



## **Theme - I**

### **Business Excellence- Quality and Productivity Management**

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## **IMPLICATIONS OF FLEXIBILITY FOR ENTERPRISES TO COMPETE IN THE GLOBAL ECONOMY THROUGH “RELEVANT MANAGEMENT (RM)” ▲**

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### **Introduction**

With the rapid globalization all around the world, but significantly in countries like China, India, South Korea in just the last 5 years, many countries, companies, states and central governments, and non-profit organizations have had to adjust to unique economic challenges never experienced before. For example, after India’s liberalized economic policies of the late 1990s, many hundreds of previously well-known Indian companies have become “sick units” and are trying desperately to return to profit-making status.

Capital investments in process technologies are expensive for any companies in any country, but this becomes an even more critical for countries like China, India, and other populous countries, especially when the market volatilities cannot assure steady, high-capacity utilization rates because of global competition. These countries are also experiencing dramatic changes in corporate culture as more foreign companies enter their markets and create rapid pressures on their enterprises to compete in quality, price, and time.

The management practices and managerial functions of yesterday are becoming obsolete today not only in these countries but around the world. However, a majority of the enterprises in these countries can still compete internally within their own countries, and externally in the global markets – even with the existing or modestly improved technologies, if they adopt what the author calls, the “relevant management” practices, and if they enhance their human resource capabilities. Companies, governments, and non-profit organizations have much to learn about the techniques and skills for managing people to do strategic and tactical planning for organizing, staffing, motivating, delegating, controlling, communicating, and leading people for maximum performance in the minimum time available.

Organizations have to be lean, flexible, and proactive. The increasing presence of foreign companies from the U.S.A, Japan, South Korea, Germany, and other countries during just the last 5 years, has been rather dramatic in the populous economies. For example, the new Indian customer has very little brand-loyalty. He/she wants best value for his/her money and there is much of a choice for products and services. The Indian governments (local, state and central), companies, and non-profit organizations will face even greater challenges in the next 5 to 10 years. The big question for the leaders of countries, companies and everything else

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▲ Keynote Address

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is: “How do you survive and compete in such an environment?”

*Purpose:* The purpose of this paper is to provide an overview of the philosophy, concept, and methodology to implement what I call, “*Relevant Management (RM)*”—as an approach to create *flexibility* for creating and maintaining competitive posture in organizations of the 21<sup>st</sup> century.

*Scope:* This discussion is limited to the issues, problems, challenges, and opportunities facing the executives and managers of enterprises in general and 21<sup>st</sup> century organizations, in particular.

*Objectives:* I would like to accomplish the following objectives here.

1. To introduce Flexibility as a strategic tool for enterprises;
2. To reiterate the importance of *total productivity* in accounting quantitatively for flexibility [1][2][3];
3. To offer “Relevant Management” (RM) as an approach to create flexibility in the enterprises;
4. To present and discuss the Leadership Characteristics needed for fostering the “RM environment”; and
5. To offer the 10 principles of “Relevant Management” to ensure that enterprises stay flexible enough to adapt rapidly to market conditions.

### **Organizational Flexibility as a Strategic Tool**

*Organizational flexibility*, as I would define here for the purpose of this paper, *is the ability to modify the strategic and tactical capabilities of an organizational entity –whatever type it may be of –company, government agency, educational institution, non-profit organization, etc.*

I believe firmly that today’s globally-oriented enterprises must create *flexibility* as a strategic “weapon” or tool, to combat many a tendency toward sub-optimization in organizational leadership and management. However, in order to do so, one of the biggest problems I continue to see is the lack of definitional clarity even when understanding the basic definitions of important performance indicators such as effectiveness, efficiency, productivity, etc. Therefore, let’s pause a bit and offer clear definitions before going further.

Effectiveness is the degree of accomplishment of “relevant” goals or objectives [13][15][17]. The key word in this definition is the term: “relevant.” Every organization does many irrelevant things –but very efficiently!! Effectiveness is a much more strategic factor than leaders and managers understand it to be.

Effectiveness Index is the ratio of the number of accomplished relevant goals or objectives to the expected number of relevant goals or objectives set [13][15][17]. For example, if

The number of relevant objectives set for the Sales Group in ABC Company for 2007 = 10, and the number of these objectives actually achieved in 2007 = 8, then,

Effectiveness Index =  $8/10 = 0.80$  or 80 percent.

Efficiency is the ratio of Actual Output(Production) to Expected

(or Standard) Output [13][15][17].

For example, if

Standard (expected) production in product assembly =100 units/hour

Actual production = 90 units/hour

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Then Efficiency =  $90/100 = 0.90$ , that is 90 percent.

Productivity is the ratio of output produced to input resources consumed [13][15][17].

Thus, for example, in a bank, if 200 checks were processed in one hour (60 minutes)

Then, Productivity (of labor) = 200 checks / man-hour of labor input, i.e.,

$200/60 = 3.33$  checks/minute.

