

Change Lab International

Presents

'The Power of Change' Video Series:

**THE
MANAGEMENT
REVOLUTION**

Featuring

Dr. Gerald Ross

and

Mr. Michael Kay

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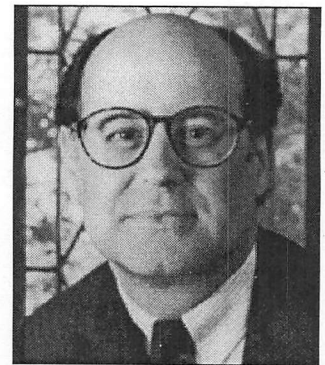


Dr. Gerald Ross: Co-Founder, Change Lab International

From finance to pharmaceuticals, from computer manufacturers to professional firms, Dr. Ross has helped companies in a wide range of industries assimilate the dramatic changes necessary to compete, and prosper, in the new world. *Business Week* Magazine cited Dr. Ross as one of America's preeminent authorities on radical change in its cover story, "Management's New Gurus." In addition, Dr. Ross writes and lectures extensively on corporate change. He holds a Ph.D. in Business Administration and is a Certified Public Accountant.

Michael Kay: Co-Founder, Change Lab International

To the turbulent, sometimes painful process of change, Mr. Kay brings more than two decades of experience in easing the transition from the old management systems to the new. His specialty is large, global firms. He has an MA from Cambridge University, England, and an MBA from the London Business School. He also holds the Diploma in International Management - jointly awarded by the London Business School, L'Ecole des Hautes Etudes Commerciales, Paris, and the New York Business School.



'The Power of Change' series: THE MANAGEMENT REVOLUTION

As the 20th Century comes to a close, companies large and small must come to terms with the most powerful and far-reaching changes in 200 years. ♦ Markets, once large and predictable, are fractured into tiny, specialized niches. Mass production has given way to the new ideal of mass customization. Management struggles to adapt, but tangled bureaucracies still smother vision, growth and change. The traditional pyramid grows ever more hollow, and even our most successful companies are fighting to survive. ♦ Yet with this change comes extraordinary opportunity. So proclaim Dr. Gerald Ross and Michael Kay, co-founders of Change Lab International and management visionaries. This booklet, used in conjunction with Part One of the Power of Change video series, will help you begin to mobilize your own company toward real, substantive change. ♦ You will learn many of the same theories and techniques already in place at such Change Lab clients as IBM, Aetna, Reuters and Bristol-Myers. The questions and answers that follow are drawn from Change Lab's experience in leading corporations through radical change. They will begin to arm you with some of the fundamental knowledge you'll need to lead change workshops of your own, and to begin to steer your company toward a new way of thinking about a new world. A world in which those who will change, will thrive.

Is my industry affected by these changes? Is my company affected?

- ♦ In a word, yes. No industry, government or not-for-profit is immune from the effects of market fragmentation and competition from companies using highly flexible mass customization processes. These challenges are transforming all aspects of our economy. Ask yourself the following questions: Are more and more specialized niches emerging in your marketplace? Are intermediate customers demanding different packaging to differentiate themselves? Are growth opportunities getting smaller - too small for a business of your size? Do small, niche competitors have a lock on the high margin business, standing you with commodity business Is your average order lot getting smaller?

How do I know the old management system isn't working?

- ◆ Has matrix been tried without success? Is cross-boundary coordination increasingly difficult to sustain? For example, are certain functions, such as marketing and product development, constantly at odds with one another? Has there been downsizing without substantial reinvention of the way the organization works?

Do the measurement and reward systems get in the way? Are people searching for a strong sense of vision? The chances are, no matter how hard your company is trying to change, many of the old management practices are still firmly in place. And no existing management system can be expected to succeed when confronted with such a profoundly transformed world.

How long will it take to implement these changes?

- ◆ Clearly, this depends on the size of the organization and the depth of internal resistance. As a general rule, a company of 2-3,000 people will take 2-3 years.

What becomes of middle management in the new molecular organization?

- ◆ Middle management has traditionally been relegated to a supervisory role-with layer upon layer of managers looking over still more managers' shoulders. In the new organization, day-to-day decision-making is pushed down to those closest to the customer - and closest to their problems - dramatically flattening the layers of decision. In the new organization, middle managers have far more substantive roles. They are the inheritors of the entrepreneurial tradition, leaders not managers, taking the pivotal role in coaching and supporting the molecular organization's cross-functional teams.

Absent the traditional pyramid, what keeps the organization from unraveling?

- ◆ The organization will be bound by a far stronger glue than mere command and control management. A powerful vision, coupled with strong shared values, aligns people throughout the organization and provides clear focus. As a model, consider

the polyglot coalition that waged Desert Storm. Such an organization functions effectively despite traditional geographic or functional barriers, because it is bound together by shared values and purpose.

How is the molecular organization different from, say, matrix?

- ◆ Matrix was a productive step but one that, in the end, came up short. Although intended to work across an organization, matrix is invariably sabotaged by intrafunctional allegiances and by traditional measurement and reward systems. The molecular organization goes further by aligning the organization to wrap around specific markets. What results is a coherent, holistic model for the entire organization. It integrates a number of accepted truths - the need for empowerment, for quality, for flexible automation, for new human resources practices - into a meaningful, easily assimilable whole. In a world that appears increasingly chaotic, the molecular icon is a simple, powerful, rational image that allows everyone in an organization to adhere to one way of thinking - a more flexible organizational ideal.

How do we break down the inevitable internal resistance?

- ◆ Frankly, changes of this magnitude will seem frightening to a majority of people in any organization. Change is scary, and radical change is very scary. But there are ways to overcome resistance. You need to build change in waves, creating a few success stories early on and using these to galvanize the entire company behind the new order. Otherwise, there are simply too many people within the organization who, knowingly or not, will attempt to thwart your efforts under various guises, including: "it wasn't invented here", "we're different from everybody else" or malicious compliance.

You talk about wrapping around the customer, but which customer?

- ◆ A key strategic issue. But in the long run, which customer you choose to wrap around is less critical than the consistency and intensity of your focus. You need to decide on a market, then concentrate all of your resources around it.

Why the emphasis on vision, and what kind of vision? People will forgive a lot of flaws in their leaders, but lack of vision isn't one of them. If management is lost, how can the managed remain clear and focused? The molecular model provides top management with an easily understandable, intuitively reasonable model by which to structure the organization. Moreover, in this new world, vision is not simply mandated from the top but built by consensus through all levels of the organization.

What's new about quality?

- ◆ In the world of mass customization, quality is determined by each individual customer. Increasingly, quality in the eyes of the consumer is not simply a matter of whether a product or service works (defect-based quality), but rather how it looks and feels. Companies must begin to produce products or services that can meet and constantly adapt to the evermore exacting quality standards of each individual customer.

Why is America particularly well-suited to the molecular world?

- ◆ Mass customization is about satisfying the *individual* customer with value-added products and services. Nowhere is the spirit of individualism more deeply ingrained than in America. In such a vast, heterogeneous, fast-moving market, the advantage squarely belongs to those marketers closest to the customer - in this case, American producers.

Finally, why the urgency?

- ◆ With markets growing evermore fragmented, even our most robust companies are struggling to compete against nimble niche players with minimal overhead and malleable structures. Companies must reinvent themselves, and fast. The rewards are clear. The large firm, properly reinvented, still retains vast advantages in market clout and capital resources. To the boldest, finally, go the spoils.