Strategic Planning
Know your competitors

Leaning
Healthcare

Testing
Times
The case for psychometrics
The Institute of Management Services is the primary body in the UK concerned with the promotion, practice and development of the range of methodologies and techniques for the improvement of productivity and quality, known collectively as ‘Management Services’. This embraces the disciplines of industrial engineering, work study, organisation and methods, systems analysis, and a wide range of management information and control techniques as illustrated in our Body of Knowledge.

The Institute acts as the qualifying body for the Management Services profession in the UK, focussing developments in practice and knowledge and acting as a forum for information exchange. This in turn enables our members who work under a variety of job titles across the whole of the UK economy, to make a more effective contribution to the well-being of their own organisation and to the nation’s economy as a whole.

In addition to creating and upholding professional standards for the practice of management services through the adoption of a code of ethics and the provision of a system of qualifying examinations, the Institute of Management Services collaborates with national and international professional bodies in similar fields.

The Institute is a member of, or represented on, a number of other bodies including the World Confederation of Productivity Science, the European Federation of Productivity Services, and the European Institute of Industrial Engineers.

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Testing times for UK companies in the quest to find a quality workforce

It’s Monday morning and you are just settling nicely into the day’s routine - cup of coffee on the desk, no major IT problems to spoil the start of the week and then one of your most reliable and valuable employees breaks the news that he has been offered a promotion and will be leaving at the end of the month. Panic and dread sets in as you are doomed to weeks of placing recruitment advertisements, interviewing prospective candidates for the position, taking up references and possibly even psychometrically testing them for suitability. You may well be lucky and find the perfect candidate immediately. Alternatively, you may end up hiring somebody who is unable to do the job, won’t fit into your company or who completely duped you at the interview and is an absolute maniac. Don’t despair, you are not alone!

Apparently, although the majority of UK recruiters use a wide range of methods when selecting job applicants, only a handful of them actually believe they are a useful way of predicting a person’s likely success in the job.

The Cranfield School of Management released statistics recently proving that while most HR managers take up references, use CVs and conduct interviews as part of the selection process, most have no faith in their ability to guarantee successful recruitment.

Here at Deeson HQ we have had our share of recruitment successes and failures and will be incorporating psychometric testing into our recruitment process from now on. Yours truly will be training as a licenced practitioner to administrate the tests, along with one of my colleagues. We hope that testing will increase our chances of hiring the most suitable people for vacancies and I will keep you informed as to our success. In the meantime, Ian Florance a consultant at the Psychometrics Centre at Cambridge University, has kindly written a piece on the nuts and bolts of psychometric testing and its applications in organisations both large and small (see page 35).

I really can’t sign off without mentioning the World Cup, which should be in full swing by the time this issue has been published. The run up to the tournament has not been without drama, Rooney’s metatarsal notwithstanding, as the search for a new England Manager reached a comic climax. The appointment of Steve McClaren followed months of speculation, rumour, questionable judgement, prejudice and some would say, downright lies. Rumour has it that the decision to hire McClaren was either made in the face of pressure from fans for an English manager or just because Luiz Felipe Scolari pulled out of the race at the last minute. Either way, it doesn’t sound as if the recruitment process followed any professional guidelines at all. Let’s hope that what seems like a bit of a hit and miss affair to employ one of the most highly paid sports professionals in the UK has resulted in the right man for the job.

Melanie Armstrong
From strength to strength

It is a pleasure to once again have the opportunity to update you on the Institute’s activities, especially as it is going from strength to strength. Over recent years the Institute has been very innovative in the way it operates and has proved it has a modern view on how a progressive and forward thinking Institute should function.

Journal
Our new quarterly journal has been well received by the membership, who appreciate the increased number of articles and the greater breadth of coverage these give to the Institute’s body of knowledge. We have a new editor, Melanie Armstrong, who is working hard to make the journal even more informative and interesting to read.

Membership
Our membership base is increasing with the new life membership attracting new members. Already those who took out life membership in 2005 have broken even, as they would have paid £200 to obtain annual membership for 2005 and 2006. The Institute will shortly be launching a membership recruitment drive and I would ask that you play a part in this by encouraging your friends and work colleagues to join our Institute. Compared with the membership fees other professional bodies charge for annual membership, our life membership is a ‘steal’ at £200.

If you have a colleague who would be interested in joining our Institute, please request an application form from Lichfield (01543 266909), write your name and membership number on the form and we will enter you in a prize draw once the new member joins the Institute.

Education
It is pleasing to report that our restructuring of the examination system is now complete and is working very well thanks to the efforts of our three education providers. It should be noted that the only companies accredited to run the Institute’s education programme are:

B. Cuthbert & Associates
Tel: 0113 253 4364

Harry Mitchell College.
Tel: 0115 922 5735

Scott-Grant Training
Tel: 0161 234 2121

Website
The Institute recognises that the internet is increasingly playing a key role in people’s lives and is perhaps unequalled in the way it can disseminate information. Earlier this year we set up a new Institute website, which has been welcomed by the membership.

In particular, members have made great use of the email facility to contact our head office in Lichfield. Like any website, it requires continual review and updating and at the recent Institute Council meeting two Council members were given responsibility for reviewing the content of the website with the objective of improving and expanding the available information.

Membership fees
In your June journal you will find a voting paper on which you are asked to vote for revised membership fees of £220 for Life Membership and £110 for Annual Membership. Can I please urge you to vote for these increases which are reasonable, considering we did not increase membership fees in 2006. You will appreciate that the £220 Life Membership fee will only be applicable to new members joining the Institute, as existing Life Members have already paid their fees.

Training DVDs
Some years ago the Institute produced a set of training videos which have proved to be very popular and have been in regular demand with steady sales over the years. I am pleased to inform you that these videos are now available in DVD format. These DVDs have been digitally enhanced and we would recommend any training department to purchase the DVD set. Full details of the DVDs can be found on page 21.

IMS Productivity Improvement Award
The Trustees of the Russell Currie Memorial Fund have decided to extend the closing date for the submission of applications in respect of the IMS Productivity Improvement Award to 5 October 2006, to allow more time for organisations to prepare submissions for the award. Please consider entering for this award, as it will considerably enhance the reputation of your company should you win or even be shortlisted.

VAT inspection
In May the Institute had a visit from a VAT inspector. As you will appreciate these visits are always a cause for concern as VAT inspectors have a reputation for strictness. It is pleasing to report that the inspection was very rigorous but fair, and the inspector was happy that the Institute had accounted for VAT in a correct manner.

Council of Management
The work of running the Institute involves many hours of work by the eight members of the Institute’s Council of Management, all undertaken on a voluntary basis. Each Council member has responsibility for a specific area of operation and this has played a key part in our being able to reach speedy decisions and to be innovative in our approach to the management of the Institute. I will, without hesitation, suggest that it would be extremely difficult to find another professional Institute that has introduced such radical change and operates as efficiently and cost effectively as the Institute of Management Services.

I hope that the above information serves to keep you updated on how your Institute operates and the current initiatives we are progressing on your behalf. As a professional body, we expound the virtues of change and the need for efficiency, so it is only right that we operate our Institute in the most efficient manner possible. I sincerely believe that many other professional Institutes could learn a great deal by studying the changes we have made over the past few years.

David Blanchflower, Deputy Chairman
Management Services
Summer 2006

Eastern region website

In order to inform members of current events and other mailers which may be of interest, the Eastern Region Board has established a website - www.imseasternregion.co.uk. We trust that members will visit the site to contribute ideas and comments to help develop it in the future.
Visit to Bentley cars, Crewe

Late last year, a large group of West Midlands Region members and friends visited Bentley Cars at Crewe, Cheshire.

Bentley Cars is now a subsidiary of the Volkswagen Group following the ‘divorce’ from Rolls-Royce cars (which is now owned by BMW and relocated to the south coast). VW has undertaken a vast investment programme of over £500 million to develop new car models and re-equip the factory with the latest machine tools – just no robots are employed.

The Crewe factory which is a quarter of mile long was originally constructed as part of the re-armament programme just prior to WW2 to build Rolls-Royce Merlin engines which powered the Spitfire fighter and Lancaster bomber. After the War, the production of the Rolls-Royce and Bentley cars were transferred from Derby to Crewe.

Following coffee and biscuits in the meeting area, the group was given a conducted tour of the factory. The cheapest Bentley costs £115,000 and there are about 300 in various stages of assembly. The basic body shells are shipped from Germany for final assembly and completion at Crewe.

The cars move down a moving track, but the movement is measured in inches (or centimetres if you think in metric) per minute. Great attention is given to the detail and finish of each car. Each car is accompanied by a ‘build document’ which gives the full specification and customer requirements for that individual car. The customer can specify any colour, leather finish etc, but at a price!

The customer also selects the particular veneers for all the wood finishes within the car. In the air conditioned wood store all the selected veneers are carefully marked and conditioned wood store all the selected veneers are carefully marked and stored for each client for their particular car.

The most popular wood veneer is walnut and buyers scour the world for suitable walnut trees.

The hides for the leather upholstery are imported from Scandinavia because they are usually free from scars caused by barbed wire and from pests such as the screw fly. The hides are carefully inspected and cut by laser to exclude any areas of hide which do not meet these very high standards. The ‘off cuts’ are returned to the leather trade to be used for hand bags, purses, wallets, key fobs and so on.

The completed cars are exported all over the world and new markets have been opened in Russia and the Far East. The in-car for the American Gangsta rappers is the Bentley Continental.

The tour concluded with a visit to the Bentley Museum to see historical models from the the past including one of the Le Mans winning cars of the 1930s. A very interesting and worthwhile visit.

Member news IT expert goes for gold

IMS member, London based accounting and IT expert Henry Hardoon, has been awarded the coveted Gold Award from the British Accreditation Bureau (BAB) for his outstanding client satisfaction ratings.

The Gold Award is a national award presented to certified practitioners with the highest client approval ratings.

Mr Hardoon is a qualified chartered certified accountant, international accountant and qualified IT professional. In recent years, he has become recognised as a leading industry spokesman on accounting software and IT applications. He is an examiner for the Association of Cost and Executive Accountants and lectures at Barnet College on Sage Accounting. Henry is also a regular contributor to the accountancy press. He has recently been on the panel devising the exams for ACCA for 2012.

“Being accredited by BAB and having my work regularly assessed has enabled me to demonstrate my commitment to the highest standards. Getting such positive feedback from my clients and winning this award is extremely encouraging and tells me I’m on the right track,” he said.

Brewery visit

One evening in April, a party of NW region members and friends gathered outside Robinson’s Brewery in Stockport, for a conducted tour of the premises.

The party was fortunate to have Angela Clark, an enthusiastic and knowledgeable hostess, as a guide. She outlined the history of the company; in 1838 Frederic Robinson, a textile worker, found himself unemployed and purchased a public house, the Unicorn in Hillgate, a rather tough and disorderly quarter of Stockport. Life must have been hard, but he prospered and in 1838 opened his own brewery nearby. Later he purchased 12 other pubs as outlets for his popular ale and the expanding business was eventually passed on to his sons and grandsons.

Now, managed by the fifth generation of Robinsons, the company is a major brewer and owns more than 200 inns, hotels and public houses in north west England. A remarkable success story.

We were led up several staircases to the top of the brewing tower, where Angela explained that brewing is, essentially, a batch process. We sampled malt corns from several varieties used in the brews. The malt is ground in a Victorian vintage grinding machine, before being mashed in boiling water.

The water, which contains minerals, is obtained from a 600 foot borehole in the Cheshire plain. One storey down, the mash is transferred to a large kettle where the hops are added. The resulting mix is boiled for about an hour.

