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NEW GROWTH STRATEGIES

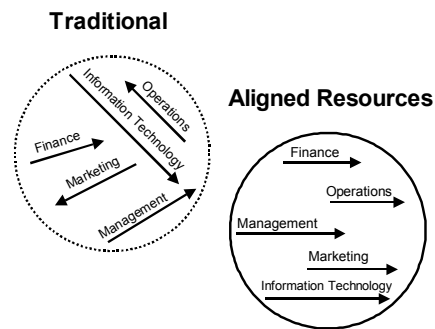
BEYOND DOWNSIZING, REENGINEERING AND TQM

by David A. Leis

ALIGNMENT OF RESOURCES

If one were to ask Lou Gerstner at IBM why IBM lost 75% of its value in the early 90's, one could surmise his answer from a review of articles in which he discusses the issues. What Mr. Gerstner would NOT tell you is that IBM did not have the talents, the skills, the technology, the knowledge, the capital or the markets. No, what Mr. Gerstner might well tell you is that it was HOW the management teams were NOT functioning that was essentially the problem. Figure 1 might graphically depict the situation: members of the management team appear to be operating more like individual "one-man-shows", rather than as a true team with all resources aligned.

FIGURE 1
Alignment of Resources



In a recent article (Business Week, 2003), Jeffrey Garten, Dean of the Yale School of Management, points out that the current leadership behavior of cutting costs and meeting quarterly goals is insufficient to ensure long term viability. CEO's, he points out, must bet on their vision to compete with the "smaller, hungrier companies" Andy Grove, Chairman at Intel believes will emerge to reshape their industries.

As organizations shift from the initiatives of the early 90's of downsizing, reengineering and quality to growth strategies in order to boost share holder value and address the growing competitive threats (Wall Street Journal, 1995), there is an increasing focus on the leadership provided by the management team in guiding these new growth strategies. A cursory survey of business publishers including Harvard Press and others reveals what appears to be a rise in the number of books being published on the subject of management teams, their roles and effectiveness.

HOW the management team functions - its effectiveness - is becoming more critical than ever in developing and executing these new growth strategies.

In our work with management teams, we have discovered that while it is apparent to all that the common underlying element that impacts both positively and negatively the success of the initiatives of the organization is the effectiveness of the management team, we continue to be surprised by the extent of “dysfunctional” behaviors we encounter. In fact, much has been written about what some view as an oxymoron in using the term “management team”. While the organization chart may look like a team, the theory of teamwork is often not connected to the reality of daily activities of the management team.

In the following pages we will describe how, in working with organizations to plan, implement and manage change, Avantt Consulting has addressed the issue of aligning management team effectiveness more closely with the vision and strategy of the organization. The issue is not that our client management teams are ineffective - the organizations we work with tend to be very successful - but rather, how to better capitalize on the growth initiatives of the organization.

PARADIGM SHIFT TO GROWTH

Much of the business press today is talking to the issue of looking beyond downsizing, TQM, reengineering, and other tactics to new growth strategies to deliver globally competitive organizations. As the earlier referenced Wall Street Journal article pointed out, "companies are focusing on growth strategies because past efforts to slash costs failed to deliver the lean, flat, focused companies that executives - and shareholders - expected." A refocusing on growth strategies, however, is a paradigm shift from the cost cutting, downsized, reengineered organizations that have survived to this point.

One of our clients, a Senior Vice President of a Fortune 500 told us, "The leadership of the management team is the critical ingredient to growth". In fact, the major efforts of this firm to become more globally competitive in the last several years has centered precisely here - in determining what steps are necessary to refocus on growth. For this firm and many others as pointed out in the IBM vignette, however, organizations are discovering that as the competition becomes more intense, the price for management missteps has risen dramatically - to the point of threatening corporate viability in some cases. For management teams, leading organizations through this paradigm shift, from downsizing to growth, in the face of heightened competition and the development of these new growth strategies requires some fundamental changes.

Typically, when new strategies and goals are developed and set, the focus by management is on the tasks inherent in accomplishing those goals. In our discussions with hundreds of CEO's in the last several years, what is usually missed is the issue of determining what *changed or new behaviors, individually, first, and then as a team are needed*. The question, "What behaviors have to change to implement these new goals?" is seldom asked.

