J. Keith Louden

THINK LIKE A PRESIDENT

A MANAGER'S GUIDE TO MAKING IT HAPPEN

How to make
participatory management
a reality

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To
Genevieve S. Louden
and my many colleagues
who made it all possible

Foreword

There should be no mystery to the management process. Too often in books and in courses, the principles of management are represented as complex and abstract, making them seem difficult to apply and remote from personal experience.

On the other hand, personal experience with "running" a business can lead to a person's highly developed operating skills interfering with the development of his or her management skills. There is an awesome difference between OPERATING and MANAGING!

Words like *decentralization, strategy, planning, organizing, control,* and *policy* can be very threatening to a senior manager or executive, usually because of a misunderstanding of what these words mean, and the sense of mystique they can portray. They do not represent restrictions and rigidities for senior managers, but rather increased flexibility and scope for personal growth and achievement, which can result in greater profitability and growth for the company.

Self-supervision, self-control, and self-appraisal (three selfs) may appear to isolate the executive from the activities of subordinates; but in reality, if practiced, subordinates will become more effective and productive, get better results more quickly, and allow their boss to get on with his or her own job. All too frequently, it is much more difficult to do one's own job than it is to spend all one's time worrying about how well one's subordinates are doing!

Think Like a President: A Manager's Guide to Making It Happen (and the associated course) explains professional management in simple and practical terms that *can* be related to one's own experience. It provides a sense of discipline and clarification to one's past efforts at managing, in a way most consistent with one's own judgment and instincts. The approach is based on Keith Louden's extensive management experience and arises out of common sense while maintaining objectivity and professionalism.

I have read the first book and attended the associated courses many times over the last fourteen years. I have introduced the unit president concept on three different occasions to divisions or groups of divisions for whom I had newly acquired responsibility—two of them that required "turnarounds" looked pretty desperate at the time—and have seen it lead to exciting results.

I can recommend this book to any professional manager who hopes to increase the growth and profitability of his or her business and who really believes that personal success depends largely on the success of subordinates.

Louis Hollander

Preface

Ten years have passed since my first book, *Making It Happen,* was written and published. It has been a rewarding ten years, since during that time it has been my privilege to work with an increasing number of companies, both as a member of the board of directors and as a counsellor on the unit president concept, in conducting seminars for them and aiding them in implementing the introduction of this concept in depth.

The results have been excellent and have proved to me, beyond all doubt, that to achieve optimum results in any enterprise you must have a good, committed team with you. Further, that to gain their commitment you must involve them in the managerial processes in the company to a logical optimum degree.

The excitement of seeing an organization grasp, understand, and embrace the concept is in itself fulfilling. To see it spread into the nonmanagerial areas, both in the office and the workplace, is even more so.

No one really knows more about a job—any job—than the person working on that job. To tap that knowledge reveals an "acre of diamonds" in ideas, improvements, and above all a commitment to excellence that can come only through involvement and recognition.

The Japanese, through their "quality circles" and other elements of involvement, know this and are reaping the rewards that cannot help but follow.

For all management everywhere, tapping the knowledge, ambitions, and pride of every member of the organization, from the factory floor to the executive suite, represents the challenges, hopes, and dreams for the 1980s and beyond.

I am grateful to all who have embraced the unit president concept; particularly to Lou Hollander, President of Bombardier Inc., Montreal. No one is more dedicated or skilled in its practice than he.

Contents

1	The Challenge	1
2	The Unit President: Defining the Boundaries	11
3	The Professional Manager	23
4	The Planning Cycle	41
5	Conceptual, Strategic, and Operational Planning	57
6	Organization: The Corporate Structure	91
7	Organization: Job Definition	109
8	Standards of Performance and Appraisal	157
9	Controls: Fast Feedback	183
	Glossary of Management Terms	197
	Index	205

1

The Challenge

I know you mean it when you say that we are all members of the management team, but we just don't feel it. In our own areas of responsibility we know fairly well what to do, but we don't always understand why. It's not really a problem of communications; it's a feeling that we don't know the objectives of the company because we aren't in on the decisions. Programs are handed to us to carry out, and we don't know what the thinking is behind them, or how to go about developing programs ourselves. We want to belong to the kind of management team you have in mind, but how can we do it?

In essence this foreman's question challenges top management to stop talking about modern management and start practicing it. It is a challenge that is rarely voiced; more often, the principles of participative management are enthusiastically accepted by everyone and then, with everyone's tacit consent, left to fade away down the line.