The next stage, fermentation, takes place at a lower level. Hops yeast and water are mixed in the fermenting vessel at specific temperatures, depending on whether beer or lager is required. The process takes from a few days to several weeks. In the vats we saw frothing, bubbling brew and inhaled the delightful aroma. When ready, the brew is run off and tankered to the company’s large bottling plant in Bredbury.

With the heady perfume still stimulating our nostrils, the party then rapidly retired to the bar for light refreshment. Neil Wilson, Deputy Chairman, thanked Angela and the brewery for their hospitality, and for the extremely informative way in which the tour had been conducted.

IMS, North West Region
Good morning China

Harry Mitchell College courses recently carried out in China have been specifically designed to meet the demand to equip Chinese nationals with the skills to quantify work content and improve processes.

One of the objectives of these training courses has been to establish and move forward rapidly with the up to date skills that are essential to compete in today’s fast moving and highly competitive international markets.

Chinese customers have embraced modern methods to add to their traditional skills and now recognise the advantage of having work measurement.

All the course participants were very eager to learn and practise their newly acquired skills of quantifying process work content with confidence and accuracy.

Special five week and six week bespoke courses were designed to equip the delegates with the skills both to measure work using time study and MTM-UAS and also learn the very latest lean methods for manufacture.

A further objective of the courses was to develop core teams of personnel with industrial engineering skills to drive continuous improvement and swiftly bring about any necessary organisational change. These industrial engineering teams will be based at different regional locations and will provide support to various business sectors. They will also act as performance improvement champions.

All the delegates found the course both challenging and enjoyable, particularly the live practical exercises. Delegates were presented with their certificates as evidence of all the hard work and effort that was needed to successfully achieve Certification of Professional Competence.

Andrew Reid of the Harry Mitchell College is fast becoming an ‘old China hand’ with his extensive experience of working in the region. Andrew said: “This was a wonderful opportunity to see eastern and western cultures and work ethics meeting together in a positive way”. Despite the long working day, Andrew is looking forward to returning to deliver the Advanced Continuous Improvement Course programme.

Similar courses have been delivered in Germany, Switzerland, Mexico, Malaysia, Czech Republic and USA recently. Much of the College’s course material and exercises have been translated in other languages to meet the delivery requirements at further international venues.

For more information: +44 (0)1384 234234 or www.harrymitchell.co.uk.

Smart move for workforce

Employees will no longer have to play detective to find out the inside story on the firms that they work for. Detailed information on around 1500 of the UK’s top companies is now available online for free on workSMART, the TUC’s world of work website.

Using financial data from specialist data provider Bureau Van Dijk, workSMART now gives visitors to its web pages the chance to look up a variety of details such as the profits of individual companies, how many people the firm employs and the salary of the highest paid director. Basic information can also be accessed on a million smaller firms based in the UK.

One of the novel features of the TUC’s new company finder section is that it enables individuals to compare their salary with that of their firm’s top executives. By entering the amount they were being paid five years ago, employees can find out how much they would be earning now if their salary had increased at the same rate as that of their top directors.

Other tools include stock news links from the London Stock Exchange and a salary checker provided by PayWizard.co.uk, which enables users to compare their rate of pay with others doing the same job for different firms. www.worksmart.org.uk.

Temporary staff happier and healthier

Temporary workers are happier and healthier than permanent workers, according to new research conducted by the Department of Management at King’s College London.

These findings come from a European Union study involving seven countries and more than 5000 workers. The results are similar in all countries including those, such as Germany, where unemployment is considerably higher than in the UK.

The results for the UK are based on a detailed study of 642 staff from 19 organisations, including 25 per cent working on temporary contracts, and ranging from factory workers to professionals.

They suggest that temporary workers cannot be sensibly viewed as an exploited minority and raise important questions about a number of current policy initiatives.

Professor David Guest, the director of the UK research said: “It is not so much that temporary jobs are good but that permanent jobs have got worse. People are working harder, they have less freedom at work and there is a general decline in job satisfaction. The research findings suggest that we need to give urgent attention to improving the quality of all jobs, including those of permanent workers.”

The seven countries participating in the study were Belgium, Germany, Israel, The Netherlands, Spain, Sweden and the UK.

The Institute of Management Services
Productivity Improvement Award
Sponsored by the Russell Currie Memorial Fund

The IMS Productivity Improvement Award is given to an organisation to recognise a particularly successful deployment of management services techniques by a team (which includes a member of the Institute of Management Services) to make a demonstrable improvement to the productivity of an organisation (or part of an organisation).

Awards are considered annually and, where appropriate, submissions are made and evaluated by the judges, one completed productivity improvement project will be recognised by the granting of the Productivity Improvement Award, with up to three additional projects from the shortlist being Highly Commended.

Judging is carried out by the Trustees of the Russell Currie Memorial Fund who will, if necessary, take external, specialist advice.

What kinds of projects are eligible?
Any recently completed project which has made use of recognised management services or productivity improvement techniques (such as outlined in the IMS body of knowledge) can be submitted for consideration. This may be in any type of organisation in any industrial or commercial sector.

How do I submit a project for recognition?
Only members of the IMS may make a submission. There is a very simple two-stage submission process consisting of submitting information and evidence which corresponds to the submission format below. Where this information and evidence results in a shortlisting of the project, additional information may be sought by the judges.

Submission format
All first-phase submissions should provide the following information:

1. Name, membership number and contact details of the person making the submission. (These contact details must include an email address via which all correspondence will be made.)

2. Title or very brief description of the project.

3. Description of the project, consisting minimally of:
   - Project start and end dates
   - Project description (including details of approach and techniques adopted) – this description should normally be no more than 1,000 words.
   - Description of Project Outcomes
   - Nature of evidence that indicates or substantiates a ‘successful result’

4. Name, status and contact details of a senior manager within the organisation who can validate the information and evidence submitted.

Submissions should be made to:
Secretary, Russell Currie Memorial Fund
C/o Institute of Management Services
Brooke House
24 Dam Street, Lichfield
Staffordshire WS13 6AB

Schedule
Final date for submissions: 5 October 2006
The shortlisting will be completed by 31 October 2006 when successful organisations may be asked for further information and evidence.

The project receiving the IMS Productivity Improvement Award and any projects designated as Highly Commended will be announced by 1 December 2006.
Could your organisation derive more benefit from training and development? Do they contribute to key business objectives such as winning new business? If all existing courses were closed down would customers notice or care?

Now is a good time to ask such questions. Training and development are at a watershed. Many existing courses and facilities have come to the end of their useful lives. There are new approaches to learning and knowledge management to consider, emerging technologies to evaluate, and collaborative opportunities to assess.

Those responsible for corporate learning face tough choices and multiple challenges. Should an e-corporate university be set up? How might a corporate intranet best be used? Could business development and the processes of value and knowledge creation be better supported?

Certain options go to the heart of current operations. Should training and development be made a revenue centre or a distinct business? Could particular activities, or the whole function, be outsourced? What would be lost if ‘central training’ were closed down?

A two year investigation of corporate learning plans and priorities has examined these and other questions. It involved corporate visits and 69 structured interviews with those responsible for the training and development of some 460,000 people. The results, summarised in the report ‘Developing a Corporate Learning Strategy’*, are sobering and demand urgent attention.

Many courses have passed their ‘sell by’ date, but at the same time, essential requirements and critical corporate priorities are being largely ignored. Too little effort is devoted to business development, relationship building, knowledge creation, ebusiness and entrepreneurship.

Overwhelmingly, the emphasis is upon squeezing costs, rather than the generation of incremental income streams. Only one of the organisations surveyed was equipping its people to be more successful at bidding for business, even though the top 20 bidding skills and critical success factors for winning bids have been identified and tried and tested bid management tools are available (Winning New Business, Bedford, Policy Publications, 2003).

Human resource teams are working hard, but many of them do not appear to be connecting with the world around them. Millions have been spent on grandiose initiatives, fashionable concepts such as empowerment, and general ‘quality’, ‘teamwork’ and ‘leadership’ training, while particular requirements of critical importance are overlooked.

Critically, training inputs are not leading to new know-how and intellectual capital outputs. Existing understanding is being shared, but the new knowledge needed to compete and win and secure market leadership is not being created. Presentations on ‘knowledge management’ abound, but specific initiatives to develop knowledge entrepreneurs or equip people to use ebusiness are few and far between.

The organisations examined focused overwhelmingly upon the internal development of employed staff. Customers, contractors, suppliers, associates and business partners can all have development needs which could, and should, be addressed by shared learning.

Education, learning, training and updating are rapidly becoming global markets in their own rights. They are among the most exciting of contemporary business opportunities. However, in general, training and development are not perceived as a source of incremental revenues. Nor are they used as a means of building relationships with key decision makers in strategic customers, suppliers and business partners.

Most trainers appear to ‘follow fashion’. Many buy ‘off the shelf’
rather than think about what would be most appropriate in specific situations. They provide standard programmes regardless of individual interests and needs. They expose people working on very different activities, to common experiences that have little relevance to their particular requirements and priorities.

Opportunities for training collaboration are being missed. Many companies face similar development problems and challenges. Maybe the cost of new resources and facilities could be split between several users. The aspirations of individuals are also being overlooked. Trainers focus unashamedly upon corporate preoccupations. Yet many people seek greater control and more balance in their lives. Switching the emphasis to innovation, entrepreneurship, and business building can enhance both corporate performance and personal fulfilment. Not surprisingly, education, training, and development expenditures are still sometimes viewed as a cost, rather than as strategic activities. They are not always considered vital investments in the creation of knowledge, intellectual capital and value for customers.

The current state of affairs cannot continue. So what needs to be done? Winners tend to be pioneers and innovators, rather than observers and imitators. They facilitate, enable and support development. They champion and reward learning and enterprise. Learning should be built into work processes and peoples roles. It should embrace customers, suppliers and business partners.

Winners allow individuals to manage their own learning. They encourage their people to join shared learning networks and achieve breakthroughs in understanding. They establish corporate universities, foster learning partnerships, and keep their learning strategies current, relevant and vital. Standard offerings are abandoned in favour of specific and tailored interventions. Training teams with the potential should be tasked with becoming profitable businesses in their own right. Training activities should contribute to enterprise, business and knowledge development. Providing individuals with personal learning accounts could create ‘customers’.

Demonstrable outcomes should replace input indicators such as ‘bums on seats’. For example, by how much has the ‘win rate’ in competitive bidding situations increased? What proportion of turnover do new products and services account for? What value is ascribed to new intellectual capital? Whenever a direct causal link to additional know.

Training & development

Human resource professionals must work more closely with their colleagues

Prof. Colin Coulson-Thomas has worked with over 90 boards to help them develop their businesses, and reviewed the processes and practices for winning business of over 60 companies. An active consultant and experienced chairman of award winning companies, Colin has contributed to over 200 major conferences and corporate events in over 20 countries.

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Competitive analysis: Thinking beyond stage one

By John McManus and Neil Botten

Abstract

Strategic planning requires give and take of ideas and information. No person sees the total picture at first; what to communicate and why, is ambiguous; mindsets of various individuals have to be adjusted. But this iterative process cannot continue indefinitely. There must be conclusions and decisions, so that detailed planning and action can proceed. Competitive analysis focuses on understanding the environment the firm competes within by developing strategies which allow the firm to build up a sustainable advantage in that industry. This paper focuses on the analytical and structural framework for competitive analysis, including the formulation of mission, objectives and strategic decisions. We also discuss the strategic importance of resources and competencies within the firm.

Introduction

According to Professor Michael Porter (Harvard University) the basic unit of analysis is the competitive forces within the industry. In this model, industry structure determines the firm’s behaviour, which in turn decides the firm’s performance. If industry structure completely decided firm conduct, there could be no difference between the conduct of the firms in the same industry. For example, if industry structure determines a firm’s pricing strategy, all firms in the industry should in essence follow the same pricing strategy. Alternatively if all firms in the industry have the same unit cost profitability differences between firms in the same industry would be ascribed to random events. In the real world however, firms are clearly not alike. In fact they differ in substance, structure and dimension. Such dimensions include: marketing practices, financial condition, operating conditions and breadth of operating techniques. Such differences may be due to differences in market intelligence. For example, firm ABC may decide to advertise a high quality brand product and firm XYZ to pursue a high-volume line because they do not have access to the same information and are thus committed to a strategy.