This occurs while everyone is at least implicitly aware of the definition of organizational insanity: Doing the same thing you've always done the same way you've always done them and expecting different results!!!

The obvious but overlooked point is, that new goals require new behaviors. But, as these companies have discovered, many of the major obstacles to implementation of these new growth strategies are not the market place, the competition, technology, or even financial concerns. Often they're the internal obstacles typified by what is called "corporate dysfunctions" such as the ones our clients have identified (Table 1). These "dysfunctions" that inhibit innovation, flexibility, creativity, management of change and high performance - in short the essential ingredients of growth. These are the issues chief executives say keep them "awake at night".

TABLE 1

Symptoms of Management Team Dysfunction
◆ Lack of commitment and decisiveness
◆ Criticism, sarcasm, and negativity
◆ Unhealthy internal competition
◆ Lack of follow through with initiatives
◆ Unhealthy attitudes toward mistakes and risk-taking
◆ Not working at peak performance
◆ Fear of: conflict, failure, exposure, change
◆ Poor quality product/service
◆ Lack of openness to express differences
◆ Avoidance and isolating behaviors
◆ Lack of initiative and creativity
◆ Insufficient collaboration
◆ Not working toward a common vision
◆ Inability to manage change individually or corporately

The question is, how to address the problem? One approach some executives have tried has been to sit still and avoid dealing with these "soft" issues. Unfortunately, the result of this tactic in an increasingly competitive environment is the dysfunctions become cancerous. According to Tom Peters, author of "In Search of Excellence", a whopping 46% of the companies on the Fortune 500 list in 1980 did not exist in 1994. So much for sitting still.

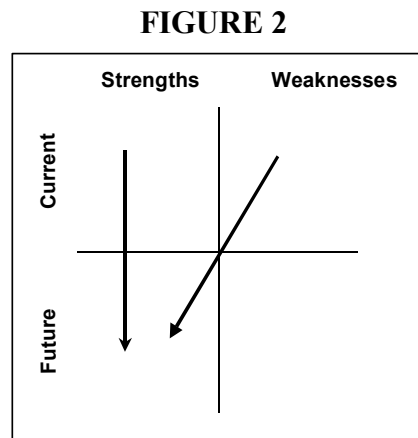
Our conversations with CEO's corroborate the earlier Wall Street Journal article: the majority of them deemed TQM a disappointment - it did not deliver promised results. If addressing issues with downsizing, TQM and reengineering is not delivering the desired outcome, then what? Bob Galvin, CEO of Motorola, says that what they came discover about quality is that it was not a corporate or organizational issue - quality is a personal issue, lived out in the person's daily behaviors. (Roberts and Sergesketter, 1993) The problem with such a realization is exactly what the Fortune 500 executive pointed out earlier: dealing with those issues requires the management team to model changed and

often new behaviors.

IMPLICATIONS OF CHANGES

The implications are clear: the growth strategies that are inhibited by the corporate dysfunctions require courage to come against the inertia, politics and fear in management teams to address the dysfunctional behaviors. What is required is a new definition applied to the goals set in organizations. Essentially, there are two types of goals: task goals and behavioral goals. Nadler (1998) identifies these as one, production of results and two, as maintenance of effectiveness. Task goals are those that we normally set in organizations - the goals essential to getting the things done that are essential to the mission. Those goals address the output of the management team or the organization as a whole. They concern the mission of the organization - its purpose for being - Nadler's "results". They are part of 'doing the business we're in' - *what* the organization does. For example, task goals of manufacturing organizations have to do with customer service, quality, on-time delivery, production schedules and so on.

The second type of goal is seldom addressed by management teams, but even more critical to the success of the team and the organization as a whole. That is the behavioral goal - essential to Nadler's maintenance of effectiveness. The behavioral goals of a team address themselves to *how* the management team behaves internally to itself - *and does not address its output*. Another way to think about behavioral goals is to consider the team process as the team goes about its work, conducts its meetings, and its interactions with others inside and outside the team. Behavioral goals are derived by examining two viewpoints: one is what positive behaviors (strengths) the team desires to engage in the future. These can be arrived at by considering past successful teams each person has experienced. The second means to develop behavioral goals is to consider the negative behaviors (weaknesses) the management team wants to avoid (addressing them becomes a future strength), again by reflecting on past failures team members have encountered (Figure 2).