The foreman in this case spoke up because he had become convinced that top management in our company, which I shall call the YAC Corporation, really intended to decentralize authority. But, as his comments indicate, turning the theory into reality requires much more than intellectual assent, and the real work was still ahead of us. This book is the story of that work, how hard it was, how exciting it was, and how it paid off.

Plateau in Growth

A medium-sized manufacturer of consumer durables and industrial mechanical equipment, the YAC Corporation had hit a growth plateau in the late 1940s and early 1950s, as a result had lost its place as No. 1 in the industry, and then in the mid-fifties was in danger of losing the No. 2 position. Product reputation was high, and the company was well accepted in the field. But YAC had failed to keep pace in a growing economy, primarily because it was not organized to take advantage of such growth. It was a tightly centralized operation which for 30 years had been controlled by one man.

That man, the president and chief executive officer, was unquestionably the best engineer, best salesman, and best financial officer the company had. He had brought YAC successfully through the Depression with only one loss quarter, and that a minor one. He had attracted good men, and they performed well under him. But he had never learned to delegate the authority that would have enabled them to make their greatest contribution.

The president reserved so many powers to himself that even his top executives were hardly a management team. He called them into meetings to arrive at decisions that they should have handled themselves, and he expected them to submit all projects for his approval. This was difficult to do because he was so often out of his office: he might be found in the engineering department tinkering with a product design, or out in the field helping to close a sale, or working at some other job around the plant. With these methods of operating, the growth of the company was geared to his ability to be nimbly on the spot everywhere that decisions had to be made.

With these methods too, the functions of the company had become compartmentalized structures that were uncoordinated except in the person of the president. As a consequence the functions often worked against each other, as when the engineering department designed products that did not really meet marketing needs or take full account of manufacturing costs.

The president did try to arbitrate between the functions, and he made attempts to delegate some of his powers. It was all a sometime effort, however, since his executives were not accustomed to thinking in terms of overall objectives. They were untrained in accepting authority and inexperienced in exercising it. They could never be sure how long it would last or even how sincerely it was offered, so that the safest course was to continue referring decisions up the line.

Eventually the president together with his board of directors realized that the company's lack of progress made a change essential, not only in the corporate idea of management but in its practice throughout the organization. And they decided that because of his inherent tendencies to run a one-man show, the president should not attempt to carry out such a change himself.

It was at this point that I was brought into YAC as an outsider who was incapable of being the best engineer, best salesman, and best everything else in the company. One of the few areas that I knew well was management, and I was given responsibility for leading the transition from a highly centralized organization to a decentralized, delegated-authority structure.

Two Pilot Projects

When I joined YAC, many members of its management knew me only by reputation. It seemed wise, therefore, not to assume full authority immediately but to give myself time to learn something about the business and demonstrate my ability for getting things done. As an initial step I decided to concentrate on two of the company's major problems. The first was inventory: It was too high, particularly in finished goods, and it was seriously out of balance in relation to actual sales needs. The second was the coordination of product design among the engineering, sales, and manufacturing departments. Owing to the isolation of each function that had developed, sales and manufacturing seldom saw the next season's product line until the designs were completed. At this point any suggestions for changes led to a battle and delayed the start of production.

Study of the inventory problem identified three contributing factors:

- Almost total lack of communication between sales and manufacturing.
- An annual sales forecast that was looked upon as unchangeable. (The vice-president of marketing's stock phrase was "You make them, we'll sell them.")
- Virtually no recognition of the impact of actual versus predicted sales.

The solution was simple enough, although it took time to implement. We formed a new group, the operations planning department, and gave it full authority over all manufacturing schedules and all elements of inventory related to products. The general company policy that the group was to carry out was stated concisely: "Inventory shall be controlled to the minimum investment required to meet actual sales and minimum costs." The new department then established an orderly procedure for inventory administration, with weekly meetings that coordinated sales forecasts compared with actual production needs.

When the procedure went into effect, the impact of changing production schedules was severe as actual sales results were fed into the process. The imbalance flowed back into work in process and into the raw materials inventory. Since purchasing schedules were also affected, it flowed back to the company's suppliers as well. As we struggled to meet actual sales needs while sharply reducing the finished goods inventory, manufacturing costs were adversely affected by the changing production schedules and shorter runs.

It was a painful but necessary experience, and the departments faced up to it without hesitation. The results in inventory investment were soon large enough to be noted with approval by the board of directors and the banks. The price we paid in earnings was disagreeable but not disastrous. And, after the initial period of adjustment, the sensitive controls we had established kept inventory in an healthy condition both in the plant and on the books.

