the value of management - making a group of individuals more effective. To achieve this means providing appropriate attention to myriad details! Good managers do it more effectively than others.

If you are managing a small business of your own, it is much more than a job - it is a lifestyle!

Management involves everything from how technology can improve efficiency to the best way of using a team. Making the best use of your resources often involves problem solving. To find the best solution, you need to be able to:

- Think logically - to investigate ideas;
- Use numbers - for budgeting or identifying trends, for example;
- Analyse information - so you can organise data and apply it to problems;
- Take responsibility - and accept reward for success;
- Be creative - sometimes the best idea isn't the most obvious!

Build commitment to your organisation's big goal.
You do have a big, overarching goal, don't you?
Other than to make money, why does your organisation exist?

What is Management?

Managers are expected to perform four basic tasks in the running of their business - planning, leading, organising and controlling. Managers are expected to produce results, usually to agreed budgets, forecasts, Business and Strategic Plans.

- Management is a profession and the manager is - or should be a professional. Most managers preach this, but many do not practice it.
- Like a doctor or lawyer, the professional manager has a ‘client’ - the business organisation or enterprise. He is bound to subordinate his own interests to those of the client. It is the duty to the client that characterises the ‘professional’.
- Managers should not make decisions by opinions nor according to their preferences. They should manage through the force of facts and not through the force of personality. Bedside manners are no substitute for the right diagnosis.
- The job of the professional manager is not to like people.
- It is not to change people.
- It is to put their strengths to work.
- And whether one approves of people or of the way they do their work, their performance is the only thing that counts, and should be the only thing that the professional manager is permitted to pay attention to.
- Someone once remarked that they were amazed at the totally different styles and personalities of two managers running similar factories in Sydney and Melbourne. The CEO replied, ‘These men are very much alike - they both perform’.
- Performance is more than the bottom line. It is setting an example and being a mentor. And this requires integrity.
- Dissent, even conflict, is necessary, indeed desirable. Without dissent and conflict there is no understanding. And without understanding, there are only wrong decisions.
- Some would say that leadership is not charisma, not public relations, not showmanship.
- It is performance, consistent behaviour and trustworthiness.
- The professional manager is a servant. Rank does not confer privilege or give power. It imposes responsibility.

Managers in any business have four basic responsibilities

Managers are expected to perform four basic tasks in the running of their business:

1. Planning
2. Leading
3. Organising
4. Controlling

Managers are expected to produce results, usually to agreed budgets, forecasts, Business and Strategic Plans.

Management is a profession and the manager is - or should be a professional. Most managers preach this, but many do not practice it.

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Management Functions. What do managers do? How do I manage?

These are standard questions that most people in the management profession have been asked more than once. And questions we asked once in our careers too.

Management is both art and science. It is the art of making people more effective than they would have been without you. The science is in how you do that. There are four basic pillars: plan, organise, direct, and monitor.

Four workers can make 6 units in an eight-hour shift without a manager. If I hire you to manage them and they still make 6 units a day, what is the benefit to my business of having hired you? On the other hand, if they now make 8 units per day, you, the manager, have value. The same analogy applies to service, or retail, or teaching, or any other kind of work.

Can your group handle more customer calls with you than without? Sell higher value merchandise? Impart knowledge more effectively? Produce a greater amount of product? Achieve superior results? That is the value of management - making a group of individuals more effective.

Plan. Management starts with planning. Good management starts with good planning. And proper prior planning prevents … well, you know the rest of that one.

Without a plan you will never succeed. If you happen to make it to the goal, it will have been by luck or chance and is not repeatable. You may make it as a flash-in-the-pan, an overnight sensation, but you will never have the track record of accomplishments of which success is made.

Figure out what your goal is (or listen when your boss tells you). Then figure out the best way to get there. What resources do you have? What can you get? Compare strengths and weaknesses of individuals and other resources. Will putting four workers on a task that takes 14 hours cost less than renting a machine that can do the same task with one worker in 6 hours? If you change the first shift from an 8 am start to a 10 am start, can they handle the early evening rush so you don't have to hire an extra person for the second shift? Look at all the probable scenarios. Plan for them. Figure out the worst possible scenario and plan for that too. Evaluate your different plans and develop what, in your best judgement, will work the best and what you will do if it doesn't.

Tip: One of the most often overlooked management planning tools is the most effective. Ask the people doing the work for their input.

Organise. Now that you have a plan, you have to make it happen. Is everything ready ahead of your group so the right stuff will get to your group at the right time? Is your group prepared to do its part of the plan? Is the downstream organisation ready for what your group will deliver and when it will arrive?

Are the workers trained? Are they motivated? Do they have the equipment they need? Are there spare parts available for the equipment? Has purchasing ordered the material? Is it the right stuff? Will it get here on the appropriate schedule?

Do the legwork to make sure everything needed to execute the plan is ready to go, or will be when it is needed. Check back to make sure that everyone understands their role and the importance of their role to the overall success.

Lead. Tell people what they need to do. I like to think of this part like conducting an orchestra. Everyone in the orchestra has the music in front of them. They know which section is playing which piece and when. They know when to come in, what to play, and when to stop again. The conductor cues each section to make the music happen.

That's your job here. You have given all your musicians (workers) the sheet music (the plan). You have the right number of musicians (workers) in each section (department), and you have arranged the sections on stage so the music will sound best (you have organised the work). Now you need only to tap the podium lightly with your baton to get their attention and give the downbeat.

Control. Now that you have everything moving, you have to keep an eye on things. Make sure everything is going according to the plan. When it is not going according to plan, you need to step in and adjust the plan, just as the orchestra conductor will adjust the tempo. Problems will come up. Someone will get sick. A part won't be delivered on time. A key customer will go bankrupt. That is why you developed a contingency plan in the first place. You, as the manager, have to be always aware of what's going on so you can make the adjustments required.

This is an iterative process. When something is out of sync, you need to Plan a fix, Organise the resources to make it work, Direct the people who will make it happen, and continue to Monitor the effect of the change.

Management Functions

What are the key functions managers perform?

PLANNING
- Objectives
- Policies
- Programs

= Systems
= Procedures

ORGANISING
- Structure
- Staffing
- Co-ordinating

= Format
= Organisation

LEADING
- Motivating
- Leading
- Supervising

= People
= Production

CONTROLLING
- Costs
- Quality
- Quantity

= Budgets
= Resources

Planning: includes establishing the strategies and direction of the business, assessing the current situation and business environment, forecasting and writing a Business Plan, a Strategic Plan, or Managing by Objectives

Organising: includes recruiting staff, human resource planning, preparing and reviewing job descriptions, the division of labour, setting out and defining the organisational structure and ensuring a constant flow of work.

Leading: includes delegating duties and tasks, motivating, leading and directing staff, training staff, providing direction and driving the business. You must keep the team's effort directed toward the common goal. You must confirm and recognise good performance, correct poor performance, and keep interest and enthusiasm high.

Controlling: includes setting standards to facilitate the control, measurement and review of money, people, sales, stock, quality and production. Control procedures include, monitoring performance, inspection, conducting interim progress reviews, testing and auditing.

A review of your control processes should look at:
- Setting goals - What do you want to achieve?
- Measuring Performance - What is happening?
- Evaluating Performance - Why is it happening?
- Taking Corrective Action - What should we do about it?

Is it worth it?

Managing people is not easy. However, it can be done successfully. And it can be a very rewarding experience. Remember that management, like any other skill, is something that you can improve at with study and practice.

The 21st century manager and or leader will be able to inspire by contagious enthusiasm. Have high standards of ethics, integrity, courage and commitment. Have high levels of energy and creativity and be unconventional.

Be goal orientated, though realistic, with a high degree of organisational ability. Be able to establish priorities and encourage team working and selfless, organised effort. Possess inner confidence and a have desire for knowledge and be mentally and physically fit and alert. Be fair and respectful of others, value creativity and enjoy taking risks. Establish long-term growth. Welcome, fresh ideas and perspectives, being challenged and questioned and not be afraid to challenge and question. Encourage an increased understanding of people, admit mistakes and adapt to change.

Performance management

Performance measurement is the process of assessing progress toward achieving predetermined goals. Performance management is building on that process, adding the relevant communication and action on the progress achieved against these predetermined goals.

In network performance management, (a) a set of functions that evaluate and report the behaviour of telecommunications equipment and the effectiveness of the network or network element and (b) a set of various sub-functions, such as gathering statistical information, maintaining and examining historical logs, determining system performance under natural and artificial conditions, and altering system modes of operation.

In organisational development (OD), performance can be thought of as Actual Results vs Desired Results. Any discrepancy, where Actual is less than Desired, could constitute the performance improvement zone. Performance management and improvement can be thought of as a cycle:

1. Performance planning where goals and objectives are established
2. Performance coaching where a manager intervenes to give feedback and adjust performance
3. Performance appraisal where individual performance is formally documented and feedback delivered

A performance problem is any gap between Desired Results and Actual Results. Performance improvement is any effort targeted at closing the gap between Actual Results and Desired Results.

Application Performance Management (APM) refers to the discipline within systems management that focuses on monitoring and managing the performance and availability of software applications. APM can be defined as workflow and related IT tools deployed to detect, diagnose, remedy and report on application performance issues to ensure that application performance meets or exceeds end-users' and businesses' expectations.

Business performance management (BPM) is a set of processes that help businesses discover efficient use of their business units, financial, human and material resources.

Operational Performance Management (OPM) focus is on creating methodical and predictable ways to improve business results, or performance, across organisations.

Simply put, performance management helps organisations achieve their strategic goals. Rather than discarding the data accessibility previous systems fostered, performance management harnesses it to help ensure that an organisation's data works in service to organisational goals to provide information that is actually useful in achieving them and focus on the Operational Networking Processes between that performance level.

The main purpose of performance management is to link individual objectives and organisational objectives and bring about that individuals obey important worth for enterprise. Additionally, performance management tries to develop skills of people to achieve their capability to satisfy their ambitiousness and also increase profit of a firm.

Issue management

In public relations, Issue Management is the process used to align organisational activities and stakeholder expectations. Issue managers work in government affairs, legal affairs, public affairs and regulatory compliance.

In business, Issue Management refers to the discipline and process of managing business issues and usually implies using technology to electronically automate the process. Electronic issue management has gathered steam as a business and technology movement in recent years as mid-sized and large businesses have realised the advantage of implementing systems to manage, document, and track work.

Early examples of issue management systems appeared in the late 1980s with customer ticketing systems. Businesses that implemented these systems were often addressing customer complaints and needed a method to document, track, and manage to complaints to successful resolution. These systems evolved and with the widespread introduction of Information Technology departments that further pushed issue management systems with advent of 'help desk' systems.

Today, issue management systems are commonly used by product development companies to manage requests, changes to products, reported defects, etc. Any issue management process in which there are well-defined inputs and outputs can be automated electronically. There are both private and open source solutions available to companies interested in implementing issue management.

Leadership, what type of leadership should an effective manager provide?

Some of the myriad leadership responsibilities of management include:

- **Showing the way** and defining the goals and intentions of the organisation.
- **Going ahead of** in a spiritual relationship with your people.
- **Guiding** people into alternate methods and directions.
- **Causing progress** and setting in motion people and activities for progress.
- **Being decisive** and maintaining constant flow and growth.
- **Having grace under pressure.**
- **Creating pathways** with the leader's values and visions.
- **Controlling and influencing** actions of people and the organisation.
- **Directing** and maintaining cohesive achievement.
- **Commanding** and exerting authority in the context of effective leadership.
- **Raising morale** of people and the organisation.
- **Being the first** and more important, letting others be the first, and receive the credit.
- **Heading the team** and being ultimately responsible for what happens.
- **Beginning** and setting in motion the stimulus and movement for motion.

The 'e' factors

Author Charles Handy (*Inside Organisations*) refers to the need to develop the 'e' factors:

• Energy	• Excitement	• Enthusiasm
• Effort	• Effervescence	• Expenditure

Four principles for a plan of campaign

Field Marshall Viscount William J. Slim had four principles for a plan of military campaign. These same principles can be utilised by business managers:

1. The ultimate intention must be an offensive one
2. The main idea on which the plan is based must be simple
3. The idea must be held in view throughout and everything must give way to it
4. The plan must have an element of surprise.

Focus on key issues

This list of tips is intended to help you focus on some the key issues that are important to your success as a manager.

You have to make a difference. The group you manage has to be more effective, more productive with you there than they would be if you were not. If they are as productive without you, there is no business sense in keeping you on the payroll.

Anyone can steer the ship in calm waters. What will set you apart in your career is how you perform during the tough times. Don't become complacent and relax just because things are going well. Plan ahead for the downturn.

Don't Limit Yourself. The difference between leaders and managers is that leaders do not set limits on themselves. There are enough people trying to limit what you can do. Don't be one of them.

Leaders create change. If you lead, you will cause changes. Be prepared for them and their impact on people within, and outside, your group. If you are not making changes, you are not leading.

You can't listen with your mouth open. Your associates, your employees, your suppliers, your customers all have something of value in what they have to say. Listen to the people around you. You will never learn what it is if you drown them out by talking all the time. Remember, the only thing that can come out of your mouth is something you already know. Shut up and learn.

Change or die. Your business must change to survive. As much as we wish it would, nothing stays the same. Some industries change faster than others. Some markets are more fixed. To stay in business, you need to watch both and change as they do, or before.

Appearance does matter. It may be a sad commentary on our superficial society, but appearance does matter. Whether it is the packaging on your product, the first impression you make when calling on a new client, or your company's web site people notice how things look. They care about how things look and make judgements about you and/or your product based on appearance.

Get your people involved. It's a lot easier to get employees to stand behind a company decision if they have the opportunity to participate in the discussion. Management still has to make the decision. but if they have had the opportunity to make their point of view known employees are more apt to stand behind the ultimate decision, even if they don't agree with it.

The best product does not always win. Just having a better product is not enough. You have to let your customers know about it and why it's better. Then you have to convince them it is better.

Dare to dream You can't move forward if you are always looking back. You can't find new solutions if you believe 'it can't be done'. Have the courage of your convictions and go after it.

Train your supervisors The key to your business success is the productivity of your employees. The key to employee productivity is their perception of their immediate supervisor. Invest in training your supervisors and managers. It will pay off.

Work on your weaknesses first. In any position or job you find yourself, there will be things you do well, some you do okay, and some you don't do so well. To improve yourself, and increase your value, work first to improve in those areas that are your weakest.

Focus your energies. There are a lot of demands on your time, but your time and energy are limited. Focus on what is important to you and do that first. It is better to do a few key things well than to do lots of things, but none of them well.

Listen to your employees. It doesn't make any sense to spend all that time and effort to find and hire the best people if you are just going to ignore their input.

Set S.M.A.R.T. goals. Goals you set for yourself, or others, should be Specific, Measurable, Achievable, Realistic, and Time-based.

Learn from the mistakes of others. You cannot live long enough to make them all yourself.

What is your success secret?

You know that you are heading in the right direction if:

1. **The idea that you have is beyond self-interest**
2. **That it is the focus for your talent and your energy**
3. **That it is a release for your passion**
4. **And if, for you, it comes easily.**

Harry M. Miller, self-described personality manager, marketing and sponsorship consultant

2

Management History

Because they are consistent, often unconscious patterns, (habits) constantly, daily express our character and produce our effectiveness or ineffectiveness.

Stephen Covey, The 7 Habits of Highly Effective People

Even in the days of the United States 'robber barons' in the second half of the 19th century, companies such as Carnegie Steel were run with strong management principles with managers communicating amazingly similar styles and expectations compared to managers with tertiary qualifications in the 21st century.

Some pioneers of 'modern management' include a number of people who have had a significant impact on management theory and the methods used by managers to achieve results. An outline of some these people and their methods follows:

Frederick W. Taylor - Scientific Management

Frederick W Taylor (1856-1917) was an American inventor and engineer, considered the father of "*scientific management*". His influential theory enabled industry to move away from "rule of thumb" management and be more efficient and prosperous.

Taylor is a controversial figure in management history. His innovations in industrial engineering, particularly in time and motion studies, paid off in dramatic improvements in productivity. At the same time, he has been credited with destroying the soul of work, of dehumanising factories, making men into automatons.

Under Taylor's management system, factories were to be managed through scientific methods rather than by use of the empirical "rule of thumb" so widely prevalent in the days of the late nineteenth century when F. W. Taylor devised his system and published "Scientific Management" in 1911.

The main elements of the Scientific Management are: "Time studies Functional or specialised supervision Standardisation of tools and implements; Standardisation of work methods; Separate Planning function; Management by exception principle; The use of "slide-rules and similar time-saving devices"; Instruction cards for workmen; Task allocation and large bonus for successful performance; The use of the 'differential rate'; Mnemonic systems for classifying products and implements; A routing system; A modern costing system etc.

Taylor called these elements "merely the elements or details of the mechanisms of management" He saw them as extensions of the four principles of management.

1. The development of a true science
2. The scientific selection of the workman
3. The scientific education and development of the workman
4. Intimate and friendly co-operation between the management and the men.

Taylor warned of the risks managers make in attempting to make change in what would presently be called, the culture, of the organisation. He stated the importance of management commitment and the need for gradual implementation and education. He described "the really great problem" involved in the change "consists of the complete revolution in the mental attitude and the habits of all those engaged in the management, as well of the workmen."

Taylor taught that there was one and only one method of work that maximised efficiency.

"And this one best method and best implementation can only be discovered or developed through scientific study and analysis... This involves the gradual substitution of science for 'rule of thumb' throughout the mechanical arts. Scientific Management requires first, a careful investigation of each of the many modifications of the same implement, developed under rule of thumb; and second, after time and motion study has been made of the speed attainable with each of these implements, that the good points of several of them shall be unified in a single standard implementation, which will enable the workman to work faster and with greater easy than he could before.

“This one implement, then is the adopted as standard in place of the many different kinds before in use and it remains standard for all workmen to use until superseded by an implement which has been shown, through motion and time study, to be still better."

An important barrier to use of Scientific Management was the limited education of the lower level of supervision and of the work force. A large part of the factory population was composed of recent immigrants who lacked literacy in English. In Taylor's view, supervisors and workers with such low levels of education were not qualified to plan how work should be done.

Taylor's solution was to separate planning from execution. "In almost all the mechanic arts the science which underlies each act of each workman is so great and amounts to so much that the workman who is best suited to actually doing the work is incapable of fully understanding this science."

To apply his solution, Taylor created planning departments, staffed them with engineers, and gave them the responsibility to:

1. Develop scientific methods for doing work.
2. Establish goals for productivity.
3. Establish systems of rewards for meeting the goals.
4. Train the personnel in how to use the methods and thereby meet the goals.

Perhaps the key idea of Scientific Management and the one which has drawn the most criticism was the concept of task allocation. Task allocation is the concept that breaking task into smaller and smaller tasks allows the determination of the optimum solution to the task. "The man in the planning room, whose speciality is planning ahead, invariably finds that the work can be done more economically by subdivision of the labour; each act of each mechanic, for example, should be preceded by various preparatory acts done by other men."

The main argument against Taylor is this reductionist approach to work dehumanises the worker. The allocation of work "specifying not only what is to be done but how it is to done and the exact time allowed for doing it" is seen as leaving no scope for the individual worker to excel or think. This argument is mainly due to later writing rather than Taylor's work as Taylor stated "The task is always so regulated that the man who is well suited to his job will thrive while working at this rate during a long term of years and grow happier and more prosperous, instead of being overworked."

Taylor's concept of motivation left something to be desired when compared to later ideas. His methods of motivation started and finished at monetary incentives. While critical of the then prevailing distinction of "us "and "them" between the workforce and employers he tried to find a common ground between the working and managing classes.

"Scientific Management has for its foundation the firm conviction that the true interests of the two are one and the same; that prosperity for the employer cannot exist a long term of years unless it is accompanied by prosperity for the employee [sic], and vice versa .." However, this emphasis on monetary rewards was only part of the story.

Rivalry between the Bethlehem and Pittsburgh Steel plants led to the offer from Pittsburgh of 4.9 cents per ton against Bethlehem's rate of 3.2 cents per day to the ore loaders. The ore loaders were spoken to individually and their value to the company reinforced and offers to rehire them at any time were made. The majority of the ore loaders took up the Pittsburgh offers. Most had returned after less than six weeks. The rates at Pittsburgh were determined by gang rates.

Peer pressure from the Pittsburgh employees to not work hard meant that the Bethlehem workers actually received less pay than at Bethlehem. Two of the Bethlehem workers requested to be placed in a separate gang; this was rejected by management for the extra work required by management to keep separate record for each worker. Taylor places the blame squarely on management and their inability "to do their share of the work in co-operating with the workmen."

Taylor's attitudes towards workers were laden with negative bias "in the majority of cases this man deliberately plans to do as little as he safely can." The methods that Taylor adopted were directed solely towards the uneducated. "When he tells you to pick up a pig and walk, you pick it up and walk, and when he tells you to sit down and rest, you sit down. You do that right through the day. And what's more, no back talk".

This type of behaviour towards workers appears barbaric in the extreme to the modern reader, however, Taylor used the example of Schmidt at the Bethlehem Steel Company to test his theories. Taylor admits, "This seems rather rough talk. And indeed it would be if applied to an educated mechanic, or even an intelligent labourer." The fact that Taylor took the effort to firstly know the workers name and to cite it is some indication that he empathised with the workforce. This study improved the work-rate of Schmidt from 12.5 tons to 47.5 tons per day showing the worth of Scientific Management.

The greatest abuse of Scientific Management has come from applying the techniques without the philosophy behind them. It is obvious from Taylor's own observations that the above discussion would be misplaced in other workers. Taylor acknowledged the potential for abuse in his methods. "The knowledge obtained from accurate time study, for example, is a powerful implement, and can be used, in one case to promote harmony between workmen and the management, by gradually educating, training, and leading the workmen into new and better methods of doing the work, or in the other case, it may be used more or less as a club to drive the workmen into doing a larger day's work for approximately the same pay that they received in the past."

Scientific Study and standardisation were important parts of the Scientific Management. One example was the study undertaken to determine the optimum shovel load for workers. The figure of 21 pounds was arrived at by the study. To ensure that this shovel load was adhered to, a series of different shovels were purchased for different types of material. Each shovel was designed to ensure that only 21 pounds could be lifted. This stopped the situation where "each shoveller owned his own shovel, that he would frequently go from shovelling ore, with a load of about 30 pounds per shovel, to handling rice coal, with a load on the same shovel of less than 4 pounds. In the one case, he was so overloaded that it was impossible for him to do a full day's work, and in the other case he was so ridiculously under-loaded that it was manifestly impossible to even approximate a day's work."

Taylor spent a considerable amount of his books in describing "soldiering" the act of 'loafing' both at an individual level and "systematic soldiering". He described the main reasons that workers were not performing their work at the optimum. Though worded in a patronising way the essence of the descriptions are still valid:

1. The belief that increased output would lead to fewer workers.
2. Inefficiencies within the management control system such as poorly designed incentive schemes and hourly pay rates not linked to productivity.
3. Poor design of the performance of the work by rule-of-thumb

The fear of redundancies within the workforce was a valid argument during the previous style of management. Taylor not only countered this argument by using economic arguments of increased demand due to decreased pricing but put forward the idea of sharing the gains with the workforce. Taylor saw the weaknesses of piecework in the workers reactions to gradual decreases in the piece rate as the worker produced more pieces by working harder and/or smarter.

The worker then is determined to have no more reduction in rate by "soldiering". This deception leads to an antagonistic view of management and a general deterioration of the worker/management relationship. Taylor also was a strong advocate of worker development.

It follows that the most important object of both the workman and the establishment should be the training and development of each individual in the establishment, so that he can do (at his fastest pace and with the maximum of efficiency) the highest class of work for which his natural abilities for him."

Taylor's ideas on management and workers speaks of justice for both parties. "It (the public) will no longer tolerate the type of employer who has his eyes only on dividends alone, who refuses to do his share of the work and who merely cracks the whip over the heads of his workmen and attempts to drive them harder work for low pay. No more will it tolerate tyranny on the part of labour which demands one increase after another in pay and shorter hours while at the same time it becomes less instead of more efficient."

Taylor's system was widely adopted in the United States and the world. Although the Taylor system originated in the factory production departments, the concept of separating planning from execution was universal in nature and, hence, had potential application to other areas: production support services offices operations service industries.

Management's new responsibilities were extended to include: Replacing the old rule-of-thumb with scientific management; Scientifically select and train, teach and develop the workman; "Heartily cooperate with the men so as to insure [sic] all the work being done in accordance with the principles of the science which has been developed"; Take over the work for which they are "better fitted" than the workmen.

Relationship between Taylorism and TQM

Taylor's more general summary of the principles of Scientific Management are better suited for inclusion into the TQM (Total Quality Management) methodology, than the narrow definitions. "It is no single element, but rather this whole combination, that constitutes Scientific Management, which may be summarised as: Science, not rule of thumb Harmony, not discord Co-operation, not individualism; Maximum output in place of restricted output; The development of each man to his greatest efficiency and prosperity."

Much has happened, since Taylor developed his method of Scientific Management, to make obsolete the premises on which he based his concepts: Lack of education is no longer reason enough to separate the planning function. The balance of power between managers and the work force has changed. Whereas in Taylor's time it was heavily weighted against the workers. Unionism (or the threat of it) has profoundly changed that balance. Changes in the climate of social thinking. Revolts against the "dehumanising" of work.

A basic tenet of Scientific Management was that employees were not highly educated and thus were unable to perform any but the simplest tasks. Modern thought is that all employees have intimate knowledge of job conditions and are therefore able to make useful contributions. Rather than dehumanising the work and breaking the work down into smaller and smaller units to maximise efficiency without giving thought to the job satisfaction of the working. Encouragement of work based teams in which all workers may contribute. Such contributions increase worker morale, provide a sense of ownership, and improve management-worker relations generally.

A summary of Taylor's Scientific Management Theory

- Increasing specialisation and division of labour will make a process more efficient.
- Systematically analyse the relationship between the worker and task and redesign processes to ensure maximum efficiency e.g. use a bigger shovel so more grain can be lifted with each action.
- Have written procedures for each task and ensure they are followed by supervision and quality control.
- Get maximum prosperity for employer and employee alike by linking pay and other rewards directly to work output.
- Select workers with the right skills and abilities for the specific task and thoroughly train them to follow the procedures.
- Management and workers equally responsible for achievement of goals.

Elton Mayo - Human Relations Theory

Elton Mayo (1880-949) was interested in employee motivation and commitment and the relationship between workers and management. Mayo's best-known work was the Hawthorne Study in the Western Electrical Company in the USA, and the development of the "human relations" approach to management.

Mayo was born in Australia in 1880. He was not introduced to sociology until 1926 when Lawrence J. Henderson introduced him to Pareto's theory. At that time Mayo was already 46 years old. He applied the theories of sociology that he learned to other Management studies that were being done at the time. He would put together and apply existing Sociological theories and apply them to research that he was familiar with. He would not always conduct the research himself but he would use the research that other people did and go off of that. He would then put down his conclusions into a book.

He was able to do this so successfully because Mayo was an excellent publicist of the studies, and his advocacy of the concepts of social man and social needs were so strongly associated with the studies. (Rose. The amazing thing about Mayo being able to adapt the Sociological theories to the studies was that he was only introduced to them in 1926 and he wrote his first book in 1933 called The Human Problems of an Industrial Civilisation. He wrote the book after the Hawthorn studies were complete and he found that it was the social problems that was the problem with the way things were going in industries not all of the other factors that the Hawthorn studies was trying to prove.

He then wrote another book in 1945 called The Social Problems of an Industrial Civilisation and he wrote his third book in 1947 called The Political Problems of an Industrial Civilisation. In this book he pointed out the political problems that arise from an industrial civilisation. Some of these problems could be corrupt officials and the regulations that industry has to comply with but never does.

The role that Mayo had in the development of management is usually associated with his discovery of social man and the need for this in the work place. Mayo found that workers acted according to sentiments and emotion. He felt that if you treated the worker with respect and tried to meet their needs than they would be a better worker for you and both management and the employee would benefit. This is pointed out in the books he wrote.

Mayo's work contributed to management theory through research conducted at Western Electric's Hawthorn Works which took place from 1927 - 1932. Mayo was also able to provide concrete evidence to support Follet's theory that the lack of attention to human relationships was a major flaw in other management theories. He was able to prove that employees did react better when they had good relationships with the management that they worked with.

If management would treat the employees with respect and give them the attention at the work place that they needed, then the workers would be more willing to work harder for the employer. This was not totally what the Hawthorn study was looking at for they were focusing on working conditions such as lighting that the workers worked in and other factors that could easily be changed with out management having to do much. The real solution was to have management get more involved with the workers.

Mayo could not have foreseen the social and personal awards the workers experienced as a result of management consideration, group affiliation, and special recognition. They did not see how much the increase of productivity would be due to the fact of human factors and not due to environmental factors.

This helped show there was a stronger connection to the way that employees reacted to the way that their employer and management would deal with them and the problems that they had. A simple thing such as giving a employee a little reward for outstanding performance for a month or a year could help motivate other employees to want to do better so that they could have the chance to be recognised for their outstanding work.

When they allowed the employees to work with groups or be affiliated with groups at work, they are able to make a difference. Even a small difference still made it so that the employees would be more productive because they knew that they were helping out others and that they would have the chance to be recognised in front of their fellow workers for the work that they have done.

With all that Elton Mayo has done with his theories of management and how to motivate employees to be more productive, it is not a surprise that Human Relations is usually considered the brainchild of Elton Mayo

The Western Electrical Company Study

In the Western Electrical Company study, Elton Mayo observed that worker productivity depended less on lighting conditions in the work area than on the workers perception that management were interested in them.

