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Insights From Business Strategy and Management "Big Ideas" of the Past Three Decades: Are They Fads or Enablers?

An Original Essay Written for CSAB

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Introduction

Over the past three decades, thousands of books have been written about business strategy and the management of people—and multiples of that number have appeared in the traditional business press and periodicals. Investment bankers and academics have added to the din by promoting any number of "financial engineering" schemes under the banner of corporate strategy. This paper examines 50 of the more popular ideas advanced during these past few decades to see if they added to the knowledge base of business or simply to the bank accounts of the authors and consultants. These "Big Ideas" are summarized in the Appendix.

Peter Drucker reminds us that "The strategy is nothing until it degenerates into work." If it weren't difficult, we'd have no need for the dozens of "fixes" or "Big Ideas" prescribed in the business press and in the financial community. But to categorize these business ideas as merely fads as so many have done is both unfair and wrong. To be sure, some were really bad ideas, but many were good for their time—and some have had lasting value. Most, however, had to do with business *processes*—how to do things. Few have really contributed to *fundamental* corporate strategy—an area wide open for new ideas and insights. This paper will discuss some of the voids—and the opportunities to do more. It uses the Big Ideas as a template for comparison with our own views on strategy and leadership.

* * *

Most of these published ideas can be classified either by DURATION of the idea or by the CATEGORY of the attempted fix—how long did it last and what issue did this try to address?

Duration

Three groupings stand out:

1. Ideas that appear to meet the demands of a relatively short time period, serve their purpose, then disappear. In that sense, they can be considered more *ad hoc* than trendy or faddish. Portfolio Management—the BCG (Boston Consulting Group)

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and later, Bain & Co.'s famous four-quadrant growth/share matrix depiction of Cash Cows, Dogs, Stars, and Question Marks—is one such example. Introduced in the early 1970s during a period of perceived capital limitations, portfolio management developed strong adherents as a way to allocate internally-generated capital between growth and stagnant businesses. It largely disappeared a decade later when new forms of "financial engineering" appeared and all projects which could be forecast to meet financial standards began to be encouraged, regardless of their "barnyard position" of cows and dogs, or whether they used internally or externally generated capital. Without question, the portfolio concept was overly simplistic in its dependence on use of internally generated capital and rigid classifications, which often forced poor funding decisions. But in its favor, it *did* force prioritization and comparative project evaluation among its users, often replacing first come, first served approaches to capital allocation then used by many corporations.

2. Ideas that were intellectually interesting but failed in execution—usually because they were too cumbersome and often had high bureaucratic "score keeping" content. Even so, some elements of the idea often persist—perhaps in a more simplified way. Management By Objectives (MBO) was an idea whose logic gave it great currency when it was introduced in the mid-1960s and reintroduced several times in later years under different banners. What could possibly make more managerial sense than to align the objectives of individuals to the goals of the enterprise? But by the time various Human Resources departments devised multi-page forms to be filled out—and then linked the fulfillment of the objectives to an individual's compensation, the "objectives" became more diffuse and, predictably, less demanding. The excessively formal process eventually fell of its own weight. However, discussion of goals between boss and subordinate and assessing the relevance of the individual goals to the overall mission—the heart of MBO—continues in many organizations today. But many others now feel that even *that* much job structure stifles innovation. Perhaps when other current Big Ideas—the Self-Managed Teams concepts, Empowerment (when it is not accompanied by commensurate accountability) and Boundaryless Organizations (when practiced by those less skilled than GE), and when other free-swinging ideas—"morph" into a kind of anarchy, then Management By Objectives might be introduced once again with perhaps a New Age title like "My Bonding Means Work Goals" (My BMW Goals).

Many "Big Ideas" were intellectually interesting, but fell from the weight of bureaucratic "scorekeeping."

3. Ideas that have apparent staying power and may become more or less permanent parts of management's armamentarium. Without question, here to stay is the idea of *designing in* quality rather than *inspecting it in*—the heart of various quality management schemes—even if the rather cumbersome Total Quality Management (TQM) process, as originally introduced, eventually fades away. Quality Circles, a hot item in the 1970s and 1980s, which brought rank-and-file employees into the design of work processes that affected them, has survived in concept. *Business Week*, in a January 1986 article, reported that there were then almost 8,000 members of the International

Association of Quality Circles—up from 200 in 1979. Today, that organization, like any organization seeking a broader mandate and an up-to-date mission, has extended its concept and is now called the Association for Quality and Participation. But the Quality Circle idea of formal or informal "worker participation" in workplace process improvement is more robust than ever, whatever the group calls itself.

A second way to group the Big Ideas is by the category of what they proposed to accomplish.

Category

The 50 ideas we examined fall into one of 6 categories (numbers in parentheses indicate frequency of the category).

1. Corporate Strategy (7)
2. Resource Allocation (4)
3. Cost and Quality Improvement (11)
4. Financial Engineering (2)
5. Business Unit Strategy (7)
6. Employee Motivation and Evaluation (19)

The Appendix discusses the concept of the ideas and their duration.

It is important to note that these "Big Ideas" are not themselves "strategy," nor are they "people management," however much their authors and proponents might wish it were so. They are, at best, useful *tools* or *processes* to help carry out either analysis or execution of strategy and management principles. Some of them can, importantly, add to the time-honored basics of executive success: Brains, courage, sound personal values, hands-on experience, judgment, and that most elusive of all assets—the ability to see linkages between seemingly disparate events and act on them before others do. As hockey great Wayne Gretzky advises: "Skate to where the puck *will* be, not where it is now."

Most of the "Big Ideas" are really tools or processes to **carry out** *strategy rather than developers of strategy.*

In examining these "Big Ideas" of the past few decades, it is hard to say that many were *totally* new when introduced. In fact, many were based on case studies of companies already practicing some form of them. But it was the synthesizing and systemization that *was* new. For example, "outsourcing"—hiring others to perform corporate services or even line functions—has been practiced for years. What *is* new, is the systematic challenging of *every* activity to see if it is a "core strength" essential to the business—or one that can be served better by hiring an outside specialist in that field, perhaps by some sort of "alliance."

In critiquing the "Big Ideas," it is well worth remembering that while people management, leadership, and military strategy have been written about for centuries, *business* strategy writings are a relatively new phenomenon, really only a few decades old. Certainly, businesses practiced strategy before that time, they just didn't write much about it. It is not surprising, therefore, that the life cycle of many of the financial and strategy ideas is so short. Perhaps when the business *strategy* ideas have withstood the nearly five-hundred-year test of Niccolò Machiavelli's *leadership* observations in *The Prince*—about what people will and won't do—then there will be total agreement about which strategy ideas work with some consistency. And despite its long ancestry, "new" leadership ideas abound.

Critics have called these rather recent ideas on strategy and leadership simply attempts by management to make quick fixes—to get gain without pain. That assertion misses the point. Most often, they are seemingly appealing approaches to problems facing management—considered worth a try. The successful authors, consultants, and lecturers (often three people in one) recognize these contemporary needs and tap into them—with approaches gleaned usually from watching executives successfully cope, then fashioning a "unifying theme" from it for repackaging and exploitation. On some occasions the ideas are truly new: Zero-Based Budgeting was one such idea which was widely practiced in the 1970s and '80s and elements of it survive today in perhaps less structured form. Juran and Deming's seminal ideas about quality swept first through Japan and then into U.S. manufacturing and, later, to service sectors.

Ideas on strategy and leadership are not just quick fixes as some have charged.

While we are more lenient in criticizing business strategy writings because of their newness, there is still an obvious void when looking at them in aggregate. Most of these ideas listed are "process related." That is, they are "things" that can be tried to improve operations or performance of people—or at best, in Michael Porter's hands, they are an examination of competitive advantage opportunities. They don't often clearly get at "Strategy" in the classic sense of "describing a desirable future, then setting out ways to get there." They seldom venture into the real strategy of constantly "Reinventing the Corporation," despite book titles suggesting that they do.