Most firms think they know who their major competitors are, and most operating managers would advocate that they know quite a lot about them. Knowing your key competitors and their strategies is absolutely fundamental to gaining market share. Environmental scanning and environmental forecasting are key inputs in competitor analysis. The purpose of undertaking competitive analysis is to give the management of a firm a comprehensive understanding of its competitive environment. This understanding should enable management to further assess its strengths and weaknesses and partially ascertain threats and opportunities to the firm from its industry environment. The literature for undertaking competitive analysis is rich in approaches and techniques. For example, Ghoshal and Westney identify six distinct functions served by competitor analysis in firms:

1. Sensitisation; in order to shake up the troops by challenging the firm’s existing assumptions about particular competitors, including in some cases changing the definition of the most significant competitor or of the most crucial dimensions of competition.
2. Benchmarking; provides a set of specific measures comparing the
firm with its competitors.

3. Legitimisation; which means to justify certain proposals and to persuade members of the firm of the feasibility and desirability of a chosen course of action.

4. Inspiration; which gives people new ideas about how to solve problems in this process by identifying what other firms had done in similar circumstances.

5. Planning; namely the use of competitor analysis to assist the formal planning process, interestingly enough much more dependent on information from the formal (competitor analysis) function than any of the other uses.

6. Decision-making; meaning contribution to operational and tactical decision-making by managers, which provide the second largest number of examples cited (after planning).

Other writers advocate the use of checklist questions. Key areas examined include: future goals, current strategy, capabilities and assumptions. With respect to formal structure, market position, financial structure, research and development capabilities, past objectives and strategies. Typical questions to ask include:

- Is the competitor satisfied with its current position?
- What likely moves or strategy shifts will the competitor make?
- Where is the competitor vulnerable?
- What will provoke the greatest and most effective retaliation by the competitor?

Information on competitors can be obtained from many different sources. Table 1 (see page 12) gives some useful sources of competitive information.

The competitive environment

Firms can waste precious resources responding to other firms in the same industry, with whom they are not really competing. To be a true competitor, the firm has to be selling to the same set of customers or market segment and serving some of the same functions. For example, if the firm is selling to a totally different segment, their actions may not affect one’s sales, share or profit. The answer to whom to respond to must also be coupled with the question of whether it is necessary to respond at all. Some competitors’ actions may not affect one’s own market, even when they are selling into the same customer set.

Further, some industries learn how to coexist peacefully. This is generally neither black nor white, but lies along some continuum. Some industries will appear attractive, depending on the level of competitive intensity. Whether to resound to competition depends on whether the competitive action has an impact in the marketplace affecting the firm’s performance, either short term or in the long run. Whether to initiate an action, and how, depends in part, on your competitors’ ability to respond by negating the impact of the firm’s actions. One clearly needs to assess the competitive advantages and how sustainable they are before deciding how to respond. The next step is an assessment of the competitor’s strategies and intentions.

Can we learn from some of their actions or commitments (capacity, annual report proclamations, available resources, etc) about their capabilities? One must also be cautious of who else might be entering the market, or the likelihood of new competitors. All of this is intended to give us a better ability to anticipate our competitors’ actions or reactions.

Formulating the strategic mission, objectives and structure mission

It is said that inertia is the enemy of progress. Past insights ossify into clichés, processes lapse into routines, and commitments become ties that bind companies to the same course of action. Perhaps the most vital and fulfilling element of a strategist’s job is to prevent burdens of the past. A manager’s role is not to toil long and hard to make the inevitable happen. His or her job is to make happen what otherwise would not happen.

Although somewhat a cliché but still highly relevant is the axiom: if you don’t know where you are going, any road will take you there. A strategy, in a comparable sense, is just a means to achieve an objective or goal. Therefore, before a strategy can be proposed or implemented, the firm must develop a clear idea of where it is going, and more importantly why. Management or leader values and expectations play a significant part in strategy formulation. In some respects, strategy can be thought of as a reflection of the attitudes and beliefs of those leaders in the firm.

An expression used to describe attitudes and expectations is mission. The notion that a firm needs a guiding mission is strong in the literature on strategic management. For example, both Selznick and McManus suggested that the key function of leadership is to identify the distinctive competencies of the firm, and to build on them; his leadership goes beyond efficiency when it sets the basic mission of the firm and when it creates a social organism capable of fulfilling that mission. A well instituted mission statement defines the fundamental, unique purpose (or raison d’être) that sets a business apart from other competing firms and identifies the scope of the corporation’s operations in terms of products and services offered and markets served.

Research undertaken by Pearce and David found that 68 per cent of all North American corporations have formal, written mission statements. In his book McManus describes the essential role that mission plays in strategic leadership. To gain the support of stakeholders, managers need a challenging vision that translates what is essentially an act of imagination into terms that describe possible future courses of action for the firm. The concept of mission implies that throughout a corporation’s many activities there should be a shared theme and that those corporations with such a common theme are better able to direct and administer their activities.

For example, when Jack Welch became CEO of General Electric his mission was to make GE number one or number two in their respective markets. IBM has for the last 50 years been one of America’s most successful corporations. It is known for its outstanding development of strategy, structure, systems, style, skill, and staff, and the fit among them, and for its equally advanced development of shared values. Developing a mission statement should create an emotional bond and sense of mission between the firm and its employees. Commitments to a company’s mission and intellectual understanding on the strategies to be pursued do not necessarily translate into an ardent bond; hence strategies that have been formulated may not be implemented. Campbell and Yeung stress that an emotional bond comes when an individual personally

The basic unit of analysis is the competitive force within the industry
identifies with the underlying values and conduct of a firm, thus turning intellectual agreement and commitment to strategy into a sense of mission. Campbell and Yeung also differentiate between terms vision and mission, saying vision is a possible and desirable future state of a firm that includes specific goals, whereas mission is more associated with behaviour and with the present.

**Objectives**  
Managers and employees throughout the firm should participate early and directly in setting strategic objectives and decision making. Strategic objectives (and decisions) deal with the mission of the firm and its relationship with the outside world. A strategic objective will influence the firm’s performance for a long period of time. In setting strategic objectives, many models focus on factors peculiar to the individual strategist. The dominant approach is to set objectives within a rational decision framework. A decision is rational when it effectively and efficiently assures the achievement of aims for which the means are selected. More appropriate is that rational decisions maximise net value achievement, where the sacrifice in one value necessitated by a decision more than offset by an increase in achievement of another value. For strategic decisions some of the objectives that have been used to define rational decisions are return on capital employed, high net worth ratios and profit growth in addition to profit maximisation. Some objectives such as to be a ‘leader in technology’ may be highly relevant in today’s technological environment but may become absurd if it has to be expressed in some measurable way (pp 135-36).

Objectives are needed at corporate, business and functional levels in the firm. They should be deep-rooted measures of managerial performance. Hamel, Doz, and Prahalad stress the need for firms to develop a competitor focus at all corporate, business and functional levels by gathering and widely distributing competitive intelligence; every employee should be able to benchmark their efforts against best-of-breed competitors so that the challenge becomes personal. This is a challenge for many managers of the firm. Firms should provide training for all employees to guarantee they have and maintain the skills necessary to be world class competitors.

Many Researchers, CEO and professional managers attribute a significant part of the recent competitive decline in the US to the lack of long term objective strategy orientation. Many present and former top CEOs (Jack Welch (GE), Michael Elsner (Disney) and Bill Gates (Microsoft), argue that bonuses, share options and merit increases need to be based on the firm’s strategic and long term objectives. Why pay bonuses to those who don’t deliver?

**Structure**  
Structure is usually understood to imply a permanent arrangement of tasks and activities. Within this general definition, organisation structure has been defined to include two dimensions. One dimension of structure is the formal configuration of roles and procedures, which is the framework of the organisation. The framework aspect of organisation structure includes rules, prescriptions of authority, division of labour and hierarchy of authority. The concept of formal structure was influenced by the ideas of Max Weber in 1949 and by subsequent work on the formal, impersonal aspects of bureaucracy.

According to Daft and Macintosh, additional elements of the organisational structure include the subsystems that allocate resources and reinforce central control. In addition to the corporate body of rule books, procedures and policies, these systems include budgets, management information systems, technical training systems, and operational controls and reports that provide for resource allocation and vertical control.

One metaphor of organisation structure is the organisation as a stage play. Actors play assigned parts in a script written by management. From this view senior managers implement strategic decisions by changing the rules, revising the organisational blueprint, or rewriting the script. In order to translate a decision into action, managers may redefine duties and roles, reallocate budget resources, enact new operational performance criteria, or change the division of labour and task specialisation. Senior managers change the formal structure to implement the new behaviours appropriate to a new strategy.

During the adolescent years, firms tend to have a centralised functional organisational structure that is well suited to their producing and selling a limited range of products or services. As they add new products and services, purchase their own sources of supply, and generate their own distribution networks, they become too complex for highly centralised structures. In order to remain successful, this type of organisation may need to decentralise and give more autonomy to managers or to different groups within the organisation. The result is “flatter” and “less formal” structures that allow managers to make decisions more quickly and easily. Both Bottone and McManus have stressed that structure is not the only organisational variable that is important in strategic analysis. Structure and structuring a broader term that covers the organisational structure issue and how it blends with the overall management process are nevertheless still of great importance. Structure and structuring are particularly important as firms grow and they become of crucial strategic concern when firms compete on international grounds. Changes in strategy often require shifts in the way an organisation is.
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structured. Structure largely directs how objectives and policies will be established. For example, the format for objectives and policies established under a business unit structure is couched in business unit terms. Objectives and policies are stated largely in terms of products in an organisation whose structure is based on product groups. The structural format for developing objectives and policies can significantly impact all other strategy activities.

Research undertaken by Davison and Haspelagh showed that the most common structure was the divisional structure by product form these companies tend to emulate the example, consumer goods companies - themselves in a similar way. Take for example, a given industry do tend to organise a firm, although successful firms in a given industry do tend to organise themselves in a similar way. Take for example, consumer goods companies - these companies tend to emulate the divisional structure by product form organisation. Small firms tend to be functionally structured.

Medium-sized firms tend to be divisionally structured (ie decentralised). Large firms tend to use a strategic business unit or matrix structure. As organisations grow, their structures generally change from simple to complex as a result of linking together several basic strategies.

Whilst not absolute the more complex the organisation structure, the more the simple structures may become hidden and forgotten. The original components or experience may become lost because of employee changes, because of aversion to the topic, or because the direct relationships have become unclear.

More complex structures allow more diverse information to be recognised and processed. On the other hand, a simple structure may cause strategists to ignore many environmental signals and to reject them because they are not recognised.

The term experience refers to an organisation's contact with the environment which forms the basis for knowledge structures. The notion of complexity is based on the assumption that as a firm gains more experience and learns from it, it will become more expert at what (see learning curve) it is doing. As it becomes more expert, the knowledge structure builds on the base established by past experiences. As the knowledge structure becomes more complex, it is able to encompass a greater number of new institutions and problems.

Strategic resources
All firms have at least four types of resources at their disposal. They are: people, financial, physical, and technological resources. Strategic management allows these resources to be allocated according to priorities established by the objectives of the firm. Resource analysis should single out the particular resources which may become limiting factors in the firm's strategic activities. Such factors might include limited capital for investment, access to cheap or highly skilled labour, and technological know-how.