Mayo proposed that higher productivity could be gained by good communication and emotional connection between workers and management. His research findings have contributed to organisational development in terms of human relations and motivation theory. Flowing from the findings of these investigations he came to certain conclusions as follows:

- Work is a group activity.
- The social world of the adult is primarily patterned about work activity.
- The need for recognition, security and sense of belonging is more important in determining workers' morale and productivity than the physical conditions under which he works.
- A complaint is not necessarily an objective recital of facts; it is commonly a symptom manifesting disturbance of an individual's status position.
- The worker is a person whose attitudes and effectiveness are conditioned by social demands from both inside and outside the work plant. Informal groups within the work plant exercise strong social controls over the work habits and attitudes of the individual worker.
- The change from an established society in the home to an adaptive society in the work plant resulting from the use of new techniques tends continually to disrupt the social organisation of a work plant and industry generally.
- Group collaboration does not occur by accident; it must be planned and developed. If group collaboration is achieved the human relations within a work plant may reach a cohesion which resists the disrupting effects of adaptive society.

Satisfaction comes from recognition and security

Mayo believed that work satisfaction was based on recognition, security, and being part of a team, over and above monetary rewards. He raised awareness of the need for management to be more involved with workers at an individual emotional level.

This change in thinking gave birth to the "human relations" approach to management. This was a change from Taylor's theory of scientific management, where management's role was to meet organisational goals. Time and motion studies and piecework pay would increase productivity to a point, however further increases could only be gained by meeting the individual worker's needs.

Teams/co-operation/improved communication are not new ideas. When changes in HRM (Human Resource Management) practices are not underlain by a sound theory that relates new HRM techniques to a long-term transformation of management philosophy, values and behaviours, the changes will have little staying power. They will last until the unique circumstances that have caused them disappear.

Frequently (perhaps always), disgruntled employees will find ways to circumvent and undermine the system, expressing their dissatisfaction with existing working conditions and management behaviour.

Abraham Maslow - Hierarchy of Needs

Abraham Maslow (1908-1970) was an American psychologist best known for his theory of the "*hierarchy of needs*". Maslow contended that humans have a number of needs that are instinctoid, that is, innate. These needs are classified as "conative needs," "cognitive needs," and "aesthetic needs." "Neurotic needs" are included in Maslow's theory but do not exist within the hierarchy.

Maslow postulated that needs are arranged in a hierarchy in terms of their potency. Although all needs are instinctive, some are more powerful than others. The lower the need is in the pyramid, the more powerful it is. The higher the need is in the pyramid, the weaker and more distinctly human it is. The lower, or basic, needs on the pyramid are similar to those possessed by non-human animals, but only humans possess the higher needs.

The first four layers of the pyramid are what Maslow called "deficiency needs" or "D-needs:" the individual does not feel anything if they are met, but feels anxious if they are not met..... Needs beyond the D-needs are "growth needs," "being values," or "B-needs." When fulfilled, they do not go away; rather, they motivate further.

Maslow's hierarchy of needs

Focuses on the inner needs of individuals

The base of the pyramid is formed by the physiological needs, including the biological requirements for food, water, air, and sleep.

Once the physiological needs are met, an individual can concentrate on the second level, the need for safety and security. Included here are the needs for structure, order, security, and predictability.

The third level is the need for love and belonging. Included here are the needs for friends and companions, a supportive family, identification with a group, and an intimate relationship.

The fourth level is the esteem needs. This group of needs requires both recognition from other people that results in feelings of prestige, acceptance, and status, and self-esteem that results in feelings of adequacy, competence, and confidence. Lack of satisfaction of the esteem needs results in discouragement and feelings of inferiority.

Finally, self-actualisation sits at the apex of the original pyramid. In 1970 Maslow published a revision to his original 1954 pyramid, adding the cognitive needs (first the need to acquire knowledge, then the need to understand that knowledge) above the need for self-actualisation, and the aesthetic needs (the needs to create and/or experience beauty, balance, structure, etc.) at the top of the pyramid. However, not all versions of Maslow's pyramid include the top two levels.

Maslow theorised that unfulfilled cognitive needs can become redirected into neurotic needs. For example, children whose safety needs are not adequately met may grow into adults who compulsively hoard money or possessions. Unlike other needs, however, neurotic needs do not promote health or growth if they are satisfied.

Maslow also proposed that people who have reached self-actualisation will sometimes experience a state he referred to as "transcendence," in which they become aware of not only their own fullest potential, but the fullest potential of human beings at large. He described this transcendence and its characteristics in an essay in the posthumously published *The Farther Reaches of Human Nature*.

In the essay, he describes this experience as not always being transitory, but that certain individuals might have ready access to it, and spend more time in this state. He makes a point that these individuals experience not only ecstatic joy, but also profound "cosmic-sadness" at the ability of humans to foil chances of transcendence in their own lives and in the world at large. As the Human Relations movement grew, more attention was focused on the worker. Maslow held that individual unsatisfied needs are the main source of motivation. Maslow's five (human) needs stack in layers to form a pyramid, with physiological needs at the base and self-actualisation at the peak.

The hierarchy of needs.

1. **Physiological needs** – include eating, sleeping, having sex and all other bodily functions
2. **Safety and security needs** – with physiological needs met, there is an increased need for a safe environment, stability and protection.
3. **Love and belonging needs** – the third layer of needs relates to the need for friends, intimate partner, family and sense of community
4. **Esteem needs** – lower esteem needs includes respect from others in terms of attention, recognition, reputation, and status. Higher esteem needs include self-respect, confidence, achievement, and freedom. Higher esteem needs are harder to meet than lower esteem needs, but harder to lose.
5. **Self-actualisation** – the continuous desire to fulfil potential “be all that you can be”. This can be broken-down into “meta needs” such as truth, beauty, justice, effortlessness etc. and if not met “meta pathologies” such as depression, despair and alienation develop.

Maslow asserted that asking people about their "*philosophy of the future*" will reveal which deficit needs are being met or not met. Being needs/growth motivation needs can only be met when all deficit needs are met.

The Traditional theory of motivation, evolved early in 20th century from the Scientific Management theory. It held that money is the prime motivating factor and that financial rewards should be related directly to performance. Maslow believed that an individual must satisfy one need before feeling free to take on the tensions associated with the next level and before trying new behaviours aimed at satisfying the next higher need.

One of the many interesting things Maslow noticed while he worked with monkeys early in his career, was that some needs take precedence over others. For example, if you are hungry and thirsty, you will tend to try to take care of the thirst first. After all, you can do without food for weeks, but you can only do without water for a couple of days! Thirst is a "stronger" need than hunger. Likewise, if you are very thirsty, but someone has put a choke hold on you and you can't breath, which is more important? The need to breathe, of course. On the other hand, sex is less powerful than any of these. Let's face it, you won't die if you don't get it!

Maslow took this idea and created his now famous **hierarchy of needs**. Beyond the details of air, water, food, and sex, he laid out five broader layers: the physiological needs, the needs for safety and security, the needs for love and belonging, the needs for esteem, and the need to actualise the self, in that order.

Metaneeds and metapathologies

Another way in which Maslow approached the problem of what is self-actualisation is to talk about the special, driving needs (B-needs, of course) of the self-actualisers. They need the following in their lives in order to be happy:

- **Truth**, rather than dishonesty.
- **Goodness**, rather than evil.
- **Beauty**, not ugliness or vulgarity.
- **Unity, wholeness, and transcendence of opposites**, not arbitrariness or forced choices.
- **Aliveness**, not deadness or the mechanisation of life.
- **Uniqueness**, not bland uniformity.
- **Perfection and necessity**, not sloppiness, inconsistency, or accident.
- **Completion**, rather than incompleteness.
- **Justice and order**, not injustice and lawlessness.
- **Simplicity**, not unnecessary complexity.
- **Richness**, not environmental impoverishment.
- **Effortlessness**, not strain.
- **Playfulness**, not grim, humourless, drudgery.
- **Self-sufficiency**, not dependency.
- **Meaningfulness**, rather than senselessness.

At first glance, you might think that everyone obviously needs these. But think: If you are living through an economic depression or a war, or are living in a ghetto or in rural poverty, do you worry about these issues, or do you worry about getting enough to eat and a roof over your head? In fact, Maslow believes that much of the what is wrong with the world comes down to the fact that very few people really are interested in these values - not because they are bad people, but because they haven't even had their basic needs taken care of!

When a self-actualiser doesn't get these needs fulfilled, they respond with metapathologies - a list of problems as long as the list of metaneeds! Let me summarise it by saying that, when forced to live without these values, the self-actualiser develops depression, despair, disgust, alienation, and a degree of cynicism.

Maslow hoped that his efforts at describing the self-actualising person would eventually lead to a "periodic table" of the kinds of qualities, problems, pathologies, and even solutions characteristic of higher levels of human potential. Over time, he devoted increasing attention, not to his own theory, but to humanistic psychology and the human potentials movement.

Toward the end of his life, he inaugurated what he called the fourth force in psychology: Freudian and other "depth" psychologies constituted the first force; Behaviourism was the second force; His own humanism, including the European existentialists, were the third force. The fourth force was the transpersonal psychologies which, taking their cue from Eastern philosophies, investigated such things as meditation, higher levels of consciousness, and even parapsychological phenomena.

Frederick Herzberg - Hygiene and Motivation Factors

Frederick Irving Herzberg (1923 - 2000) was a noted psychologist who became one of the most influential names in business management. He is most famous for introducing job enrichment and the Motivator-Hygiene theory. Herzberg proposed from his research, that satisfaction and dissatisfaction at work resulted from two different factors – "*Hygiene*" and "*Motivation*" factors.

Two Factor Theory (also known as Herzberg's Motivation-Hygiene Theory) was developed by Herzberg, who found that job satisfaction and job dissatisfaction acted independently of each other. Two Factor Theory states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction.

The theory was based around interviews with 203 American accountants and engineers in Pittsburgh who were chosen because of their professions' growing importance in the business world. The subjects were asked to relate times when they felt exceptionally good or bad about their present job or any previous job, and to provide reasons, and a description of the sequence of events giving rise to that positive or negative feeling.

Herzberg's Two Factor Theory distinguishes between:

Motivators; (e.g. challenging work, recognition, responsibility) which give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth, and hygiene factors; (e.g. status, job security, salary and fringe benefits) which do not give positive satisfaction, although dissatisfaction results from their absence. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages/salary.

Essentially, hygiene factors are needed to ensure an employee is not dissatisfied. Motivation factors are needed in order to motivate an employee to higher performance, Herzberg also further classified our actions and how and why we do them; for example, if you perform a work related action because you have to then that is classed as movement, but if you perform a work related action because you want to then that is classed as motivation.

Focusing more specifically on the work situation, Herzberg believed that only those needs that corresponded to Maslow's ego status and self-actualisation levels were direct sources of work motivation.

He called these factors motivators and he thought that the lower level needs of survival and safety, which he labelled dissatisfiers, or maintenance factors, centred on issues not directly related to work and were factors that most people assumed would be met. A sense of belonging, he found overlapped both categories.

In 1968 Herzberg stated that his two-factor theory study had already been replicated 16 times in a wide variety of populations including some in Communist countries, and corroborated with studies using different procedures which agreed with his original findings regarding intrinsic employee motivation making it one of the most widely replicated studies on job attitudes.

While the Motivator-Hygiene concept is still well regarded, satisfaction and dissatisfaction are generally no longer considered to exist on separate scales. The separation of satisfaction and dissatisfaction has been shown to be an artefact of the Critical Incident Technique (CIT) used by Herzberg to record events. Furthermore, it has been noted the theory does not allow for individual differences, such as a particular personality traits, which would affect individuals' unique responses to motivating or hygiene factors.

Herzberg proposed the Motivation-Hygiene Theory, also known as the Two-Factor theory of job satisfaction. According to his theory, people are influenced by two factors:

1. Satisfaction, which is primarily the result of the motivator factors. These factors help increase satisfaction but have little effect on dissatisfaction.

2. Dissatisfaction is primarily the result of hygiene factors. These factors, if absent or inadequate, cause dissatisfaction, but their presence has little effect on long-term satisfaction.

Motivator Factors

- Achievement
- Recognition
- Work Itself
- Responsibility
- Promotion
- Growth

Among his motivating factors were the challenge of the job itself, achievement, the job itself, recognition, responsibility, advancement, and growth. Motivation factors need to be present for job satisfaction, and are different to dissatisfying hygiene factors. Motivation factors are not the opposite reaction to hygiene factors.

Hygiene Factors

- Pay and Benefits
- Company Policy and Administration
- Relationships with co-workers
- Physical Environment
- Supervision
- Status
- Job Security

Herzberg stated all hygiene and motivation factors must be present for job satisfaction. Hygiene factors need to be present to avoid job dissatisfaction, but will not cause job satisfaction. Hygiene factors include supervision, work conditions, salary, security, relationship with peers and management.

Hygiene Dynamics

1. Hygiene factors focus on the context in which the job is done, the conditions that surround the doing of the job. The underlying dynamic of hygiene is the avoidance of pain from the environment.
2. When hygiene factors deteriorate to a level below that which the employee considers acceptable, then job dissatisfaction ensues. Hygiene factors directly affect job attitudes, primarily satisfaction and dissatisfaction.
3. When these factors have been satisfied or provided to a level which the employee considers acceptable, there will be no dissatisfaction, but neither will there be significant positive attitude.
4. People are made dissatisfied by a bad environment, but they are seldom made satisfied by a good environment.
5. The prevention of dissatisfaction is just as important as encouragement of motivator satisfaction.
6. Hygiene factors operate independently of motivation factors. An individual can be highly motivated in his work and be dissatisfied with his work environment.
7. All hygiene factors are equally important, although their frequency of occurrence differs considerably.
8. Hygiene improvements have short-term effects. Any improvements result in a short-term removal of, or prevention of, dissatisfaction.
9. Hygiene needs are cyclical in nature and come back to a starting point. This leads to the "What have you done for me lately?" syndrome.
10. Hygiene needs have an escalating zero point and no final answer.

Maintenance factors. Among Herzberg's maintenance (dissatisfier) factors were salary, job security, and good working conditions.

Many people at first glance think that money is the all-important motivator. However research shows that as long as a reasonable and fair income is supplied, issues such as achievement, recognition, and the nature of the work will override money considerations. In some of our business education tutorials we ask people what work issues they talk about in their breaks - invariably the answer is achievement, recognition, and the nature of the work, with money seldom discussed!

Effects on individuals of working environment

The working environment has an effect on individuals as follows:

It will provide at least sufficient for his basic needs and often much more. For example, 70 years ago, food and shelter were a person's basic needs. Today, most families will consider that the basic needs also include a car, television, overseas holiday, etc.

The working environment may or may not provide adequate security. Again, most individuals seek a secure job, there are others including some men on mining sites or oil rigs, who seek high pay for a limited period but with limited security.

The working environment provides an individual with an identity. As a member of an organisation, they carry out a specific function.

The working environment also gives the worker comradeship, freedom from boredom, and an interest during his working life.

The working environment also provides self-fulfilment for individuals where consideration has been given to ensure that the job is creative and gives job satisfaction.

The working environment provides the individual with status. There is a status in all jobs providing the job content is investigated to make the work more interesting.

Effects on work groups of working environment

American educator and organisational psychologist Rensis Likert (1903–1981) is best known for his research on management styles. He developed Likert Scales and the Linking pin model. Likert described how the various management styles in an organisation can effect the groups in an organisation.

Whilst the working environment will affect individuals, it will undoubtedly have a greater effect on working groups, since whilst an individual may have certain needs, he will not obtain those needs if the working environment does not provide the needs of the working group.

The working group is the instrument of society through which in large measure the individual acquires his attitudes, opinions, goals and ideals; it is also one of the fundamental sources of discipline and social controls.

Therefore, the working environment has an effect on groups as follows:

- It will affect the morale of the group.
- It will determine whether the group achieves the objectives set by the organisation.
- It will determine whether the degree of co-operation provided by the group
- It will motivate the group to give of their best.
- It will determine whether the human relations within an organisation are good or bad.
- It will also affect the relations between management and trade unions.

Management systems and styles

Likert conducted much research on human behaviour within organisations, particularly in the industrial situation. He examined different types of organisations and leadership styles, and asserted that to achieve maximum profitability, good labour relations and high productivity, every organisation must make optimum use of their human assets.

The form of the organisation which will make greatest use of the human capacity, Likert contends, is highly effective work groups linked together in an overlapping pattern by other similarly effective groups.

Organisations can have widely varying types of management style and Likert identified four main systems:

Management Styles. The exploitive - authoritative system, where decisions are imposed on subordinates, where motivation is characterised by threats, where high levels of management have great responsibilities but lower levels have virtually none, where there is very little communication and no joint teamwork.

The **benevolent - authoritative system**, where leadership is by a condescending form of master-servant trust, where motivation is mainly by rewards, where managerial personnel feel responsibility but lower levels do not, where there is little communication and relatively little teamwork.

The **consultative system**, where leadership is by superiors who have substantial but not complete trust in their subordinates, where motivation is by rewards and some involvement, where a high proportion of personnel, especially those at the higher levels feel responsibility for achieving organisation goals, where there is some communication (both vertical and horizontal) and a moderate amount of teamwork.

The **participative - group system**, which is the optimum solution, where leadership is by superiors who have; complete confidence in their subordinates, where motivation is by economic rewards based on goals which have been set in participation, where personnel at all levels feel real responsibility for the organisational goals, where there is much communication, and a substantial amount of co-operative teamwork.

This fourth system is the one which is the ideal for the profit oriented and human-concerned organisation, and according to Likert, all organisations should adopt this system. Clearly, the changes involved may be painful and long-winded, but it is necessary if one is to achieve the maximum rewards for the organisation.

To convert an organisation, four main features of effective management must be put into practice:

Features of effective management

1. The motivation to work must be fostered by modern principles and techniques, and not by the old system of rewards and threats.
2. Employees must be seen as people who have their own needs, desires and values and their self-worth must be maintained or enhanced.
3. An organisation of tightly knit and highly effective work groups must be built up which are committed to achieving the objectives of the organisation.
4. Supportive relationships must exist within each work group. These are characterised not by actual support, but by mutual respect.

The work groups which form the nuclei of the participative group system, are characterised by the group dynamics:

- Members are skilled in leadership and membership roles for easy interaction.
- The group has existed long enough to have developed a well established relaxed working relationship.
- The members of the group are loyal to it and to each other since they have a high degree of mutual trust.
- The norms, values and goals of the group are an expression of the values and needs of its members.
- The members perform a "linking-pin" function and try to keep the goals of the different groups to which they belong in harmony with each other.

Imperfect preparation gives rise to the thousand-fold forms that express physical and mental inferiority and insecurity.

Peter F. Drucker

Peter F. Drucker (1909-2005) was an internationally acclaimed management writer, consultant, university professor and lecturer. His management and organisation theories are based on over 60 years experience. Experts in the worlds of business and academia regard Drucker as the founding father of the study of management.

His writing focused on management-related literature and he made famous the term knowledge worker and is thought to have unknowingly ushered in the knowledge economy, which effectively challenges Karl Marx's world-view of the political economy.

His career as a business thinker took off in 1945, when his initial writings on politics and society won him access to the internal workings of General Motors, one of the largest companies in the world at that time. His experiences in Europe had left him fascinated with the problem of authority. He shared his fascination with Donaldson Brown, the mastermind behind the administrative controls at GM. Brown invited him in to conduct what might be called a political audit. The resulting Concept of the Corporation popularised GM's multidivisional structure and led to numerous articles, consulting engagements, and additional books. He wrote extensively about Management by objectives.

Drucker was interested in the growing effect of people who worked with their minds rather than their hands. He was intrigued by employees who knew more about certain subjects than their bosses or colleagues and yet had to cooperate with others in a large organisation. Rather than simply glorify the phenomenon as the epitome of human progress, Drucker analysed it and explained how it challenged the common thinking about how organisations should be run.

His approach worked well in the increasingly mature business world of the second half of the twentieth century. By that time, large corporations had developed the basic manufacturing efficiencies and managerial hierarchies of mass production. Executives thought they knew how to run companies, and Drucker took it upon himself to poke holes in their beliefs, lest organisations become stale. But he did so in a sympathetic way. He assumed that his readers were intelligent, rational, hardworking people of good will. If their organisations struggled, he believed it was usually because of outdated ideas, a narrow conception of problem, or internal misunderstandings.

Several ideas run through most of Drucker's writings:

- A profound scepticism about macro economic theory. Drucker contended that economists of all schools fail to explain significant aspects of modern economies.
- A desire to make everything as simple as possible. According to Drucker, corporations tend to produce too many products, hire employees they don't need (when a better solution would be contracting out), and expand into economic sectors that they should stay out of.
- A belief in what he called "the sickness of government." Drucker made ostensibly non-ideological claims that government is unable or unwilling to provide new services that people need or want - though he seemed to believe that this condition is not inherent to democracy.
- The need for "planned abandonment." Corporations as well as governments have a natural human tendency to cling to "yesterday's successes" rather than seeing when they are no longer useful.
- The lasting contribution of the "father of scientific management", Frederick W. Taylor. Although Drucker had little experience with the analysis of blue-collar work (he spent his career analysing managerial work), he credited Taylor with originating the seminally important idea that work can be broken down, analysed, and improved.
- The need for community. Early in his career, Drucker predicted the "end of economic man" and advocated the creation of a "plant community" where individuals' social needs could be met. He later admitted that the plant community never materialised, and by the 1980s, suggested that volunteering in the non-profit sector might be the key to community.
- A company's primary responsibility is to serve its customers, to provide the goods or services which the company exists to produce. Profit is not the primary goal, but rather an essential condition for the company's continued existence. Other responsibilities, e.g., to employees and society, exist to support the company's continued ability to carry out its primary purpose.

Drucker on Management: Effective management is based on objective setting and results. Scientific Management is required. “One cannot manage change. One can only be ahead of it.”
Drucker on People: Knowledge workers are assets. High quality personnel management is required. Educate and develop managers for future needs.

Drucker on Organisations: Decentralisation is key to productivity and effectiveness. Aim for leaner organisations. Successful decision making based on high quality information. Focus on information not technology provider.

Douglas McGregor - Theory X / Theory Y

Douglas McGregor (1906-1964) was an American social psychologist best known for Theory X and Theory Y - opposing assumptions about human behaviour behind every management decision or action.

Building on Abraham Maslow’s hierarchy of needs, McGregor set out two opposing assumptions about human nature and motivation.

Theory X

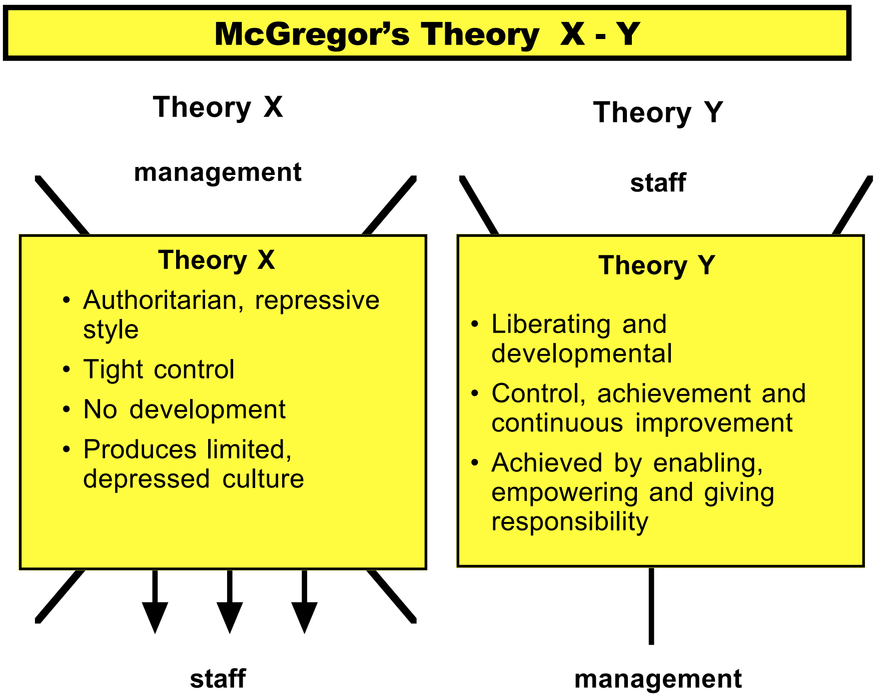
People are lazy, dislike work and need the threat of job loss and financial incentives to work hard. They need direction and control and cannot take responsibility. The average human being has an inherent dislike of work and will avoid it if he can.

- Because of their dislike for work, most people must be controlled and threatened before they will work hard enough.
- The average human prefers to be directed, dislikes responsibility, is unambiguous, and desires security above everything.
- These assumptions lie behind most organisational principles today, and give rise both to "tough" management with punishments and tight controls, and "soft" management which aims at harmony at work.
- Both these are "wrong" because man needs more than financial rewards at work, he also needs some deeper higher order motivation - the opportunity to fulfil himself.
- Theory X managers do not give their staff this opportunity so that the employees behave in the expected fashion.

Theory Y

People need to work, actively seek responsibility, and are generally creative and resourceful. They will be self-directed to achieve objectives that meet both organisational and individual goals. Intellectual potential needs to be utilised.

- The expenditure of physical and mental effort in work is as natural as play or rest.
- Control and punishment are not the only ways to make people work, man will direct himself if he is committed to the aims of the organisation.
- If a job is satisfying, then the result will be commitment to the organisation.
- The average man learns, under proper conditions, not only to accept but to seek responsibility.
- Imagination, creativity, and ingenuity can be used to solve work problems by a large number of employees.
- Under the conditions of modern industrial life, the intellectual potentialities of the average man are only partially utilised.



McGregor said that management style and decision-making depends on which theory management believes applies to their staff. Theory X was adopted by traditional Taylor-ist management, and Theory Y by more modern management thinkers, following Elton Mayo's human relations approach.

Theory X and Theory Y assumptions

These assumptions are based on social science research which has been carried out, and demonstrate the potential which is present in man and which organisations should recognise in order to become more effective.

McGregor sees these two theories as two quite separate attitudes. Theory Y is difficult to put into practice on the shop floor in large mass production operations, but it can be used initially in the managing of managers and professionals. In *The Human Side of Enterprise* McGregor shows how Theory Y affects the management of promotions and salaries and the development of effective managers. McGregor also sees Theory Y as conducive to participative problem solving.

It is part of the manager's job to exercise authority, and there are cases in which this is the only method of achieving the desired results because subordinates do not agree that the ends are desirable.

However, in situations where it is possible to obtain commitment to objectives, it is better to explain the matter fully so that employees grasp the purpose of an action. They will then exert self-direction and control to do better work - quite possibly by better methods - than if they had simply been carrying out an order which the y did not fully understand. The situation in which employees can be consulted is one where the individuals are emotionally mature, and positively motivated towards their work; where the work is sufficiently responsible to allow for flexibility and where the employee can see her or his own position in the management hierarchy. If these conditions are present, managers will find that the participative approach to problem solving leads to much improved results compared with the alternative approach of handing out authoritarian orders.

Once management becomes persuaded that it is under estimating the potential of its human resources, and accepts the knowledge given by social science researchers and displayed in Theory Y assumptions, then it can invest time, money and effort in developing improved applications of the theory. McGregor realised that some of the theories he put forward are unrealisable in practice, but wanted managers to put into operation the basic assumption that staff will contribute more to the organisation if they are treated as responsible and valued employees.

W. Edwards Deming

Total Quality Management (TQM) and Deming's 14 points

W Edwards Deming (1900-1994) was an American statistician, considered the father of the modern quality movement. Edwards Deming strongly influenced Japanese industry post W.W.II with Statistical Process Control (SPC) and Total Quality Management (TQM), similar to Joseph Juran.

In Japan, from 1950 onward he taught top management how to improve design (and thus service), product quality, testing and sales (the last through global markets) through various methods, including the application of statistical methods such as analysis of variance (ANOVA) and hypothesis testing. Deming made a significant contribution to Japan becoming renowned for producing innovative high-quality products and becoming an economic power. Deming is regarded as having had more impact upon Japanese manufacturing and business than any other individual not of Japanese heritage. Despite being considered something of a hero in Japan, he was only beginning to win widespread recognition in the U.S. when he died.

In 1982 Edwards Deming published *Out of the Crisis* identifying 14 points for management which if applied would enable Japanese manufacturing efficiencies to be realised. The W Edwards Deming Institute awards prizes for individuals and organisations that embrace Total Quality Management and drive quality management forward.

Deming's 14 Points Summarised

1. **Create constancy of purpose** and continual improvement – long term planning must replace short term reaction
2. **Adopt the new (Japanese) philosophy** – by management and workers alike.
3. Do not depend on (quality) inspection – **build quality into the product** and process
4. **Choose quality suppliers** over low cost suppliers – to minimise variation in raw materials and supply.
5. **Improve constantly** – to reduce variation in all aspects e.g. planning, production, and service.
6. **Training on the job** – for workers and management, to reduce variation in how job is done.
7. **Leadership not supervision** – to get people to do a better job, not just meet targets.
8. **Eliminate fear** – encourage two-way communication, encourage employees to work in the organisation's interest.
9. **Break down internal barriers** – department's in an organisation are "**internal customers**" to each other and must work together.
10. **Eliminate slogans (exhortations)** – processes make mistakes not people. Management harassment of workers will create bad relations if no effort made to improve processes.
11. **Eliminate numerical targets** – management by objectives (targets) encourages low quality.
12. **Remover barriers to worker satisfaction** – including annual appraisals
13. **Encourage self-improvement** and education for all
14. **Everyone is responsible** for continual improvement in quality and productivity – particularly top management

Deming's Seven Deadly Diseases

1. Lack of constancy of purpose.
2. Emphasis on short-term profits.
3. Evaluation by performance, merit rating, or annual review of performance.
4. Mobility of management.
5. Running a company on visible figures alone.
6. Excessive medical costs.
7. Excessive costs of warranty, fuelled by lawyers who work for contingency fees.

Deming's message to Japan's chief executives: Improving quality will reduce expenses while increasing productivity and market share.