Why is that? One reason might be that there are so few examples of companies that have truly reinvented themselves, that authors have a hard time pulling together the experience of others into their usual "unifying themes" to publish as their new management dogma. Another might be that there is a limited market for "total makeover" proposals because not many companies *want* to reinvent themselves—they prefer to fix and polish. Indeed an examination of some 200 of the country's largest companies suggests that it's true: most of the successful ones have done so by playing essentially the hand they were dealt—but doing so with consummate skill, using many of the "Big Idea" processes. This has historically worked well—until outside forces redefine the game and new cards are needed—and fast! Less successful companies simply coped without apparent success. Rare is the company that has looked objectively at not only a terrible *present*, but acknowledged the likelihood of an equally terrible *future* unless they undertook massive change. Rarer yet, is the highly successful company which concludes that they need potentially massive change to stay that way.

Consider these three situations:

Type 1. You are in a lousy business. Most of the time *no one* in your particular business segment has earnings that justify the cost of their capital. You're too big to die (a start-up company would have been long since gone). Your stock consistently trades at well below market multiples—though often respectably within your peer group multiple. You're perennially listed in the "Value" stock category (under-appreciated stocks "ready to break out") so you have your share of Wall Street supporters. On occasion, a favorable cycle "lifts all boats" and you join with others in a round of expansion. All efforts are made to wring out cost, improve quality, be more customer responsive. You've tried many of the "process fixes" with some success—but results are still mediocre. You believe your management team and practices would run circles around those prima donna companies lucky enough to have "parachuted into the right business" as Jack Welch, CEO of General Electric, was once quoted to have said. **What can and should you do? Few of the Big Ideas address this.**

Type 2. You are in a business with large cyclical swings—indeed, booms and busts. The one or two leaders in the field earn their cost of capital, but only if they take five years of cyclical up and down performance and divide by five—and call it "a year on average." Their shareowners recognize this cyclicality and the stock performance, while not spectacular, is satisfactory. Most others in the field have returns averaging below their cost of capital—but in up-cycles hope springs eternal for their cyclical owners. **What can and should you do? Few of the Big Ideas address this.**

Type 3. You are in a great business. Almost all participants handily earn at least their cost of capital—some, even multiples of it. You have money to spend and your "people practices" are exemplary as is your "performance in society," and they are often incorrectly cited as a *reason* for your success—not the *result* of affluence. Management takes pride in their performance and takes credit for success, having tried all the new process ideas and practiced appropriate "long-term views." But like the children in Garrison Keillor's Lake Wobegone—practically every company in the field is "above average." A number of business sectors over time have been in these favored positions—even for extended periods. They seemed invincible, but then the sector slipped to average or worse, usually because of innovations from outside their industry, taking the formerly superior performance with it. **What can and should you do? Few of the Big Ideas address this.**

Strategy ideas seldom address real issues like the need to constantly "re-invent" the company.

Answering the question of "What can and should you do?" is the real stuff of strategy and is conspicuously absent in strategy writings, though it is sometimes the subject of corporate consulting assignments which don't get into print. Some companies *have* broken the mold in each of the categories—Nucor in Type 1 found ways to successfully segment a commodity steel market over a several-year period. Monsanto in Type 2 moved from a cyclical chemical company to a life sciences company over approximately a 20-year period. Both have been written about extensively. The Citicorp-

Travelers merger proposes a new kind of "cross-selling" powerhouse to move from cyclical Type 1 performances to Type 3. Most of the electronic communications giants like AT&T and the "Baby Bells" are creating structures betting on redefining their industry. IBM fought its way back to profitability and potentially Type 3 leadership with a strong internal refocusing effort. Mergers abound throughout corporate America and among a few large European players. Most at the outset are characterized by their proponents as "marriages made in heaven"—particularly if heaven is to be populated by large people planning to go on a diet as their entry pass to nirvana. Spin-offs promise new life to a number of corporate stepchildren.

It will be interesting to see how corporate "culture clashes" play out in the vastly expanded mergers and acquisitions arena—especially those that cross national borders. (See *Organization, Culture and Leadership* (1991) by Edgar Sehein.) In most cases, especially in the manufacturing sector, the dominant partner (there always *is* one even in so-called mergers of equals) imposes its culture or operating style on the acquiree. In service sectors, like banking, advertising, and others, that has not been so easy, since their particular culture or "style" is often the asset being acquired.

It will be interesting to see how culture clashes play out in the vastly expanded mergers and acquisitions.

Harnessing culture is often a lesson in futility—so manufacturing acquirers have often simply said: "Here are our standards on quality, environment, risk, etc.—they are now yours as well." Service segment acquirers have a more delicate role—but unless they develop a more uniformly defined style or culture, the new organization may be nothing more than a 1970s type of conglomerate, not a unified powerhouse as proposed. This study of M & A "culture effects" will likely be the next wave of big ideas by authors for the millennium. Indeed, that analysis is already starting in the business press, as speculation abounds about Daimler-Chrysler, Citicorp-Travelers (Citigroup), Exxon-Mobil, and others.

The big Deutsche Bank A.G.-Bankers Trust merger is a case in point. As *The New York Times* reported recently:

> In announcing the deal . . . there were no platitudes about a "merger of equals" or about the need for deference to cultural and institutional differences. Mr. Breuer (Deutsche Bank chairman) made it clear he would shape the new enterprise. "We don't believe in autonomy as an instrument of management and leadership," he said at a news conference. "As far as it goes, we want a centralized management of the business."
>
> With that approach, Deutsche Bank is trying to avoid repeating past mistakes. Over the last decade, it has spent freely to build up its investment banking business—with largely disappointing results.
>
> Deutsche Bank acquired the British investment bank Morgan Grenfell in 1989, and paid billions to acquire star bankers and to expand operations in London and New York, giving the bankers wide freedom. When costs began to soar, Mr. Breuer reasserted control, and top American executives defected.

In the Type 3 "great business class," a few things are stirring. Late to invest in the potential of biotechnology, many large pharmaceutical companies were saved from attacks by the biotech start-ups because of the huge barriers to entry as full-scale pharmaceutical companies. With only a few exceptions, the start-ups are affiliating with or being bought up by the established giants (who are using their powerful financial flexibility). In the next threat, managed care organizations challenged major drug company pricing freedom and, after a slow start, the leaders in pharmaceuticals started to learn about "value selling" rather than their historic "performance only" selling. Value selling could have been learned much earlier by looking at the marketing methods of virtually any industrial manufacturing company. What, then, will be the next close call in the "great industries" like pharmaceuticals? There is a wonderful planning phrase that says, "If you forecast the future *only* from the trend lines of the past, you'll be right 90 percent of the time—except the 10 percent of the time when the dislocations occur, and all the money's made and lost." Who—in pharmaceuticals or other very successful business segments—will see and connect up the disparate linkages before the others do? Where are *these* big ideas, or even the big questions from the gurus?

Each of these categories present challenging strategic issues in its own way.

Type 1: Lousy Businesses. Many argue that *any* business can find a niche in a commodity business like Nucor did. After all, a seemingly pure undifferentiated commodity business like baking bread can be positioned profitably into many segments. But, if after trying everything—and Type 1 companies do try almost everything out of necessity—after honest appraisal, if the business is still likely to consistently underperform its cost of capital, then it's time to look for the usual exits among the options of spin-off to shareowners, merger, or sale, rather than having a solution eventually thrust upon them from outside, or worse, having the company linger on in perpetual underperformance.

Meeting or exceeding the corporate cost of capital is the Holy Grail of business.

Cyclical companies in Type 2 which "on average" meet the cost of capital—could probably benefit from installing an informal "corporate historian" to remind them of the last cycle and its ups and downs. Perhaps it will save them from writing in the Annual Report when they're on an up-cycle, "Our corporate strategy is working," which often leads them to invest in the next round of expansion along with the competition whose "strategy is also working" in this up cycle—insuring the next down cycle for everyone due to industry over-capacity.

Type 2 is not an unreasonable category if it is properly defined as such for shareowners with patience and a talent for doubling up on the stock when they believe the next upturn is coming and paring holdings before the perceived downturn. All of this, however, requires real strategy by management—and business gurus are usually of little help (*Managing Cycles* is not a hot book title, apparently).