The second problem, that of coordinating product design, was resolved in a similar manner. We set up teams consisting of representatives from sales, manufacturing, engineering, and cost accounting to establish perimeters for all specifications and costs before the design cycle began. So that nothing would be left to chance, we developed what we called a laboratory-to-production schedule which specified by model numbers what steps were to be taken by what dates. The schedule insured that inputs from the various groups would be received while they could still be modified without creating problems of redesign.

As it turned out, the most important contributions made by this system were, first, that it got everyone into the act who belonged there and, second, that it set up a schedule for results which enforced the cutoff date: When a design was frozen, *it was frozen.* This fact alone materially reduced the number of nervous breakdowns suffered in each design season.

Although by working out these problems we freed the company of some major handicaps, the solutions were neither complex nor mysterious. All we did was to apply sound management principles and proven practices to bring order where it was needed. As for my own standing in the company, after the four months that I spent in developing the two programs I was well accepted by management and made a smooth transition into full operating responsibility.

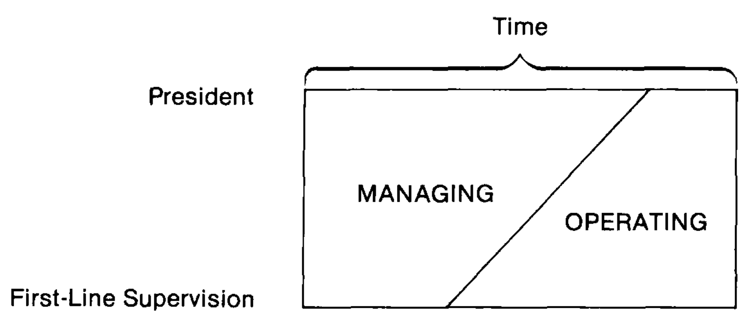
Beginning the Change

As the new operating head and No. 2 man at YAC, for several months I led discussions of our alternatives, sometimes in sessions with top management, sometimes in general meetings of all management levels. The foreman's comment given earlier was typical in that the willingness to change was there, but the know-how and courage to do so were not. To develop a decentralized operation we had to arrive at a uniform concept of the best way our particular business could be managed. Then we had to work out a plan of implementation fitted to our circumstances. We decided early that we must do these things ourselves—that while we would use outside specialists in some areas, we were the ones who knew the total situation and should stay with it.

Since it was our objective to be a more professionally managed company, we examined what we believed management to be. We agreed that when we are managing, we are planning, organizing, controlling, or motivating. When we are not doing one of these, we are doing something ourselves; therefore, we are operating. We realized that all levels of management inevitably perform some functions themselves, the actual amount increasing inversely in relation to the management hierarchy. That is, the president may spend about 90 percent of his time in managing and 10 percent in operating, while a first-line supervisor may perform operating tasks 60 or 70 percent of the time (see Exhibit 1-1). We agreed that it is important to distinguish between the things we are getting done through other people—by managing—and the things we are doing ourselves—by operating.

We wanted to be certain that all work performed, of a direct or an indirect nature, made a recognizable contribution toward reaching our objectives. Nothing was to be done

Exhibit 1-1. Managing versus operating.



because someone thought it a good idea or because other companies did it. We all agreed that we had too much actual work to accomplish to engage in window dressing or wheel spinning. We also wanted the work that we performed to be done in the simplest way we could devise and assigned to the lowest level at which a person could be fully accountable for it.

We discussed at length the fact that decentralized management would require formal management if it were to be effective. It would be particularly dependent on planning in depth, policies in writing as statements of intent, and fast feedback controls based on a need-to-know determination.

We also raised the question of whether all this would lead to red tape, overly complex procedures, and the like. After full discussion, we agreed that this would not necessarily happen. Therefore we adopted the KISS principle: KEEP IT SO SIMPLE.

This principle would require us to carefully determine how to perform whatever function, or element of a function, that we felt would be essential in carrying out our plans in the simplest way we could devise at the time. And then, to constantly seek a simpler way of doing the necessary—if it was still necessary.

If we were to achieve company objectives, we knew that we would have to gain our employees' commitment to them. And we decided that the best way to do this was by consultative or participative management—that is, by involving each employee in setting the objectives of his or her group. In the process, everyone would have to understand how the group's objectives were related to those of the group above him or her and to the corporate goals.

We wanted our people to be creative and imaginative in fulfilling their responsibilities—to exercise self-supervision, self-control, and self-appraisal. But before they could do so