A Lesser Category of Obstacles according to Deming

1. Neglecting long-range planning.
2. Relying on technology to solve problems.
3. Seeking examples to follow rather than developing solutions.
4. Excuses, such as "Our problems are different."

Deming’s philosophy synopsis

The philosophy of W. Edwards Deming has been summarised as follows: "Dr. W. Edwards Deming taught that by adopting appropriate principles of management, organisations can increase quality and simultaneously reduce costs (by reducing waste, rework, staff attrition and litigation while increasing customer loyalty). The key is to practice continual improvement and think of manufacturing as a system, not as bits and pieces."

In the 1970s, Deming's philosophy was summarised by some of his Japanese proponents with the following 'a'-versus-'b' comparison:

(a) When people and organisations focus primarily on quality, defined by the following ratio:

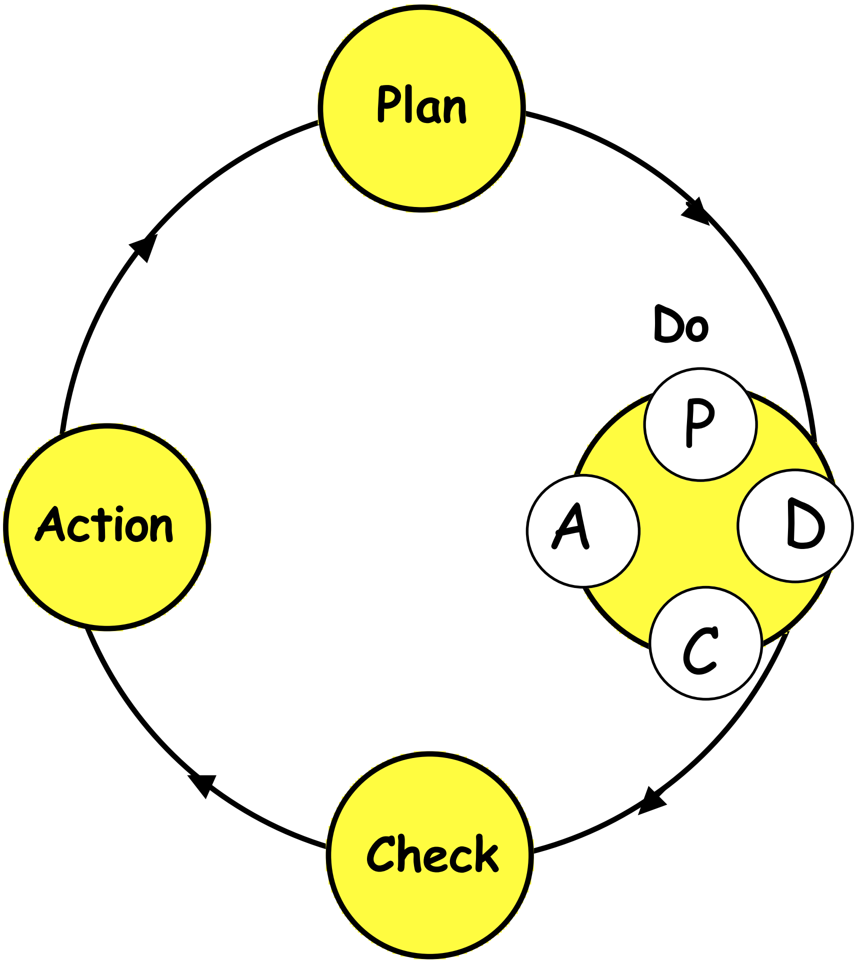
$$\text{Quality} = \frac{\text{result of work effort}}{\text{total costs}}$$

Quality tends to increase and costs fall over time.

(b) However, when people and organisations focus primarily on costs (often dominant/typical human behaviour), costs (due to not minimising waste, ignoring amount of rework occurring, taking staff for granted, not rapidly resolving disputes, and failing to notice lack of product improvement - plus, over time, loss of customer loyalty) tend to rise and quality declines over time.

... staff will contribute more to the organisation if they are treated as responsible and valued employees.

Deming's Cycle - Plan - Do - Check - Action



The Japanese use a similar approach called 'hoshin planning', which is built around this concept of, plan, do, check, act. Key aspects of hoshin planning include a focus on the planning process, company targets communicated to all employees, individual initiative, self-audit, and documentation and communication.

The Deming System of Profound Knowledge

"The prevailing style of management must undergo transformation. A system cannot understand itself. The transformation requires a view from outside. The aim of this chapter is to provide an outside view - a lens - that I call a system of profound knowledge. It provides a map of theory by which to understand the organisations that we work in.

"The first step is transformation of the individual. This transformation is discontinuous. It comes from understanding of the system of profound knowledge. The individual, transformed, will perceive new meaning to his life, to events, to numbers, to interactions between people.

"Once the individual understands the system of profound knowledge, he will apply its principles in every kind of relationship with other people.

He will have a basis for judgement of his own decisions and for transformation of the organisations that he belongs to. The individual, once transformed, will:
- Set an example;
- Be a good listener, but will not compromise;
- Continually teach other people; and
- Help people to pull away from their current practices and beliefs and move into the new philosophy without a feeling of guilt about the past."

Deming advocated that all managers need to have what he called a System of Profound Knowledge, consisting of four parts:

1. **Appreciation of a system**: understanding the overall processes involving suppliers, producers, and customers (or recipients) of goods and services;
2. **Knowledge of variation**: the range and causes of variation in quality, and use of statistical sampling in measurements;
3. **Theory of knowledge**: the concepts explaining knowledge and the limits of what can be known (see also: epistemology);
4. **Knowledge of psychology**: concepts of human nature.

Deming explained, "One need not be eminent in any part nor in all four parts in order to understand it and to apply it. The 14 points for management in industry, education, and government follow naturally as application of this outside knowledge, for transformation from the present style of Western management to one of optimisation."

"The various segments of the system of profound knowledge proposed here cannot be separated. They interact with each other. Thus, knowledge of psychology is incomplete without knowledge of variation.

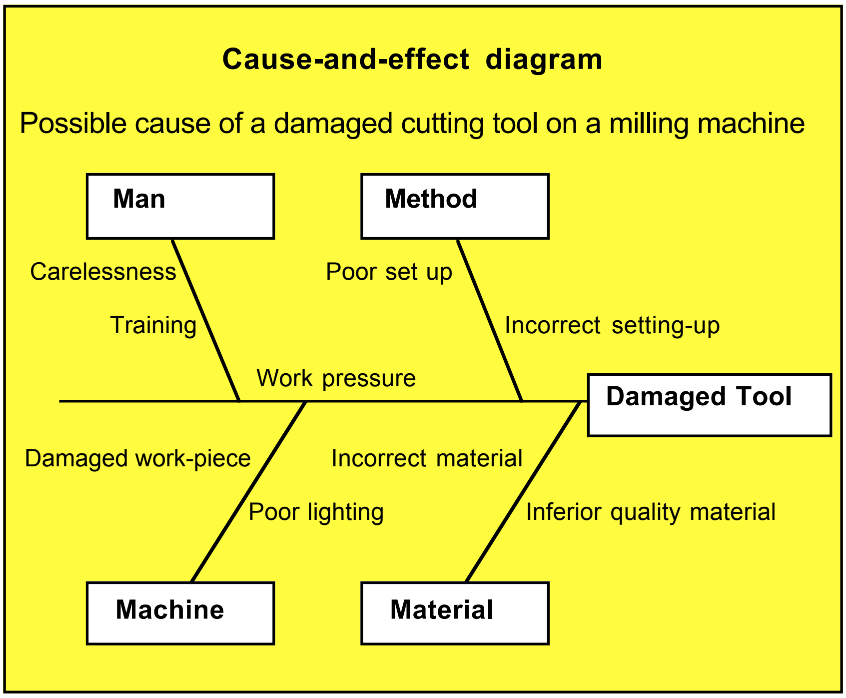
"A manager of people needs to understand that all people are different. This is not ranking people. He needs to understand that the performance of anyone is governed largely by the system that he works in, the responsibility of management. A psychologist that possesses even a crude understanding of variation as will be learned in the experiment with the Red Beads could no longer participate in refinement of a plan for ranking people."

Dr Kaoru Ishikawa
The fishbone diagram or cause and effect diagram)

Kaoru Ishikawa (1915-1989) received many esteemed quality awards including the Deming Prize. He led the “Total Quality Control” movement with focus on statistical quality control techniques such as control charts and Pareto charts.

The Ishikawa diagram (also fishbone diagram or cause and effect diagram) is the brainchild of Kaoru Ishikawa, who pioneered quality management processes in the Kawasaki shipyards, and in the process became one of the founding fathers of modern management. It is simply a diagram that shows the causes of a certain event. It was first used in the 1960s, and is considered one of the seven basic tools of quality management, along with the histogram, Pareto chart, check sheet, control chart, flowchart, and scatter diagram. It is known as a fishbone diagram because of its shape.

Causes in the diagram are often based around a certain category such as the 6 M's, 8 P's or 4 S's described below. Cause-and-effect diagrams can reveal key relationship among various variables and possible causes provide additional insight into process behaviour.



An example of an Ishikawa diagram showing general and more refined causes for an event

Causes in a typical diagram are normally arranged into categories, the main ones of which are:

- **The 6 M's** - Machine, Method, Materials, Measurement, Man and Mother Nature (Environment) (recommended for manufacturing industry). Note: a more modern selection of categories used in manufacturing are Equipment, Process, People, Materials, Environment, and Management.
- **The 8 P's** - Price, Promotion, People, Processes, Place / Plant, Policies, Procedures & Product (or Service) (recommended for administration and service industry).
- **The 4 S's** - Surroundings, Suppliers, Systems, Skills (recommended for service industry).

A common use of the Ishikawa diagram is in product design, to identify desirable factors leading to an overall effect. Mazda Motors famously used an Ishikawa diagram in the development of the Miata sports car, where the required result was "Jinba Ittai" or "Horse and Rider as One". The main causes included such aspects as "touch" and "braking" with the lesser causes including highly granular factors such as "50/50 weight distribution" and "able to rest elbow on top of driver's door". Every factor identified in the diagram was included in the final design.

Most Ishikawa diagrams have a box at the right hand side in which is written the effect that is to be examined. The main body of the diagram is a horizontal line from which stem the general causes, represented as "bones". These are drawn towards the left hand side of the paper and are each labelled with the causes to be investigated, often brainstormed beforehand and based on the major causes listed above. Off each of the large bones there may be smaller bones highlighting more specific aspects of a certain cause, and sometimes there may be a third level of bones or more. These can be found using the '5 Whys' technique. When the most probable causes have been identified, they are written in the box along with the original effect. The more populated bones generally outline more influential factors, with the opposite applying to bones with fewer "branches". Further analysis of the diagram can be achieved with a Pareto chart.

Quality Circles

Kaoru Ishikawa led the concept and use of *Quality Circles*. The intended purpose of a Quality Circle is to;

- Support the improvement and development of the company
- Respect human relations in the workplace and increase job satisfaction
- Draw out employee potential

He believed quality must be company wide – including the product, service, management, the company itself and the people. Quality improvement must be company wide in order to be successful and sustainable.

Many, including Juran and Crosby, consider Kaoru Ishikawa's teachings to be more successful in Japan than in the West. Quality circles are effective when management understand statistical quality management techniques and are committed to act on their recommendations.

Ken Blanchard - Situational Leadership

Blanchard's situational leadership model outlines 4 different leadership styles that can be adopted depending on the situation or task.

Competence versus Commitment (Skill vs Will)
The leader assesses the development level of the "follower" with regard to completing a specific task. The leader assesses the follower's level of competence and commitment in that situation and correctly matches their leadership style with the development level of the follower.

An effective leader is able to move fluidly between each leadership style, recognising that a follower will have different development levels for different tasks.

Development (D) Level

(D1) Low Competence, Low Commitment – low skill level i.e. no training, understanding of how to complete the task, previous experience and lacks motivation or confidence to complete the task.

(D2) Low Competence, High Commitment – has desire or incentive to complete task but low skill level.

(D3) High Competence, Low/Variable Commitment – can competently complete task but lacks confidence or perceives task as high risk

(D4) High Competence, High Commitment – experienced and motivated to complete task independently.

Leadership (S) Style

(S1) *Directing* – one-way communication where leader tells and shows follower what to do, and closely supervises them doing it.

(S2) *Coaching* – two-way communication where leader directs what needs to be done, seeking ideas and suggestions from the follower.

(S3) *Supporting* – leader focuses on motivation and confidence issues and leaves task decisions to follower.

(S4) *Delegating* – leader provides high-level direction only and further involvement and decision-making is controlled by follower.

3

Tips for Management Success in the 21st century

What you radiate outward in your thoughts, feelings, mental pictures and words, you attract into your life and daily affairs.

Catherine Ponder, The Dynamic Laws of Prosperity

Seven Tips for Management Success in the 21st century

An effective manager pays attention to many facets of management, leadership and learning within organisations. The most important issue in management success is being a person that others want to follow. Every action you take during your career in an organisation helps determine whether people will one day want to follow you.

In the 21st century, a successful manager, one whom others want to follow will:

1. Build effective and responsive interpersonal relationships. Reporting staff members, colleagues and executives respect his or her ability to demonstrate caring, collaboration, respect, trust and attentiveness.
2. Communicate effectively in person, print and email. Listening and two-way feedback characterise his or her interaction with others.
3. Build the team and enables other staff to collaborate more effectively with each other. People feel they have become more effective, more creative, more productive, in the presence of a team builder.
4. Understand the financial aspects of the business and sets goals and measures and documents staff progress and success.
5. Know how to create an environment in which people experience positive morale and recognition and employees are motivated to work hard for the success of the business.
6. Lead by example and provides recognition when others do the same.
7. Help people grow and develop their skills and capabilities through education and on-the-job learning.

Leadership and sponsorship in action

If you work in an organisation, you have heard this complaint repeatedly. ‘Leaders and managers say they want change and continuous improvement but their actions do not match their words.’ The leaders’ exhortations to employees ring false when their subsequent actions contradict their words.

A CEO once asked me, “Why do they do what I do and not what I tell them to do?” Another asked, “Do I really have to change, too?” These are scary questions coming from leaders.

The power of an organisation's leaders in creating the organisation's values, environment, culture and actions is immeasurable. Adapt to ‘walk the talk’ to enable organisational change and improvement. In order to take the power away from the oft-repeated employee complaint that managers don’t walk their talk learn how to walk your talk.

Tips for walking your talk

The most important tip comes first. If you do this first action well, the rest will follow more naturally. If the ideas you are promoting are congruent with your core beliefs and values, these actions will come easily, too. So, start with a deep understanding of "why" you want to see the change or improvement. Make certain it is congruent with what you deeply believe. Then, understand and follow these guidelines.

- Model the behaviour you want to see from others. There is nothing more powerful for employees than observing the "big bosses" do the actions or behaviours they are requesting from others. As Mahatma Gandhi said, "Become the change you wish to see in the world." And, it will happen.
- If you make a rule or design a process, follow it, until you decide to change it. Why would employees follow the rules if the rule makers don't?
- Act as if you are part of the team, not always the head of it. Dig in and do actual work, too. People will appreciate that you are personally knowledgeable about the effort needed to get the work done. They will trust your leadership because you have undergone their experience.
- Help people achieve the goals that are important to them, as well as the goals that are important to you. Make sure there is something for each of you that will result from the effort and work.
- Do what you say you are going to do. Don't make rash promises that you can't keep. People want to trust you and your leadership.
- Build commitment to your organisation's big goal. (You do have a big, overarching goal, don't you? Other than to make money, why does your organisation exist?)
- Use every possible communication tool to build commitment and support for the big goal, your organisation's values and the culture you want to create. This includes what you discuss at meetings, in your corporate blog, on your Intranet, and so forth.
- Hold strategic conversations with people so people are clear about expectations and direction. One particular multinational CEO is well known for holding strategic conversations with as many groups as he can. "In order to build internal confidence, stimulate cross-boundary co-operation, and spark new-product speed to market, He is sponsoring what he calls 'strategic conversations': dialogues that centre around a focused set of themes that he believes will define the future of his organisation.
- Ask senior managers to police themselves. They must provide feedback to each other when they fail to walk their talk. It is not up to the second level managers and other employees to point out inconsistencies. (Confronting a manager takes courage, facts and a broad understanding of the organisation.) Senior managers must be accountable to each other for their own behaviour.

What are the key success factors for your business?

In 1513, Machiavelli wrote, “There is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than the creation of a new system. For the initiator has the enmity of all who would profit by the preservation of the old system and merely lukewarm defenders in those who would gain by the new one.”

Given these thoughts from Machiavelli - true for centuries – provide leadership and sponsorship through walking your talk. Incorporate these tips and behaviours to ensure the success of your organisation. Walk your talk.

Perception and Managers

Managers can extend their perceptions by developing extra eyes and ears to be on the lookout for factors which determine organisational reality, including:

- Climate - atmosphere and mood
- Hidden agenda - notice which stories and tasks others keep referring to
- What does not get done
- Who gets promoted and who doesn’t
- What the competition is doing - what are their strengths and weaknesses
- What is really happening in the macro and micro business environment in which we operate?
- Community perceptions of your business and many others.

Risk Management in the 21st century

Risk management is the human activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources.

The strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk.

Some traditional risk managements are focused on risks stemming from physical or legal causes (e.g. natural disasters or fires, accidents, death and lawsuits). Financial risk management, on the other hand, focuses on risks that can be managed using traded financial instruments.

Objective of risk management is to reduce different risks related to a preselected domain to the level accepted by society. It may refer to numerous types of threats caused by environment, technology, humans, organisations and politics. On the other hand it involves all means available for humans, or in particular, for a risk management entity (person, staff, organisation).

In ideal risk management, a prioritisation process is followed whereby the risks with the greatest loss and the greatest probability of occurring are handled first, and risks with lower probability of occurrence and lower loss are handled in descending order. In practice the process can be very difficult, and balancing between risks with a high probability of occurrence but lower loss versus a risk with high loss but lower probability of occurrence can often be mishandled.

Intangible risk management identifies a new type of risk - a risk that has a 100% probability of occurring but is ignored by the organisation due to a lack of identification ability. For example, when deficient knowledge is applied to a situation, a knowledge risk materialises. Relationship risk appears when ineffective collaboration occurs. Process-engagement risk may be an issue when ineffective operational procedures are applied.

These risks directly reduce the productivity of knowledge workers, decrease cost effectiveness, profitability, service, quality, reputation, brand value, and earnings quality. Intangible risk management allows risk management to create immediate value from the identification and reduction of risks that reduce productivity.

Risk management also faces difficulties allocating resources. This is the idea of opportunity cost. Resources spent on risk management could have been spent on more profitable activities. Again, ideal risk management minimises spending while maximising the reduction of the negative effects of risks.

Steps in the risk management process

Establish the context. Establishing the context involves identification of risk in a selected domain of interest, planning the remainder of the process, mapping out the following: the social scope of risk management, the identity and objectives of stakeholders, and the basis upon which risks will be evaluated, constraints, defining a framework for the activity and an agenda for identification, developing an analysis of risks involved in the process and mitigation of risks using available technological, human and organisational resources.

Identification. After establishing the context, the next step in the process of managing risk is to identify potential risks. Risks are about events that, when triggered, cause problems. Hence, risk identification can start with the source of problems, or with the problem itself.

Source analysis. Risk sources may be internal or external to the system that is the target of risk management. Examples of risk sources are: stake-holders of a project, employees of a company or the weather over an airport.

Problem analysis. Risks are related to identified threats. For example: the threat of losing money, the threat of abuse of privacy information or the threat of accidents and casualties. The threats may exist with various entities, most important with shareholders, customers and legislative bodies such as the government.

When either source or problem is known, the events that a source may trigger or the events that can lead to a problem can be investigated. For example: stakeholders withdrawing during a project may endanger funding of the project; privacy information may be stolen by employees even within a closed network; lightning striking a Boeing 747 during takeoff may make all people onboard immediate casualties.

The chosen method of identifying risks may depend on culture, industry practice and compliance. The identification methods are formed by templates or the development of templates for identifying source, problem or event. Common risk identification methods are:

Objectives-based risk identification. Organisations and project teams have objectives. Any event that may endanger achieving an objective partly or completely is identified as risk.

Scenario-based risk identification. In scenario analysis different scenarios are created. The scenarios may be the alternative ways to achieve an objective, or an analysis of the interaction of forces in, for example, a market or battle. Any event that triggers an undesired scenario alternative is identified as risk - see Futures Studies for methodology used by futurists.

Taxonomy-based risk identification. The taxonomy in taxonomy-based risk identification is a breakdown of possible risk sources. Based on the taxonomy and knowledge of best practices, a questionnaire is compiled. The answers to the questions reveal risks.

Common-risk Checking. In several industries lists with known risks are available. Each risk in the list can be checked for application to a particular situation. An example of known risks in the software industry is the Common Vulnerability and Exposures list found at http://cve.mitre.org.

Risk Charting. This method combines the above approaches by listing Resources at risk, Threats to those resources Modifying Factors which may increase or reduce the risk and Consequences it is wished to avoid.

Creating a matrix under these headings enables a variety of approaches. One can begin with resources and consider the threats they are exposed to and the consequences of each.

Alternatively one can start with the threats and examine which resources they would affect, or one can begin with the consequences and determine which combination of threats and resources would be involved to bring them about.

Risk Assessment

Once risks have been identified, they must then be assessed as to their potential severity of loss and to the probability of occurrence. These quantities can be either simple to measure, in the case of the value of a lost building, or impossible to know for sure in the case of the probability of an unlikely event occurring. Therefore, in the assessment process it is critical to make the best educated guesses possible in order to properly prioritise the implementation of the risk management plan.

The fundamental difficulty in risk assessment is determining the rate of occurrence since statistical information is not available on all kinds of past incidents. Furthermore, evaluating the severity of the consequences (impact) is often quite difficult for immaterial assets. Asset valuation is another question that needs to be addressed.

Thus, best educated opinions and available statistics are the primary sources of information. Nevertheless, risk assessment should produce such information for the management of the organisation that the primary risks are easy to understand and that the risk management decisions may be prioritised. Thus, there have been several theories and attempts to quantify risks. Numerous different risk formulae exist, but perhaps the most widely accepted formula for risk quantification is:

Rate of occurrence multiplied by the **impact of the event** equals **risk.**

Later research has shown that the financial benefits of risk management are less dependent on the formula used but are more dependent on the frequency and how risk assessment is performed.

In business it is imperative to be able to present the findings of risk assessments in financial terms. Robert Courtney Jr. (IBM, 1970) proposed a formula for presenting risks in financial terms. The formula proposes calculation of ALE (annualised loss expectancy) and compares the expected loss value to the security control implementation costs (cost-benefit analysis).

Potential risk treatments

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of these four major categories:

1. **Avoidance** (aka **elimination**)
2. **Reduction** (aka **mitigation**)
3. **Retention**
4. **Transfer** (aka **buying insurance**)

Ideal use of these strategies may not be possible. Some of them may involve trade-offs that are not acceptable to the organisation or person making the risk management decisions.

Risk avoidance

Includes not performing an activity that could carry risk. An example would be not buying a property or business in order to not take on the liability that comes with it. Another would be not flying in order to not take the risk that the aircraft were to be hijacked. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed. Not entering a business to avoid the risk of loss also avoids the possibility of earning profits.

Risk reduction

Involves methods that reduce the severity of the loss. Examples include sprinklers designed to put out a fire to reduce the risk of loss by fire. This method may cause a greater loss by water damage and therefore may not be suitable.

Modern software development methodologies reduce risk by developing and delivering software incrementally. Early methodologies suffered from the fact that they only delivered software in the final phase of development; any problems encountered in earlier phases meant costly rework and often jeopardised the whole project. By developing in iterations, software projects can limit effort wasted to a single iteration.

Risk retention

Involves accepting the loss when it occurs. True self insurance falls in this category. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible. War is an example since most property and risks are not insured against war, so the loss attributed by war is retained by the insured. Also any amounts of potential loss (risk) over the amount insured is retained risk. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the organisation too much.

Risk transfer

Means causing another party to accept the risk, typically by contract or by hedging. Insurance is one type of risk transfer that uses contracts. Other times it may involve contract language that transfers a risk to another party without the payment of an insurance premium. Liability among construction or other contractors is very often transferred this way. On the other hand, taking offsetting positions in derivatives is typically how firms use hedging to financially manage risk.

Some ways of managing risk fall into multiple categories. Risk retention pools are technically retaining the risk for the group, but spreading it over the whole group involves transfer among individual members of the group. This is different from traditional insurance, in that no premium is exchanged between members of the group up front, but instead losses are assessed to all members of the group.

Outsourcing is another example of risk transfer. In this case companies outsource only some of their departmental needs. For example, a company may outsource only its software development, the manufacturing of hard goods, or customer support needs to another company, while handling the business management itself. This way, the company can concentrate more on business development without having to worry as much about the manufacturing process, managing the development team, or finding a physical location for a call centre.

Create a risk mitigation plan

Select appropriate controls or countermeasures to measure each risk. Risk mitigation needs to be approved by the appropriate level of management. For example, a risk concerning the image of the organisation should have top management decision behind it whereas IT management would have the authority to decide on computer virus risks.

The risk management plan should propose applicable and effective security controls for managing the risks. For example, an observed high risk of computer viruses could be mitigated by acquiring and implementing antivirus software. A good risk management plan should contain a schedule for control implementation and responsible persons for those actions.

According to ISO/IEC 27001, the stage immediately after completion of the Risk Assessment phase consists of preparing a Risk Treatment Plan, which should document the decisions about how each of the identified risks should be handled. Mitigation of risks often means selection of Security Controls, which should be documented in a Statement of Applicability, which identifies which particular control objectives and controls from the standard have been selected, and why.

Implementation

Follow all of the planned methods for mitigating the effect of the risks. Purchase insurance policies for the risks that have been decided to be transferred to an insurer, avoid all risks that can be avoided without sacrificing the entity's goals, reduce others, and retain the rest.

Review and evaluation of the Risk Management Plan

Initial risk management plans will never be perfect. Practice, experience, and actual loss results will necessitate changes in the plan and contribute information to allow possible different decisions to be made in dealing with the risks being faced.

Risk analysis results and management plans should be updated periodically. There are two primary reasons for this:

1. To evaluate whether the previously selected security controls are still applicable and effective, and
2. To evaluate the possible risk level changes in the business environment. For example, information risks are a good example of rapidly changing business environment.

Limitations

If risks are improperly assessed and prioritised, time can be wasted in dealing with risk of losses that are not likely to occur. Spending too much time assessing and managing unlikely risks can divert resources that could be used more profitably. Unlikely events do occur but if the risk is unlikely enough to occur it may be better to simply retain the risk and deal with the result if the loss does in fact occur.

Prioritising too highly the risk management processes could keep an organisation from ever completing a project or even getting started. This is especially true if other work is suspended until the risk management process is considered complete.

It is also important to keep in mind the distinction between risk and uncertainty. Risk can be measured by impacts x probability.

Areas of risk management

As applied to corporate finance, risk management is the technique for measuring, monitoring and controlling the financial or operational risk on a firm's balance sheet.

This can be broken down to market risk (price risk), credit risk and operational risk and also specifies methods for calculating capital requirements for each of these components.

Enterprise Risk Management

In enterprise risk management, a risk is defined as a possible event or circumstance that can have negative influences on the enterprise in question. Its impact can be on the very existence, the resources (human and capital), the products and services, or the customers of the enterprise, as well as external impacts on society, markets, or the environment. In a financial institution, enterprise risk management is normally thought of as the combination of credit risk, interest rate risk or asset liability management, market risk, and operational risk.

In the more general case, every probable risk can have a pre formulated plan to deal with its possible consequences (to ensure contingency if the risk becomes a liability).

From the information above and the average cost per employee over time, or cost accrual ratio, a project manager can estimate:

- The cost associated with the risk if it arises, estimated by multiplying employee costs per unit time by the estimated time lost (cost impact, C where C = cost accrual ratio * S).
- The probable increase in time associated with a risk (schedule variance due to risk, Rs where Rs = P * S):
- Sorting on this value puts the highest risks to the schedule first. This is intended to cause the greatest risks to the project to be attempted first so that risk is minimised as quickly as possible.
- This is slightly misleading as schedule variances with a large P and small S and vice versa are not equivalent. (The risk of the RMS Titanic sinking vs. the passengers' meals being served at slightly the wrong time).
- The probable increase in cost associated with a risk (cost variance due to risk, Rc where Rc = P*C = P*CAR*S = P*S*CAR)
- Sorting on this value puts the highest risks to the budget first.

Risk in a project or process can be due either to Special Cause Variation or Common Cause Variation and requires appropriate treatment. That is to reiterate the concern about extremal cases not being equivalent in the list immediately above.

Risk Management activities as applied to project management

In project management, risk management includes the following activities:

- Planning how risk management will be held in the particular project. Plan should include risk management tasks, responsibilities, activities and budget.
- Assigning a risk officer - a team member other than a project manager who is responsible for foreseeing potential project problems. Typical characteristic of risk officer is a healthy scepticism.
- Maintaining live project risk database. Each risk should have the following attributes: opening date, title, short description, probability and importance. Optionally a risk may have an assigned person responsible for its resolution and a date by which the risk must be resolved.
- Creating anonymous risk reporting channel. Each team member should have possibility to report risk that he foresees in the project.
- Preparing mitigation plans for risks that are chosen to be mitigated. The purpose of the mitigation plan is to describe how this particular risk will be handled – what, when, by who and how will it be done to avoid it or minimise consequences if it becomes a liability.
- Summarising planned and faced risks, effectiveness of mitigation activities, and effort spent for the risk management.

Risk Management and business continuity

Risk management is simply a practice of systematically selecting cost effective approaches for minimising the effect of threat realisation to the organisation. All risks can never be fully avoided or mitigated simply because of financial and practical limitations. Therefore all organisations have to accept some level of residual risks.