Much as been written about Type 3—the great companies—usually celebrations for "why they are" successful and postmortems for "why they are not" after they go into decline. But we know of little that has been written about how to *become* a Type 3—and how to stay there once you achieve it, through constant reinvention. Office copying, automobiles, mainframe computers, network TV, and fast food are among some obvious examples of Type 3s that went into decline, but there have been many over the years. Indeed, Type 3 companies are usually written about when they are on top as companies whose behavior should be emulated so you too can enjoy their success—they don't tell you, however, how to get *into* these great businesses where everyone prospers (and seldom advise how to stay prosperous by constant reinvention).

It takes a real leader in Type 3 to fight the expression, "If it ain't broke, don't fix it" and to recognize the turning points—those subtle messages that massive change in direction is needed even in the apparent face of "permanent" success. Most miss it and upheaval comes usually from outsiders who upset industry norms while insiders stick with what they know "always works." The failure of IBM's mainframe computer-based business to capitalize on the move to personal computers is a case in point. Another is the major television networks' failure—until recently—to recognize the appeal of cable channels segmented to viewers' specific tastes and interests. The *Washington Post* November 1998 book review of *In Sam We Trust: The Story of Wal-Mart* by Bob Ortega puts it this way:

> *Great industries usually decline because outsiders re-invent the rules.*

> As Ortega demonstrates in what are far and away the most revealing and interesting sections of "In Sam We Trust," Kmart was done in not merely by Wal-Mart's vigorous and ingenious competition but by its own complacency, stupidity and ineptitude. Like Wal-Mart, Kmart was essentially the brainchild of a single inspired, obsessed man—this one's name was Harry Cunningham—who shaped the firm to suit the images in his mind and ran it brilliantly until his retirement. After that it fell into the hands of a succession of corporate bureaucrats.
>
> Many of these were timid and self-protective; almost none of them had the slightest grasp of the rapid changes that were occurring in the American marketplace and in technology that by the late 1960s was beginning to make it possible to track inventory instantaneously and to distribute replacement goods with similar dispatch.
>
> Kmart was set up to serve the suburbs and the automobile that had created them while Wal-Mart catered to the small towns that national corporations thought unworthy of their attentions. But both were in the same business—discount retailing—and both, by the time Wal-Mart had emerged as serious competition, had ample resources on which to draw. But while Wal-Mart stayed lean and alert to the needs and tastes of its customers—Walton, like the ruler of the queen's navee, polished up the handle on the big front door, or made sure someone else did—Kmart slid into shabbiness. It concentrated on opening new stores and "neglected spending to spruce up existing stores, many of which, as the years passed, looked increasingly shabby," and it "relaxed into complacency about its assortment of merchandise."

It is hard to imagine a more self-incriminatory comment than the one made by its would-be savior, Joe Antonini, who said, "It's depressing to visit an old store, even if I must say so." Well, thanks to Antonini et al. it was depressing to shop at one, too, which is why millions of Americans stopped.

Also instructive is the fate of the so-called "Nifty-Fifty," a term coined in 1972 by Kidder Peabody to denote a list of favorably positioned companies promising superior long-term growth in stock price. Excepting Wal-Mart, which had a huge run-up, the remaining "nifty-forty nine" performed at about the S & P average. In 1986, *Forbes Magazine* compiled its own "Nifty-Fifty" growth stock list—companies in favored positions. A decade later, one had gone into bankruptcy, one had fallen 70%, and nine others showed a *drop* in stock price for the period—a period of unprecedented growth for the market itself.

"Nifty-Fifty" stock lists are no sure thing – many leaders decline rapidly.

Where is the board of directors in all of this? Why don't they cause the reinvention of the corporation? The answer may simply be that it is not their role to *provide* strategy—but, rather, to insure that a strategy is in place by management—and that it makes sense. But boards can usually only react after the fact. They usually have neither the time nor specific industry knowledge to go much beyond the facts presented to them by management. To be sure, when the company is in trouble, they do dig in—but not often before, for a variety of reasons: the subtlety of danger signals, competitive action not apparent to the board, deference to the CEO in choosing not to meddle, etc.

If Big Idea gurus were of real help to the CEO and the board, they would constantly provide the challenge to rethink the present course and honestly assess the realities, however unsettling. This kind of writing would truly be the BIG ideas—neither fads nor even enablers—truly the pathfinders.

In all of this evaluation of strategy and management gurus, we kept looking for their guidance or challenge to improve on the following short list of strategy and management principles that has served me well over the years—and most CEOs in my experience also incorporate at least some of these into their own short lists. My collaborator Joseph McCue and I have used these as a template of sorts to observe and catalog the flood of business "Big Ideas" from the past few decades—to ask which of those many proposals have added significantly to business' armamentarium. That appraisal is in italics in the following pages. To be sure, with more than a thousand business books a year being published, we may have missed a publication or two either because it was not well-publicized, or because the message might have been buried in an avalanche of other messages.

Strategy

1. Select the right business or businesses to be in and get out of the rest.

The "right" businesses are those with reliable prospects to consistently earn at least their cost of capital. They can consistently earn that rate of return demanded by the owners of the company's specific mix of debt and equity in the capitalization of the company. For much of the past decade or so, a company with a typical debt to equity ratio would need to return about 10-14 percent on the capital employed. Meeting or exceeding the cost of capital is the "Holy Grail" of business.

There is not enough writing on this. A "Big Idea," EVA (Economic Value Added) gets at it in a roundabout way as a tool of analysis for the existing portfolio. But little published help is given management to select the right business to aspire to, ones that are not necessarily in your current portfolio—but are ones you can gravitate to over time or acquire because of a reasonably good fit with your current skill base—much like an amoeba moves over time to the place where it can surround the source of life sustenance. Note that this is not acquisition for the sake of <u>total</u> diversification. If that's necessary, it's best left to the shareowners to do themselves. Diversification as a strategy is usually a bogus one and very expensive. Rather, we're referring to help in analyzing possibilities for transformation the way people looking for a new job evaluate how many of their current skills are relevant to a career in a more promising field.

2. Understand what drives success in the business and do these things superbly.

This requires an intimate knowledge of those business drivers—those activities which differentiate the offering from competition or which define cost structure or other unique advantages which the market will value and reward.

This is well covered by many of the authors of the Big Ideas shown in the Appendix under Category 2, "Resource Allocation," and Category 5, "Business Unit Strategy"—indeed, this is what is most often incorrectly called "corporate strategy."

3. Constantly innovate to renew the business or to redefine it in new, attractive ways.

Times change. Good enough is often no longer good enough, even for the leader. New strategies are required to insure that *you* define the rules—that *you* capitalize on changed circumstances or *cause* the change yourself before someone else devalues your offering or worse, makes it obsolete.

The quick fix is easier than the durable, but far less rewarding than when the durable is done right.

Hamel and Prahalad get at this in "Competing for the Future" in the Appendix, Category 1, "Corporate Strategy." Few others do.

4. Maintain financial flexibility to seize on opportunities.

Managing financial risk is important for preservation. But an inexcusable failure of management, especially the leader in the field, is failure to maintain financial reserves in order to capitalize on opportunities which present themselves from the changed circumstances of others or from emergence of new avenues of growth.

Business writers, investment bankers, and consultants almost all work to <u>reduce</u> financial flexibility by proposing to spend money their way—there is little payoff for advisors in proposing merely to build up a war chest to hold in reserve for opportunities.

5. Measure success of the enterprise by creation of superior shareowner value now and over time. But don't forget the other "stakeholders."

Shareowners need reasonable rewards *now* if you seek to earn their approval to take the correct view—that of providing *long-term* shareowner value. The quick fix is easier than the durable, but far less rewarding than when the durable is done right. Too many, however, promise everything "later" and often "later" never comes—so you need to provide a "down payment" now. In addition, the "stakeholders"—employees, customers, suppliers, neighbors, indeed, society in general—provide the "license to operate" on behalf of the *principal* stakeholder, the shareowner. Support of stakeholders, then, is critical to shareholders. Likewise, without shareowner support, no other stakeholders can benefit. In that sense, it is enlightened self-interest on behalf of shareowners for management to look after the interests of *all* major stakeholders.

This is almost always approached in writings unilaterally—shareowners only or stakeowners only; long-term only or short-term only. Little is written about balance—long-term and short-term, shareholders and stakeholders—balance is apparently not "breakthrough" enough to sell.