### **Organizing for Flexibility**

The organizing philosophy for creating and sustaining enterprises of this century must include elements such as

- Lean Structure [example: Ford Motor Co.]
- Flexibility [example: IBM]
- Accountability [example: GE]
- Large Span of Control [example: Lincoln Electric]
- Empowerment [example: Federal Express]
- Communicability [example: Multilevel Marketing Companies]

### **Flexibility Through “Relevant Management” (Rm)**

For today’s enterprises, let me reiterate that what we need desperately is *organizational flexibility* –to enhance their competitive posture. In order to accomplish that, I propose what I call, *RELEVANT MANAGEMENT (RM)*. I define it as follows:

“*Relevant Management (RM)*” is the art and science of systemically managing all resources of an entity at any given time, in each stage of its S-curve, for optimal total productivity.

The philosophy and concept behind “Relevant Management (RM)” is that each enterprise and each one of its products or services is unique, for the most part, and that “managerial technologies” [11] must be adapted to that enterprise — relevant to its position or stage in the *S-curve*. The importance of managing technologies on S-Curve has been pointed out by this and other authors [4][5].

The foundations behind the RM philosophy are three:

- “People are the greatest asset” mindset
- “Tough Love” philosophy
- Rewards through “Total Productivity” Bonus

These three core philosophies ensure that irrelevant goals and activities associated with them are minimized dramatically, if not even eliminated.

### **Implementation Methodology for Rm:**

A framework that has worked well in many enterprises –corporate as well as governmental –is presented below. It involves doing many concepts which are non-traditional, yet very effective, because they are based on well documented theoretical constructs in the fields of “hard sciences” such as systems theory, industrial engineering, and management science; and “soft sciences” such as psychology, sociology, and anthropology. The implementation methodology involves

1. Making everyone understand the “Total Productivity” concept [1][2][3](through education and training)

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2. Setting up weekly targets to improve Output level
  - Human Productivity
  - Material Productivity
  - Fixed Capital Productivity
  - Working Capital Productivity
  - Energy Productivity
  - Other Productivity
3. Forming Cross Functional Teams (CFTs) on a short-term basis, to improve Total Productivity after Step 2 above
4. Teaching Accountability
5. Teaching about the “Do it Right the First Time” (“DRFT”), “Think Before Act” (“TBA”), and “Prevention is Better than Cure” (“PBC”) mindsets

Sumanth’s Total Productivity Model (STPMä)[13][15][17], now in a software form (STPM Pro 2001)[16], is a practical and proven mechanism to measure total productivity against a breakeven point; a set of 6 partial productivity indicators; and a means to identify several productivity improvement techniques for increasing profitability.

#### **Leadership Characteristics Needed to Create and Sustain the *Rm* Environment**

As in managing *any* enterprise –whether it’s a small family unit, or a mega transnational corporation, leadership at the top management level is *the* key factor for ensuring longitudinal success. Today’s enterprises are changing dramatically in their offerings of products and services; hiring and “firing” processes; restructuring and reengineering mechanisms, etc., because today’s global competitive forces are extremely complex, uncertain, and unpredictable, let alone manageable, in an ideal manner. The leadership equation is being compounded by more variables of which we know less –everything from global warming to nano technologies. Based on the distilled experiential wisdom, I propose at least 10 leadership characteristics for practicing RM in such a complex environment:

1. *Consistent* focus on the “Master Strategic Plan (MSP)”
2. *Passion* for serving External Customers and Internal Customers (Employees)
3. *Courage* to institute a “Total Productivity-based Reward System”
4. Unswerving *commitment* to Corporate Integrity and to Accountability
5. Positioning for “*Cooperative Competitiveness*”
6. Long-term commitment to *develop* the economy, and the community, around the enterprise’s facilities
7. Managing By *Example*
8. *Serving* Attitude
9. “*Loyalty to Employees First*” mindset
10. *Boldness* — to face political, economic, and cultural changes

#### **Some Principles of “*Relevance Management*”**

From the implementation experiences in diverse enterprises in several countries during the past 28 years, I have been able to generalize and formulate some proven principles, to institute

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the “RM Thinking (RMT)” in enterprises of all different types. Or space considerations, these are only listed below:

1. If you don't have the “Master Strategic Plan (MSP),” many of your decisions and actions will be *irrelevant*, resulting in zero productivity. Therefore, develop an MSP thoughtfully and expeditiously.
2. Do not make decisions about a “product line” or its processes without first knowing what stage of the S-curve it is in.
3. Use the “Sumanth's Total Productivity Model (STPMä)” to prevent costly mistakes in acquiring, installing, adapting, and abandoning the four types of technologies (Product, Process, Information and Managerial). The theoretical and practical validations are well documented for this model and management philosophy [6][7][8][9][10][12].
4. Adopt the “WWW Philosophy” while working with your employees, your boss, and your customers.
  - Win, for the employees reporting to you
  - Win, for your boss
  - Win, for your customers
5. Never lose touch with what's going on in the “trenches.”
6. You can never over-reward your customers or employees.
7. Surrender your ego at the entrance and collect it at the exit.
8. Treat each individual — as *you* would like to be treated yourself.
9. Never say ‘No’ to a constructive suggestion.
10. Give more, and take less.

**“Have a Relevant Day!”**

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