Whereas risk management tends to be pre-emptive, business continuity planning (BCP) was invented to deal with the consequences of realised residual risks. The necessity to have BCP in place arises because even very unlikely events will occur if given enough time. Risk management and BCP are often mistakenly seen as rivals or overlapping practices. In fact these processes are so tightly tied together that such separation seems artificial. For example, the risk management process creates important inputs for the BCP (assets, impact assessments, cost estimates etc.). Risk management also proposes applicable controls for the observed risks. Therefore, risk management covers several areas that are vital for the BCP process. However, the BCP process goes beyond risk management's pre-emptive approach and moves on from the assumption that the disaster will realise at some point.

Leaders create change
If you lead, you will cause changes.
Be prepared for them and their impact on people within, and outside, your group.
If you are not making changes, you are not leading.

International Managers in the 21st century should:

- Articulate ideals
- Keep abreast of current knowledge
- Aspire to high standards of reasoning
- Use clear language
- Scan the business environment
- Be aware of cultural differences and be able to deal with them

Measuring your professionalism

How do your customers, peers and staff measure your professionalism? They are continually using clues to assess you - don't forget, you only get one chance to make a first impression. You can assert your control by influencing and optimising the effect of the clues you are sending, in areas such as:

- Symbols of authority
- Vocabulary and articulation skills
- Personal character development
- Symbols of expertise
- Personal packaging
- Results achieved

Solving Problems and Making Decisions

Leaders can make better and more effective decisions and improve their problem-solving processes by following some basic steps.

Gather information

- What will happen if I don't act?
- What might I gain if I do act?
- Who does this situation affect directly and indirectly?
- When did this situation first become apparent?
- Did it exist before then?
- Are there any deadlines that need to be considered?
- Can they be extended?
- What are the apparent causes of the problem?
- Is this situation a symptom of some greater problem?
- Keep asking questions that start with *Who, What, Where, When, Why* and *How,* until you understand the nature, size and effects of the problem.
- Then summarise the problem in a few sentences.
- This should help you understand the problem more.

Develop and evaluate alternatives

- List all the reasons against it.
- Think of someone who might disagree with it and then actively argue against it from their point of view.
- Brainstorm other options.
- Involve others in the brainstorming to create as many ideas as possible.
- Be creative and challenge conventional wisdom or long-held practices.
- Ask *why*? at least five times for each possible cause of the problem.

Select the best alternative. Choose the most logical approach. Then consider the non-measurable issues and make appropriate adjustments. Consult with people you trust and get their reaction. Write down the key reasons why this is the best solution or decision.

Then act! You have given the issue your best effort and any further delays would be counter productive. Believe in yourself and proceed. If for some reason your decision does not work well, you will at least know it was well considered and can use the experience to help in future problem-solving and decision making challenges.

Follow up. One of the best ways to demonstrate a high level of leadership skills and responsibility is by following up to see how well your decisions work.

The Rule of 72

If your business grows at the rate of 10% per annum, how long will it take you to double your turnover?

A simple and easy way to calculate this is to divide 72 by 10(%) which gives an answer of 7.2 years.

You can use the same constant (72) to calculate the time required to double anything.

For instance how long will it take to double my investment at the rate of 6%?

72 divided by 6(%) = 12 years.

A Bad Boss

- Is dictatorial, bullying and inconsistent
- Feels threatened by divergent opinions and will surround him or herself with people of similar views
- Withholds information, uses his or her power to effect change
- Enjoys intimidating staff and is often autocratic
- Is one-dimensional
- Quells conflict rather than drawing differences out
- Is a workaholic with few if any close relationships

The ultimate test of any Manager is to ask are they performing and meeting objectives such as:

- Growing the business
- Introducing successful new products
- Expanding the customer base
- Recruiting, training and retaining, highly skilled and competent staff
- Making a profit for the company

Management by walking about

Many managers overlook a valuable, easy to use and readily available management tool - management by walking about.

A great many very successful managers make a point of walking through their business on a regular basis, even daily.

This gives them the opportunity to talk to their workers at all levels and to see and be seen, as well as picking up the mood and activity of the workplace.

Good Leadership

New leadership v. old leadership

OLD STYLE	NEW STYLE
Visionary	Responsible
Theoretical	Practical
Single-minded	Flexible
Majestic	Sympathetic
Beyond reproach	Open to inspection
Infallible	Human
Master	Compatriot
'Follow me'	'Lets go'
Authoritative	Consultative

Performance = ability x motivation x environmental conditions

- Demonstrate concern for people
- Provide for opportunity and assist in self-development
- Provide an atmosphere encouraging self-satisfaction and pride
- Encourage team effort and maintain complete fairness, honesty and integrity
- Maintain open, consistent, and regular communication
- Encourage public service
- Encourage creativity
- Commit ourselves to productivity and quality
- Maintain consistency and dedication to improvement
- Keep things simple and basic
- Build on a basis of 'need'
- Give attention to detail
- Conserve resources
- Listen carefully to what others are saying and 'take it on board'

What do managers do? The downside.

Some managers, as in all fields of endeavour, display better skills than others. Take the case of Barbara, who went from housewife to 'office manager' of a steel construction business. From day-one her rapport with the predominantly male staff was non-existent and with hindsight the only contribution she made to the business was to rubber stamp the name of the business on the inside of the covers of the computer software manuals.

In another state of Australia Bernie was the manager responsible for the training of apprentices in a machine shop from an office situated some considerable distance away. Bernie's management style was to make irregular visits to the machine shop and ask to see the 'scrap book', which recorded any jobs his apprentices may have made mistakes with. There was no pro-active management of seeing things being done right or even communicating with his apprentices.

Margaret was suddenly made manager of a well-known business college that had been existence for more than 100 years. Her management style involved some management by walking about. If any of the students (who were paying expensive fees) were deemed to be behaving in a manner unacceptable to Margaret on her walks - such as having a bottle of drink on the desk - Barbara would burst into the classroom without asking and belittle the hapless student, simultaneously upsetting the rhythm of the whole class, to say nothing of interrupting the tutor.

Less than 6 months later that college was in liquidation.

In another case Dave, a superannuated forced retiree from the recently defunct Commonwealth Employment Service (C.E.S.) landed a job as the manager of an educational organisation. It took Dave a week to introduce himself to his new staff and even after that Dave refused to discuss any issue whatsoever with his staff.

After a few weeks Dave decided that an export drive was the way to rescue the organisation from its sales malaise. Despite the organisation already having substantial trade with some Asian countries these were ignored. Instead Dave decided without any consultation that Brazil and Slovakia were the markets most deserving of his by now non-existent expertise which was obvious to all concerned. The export drive was an expensive flop despite Dave phoning from Brazil asking for all the information he had neglected to take with him.

After a year on the job Dave was heard to confide to his mostly absent Managing Director and sole shareholder that he had 'identified where the company was losing money'.

After two loss making years in the job Dave was fired by the liquidator along with all the other employees leaving the sole shareholder with losses of hundreds of thousands of dollars.

4

Strategic Management for the 21st century

When our self-instructions are negative, our achievements will be negative. On the other hand, when our self-instructions are positive, we will achieve much.

Tom Hopkins, The Official Guide to Success

Strategic Management

In order to achieve optimum results in your market place, Strategic Management follows the concept of focusing on your limited resources of:

- People
- Skills
- Money
- Facilities
- Information

Strategic management involves developing the strategy of your organisation.

What does your organisation need to do to implement your strategies so they will work in your market place?

Your strategy should improve business performance. You may require different strategies for different parts of your organisation.

Strategic Focus

One of the main reasons many organisations' plans fail is because the goals are not backed by realistic how-to strategies. Current thinking is for upper management to set the goals, bounce them off the responsible people to make sure they will be supported, then let those responsible for implementation work out the strategies, again bouncing them back up the line to make sure executives approve.

Strategies should include four key elements:

1. Actions to be taken, stated in broad terms but adequately specific to give direction.
2. Responsibilities for those actions
3. Timing - when they will occur?
4. Budget - where the money is coming from, and how much?
5. A real-time guidance system. Other reasons most strategic plans fail are because they are thick documents that (a) people cannot keep in their heads and (b) can only be changed once a year — when in reality some kind of change happens weekly if not daily to many organisations.

Another check to be sure you have a full strategy is to ask the old newspaper questions, Who, What, When, Where, Why, How and (one I always add) How Much? The best strategies are worked out in authentic brainstorming sessions. Participants create alternative solutions in a freewheeling, no-criticism creative process. (It is forbidden to judge or criticise someone else's ideas in the creative session.) Then they step back and choose the best strategy, or combine several elements into a new one.

Formulating Strategies

A logical sequence for formulating strategy is:

1 **Mission.** Description, attitude, growth, direction.

2 **Objectives.** The ambitions of the organisation, performance targets.

3 **Strategy.** Use of resources, competitive advantage, product design, etc.

4 **Tactics.** Action, competing in the market place

Formulating Strategies - Adaptive Strategies

At the business level there are four adaptive strategies.

1. **Defenders** operate in stable environments and produce a limited set of products for a narrow market segment.
2. **Prospectors** operate in a dynamic environment, innovate, and seek flexibility.
3. **Analysers** minimise risk and maximise profit opportunities by seeking both flexibility and stability at the same time.
4. **Reactors** are inconsistent and reluctant to commit themselves to any specific situation.

Distortions and deceptions in strategic decisions

Strategic decisions are never simple to make. They sometimes go wrong because of human shortcomings. Behavioural economics shows that any decision with an element of risk is subject to universal human biases such as overoptimism and loss aversion.

Strategic decisions are also susceptible to the "principal-agent problem": when the incentives of certain employees are not aligned with the interests of the company, those employees look after their own interests in deceptive ways.

Companies can reduce their exposure to these intertwined and harmful patterns of distortion and deception by adjusting their decision-making processes and strengthening the culture of debate.

As part of the setting of strategies you will probably have to address issues such as:

- What business are we really in?
- How will we compete and win market share in this business, (and make a profit)?
- What means will we use to implement our strategy?

Good strategy is rarely just the adoption of sound logic. Usually perception is required to look deeply into the information and to see the subtleties which most analysts will miss. Good strategic thinking requires insight, a reminder that strategy is an art, not a science.

Some possible strategies for Operating Areas

In Distribution
- Next day deliveries
- Adequate stock levels
- Efficient channels of distribution

In Finance
- Tight debtor control
- Strong cash management
- Good relations with creditors
- Access to adequate financial resources

In Human Resources
- Strong recruitment skills and ability to attract key staff
- Viable and relevant training program
- Continual staff development
- Strong and developing company culture
- Effective rewards and motivation for workers

In Information Systems
- Providing appropriate, timely and up to date financial and customer information
- User friendly
- Able to interact and integrate with other systems
- Continual development

In Marketing
- High or low product consistency and quality
- A wide or narrow product range
- Branding, Image, and Reputation
- Packaging to meet consumer and environmental expectations
- Skilled, committed sales force

In Production
- Up to date, state of the art facilities
- Facilities located close to labour skilled supply
- Facilities located close to markets
- Flexibility in production and lead times
- Highly productive labour force

In Purchasing
- Strong negotiating skills
- Strong supplier relationships

In Research and Development

- Continuous product design and improvement
- Differentiation between 'me too' products
- Continual process of innovation and protection of patents and trade marks

Corporate Strategy Alternatives

Dominance - dominate your corporate niche

Product emphasis - be product/service orientated

Distinctiveness / Uniqueness - be different from others

Focus / Coherence - Strive for strategic focus and/or tightness

High profile CEO - have a committed leader

Employee focus/opportunity - satisfy/fulfil your personnel

Efficient innovation - optimise new products, services and methods

External perception - really know the industry and market environment

Growth/profits trade-off - weigh top line with bottom line (growth v. profit)

Flexibility/opportunism - change direction and move/adapt quickly

Strategic options

Conventional thinking has that there are four different approaches to strategic planning:

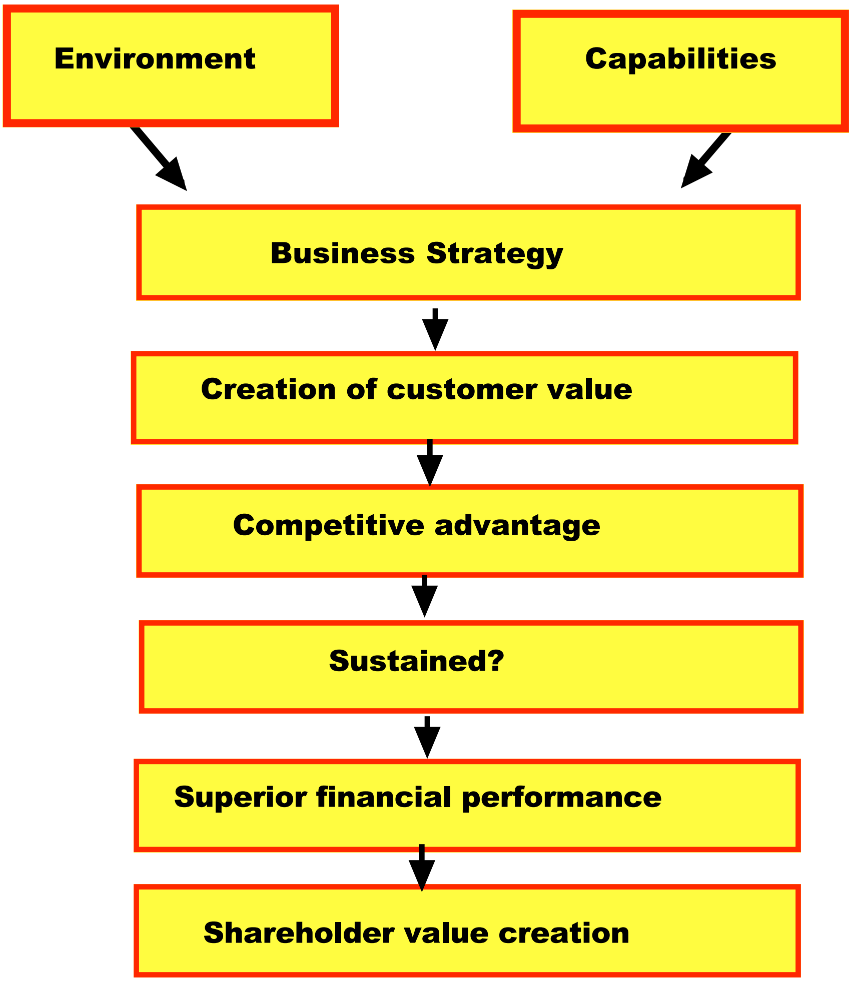
1. **Reactive**, or planning through the rear view mirror
2. **Inactive**, or 'going with the flow'
3. **Pre-active**, or planning for the future
4. **Pro-active**, or designing the future and making it happen

Key growth strategies

- Expansion of volume - increasing sales to a single new market or in existing markets
- Geographic dispersion - creating branches (or franchises etc.) around the country or around the world
- Vertical integration - staying in the same business but developing or acquiring related functions
- Product or service diversification - moving into new businesses to utilise existing resources

Business Strategy and Value Creation

The aim of business strategy is to outperform competitors. To achieve this, an organisation has to create more value for its customers than its competitors do. If this is achieved, the organisation can create a competitive advantage which, if sustainable, should result in superior financial performance.



Grand Strategies

Many business texts identify a number of strategic thrusts that organisations should consider in creating a market position and competitive edge. These grand strategies can be summarised as follows:

1. Concentration on existing products or services
2. Market/product development
3. Concentration on innovation / technology
4. Vertical / horizontal integration
5. Development of joint ventures
6. Diversification
7. Retrenchment / turn around, primarily through cost reduction
8. Divestment or liquidation

Gap Analysis

Gap analysis involves determining what gaps the organisation has in respect of:

- The gap between the capabilities of the organisation and its strategies
- The gap between the organisation's resources (time, money, people, etc.) and its strategic aims
- The gap between its current market position and achieving its strategic aims successfully
- The gap between what the organisation currently is and what it wants to be
- Where the organisation wants to go and where it currently is
- The fit between the organisation's strategy and its business environment
- The organisation's performance compared with its key stakeholders expectations
- The gap between internal and external perceptions of the organisation
- The gap between the organisation's business strategies and its strategic capabilities

What does the organisation need to do to sell itself as a responsible provider of its products or services to fill the role in the market place in which it perceives itself? Gap analysis, while highlighting deficiencies in the organisation, will also reveal many competitive strengths and opportunities.

To obtain strong results including sustained growth and profit, loyal customers and a high performing workforce any company needs to embrace the five elements of an organisation:

1. **People**
2. **Process**
3. **Customers**
4. **Business strategies**
5. **Leadership.**

Mission Statements

Most larger businesses have a Mission Statement which highlights and epitomises what the business wants to achieve. A Mission Statement can assist the focus of the management of your business. The components to help make a mission / vision useful and valid could include:

- A focused concept - something beyond platitudes. A value creation premise that people can actually picture as existing.
- A sense of worthwhile purpose - something that is really worth doing, something that can create value, make a contribution, make the world a better place in some way and win people's commitment.
- A plausible chance of success - something people can realistically believe to be possible and, if not perfectly attainable, at least plausible to strive for.

Who are we? People want to know who they are, where they stand in relation to others, who their colleagues are, and what values those colleagues hold.

This question covers the beliefs, values, and principles under which people operate, the very essence of the culture of the company.

In defining who we are as a company, we define how we want people customers, suppliers, the media, etc. to see us and how we wish to be perceived in the world.

The most important statement about who we are is known as a values statement, which summarises those values a company wishes to practise in its everyday dealings with staff, customers, suppliers, and shareholders.

Why are we here? This is the question about purpose, or mission and objectives. What is the company's reason for being? Why was it started, and whom does it serve? Staff, customers, suppliers, unions, and the community can work with the company more effectively and can relate to it more positively if they understand why it exists, and what its stated aims are.

Where are we going? Successful companies are those that can clearly state their chosen direction, their agreed objectives, rather than just floating along on the tide to see where they may end up. Setting goals orients people towards achievement, both conscious and unconscious, and encourages commitment, teamwork, and the achievement of those goals.

The five tests of a good Mission Statement:

1. Does it describe a purpose beyond the interests of the shareholders?
2. Does it capture the culture of the organisation?
3. Does it describe the strategic positioning of the company in a way that helps identify its competitive advantage?
4. Is it easy to read and easy to remember?
5. Is it general enough to allow adaptation to the changing requirements of the market, yet specific enough to impact the behaviour of the people in the organisation?

Developing a good mission statement

Stay focused on customer needs and not product or service attributes. Customer needs change slowly, but the means of fulfilling those needs can change very rapidly. Look for distinctive competencies

Strategic Leadership

It is widely agreed that leaders tend to have the following general characteristics.

1. ***Intelligence*** - leaders tend to have higher intelligence than their followers. (This doesn't necessarily mean academic achievement.)
2. ***Social Maturity*** - leaders tend to be emotionally mature and have a broad range of interests.
3. ***Motivation and achievement orientation*** - leaders want to accomplish things, when they achieve one goal they seek another. Their motivation is not usually dependent on outside forces.
4. ***Self-confidence and good communication skills*** - leaders recognise the need to work with others and respect other people's individuality. They tend to use their communication skills to promote a feeling of mutual co-operation and support.

Being seen regularly - 'walking the deck' - is highly effective in fostering good communications and leadership.

There is no set formula on how to be an effective leader, but research has highlighted some useful points.

1. ***Training*** - know yourself and be aware of your strengths and weaknesses, and overcome deficiencies with appropriate training. Aim to strengthen in yourself the characteristics which are generally acknowledged as leadership traits. Training in the areas of public speaking, decision-making, problem solving, increasing self-assurance etc. are widely available.
2. ***Style*** - know and control your style. Most leaders tend to be inclined towards either task or people orientation. But the most appropriate style depends on a combination of the situation, the task and the people involved. Maintain flexibility, which allows you to fit your style to the situation.
3. ***Subordinates*** - know and support them. They want to be treated as capable individuals. Create an atmosphere which supports their work goals and their personal needs.
4. ***Nature of the work*** - be adaptive. Your leadership has to fit the task. For highly creative and entrepreneurial tasks it is probably best to set broad goals for your subordinates and then rely on their judgement to get the job done. You can incorporate general checkpoints to ensure that the job is completed on time. Where the job is more routine, the leader usually sets various rules for getting the job done.

Service strategies

Service and service related issues have never been more important to organisations intent upon increasing market share and creating a point of difference for their product or service in the market place. A number of basic options exist when providing (or not providing) service to customers.

Some strategy options for service related issues might be:

- **Non existent service**
- **Slow service**
- **Fast service**
- **Efficient service**
- **Polite service**
- **Surly service**
- **Worse than industry standards**
- **Comparable with industry standards**
- **Superior to industry standards**
- **No after sales service**
- **Limited after sales service**
- **Strong after sales service**
- **No complaint handling**
- **Apathetic complaint handling**
- **Caring and prompt complaint handling**

5

People Skills for the 21st Century

The only difference between those who have failed and those who have succeeded lies in their habits.
Og Mandino, The Greatest Salesman in the World

Retaining scarce talent

One of the top strategies for retaining scarce talent is to identify the top 10 percent to 20 percent of the key people on staff and taking special care to keep them. These key people may be high-potential individuals or those who are critical to completing a major project. However, companies should not lose sight of the big picture. All people count, and smart companies realise this. Companies do not become great because of only a few key people - everyone must count all the time.

Organisations should customise their solutions based on their workforce, culture, business situation, and business strategy. In general, companies should use a combination of components for creating total rewards and provide opportunities for individual growth, a positive workplace, a compelling future, and total pay.

Some examples of successful strategies for retaining scarce talent are:

Develop a buddy system. Provide a mentor for scarce talent that keeps them happy from day one. A good start goes a long way.

Stay "state-of-the art" with your expectations of scarce talent. And make sure you pay scarce talent for developing new skills and competencies or your competitors will.

Offer win-win project incentives for people remaining with your company until the successful completion of the project. Project incentives clearly acknowledge a person’s contribution to the company. And while many companies may already be doing this annually, consider incentives more frequently for those workers that prove to be increasingly valuable.

Research shows that you may lose scarce talent within the first three years. Make people owners in the company through stock options as early in their careers as possible. Focus on key-talent workers below management level who may be more up-to-date on key technical skills and knowledge.

Provide exciting and challenging work that people want to do. Look for the kind of business that interests people. This is a great way to keep individuals motivated. Produce meaningful (and breakthrough) work for your customers which in return will also be meaningful (and exciting) for the workforce.

Provide excellent colleagues with whom people want to learn and work. Hire and train top-notch leaders people admire. Provide "feel good" benefits such as casual dress, longer vacations, flexible hours or work schedules, a pleasing and comfortable space, and amenities like a fully stocked kitchen and health club. Some companies even provide umbrellas in the workforce lobby for when it rains, allow pets at work, and provide car pools and transportation for employees’ children before and after school. Most companies are not in the business of buying talent at any price. Companies that have proven themselves over the years focus on strategies that keep key people who add value. The solution is total rewards. It is more than just how much people are paid or how many share options they have.

Human Resource Strategies

Overall planning components. To ensure that the organisation has an adequate basis for selecting its human resources and developing them toward the fulfilment of organisational goals.

Job and role planning. To determine what actually needs to be done at every level of the organisation - continuing reviews of skills, knowledge, values etc., currently required and those required in the future are addressed.

Recruitment and selection. The process of finding people and developing systems for deciding who to hire.

Career development processes. To match the organisation's needs for work with the individual's needs for a productive and satisfying work career.

Organisational rewards, pay, benefits, perquisites, promotion, recognition. Reward systems should become more flexible. At different career stages and in different types of careers employees will need different 'things'.

Promotions and job changes. An effective Human Resource system should concentrate on developing career paths, systems of job rotation, changing assignments, and lateral job moves to ensure growth of human resources.

Training and development opportunities. Companies should realise that periods of formal training, outside development programmes and other educational activities are necessary in the total process of human growth and development.

Continuing education and retraining. Is it better to provide challenging work, and then the training required for that work once the employee sees the need for it?

Job redesign, enrichment and rotation. After a few years of employment many workers become unresponsive to the job requirements and pay more attention to factors such as the type of supervision, relationships with other workers, pay and many other issues.

Staffing - how to keep your staff interested

1. Provide a variety of work - job rotation and projects
2. Ensure opportunities for growth, learning and promotion
3. Recognise good work
4. Encourage your staff to take chances and to 'take risks' to broaden their point of reference
5. Involve your staff in the 'big picture' - keep staff informed about what the business is achieving and trying to achieve
6. Encourage and reward contributions by staff
7. Give staff leaders to work with - not managers
8. Reward staff as individuals
9. Encourage and have a team environment
10. Provide a work environment that balances work and personal life

How to lose your staff

1. Salary paid is different to what was offered at the interview
2. 'Forget' salary reviews
3. Feedback consists of 'you did this wrong'
4. Running the business like a dictatorship
5. Not providing opportunities for ongoing staff training
6. A 'do as I say, not do as I do' work environment
7. A technologically backward work place
8. Lack of planning
9. Pressure to complete work on time and then the leader or manager fails to review the job for weeks
10. A 'school' approach to hours

Major personality attributes influencing organisational behaviour

As a manager it may assist you to understand the behaviour and personality of your subordinates. A long standing definition of personality is 'the dynamic organisation within the individual of those psychological systems that determine their unique adjustments to their environment' According to psychologists Personality is a dynamic concept, which describes the growth and development of person's whole psychological system.

Rather than looking at parts of the person, Personality looks at some aggregate whole that is greater than the sum of the parts.

Personality can be thought of as the sum total ways in which an individual reacts and interacts with others. This is most often described in terms of measurable personality traits that a person exhibits.

Locus of control

Some people (*internals*) believe they are masters of their own fate. Other people (*externals, who tend to be less satisfied with their jobs*) see themselves as pawns of fate, believing that what happens to them in their lives is due to luck or chance.

Achievement orientation

People with a high need and motivation to succeed (*internals*) can be described as continually striving to do things better. They want to overcome obstacles and feel that their success or failure is due to their own actions.

Authoritarism

The extremely high-authoritarian personality is intellectually rigid, judgmental of others, deferential to those above and exploitive of those below, distrustful and resistant to change. In jobs requiring sensitivity to the feelings of others, tact and the ability to adapt to complex and changing situations this person may be viewed negatively.

Machiavellianism

Named after Niccolo Machiavelli who wrote in the 16th century on how to gain and manipulate power. An individual high in Machiavellianism is pragmatic, maintains emotional distance, and believes that ends can justify the means. 'If it works, use it' is consistent with a high-Mach perspective.

Risk taking

People differ in their willingness to take chances. This propensity to assume or avoid risk has been shown to impact on how long it takes managers to make a decision and how much information they require before making their choice.

Bad bosses are autocratic, hierarchical, inconsistent and non-intuitive. The sort of person who kicks heads and asks questions later.

Good bosses on the other hand, communicate clearly and are decisive, intelligent, visionary and fair. They are team players who use their position and power to let their people shine. And they are not afraid of technology, change or delegating.

But leadership is also about pleasing the board and placating shareholders, whose demands for short-term results do not always accord with long-term vision and decision-making.

Workers too, want new things of their bosses. They want leaders who motivate rather than dominate, who nourish the whole person and who embrace diversity of opinion, values, personality and learning styles.

Managing your stress

Every employee is familiar with the term "stress". It is an inevitable part of an individual's working life. Some say that in moderation stress is beneficial, others that stress fatigues both body and mind. But what is stress, what does the term specifically relate to?

Stress is not just a result of external pressures, but can be brought about by internally generated feelings such as hopes, fears, expectations and beliefs.

Stress can also vary markedly from individual to individual. What is highly stressful to one person can be exciting, challenging and an opportunity to another person. It is all down to individual perception and judgement in any given situation.

Stress is a result of the pressures that we face in everyday life. External and internal pressures mount up and stress is the result of too much pressure. But tolerance levels are highly individual, some people can deal with far more pressure than others can.

Stress is really a throwback to our prehistoric ancestors and the "flight or fight" response. When our less developed cousins encountered a high-pressure situation it was usually physical in nature. The body therefore readied itself to fight or make a hasty escape. This is achieved through the release of large amounts of adrenaline that increases brain activity, heart rate and lung capacity.

Blood sugar is also released into the bloodstream in large quantities to fuel any exertions that may have to be undertaken. These responses may have been very useful to our distant cousins, but to the modern employee they are on the whole redundant in the modern environment.

The brain, under pressure, initiates these responses, but with no real physical outlet these stress related chemicals hinder both body and mind. This occurs to different degrees in different people, but in general these primitive physical responses are a negative factor when stress levels are high. Stress can hinder employee performance and impact on the business in several different ways.

Stress related sick leave also impacts on those left with an increased workload due to absenteeism.

Illness at work – stress related illness can hinder the performance of employee's at work.

Avoiding responsibility – employees opt for less work to avoid the possibility of more pressure and stress.

Downshift – many managers are looking to adopt a role that focuses more on personal values and less on work

Litigation – employers have to be wary of stressed employees taking legal action when their health (mental/physical) has been impaired.

Are there any measures that employers and employees alike can adopt to help manage stress in the workplace? Some solutions entail programs that encourage employees to use fitness and leisure facilities, as well as providing information on the benefits of regular exercise and a good diet. Both these factors can help to mediate and lessen the harmful effects of stress.

Courses on stress management are becoming more widely recognised. They are very beneficial in highlighting the issues that people face in regard to the causes of stress and also possible routes that might be taken to help alleviate high stress levels. Often these courses also focus on relaxation, exercise and diet. It is widely recognised that people that keep themselves fit can deal better with pressures that are faced at work, and also recover more quickly from stress related problems. Diet is not just concerned with eating the right foods and having a healthy and balanced intake. It also involves the utilisation of the breaks within a working day. Having time to relax and get away from the pressures of the workplace is essential.

This may be harder for highly driven individuals, who may see it as a waste of time. But a break from a high-pressure environment is a chance to replenish physical and mental batteries, enhancing performance after the time out.