Getting Results Through People

1. Describe an attractive and understandable overall mission or theme for the enterprise.

This mission must be flexible enough to accommodate new ideas and events—but not so amorphous that anything qualifies. Importantly, it should provide a worthy goal bigger than an individual's own aspirations—something one wishes to be part of.

Six rules for dealing with people effectively.

2. Get good people and find ways for them to "buy in" and find their personal role in the mission.

"Spectators" are not required—participants are. Participants must see regular, visible signs that what they do matters—and is valued.

3. Provide participants with freedom to act, free of stifling rules and bureaucracy—and be sure they have the tools to do the job, to eliminate excuses for failure.

Decentralization is not a panacea—overbearing staff can terrorize employees at any level of organization. And there is nothing more dispiriting than the Catch 22 of accountability without resources. But for shareowners, employee empowerment without accountability can be a disaster. Of course, without good people, by definition, empowerment will mean empowering incompetents.

4. Provide financial and psychic rewards for success. Reward success conspicuously *whenever* it occurs.

The recipient would ideally say that "I'd give this reward if I were the owner of the business." Build on people's compelling strengths rather than spending full time making them "well-rounded"—which often means "rounding off" their strengths.

5. Punish *recurrent* failure.

This is not failure for trying ideas that don't work. This is failure for consistently being wrong.

6. Work resolutely to find and install people with leadership capability at all key points in the organization. Even potentially great performers can be stifled by poor leaders.

"Leadership" may well be the most widely published business subject. It comes in all shapes and forms but it has one theme—well articulated by Vance Packard in *The Pyramid Climbers*. "Leadership appears to be the art of getting others to want to do something that you are convinced should be done."

Kouzer and Posner in *The Leadership Challenge: How to Get Extraordinary Things Done in Organizations* provide an excellent summary of "five fundamental exemplary leadership behaviors":

Leadership? The art of getting others to want to do something that you are convinced should be done.

Leaders challenge the status quo.

Leaders inspire a shared vision.

Leaders enable others to act.

Leaders model the way. They establish values about how employees, colleagues, and customers ought to be treated.

Leaders encourage the heart. They make everyone feel like heroes.

Speaking to the House of Commons during the Second World War, Churchill said about leadership, that leaders must *lead*:

> Nothing is more dangerous . . . than to live in the temperamental atmosphere of a Gallup Poll, always feeling one's pulse and taking one's temperature. I see that a speaker at the weekend said that this was a time when leaders should keep their ears to the ground. All I can say is that the British nation will find it very hard to look up to leaders who are detected in that somewhat ungainly posture.

A useful lesson for today's governmental poll-driven "leaders."

Much of all of this in the six assertions we have made about getting results through people has been written about <u>somewhere</u> in the vast literature on that subject. However, we haven't seen a short list that makes much improvement on these. And even fewer combine "how to get people to perform" with "how to ensure that the right things are performed"—that is, how to combine Strategy and Leadership.

The author that does **that** will capture not only the top spot on the Business Best Seller list, but at least as important, will truly affect permanently the way businesses perform.

* * *

Help Wanted: Strategic Management Historian. Outstanding benefits. Limited internal competition.

Our last observation is as much a plea as an idea. The great failure of strategic management to gain respect from other major disciplines (social science, mathematics, medicine, engineering, etc.) follows from the nature of the strategic prescriptions. Unlike these other fields which build on history and precedents, in Strategic Management the recent fad is usually the new "truth" and old ideas never seem to be captured even as useful history or as building blocks—parts of a coherent body of knowledge to draw on.

Without a serious history for measuring *long-term* progress, it is hard to know if the field is even making *short-term* gains. If you don't know where you've *been*, it's hard to know where you're going, and if you don't know where you're going—*any* road will get you there. Or perhaps for a more apt metaphor: any hot air will *blow* you there. We need more than a collection of case studies and instant replays, we need to systematically build on experiences.

We need strategic management historians to build a coherent body of knowledge.

Unfortunately, the Big Ideas we have covered in this paper (if they are mentioned at all) are usually dismissed by the latest "Hot Author" as being naïve or misguided rather than useful in their time or even important steps on a learning continuum. The continuum of progress is what makes for a solid body of knowledge, an ideology, that can be passed on to aspiring leaders in a coherent way as the other disciplines have done.

Mintzberg *et al* in *Strategic Safari: A Guided Tour Through the Wilds of Strategic Management* (1998) is a good start down that road in that it identifies 10 different schools of strategic thought of the past 30 years and discusses their contributions and limitations while trying to put them into a coherent context. But like any journey, even this important work is but a leg of the trip to the understanding of what makes some enterprises succeed for long periods, others for a time, and some not at all.

In closing, we return to the perspective of Winston Churchill: "The farther backward you can look, the farther forward you can see." Our paper has been an effort to both capture the lessons of the past and present—to help describe and chart a desirable destination—and, more importantly, to set out ways to get there.

Introduction to the Appendix

Some of the authors are "Introducers" of the Big Idea—others cited have commented on it after introduction. In most cases, multiple authors could have been chosen—we selected "typical" ones. Our apologies to the more than 1,000 authors per year who are not included, as well as to those we did include—for our having paraphrased perhaps 300-400 pages of prose in a few lines.

Because it is perhaps the most read modern book of management practice, *In Search of Excellence*, by Peters and Waterman, is given its own listing categories, PW1-9. The principles, while not necessarily "Big Ideas," are interesting. The companies cited in the book, were termed "excellent" at the time, but did not all remain so, proving again (to paraphrase the National Rifle Association) that "themes don't kill companies, people's actions do."

Missing on the "Big Idea" list in this appendix are authors like Peter Drucker whose bestselling books on management and strategy are not subject to "Big Idea" analyses. Rather, they are collections of wisdom, experience and commonsense behavior of enduring value, but not "one idea" which sweeps through Corporate America. They are like "sipping sherry for quiet reflection, rather than downing a jolting straight-up martini," and praying, "God give me patience, and I want it Right Now."

Appendix

Category 1: Corporate Strategy

Big Idea: Mergers & Acquisitions (M&As)

Typical Reference: *Mergers, Acquisitions and Corporate Restructurings* by Patrick A. Gaughan, 1996.

Description:

This is listed as a "Big Idea" not because of its novelty—M&As have *always* been with us—but because of its pervasiveness in today's "Bigger is Better" international competitiveness concept.

Duration:

In the 1980s, M&A was fueled by junk bond takeovers, then massive international mergers exploded in the '90s. Almost all friendly ones are called by the participants "marriages made in Heaven" which often devolve to a hellishly bad clash of cultures. Several analyses post-M&As show that significant loss of shareowner value is the rule rather than the exception. In *The Synergy Trap: How Companies Lose the Acquisition Game* (1997), author Mark L. Sirower found that in 100 major acquisitions ($500 million plus) between 1994 and 1997, the combined entity lagged behind their industry peers by a stock price average of 2 percentage points. Successes, however, are common enough so that hope springs eternal. Telecommunications, banking deregulation, and oil are big drivers today, as is internationalization of business and attempts to reduce excess capacity—with no end in sight.

Big Idea: Reinventing the Company

Typical Reference: *Competing for the Future* by Gary Hamel & C. K. Prahalad, 1994.

Description:

Executives—to use an old planning phrase—must "Describe a desirable future and then set out ways to get there." Reinventing means redrawing the rules of the industry, constantly remaking the company—before others do it for you, with negative results.

Duration:

Done right, reinvention is an evergreen process. Not many make it a "way of life" to ensure the vitality of the enterprise. The principles remain valid—but determination is required and is often lacking for the reasons described in the text of our paper.

Big Idea: Visioning

Typical Reference: *The Fifth Discipline* by Peter Senge, 1990.

Description:

Groups collectively develop a vision statement—a desirable outcome, then find their place in it.

Duration:

A useful tool. Once the exclusive province of the planning department or an occasional "visionary CEO," it is now being encouraged as part of team-based, decentralized, empowered employees to motivate the organization. Moving from the vision to *work* is the real trick. Webster defines "vision" as "something seen in a dream, trance, or ecstasy"—also as "a lovely sight." However, a visionary is defined by Webster as "one whose ideas or projects are impractical." Beware the difference.

Big Idea: Serving Stakeholders

Typical Reference: *Strategic Management: A Stakeholder Approach* by R. Edward Freeman, 1984.