Various methods of analysis are used to assess resources and plan their allocation. Because resources have functional significance in a firm's activities, strategists tend to analyse resource requirements under the commonly accepted functional headings of finance, marketing, operations, human resources, and information technology. Managers who have responsibility for resource allocation should be aware of the contributions each functional area can make to the organisation's overall performance.

Resources will include both the knowledge of analytical concepts and procedural techniques common to each area and the ability of the people in each area to utilise them effectively. It is widely acknowledged that allocating resources to particular divisions or department, does not mean that strategies will be successfully implemented. A number of factors tend to prevent effective resource allocation, including an over-protection of resources, too great an emphasis on short term objectives, organisational politics, vague strategy objectives, a reluctance to take risks, and a lack of sufficient knowledge. Beneath the corporate level, there often exists a deficiency of methodical thinking about resources allocated and strategies of the firm. This point is debated by Yavitz and Newman who point out that ‘managers normally have many more tasks than they can cope with'. For example, the CEO wants a good financial report for third quarter, but sales are low, and there are resource issues within the department. Strategy formulation and implementation activities often get deferred. Today's problems soak up available energies and resources. Scrambled accounts and budgets fail to reveal the shift in allocation away from strategic needs to currently squeaking wheels.

Resource allocation and competencies

Resource allocation
Any firm's resources are not confined to those which it owns. Strategic capability is strongly influenced by resources outside the organisation which are an integral part of the chain between the product or service design, through production and marketing to the use of the product or service consumers. The most successful organisations have a consistent resource theme running through the value chain.

For example, if an organisation chooses to compete largely through cost leadership - this should be found in many aspects from procurement, to targeting markets and customer support. Importantly, this cost competition will also be sustained by the special linkages which are developed within the value chain or with suppliers, channels or customers. A full understanding of a firm's use of resources also requires an analysis of the effectiveness with which resources have been used. The effectiveness of an organisation can be critically influenced by the ability to get all parts of the value chain working in harmony - including those key activities which are within the value chains of suppliers, channels or customers. This is a key task of management and is largely concerned with developing and sustaining common attitudes and values amongst all of those in the value chain so that people see the purpose of the products/services in similar ways and agree on which activities are critical to success.

The ultimate and most influential way in which the centre can manipulate strategy is through the allocation of resources. By supporting one investment project rather than another, the centre can affect the whole shape of the portfolio. All
firms exert influence of this type, although in different ways. Some firm’s link resource allocation closely to long-term business plans; others adopt a more project-by-project approach. Some firms give considerable freedom to division managers; others wish to sanction even the smallest expenditures.

Some largely react to divisional proposals; others take the lead in sponsoring changes in the portfolio, including acquisitions and divestments. The way the centre allocates resources is, therefore, a critical part of the influence process. The real value of any resource allocation programme lies in the resulting accomplishment of an organisation’s objectives. Effective resource allocation does not guarantee successful strategy implementation because programmes, personnel, controls, and commitment must breathe life into the resources provided. Strategic management itself is sometimes referred to as a strategic resource allocation process (Figure 1).

Competencies
The notion of competencies, particularly technological competencies has long been part of strategic thinking. As long ago as 1957 Selznick used the term distinctive competence to denote what a particular business was uniquely good at by comparison with its close competitors. Selznick suggested how distinctive competencies and what he called ‘organisational character’ - what we would now call culture - could be combined to fulfil an organisation’s basic mission - at least analogous to strategic intent.

The idea of distinctive competence pinpointed the competitive element which differentiates one business from another. Such differentiation is no longer enough because the current speed of technological development means that competitive advantage based on singular competence is unlikely to be sustainable for long.

The inability of a firm to clearly identify its core competencies correctly will result in the firm overlooking attractive opportunities and pursuing poor ones. Core competencies are the basis for producing a competitive advantage. The achievement of a transformational strategic intent will almost inevitably demand competencies which may at first appear far beyond the capacity of the relevant firm. Competencies have therefore to be leveraged. The acquisition and nurturing of competencies which are ‘not core’ is wasteful use of resources and effort and only serves to dissipate concentration on the core. It is therefore preferable to buy in non-core competencies and focus all internal efforts on the acquisition and development of core competencies (Quinn 18). Core competencies which are lacking can be developed internally through focused investment and research and development or acquired externally through various forms of collaborative arrangements. It should be noted however, that internal research and development is becoming increasingly expensive and beyond the means of many except the multinational corporations. Moreover, in an era where dissemination of technology is rapid, the resultant competitive advantage may be short-lived for many firms.

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We need to create a vision of what it means to be a lean doctor, what is involved in running a lean health delivery organisation and how the context needs to change to help bring this about.

Recent experience in the UK has shown the problem can not be resolved by spending more money or by increasing capacity and staff. Better outcomes for patients, more satisfying working conditions for staff and lower costs to the tax payer (or members of private healthcare schemes) can only come from fundamentally redesigning the underlying processes for delivering healthcare.

The most important difference between healthcare (and many services) and manufacturing is that the patient is present throughout most of the process, indeed the patient is the product and their problem is the purpose of the activity. If you are a manufacturer just think how different your life would be if your product could experience your process and tell you what it was like!

So healthcare is actually two parallel processes that have to be synchronised: the patient process (which begins and ends at home), the diagnostic and treatment process which mirrors it (in GPs surgeries and hospitals) and several enabling support processes like radiology, pathology, pharmacy, supplies, bed management and theatres.

Healthcare has traditionally focused on the patient doctor interaction and ignored the rest of the patient journey - on waiting lists, searching for a place to park, sitting in queues etc. The introduction of patient choice in the UK is beginning to focus attention on reducing these non value creating steps. Our lean experience tells us that these are also symptoms of lots of wasted time and effort in the diagnostic and treatment processes and in the

To create steady flow means starting at the end of the value stream – with discharge!

Leaning healthcare

Healthcare is the next great industry to begin the lean journey. The existing model in which the hospital doctor acting as a skilled craftsperson effectively manages their own waiting list of patients, clinics and operations inside someone else’s mass production general hospital is reaching the end of the road.
support processes. The second characteristic is the huge variety of patients with different conditions coming into the surgery or the hospital. To make sense of this we need to see the different product flows through the healthcare system and begin to manage them separately. What turns out to be critical in defining these flows through a hospital is the length of stay (or the rhythm or takt time in lean language) – whether patients go home that day, stay for a day or two, stay for more than a few days, or whether they need long term care – and then whether they need surgery or other specialist treatments or not (what process routes they follow).

Like manufacturing there is a common assumption that demand is volatile and unpredictable. Experiments with open access to GP surgeries and analysis of people coming into accident and emergency departments shows that demand is actually quite stable and predictable. The greatest variation is in elective work that has been sitting in waiting lists and scheduled and rescheduled many times. Queues (just like inventories) and the scheduling and planning that goes with them actually create significant and unnecessary extra costs throughout the system. The underlying pattern of demand for elective work is also relatively stable.

Having defined the flows (value streams) there is still a strong belief that every patient is different – and cannot be treated like cars going down a production line. However if we sieve the types of problems being treated we quickly see that in each value stream a few problems account for the majority of the work. Once we create a regular flow of patients with these common problems we can actually free up more time for treating the patients with more unusual problems. Indeed because we have a more predictable process we are better able to tell patients what to expect, and even involve them in managing it.

To create steady flow means starting at the end of the value stream – with discharge! If you are not discharging patients as fast as patients are arriving then the process inevitably gums up. So discharge has to pull patients into beds and through theatres and through admission. This means much greater cooperation between departments, more standard procedures, synchronised test cycles and ward rounds and much clearer and unambiguous handoffs. This is where the lean foundations such as standard work, 5S and problem solving can initially help to improve quality and later as activities are linked to increase the number of patients that can flow through the system.

We are still at the beginning of the lean journey in healthcare, as courageous pioneers figure out how to do all this in practice. Once we have a better understanding of how lean can transform existing healthcare delivery organisations it will be time to look beyond at innovative new ways of delivering care and at the design of right-sized tools to facilitate them.

In the end healthcare and manufacturing are not so very different. The language and the sequence of changes may differ, but the lean principles work everywhere. Some senior clinicians and chief executives have recently said that ‘lean can save healthcare’. Manufacturing and service firms and lean experts can help this cause by sharing their knowledge and their experience of lean with local healthcare organisations.

Daniel T Jones is a management thought leader and advisor on applying lean, process thinking pioneered by Toyota to every type of business across the world. He is the founding Chairman of the Lean Enterprise Academy www.leanuk.org in the UK, dedicated to pushing forward the frontiers of lean thinking and helping others with its implementation. His work has inspired the very successful implementation of lean by Tesco and many other companies.

He is the author with James P Womack of the influential, best-selling management books - The Machine that Changed the World, and Lean Thinking: Banish Waste and Create Wealth in Your Organisation - which describe the principles and practice of lean thinking in production.
Adult syndrome: Is there a cure?

By Dan Bobinski

After three decades of work I’ve observed a serious disease that affects the workplace. I have termed this condition adult syndrome, because it affects almost every person who reaches adulthood. Surprisingly, very few of those infected know they have it.

Similar to other diseases, adult syndrome has several types, but each type creates similar end results - lowered levels of productivity.

After reviewing the symptoms listed here, you may find that you are infected with more than one type. If this is the case, you may need to spend extra time working on the cure.

Type I adult syndrome: imagined understanding.

This form of the disease is carried by those who imagine that because they are adults, they should already understand what someone is saying before they say it. The condition is usually observed by others through the frequent repeating of the phrase ‘I know.’ It is sometimes referred to as arrogance.

Type I adult syndrome can be acute in people holding supervisory positions.

Example A: A budding manager is sitting in a class learning how to calculate financial returns for a capital investment. Although he doesn’t fully understand the process, he acts like he does (he doesn’t want to look like an idiot) and doesn’t say a word when the instructor asks ‘any questions?’

Example B: An employee has a concern, but before she can get the whole issue on the table, the manager is answering. Never mind that the manager’s answer is unrelated to the employee’s question, his intimidating voice, tone and attitude of superiority causes the employee to back away from restating the question. She realises she will make the manager look like an idiot if she points out he was way off the mark and she don’t want to suffer the consequences of embarrassing him.

Type II adult syndrome: intentional deflection

This type of the disease is all about self-preservation. It fools the observer by redirecting attention when the infected person doesn’t know the answer, or doesn’t want to know.

Example A: When asked to evaluate what went wrong with a certain project, a project manager finds someone down the line to blame. Although a more effective approach would be an intellectually honest evaluation, that won’t happen as the infected person is too concerned that others might see a flaw in his initial approach, which will make him look inept to his peers.

Example B: In a training class, a supervisor makes an error that results in an assignment not being completed correctly. When the instructor begins to discuss alternatives so that the supervisor learns from his mistakes, the supervisor keeps interrupting with “yeah, but…” and highlights any
humble is to be strong." These are fresh words with a powerful age old meaning. Sadly, they are ignored by most in today’s business climate.

Additional treatment includes increasing patience as well as one’s ability to genuinely consider another person’s words. In his book Why Don’t You Want What I Want? How to Win Support for Your Ideas without Hard Sell, Manipulation, or Power Plays, author Rick Maurer says we need to be willing to be changed by listening to another person. This doesn’t mean we desire to be changed, but rather that we are willing.

It’s a fine line of difference, but an important one. Misunderstanding this difference is why many continue to suffer from adult syndrome.

Bottom line, if we are willing to listen to someone else in a mindset that acknowledges we aren’t omniscient and we don’t have all the answers, the symptoms of adult syndrome begin to fade away. Then reality comes to the surface, and working relationships become healthy.

Help eliminate adult syndrome in your workplace. Listen to others with a willingness to learn, and if necessary, be changed. As Ira Williams says, it’s not a sign of weakness, but a position of strength.