Relaxing during these breaks can take a number of different forms. The coffee or tea break is one option. Dialogue with other individuals can help alleviate tensions and help the mind to focus on areas and issues outside of the workplace. Other options include calming and aerobic forms of relaxation.

Calming methods of relaxation include listening to music, meditation, simple rest and even relaxation tapes. This calming style of relaxation can help alleviate mental tensions and help individuals to achieve a better "frame of mind" at work.

Aerobic relaxation includes activities such a walking, cycling, swimming or jogging. Simply walking or cycling to work can help improve fitness and help in relaxation before and after work therefore reducing stress levels. Aerobic relaxation can aid highly stressed people because it is an alternative stress, taking the mind off work and focusing it on another activity.

Both employees and employers need to be keyed in to the issue of stress and not ignore its causes or potential impacts. Employers need to be aware of the signs of stress and have facilities available for the management of it.

The real competition out there is not for clients, it is for people. We look to hire people who are first, very smart; second, insecure and thus driven by their insecurity; and third, competitive. Put together 3,000 of these egocentric, task-orientated people, and it produces an atmosphere of something less than humility.

Former McKinsey managing director, Ron Daniel

Fitness and management - personal exercise

Like it or not exercise is good for you. A healthy body for a healthy mind we are told. Regular exercise not only conveys benefits of better all round general health, reducing ailments such as the common cold and back pain, but can also raise energy levels and can benefit our mental state of mind as well.

The benefit of a workforce comprised of healthy individuals is clear. Organisations should look to provide incentives for employees to exercise regularly, a process which would benefit both parties. Fitness programmes result in a positive image of the company to its employees and potential recruits. This in turn would lead to enhanced commitment and improve the company's reputation for employee relations.

As well as these points, improved health leads to increased production and also reduces the risk of incidents such as heart attacks to key management figures. Exercise reduces stress levels and is a valuable method for key individuals to help dissipate pent up nervous energy.

But although all the evidence points towards the benefits for employers and employees, the workforce is still not exercising regularly.

Organisational benefits

Not only does exercise improve the health of individuals, it can also improve the health and fitness of the organisation as a whole. Organisations and companies who have adopted fitness programs for their employees find that staff sickness and absence is reduced.

This means greater production and also means that staff are happier and more committed to their work.

Fitness programs

Despite these trends companies have not adopted these simple methods for improving the fitness of their staff and of the company.

Japanese firms have for years used daily exercise routines not only to improve staff fitness but as team building exercises.

Exercise can be used to break down barriers and bring staff together in situations outside the office. Exercise challenges that focus on the team can aid organisations in bonding groups quickly.

Fitness and management - incentives

How do organisations encourage their employees to exercise? Rewards, tangible or not, are one way to achieve individual participation.

These rewards must however be tailored towards the social group they are aimed at. Those at the bottom of the organisation structure are more likely to respond to tangible benefits whereas managers and executives react better to status and prestige rewards.

In order to reap long-term benefits, a more comprehensive exercise program needs to be adopted. This means placing exercise into the ethos of the company, making it part of company culture.

The individuals themselves must want to exercise and this means making them aware of the benefits so that it is important to them to exercise.

Regular exercise needs to be incorporated into diaries and schedules: it must be an integral part of the weekly routine. Only when it becomes " the way things are done round here" will the benefits of exercise be fully realised.

Hard work!

The role of the company is to inform employees and portray exercise as less hard work and more a time to get away from the stress of the office. Exercise must seem enjoyable otherwise employees will not exercise regularly as they will see it as a chore.

Even policies such as encouraging employees to cycle or walk to work can have tangible benefits to the company.

Exercise does not have to be hard high impact activities. Many individuals are reluctant to indulge because they are unwilling to over exert themselves or incur injury. But exercise is and should be portrayed as a time to relax. Used effectively exercise is a highly effective method to increase moral at work and reduce stress levels is the workforce

But it is not just down to the employer, individuals have a responsibility to themselves and the company they work for to look after their own health. This means adopting a lifestyle and working style that minimises the causes of stress and incorporates facets that act as vents for tensions and pressures.

This means finding a balance between pressure and relaxation that allows high levels of performance but with low levels of stress.

Is anybody there?

I am constantly amazed at the number of business managers who appear oblivious to communications directed to them. A telephone follow-up to a recent mail-out to managers of building companies (who in expensive advertising claimed to be major industry players) elicited a surprising number of responses to the effect that “I have not opened my mail this week” or “I have not been the post office to clear the box this week.” Do these managers treat cheques for their services posted to them in the same cavalier manner?

Similarly, a few years ago a colleague used to e-mail reminder notices to members of a business meeting he ran for aspiring entrepreneurs on a monthly basis. When followed up by phone a large percentage of the these people would answer that, “I have not checked my e-mails for a few days.” Yet the same people aspired to manage a business of their own!

Persistence is the key

My favourite quote is from former United States president Calvin Coolidge, which I have framed on my desk. It says: "Nothing in the world can take the place of perseverance. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan press on has solved, and always will solve, the problems of the human race."

Australian CEO

Meetings and Teamthink

Teamwork at meetings can increase creativity. A team approach should synergise thought. Participants stimulate one another, so that the whole becomes far greater than the sum of the parts.

Teamwork can reduce resistance to change by encouraging those who implement a program to feel allegiance to it. A good way to invite commitment is to ask for involvement in the planning of any project.

Participation groups can be frustrating for those who don't get what they want. Spread workload so that more gets done.

Improve planning. A critical group, with numerous viewpoints, is less likely to miss an important contingency than is a person working alone.

Foster more satisfying work relationships, as people get to work in a positive, productive manner with peers.

101 Common sense management tips for the 21st century

Richard Branson does it effectively from a hammock in the Necker Island, Warren Buffet has been doing it since he was 11, and Bill Gates used it to single-handedly build an empire.

Arguably the most powerful and effective managers in the world, these men have one thing in common – they owe their management acumen and success not to fancy business degrees from the hallowed portals of Harvard and Yale, but to plain old, not-so-common, common sense.

In short, the tricks you learned as a child when you first embarked on an entrepreneurial endeavour with your own lemonade stand, still hold good in today's cut-throat business world.

For those of you who have forgotten your first management lessons, here's a back-to-basics primer to bring to the fore the principles and rules that really matter.

Rate yourself leadership

Are you reasonably impartial?

1. A member of your group tells you that your chief assistant is constantly on the lookout for ways to discredit you with your staff and boss. Would you:
   a) Get rid of the assistant?
   b) Tell the informant to mind his own business?
   c) Talk to the assistant to find out why?
   d) Check the statement to see whether, and to what extent, it is true?

2. Two people are available for advancement; there is only one opening. It is tough, because they have both been on the job the same length of time, and there is not a hair's difference between them. One of them is a good friend of yours, the other just so-so. Would you:
   a) Pick your friend?
   b) Choose the other man, to show you are being fair?
   c) Stage some kind of competition between them?
   d) Toss a coin?

3. An error has been made. The person responsible has been both careless and stupid. You know it would do you the world of good to bawl the daylights out of him. Would you:
   a) Go ahead and bawl?
   b) Keep your temper in check, to show that you are capable of self-control?
   c) Smooth over the whole matter for the sake of group harmony?

4. Would you refuse a reasonable request for a privilege from a person you disliked, if you could do so without being thought unfair?
   a) Yes
   b) No

5. One of your staff has done an outstanding job. If you put in a good word for him, it means promotion to another department, but his departure would leave a serious gap in your work group. Would you:
   a) Hold on to him?
   b) Recommend him for promotion and get along as well as you could?
   c) Stall off his promotion whilst training a replacement?

6. You learn something about a colleague that is fairly shocking. He is living in sin, or plays the horses, or at any rate is guilty of some practice which is considered improper. As far as you can tell, his shortcomings are not reflected in his work, at which he is extremely capable. Which of the following would most closely describe your reaction?
   a) If I were his boss, I would fire him on the spot.
   b) "I ought to have a friendly talk with him, let him know that what he is doing in the long run may affect his job."
   c) I am going to make it very clear by the way I treat him that I disapprove of his conduct.

Can you solve the mystery of people?

1. Think of one of your supervisors, past or present. Which statement best describes your view?
   a) "I could never understand what makes him tick."
   b) "I usually could figure out the reasons for his actions."
   c) "His behaviour was so screwy, only a psychoanalyst could have known what he was up to."

2. You have put yourself out to be friendly with a subordinate, since he is unpopular with his co-workers. His repayment is to go to your boss with an unfavourable story about you. Once you had got over being angry, in which direction would your thoughts run?
   a) That's the way it is: you do a person a good turn and he knifes you in the back.
   b) Poor guy, he is so emotionally mixed up, he cannot form a friendly relationship with anybody.
   c) I am going to figure out a way to send him down the drain fast.

3. One of your staff bends over backwards to be nice to you. Your reaction to this would be to:
   a) Tone it down, to save him from group reaction.
   b) Encourage it, to let your group see that you can take that kind of relationship without playing favourites.
   c) Let the staff member see that he can have your friendly consideration without having to buy it.

4. A new member of the group, a rather timid person, has caught on to the work and seems to like it. One day he comes to you and asks for a transfer to another department - in fact, any department. Would your first thought be to:
   a) Suspect that he wants a better-paid job?
   b) Try and find out what is worrying him?
   c) Feel that he is just putting on an act about liking the job?

5. "Ever since that new punch press has been installed, Boss", an assistant tells you, "Ed Brown has been running it in a pretty careless way." Which one of the following possibilities would you rule out?
   a) Ed resents the new machine.
   b) Your assistant is trying to get Ed off the machine.
   c) Ed Brown is accident prone.
   d) Your assistant is an alarmist.

6. You have just been promoted to executive status. At the celebration get-together given by your colleagues, you notice one of them seems to be rather soured by the whole affair. You know that he has hopes of being promoted. Would you:
   a) Conclude that he was emotionally immature?
   b) Decide that he would need watching since he was bound to be disloyal?
   c) Try to help him get over his disgruntlement?

Flexibility

1. You are a personnel manager for an aircraft plant. You find turnover for a particular riveting job is high, because the operation has to be done in cramped quarters. Would you:
   a) Hire midgets?
   b) Take up with the Production Department the possibility of changing methods to avoid the operation?
   c) Accept the high turnover as an unavoidable "cost of doing business"?

2. You are the father of three sons; 14, 12 and 10 years of age. It is a standard part of summer holidays to go trail walking in the hills. You have always led the way, but this year, your oldest lad asks for permission to go first. Is your reaction:
   a) A feeling that "I am getting old"?
   b) One of the pleasures that the boy is growing up?
   c) "It is safer to continue the way we always have"?

3. In an argument centred on the old saying that it is not wise to change horses in midstream, would you:
   a) Argue for the change?
   b) Argue against the change?
   c) Argue against argument, but for clear pro and con statements?

4. Your company has a policy of a given punishment for a given rule violation - let's say, a month's suspension for smoking in a "no smoking area". A new employee and an old timer break the rule for the first time. Would you want to:
   a) Punish them both equally?
   b) Go easier on the old timer, explaining to all concerned that his length of service warrants more consideration?
   c) Consider the old-timer's rule breaking less excusable?

5. You strike up a conversation with a pleasant, intelligent stranger in the park. After a while, he tells you he is an experimental psychologist, and he has proof, he says, that contrary to expert opinion the ability of people to communicate by means of thought waves through telepathy, is a definite fact. Would you:
   a) Wonder whether he might have something of interest after all?
   b) Be annoyed that you had wasted your time talking to a person who was clearly a nut?
   c) Realise that many of our cherished ideas in the past have proved to be wrong?

6. Answer the following questions as quickly as you can:
   How many ends does a pencil have?
   Two pencils?
   Two and a half pencils?

Communications

1. If you wanted to commend a member of your group for an outstanding performance, which of the following methods would you select to give them the biggest boost?:
   a) Put a letter of commendation on the notice board?
   b) Praise him before a gathering of the entire group?
   c) Praise him in a face-to-face talk?

2. You walk around a corner too fast. Several of your staff are engaged in playing cards and it is past their lunch break. You want to show disapproval without further embarrassment to them. Would you:
   a) Say "Excuse Me", and retrace your steps?
   b) Tell them to save it for after hours?
   c) Tell them to break it up, lunch break is over?

3. You are a Sales Manager. You want to gain support of your staff for a new campaign. Which of the following methods would probably get the best results?
   a) You describe the campaign in detail, tell them you expect everyone of them to give it their full support?
   b) Let them assist in planning the campaign?
   c) Tell them the top 5% will get salary increases, the bottom 5% will get fired?

4. Generally, would you say it is easy to trace rumour back to its source?
   a) Yes
   b) No

5. You are in charge of a moulding department. Plainly because of carelessness, the scrap rate is steadily rising. You are trying to get the seriousness of the situation across to the operators. Do you think it would be most effective to:
   a) Call them together and bawl the daylights out of them?
   b) Heap all the scrap in the centre of the workshop with a sign in a shape of a tombstone, showing the dollar value lost?
   c) Keep separate records for each operator, and discuss these with them individually?

5. One of your staff has got himself into legal difficulties. After six months in jail, he is about to return. There is controversy in your group, the usual discussion - some for, some against. To best smooth his re-entry into the group, would you:
   a) Make it clear you will fire anyone who makes it unpleasant for him?
   b) Call the group together and ask for suggestions on ways and means of making him feel welcome?
   c) Make it your business to be first to welcome him?

Use of authority

1. You take on a new supervisor. He is capable, but you are pretty sure he thinks you are not. One day, you find he is by-passing you, taking up matters with your superior, rather than with you. Would you:
   a) Discuss the problem with your superior?
   b) Fire the supervisor?
   c) Give him to understand that he has stepped out of line, and you do not expect a repetition?
   d) Prove to him that by reason of your experience and accomplishment you are fully capable of being his boss?

2. One of your supervisors comes to you with a petition which all staff in the department have signed. They want you to cancel a rule that provides a week's layoff for an unexcused absence. You made the rule to show you are not kidding about cracking down on absenteeism.
   a) Would you go along with the petition, since it reflects the majority view?
   b) Would you say you would be able to cancel the rule, just as soon as attendance improved?
   c) To save yourself future trouble, would you try to find out who started the petition?

3. You are a divisional manager, and the company introduces an unpopular policy. In announcing it to your people, would you:
   a) Show that you are aware of the policy's unpopularity, but suggest a trial period before any conclusion that is undesirable?
   b) Make it clear you disapprove of the rule in order to retain the goodwill of your group?
   c) Say in effect, "That is the rule and I am going to enforce it so long as it is on the books"?

4. One of your staff has a violent temper. In the course of an argument with a colleague, he picks up a letter opener and is barely restrained from using it as a weapon. Would you:
   a) Have a serious talk with him, admonishing him against any repetition?
   b) Tell other staff to stay away from him as much as possible?
   c) Fire him?
   d) Insist that he see a psychiatrist in order for you to have the necessary advice on which to best handle the situation?

5. The fates have conspired to put you temporarily in charge of a group of three year olds. One boy starts beating another. Would you restore order by:
   a) Spanking the aggressive child?
   b) Making the aggressor play by himself?
   c) Tell the aggressor to stop because his victim did not like it?

6. Generally speaking, what is the best way to keep your staff on track, and to channel their efforts in a constructive manner?
   a) Use a firm hand?
   b) Putting them on their own?
   c) Getting them to function as a group and to share in planning, etc.

The second mile principle

The first mile is what most people offer - doing what is expected, that's it.

To separate yourself and accelerate your contribution, your income, your success you need to be just 1% different.

That 1% more allows you to leave the first mile and enter the second mile. All the magic happens in the second mile.

You enter the second mile when you over deliver on results, when you give more effort than is required, when you share more information than expected, when you do that little bit extra.

So ask yourself ... if I was going to do just 1% more for my team, my clients, or my organisation, today ... what could I do?

The art of management

The art of management cannot be understood and learnt in just a day – it is a process that encompasses your lifetime. It involves all the tricks of a circus - from juggling numerous responsibilities to performing a balancing act on the highwire in the most precarious of situations. New skills are picked up faster through experience than from book knowledge, so make the most of each incident, positive or negative, and go from strength to strength in your journey as a manager.

Managers need to be able to communicate effectively with others; this requires people skills of understanding people, expressing your thoughts and feelings clearly and speaking up when your needs are not being met.

Understand people. People not only come in all shapes and sizes, but they come with different personality types as well. People are individuals, with as many similarities from one person to the next as differences. To communicate most effectively, each will require you to communicate with them in their own individual preference style, using their language, their body gestures, and their pace and intonation.

Expressing your thoughts and feelings clearly. Our brains can only take so much information in at any one time. We are bombarded with messages every second of the day, so to compete with the barrage of 'noise' a person faces, your message needs to be clear, succinct and to the point. It is very worthwhile taking time to plan your communication - no matter by what method it is delivered - to ensure that you are taking the least amount of time to express the right level of thought in the most receptively simple manner.

Speaking up when your needs are not being met. Just as important in business relationships as in domestic ones, speaking up to ensure that your needs are met is a fundamental part of any relationship.

There are six different ways you can be assertive and not aggressive in your communication: by rehearsing your behaviour prior to the communication; by repeating your communication (the 'broken record' technique); fogging; asking for negative feedback; tentative agreement with negative feedback; and creating a workable compromise.

Assertiveness is a useful communication tool. It's application is contextual and it is not appropriate to be assertive in all situations. Remember, your sudden use of assertiveness may be perceived as an act of aggression by others.

Measure Twice, Cut Once. This old carpentry adage applies equally well to business. Take the time to plan and check your plan so when you do act, the work is done right.

Self before service – manage yourself first

1. Open yourself to accept constructive criticism; learn and grow, not only from your mistakes, but from the mistakes of those around you too.
2. The buck stops with you – be prepared to accept responsibility for the actions of those working under you, especially when the issues concern your entire team.
3. Ignore the nay sayers. Remember the story of the frogs in the well? If you don't…Two frogs fell into a dry well and the other frogs took it for granted that they would die in there. When both attempted to jump their way out, the frogs outside discouraged from expending their energy on a hopeless task. Listening to them, one frog gave up his attempts. But the other made it out through his determination and single-mindedness. When asked how he made it in spite of the negative attitude of his fellow frogs, the survivor replied that he was deaf, and that he had thought the other frogs were cheering him on as he tried to get out of the well. Shows what a profound effect a positive outlook can have.
4. Understand that you are unique and different from other managers, and that is a good thing. Each industry demands different skills and varying aptitudes, which is why you should try to become more adept at your job rather than emulating another manager's modus operandi.
5. Ethics matter, both personally and in all your dealings. There are no caveats or strings attached to this rule, either you're honest or you're not.
6. Take risks – but make sure that they are calculated and not foolhardy. Toeing the safe and secure line never got anyone spectacular results.
7. Identify and grab opportunities before they slip through your net and jump back into the ocean of prospects. The Disney movie *"14 Going on 30"* has a remarkable dialogue where one of the actors holds up a pumpkin seed and asks a class of teenagers what they see. When they state the obvious, he says, "You see a pumpkin seed, but I see possibilities." The best managers see opportunity where others see nothing.
8. No issue is entirely about you, the whole team counts. Think more of "we" and less of "I", and you'll have an environment conducive to success.
9. Manage and control your baser emotions like anger, hatred, envy and libido. Leave them behind when you come in to work each day. Remember that your behaviour sets the tone of the office. The more professional you are, the more professional your team will be.
10. There is always room for improvement, no matter how good you, or others, think you are. Learning and the pursuit of knowledge are like exploring the deep trenches in the oceans – they reveal new nooks and crannies each time you make the dive.
11. Fine-tune your powers of persuasion and negotiation – these qualities work wonders when you are trying to wheedle resources and perks for your department from the senior management or in crisis-

management situations.

12. Learn to step in and take control when things begin to get out of hand; if the going is smooth, let things be, don't wade in and muddy the waters.
13. Know when to press ahead with more steam and when to apply the brakes and pull back. Some situations demand an aggressive winner-takes-all attitude, while others would work better if you played the subtle cat-and-mouse game.
14. Know that stress is good, at a certain level and at certain times, to get your adrenaline flowing and to pump you up. But too much of stress too often can cause toxic reactions in your body.
15. Don't attempt to dazzle your subordinates with bombastic buzzwords and unintelligible jargon. The simpler the better, to get your point across.
16. Watch your back – there are as many enemies around as there are friends. Positions of responsibility tend to come with the associated baggage of envy, hatred and prejudice.

Time and tide wait for no man – manage each moment

17. Get more out of 24 hours; plan more than you think you can do each day, if you manage to get all your tasks done, there's no greater sense of achievement.
18. Well begun is half done, the early bird catches the worm – they may be the most repeated clichés, but they do have more than a modicum of truth in them. Set your alarm clock earlier by a half hour, beat the rush hour traffic, get some work done before the rest of the office files in, or just use it to organise and plan the rest of your day.
19. Organise and manage your schedule, harness the right tools (your phones, PDAs, computers, etc.) to help you get your tasks done faster and better, and set your priorities.
20. Stick to schedules and routines, boring though they may be. Routines work wonders to improve productivity.
21. Do quality work; what matters is not the fact that you spend more than 12 hours at the office every day, but the results you have to show for those long work days. Measure your output, not the time expended, in doing tasks.
22. Focus your energies on the things that matter – a trivial office rivalry does not need your attention, the hiring of new staff does.
23. Get the most out of meetings, draw valuable insights from them and prevent them from being a waste of time.
24. Identify your "time-stealers" and eliminate or reduce their effect on your daily routine.
25. Punctuality is next to godliness when you are a manager. Never keep people waiting and be on time for appointments and meetings.
26. Respond to your correspondence within a reasonable time span –

unanswered mail and unreturned phone calls can spiral out of control if not taken care of within 24 hours.

27. Do only what is necessary – wrap the gift with colourful crepe paper if the standards demand it, but make sure the bow on top is absolutely necessary before you spend time affixing it.
28. Know your limitations – both in your time and your abilities. Assume responsibility only for those things that you can do and learn to say a firm no to unreasonable demands on your time.

The human side of resources - master the art of managing me

29. Make a difference to your employees as their leader, stand out from the crowd, by virtue of your body language and actions.
30. When the occasion demands it, lead by example. Get down and dirty and do the most distasteful tasks; show your subordinates that no job is too demeaning.
31. Instruct rather than order – you will find your commands are better received and carried out.
32. Include your staff in your plans, let them know why they are doing the things they do, and how they are contributing to the growth of the organisation.
33. Delegate, delegate, and delegate some more. Your job is to manage, not to do. Tom Sawyer did it most effectively when he managed to coax his friends, not only into whitewashing his fence, but also into paying for the privilege of doing so. The art of delegation is one of the most desirable skills in an efficient manager.
34. Keep your eyes and ears attuned to the sight and sound of creative and innovative ideas; you never know when the mailroom boy might have a brain wave that could revolutionise the way you conduct your business.
35. Criticise in private, praise in public, and you'll be hailed as a fair and kind manager.
36. Equip and arm yourself with the best in the business – hire those most suited to handle the quirks of your business.
37. If you think you are the king of the (office) ring, come out of your castle and roam around your subjects so that you seem more approachable to them.
38. Don't micromanage; establish guidelines and see that the work gets done within these parameters.
39. Motivate your staff – extrinsic and intrinsic rewards work equally well. Be quick to praise work well done, show your appreciation in cash or kind. Tie up performance to salary and increments.
40. Be flexible but firm in your dealings. There is a thin line between the two and good managers know how where to draw it.
41. Admit your mistakes and be open to suggestions.
42. Create synergy – where the whole is greater than the sum of the

individual parts. You can achieve more through a team effort rather than by each employee working on his/her own. Building and motivating teams is an important managerial duty.

43. Establish firm pecking orders and delineate tasks and responsibilities.
44. Make sure your orders and instructions are received and understood clearly. There is no room for ambiguity here.
45. Gain your employees' trust and respect; obedience and conformance to your rules will automatically follow.
46. Get your staff to strike a balance between boring and interesting tasks; they often tend to focus on jobs that grab their attention while neglecting the more routine ones.
47. Maintain an air of professionalism; firing someone is never easy, but when it has to be done, don't get personally involved.
48. Avoid comparisons between your employees like the plague, not unless you wish to foster a climate of envy and one-upmanship.
49. Know that each of your employees is different – you can't dish out the same treatment for the Gen X crowd and the older employees.
50. Make sure your subordinates stick firmly to deadlines; offer no slack except under adverse circumstances.
51. You are working with and managing human beings, not machines. Which is why it is imperative to understand the different behavioural dimensions and act accordingly.
52. Foster an organisational culture that your employees can relate to, with just the right mix of formality and sociality.
53. Take a very small share in the pie of success and the largest piece in the cake of blame.
54. In a troubled situation, ferret out the troublemaker and get rid of him before getting the rest of the rest back on the right track.
55. Be empathetic to your employees' personal problems; they affect the quality of work produced.

Make every penny count - managing money pays

56. Set up a realistic budget at the beginning of every fiscal year, with adequate amounts earmarked to address contingencies and emergencies.
57. Don't be cent wise and dollar foolish – save costs where they matter the most. Look at the far horizon rather than just the immediate savings realised. When you compromise on the quality of tools and resources used, you end up paying more in the long run.
58. A dollar saved is a dollar earned – spend only when it is really necessary.
59. Manage and co-ordinate your cash inflows and outflows so that you are not left holding unpaid bills too long; you don't want the creditors knocking down your doors or harassing you at all hours of the day or night.

60. Find alternative sources of finance – business loans are sometimes necessary.
61. Stay true to your contracts to avoid legal hassles and litigation issues that cause a significant drain on the company coffers.

Just do it – managing tasks takes talent

62. Haste makes waste – so take time to do it right the first time. It costs less to perform a task the first time than to redo it.
63. Make quality a top priority, even in the smallest and most insignificant operations. You don't want to be faced with the snowball effect. Remember the "For the want of a nail" lesson? A whole country is lost because a simple nail was not available in the right place at the right time.
64. Be prepared – that's not just the motto of a boy scout, it applies to managers too. Equip yourself with the tools and resources needed to complete a job before you start work on it.
65. Promise less, deliver more – that will impress your higher-ups and your clients.
66. Never forget Pareto's principle which states that 20 percent of things count for 80 percent of the results. Focus more on that 20 percent to improve productivity.
67. Emphasise on getting to the goal, not on the ways that get you there, as long as those paths are morally, legally and ethically acceptable.
68. Maintain records of all your actions; history can prove invaluable in the course of your growth, both for planning and troubleshooting purposes.
69. Break up large tasks into smaller, more manageable sub-functions.
70. Putting off and procrastinating on uninteresting tasks does not make them go away – the sooner you get them done, the better.
71. Avoid complacency – review methods used to perform tasks from time to time and come up with more effective ways to do them.

Sourcing sources – manage resources resourcefully

72. Do more with less – make quality rather than quantity count.
73. Assign equipment and tools wisely according to the project, team or individual that needs it the most.
74. Invest in technology, not the latest and most innovative, but the applications and machinery that suit your organisation's needs.
75. Update your tools as and when needed; don't get stuck with obsolete stuff that's good only for the junk pile.

They are the reason your business exists – manage customers confidently

76. Remember that your customer is the king – you can say it over and over again or just forget about it, it's still true. Treat him/her accordingly.
77. Impress them not just with goods and services, but with value added to your offerings. Differentiate your products from those of your competitors and watch your customers coming back for more.
78. Never promise the sky when you know you can't make good on your pledge. Only guarantee what you can provide.
79. Focus more on retaining and enhancing relationships with existing customers rather than soliciting new ones.
80. Provide your customers with effective channels to communicate with you – appropriate feedback mechanisms will prove invaluable in improving your business.
81. Maintain accurate, up-to-date and value-added customer data. Harness this information, remember special occasions like birthdays and anniversaries, and instil loyalty in your customers.
82. Segment your customers and design marketing campaigns accordingly. They're not all birds of the same feather.
83. Follow up on sales with effective after-sales services.

Change is inevitable - manage critical and chaotic crises

84. Be prepared for change; nothing in this world is permanent, and a laid-back, complacent attitude will just not cut it. Don't fight change, go with the flow.
85. Control change, don't let it control you.
86. Adopt a predictive, not reactive, managerial style. Anticipate troubled times and establish backup plans for them accordingly to ensure continuity of operations when disaster strikes.
87. Conduct mock fire drills – test your contingency plans from time to time to determine their efficiency.
88. Fix what's broken instead of wasting time and energy on trying to pin the blame on the person responsible for the mishap.
89. The acid test in a crisis is to rise above the stormy waters when all around you are sinking. Rudyard Kipling puts this point across effectively in his poem *IF*, "If you can keep your head when all about you are losing theirs and blaming it on you…"
90. Identify the positives that can be salvaged from even the most negative situations.
91. Be quick to adapt according to the situation, change plans on the spur of the moment if the need arises.

92. Stay tuned to external factors that affect what goes on inside your business. Volatile political situations, environmental aspects, social and cultural changes – all have a significant impact on the way you manage your operations.

Aims and aspirations - Manage objectives objectively

93. Dream big, think mountains, only then can you achieve at least molehill success.
94. Dreams alone are not enough, you have to work to make them come true. Chart out a course of action that will get you closer to your goal each day.
95. And it's not sufficient to just plan and strategise, you have to implement your designs. Put that plan into action, it's the daily grind that matters in the realisation of the dream.
96. Know who matters and who does not, and what matters and what does not. Acquaint yourself with the right people who can assist you in achieving your target faster and more effectively.
97. Be careful of who you use as stepping stones on your way to success; they may turn out to be your stumbling blocks some time in the future.
98. Identify factors that are critical to your success and prioritise them over all else.
99. Keep an eagle eye on the competition – you certainly don't want them stealing a march on you.
100. Monitor results achieved, compare them against benchmarks and standards set, and take corrective actions where there are negative differences.
101. Put in place an R&D plan, encourage innovation and creativity to stay ahead of the demand for newer and better products and services.