Description:

Corporations need to serve all stakeholders in the company—employees, customers, suppliers, neighbors, indeed society in general—rather than just shareowners.

Duration:

A subject written about more than probably any other governance topic. My conclusion in CSAB CEO Series #9 (*Business Should Act for All Its Stakeholders—Before "The Feds" Do*) is that it is important to look after *all* stakeholders. They provide the "right to operate," but serving them really is only enlightened self-interest which, in the end, serves the owners—the shareowners. "Stakeholderists" urge that shareowners be considered just another player among all stakeholders, with no special rights or priorities. They're wrong—and they have never had to try that idea out on Wall Street.

Big Idea: BHAG ("Big, Hairy, Audacious Goals")

Typical Reference: *Built to Last: Successful Habits of Visionary Companies*, James C. Collins & Jerry I. Porras, 1994.

Description:

Successful companies set outrageous targets and meet them, i.e., "NASA's man on the moon"; Procter & Gamble, "Double the size of the company in 10 years."

Duration:

BHAG is an acronym circulating during the past few years attributed to Collins and Porras. Important to the concept is a long-term goal (10 or more years) with intermediate measuring points. Many have set such goals. Mine in 1985 was to place Monsanto among the great industrial enterprises in the world measured by financial performance (20% ROE consistently, up from then 10-12%) and superior performance in society. Others, like GE, Boeing, Bristol-Myers Squibb, Goodyear, are proponents of BHAG by other names. Worthwhile when relevant to the business; inspiring to employees but disappointing when dropped in a few years in favor of other goals. Needs *very careful* goal selection and constant push from the top with all weapons of discretionary capital use, compensation, etc. As in many planning tools, the outcome is critical, but understanding the nature of what it takes to get to the BHAG is of vital importance to the organization.

Big Idea: Strategic Planning

Typical Reference: *The New GE* by Robert Slater, 1993.

(Describes the origins of Strategic Planning in the GE of the 1960s under CEO Fred Borch, then in the 1970s under CEO Reg Jones. Dozens of titles available for differing versions of the subject.)

Description:

In-depth analysis of the business portfolio to determine directions for growth and candidates for elimination. A novel approach at the time, when divestiture was an admission of failure and only star businesses were emphasized for resourcing, leaving "orphans"—the average performers—to fend for themselves.

Duration:

Every corporation now practices some form of strategic planning. But as the text of our paper suggests, it is often about "maximizing the hand being dealt." Only a few truly capture the full concept.

Big Idea: Core Competencies

Typical Reference: *Competitive Advantage* by Michael Porter, 1985 (and prior writings by Porter and others—especially C.K. Prahlad and Gary Hamel—on identifying and harnessing competitive advantage).

Description:

Companies need to examine the critical elements of success in their particular business and do them superbly. Focus on cost or diversity of offering, commodity or specialty, but not all of them. Determine who controls the game: supplier, customer, government, competitor, and change the ground rules if unfavorable. Other authors propose selecting competitive value from among operational excellence, product leadership, customer intimacy, but *not* all three. To use an old advertising phrase, find your "USP" (Unique Selling Proposition) and let it drive all tactics.

Duration:

Excellent and widely used tools of analysis which are effective when not made into too rigid "programs" without necessary flexibility. Intel is a good example of a company which consistently drives its strength in understanding "process" in remaking its products. Finding and exploiting core competitiveness is a useful exercise at "planning time" or "reinvention time" to see what really drives results.

Category 2: Resource Allocation

Big Idea: Shared Services

Description:

Offered by a number of consulting firms since the early 1990s. Business units share certain commonly needed services with each other and retain in their own unit only those services which are part of its core offering.

Duration:

The 1980s saw staff decentralized to the line (put them where the money is so they are more effective). This had positive results—but predictably, at a higher cost. The "shared services" system has the common services managed by the various business unit users to cut cost—but without a return to "the corporate Gestapo." A number of prominent companies are using it. Over time, shared services will likely gravitate back to "corporate staff," leaving "line staff," i.e., advertising, some Human Resources, etc., at the unit level.

Big Idea: Economic Value Added (EVA)

Typical Reference: *EVA: The Real Key to Creating Wealth* by Al Ehrbar, Joel M. Stern, and G. Bennett Stewart III, 1998

Description:

Business units need to be assigned the cost of the capital they use in order to measure whether units exceed it (add economic value) or destroy it (fail to earn the cost of capital).

Duration:

A very hot concept practiced by many and demanded by many on Wall Street. This simple concept is *very* difficult to use as a *prospective* management tool because it often requires dozens of "adjustments" to GAAP accounting, i.e., "capitalizing R&D" (one company had more than 80 adjustments to make). But it lends itself to *post-analyses* very well, and as long as Wall Street analysts calculate EVA—as many do—companies will use it. Less pure versions of EVA are available using GAAP accounting and limiting exceptions to only 2 or 3 big items, i.e., R&D, working capital, etc., with adequate results. It trains employees in the *economics* of the business, rather than just the P & L statement.

Big Idea: Experience Curves

Typical Reference: *The Experience Curve*, The Boston Consulting Group, Bruce Henderson, 1973

Description:

Costs of value added decline approximately 20-30% in real terms each time accumulated experience is doubled. Therefore, rapid gain of market share is critical.

Duration:

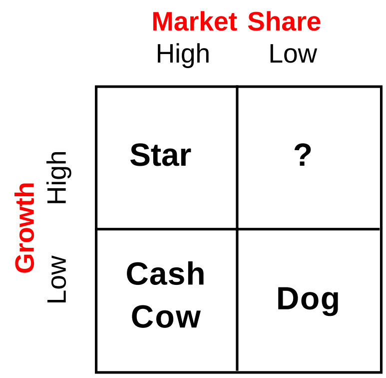
Widely accepted in the 1970s and in the '80s. Many users stretched the theory beyond its capability. Price reduction to gain market share predictably led to lower profits. Little continuing use today beyond making rough predictions of cost reductions of repealed activities, for example, semiconductor manufacturing.

Big Idea: Portfolio Management—Growth Share Matrix

Typical Reference: *The Experience Curve*, The Boston Consulting Group, Bruce Henderson, 1973

Description: Businesses Categorized By Class and proposed action:

Feed Stars
Milk Cash Cows
Watch Question Marks Progress Carefully
Drop Dogs



Duration:

Widely used in 1970s and early '80s by BCG and later Bain & Co. clients to allocate internally generated cash. A useful if simplistic exercise to examine businesses. Largely disappeared in practice in mid '80s when cost of capital and other devices became a better method to allocate both internal *and* external sources of cash—and we learned once again that simplistic doesn't mean simple.

Category 3: Cost and Quality Improvement

Big Idea: TQM (Total Quality Management)

Typical Reference: *Quality Without Tears: the Art of Hassle-Free Management* by Philip B. Crosby, 1984.

Description:

Lack of quality is *caused*—and can be prevented. Management must help employees understand their role in the improvement process, then guide the flow of improvement. "Engineer in quality rather than inspect it out."

Duration:

A landmark book widely adopted by Japanese and American companies. It caused major changes in the philosophy of manufacturing quality and continues to be widely used, though highly adapted and modified. But see also, *Why TQM fails and What to Do About It*, by Brown, Hitchcock, & Willard (1994), who say. "Far from delivering promised results, your TQM program may have delivered only wasted energy and frustration. Don't quit yet. How to avoid TQM pitfalls." As usual, done without excessive bureaucracy, it can be effective — with excessive process it falls of its own weight.

Big Idea: Quality Circles

Typical Reference: *Commit to Quality* by Patrick L. Townsend with Joan E. Gebhardt, 1990.

Description:

Line employees know how to improve quality and participate in the quality process through regular quality meetings and other devices.

Duration:

Imported into the U.S. in the 1970s from its origins in Japan as taught by Crosby and Juran. By 1986, there were 8,000 members of the International Association of Quality Circles (now the Association for Quality and Participation). Very much alive in many formats—an enduring "Big Idea" with more proponents by far than detractors.

Big Idea: ISO 9000

Typical Reference: *ISO 9000: Meeting the New European Standards* by Perry Johnson, 1993.