Those who hold such views would benefit from listening to successful business consultant and marketing expert Ira Williams, who says “to be humble is not to be weak - to be
Increased automation and significant time savings add up to real return on investment.

Founded in 1903, Jewel & Esk Valley College (JEVC) is one of the larger further education colleges in Scotland, with around 400 staff delivering a variety of technical and vocational courses to some 8000 students across two campuses. The bulk of the college’s £16 million annual revenue comes from the Scottish Further and Higher Education Funding Council (SFC), but the college also receives income from other sources, including tuition fees from self-funded students, and takings from its residences and refectories. In addition, the college is currently managing a major capital project: a £44 million redevelopment of its campuses.

Better management
Following the appointment of a new principal in 2001, Alan Williamson joined JEVC as director of finance and he quickly realised that a new finance system was a priority. “The Scottish Executive and the Funding Council were pushing for colleges to become financially sustainable and better managed. We were running a DOS-based accounting system that offered limited flexibility in how data could be recorded and presented to budget holders. It didn’t provide quick or easy access to management information, and gave us only weak control over purchase order requisitions,” he says.

After a rigorous evaluation, JEVC identified Dream, a CODA solution, as the best product to tackle these issues. For instance, since introducing Dream, Williamson has been able to turn over the placing of purchase orders to individual departments, with 16 non-finance staff now entering requisitions through Dream, and 15 managers using Dream to authorise them. The College has used the powerful customisation within Dream to limit the cost centre and nominal codes against which staff can enter orders, improving data accuracy and ensuring compliance even from faculty staff. Budget holders now have access to the most up to date financial position when approving requisitions, enabling them to identify potential overspends immediately and prevent them from taking place. Dream also gives easy access to a range of catalogues, helping staff find the best price, buy against previously negotiated deals, and group orders to achieve discounts.

Automated processes and improved working practices
For faculty members and other managers, JEVC has used Crystal Reports and DreamView to deliver information in ways that make sense to them – at the push of a button. Williamson says this has had a dramatic effect on the way the finance department communicates with budget holders. “We’re all...
looking at the same information on screen, can drill down instantly into it, and it’s complete and up to date, rather than being nearly a month old, which used to be the case when we sent out paper reports,” he points out. “That’s made communication much more effective.”

Within the finance department itself, where 15 staff use Dream, the system has been a catalyst to change working practices, eliminate manual processing, streamline processes and increase efficiency. “We’ve been able to reduce the headcount in the finance department by two, through natural wastage, purely as a result of increased efficiency in several processes supported by Dream,” Williamson points out. Pushing order requisitions out to users has been one area where processes have been streamlined. Another has been the development of an interface between Dream and JEVC’s student records system, which means fee information no longer has to be processed manually. JEVC is now looking at integrating Dream with its new HR application to ensure HR and finance are looking at the same information. This will be followed by payroll integration.

**Return on investment**

JEVC has benefited significantly from the automatic bank reconciliations provided by Dream. “All accounts are now reconciled on the first day after the end of each period, rather than it taking three or four days to prepare reconciliations at month end, and up to a week and a half at year end,” Williamson says. “Overall, we’ve been able to cut the time taken to deliver our month-end accounts by 10 to 12 days, and we’re calling in our auditors for the year-end review some six weeks earlier than was possible under the old system.” Williamson adds that JEVC also benefits from Dream’s place in the wider CODA family of products. “Dream advances more quickly than solutions from a lot of other providers, because ideas from CODA’s high-end products filter across into Dream more quickly than is the case with many mid-range solutions,” he says. “For example, in the time since we first installed Dream, we’ve seen improvements in the way it handles credit notes, while the introduction of email prompts for requisitions and purchase order authorisations have helped make our processes even more efficient and effective.”

**The bottom line**

The implementation of Dream was part of a finance strategy that has transformed the College finance from a structural deficit of £324k to a structural surplus of £824k. JEVC is graded as a secure college by the Funding Council and is seen as one of the sector leaders in financial management. The principal and chief executive, Howard McKenzie said: “Having run my own business before entering academia I knew the true value of accurate and current financial information - Dream, backed up by an excellent finance department, provides this essential information.”

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Coping with a major security breach?

What’s your contingency plan?

Legal pressures, not to mention your moral obligation to assist unwitting victims, means that you should never delay when disclosing IT security incidents.

In November 2005 a laptop belonging to an employee of the Boeing Corporation was stolen. Among the information on the machine was personal financial data about 161,000 current and former employees of the aerospace giant. None of the confidential information was encrypted, and therefore the thieves would have been able to read and exploit it easily. Yet this was just one of the two serious failings in Boeing’s IT security procedures that this episode highlighted. The second was not to have immediately owned up to the incident. The company still refuses to reveal the precise timings but has admitted that it was ‘several days’ after the theft before the 161,000 ‘victims’ were officially informed that their personal details were now in the public domain, potentially ready to be used by criminals involved in identity theft.

Companies across the world have always preferred not to reveal details of IT security breaches. The problem became so bad in the UK that the Metropolitan Police launched a special guarantee under which companies are promised anonymity if they report that their systems have been the target of hackers. Without such a scheme, police were unable to prosecute the hackers because officers were unaware that the incidents had taken place.

It’s easy to understand the dilemma of the targeted organisation. A run of the mill incident might cost a typical bank £250,000 in terms of lost productivity, replacement hardware or system downtime. Yet if the attack is reported to the police and the suspects subsequently end up in court the whole episode becomes public knowledge, which results in customers losing trust in the bank concerned. At which point the £250,000 becomes totally insignificant. For if a bank loses the trust of its customers it will lose those customers and revenue.

The nature of the problems that can be incurred is many and varied, ranging from loss of key information, adverse publicity, loss of trust, legal action by customers, and official censure by regulators. All of which can be avoided with a little forethought and a professional attitude to the use of data encryption.

Where once your key information such as customer account data and profitability figures resided on a few desktop PCs in a private office, now the information is spread far and wide. As well as the master copy on the main system, there are often copies (or at least extracts or summaries) in many other computers. Some of which are laptops, which are incredibly easy to lose or steal.

In addition, unscrupulous staff or dishonest visitors can easily copy information from a bank’s main systems to a multitude of external storage devices. These include USB...
flash drives, digital cameras, MP3 players, mobile phones or even old-fashioned floppy disks. All of which then become vulnerable if subsequently lost, stolen or re-copied. Although Windows provides some encryption with its Encrypting File System, EFS is difficult to manage and impossible to enforce. Turning it off requires just a couple of mouse clicks, and it doesn’t protect areas of the hard disk such as the swap file or other temporary files. Most importantly, if files are copied from a Windows PC to an MP3 player, floppy disk, mobile phone, ftp site or USB drive they invariably lose their encryption, often without the user being aware that this has happened.

An effective encryption policy, therefore, needs to encompass every device onto which employees might wish to copy files. It also needs to be transparent to users, so that it can be centrally controlled without any user action being required. And it should be impossible to disable, except by authorised administrators. Ideally it should also have the selective ability to block files from being copied to external devices at all, or if the target device doesn’t support the same level of encryption as that which protects the source data.

Your choice of crypto algorithm is also vital. Choose a proprietary encryption system and, if anyone discovers the secret mathematical formula behind it, all of the files that you have ever encrypted instantly become public knowledge. Therefore, use a known international standard such as the Advanced Encryption System, or AES, with a key length of at least 256 bits.

What action should be taken?
A management walk through is a great way to assess the impact of a security breach. Simply sit a group of technical and non-technical managers around a table and discuss a series of ‘what if?’ scenarios. Such an exercise invariably highlights critical weaknesses in existing strategies which can then be corrected before it’s too late.

For example, walk through the following scenario. A director of your company attended a conference last week, during which his briefcase was snatched from the back seat of his car. The case contained a laptop computer which held a list of the top 10,000 accounts by revenue. The information was not encrypted. This happened on Friday afternoon but it’s now Monday morning and the loss has only just been reported.

Among the topics that you will need to discuss are:
• How will you ensure that those 10,000 affected companies are discreetly informed about the breach as soon as possible?
• Who will brief the regulatory authorities and your company’s legal team?
• What will you tell journalists from the national press and broadcast media, once they get hold of the story and want to hear your version of events?
• Who is officially responsible for the security of your company’s information, and what will he or she be doing to prevent such an event happening again?
• Who could make use of the stolen information, and how? Can you put systems in place to help detect instances of this taking place?
• What action will the marketing department take to help regain the trust of new customers who have decided to take their accounts elsewhere?
• Which laws and regulations has the organisation broken, and in which countries? For example, the UK’s Data Protection Act requires companies to make care of customers’ personal information.

Conclusion
The trust of one’s customers and investors is among the greatest assets that your organisation owns. Lose it, and you’re well on your way to being out of business. But failing to protect key information and data, or to introduce unnecessary delays in making losses public, could make such a situation a reality. Which is why full disc encryption should be mandatory to all organisations no matter what size!

Martin Allen MD.
Pointsec Mobile Technologies.

Summer 2006 Management Services

Security
Are higher global interest rates a thing of the past?

David Floyd
University of Lincoln

Of late, interest rates globally have been at historic lows in many countries. The USA, UK and Europe have experienced rates of under five per cent for nearly a decade, however there may be some small rises in the future.

Introduction to the main causes of inflation and higher interest rates

Theoretical Explanations

There are many economic explanations for why interest rates may need to rise. Increases in prices and the rate of inflation often lead to interest rate rises. Inflation can result from increasing supply costs. Supply costs may rise due to increases in wages. In the UK for example, wage inflation has been kept low due to reform of trade union power and both in Europe and USA trade union membership has also declined. In addition the UK government has limited growth in public sector pay to two per cent over the next few years.

However there can still be inflationary pressure arising when there is little unemployment and skill shortage, as the USA is experiencing since unemployment there has recently gone under the five per cent level. Bootle1 2005 suggests that inflation may now be dead due to pay constraint being seen as acceptable by most workers. There have however, been higher wage claims for company executives though these represent only a small proportion of the total workforce.

There are also other causes of inflation besides wage increases. Costs on the supply side can also rise if for example, there is an increase in the price of raw materials, according to Sloman2 2005. The recent increase in the price of oil by 50 per cent for USA citizens led to small increases in interest rates from one to almost five per cent in 2005. However this has been less substantial than during the 1970s oil crisis and better contingency plans have been put in place. There have also been concerns over gas prices.

Price rises may also occur if interest rates are too low and there is a lot of cheap money available. People are more likely to borrow, demand and spend more money during these times. Friedman3 suggests that inflation may therefore occur when there is too much money chasing too few goods. The quantity theory of money states that changes in the nominal money supply lead to equivalent changes in the price level. The theory is very much defended by monetarists today. However the theory should be taken with care, since there are cases of countries having high increases in nominal money but experiencing lower prices, see table 1 and the case of Japan over a 30 year period 1962 - 1992. Real variables adjust for changes in the general level of prices whereas nominal variables refer to values at the prices ruling when the variable...

Table 1: Nominal Money and Prices 1992 (1962=100)

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>France</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal money</td>
<td>2287</td>
<td>1248</td>
<td>3582</td>
</tr>
<tr>
<td>Prices</td>
<td>464</td>
<td>656</td>
<td>994</td>
</tr>
<tr>
<td>Real money</td>
<td>493</td>
<td>190</td>
<td>360</td>
</tr>
<tr>
<td>Real income</td>
<td>1282</td>
<td>266</td>
<td>195</td>
</tr>
</tbody>
</table>

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was measured. Some of the reasons for higher prices in the UK compared with Japan for example, could be a result of expectations of price rises arising from the vast amount of financial deregulation that was taking place.