What did you do yesterday to delight your customer?

6

Managing a Business in the 21st century

Success...is a matter of mental attitude.

W. Clement Stone, The Success System That Never Fails

Set goals and targets for the 21st century

Setting goals and targets for your business is essential. Many people roll along, content with whatever sales and profits come the way of their business. Good business management involves being proactive and setting a profit goal, which should not include your own wages, at least one year in advance, and preparing a budget taking into account the costs involved in achieving this target figure, particularly wages.

If you are managing your own business you should have a goal of paying yourself a wage at least equal to what you could earn working for someone else, plus the usual benefits of superannuation and the provision of a fully serviced motor vehicle.

When preparing your budget look very carefully at the contribution margins you are working on. Contribution margins are the difference between the cost of goods or services you are providing and the price which you are selling them for. A common mistake is for businesses to try and work on small margins in order to compete with existing competitors to win some market share. On small turnovers these slim profit margins will quickly be swallowed up by operating costs.

If you are paying wages to employees you will also be liable for Superannuation, holiday pay and Workcover payments. Your business should aim to make a profit separate from the wages you draw from the business. Without these profits your business will not be able to expand and grow.

A common mistake is to underestimate costs and overestimate sales. Bear in mind that if your business is making a profit you should be able to increase the profit margins by continually improving the prices at which you buy materials for and by careful cost cutting.

Be aware of creating a business which you can sell or one that will attract a take-over from a larger competitor. A turnover of $1 million per annum with 10% net profit after wages will provide you with a business which will be taken seriously by potential buyers when it comes time for you to consider quitting the business. This type of target level is also a good way of making capital gains in just a few years.

Another worthwhile goal is to strive to win a defined amount of market share within a given time frame. Better still set a goal of being the number one or number to in your niche market!

And always remember that all goals need to be SMART: Specific, Measurable, Accurate and Achievable, Realistic and Time-based.

Competent first line management in the 21st century

A good manager is a person possessing a number of skills, attitudes and characteristics. The relative importance of each will vary according to the work being done and the organisation in which the manager is being employed.

In the 21st century, good first line managers should:

- Have good technical skills.
- Have conceptual and planning skills.
- Be willing to allow participation and involvement by the work group.
- Be committed to getting the job done.
- Be consistent and flexible.
- Have integrity and be honest.
- Have a capacity to make rational judgements.
- Recognise their own limitations.
- Have good communication skills.
- Have the capacity to learn new skills and acquire new knowledge.
- Be willing and capable of exercising initiative.
- Have the capacity to work under pressure.
- Have the ability to fit into corporate culture.
- Be capable of managing and not simply administering.

Seven key tasks for managers in the 21st century

1. Management by objectives.
2. Taking more risks and for a longer period ahead.
3. Ability to make strategic decisions.
4. Ability to build an integrated team.
5. Ability to communicate information quickly and clearly.
6. Seeing the organisation as a whole and integrating the managerial function within it.
7. Ability to relate the organisation's product or service, or industry, to the total environment.

Benchmarking

Competitive Benchmarking

A benchmark is a point of reference by which performance is judged or measured. Australian managers should benchmark the performance of their business against a number of measures, including world's best practice. Xerox defines competitive benchmarking as 'the continuous process of measuring our products, services and practices against our toughest competitors or those companies renowned as leaders.'
Possible quality benchmarks include:

- The specification
- Customer desires
- Competition
- Best in our industry
- Best in any industry

Benchmarking can be defined as the continuous systematic process for evaluating companies recognised as industry leaders to develop business and working processes that incorporate best practice and establish international performance measures. Competitive Benchmarking is a vital component of any Quality Management programme.

Five reasons for actively using Benchmarking techniques are to:

1. Define customer requirements
2. Establish effective goals and objectives
3. Develop time measures of productivity
4. Become more competitive
5. Determine industry best practice

Steps in the benchmarking process

1. Decide what is going to be benchmarked. These may include products and services, customers, business processes in all departments and the organisation, business culture and the calibre and training of employees.

2. Select the competitors (they may be locally based or anywhere in the world) who are the best in terms of products and services, business processes and people, and aspects that you want to measure for your organisation. Usually organisations will be looking at their direct competitors, but they may go outside these companies to compare themselves with an outstanding leader in some aspect of business which is famous for certain practices.

3. Decide the most appropriate measurements which will be used to define the performance levels in the competitor's business and in your own organisation, and develop a strategy for collecting the data needed to make meaningful and valid comparisons.

4. Determine your competitor's strengths and assess those strengths against your own organisation's track record or performance. Ask questions such as:

a) Is the competitor better? If so, how much better?

b) If they are better, why are they better?
c) How can we learn from them?
d) How can we apply what we have learned to our business?

5. Develop an Action Plan. Use the analysed data to set company goals to gain or maintain superiority and to include these goals in the formal planning process. Gaining senior management's acceptance of the results of the competitive benchmarking is crucial to getting commitment to the action plans. A staged problem solving process is often used to achieve the action plans.

Setting Benchmarking priorities
There are many things that can be measured and compared in benchmarking so where should you place your priorities? Some recommended priorities can be determined by identifying which processes and entities in the supply chain:
1. Are of high strategic importance
2. Have a high relative impact on the business
3. Where there is a choice of 'make' or 'buy'
4. Where there is internal readiness to change

Key Performance Indicators

What are they? How will we measure our progress?
Your Business Plan should list a range of *Key Performance Indicators* to measure the performance, progress and viability of the business. These performance indicators should be measured on at least a monthly basis.

For many businesses, the only performance measures are when the annual tax return is filled in, more often than not many months after the end of the financial year, and often too late for any corrections to be made. Some Key Indicators could include:

Sales
- Volume - in dollars and / or units sold
- Volume - compared to previous sales periods
- Profitability as a percentage of sales
- Profitability by product or area
- Growth - increase in total sales
- Sales per employee
- Expenses as a percentage of sales
- Market place activity
- Stock levels
- Stock turnover/rotation per year
- The calls to orders ratio
- The number of new customers
- The number of lost customers
- The number of new sales enquiries
- The amount of repeat business
- The number of customer complaints
- The number of enquiries converted to orders
- Market share - the organisations percentage share of total industry sales

Finance
- The time taken by customers to pay their accounts
- The time taken by the business to pay its accounts
- The amount of bad debts incurred
- The return on funds invested
- The ratio of assets to liabilities
- The ratio of debt to equity
- The amount of working capital available
- Use of overdrafts / increased limits
- Cash ratio

Staff
- Turnover and absenteeism
- Sales per employee
- Production /output per employee
- Decrease / increase in number of employees

Productivity
- Sales per employee
- Net earnings per employee
- Scrap rates
- Cycle times
- Production rates as a percentage of employee time
- Benchmarking - direct comparisons of the business with other similar business operations and world's best practices.
- The time required to process orders and enquiries
- The amount and value of goods returned for credit or rework

Profitability
- Return on sales
- Return on assets
- Return on shareholders funds
- Net earnings per employee

Managers control three major resources

1. People
2. Time
3. Money

Every business, no matter how large or small has these three resources. The management of these three key resources will have a huge bearing on the success of the business.
It may be only one person, the owner of the business.

Every business has exactly the same amount of time available each day.

Money of course is a most valuable resource in business. For some businesses their money may be a negative number as in an overdraft situation. Collecting money from debtors on time can greatly enhance the cash resources of a business and enable the business to expand faster than it would if it let its debtors dictate payment terms. Conversely stretching the payment of your creditors will enhance your cash flow.

Resource check-list

An important facet of business management is the ability to recognise and utilise resources to their utmost effectiveness. Any manager has three basic resources to work with - time, money and people.

According to the resource advantage theory, there are three types of resources which managers can utilise to effectively run their business:

1. **Physical**, such as plant, location and access to raw materials.
2. **Human**, such as skills, knowledge and ability.
3. **Organisational**, such as culture, structure, procedures and systems.

For a resource to be useful in developing a sustainable competitive advantage, it must meet four criteria:

1. The resource must be valuable.
2. The resource must be rare.
3. There must not be a substitute for the resource.
4. The resource must be difficult to imitate.

Examples of resources that meet these criteria include the service culture in legendary organisations such as the United States department-store group Nordstom's, the remarkable level of employee commitment in organisations such as Virgin Airlines, and the mass-customisation capabilities of the Dell Computer Corporation.

Management essentials

- You must grow your business each year
- You must improve your profit each year - in the USA the quarterly reporting systems provide strong pressure for growth and increased earnings each quarter
- Many managers fail when it comes to delivering their message
- You must communicate your strategies - often and constantly
- Communication is two-way - you must listen as well
- Real communication is personal and an attitude - much superior to memos, newsletters and the like
- Every organisation has a distinctive culture - the personality of the business
- Question every decision - Why is it so?
- When you intend buying something, ask: "What value will the business get from this?"

Purchasing for the 21st century

Your purchasing team have the opportunity to improve profits by constantly striving to buy better. Smart purchasing can improve profits more quickly than improving production or significantly increasing sales margins.

Some purchasing strategies to achieve substantial cost savings:

- Leverage volume as much as possible (have you ever negotiated with the supermarket chains?)
- Select just a few suppliers (McDonalds has just one)
- Encourage vendors who can supply many requirements
- Negotiate hard contracts - call for tenders for major supplies - many businesses even put their banking and power supply out to tender
- Use brinkmanship - let suppliers know that it is possible to operate without them
- Strongly challenge and support the purchasing function to reduce costs
- Ask suppliers to help reduce costs by drawing on their experience and resources
- Of course these strategies backfire on many organisations when they have trouble meeting the suppliers payment terms!

Supplier Management for the 21st century

Suppliers play a strategic role in the whole supply chain, and they need to be selected, evaluated and certified to ensure a reliable base. The customer-supplier relationship has to be based on common goals in order to increase quality and productivity, profitability and competitiveness.

Supplier management ensures an organisation selects only the most reliable and resourceful suppliers to create a strong relationship, focusing on increasing quality to their products, while reducing customer waiting time. Supplier management also includes supply-base reduction.

Many organisations deal with more suppliers than is needed and by decreasing their supply base, they can leverage their purchasing power with fewer suppliers. Fewer suppliers should equate to better overall prices and better relationships with your key suppliers.

Reduce the supplier base

Traditional companies deal with so many suppliers that it is impractical to fully understand the capabilities of any one of them in terms of quality, capacity, cost structure or technical capabilities. Traditional companies divide work volume among many suppliers to the extent that their company's bargaining power and influence is low with all of them. Traditional companies focus primarily on price when making buying decisions.

Lean companies reduce the number of suppliers for each commodity of purchases to a minimum, often using only a single source of supply and focus on long-term goals and relationships when making purchasing decisions. Lean companies enjoy the following benefits of reducing their supplier base:

- Manufacturing operations are faster because fewer and more dependable suppliers are unlikely to cause disruptions.
- The close relationship developed with the supplier helps the company better understand the supplier's capabilities.

- The company becomes a major customer to that supplier, allowing it to influence quality, price, delivery schedules and capacity decisions.
- The number of variables is reduced, such as quality and reliability, producing better products.
- Design engineers are able to work closely with supplier engineers to effect functional, cost and quality improvements in products, and to make outsourcing decisions.

Develop strategic long-term supply partners

Traditional companies do not develop long-term relationships, but change to another supplier at the first disagreement on price or delivery. Do not discuss strategic issues such as technology roadmaps, capacity planning, plant locations, major quality initiatives, redesigning for cost reduction and only release confidential information that is required for the immediate purchase. They do not try to understand the motivations and aspirations of the supplier nor its needs to make a profit to grow and continue as a viable supplier.

Lean companies develop supply partners, especially in key areas of the company's growth and future success and ensure that there is a close match in technology, growth plans and corporate culture so as to have an open and successful relationship. They plan and execute for a long-term relationship, exchange more information than traditional relationships and push for continuous improvement, usually on price.

Lean companies enjoy the following benefits of developing long-term supply partners:

- Honest discussions are permitted at all levels so that the company understands the technical, cost and quality issues of the supplier's product, which, after all, becomes part of the company's product.
- Open discussion of growth and capacity planning is allowed so that all relevant parties contribute to decision-making.
- Open discussion of quality- and reliability-improvement plans and exchange of very detailed product-failure data is fostered.
- Technology discussions are encouraged that are detailed enough to produce a better solution for both companies than could result from an arm's-length relationship.
- Detailed cost data is exchanged, which can reduce duplication and produce shared savings.

Evaluating suppliers - some example areas:

1. Rate the supplier's interest in developing a partnership
2. Rate the supplier's delivery performance
3. Rate the supplier's pricing against the market
4. Rate the supplier's cost savings initiative
5. Compare lead-time against industry norm
6. Rate the supplier's achievement of defect-free deliveries
7. Rate the supplier's ability to avoid complaints
8. Rate the supplier's response to quality problems

9. Rate the supplier's quality of delivery documentation
10. Rate the quality of account representative
11. Rate the efficiency of the supplier's administration system
12. Rate the efficiency of the supplier's sales office
13. Rate the supplier's track record in bringing in new ideas
14. Rate the supplier's assistance in solving technical problems
15. Rate the supplier's adherence to agreed development schedules
16. Rate the abilities of the day-to-day technical representative.

Certify Suppliers
Traditional companies do not certify suppliers or they use a system that is not considered relevant by the supplier and have too many suppliers to do certifications or do certifications properly.

Lean companies use cross-functional teams to certify suppliers and mandate a certification process that challenges suppliers and makes them proud to be certified. They ensure that the certification process contains exactly those criteria that are important to the organisation and recognise certified suppliers publicly. Lean companies enjoy the following benefits of certifying suppliers.

- The supplier knows the company's standards.
- The supplier is proud of being a supplier of choice.
- The supplier is encouraged to strive to fulfil the company's needs.
- Suppliers improve, minimising errors and misunderstandings to create leaner operations.

Lead-time analysis will enable you to highlight opportunities to reduce or eliminate non-value-added activities and thereby shorten the total product-cycle time. By reducing variations in the rate of flow in a manufacturing system/ the lead-time can be shortened. Variations can be reduced through lower downtime and higher uptime through quick changeover and improved quality through error proofing, self-checking equipment and product-centred cellular layout.

Predictive Management - Not Reactive Management
Many managers believe that their job is to resolve problems that arise. While that is true, it is only the lesser part of the job. More importantly, a manager's job is to prevent problems. This is the difference between reactive management, which solves problems as they occur, and predictive management, which tries to prevent many problems from arising in the first place.

Reactive Management. Reactive management deals with problems as they come up. It is a management style that is much admired for its ability to quickly get the resources back into production, whether those resources are machines or people. If you are good at reactive management, you are:

- Decisive and able to act quickly,
- Able to find the root cause of events,
- Creative and able to develop many solutions,

- Innovative and able to find new ways to solve problems, and
- Calm and in control in the midst of a "crisis".

Someone who is good at reactive management is able to remain calm, quickly analyse the problem, and find its root cause. Rather than getting lost in the symptoms, they are able to think up many possible solutions, some proven and some new, and select the best choice. They are equally quick at implementing the solution to resolve the problem.

A reactive management style clearly is a desirable skill set for a manager to have. By quickly solving problems they are able to get the people and/or machine quickly back to work and productive again. However, it's not the best style. Managers should concentrate on improving their ability in predictive management as well.

Predictive Management

Predictive management focuses on reducing the number of problems that require reactive management. The more problems that can be prevented through predictive management, the fewer problems will need to be solved through reactive management. If you are good at predictive management, you are:

- Thoughtful and analytic,
- Not likely to go chasing after the current panic,
- More aware of the important than the merely urgent issues,
- Able to identify patterns in data and patterns of failures,
- More focused on "why" did something go wrong, rather than "what" can be done to fix it, and
- Able to keep the big picture in mind when working through the details.

Someone who is good at predictive management is sufficiently detached that they can identify the conditions that lead to certain problems and can implement procedures to reduce or eliminate the problems. Rather than being concerned about the immediate problem, they are able to relate current conditions to earlier information and predict when problems might arise.

A predictive management style is an important ability for a manager to have. The more problems that can be prevented through predictive management, the fewer resources will need to be spent on reacting to problems that have arisen. Predictive management does not replace reactive management, but it reduces the need for it.

You have to make a difference
The group you manage has to be more effective, more productive with you there than they would be if you were not. If they are as productive without you, there is no business sense in keeping you on the payroll.

What traits might a successful leader possess in the 21st century?

On a descending scale with integrity being the most important, most surveys would produce a result something like this:

- Integrity
- Desire for responsibility
- Concern for people
- Formal business training
- Aggressiveness
- Exceptional intelligence
- Appearance
- Concern for how results are achieved
- Concern for results
- Ambition
- Creativity
- Loyalty
- Visibility
- Mentor
- Likeability
- Conforming

Recent research involving people in leadership roles indicates that:

- 90% recognise that leadership was vital for the success of their organisation.
- 20% are developing their leadership capability.
- 80% believe leaders words and behaviour are at variance.
- 60% think leaders seek the ideas of their employees and should disclose more information.
- 75% felt their Leaders were unsatisfactory role models.
- 80% had difficulty gaining the commitment of their people

A 21st century definition of a business is 'the utilisation of capital as performance solutions to produce value in specific results'. Thus, results must be separated from performance. Two components of the business must be organised the performance solutions utilised in "the activity of providing" and the results produced in "the goods and services provided". Only then can we capture actual business data of the cost and effectiveness of performance and the value and quality of results to report to management on cost-effective performance producing value-quality results.

7

Things Great Managers Do in the 21st century

"Focus on where you want to go, not on what you fear."

Great managers play chess, not checkers

Average managers play checkers, while great managers play chess. The difference? In checkers, all the pieces are uniform and move in the same way; they are interchangeable. You need to plan and co-ordinate their movements, certainly, but they all move at the same pace, on parallel paths. In chess, each type of piece moves in a different way, and you can't play if you don't know how each piece moves.

Great managers know and value the unique abilities and even the eccentricities of their employees, and they learn how best to integrate them into a co-ordinated plan of attack.

Being a Manager is different than being a Leader

Great leaders discover what is universal and capitalise on it. Their job is to rally people toward a better future. Leaders can succeed in this only when they can cut through differences of race, sex, age, nationality, and personality and, using stories and celebrating heroes, tap into those very few needs we all share.

The job of a manager, meanwhile, is to turn one person's particular talent into performance. Managers will succeed only when they can identify and deploy the differences among people, challenging each employee to excel in his or her own way.

This doesn't mean a leader can't be a manager or vice versa. But to excel at one or both, you must be aware of the very different skills each role requires.

Great Managers capitalise on people's unique abilities

All that said, the reason great managers focus on uniqueness isn't just because it makes good business sense. They do it because they can't help it.

Like Shelley and Keats, the nineteenth-century Romantic poets, great managers are fascinated with individuality for its own sake. Fine shadings of personality, though they may be invisible to some and frustrating to others, are crystal clear to and highly valued by great managers. They could no more ignore these subtleties than ignore their own needs and desires. Figuring out what makes people tick is simply in their nature.

Identifying a person's strengths

To identify a person's strengths, first ask, "What was the best day at work you have had in the past three months?" Find out what the person was doing and why he enjoyed it so much.

Remember: A strength is not merely something you are good at. In fact, it might be something you aren't good at yet. It might be just a predilection, something you find so intrinsically satisfying that you look forward to doing it again and again and getting better at it over time. This question will prompt your employee to start thinking about his interests and abilities from this perspective.

Identifying a person's weaknesses

To identify a person's weaknesses, just invert the question: "What was the worst day you have had at work in the past three months?" And then probe for details about what he was doing and why it grated on him so much.

As with a strength, a weakness is not merely something you are bad at (in fact, you might be quite competent at it). It is something that drains you of energy, an activity that you never look forward to doing and that when you are doing it; all you can think about is stopping.

Great Managers recognise great performance

The most powerful trigger by far is recognition, not money. If you're not convinced of this, start ignoring one of your highly paid stars, and watch what happens.

Most managers are aware that employees respond well to recognition. Great managers refine and extend this insight. They realise that each employee plays to a slightly different audience.

To excel as a manager, you must be able to match the employee to the audience he values most. One employee's audience might be his peers; the best way to praise him would be to stand him up in front of his co-workers and publicly celebrate his achievement. Another's favourite audience might be you; the most powerful recognition would be a one-on-one conversation where you tell him quietly but vividly why he is such a valuable member of the team. Still another employee might define himself by his expertise; his most prized form of recognition would be some type of professional or technical award. Yet another might value feedback only from customers, in which case a picture of the employee with her best customer or a letter to her from the customer would be the best form of recognition.

Great Managers find ways to amplify a person's style

Great managers don't try to change a person's style. They never try to push a knight to move in the same way as a bishop.

They know that their employees will differ in how they think, how they build relationships, how altruistic they are, how patient they can be, how much of an expert they need to be, how prepared they need to feel, what drives them, what challenges them, and what their goals are. These differences of trait and talent are like blood types: They cut across the superficial variations of race, sex, and age and capture the essential uniqueness of each individual.

Management Success

Great managers break every rule perceived as 'conventional wisdom', when dealing with the selection, motivation, and development of staff. People do not change that much. Don't waste time trying to put in what was left out. Try to draw out what was left in. That is hard enough.

The implications of this insight for training and performance development are profound. This insight encourages building on what people can already do well Instead of trying to "fix" weaker talents and abilities. The traditional performance improvement process identifies specific, average or below performance areas. Suggestions for improvement, either verbal or in a formal appraisal process, focus on developing these weaknesses.

What great managers do instead, is assess each individual's talents and skills. They then provide training, coaching, and development opportunities that will help the person increase these skills. They compensate for or manage around weaknesses.

As an example, if I employ a person who lacks people skills, a diverse group of staff members can form a customer service team that includes him. Other employees with excellent people skills make his weakness less evident. And, the organisation is able to capitalise on his product knowledge when dealing with product quality issues.

Does this mean that great managers never help people improve their inadequate skills, knowledge, or methods? No, but they shift their emphasis to human resource development in areas in which the employee already has talent, knowledge, and skills.

The Four Vital Jobs for Great Managers

Four twists on conventional approaches which further define the differences in tactics espoused by great managers can be identified.

1. **Select people based on talent.**
2. **When setting expectations for employees, establish the right outcomes.**
3. **When motivating an individual, focus on strengths.**
4. **To develop an individual, find the right job fit for the person.**

Select People Based on Talent

Talents identified are:

- **Striving -** (examples: drive for achievement, need for expertise, drive to put beliefs in action),
- T**hinking –** (examples: focus, discipline, personal responsibility), and
- R**elating –** (examples: empathy, attentiveness to individual differences, ability to persuade, taking charge).

Human Resource professionals will support line managers more effectively if they recommend methods for identifying talents such as realistic testing and behavioural interviewing. When checking background, look for patterns of talent application. (As an example, did the candidate develop every new position she ever obtained from scratch?)

A 72-Hour Success Goal

It is simple, but not easy. Write down this question. What is one thing that I don't want to do today, but if I did it, would move my life and/or career forward?

Then answer the question, "How will I benefit from doing it?"

For the next 3 days, write down and do one thing each day that you don't want to do, that can move you forward.

Everyone only wants to do the things that they enjoy, that they like. Successful people form the habit of doing the things they don't like to do because they have a strong desire for the reward.

You build your 'success muscles' by doing things you don't enjoy, but that can help you. This is how real personal growth happens.

This is your challenge. Make your next 72 hours productive. You may be surprised at the result.

What does a great manager actually do?

While there are countless management styles, one thing underpins the behaviour of all great managers; an exceptional manager comes to know and value the particular quirks and abilities of their employees. They work out how to capitalise on the strengths of their subordinates and tweak their environment to meet their larger goals.

Such a specialised approach may seem like a lot of work. But in fact, capitalising on each person's uniqueness can save time. Rather than encourage employees to conform to strict job descriptions that may include tasks they don't enjoy and are not good at, a manager who develops positions for his staff members based on their unique abilities will be rewarded with behaviours that are far more efficient and effective than they would be otherwise. This focus on individuals also makes employees more accountable. Because subordinates are evaluated on their particular strengths and weaknesses, they are challenged to take responsibility for their abilities and to hone them.

Capitalising on a person's uniqueness also builds a stronger sense of team. By taking the time to understand what makes each employee tick, a great manager shows that he sees his people for who they are. This personal investment not only motivates individuals but also galvanises the entire team. Finally, this approach shakes up existing hierarchies, which leads to more creative thinking. To take great managing from theory to practice, you must know three things about a person: their strengths, the triggers that activate those strengths, and how they learn. By asking the right questions, squeezing the right triggers, and becoming aware of your employees' learning styles, you will discover what motivates each person to excel.

Setting personal goals and objectives

In setting personal goals and objectives, you should ask yourself the following questions:

1. *What kinds of tasks or activities have I enjoyed the most?*
2. *What kinds of tasks or activities have I enjoyed the least?*
3. *If I could have any job I wanted, what job would it be?*

The best way to determine what you really want out of life is to answer such questions honestly. Some of the factors that must be considered when answering these questions are, desired income, geographical location, amount of travel, job security, independence, autonomy and company size.

- What price are you prepared to pay to get ahead?
- Are you willing to move whenever and wherever you firm dictates?
- When you answer these questions, you will have clearer understanding of your goals, values and priorities.
- Goal analysis takes time, but without some idea of where you want to go, it is difficult to plan how to get there.
- What are your priorities?

Management trends in Outsourcing

Harvard Business Review has identified outsourcing as one of the most important management ideas and practices of the past 75 years, with spending by U.S. organisations on outsourced business services expected to triple to more than $300 billion.

Studies indicate that outsourcing is increasingly viewed positively by executives and top management alike, at both Australian and multinational companies.

A recent survey of outsourcing found that, one in four organisations plan to increase their outsourcing spending by 25% or more. Outsourcing will represent 19.5% of the typical executive's budget, up from 16.4%

today. Firms in dynamic markets such as telecommunications, high-tech products, and professional services, already source more than 40% of their operations outside. Innovation is now seen as the key strategic benefit of outsourcing.

Another a study found that top US companies are turning to business process outsourcing. About 73 percent of U.S. executives interviewed said their companies presently outsource one or more business processes to external service providers.

Great Managing is about releasing not transforming

To excel at managing others, you must bring that insight to your actions and interactions. Always remember that great managing is about release, not transformation. It's about constantly tweaking your environment so that the unique contribution, the unique needs, and the unique style of each employee can be given free rein. Your success as a manager will depend almost entirely on your ability to do this.

Marcus Buckingham in Harvard Business Review

8

Checklists and Quizzes for the 21st century

Don't let the opinions of the average man sway you.

Dream and he thinks you are crazy. Succeed, and he thinks you are lucky.

Acquire wealth, and he thinks you are greedy.

Pay no attention. He simply doesn't understand.

Robert Allen

Managing and improving your business in the 21st century - the Overton formula

1. Plan your day and work to your plan. Manage your time.
2. Always treat the customer like a king or queen - if you don't, your competitors will.
3. Recruit the very best people - and then train them.
4. Return your telephone calls promptly (how much business have you lost because you refused to talk to, and return calls to clients, potential clients and suppliers?) And of course reply to all letters and fax messages. Think of all the windows of opportunity you may be missing out on!
5. Remember that people ask dumb questions for a reason.
6. If someone complains, you must do something! If someone is complaining about your products or service, how many are not bothering to complain, but have merely decided to buy elsewhere?
7. Think - and use logic and reasoning.
8. Listen to your staff - and be available for them.
9. Listen more than you talk - try listening for 60% of the time and talking just 40% of the time.
10. Value-add to everything you sell - extra features and improvements added to 'standard' products.
11. Always remember that everything is negotiable.
12. Think outside the square - the world is moving forward at a rapid rate. The way you did things in the past is probably no longer relevant.
13. Is your business easy to contact? Can someone send you a fax outside of your normal working hours? There are an amazing number of businesses who turn their fax off each night or during holiday periods.
14. Do you *always* have spare cartridges for your computer(s) and fax machine? Why not reorder as soon as you use the last one?
15. When the customer says, "There is no problem in paying your account", act quickly as there invariably is a problem.
16. Give yourself a regular reality check. We all know managers who like to shut themselves in their office and play big shots!
17. As part of your regular reality check make sure you keep track of your accounting system. Are you are making a profit?
18. Stretch your marketing ideas to the cutting edge.
19. Innovate - constantly!
20. Meet your deadlines. Don't disappoint internal or external customers - perform!
21. And *always* be ethical and honest.
22. Never stop setting goals, targets and objectives. What are your business goals for the next year?

When you take control

- ◻ Discover from your new staff how they tackle their own jobs.
- ◻ Get proposals from them on how working can be improved and what they would like to see done.
- ◻ Make sure that at least some of these are put into practice for the sake of morale, if for nothing else.
- ◻ Discover the extent and the limits of your own authority.
- ◻ Discover what is regarded as the essential purpose of your job.
- ◻ Get clear success criteria.
- ◻ These should relate not only to the job's result, but how you do it.

If you became CEO of a company tomorrow, some action items you might target for implementation during your first 100 days are listed on the following pages. These do not include all the company and industry specific actions that would also need to be addressed at the same time.

- ◻ How many of the following action items have you done lately?
- ◻ Which of these would you choose as your top ten priorities?
- ◻ Which of these could grow to become fatal problems that could cripple or kill your company?
- ◻ What new problems are hatching right now?
- ◻ Which ones are sneaking up behind you as you read this?
- ◻ What else would be on your Survive and Thrive Game Plan?
- ◻ And, don't forget, when are you going to worry about your Agenda for the next six months, one-year or five years from right now?