Description:

Quality assurance program following Total Quality Management—principles introduced in Europe. To qualify, a unit must comply with prescribed standards of operations methods and results and analyze its processes to ensure they are capable of producing sustained results.

Duration:

Required by many companies for qualifying suppliers. Complex and sometimes difficult to comply with this "cookbook" approach to quality. It is, however, popular with its proponents which assures it of at least an interim life.

Big Idea: Downsizing

Typical Reference: *Mean Business* by Al Dunlap, 1996

Description:

Practiced widely since the mid-1980s, companies have cut employees—especially middle managers because of availability of electronic data (information formerly held by mid-managers), empowerment (fewer managers), mergers (reduction of redundant staff), and removing overhead left over from conglomerate days of many companies. Involves buyouts, early retirements, etc.—even generous buyout plans pay back within 2 years if measured only against employee cost, not morale, loyalty, etc.

Duration:

Dunlap demonstrated the worst of downsizing—and was himself downsized after failure at Sunbeam, his latest "conquest." Much of corporate downsizing was necessary and effective. However, it was often (by law) indiscriminate with both fat *and* muscle removed and loss of much "corporate memory." Nonetheless, it continues in wide use today—even in the face of emerging employee shortages. Dozens of companies each year make such downsizing announcements, putting all employees on edge, not just the ones who ultimately leave—with often needless disruption to the business.

Big Idea: Benchmarking

Typical Reference: *Strategic Benchmarking: How to Rate Your Company's Performance* by Gregory H. Watson, 1993

Description:

Rate each important activity against the best in the world—not just best in your business—and seek to attain that standard.

Duration:

Widely adopted by corporate America, sometimes to extremes. One company extended the concept to each senior executive job opening. An effective tool when not burdened with excessive paperwork, which unfortunately is often the case.

Big Idea: Outsourcing

Typical Reference: *Outsourcing: Implications for Supply Management* by Lisa Mellram and Arnold Maltz, 1997

Description:

Hire outside specialists to perform services formerly done in-house.

Duration:

An old concept with a new twist: *every* activity is examined to see if someone else can do it better, cheaper. Often, in-house staff are given the opportunity to service the company as independent contractors. The important thing is to recognize what are core services, i.e., things that *really* define the company's skill. These skills need to be kept in-house. For example, patent work can be hired out where it is an occasional activity, but in science-based companies, it may be the heart of competitive strength that needs to stay in-house. Likewise, market research and others. A durable concept—especially when tied in to benchmarking.

Big Idea: Integrated Workplace Systems

Typical Reference: Popularized by business consultants, especially SAP AG of Germany

Description:

Comprehensive programs coordinate manufacturing, purchasing, finance, payroll, order billing, etc.—to insure all are able to focus and interact on the job at hand.

Duration:

A number of companies in the '90s have tackled this massive and very expensive overhaul of electronic information systems. SAP uses a small army of experts for a period reaching years to get the job done. It has worked for the wealthy—the poor need it or something like it just as much, but cannot afford the disruption and cost. Early software had lots of start-up problems but once installed, companies are working to solve them. Other consultants are now offering "similar" programs but SAP remains the leader for the Cadillac (or better yet, Mercedes-Benz) budget. On the negative side, it focuses on transactions almost exclusively and doesn't often move up through the hierarchy from transactions ➔ information ➔ insight—that would be a real plus.

Big Idea: Just in Time

Typical Reference: *The Just-in-Time Breakthrough: Implementing the New Manufacturing Basics* by Edward Hay, 1988.

Description:

Materials arrive on the manufacturing floor just in time for use. Little inventory by supplier or user. This requires an intimate relationship between them.

Duration:

Widely practiced in Japan in the 1970s—came to the U.S. in the 1980s and has become a standard in many industries. The concept has been expanded to supplier facility on premises of user. When done right, a real productivity gainer; unfortunately, when it goes wrong, factories shut down!

Big Idea: Reengineering

Typical Reference: *Reengineering the Corporation: A Manifesto for Business Revolution* by Michael Hammer and James Champy, 1993

Description:

Start with a clean sheet of paper and rethink all processes to eliminate unnecessary and costly steps.

Duration:

Many companies and consulting firms rushed into reengineering—a very logical process, but one fraught with disruption to the business while everything is turned upside down. At its best, it is a real gain for productivity—but very often it is a big disappointment for management, employees, and shareowners who pay the very large bills. For example, see also *Beyond Reengineering* (Hammer), yet another approach to try to convert the false starts of reengineering. One Champy book starts by stating, "Reengineering is in trouble"! Another example of problems: *Best Practices in Reengineering: What Works and What Doesn't in the Reengineering Process* by David and Henry Johansson, 1995. The biggest gain, when done right, is the strategic insight it affords by learning what really counts in a business.

Big Idea: PERT (Program Evaluation and Review Technique) Analysis

Typical Reference: *Schedule, Cost, and Profit Control with PERT: A Comprehensive Guide for Program Management* by Robert W. Miller, 1963.

Description:

Program activities are charted to seek a critical path to save time, effort, and money.

Duration:

Called the "hottest subject going in the business world for the past year or two" by *Library Journal* in Best Books of 1963. It was, then, widely used by the military and corporate production planners. Eventually it fell of its excessive complexity. Walls full of charts made the exercise more important than the outcome. Seldom seen much past the early '80s—it did bring an understanding of bottlenecks and how to remove them.

Big Idea: Zero-Based Budgeting

Typical Reference: *Zero-Based Planning and Budgeting* by Paul Stonich, 1977.

Description:

Set spending levels at only those activities necessary to keep the business alive. Prioritize all incremental spending above that level for justification.

Duration:

Popular in the Carter Administration. Used in the late 1970s and into the 1980s by many companies to break the chain of using "last year as a spending base then adding to it." The philosophy of zero-based budgeting has remained in a number of companies, though the system complexity has dimmed its popularity. One of the truly innovative "Big Ideas" that is worth doing every five years or so.

Category 4: Financial Engineering

Big Idea: Restructuring

Typical Reference: *Restructuring American Corporations: Causes, Effects, and Implications* by Abbass F. Alkhataji, 1990.

Description:

Unproductive assets are written off as are costs of people reductions that accompany it. Clears the books of excess costs and is often "eliminated" from earnings reports by Wall Street—to concentrate on "Continuing Operations."

Duration:

A great "friend of management" device to write off past mistakes "without penalty." SEC rules now prevent excessive writing off of future costs. Called the "recurring, non-recurring write-off" by some on Wall Street who are fed up with the practice. A good way to curb it would be to make management give back the bonuses based on past earnings that are, with restructuring, now overstated. Not to be confused with the kind of restructuring that calls for a genuine look at a desirable future, then moving expeditiously towards it (taking write-offs if necessary) rather than simply dropping off assets and past mistakes with no real strategic plan for the next step.

Big Idea: Spin-Offs

Typical Reference: *Corporate Spin-Offs* by Ronald J. Kudla and Thomas H. McInish, 1984.

Description:

An invention of Wall Street which takes a generally unwanted part of the company and rather than sell it at a taxable price over book value, it is "spun off" to shareowners as a tax-free stock certificate.

Duration:

Often used to make companies a "pure play" versus a multi-line company. In some cases, the re-energized and financially motivated management of the formerly "orphan" unit accomplishes remarkable results. Of course, sometimes the parent company in retrospect wishes it had the cash from a sale rather than a spin-off. On balance, it seems to generally add shareowner value.

Category 5: Business Unit Strategy

Big Idea: Top Line Growth

Typical Reference: *Go for Growth: Five Paths to Profit and Success* by Robert Tomasko, 1996.

Description:

Profit opportunity from cost reduction, downsizing, and all the other 1980s productivity techniques is running its course. Now, sales growth is the key to the next wave of profit, building on the trimmed-down, low-cost base.

Duration:

A number of well-known companies came to this conclusion in the early 1990s. Tomasko suggests ways to break through to new sales and markets. Obviously, "let's get sales up" is not a new idea—but at least it's a welcome change in basic corporate strategy from years of contraction as the apparent strategy of many.

Big Idea: Product Life Cycle Analysis

Typical Reference: *Product Life Cycles and Product Management* by Sak Onkvisit and John J. Shaw, 1989.

Description:

All products go through a predictable life cycle: early adoption, growth, plateau, decline. Product managers must recognize the phase and resource accordingly.