The quantity theory of money has other limitations for the monetarists, as it states that \( MV = PT \), (money times velocity of circulation equals the price times the number of transactions). However it is very difficult to measure money in the economy. Narrow measures such as MO which includes notes and coins may miss out important variables. On the other hand a broader measure such as M4 may prove difficulty in calculating all the components that are necessary to be included. Finally governments have had trouble in the past trying to restrict bank lending, often banks have found a way round regulation introduced by government.

However it is still important for governments to ensure the money supply does not expand too rapidly.

Factors leading to the successful curbing of recent inflation
Most countries globally have followed the policy of the American dollar currency in order to help reduce inflation in other countries. According to the World in 2006 Hong Kong and some other Asian countries, along with Europe, have begun to raise interest rates in order to slow down spending and cool the housing market and thereby reduce inflationary pressures if enough action is taken early to reduce inflation via interest rate rises there is less of a need for interest rates to go excessively high. This therefore shows the importance of reducing the risk of the problem reoccurring.

Table 2 Inflation Rates for 2006 and 1992 in the USA and Selected European Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>3.3 per cent</td>
<td>3 per cent</td>
</tr>
<tr>
<td>FRANCE</td>
<td>1.6 per cent</td>
<td>3.5 per cent</td>
</tr>
<tr>
<td>UK</td>
<td>1.7 per cent</td>
<td>5 per cent</td>
</tr>
<tr>
<td>GERMANY</td>
<td>1.6 per cent</td>
<td>4 per cent</td>
</tr>
<tr>
<td>ITALY</td>
<td>1.9 per cent</td>
<td>5 per cent</td>
</tr>
</tbody>
</table>


30 year period things have been quite different. Evidence therefore suggests that on a decade performance inflation may seem dead, but further historical analysis may lead us to feel there is always the risk of the problem reoccurring. There has also been a correlated between interest rates and inflation. In the UK for example during the 1970s and 1980s when inflation was high, over 10 per cent at times, interest rates were also raised above the 10 per cent mark in order to combat inflation and greatly exceeded the 25 year lows that we have recently been experiencing.

Inflation rates in the previous decade have been higher for most countries. Furthermore inflation in the UK 30 years ago hit 25 per cent. It then fell to ten per cent in the late 1970s and was over 15 per cent in 1980. In Italy in the same year inflation was 22 per cent and 14 per cent in the USA. In the mid 1980s it was under five per cent when the UK adopted stricter monetarist policies. In the late 1980s after tax cuts it rose again to eight per cent and then fell and has been just under six per cent since the mid 1990s to the present day. The last decade has seen continuously low inflation, but over a
up to over ten per cent to protect mechanism, when interest rates went crisis of the European exchange rate interest rates rose in 1992 following a to 4.5 per cent in early 2005. European market and rates have fallen from 4.75 in consumer spending and the housing has recently experienced a slowdown increase and is exceeding the UK Germany and Ireland has begun to different approach to the Bank of the Federal Reserve are adopting a that the European Central Bank and mistakes. However it has been evident to the ECB due to falling unemployment and a more buoyant housing market.

The importance of expansion in global trade
There are other factors that have led to lower inflation. There has been a commitment by more countries to opening up markets and adopting sound economic policies. By joining the WTO countries are showing support for the above goals. The number of WTO members now exceeds 150 with Saudi Arabia set to join this year. The collapse of communism and the opening up of China to the world economy, offers benefits from specialisation, more choice and lower prices that can be delivered from the free market mechanism provided competition is properly regulated. Bhagwati 2005 has suggested that globalisation and world trade have increased the flow of skilled workers, therefore helping to reduce costs and inflation further.

Finally, it is possible to say that due to economic policy coordination, people may begin to behave in a way that policy makers are predicting. Media coverage of the economy and the increased ownership of property across many classes of society have led to a greater understanding of how investment and the economy function. Economic policy can then be coordinated in order to predict human behaviour more correctly and then take the measures necessary to optimise wealth in society. Indeed it is more possible than before to consider the rational expectations of people, as knowledge of the economy becomes more widespread and methods taken to curb inflation can become more effective.

Conclusion
This article has shown the many pressures building up on inflation notably from higher oil prices and tightening of the labour market as well as increasing stock market values according to Orr6 2005. There is also some risk of higher inflation due to a time lag effect that may take place. Historical analysis has also shown inflation to still be a risk if a longer time period is considered. Factors holding down global interest rates and inflation include falling consumer spending and a moderate slowdown in Chinese growth. There is an element of fortune in getting all factors to balance. However many of the fundamentals for low interest rates and inflation remain intact.

The federal reserve is prepared to raise interest rates when necessary in a world where many countries follow USA interest rate policy making, thus fixing currencies with the dollar. More countries are adopting a labour market where salary increases are limited. Equally important is a flexible employment market and a more competitive world economy.

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5 Bhagwati 2005 In Defense of Globalisation, Oxford University Press.

David Floyd is currently senior lecturer in international business at the university of Lincoln. He has also worked for the University of London and the University of Hong Kong. He teaches international business at post graduate and undergraduate levels and consultancy projects have also been undertaken for the DTI and United Nations. “I would like to dedicate this piece to my late father John Floyd for his help and support in my academic career.”
Managerialism

Management services and new managerialism

By John Davies
MSc, MA, CEng, FMS
and
Mike Ryan
BSc(Hons), MSc, EdD,
CEng, MIEE

Management techniques are the systematic and analytical methods used by managers to assist in decision making and the improvement of efficiency and effectiveness of an organisation. General management carries out planning, organising, directing and controlling a number of interrelated operations and supporting services in order to achieve defined objectives of a specific organisation.

Over the last 120 years, the principles of management have been developing and the fashions of management have continuously changed in response to progressive research, changes in the world economy, new technology and education.

In recent years, there has been a great deal of change in the outlook and structure of government organisation at all levels. This has been encouraged and stimulated by both the state of the national economy and the policies of the governments in power. During this period, the concept of managerialism in the public and private sectors has evolved and has embraced these latest practices.

Management services has had a varying role over the years: it has influenced and been influenced by the nature of management practice during each era. With the rise of managerialism, there is strong evidence that there is a growing market for relevant core skills of our profession.

Some early theories of management

The search for universally applicable theories commenced in the late nineteenth centuries in Europe and the USA.

F W Taylor was one of the earliest practical manager-theorists (1856-1915) and his research was conducted in the American steel industry. This research established the so-called ‘scientific management’ that primarily focused on the strict control, regulation and supervision of work processes by managers. These rest on the assumption that employees are fundamentally recalcitrant and productivity improvements can only be achieved by the direct and continuous exercise of management control. Scientific management theories were developed in the pre-First World War era, but continued to influence certain bodies until relatively recently. In this scenario there are managers who control, inspect and correct staff who are employed in a rigid hierarchy. The employers and their agents adopted the overall view that men/women employees were simply pairs of hired hands or feet.

The human relations theories were largely developed in the post-Second World War era and moved the focus from the structure and mechanics of organisations to peoples’ behaviour in the workplace, including motivation, group relationships and leadership.

Abraham Maslow’s studies (1954) into human behaviour enunciated the hierarchy of needs that ceased to motivate when satisfied: but if any lower needs are unsatisfied, then the higher ones cannot be satisfied. For example, a hungry person is not going to be motivated by consideration of...
status until after his hunger has been satisfied. The hierarchy of needs are:

1. Self-actualisation needs - self-fulfillment;
2. Esteem needs - self-respect, self-esteem;
3. Belonging needs - status within a group;
4. Safety needs - stable environment relatively free from threats;
5. Physiological needs - food, drink, and sleep.

Douglas McGregor (1960) built on Maslow’s ideas, and claimed that the scientific management method was alright for average, lazy employees, and by adopting that model (theory X) more of this type of employee will be produced. The workplace should be run differently, so enabling managers to help socially minded people, who like responsibility to become self-propelling, and therefore be more productive (theory Y). Theory X substantiates the theory of scientific management with the emphasis on controls and extrinsic rewards. The theory Y does not perceive the necessity of having to control, straightjacket or coerce the workforce. McGregor’s theories have made their greatest impact in the managerial world rather than the academic world. In real life, a blend of the two theories is more likely to provide the best prescription for effective management.

Herzberg’s studies (1959) came to the conclusion that certain factors tend to lead to job satisfaction whilst others frequently lead to dissatisfaction. The factors giving rise to satisfaction were called motivators and those giving rise to dissatisfaction were called hygiene factors.

Motivators include achievement, recognition, responsibility, advancement and personal growth. Hygiene factors include company policies, supervision, relationships with supervision and peers, working conditions, salary, status and security. Adherence to these factors can influence the management structure of an organisation.

Management by objectives is a systematic approach to the necessary changes in management behaviour, aimed at achieving agreement between employees at all levels, of the purposes underlying their jobs, what is required to achieve them and having the overall objective of improving management performance.

During the latter parts of the twentieth century, there have been many other theorists who have made significant contributions to the behavioural and other school of management. The overall picture is somewhat confusing which is understandable since human nature and behaviour do not fit into a clear cut model or theory and is continually evolving with the progress of industry and education.

Management services professionals have always valued the importance of establishing good human relations within their working spheres and creating effective organisational structures. Indeed, these are seen as essential components in the successful implementation of change management and efficiency schemes.

Management services professionals have always valued the importance of establishing good human relations within their working spheres

Background to the rise of new managerialism
As a consequence of unregulated capitalism in the 1920s and 1930s, there was a promise to the post 1945 electorate to replace the old elites, patronage, charity, means testing and laissez-faire, by commitments to Keynesian Principles (creation of demand by the state). Here successive British governments attempted to manage the aggregate level of demand, through public expenditure, taxation, and interest rates, to maintain ‘full’ employment and higher standards of living. In particular, it was believed that there was a trade-off between inflation and unemployment, and that wise management of the economy could result in a little of each. In practice, however, the results were disappointing.

There had been a vast expansion of state intervention in the economy favoured a market economy, and who opposed excessive state intervention: Milton Friedman and his ‘monetarist economic theory’ were influential in this era. Friedman claimed that government could only cure inflation by drastically reducing public expenditure. The growing levels of taxation needed to sustain the activities of the state, were seen as inhibitive to competitiveness and enterprise in the nation: it was claimed that excessive taxation stifles enterprise.

State monopolies were contrasted with the dynamic and enterprising qualities of the market enterprise in which competition would guarantee effective choice for customers at the minimum costs. At this time there was state encouragement of owner occupation of housing, private pension schemes, private health insurance and the expansion of private education.
New managerialism

Managerialism is an ideology or set of beliefs and practices, at the core of which burns the seldom tested assumption that the application of more and superior management will prove an effective solution for a wide range of social and economic ills (Managerialism and the Public Services, Chris Pollitt 1990). This approach was seen by many observers as a way forward to reverse economic decline and stagnation in the face of global change and competition. Governments of the day had started to consider and implement deregulation and decentralisation throughout their spheres of control. During this time, there emerged many new groups of ideas including the schools of excellence, total quality management and business process re-engineering.

There have been many attempts to control public spending on numerous occasions by a succession of civil service reforms: in fact there appeared to be almost a ‘permanent revolution’ with frequent White Papers. At different times, the UK Governmental administration was described as the contract state, the surveillance state, the minimal state and the strong state.

The White Paper entitled Modernising Government 1999 expressed three aims that were to (1) ensure that policy making is more joined up and strategic (2) recognise the importance of public services users and (3) highlight the demand that public services must be high quality and efficient. Governments of the day have indicated that a more dynamic and higher profile role in the future activities, which have long been an integral part of our body of knowledge.

Managerialism should ensure the best use of existing resources. There was criticism of previous approaches because of excessive focus on narrow efficiency indicators; it was claimed that there should be more attention given to quality. Decentralised management, pay related performance, team working and the promotion of a customer culture were seen to reflect a move away from a traditional civil service bureaucratic form of organisation to flexible entities driven by values, missions, visions and charismatic government officials. It was considered that customer driven empowered staff, when accompanied by the removal of wasteful bureaucracy, could deliver quality services.