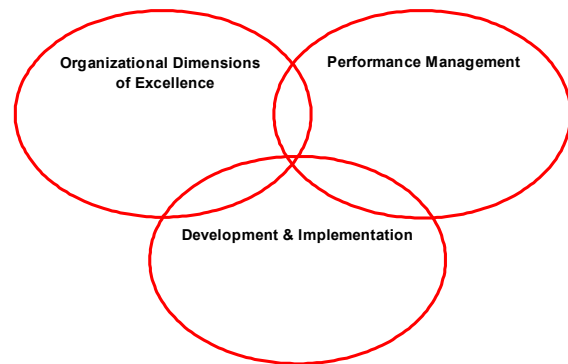
The team will accomplish its task goals only to the degree it accomplishes and masters its behavioral goals - and in fact, risks setting inappropriate task goals for itself or the organization to the degree it is dysfunctional or is not achieving its behavioral goals. Again, Nadler (Nadler, 1998) points out that "... maintenance of effectiveness is required to ensure consistent production of results." Since the results a management team achieves

derive from its effectiveness - that is, its behaviors, then improved business results require implementation of changed behaviors.

A PROCESS TO FACILITATE CHANGE

The New Growth StrategiesSM process (Figure 3) was developed by Avantt Consulting to drive the paradigm shift and concomitant behavioral changes in management teams needed to implement these new goals. While there is considerable detail behind each of the three rings, the elements that are relevant to this discussion center on the top two rings. The result of one of the analyses conducted as a part of the “Dimensions of Excellence” component is the identification of ‘disconnects’ between the vision and strategies and what is really going on in the organization now. Typical disconnects might include divergent views about strategies for growth, markets, facilities, organizational structure, etc. In our experience, effective strategy cannot be developed and implemented without addressing those ‘disconnects’: they tend to obstruct progress.

FIGURE 3
New Growth Strategies
An Integrated Approach to Leading Edge Operating Environments



One of the crucial activities in “Performance Management” is a root cause analysis of the disconnects. The findings reveal they tend to go hand in hand with the earlier discussed “dysfunctions.” Addressing these obstacles that are counter productive to the growth strategies means addressing the behaviors that engender those obstacles.

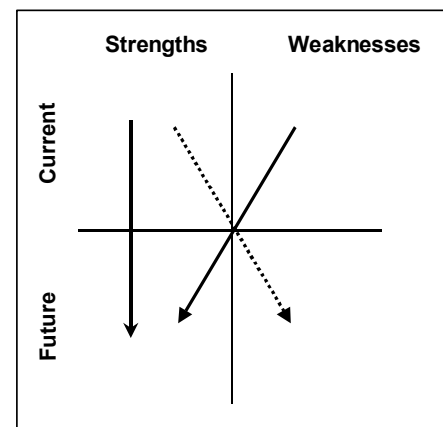
The effectiveness of a management team, then, and therefore the effectiveness of an organization can be essentially framed as a behavioral issue. *Unless and until the management team can effectively address the behavioral issues it faces, it risks stifling the very best potential among its members and within the organization and the ability to resolve the issues it faces.* Hamel and Prahalad (1994) provide a lucid example of the failure of the management team to reign in inappropriate behavior: “Chrysler’s purchase of an Italian maker of exotic sports cars and its acquisition of a jet aircraft manufacturer were driven more by the ego

and whim of the company's erstwhile chairman, Lee Iacocca, than by a solid, well founded point of view about what it would take to succeed in the automotive business ten years hence. They were a side trip. Any vision that is simply an extension of the CEO's ego is dangerous."

Nadler and Spencer (1998) provide some insight into the real dilemmas facing executive teams - they are often confronted with issues emanating from external forces that they have not been prepared to deal with based on their previous

FIGURE 4

experience on teams within the organization. "Thus in many US based companies the executive team ends up composed of people who have been brought up and rewarded for their successes in the rugged individualism model of management and who may be less prepared than their colleagues at lower levels to either lead or participate in effective teams." Thus the additional issue becomes for these team members facing unprecedented complex competitive pressures is the imperative to assess which current (and past) strengths they bring to the executive team that in fact may become liabilities to the achievement of optimal effectiveness as illustrated in Figure 4.