Duration:

This idea comes and goes in business. It comes because it is a useful concept; it goes when dogmatically followed by prematurely funding growth or prematurely withholding support. The anomaly is that some products seem to go on forever with appropriate updating. Like most Big Ideas, it has a kernel of logic and much opportunity for abuse in the hands of slavish followers of the dogma. Works best when users keep looking at the "changing rules" which *underlie* the cycles—and stay off "autopilot management."

Big Idea: Think Globally, Act Locally

Description:

A technique recommended by the late Roberto Goizueta, former CEO/chairman of Coca-Cola, an ardent practitioner of the philosophy. A company needs to plan global strategy, then let the people in the area develop and execute the tactics.

Duration:

Most international companies claim this philosophy but practice it unevenly. The question of when strategy (home office responsibility) spills over into being a tactic and vice-versa, often is its downfall. Best for a worldwide individual brand like Coca-Cola and others that follow an overarching strategy but leave tactics to the locals. More difficult in multi-line companies or when products are made in several world areas and shipped to other world areas. Most companies routinely shift back and forth between geographic dominance and home office dominance. Most have settled on one form or another of "Home Office Sets Strategy, World Area Does Tactics," but as usual, the devil is in the details.

Big Idea: Strategic Alliances

Typical Reference: *Strategic Alliances* by Michael Y. Yoshino and U. Srinivasa Rangan, 1995.

Description:

Partnering with other companies on an *ad hoc* basis can save money, join skills, reach new customers.

Duration:

Certainly not a new concept. Joint ventures, shared facilities, long-term supply contracts have been around for years. The "new" element is putting every major capital, marketing, or supply decision to the test. Like any other relationship, it works until the objectives of one or the other partner changes. Then it needs unwinding. Best to have the unwinding rules understood up front. Works best when the partners use their combined strengths to expand the pie to be shared—rather than have each seek 100% control through doing it alone with expensive capital.

Big Idea: SWOT [Strengths, Weaknesses, Opportunities, Threats]

Typical Reference: *Total Quality Marketing: The Key to Regaining Market Shares* by Allan C. Reddy, 1994 (discusses "SWOT" Analysis: A Simple But Effective Tool).

Description:

A long-time analysis tool of planning. Analyze your Strengths, Weaknesses, Opportunities, Threats.

Duration:

Like many other Big Ideas that have been around a long time, SWOT is a useful tool for business unit analysis. Escept for academics, it is seldom referred to by this acronym anymore but product managers use the principles regularly.

Big Idea: The Business Model

Description:

A new tool being developed by consultants and some companies. It integrates ideas, processes, skills, resources to develop the business model of operating.

Duration:

Latest in a number of worthwhile attempts to analyze the business and develop a *durable* strategy from which tactics can be spun off. Identifies what needs strengthening and what the realities of capability limits mean to the strategy. Antecedents include "SWOT." The business model forces discrete analysis of these segments before developing "Grand Strategy."

Big Idea: Nimble Giants

Typical Reference: *Teaching the Elephant to Dance* by James Belasco, 1990

Description:

Large companies are bound by the old rules with slow decision making—and fail to seize opportunities. They need to become nimble by empowering employees to be creative.

Duration:

Familiar field plowed by many—including, importantly, Rosabeth Moss Kanter. A great exhortation, and an essential for the era of speeded-up decision making. Most try, only some succeed. An enduring concept for the ages—and critical to success.

Big Idea: PIMS [Profit Impact of Market Strategies]

Typical Reference: *"Nine Basic Functions of Business Strategy,"* Sidney Schoeffler of the Strategic Planning Institute, 1980.

Description:

Developed in 1972 for General Electric, it later became a shared database utilized by many, many paid-in data providers and users. Their experience in various situations were captured and one could compare his or her specific business question with others to see what the typical outcome was.

Duration:

Large companies, with resources to fill out the lengthy PIMS forms were *big* users in the "70s and early '80s—and strong advocates. "Correlations" were found from the common pool of data, but it didn't mean that the correlations were valid for the problem at hand. An interesting and useful concept for the challenging of fixed assumptions, but like so many "Systems," the results, in the long run, didn't always justify the paperwork.

Category 6: Employee Motivation and Evaluation

Big Idea: "G" Groups

Typical Reference: *The Managerial Grid* by Robert Blake & Jane Mouton, 1964

Description:

A grid rates managers on two characteristics: concern for output versus concern for people. A wimp manager is a 1-9 (high concern for people, low for output). A dictator is 9-1.

Duration:

Like any simplistic idea about such a complicated subject as leadership and management, it died without a decent burial.

Big Idea: "T" Groups

Typical Reference: *Behind the Executive Mask: Greater Managerial Competitiveness Through Deeper Self-Understanding* by Alfred Marrow, 1964, National Training Laboratories

Description:

"Mix a dozen or more people in a room without a leader or an agenda — and see what happens." Often personal insults ensued. The resulting "feedback," it was hoped, would make Theory X managers less bossy and more participative" (*Business Week*, January 1986).

Duration:

The process died a well-deserved death in the late 1970s, but the concept still comes up from time to time with "touchy-feely" consultants. The most recent version noted is "bonding through cooking meals together" and other "new age" ideas designed to foster trust and mutual dependence.

Big Idea: Theory X and Theory Y

Typical Reference: Douglas McGregor, MIT, 1950s

Description:

Theory X an authoritarian view of management that grew out of managers' Word War II military experiences was replaced by Theory Y: participative management.

Duration:

By whatever name, theories X and Y management styles continue to be the subject of dozens of management books. Which is right? As usual on subjects of this kind, "it all depends"—on the mission, the time, the people. Y is certainly predominant, but many X managers are highly successful.

Big Idea: Theory Z

Typical Reference: *Theory Z: How American Business Can Meet the Japanese Challenge* by William Ouchi, 1981. Note, however, a later book, *The End of Japan Inc.* by Christopher Wood, 1994.

Description:

Involved workers are the key to productivity. Trust and subtlety of relationships are the key ideas of Japanese-style managers.

Duration:

No business conference in the mid-1980s was complete without a speech by Ouchi, telling American managers why the Japanese were winning the business wars—a subject not now discussed very often in the light of Japan's decline in the 1990s, though the ideas on people are timeless. Ideas on Japanese "culture"—and not just for Japanese.

Big Idea: Leadership vs. Management

Typical Reference: *The Leadership Factor* by John Kotter, 1988

Description:

Management and leadership are two very different issues. Leadership requires vision, motivation, integrity, energy. Old-style "management" doesn't work in today's more complex environment of competition, regulation, and technology.

Duration:

A seminal book on Leadership. With a half-dozen "leadership" books, Kotter is as good as they come on the subject. Like Drucker, no simplistic formulas but enduring lessons about "leading" versus "managing," that is, decide "what," not "how." As Ross Perot is quoted to have said, "People cannot be managed. Inventories can be managed, but people must be led."

Big Idea: Self-Managed Teams

Typical Reference: *Business Without Bosses: How Self-Managed Teams Are Building High Performance Companies* by Charles C. Manz and Henry P. Sims, 1993. However, note also, *Why Teams Don't Work* by Harvey Robbins and Michael Finley, 1995: "Human relations is the main problem; team members bicker, fight, and pursue different goals." Also, *Designing Team-Based Organizations: New Forms for Knowledge Work* by Susan Albers Mohrman, 1995: Addresses the cause of the frequent failure of the team concept.

Description:

Workers decide how to do the job. One of the tenets of Total Quality Management.

Duration:

In widespread use since the mid-1980s. Varying success depending on the critical issues of mutual trust between management and line workers—as well as acceptance of accountability by the teams and loosened reins by management. The trap to avoid is that team "effort" is not the same as team "results." Teams *must* be accountable and results *must* be measured.

Big Idea: Management by Objectives

Typical Reference: *Management by Objectives* by George S. Odiorne, 1965

Description:

Individual's performance goals are tightly and formally linked to the company's goals.

Duration:

Very popular when introduced. Became excessively formalized and has largely disappeared in the original format—though the annual setting of "objectives and goals" for individuals is practiced by many companies.