Within local government, managerialism and modernisation had been following the same paths for some time: both are driven by the conviction in the value of technical expertise and that larger organisations are more efficient and effective. The White Paper entitled Modern Local Government: In touch with the People 1999, stressed that the old culture of paternalism and inwards must be swept away. Ideas were raised of appointing directly elected mayors and cabinet government with a leader elected by the council. The policy of ‘best value’ was accepted which involves setting objectives, programme of performance review, publicising a performance plan, undergoing independent inspection/audit and being subject to intervention by the Secretary of State if services fail. All comparisons are made on the basis of outcomes. Best value praises the managerialism views of quality management, bench marking and corporate strategy. It also encompasses a commitment on consultation and partnership; managers do not have the right to manage with unbridled executive power since they are accountable for their performance in an increasing number of ways. New managerialism within local government is seen to be one of the key drivers for political change at that level: those who opposed the changes were seen to be defending outdated institutions which were in need of reform.

With the acceptance of the concept of the global economy where any product is capable of being made anywhere and sold at any location, national economies were seen to fade away. There was a downgrading of traditional democratic structures in favour of technocratic managerial and economic efficiency; clients became customers, unemployed people became job seekers, and so on. These approaches were associated with the pursuit of frugality such as cutting costs and doing more for less as a result of dynamic management.

New managerialism was highly critical of the ways in which human resources in organisations are wasted by the inflexible boundaries of professional controls and practice. A multi-tiered level of administration encourages buck passing, discourages individual responsibility and personal involvement. There has been a change in management structures towards decreased command orientation and increased results orientation.

During the late 20th century, managerialism made a challenge to the existing pay systems such as national pay bargaining, comparability, rate for the job, automatic annual increments. The preferred systems include the decentralisation of pay bargaining, pay related to market forces and also linked to results. The performance related pay (PRP) became a managerial tool to ensure the goals of an organisation are achieved. A key problem for any scheme of PRP lies in the selection of appropriate measures that should focus on the key dimensions of what constitutes success or failure for the organisation. These schemes must be designed to motivate individual staff to greater efforts and also be seen as ‘fair’.

Conclusion

There has been a continuous stream of major changes being initiated and implemented in the way in which our government services, industry and commerce are managed. This process is still in progress and there appears to no real end in sight. Some of these are modifications that management services professionals have quietly and at a lower level, been introducing over many years. It seems sensible and logical that our profession should play a more dynamic and higher profile role in the future activities, which have long been an integral part of our body of knowledge.

References

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN of the forty first Annual General Meeting of the Institute to be held at Committee Room, Guildhall, Bore Street, Lichfield, Staffordshire on Friday 6 October 2006 at 10.00 am to conduct the following business.

To receive the Annual Report and Accounts

To confirm the following Bye-Law No 1/2006

Membership subscription for 2007 shall be for Life Membership at a rate of £220.00 for all members within the European Union (including the UK), £110.00 for members unemployed at 1 January 2007 and retired (over 60+), £165.00 for overseas members. A discounted rate of £110.00 will also apply to members from designated ‘special promotion’ countries overseas. An annual membership fee of £110 will be available on request.

To give Council authority to appoint auditors for the ensuing year

By Order of Council of Management

Harry Downes
Secretary

6 June 2006

Institute of Management Services
FORM OF PROXY – FOR CORPORATE MEMBERS ONLY

I (full name)…………………………………..…….of (full address)……………………………………………………………..

…………………………………………………………………………….……………………………………………..

Membership Grade……………………………………..… Membership No ………….…………………………............

Hereby appoint J Lucey of ‘Beechcroft’ Highfield Close, Foston, Near Grantham, Lincolnshire, NG31 2LH or failing him the Chairman of the meeting to vote for me and on my behalf in accordance with the directions, if any, given hereunder at the forty first Annual General Meeting of the Institute to be held at Committee Room, Guildhall, Bore Street, Lichfield, Staffordshire on Friday 6 October 2006 at 10.00 am and at every adjournment thereof.

RESOLUTION NO 2 FOR / AGAINST *
(Bye-Law No: 1/2006)

RESOLUTION NO 3 FOR / AGAINST *
(Appointment of Auditor)

as witness my hand the……………………………………...day of……………………………………………………………2006

Signed…………………………………………………………...

*delete as applicable

This proxy form must be deposited at the head office of the Institute by not later than 10 am on Friday 29th September 2006.

The name of J Lucey has been inserted (or chairman of the meeting) to ensure that your vote is cast in the way you have indicated. You may however, insert another proxy holder if you wish who must be a corporate member of the Institute, but your vote will not be recorded if he or she is not present at the meeting.
We live in a world of constant change, and even though the vast majority of these changes are for the better, change is still something that many people – and therefore many organisations – can find extremely difficult to deal with. Why is this, and what can be done to help people embrace change rather than fearing it?

The nature of change

Change is all around us. Changes can be small or large, but the overall impression they create is of a world that is in a constant state of flux. Change may be welcome, but for many of us, the reaction to certain changes will be one of automatic resistance, which in turn often results in stress.

To accept change is akin to getting used to a new pair of shoes. The new shoes may be more waterproof, more hardwearing and better looking than our old ones, but they will almost certainly not be more comfortable until they are worn in. The amazing thing is that (assuming they are the right size and they fit properly) we often cannot envisage how or why we were so reluctant to put them on in the first place.

By definition, going forward involves some change, in order to keep on course. An organisation is either continually improving or it is failing, because no successful organisation can afford to simply ‘stand still’. This is why it’s so important that employees are given all the tools they need to help them embrace change and new ways of working – ie to feel comfortable in their ‘new shoes’.

Why is change so difficult to handle?

People are programmed into a pattern of behaviour with which they feel safe (their ‘comfort zone’). Change can threaten this feeling of safety, and people can feel disempowered by change - particularly if it is imposed on them or challenges their accepted thinking. It is therefore vital for people to understand clearly why imposed changes are necessary, and how those changes will impact them, their position, their responsibilities, and possibly their remuneration and future prospects.

One reason that staff may resist change is if they don’t think they will be comfortable in the new job environment or able to meet the new standards etc. If a change, particularly a fundamental change, is imposed within a company, a proportion of the staff affected will be bound to be dissatisfied. It is important to listen to their concerns and not to dismiss them out of hand – some of their worries may be valid and it is important for management to acknowledge this.

How to make change work

If your organisation is contemplating a major change, you can help to facilitate this by taking account of the following:

Think through the change and what is required of the personnel affected, in detail, so that a clear plan of implementation is available. Be aware that some retraining may be necessary and have a plan of action ready to implement this.

Staff will respond best if they feel involved in the decision making. Maybe they cannot be involved in all the major decisions, but their implementation will involve a number of smaller steps and they can almost certainly be involved somewhere (and add value by bringing in their experience).

Everyone copes better with change if they feel at least in partial control of it. It is the feeling of being out of control that can be frightening to most of us. So involve your staff, as far as possible, in their own areas of the change. Perhaps set up an implementation team involving a member of staff from within each
department and reporting up to - and down from management. Keep everyone informed as far as is possible of timetables and details. The imagination and concerns of staff can run riot when they are kept in the dark, particularly if they are anxious about the change. Regular meetings are essential and even if time is short, don't abandon them. Make sure that the planned changes are clearly understood at all levels.

Don't give in to the temptation to impose changes without consultation. Unless you can persuade your staff to buy into the change by means of the steps above, they may leave or become de-motivated, neither of which will benefit the company. Similarly, a culture of fear (where staff are actively discouraged to convey concerns or show vulnerability) is counterproductive.

Everyone works better where they can see the benefit for themselves. So take time to think through not just the overall plan of the change, but how it will affect and benefit individuals, then 'sell' these benefits to those affected. Don't oversell them though, as staff will subsequently disbelieve anything you say. It is far better to be honest and admit that some things still need to be worked through, as this will help to build up trust with your employees.

People need to feel they have some input to enable them to overcome their fears and anxieties. If you encourage them through this stage, they can become great advocates for the change and will work with you instead of automatically resisting.

Implementing change

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Preparing your organisation for change

Because change is so much a part of everyday life, your employees will benefit greatly from initiatives that make them more resilient. At its most simple, this means helping your employees maintain a healthy mind, healthy body and the positive mental attitude needed to approach change as a challenge and opportunity for improvement.

We all know that eating healthily, exercising and not being overweight are important, and we also know exactly how to achieve this (whether we do it or not!). To have a positive mental attitude may prove more challenging.

Inflexibility means that you become an obstacle and instead of asking for your co-operation, colleagues will simply ignore you or go around you.

Accept that everyone's capacity for change is different and some will respond quicker or more easily than others.

Try to break the change down into manageable parts so that the overall change does not seem too overwhelming. Consider running a pilot operation to smooth out the glitches and allow input from users. Once the change has been implemented, don't allow any return to the old ways or allow this as an option.

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difficult, and many of us are totally unaware of how to build our inner strength, with the consequence that when there is a problem, obstacle or required change, our internal capacity is not always sufficient and sometimes our mental manoeuvrability is too slow.

So how do you build inner resistance and strength? How can you prepare yourself for the challenges and adversities you will come across in the months and years ahead? One thing is certain, and that is that if you are not sufficiently resilient, your inflexibility will mean that eventually you will become an obstacle and instead of asking for your co-operation, colleagues will simply ignore you or go around you.

We all know that the only way a skyscraper or any very tall structure can remain upright is for it to possess an inherent ability to move - albeit ever so slightly - with the prevailing wind and rain.

We have to do the same, by learning to work with the forces we meet, moving and giving a little when the conditions demand it.

‘It’s not what happens to you, it’s what you do about it’

The greatest challenge of all, in terms of change, is how to deal with adversity. I met W Mitchell, the TV host, author and professional speaker from the US, who lives and breathes his ethos that ‘It’s not what happens to you, it’s what you do about it’. Here is a man who has overcome two life-threatening traumatic accidents that left him severely burned, without hands and paralysed. He has had to survive numerous operations and extensive plastic surgery, but talks to audiences from his wheelchair as if he were a tank commander addressing his troops. He has a quiet confidence and a measured delivery that possess an almost magnetic quality ... you cannot help but listen to his every word.

W Mitchell has overcome so many adversities in his life, and has come out the other side with strength and determination. ‘Before I was paralysed there were 10,000 things I could do. Now there are 9,000. I can either dwell on the 1,000 I’ve lost or focus on the 9,000 I have left,’ he says.

There is no doubt that the traumas W Mitchell has gone through have changed him as a person. His life script was not one that he planned and yet he takes on each challenge with an acceptance and gritty determination. His life experience makes him into the person he has become, his message is forceful and memorable, and he is a success story that we could all do well to try to emulate.

How we could all benefit from such inner strength and such a positive outlook!

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Some nuts and bolts of testing in organisations

By Ian Florance

Around 70 per cent of UK companies with over 50 employees use psychometric tests, often in recruitment, sometimes in developing skills. Use is increasing, yet ‘psychometrics’ still sounds like a black art and ‘testing’ gives people flashbacks to sweating over exam papers.

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particular jobs. Assess lots of people in your company and you can get an organisational profile: how well your teams work; what particular skills you lack; who's going to fit in.

Tests are used to recruit new staff; identify people with the potential to be promoted and developed; counsel staff who are under-performing; put teams together; coach senior managers; identify stress factors in an organisation; decide on the best organisational structure; create incentive programmes that really motivate - any decision about people individually or people in groups.

So, what exactly is 'psychometrics'? This could get long and complicated! Put simply, psychometrics is a set of techniques used to ensure, among other things, that:

- You're actually testing what you think you're testing. A written test of mathematics should be testing maths not writing for instance;
- That your test gives the same results if it's given to the same person twice or administered by different people;
- That it's fair to everyone;
- That you know how accurate the measure is and how far you can depend on it.