General Operations

1. Establish primary goals of the Board; e.g. maintenance of status quo, evaluation and recommendations or take charge through implementation of new game plan.
2. Meet all first-reports, introduce game plan and initiate implementation of action items on this list.
3. Have all first-reports complete the agenda for the future.
4. Discuss the dozen biggest problems and opportunities from perspective of all first-reports.
5. If survival mode is required, cut costs immediately where necessary and prudent and in accordance with the Board's short and intermediate term goals.
6. Identify and implement top six action items that could measurably increase short-term revenues.
7. In addition to this action list, formulate short-term game plan for company, obtain board approval and communicate plan to key

personnel, suppliers, lenders, etc.

8. Prioritise top ten action items for the whole company and begin implementation.
9. Identify top goals for the company for the current month, quarter and year.

Financial Issues

10. Within the first week, obtain current detailed financial statements, itemised payroll, payables and receivables list.
11. Review budgets of all departments or divisions for reasonableness of assumptions, quality of projections and relevancy in light of recent corporate changes and goals.
12. Evaluate obvious, and not so obvious, problems and strengths revealed by the financial statements.
13. Do realistic cash forecast for the next 90 and 180-day periods.
14. Evaluate asset utilisation and redeploy if currently appropriate and prudent.

Liabilities, Risks, Time Bombs

15. Deal with the six largest crises within the first three weeks.
16. Review banking and debt obligations for next 90, 180 and 365-day periods and ensure no technical or major defaults, if possible. If in default, develop game plan and/or negotiate workout.
17. Determine which critical suppliers have suspended support due to lack of payment, or other problems.
18. Identify and take steps to immediately defuse all visible, or suspected, ticking time bombs.

Regulatory, Legal, Litigation

19. Ensure all payroll taxes are paid and properly reported.
20. Determine what, if any, problems exist with the ATO and state agencies.
21. Ensure the company is in compliance with all required regulatory and licensing agencies, etc. and if not, take action to resolve these issues.
22. Identify all outstanding legal issues and litigation risks along with probable, and possible, associated costs.
23. Ensure no securities law violations have occurred - and if they have, take immediate steps to remedy them, or mitigate their impact.
24. Ensure any patents, trade secrets, trademarks and copyrights are properly filed and appropriate protections are in place.

Product lines, Marketing, Sales, Distribution

25. Analyse product delivery schedules and take steps to improve meeting commitment dates.
26. Evaluate product development timetables, budget forecasts and quality of project management systems, procedures and controls.
27. Evaluate sales, marketing, distribution, forecasts and trend lines for improvement opportunities in all areas, so as to generate more cash in the short-term.
28. Identify both the best customers and the most unhappy customers, as well as the company's image in the marketplace.
29. Complete competitive analysis for each product line.
30. Evaluate pricing models for each product line and adjust accordingly.
31. Identify product line strengths and weaknesses and develop a short-term action plan to solve the most glaring problems.
32. Identify potential products - 6, 12 and 24 months into the future - and their possible impact on revenue and expenses.
33. Establish / update and expand web presence.
34. Evaluate expenditures and effectiveness of marketing and advertising for media, trade shows, market research, focus groups and public relations and adjust accordingly.
35. Evaluate sales force, sales-related incentives, sales targets, sales personnel training, special offers, dealerships, telemarketing and sales support.
36. Evaluate and optimise short-term inventory.
37. Evaluate customer and technical support, warranties, guarantees and after-sales service.

Personnel Issues

38. Upon arrival, candidly communicate with all company personnel for introduction and conveyance of immediate game plan.
39. Set up suggestion boxes, and invite anonymous email, to gain insight into less obvious underlying problems.
40. Review major Human Resource department aspects of company for legal compliance, competitiveness of benefits package, diversity, clarity of policies and potential costs savings.
41. Evaluate strengths and weaknesses of all first reports.
42. Develop 30, 60 and 90-day performance plans for all first reports.
43. Evaluate organisational structure and effectiveness - and reorganise if appropriate, adjusting total payroll if necessary.
44. Identify best and worst five percent of employees in the company - probably replacing worst five percent and ensuring the best five percent are motivated enough to stay.
45. Analyse employee turnover rates to identify fundamental problem

areas.

46. Identify key personnel and unfilled job functions, define criteria and initiate search, within budget constraints.
47. Identify personality issues and company policies that may be creating a negative impact on company morale and productivity.
48. Review / modify written delegation of authority for all first reports.
49. Review all employment contracts or agreements, oral or written, including any severance or termination compensation agreements with salaried, hourly, or collective bargaining employees.
50. Review all bonus, deferred compensation, stock option, profit sharing, retirement programs or plans covering salaried, hourly, or collective bargaining employees.

Merger, Acquisition, Disposition, Dissolution

51. Identify which mergers, acquisitions, dispositions and investments make the most sense for the company.
52. Identify the growth issues regarding acquisitions, spin-offs, expansion, downsizing, establishing new, and/or closing existing branches and stores.
53. If decision is to sell the company, establish price and terms, subject to Board approval, prepare sales summary and develop game plan and methodology for sale.
54. Complete three year pro forma, based on realistic assumptions, to determine future valuation potential of company and likelihood or merger / acquisition potential.
55. If Board decision is to dissolve the company, develop a game plan for liquidation of assets and/or follow up on liquidation filing.

General - Administrative

56. Evaluate and control travel, entertainment and all discretionary expenditures and implement new written policies for these issues.
57. Review facilities and real estate issues, including a review of current lease requirements.
58. Review all equipment leases for cost cutting and improved technology opportunities.
59. Create / update business plan for current internal clarity and banking or capital formation needs.
60. "Manage by walking about" - gaining insights into attitudes and problem areas from within all levels of the organisation.
61. Evaluate in-place systems and procedures and streamline where appropriate.
62. Evaluate technology implementation and optimise within budget constraints.

63. Visit all branch offices and evaluate their needs, performance, personnel and cost-effectiveness.

Stockholder Status - Investor Relations

64. Evaluate investor and stockholder relations and communication status and initiate appropriate action.
65. Generate updated lists of all current shareholders and percentage ownership of each.
66. Review stock options or purchase plans and agreements, as well as lists of outstanding warrants and options, including date of grant, exercise price, number of shares subject to option, and date of exercise.

The Next Steps

67. Report to the Board: the objective status, evaluation, recommended modifications to the short-term game plan and any cash needs.
68. Pick up the sword again, and implement an updated and approved game plan.

In addition to this action list, formulate a short-term game plan for the company, and obtain board approval and communicate the plan to key personnel, suppliers and lenders, etc.

Leadership qualities for the 21st century
A Leader

- Has a creative vision for the organisation
- Is emotionally mature
- Has a firm grasp of technology and its implications for society
- Thinks strategically and politically
- Is a team player who is able to delegate and enable other team members to excel
- Is disciplined and fair
- Has achieved a work/life balance
- Welcomes divergent views but is tough and decisive
- Copes well during times of extreme change, pressure, uncertainty
- Tells the truth

A Manager

- Feels most comfortable dealing with the internal complexity of an organisation
- Lacks strategic vision
- Is intent on improving the status quo
- Enjoys putting someone else's vision into practice

The 21st century Manager - a profile

The 21st century Manager and or Leader will:

- Be able to inspire by contagious enthusiasm.
- Have high standards of ethics and integrity.
- Have high energy levels.
- Have courage and commitment.
- Have high levels of creativity and be unconventional.
- Be goal orientated, though realistic.
- Have a high degree of organisational ability.
- Be able to establish priorities.
- Encourage team working and selfless, organised effort.
- Possess inner confidence and a have desire for knowledge.
- Be mentally and physically fit and alert.
- Be fair and respectful of others.
- Value creativity.
- Enjoy taking risks.
- Establish long-term growth.
- Welcome being challenged and questioned.
- Not be afraid to challenge and question.
- Encourage an increased understanding of people.
- Welcome fresh ideas and perspectives.
- Admit mistakes and adapt to change.

Delegate the easy stuff
The things you do well are the things to delegate.
Hold on to those that are challenging and difficult.
That is how you will grow.

Quality is just conformance to requirements. You get the behaviour you critique for, so set your standards and then require conformance to them. Quality will come from that effort, not from slogans, posters, or even threats.

Are You a Natural Leader?

Being a leader is a big part of doing well at work. Taking the initiative and making things happen - that is how people get noticed. Have you developed the killer leadership instincts you need to succeed? Answer a few questions and find out!

1. **At work, can you juggle several different projects at one time?**
   - ☐ Not without dropping a few
   - ☐ Yes, but I am better when focused on one thing
   - ☐ Yes, and I am pretty good at it
   - ☐ It is my speciality

2. **The work is piling up on your desk, and there is no way you can meet all your deadlines. What do you do?**
   - ☐ Pick the tasks I can finish quickly
   - ☐ Pick the tasks that are most pressing
   - ☐ Pick the tasks that are the most difficult
   - ☐ Pick the tasks I am most interested in doing

3. **Do you mind criticism from others?**
   - ☐ Yes, I hate it
   - ☐ Sometimes
   - ☐ No, I am used to it
   - ☐ No, I like constant feedback

4. **Your boss has been unexpectedly away from work for a week now, and your department is starting to slip. What do you do?**
   - ☐ Suggest a meeting to get organised
   - ☐ Make sure that my responsibilities are covered, and let management deal with the rest
   - ☐ Assume some of her responsibilities to score a few bonus points
   - ☐ Use the freedom to slack off a little

5. **How do you feel during important meetings?**
   - ☐ Lost and a little bored
   - ☐ A bit nervous and uncomfortable
   - ☐ Nervous but excited
   - ☐ Totally charged up

6. **Do you set goals for yourself?**
   - ☐ Not really, I just do what I should
   - ☐ Sometimes — I keep a loose idea of some general goals
   - ☐ Yes — I keep a clear idea of some general goals
   - ☐ Yes — I always have clear goals for both the short- and long-term

7. **Do you follow through with these goals?**
   - ☐ Not really
   - ☐ Sometimes
   - ☐ Most of the time
   - ☐ Almost always

8. Do you keep track of work that you have done?
- ◻ No, I am not that organised
- ◻ Yes, but it is not well-organised
- ◻ Yes, and it is well-organised

9. How do you feel when you receive recognition at work?
- ◻ Very proud
- ◻ Proud and embarrassed
- ◻ Embarrassed
- ◻ Completely uncomfortable

10. How do you communicate with others at work?
- ◻ I don't communicate much
- ◻ I listen with one ear and speak distractedly
- ◻ I am pretty focused, unless it's a bad day
- ◻ I am very attentive and clear

11. **Are You a Natural Leader? You've got a great idea, and you want to see it happen. What do you do?**
- ◻ Start preparing a presentation to sell others on the idea
- ◻ Go talk to my boss about it
- ◻ Go talk to my co-worker about it
- ◻ Call an immediate meeting and tell everyone about it

12. Can you write simply and clearly?
- ◻ Yes, I am very good at it
- ◻ Yes, I am pretty good at it
- ◻ Yes, but it takes me a long time
- ◻ No, I am a poor writer at work

13. What is the best way to get consistently good work from others?
- ◻ Reward them often
- ◻ Give them the authority to make their own decisions
- ◻ Make clear the penalties for bad performance
- ◻ Communicate my assessment of their work often

14. **If a co-worker was very unhappy at work and came to you to talk about it, what would you do?**
- ◻ Join in with his complaints
- ◻ Listen and try to address his problems
- ◻ Listen and stay impartial
- ◻ Play devil's advocate

15. How do you make important decisions?
- ◻ Gather the facts and act on my intuition
- ◻ Gather the facts and act on my logical judgement
- ◻ Wait until the last minute and choose what I feel
- ◻ Get everyone's input

16. How do you feel when given an important responsibility?
- ◻ Overwhelmed
- ◻ Undeserving
- ◻ Excited
- ◻ Deserving

17. Do you like to supervise others?

- ◻ Yes
- ◻ Sometimes
- ◻ No

Management Styles

If you had to pick an animal (or motor car, or machine or fruit) to suit your style, what would it be?

Why?

Don't get caught up in 'looking good.

Work happily together. Don't try to act big.

Don't try to get into the good graces of important people, but enjoy the company of ordinary folks.

And don't think you know it all.

Never pay back evil for evil.

Do things in such a way that everyone can see you are honest clear through.

9

Bonus Chapter

Some Business Planning Tools

Positioning - an exercise

Use this worksheet to identify the prime benefits of your product/service as well as who would benefit by using it.

Positioning activities - determine product's position with respect to the following:

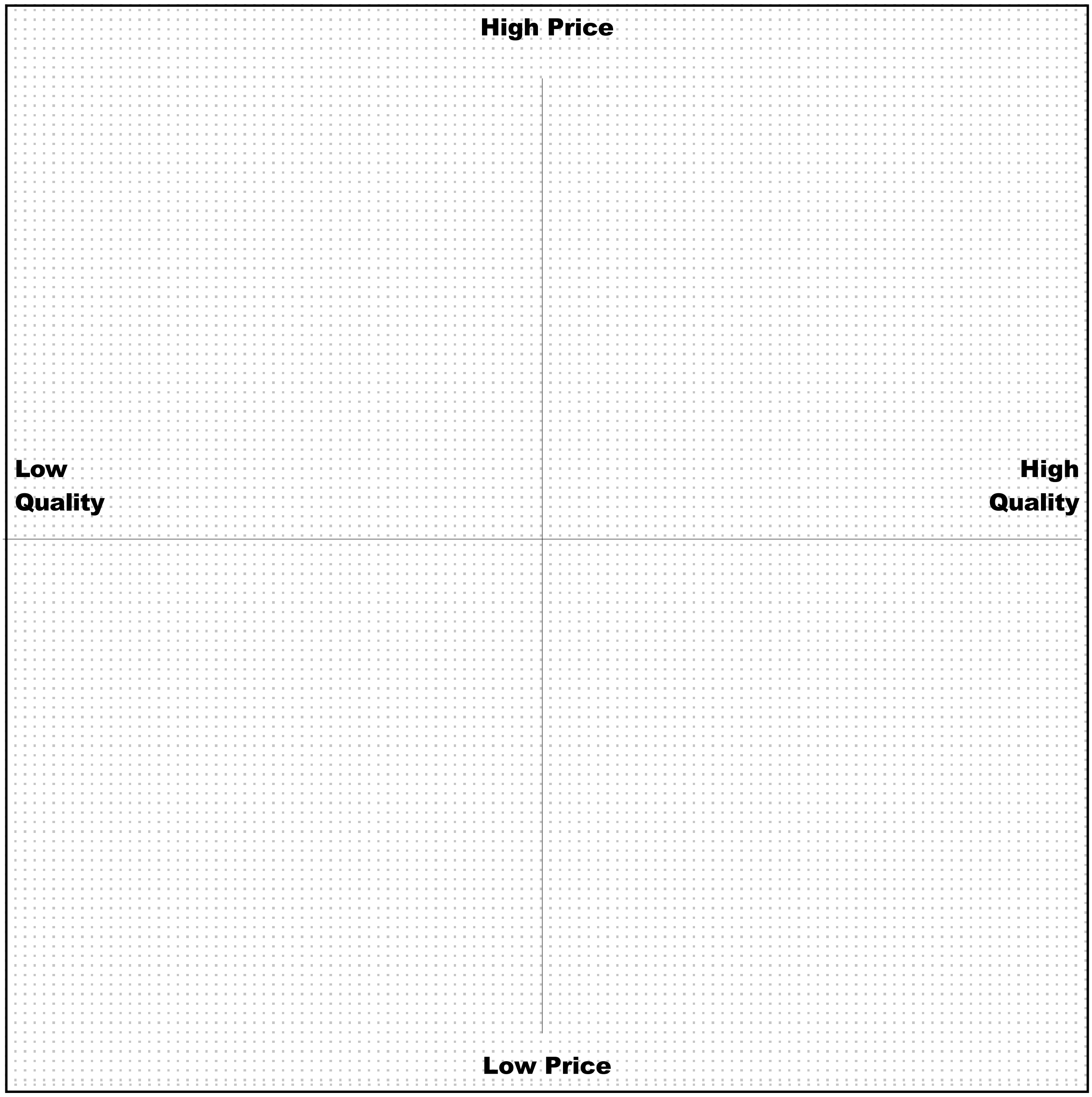
A. Category - What is it? - What does it do?

B. Class - High-end? - Low-end?

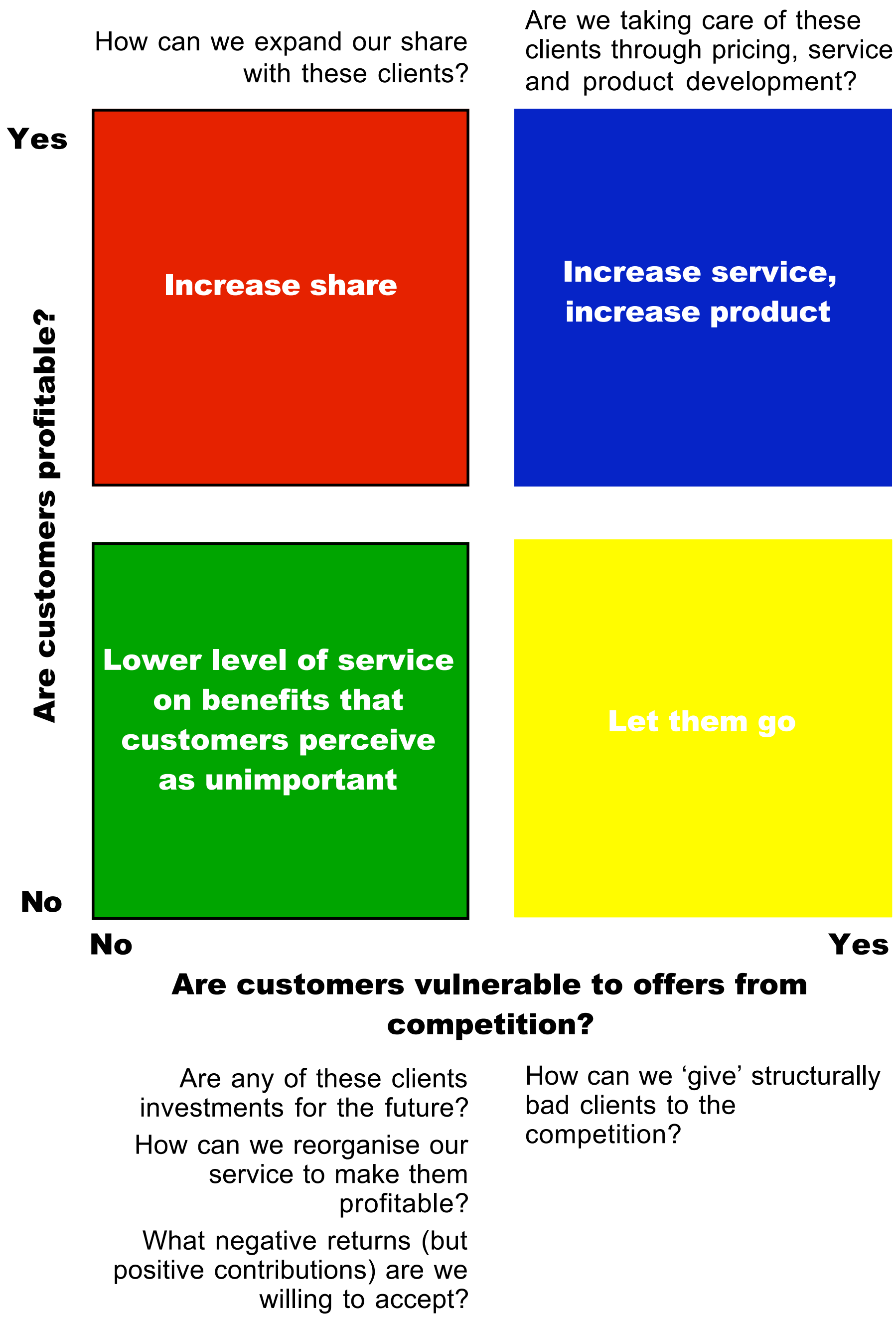
C. Features and benefits - What is new, different, better, etc.? Who will buy this product?

D. Price - What is the right price for this product?

Position your product on this matrix as well as those of your competitors.



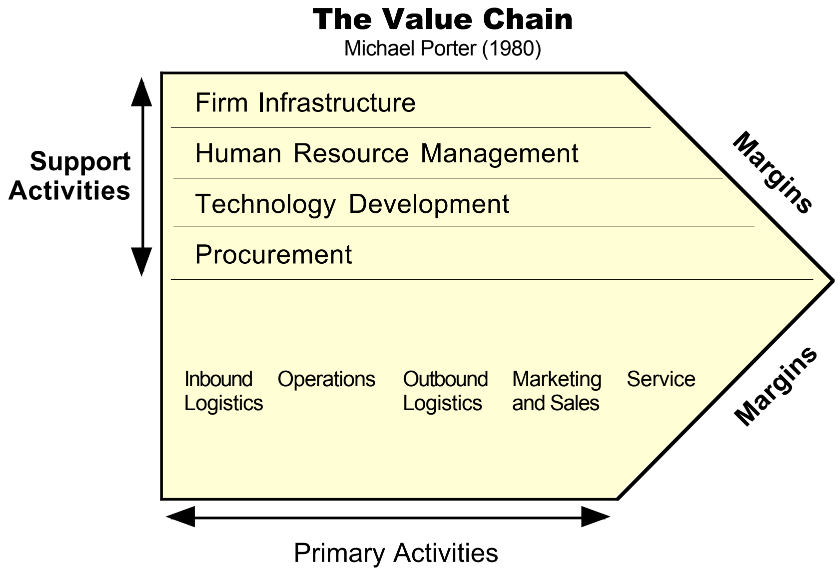
Viewing Customers Strategically



Source: *Ric Willmot, Executive Wisdom Consulting Group*

Value Chain Analysis

The value chain is a systematic approach to examining the development of competitive advantage. It was created by Michael Porter in his book, *Competitive Advantage*. The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organisation. The 'margin' depicted in the diagram is the same as added value. The organisation is split into 'primary activities' and 'support activities.'



Primary Activities

Inbound Logistics. Here goods are received from a company's suppliers. They are stored until they are needed on the production/assembly line. Goods are moved around the organisation.

Operations. This is where goods are manufactured or assembled. Individual operations could include room service in a hotel, packing of books/videos/games by an online retailer, or the final tune for a new car's engine.

Outbound Logistics. The goods are now finished, and they need to be sent along the supply chain to wholesalers, retailers or the final consumer.

Marketing and Sales. In true customer orientated fashion, at this stage the organisation prepares the offering to meet the needs of targeted customers. This area focuses strongly upon marketing communications and the promotions mix.

Service. This includes all areas of service such as installation, after-sales service, complaints handling, training and so on.

Support Activities

Procurement. This function is responsible for all purchasing of goods, services and materials. The aim is to secure the lowest possible price for purchases of the highest possible quality. They will be responsible for outsourcing (components or operations that would normally be done in-house are done by other organisations), and ePurchasing (using IT and web-based technologies to achieve procurement aims).

Technology Development. Technology is an important source of competitive advantage. Companies need to innovate to reduce costs and to protect and sustain competitive advantage. This could include production technology, Internet marketing activities, lean manufacturing, Customer Relationship Management (CRM), and many other technological developments.

Human Resource Management (HRM). Employees are an expensive and vital resource. An organisation would manage recruitment and s election, training and development, and rewards and remuneration. The mission and objectives of the organisation would be a driving force behind the HRM strategy.

Firm Infrastructure. This activity includes and is driven by corporate or strategic planning. It includes the Management Information System (MIS), and other mechanisms for planning and control such as the accounting department.

Ansoff's Matrix - Planning for Growth

Ansoff's matrix is one of the most well known frameworks for deciding upon strategies for growth. This marketing tool was first published in the Harvard Business Review in an article called 'Strategies for Diversification'. It is used by marketers who have objectives for growth. Ansoff's matrix offers strategic choices to achieve the objectives. There are four main categories for selection.

Ansoff's Product/Market Matrix

Product / Market	Present	New
Present	Market penetration	Product development
New	Market development	Diversification

Market Penetration. Here we market our existing products to our existing customers. This means increasing our revenue by, for example, promoting the product, repositioning the brand, and so on. However, the product is not altered and we do not seek any new customers.

Market Development. Here we market our existing product range in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product, or marketing it in a new region are examples of market development.

Product Development. This is a new product to be marketed to our existing customers. Here we develop and innovate new product offerings to replace existing ones. Such products are then marketed to our existing customers. This often happens with the auto markets where existing models are updated or replaced and then marketed to existing customers.

Diversification. This is where we market completely new products to new customers. There are two types of diversification, namely related and unrelated diversification. Related diversification means that we remain in a market or industry with which we are familiar. For example, a soup manufacturer diversifies into cake manufacture (i.e. the food industry). Unrelated diversification is where we have no previous industry, nor market experience. For example a soup manufacturer invests in the rail business.

General Electric Business Screen Matrix

Competitive position	STRONG	MEDIUM	LOW
HIGH	Invest or grow	Invest or grow	Earn selectively
MEDIUM	Invest or grow	Earn selectively	Harvest or divest
LOW	Earn selectively	Harvest or divest	Harvest or divest

Competitive position

The General Electric Business Screen Matrix

The General Electric Business Screen was originally developed to help marketing managers overcome the problems that are commonly associated with the Boston Matrix (BCG), such as the problems with the lack of credible business information, the fact that BCG deals primarily with commodities not brands or Strategic Business Units (SBU's), and that cash-flow is often a more reliable indicator of position as opposed to market growth/share. The GE Business Screen introduces a three by three matrix, which now includes a *medium* category. It utilises *industry attractiveness* as a more inclusive measure than BCG's market growth and substitutes *competitive position* for the original's market share.

The point is that successful SBU's will go and do well in attractive markets because they add value that customers will pay for. So weak companies do badly for the opposite reasons. To help break down decision-making further, you then consider a number of sub-criteria:

For market attractiveness:

- Size of market
- Market rate of growth
- The nature of competition and its diversity
- Profit margin
- Impact of technology, the law, and energy efficiency
- Environmental impact.

For competitive position:

- Market share
- R & D
- Branding and promotions success
- Efficiency
- Management profile
- Quality of products and services
- Place (or distribution)
- Cost reduction

At this stage the marketing manager adapts the list above to the needs of his strategy. The GE matrix has 5 steps:

1. Identify your products, brands, experiences, solutions, or SBU's.
2. Answer the question, *What makes this market so attractive?*
3. Decide on the factors that position the business on the GE matrix.
4. Determine the best ways to *measure* attractiveness and business position.
5. Finally *rank* each SBU as either low, medium or high for business strength, and low, medium and high in relation to market attractiveness.

Some words of caution that go with all boxes, models and matrices. The GE matrix is superior to the Boston Matrix since it uses several dimensions, as opposed to BCG's two. However, problems or limitations include:

- There is no research to prove that there is a relationship between market attractiveness and business position.
- The interrelationships between SBU's, products, brands, experiences or solutions is not taken into account.
- This approach does require extensive data gathering.
- Scoring is personal and subjective.
- There is no hard and fast rule on how to weight elements.
- The GE matrix offers a broad strategy and does not indicate how best to implement it.

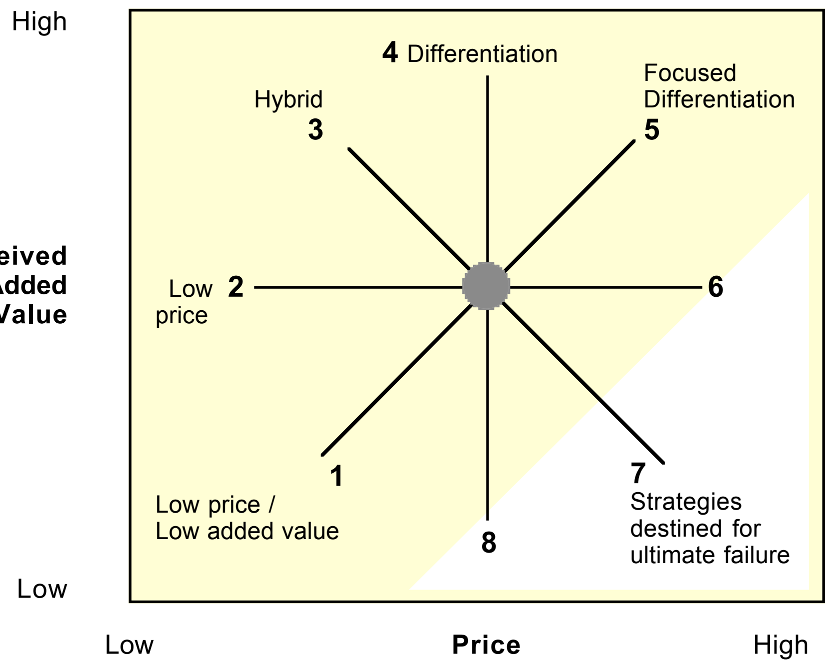
Product Development

Marketing questions	Market tips
Is the product wanted?	Target the buyers and develop a product / service especially designed to appeal to them
Is the product needed?	Determine the distribution network that most effectively gets the most product service out to the greatest number of consumers at the highest profit level
Can the market segment be tapped?	Develop unique advertising, pricing and promotion strategies
Can the company produce what is needed?	
Should the product be manufactured internally or contracted out?	
Can it be sold competitively?	
Can it be sold profitably?	Modify what does not work.

The Strategy Clock: Bowman's Competitive Strategy Options

The 'Strategy Clock' is based upon the work of Cliff Bowman (see C. Bowman and D. Faulkner '*Competitive and Corporate Strategy* - Irwin - 1996). It is another suitable way to analyse a company's competitive position in comparison to the offerings of competitors. As with Porter's Generic Strategies, Bowman considers competitive advantage in relation to cost advantage or differentiation advantage. There a six core strategic options:

Bowman's Strategy Clock



Option one - low price/low added value. Likely to be segment specific.

Option two - low price. Risk of price war and low margins/need to be a 'cost leader'.

Option three - Hybrid. Low cost base and reinvestment in low price and differentiation.

Option four - Differentiation.

(a) without a price premium: perceived added value by user, yielding market share benefits.

(b) with a price premium: perceived added value sufficient to bear a premium.