Normally when people talk about changes that need to be made in a team or organization, however, the statements rarely include the pronoun "I". Usually the implication is that everything would be better if everyone else would change. Meaningful behavioral changes will only take place in a management team if each person identifies his or her individual behavior changes needed to reduce the negative impact on the team and amplify the positive contributions of their behaviors. The process allows the management team member to take individual responsibility for the performance of the team and provides an opportunity for personal growth.

For example, one of our clients who had been noted for quick, decisive action found that as he entered the executive team, his tendency to continue those behaviors had several negative and divisive effects. First, because of the nature of the issues being addressed, his quickness did not allow the other team members to assess the potential impact on their organizations, the visibility of the decisions reflected on the team as a whole (not always positively), and the complexities of the situations demanded a more detailed analysis. "In light of these factors

executive team dynamics are significantly different from those of other teams. Both the work of the team and the relationships in the team are more complex.” (Nadler and Spencer 1998) And in fact, they observe, “...*how* the team members work at making decisions, solving problems, and committing the action will influence the *outcomes* of their work together.” Development of the dynamics of team behavior is vital in cultivating an effective management team whether it is done by the CEO or through an outside facilitator, “but it must be done to ensure their effectiveness” (Nadler and Spencer 1998) (italics added)

The pivotal work is in deciding which behaviors the management teams sees as counterproductive and therefore to be avoided and which are conducive to the work (tasks) of the team and therefore are appropriate goals of the team. Once decided, however, it is insufficient to just state the behavioral goal, just as it would be with the task goals of the organization. Rather, the goal must be explicitly stated, and a system to sustain the goal must be developed. In the case of the previously cited executive, the behavioral goal was to get input from the rest of the executive committee before making decisions in areas where the management team had been involved in working on the issues. The strategy to sustain the behavioral goal was to ensure that he asked each member of the team directly, one-on-one, their view of the situation before the meeting ended.

Team learning, critical to effectiveness of management teams, remains poorly understood according to Peter Senge in his book, “The Fifth Discipline” (1990). The caveat, however, is that one thing we do understand, according to him is “...we will be unable to distinguish group intelligence from “groupthink”, when individuals succumb to group pressures for conformity.” So long as the management team falls into traps like conformity, team learning is effectively stifled and the resultant decisions are less than optimal at best, and disastrous at worst. So much for the highly trained, highly educated critical decision making skills represented in the team. Perhaps the very dynamic of conformity resulting in “groupthink” may explain some of the breathtaking belly-flops otherwise respected management teams have committed that have caused all of us who read business periodicals to wonder “How could they have done that?” Spitzer (1998) (among many others) details such colossal blunders as IBM’s decision to maintain focus on mainframes in the face of the microcomputer revolution, Coke’s failure to anticipate the brand equity of its classic Coke when attempting to launch New Coke, etc.

The question becomes, what is preventing the team from learning what needs to be changed - specifically, what behaviors must change? In our work with the management

**Reasons for Avoiding
Team Behavioral Goals**

1. They Are Personal
2. They Are Intangible
3. They Are a Likely Source of Conflict
4. There Is a Lack of Common Ground
5. They Are a Cause for Change

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teams, it is not that they are unaware of the problems. Perhaps the answer lies in why there is resistance to a forthright examination of what behavioral changes the management team needs to make. Table 2 provides the actual answers by the management team of a public utility from a similar inquiry.

SUMMARY

Carol Bilson, from the Eastman Kodak Company recently observed “It is not that management teams do not have the skills or knowledge to make effective decisions, but rather, it’s a function of how well they work together that is the key to our competitiveness globally.” (Bilson, 1998)

For the vast majority of management teams, it is a lot easier to focus on the task goals of the organization than their behavioral goals. It’s not as threatening personally. However, if management teams can focus on distinguishing between the two kinds of goals, task and behavioral, and devote sufficient energy on the behavioral goal setting, both individual and team, they can have a dramatic impact on the effectiveness of the management team, and therefore, the effectiveness of the entire organization.

Perhaps what is new and revolutionary in all of this is the simple recognition that to accelerate the transition of firm into growth oriented global competitors requires an explicit, up front examination of what old behaviors are no longer appropriate in the new environment, and what new behaviors must be assumed and reinforced in the management team - and throughout the organization. The past process of allowing new behaviors to emerge over time as circumstances and strategies changed can no longer be justified in an era where strategies and concomitant organizational behaviors must fast-flex as the marketplace rapidly changes to respond to the shifting global economies.

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