Big Idea: Third Wave Management

Typical Reference: *Competing in the Third Wave* by Jeremy Hope and Tony Hope, 1998

Description:

The Third Wave: the information age is upon us. Many are operating in the last generation of "make it and sell it." Today one must capture information and use it as a competitive advantage.

Duration:

A new phrase for an idea that surfaced in the late '80s: "Info-matics" (or add your own modifier to "Info-"; there are dozens). CIOs (chief information officer), knowledge workers, and other concepts attest to the value of capturing the "information age." The trick will be "what to do with it once you get it." Here, old-fashioned leadership will be critical. Whether third wave or info-matics or other catchy phrase, the idea is here to stay—that information properly used becomes a compelling strength.

Big Idea: Management by Exception

Typical Reference: *Management by Exception: Systematizing and Simplifying the Manager's Job* by Lester Bittel, 1964

Description:

Concentrate on managing only deviations from the norm, having set the norms in advance. An important idea during the early days of "information technology."

Duration:

An idea that made the rounds in the 1960s and '70s. Many people use the system today (without the name) as they review "Deviation Reports"—the trick in the system is to stay only with the important and set the right "norms."

Big Idea: Boundaryless Organization

Typical Reference: *The Boundaryless Organization* by Ronald N. Ashkensis, Ulrich, Jick, Kern, 1995

Description:

Techniques developed at General Electric for loosening boundaries vertically (between hierarchical levels), horizontally (between departments), externally (between companies),and geographically (between companies and their international divisions).

Duration:

Works well in the hands of GE where the culture supports it and top management has demanded it for years, Elsewhere, if put in as a "new system," it is likely to wither. Some elements, however, make good sense for everyone.

Big Idea: Work Off-Site

Description:

Certain "knowledge workers" need not work in an office. At-home work eases family pressures, especially in working women. It also can facilitate creativity in product design, etc.

Duration:

The concept got moving in the 1980s with software designers and working women with children. Some thrive on it; others have returned to the office for comradeship, social contact, creative interchange. A durable concept for those who like it and perform well with it. The original fear of abuse of the system appears largely overstated. In 1991, a study was done which showed 0.5% of the full-time employees (35+ hours per week, not self-employed) work in the home: 30,000 men (0.3%) and 60,000 (0.7%) women. Not a large number considering all the press the idea gets.

Big Idea: Empowerment

Typical Reference: *Empowerment in Organizations" How to Spark Exceptional Performance* by Judith F. Vogt and Kenneth L. Murrell, 1990

Description:

A catch-all term for worker involvement and freedom to operate. It is embodied in TQM, self-directed work teams, and many other "Big Ideas."

Duration:

The theory is that people want a say over their jobs—and not be just robots following orders. Some studies suggest that in reality a high percentage prefer to be told what to do. Empowerment is a sound management process when accompanied by *accountability* for results. Empowerment without accountability is a recipe for anarchy—and, unfortunately, many do not understand the linkage required. When they do, many opt out. For the right people, a powerful and durable concept; for the less competent, a recipe for underperformance.

Big Idea: The Learning Organization

Typical Reference: *The Fifth Discipline* by Peter M. Senge, 1990

Description:

Organizations must constantly learn new ideas, new ways, or they wither as so many have done. Combining shared vision, teamwork, and openness it is the antithesis of the bureaucratic organization.

Duration:

Commonsense ideas—practiced in principle but not always in fact. Corporations are averse to change unless in dire straits. Successful companies often stay too long with the game plan—failing to encourage employees to challenge practices—a flawed behavior largely unchanged by books arguing otherwise. The concept, however, is one of the seminal management ideas of the '90s.

Big Idea: High-Performance Organizations

Typical Reference: *The Wisdom of Teams—Creating the High-Performance Organization* by Jon Katzenbach & Douglas Smith, 1993

Description:

The organization of the future is based on organizing groups on an *ad hoc* basis, composed of various skills needed for the project at hand, then disbanding after the task is completed.

Duration:

A concept practiced in "Crisis Management" over the years, this is an attempt to make it a regular part of the organizational structure to improve motivation and results. An excellent concept that works when the mission is clear and worthy; when it has a measurable end point; when the rewards for success and consequences of failure are understood; when small teams are involved. In *Beyond Empowerment: Relevant Ad Hockery*, CSAB CEO Series #1, I discuss ways to maintain a high-performance atmosphere.

Big Idea: 360 Degree Appraisals

Typical Reference: *Maximizing the Value of 360 Degree Feedback* by Walter Tornow, 1998

Description:

Employees are evaluated by their subordinates, bosses, and peers rather than the boss only—often using consultant "facilitators."

Duration:

Practiced widely in the '90s by "touchy-feely" management. Proponents believe it brings new insights to managers. Others hate it and consider it the latest Human Resources attempt to make "rounded" people instead of those who are naturally "one dimensional" but top performers. I predict its demise after a few more years' run, though proponents argue that it brings valuable insights to leaders. Stay tuned.

Big Idea: Matrix Management

Typical Reference: *Matrix Management: A Cross Functional Approach to Organisation*, edited by Kenneth Knight, 1977

Description:

Employees report to more than one boss, i.e., to a world area head as well as a home office business head. Proposes to recognize inevitable ambiguity in job relationships.

Duration:

Conceived originally for NASA decades ago. It was adopted by business for international management, then moved to marketing, manufacturing, and other groups where it is an attempt to merge complementary organizations, i.e., manufacturing and marketing collaborate to make the best production plan, balancing long runs desired by manufacturing with customer-specific runs attractive to marketing. The danger, like most schemes of this type, is lack of individual accountability. However, while matrix management is better than "no boss management," which is tried from time to time, the use of the matrix concept and title has been dramatically diminished.

Big Idea: Intra-Preneuring

Typical Reference: *The Decentralized Company: Making the Most of Entrepreneurial Management* by Robert Levinson, 1983. Also, *Entrepreneuring in Established Companies: Managing Toward the Year 2000* by Steven Brandt, 1995.

Description:

Create a "start-up" company climate within a large company structure.

Duration:

A recurring management issue in large companies. Those who succeed truly allow freedom to operate with appropriate reward systems. The general flaw is that in a small company, failure puts you out of business and you lose your house. It tends to focus your attention. Large corporations are often both less rewarding of success and less punitive with consistent failure.

Big Idea: Transactional Analysis (TA)

Typical Reference: Basic ideas came from essays by Eric Berne beginning in 1949. Others include *I'm OK—You're OK* by Thomas A. Harris and *Scripts People Live* by Claude Steiner

Description:

A theory of personality and systematic psychotherapy for personal growth and change. Designed to avoid unproductive confrontation, promote understanding of individuals, relationships, and communication. Designed to lead people to a point where they can monitor unsatisfactory experiences, and modify or change their behavior so as to help themselves become "winners."

Duration:

The International Transaction Analysis Association has over 3,000 members in over 65 countries both in clinical settings and in businesses. This is not for the amateur "analyst" but is a serious, professional process. "Pop psychology" books give some insights into TA and sometimes useful ideas—but often make the reader "know just enough to be dangerous." Do it professionally—or forget it.

In Search of Excellence by Peters and Waterman, 1982

A rough translation of the principles and the categories in which they fall.

PW1 Managing Ambiguity and Paradox: Category 6

Having Shared Culture and Values

Small is Beautiful

Neatness Doesn't Count

Throw out the Rules

PW2 A Bias for Action: Category 6

Ready-Fire-Aim

Do it

Fix it

Try it

Learn from your tries

PW3 Close to the Customer: Category 5

Find Your Niche and Serve the Customer Intimately

PW4 Autonomy and Entrepreneurship: Category 6

Product Champions with Wide Freedom to Operate

PW5 Productivity Through People: Category 6

People are the Most Important Asset—and Mean It

PW6 Hands on-Value Driven Management: Category 6

Know What Counts and Personally Make It Happen

PW7 Stick to the Knitting: Category 5

"Dance With What Brung Us—Don't Be Distracted by Another Pretty Face"

PW8 Simple Form—Lean Staff Category 6

PW9 Loose-Tight: Category 6

Individual Autonomy Within Central Overall Direction

The companies examined for these "excellent" attributes did not necessarily stand the test of time. Nonetheless, good principles to follow and worth rereading from time to time (if one blanks out the names of some of the companies used as examples.

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