Option five - focussed differentiation. Perceived added value to a 'particular segment' warranting a premium price.

Option six - increased price/standard. Higher margins if competitors do not value follow/risk of losing market share.

Option seven - increased price/low values. Only feasible in a monopoly situation.

Option eight - low value/standard price. Loss of market share.

Shell Directional Policy Matrix

A Nine Celled directional Policy Matrix

The Shell Directional Policy Matrix is another refinement upon the Boston Matrix. Along the horizontal axis are *prospects for sector profitability*, and along the vertical axis is a *company's competitive capability*.

As with the GE Business Screen the location of a Strategic Business Unit (SBU) in any cell of the matrix implies different strategic decisions. However decisions often span options and in practice the *zones* are an irregular shape and do not tend to be accommodated by box shapes. Instead they blend into each other.

Prospects for sector profitability

Company's Competitive Capacity	**Unattractive**	**Average**	**Attractive**
Weak	**Disinvest**	**Phased withdrawal** **Custodial**	**Double or quit**
Average	**Phased withdrawal**	**Custodial** **Growth**	**Try harder**
Strong	**Cash generation**	**Growth** **Leader**	**Leader**

Each of the *zones* is described as follows:

- **Leader** - major resources are focused upon the SBU.
- **Try harder** - could be vulnerable over a longer period of time, but fine for now.
- **Double or quit** - gamble on potential major SBU's for the future.
- **Growth** - grow the market by focusing just enough resources here.
- **Custodial** - just like a cash cow, milk it and do not commit any more resources.
- **Cash Generator** - Even more like a cash cow, milk here for expansion elsewhere.
- **Phased withdrawal** - move cash to SBU's with greater potential.
- **Divest** - liquidate or move these assets on a fast as you can.

The Arthur D Little (ADL) Strategic Condition Matrix

The Arthur D Little (ADL) Strategic Condition Matrix offers a different perspective on strategy formulation. ADL has two main dimensions - *competitive position* and *industry maturity*. *Competitive position* is driven by the sectors or segments in which a Strategic Business Unit (SBU) operates.

The product or service which it markets, and the accesses it has to a range of geographically dispersed markets that are what makes up an organisation's competitive position i.e. product and place.

Industry maturity is very similar to the Product Life Cycle (PLC) and could almost be renamed an 'industry life cycle.' Of course not only industries could be considered here but also segments.

	Stage of Industry Maturity			
Company's Competitive Position	**Embryonic**	**Growth**	**Maturity**	**Ageing**
Dominant				
Strong				
Favourable				
Tenable				
Weak				

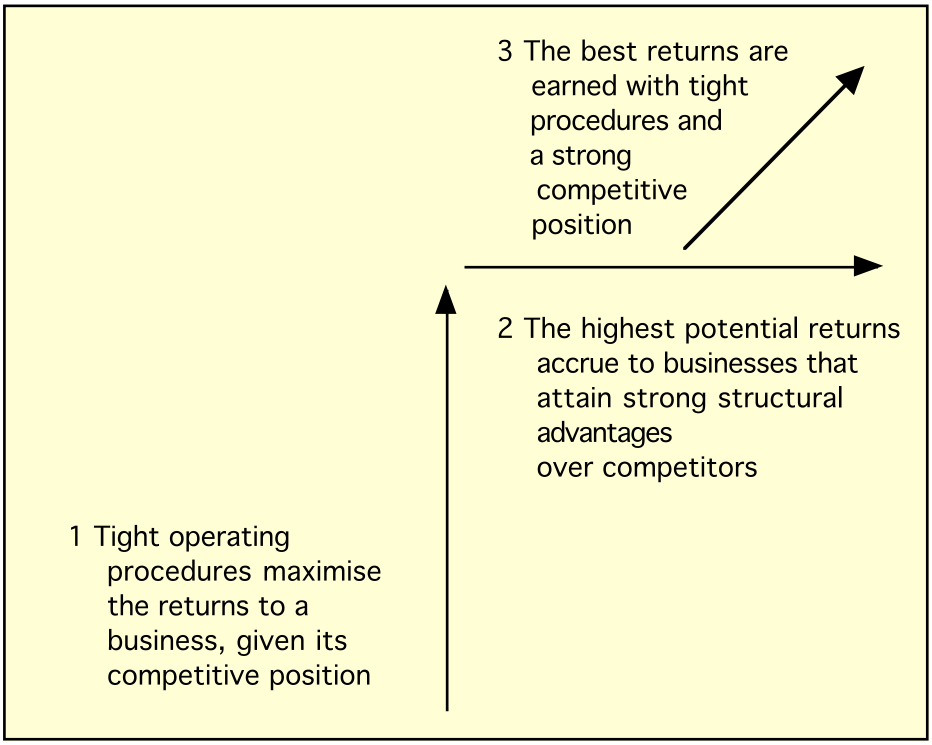
It is a combination of the two aforementioned dimensions that helps us to use ADL for marketing decision-making. Let's consider options in more detail. Competitive position has five main categories:

1. Dominant - This is a particularly extraordinary position. Often this is associate with some form of monopoly position or customer lock-in e.g. Microsoft Windows being the dominant global operating system.
2. Strong - Here companies have a lot of freedom since position in an industry is comparatively powerful e.g. Apple's iPod products.
3. Favourable - Companies with a favourable position tend to have competitive strengths in segments of a fragmented market place. No single global player controls all segments. Here product strengths and geographical advantages come into play.
4. Tenable - Here companies may face erosion by stronger competitors that have a favourable, strong or competitive position. It is difficult for them to compete since they do not have a sustainable competitive advantage.
5. Weak - As the term suggests companies in this undesirable space are in an unenviable position. Of course there are opportunities to change and improve, and therefore to take an organisation to a more favourable, strong or even dominant position.

From here the strategic position of an organisation can be established. Managers then need to decide upon the best strategic direction for the business. For example they might use a Gap Analysis. According to ADL, there are six generic categories of strategy that could be employed by individual SBU's:

1.. Market strategies.
2. Product strategies.
3. Management and systems strategies.
4. Technology strategies.
5. Retrenchment strategies.
6. Operations strategies.

Profitability and Competitive Position



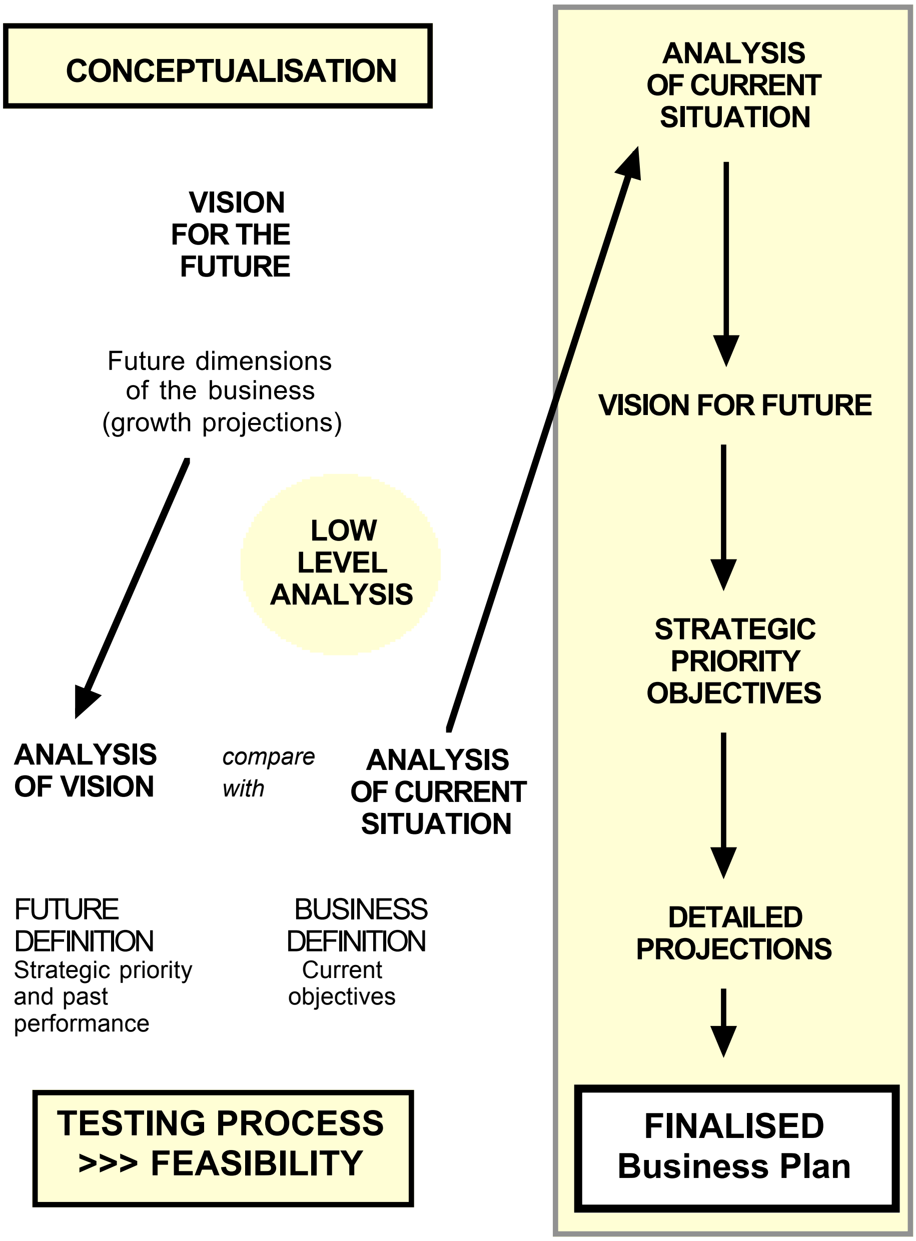
Industry Attractiveness

The relative industry attractiveness provides an important context for evaluating the competitive profile of a business and its performance.

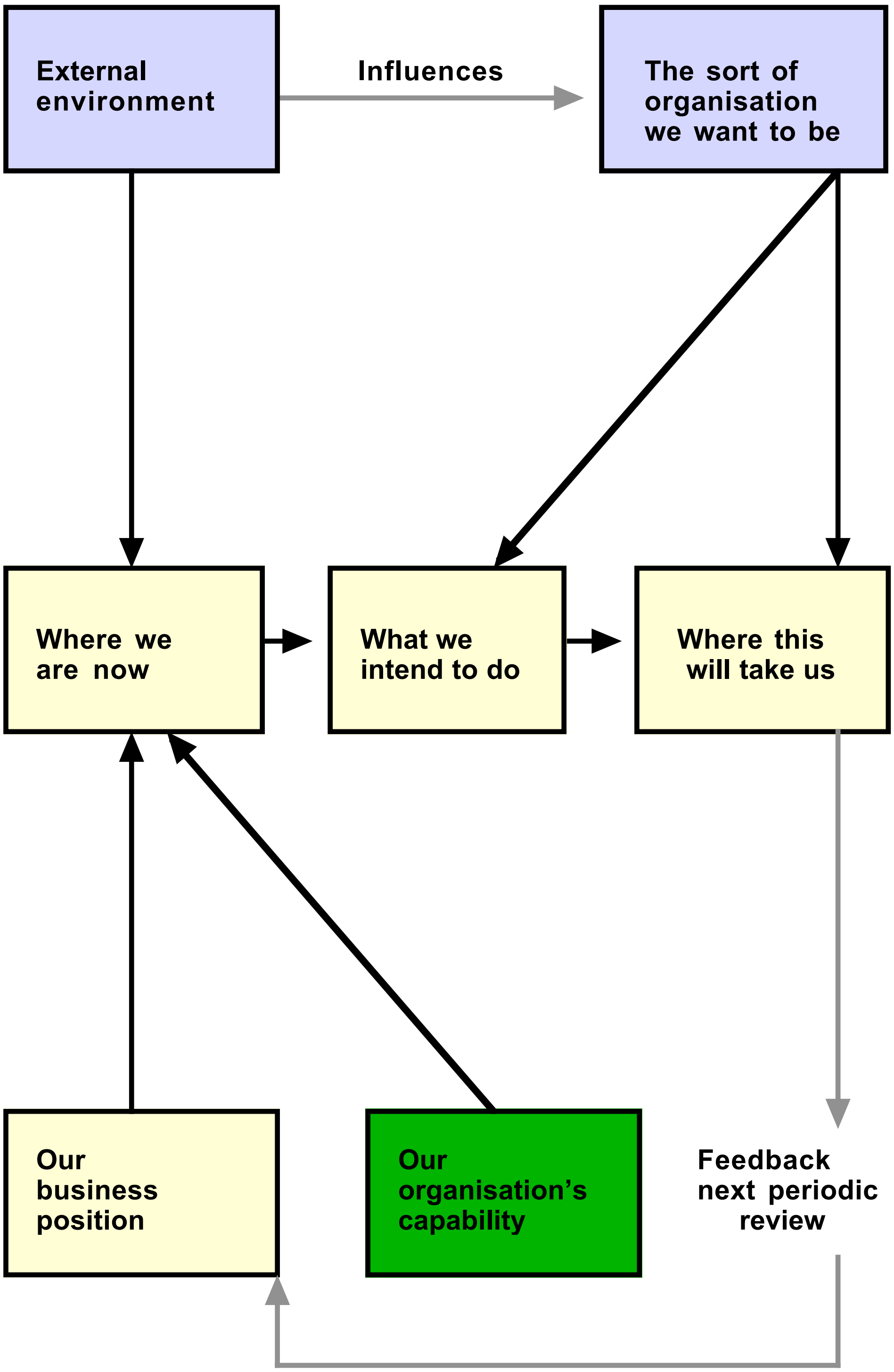
Some of these criteria include:

- Barriers to entry and threat of new entrants
- Rivalry amongst existing competitors
- Threat of substitutes
- Buyer power
- Supplier power

The Business Planning Thinking Process



Planning Procedure



Approaching a Business Plan

PERSONAL CHARACTERISTICS

- Drive and energy
- Self-confidence
- Long-term involvement
- Persistent problem-solving
- Goal-setting
- Moderate risk-taking
- Dealing with failure
- Taking initiative
- Use of resources
- Tolerance of uncertainty

BUSINESS OPPORTUNITY

- Start up
- Purchase
- Franchise
- Expansion

PRELIMINARY EVALUATION

- Essential strategic factors
- Uncontrollable factors
- Controllable factors
- Strengths
- Weaknesses
- Opportunities
- Risks

BUSINESS PLAN

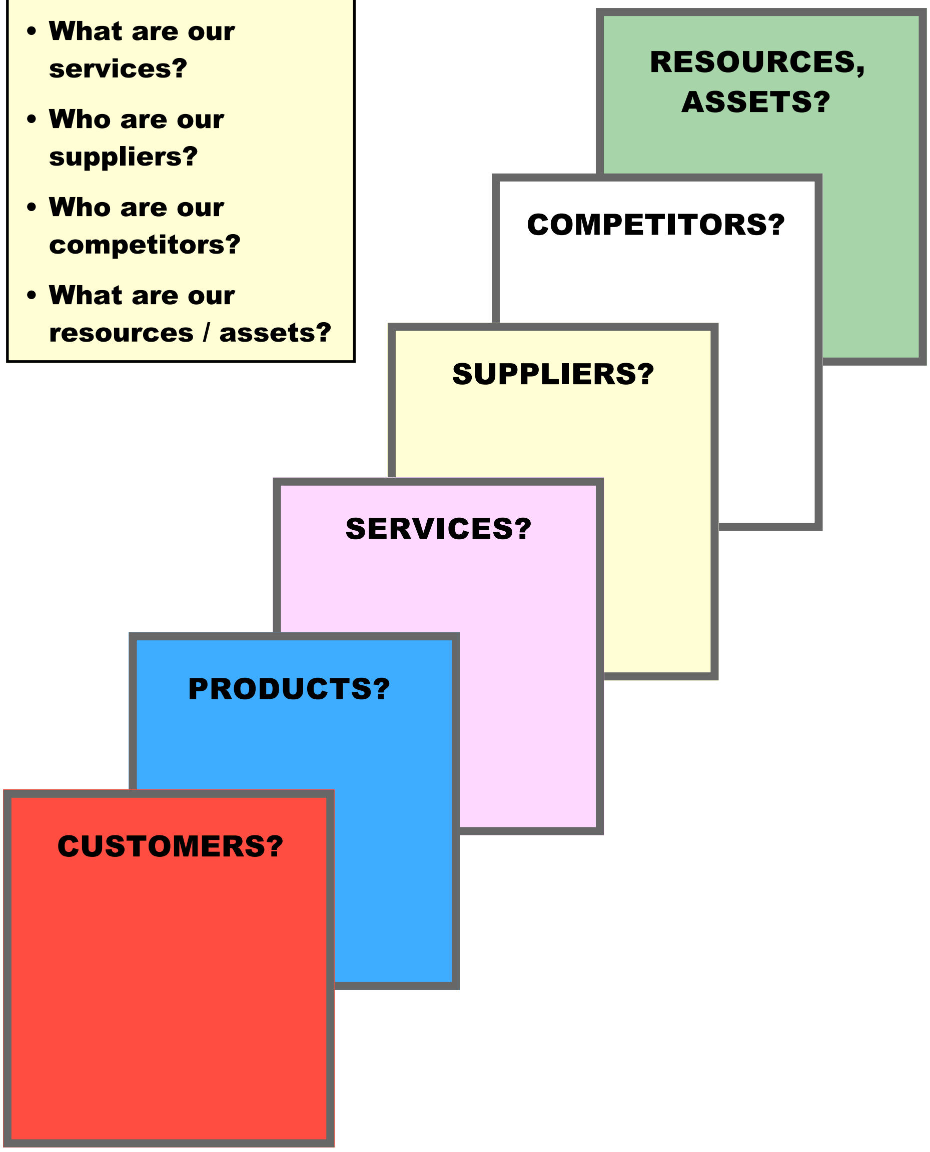
- Introduction
- Industry
- Product or service
- Business
- Market
- Marketing strategy
- Management
- Labour
- Financial forecasts
- Supporting exhibits

KNOWLEDGE and EXPERIENCE

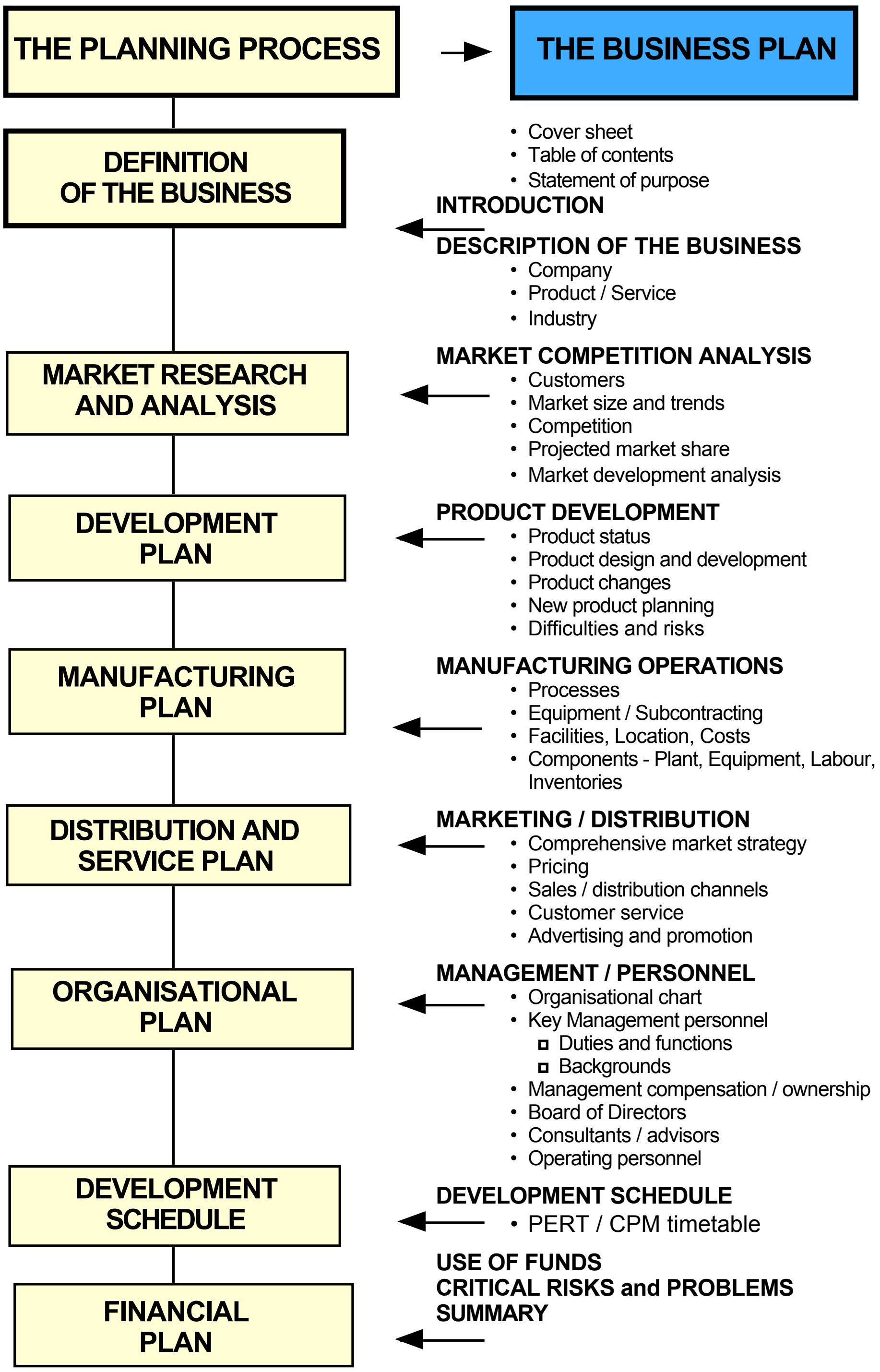
- Planning
- Purchasing
- Production
- Staffing
- Marketing
- Operations
- Finance
- Similar business

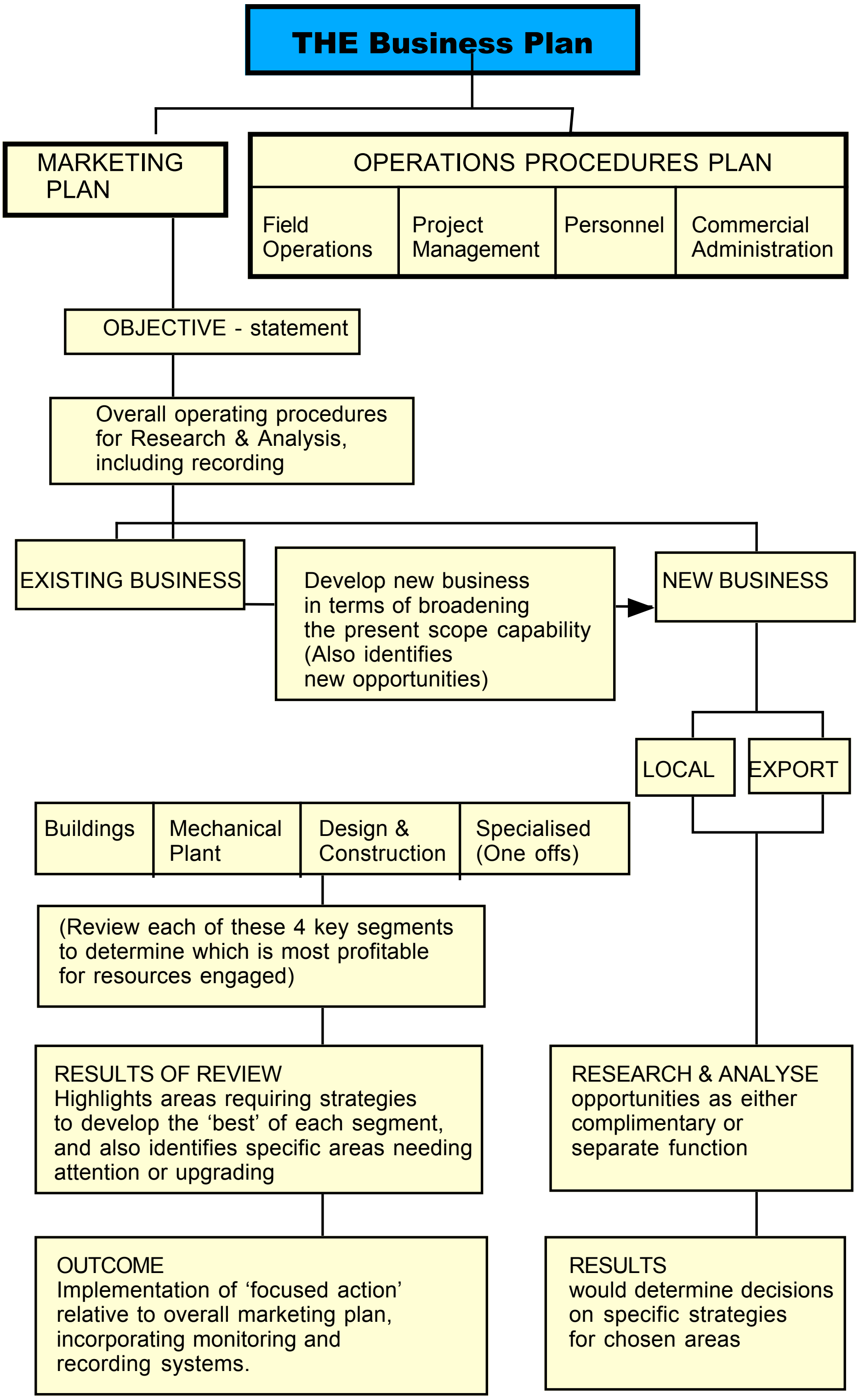
Business Planning Basics

- Who are our customers?
- What are our products?
- What are our services?
- Who are our suppliers?
- Who are our competitors?
- What are our resources / assets?



The relationship between the planning process and the Business Plan




THE Business Plan
MARKETING PLAN
OPERATIONS PROCEDURES PLAN
Field Operations
Project Management
Personnel
Commercial Administration
OBJECTIVE - statement
Overall operating procedures for Research & Analysis, including recording
EXISTING BUSINESS
Develop new business in terms of broadening the present scope capability (Also identifies new opportunities)
NEW BUSINESS
LOCAL
EXPORT
Buildings
Mechanical Plant
Design & Construction
Specialised (One offs)
(Review each of these 4 key segments to determine which is most profitable for resources engaged)
RESULTS OF REVIEW Highlights areas requiring strategies to develop the 'best' of each segment, and also identifies specific areas needing attention or upgrading
RESEARCH & ANALYSE opportunities as either complimentary or separate function
OUTCOME Implementation of 'focused action' relative to overall marketing plan, incorporating monitoring and recording systems.
RESULTS would determine decisions on specific strategies for chosen areas

A format used by Sydney Business Centre

The PURPOSE of this PLAN
Tell the person reading your plan why you are writing it - to obtain finance, to expand, to address growth, to explain to potential shareholders what your Business Plans to do.

EXECUTIVE SUMMARY
- Summarise your Business Plan after you have completed the plan.
- Briefly explain and summarise in 1 or 2 pages, to the person reading your plan, what your business is all about.

SITUATION ANALYSIS
BUSINESS EVALUATION
- Structure
- Profile
- Aims and objectives
- Resource evaluation
- Financial status
- Service providers
- S.W.O.T. analysis

PRODUCT EVALUATION
- Market sectors
- Pricing structures
- Packaging

THE MARKET
- Market profile
- Competitor analysis
- Customer profile
- Product / market fit
- Selling function / distribution
- Pricing
- Advertising and promotion
- Expansion strategies

OPERATIONS PLAN
- Current production capability and structure
- Terms on purchasing
- Supplier evaluation
- Production process
- Expansion plan

LEGAL
- Registration of intellectual property
- Corporate structure - future
- Financial liabilities etc.

PERSONNEL and MANAGEMENT
- Names, responsibilities, position
- Provide an organisational chart
- Conclusions

FINANCIAL PLANNING
- Sales forecast
- Budget
- Projected financial requirements
- Capital requirements
- Summary

ACTION PLAN
How do you intend bringing your idea to conception? Explore and explain everything you need to do to give your business a competitive edge and to make your business more successful than the competition.
- What do I need to do to achieve my objectives?
- What do I need to do to achieve my sales targets?
- What do I need to do to achieve my profit targets?

Provide a critical path analysis to tell the person reading the Plan:
- WHAT will happen
- HOW it will happen
- WHERE it will happen
- WHEN it will happen
- WHO will make it happen

KEY INDICATORS
- Measurements for the performance of the business

APPENDICES
- Supporting information

Conclusions

Every manager can make improvements to their management skills. As a manager, no matter what the organisation, it is worth remembering that you are expected to achieve results. Your results should have an impact on the bottom line of your organisation - its profitability. The results you achieve will certainly be reflected in your income levels.

As a manager you have four key areas of responsibility, Planning, Organising, Leading and Controlling to ensure continual success in your business.

You must constantly set goals, objectives and targets, measure those goals, objectives and targets and review them on a regular basis.

Your management skills and ability will be judged on your ability to, grow the business, introduce successful new products, expand the customer base, recruit, train and retain highly skilled and competent staff and critically make a profit for the company.

Never become complacent - your competitors never stand still. Almost without exception every area of business is fiercely competitive and many industries engage in regular price wars and discounting.

As a manager you should constantly stretch the limits of your abilities.

When working as a manager you are continually being judged by your peers and subordinates. In one case of which we have personal knowledge, a newly appointed manager completely ignored his line managers for the first week - there was not even an introduction!

Twelve months later, at an acrimonious meeting called by the line managers to complain about and discuss a range of issues, the manager said, ‘You fellows have never liked me.’ You are never to old to learn new business skills. Universities, colleges and business courses have many mature age and older people in attendance in order to improve their business skills and qualifications. Attendance at business learning functions is also a wonderful networking opportunity.