No measure - whether of your height or your profit is 100 per cent accurate (just ask an accountant about the latter). Sometimes this can be significant (in the latter case ask the taxman!). Psychometrics allows you to weigh up the accuracy of your decision.

I use interviews and other methods; why should I replace them with tests? You shouldn't! Tests provide part of the picture; interviews, for instance, provide information tests can't reach.

But research shows that interviews, references and application forms are very bad at predicting whether people will succeed. Interviews are particularly dangerous because you will be hugely influenced by your prejudices, likes and dislikes without you realising it. If you think back, you'll remember the great candidate who proved to be a complete disaster. You might even recall the exciting company which employed you and which you left as quickly as you could. Let's not forget that recruitment is two way!

What are the business benefits of testing?
Psychometric tests sound rather academic but they're actually ways of making hard headed business decisions. They will increase your bottom line. They'll decrease staff turnover, identify talent, create a more efficient organisation.

Psychometric tests sometimes look expensive. A good test might cost you £50 to administer and interpret. But since it may cost you £10,000 in direct costs if you recruit the wrong senior manager (and a lot more in indirect costs) this doesn't seem too high a price.

Tests will also help companies defend against legal challenges to HR decisions, which might end up in expensive tribunals and court cases. It's illegal to discriminate on grounds of gender, race, disability, sexual orientation or religious belief. It will soon be illegal to discriminate on grounds of age. Test results are defensible evidence in court, whereas interviews are open to all sorts of challenges. And, of course, using them will ensure that you are being objective, building a successful, effective, motivated organisation.

Good recruitment and development practice are part of a company's marketing and brand development. Even a rejected candidate will speak well of a company that's taken the time to create a professional recruitment process which gives valuable feedback; tests provide that.

How can I tell a high quality test
From a 'quiz'?
There are thousands of tests on the market. It's a real growth area and, as with any product or service, it's sometimes difficult to work out the cowboys from the cavalry.

Tests are particularly difficult in this respect. What defines a good test is the research and data behind the questions, just as the design of a computer says nothing about the quality of the software or the processor. Internet-delivered tests are a particular problem since the 'sexiness' of their design is beguiling, but many of them provide no evidence that they're any good.

A good psychometric test will be absolutely transparent to you as a user. It will state how it was developed, how many people it was tried on, where it should be used and where not and, most importantly, how much you can trust the results.

Psychometric tests provide an MOT of what goes on under the human bonnet

Do we have to be a big company to use tests?
Not anymore. Once upon a time the costs of training and of buying the materials seemed prohibitive. The internet, centralised testing centres and the number of trained consultants available, means even the smallest company can get the benefit.

There's a strong argument that smaller companies need to use the technique even more than larger ones. A rogue senior manager in a 30,000 staff company can do damage; in an SME, with 10 employees, he or she can literally destroy the business. Every recruitment decision in a small business is high stakes!

I don't know anything about the subject: where do I start?
Talk to staff at the Psychometrics
Psychometric testing

The Psychometrics Centre also offers advanced training full time and part time in psychometrics through MPhil and PhD programmes.

Both of these are suitable for numerate and highly motivated human resource professionals, as well as for graduates with a good science degree who wish to follow a career in psychometrics.

Ian Florance is director of Only Connect Ltd and a consultant at the Psychometrics Centre. He works with a number of organisations, offering experience and expertise in business management, marketing, publishing, creativity, public relations, communications and human psychology. Ian has worked for over 25 years in the area of human potential. Prior to his role as managing director, Ian was business development director, marketing director, international development manager and assistant director of publishing at NFER-NELSON. Ian has a professional and intellectual interest in the area of human psychology. Dedicated to maintaining quality standards in testing, Ian was publishers’ representative on the BPS (British Psychology Society) Test Standards Committee, a member of European working parties on testing, and secretary and past president of the European Test Publishers Group. He is company secretary of the Business Test Publishers Association.

Don’t people dislike tests?
Far from it: people actually like doing tests because tests tell them about their favourite subjects; themselves. If handled the right way, tests used with existing staff can cause a buzz.

What defines a good test is the research and data behind the questions
Achieving cultural excellence: Integrating processes with passion

In this article, Philip Atkinson and Dara Clarke suggest that rapid business performance can be achieved only through carefully crafting a strong ‘cultural’ foundation upon which to build powerful processes and systems. Culture and systems have to be carefully integrated to ensure that they support each other in terms of achieving the organisation’s strategic mission. Further, they outline the core steps to be taken to ensure culture and systems are harmoniously brought together to create a new high performing business.

Solutions centred strategies

What value would you experience if you were able to focus on precisely the key factors that lead to enhanced organisational performance? What commitment would you give to a strategy that enabled your business to scale new heights? In what activities would you invest to win and retain customers? What benefits would accrue to your business in the short term if you could prove the cause-effect relationship between culture and performance? What would you commit to if you knew you could not fail, by seamlessly marrying together ‘passion and emotion’ with processes and systems? How much easier would it be for the organisation to manage change quickly, without having to deal with the resistors and barriers to change? All these questions can be resolved and answered in the positive by developing a balance to change management of integrating technology and passion by directing intent with emotional commitment and technological leadership with change mastery.

The real world

There are many instances when a blended and balanced approach can make a huge difference to organisational performance. Simply, when companies have to restructure or ‘rightsize’ their business, how well do they marry the structure and the staff issues? In times of rapid organic growth have companies devoted equal attention to preserving and harnessing the entrepreneurial mindset and behaviours of their expanding staff with the need for new systems and technical solutions? In merger and acquisition (M&A) activity the new entity can benefit significantly if there is a commitment to a balance between ‘technology’ and ‘culture’ in the early M&A phase of ‘due diligence’. Likewise, in a rapidly growing business or one which is challenged to cope with a crisis, do we create a solution centred approach using a balanced approach?

To further illustrate this, in the M&A example outlined above we know from research and from experience that 70 per cent of acquisitions fail to achieve the goals for which the two entities were originally brought together. We also know that the reason for failure is an underinvestment in the cultural dynamics of the new business. Relying solely on ‘systems’ to bring two parties together does not create the shared belonging and engagement of the staff. Some companies such as General Electric and the Royal Bank of Scotland have mastered this process by dealing equally with the ‘hard’ and the ‘softer’ issues in the business.
have devised post acquisition integration strategies that deal equally with structural as well as people issues. Few organisations reflect their level of commitment to this ‘balanced’ approach in the change management cycle.

As competition increases and more firms divest and invest in other businesses, suppliers and customers included, there is huge scope for improvement. Making sure that manufacturing capabilities are exploited, not duplicated, that systems talk to each other, and ensuring that product lines are complementary, distribution and logistics are synchronised, is relatively easy because an analytic process can provide solutions to the problems. What is more difficult is bringing teams, ambitions, leadership and expectations together without the negativity of emotional baggage and resistance. That balance is critical. And many organisations experience this problem. Examples include companies expanding into new markets and launching new products. Have they correctly assessed the emotional and the technical expertise to achieve their ambitions? Have the health care businesses, where hospital trusts are working together as joint ventures, achieved the synergy of the hard and soft elements of its organisation, whereby we are increasingly aware that organisations are requiring methodologies that are both structured, and at the same time flexible to cope with change. We know that change is difficult but it can be mastered. Below, we outline how we apply a simple methodology to diagnose the action we can take to ensure that technology and people solutions are integrated.

Customer focused strategies and diagnostics
Most organisations focus their strategic intent on delivering to the customer better than their competitors. Time and resource is devoted to shaping the organisation to capitalise on multiple channels of fulfilling customer needs. Systems and protocols are developed to ensure that customer satisfaction approaches degrees of perfection, but many organisations fail in their quest because they fail to balance the hard and soft elements of the business. No business will succeed by focusing solely on the hard elements of the business.

The Seven S’s methodology is a powerful tool for examining how best to improve the performance of a business or social organisation. It was developed from McKinsey’s Consultants who understood that organisations have to be viewed as business and social systems at the same time. This originally evolved from research into the building blocks of the culture of companies in Japan who were seen as a threat to the USA. Researchers in the ‘Art of Japanese Management’ identified that the Japanese paid equal attention to the hard (hard S’s are strategy, structure and systems) and the soft (soft S’s are style of management, staff, skills and shared values) elements of the organisation. This differed from the US and the European model which tended to focus solely on the hard S’s.

There are seven S’s in the model, three identified as hard and four identified as soft (although we have developed our own 10 S’s comprehensive model that incorporates, symbols, sharing Information and synergy). Taking the seven S’s overall, it is a powerful ‘diagnostic’ for assessing how well your organisation is doing. It is our intention to use the model to help others diagnose the current health of their organisation, whether they are in a pre M&A activity, downsizing existing operations, or growing a new niche business. From this analysis, we can share perceptions and create an action plan.

The process is not undertaken as a secretive ‘cloak and dagger’ process but is deliberately participative. The issues that arise may ask you to question your beliefs about how your organisation is managed, because this will certainly impact how your organisation grows and prospers in the future. Overall, the seven S’s is a great way to explain the culture you have created. The culture is reflected in ‘how we do things around here’ and also reflects key behaviours, styles of management, communication with staff and the outside world, as well as working with the more tangible managerial structures.

The hard S’s - strategy structure and systems – tell us a quite a lot about the infrastructure of the organisation, how decision making is undertaken and roles and responsibilities of all in the organisation. Here, we refer to the hard elements of the McKinsey seven S’s – the strategy, structure and the systems. Over compensation on the hard S’s or the more tangible and formal will never create the desired result without engaging the people in the business.

The soft S’s - style, staff, skills and shared values, reflect the emotional intelligence or the culture. The softer elements of the organisation, often referred to as the culture, are much harder to implement and shape because of a large number of false assumptions about how to bring about cultural change. The culture is the engine which powers the organisation. To complete the McKinsey’s seven S’s approach can be found in the shared values that bind teams together across functional silos, the style of leadership portrayed by staff who manage others and the commitment of staff and the skills and core competencies they bring to work. To really make customer focused strategies live we need to bring together the ‘yin’ and ‘yang’ of change management – bringing together technological expertise and full engagement.

The process requires focusing on each of the 5’s to assess where we are currently in comparison to what we want to have happen to the organisation. From that we can work through a gap analysis, which in turn will become your action plan.

Strategy – how can we ensure we have clearly articulated our strategic objectives? Are all our people engaged and committed in achieving our strategic priorities? Does everyone know what is expected of
them, and have they worked with their colleagues to ensure that priorities are equally shared between and across functions?

**Structure** – what structural factors currently inhibit us from achieving our objectives? How do we resolve all situations where reporting relationships delay, or make decision making dysfunctional?

**Systems** – what systems or processes currently under-performing put our customer service and our business at risk? What systems or protocols, processes and technical solutions require significant investment to outperform our competitors?

**Staff** – how can we leverage the learning and experience of our staff and transfer best practice throughout the whole organisation?

**Skills** – how can we leverage our core competence to improve our customer satisfaction and our bottom-line performance? How can we maximise the synergies of teams working across functional boundaries?

**Style** – how can we equip our managers and supervisors to become facilitators of change? How can we ensure our management style is sufficient to allow growth and engagement and trust while at the same time dealing with performance issues?

**Shared values** – how can we enliven the future of the business by using this method of working? How can we grow as a business and work closely with other constituents – our suppliers and our customers?

A rare balance has to be a central aspect of any implementation plan for change yet few project managers are equally skilled in the arena of processes and in engaging the passion of staff in making the processes work. We often see organisations with the intent to bring about a balance unfortunately focusing entirely on the systems or the process element of the change. What follows highlights how the integration between technology and people can take place to equipping the business with customer focus.

**Model for change**

To synthesise our thinking, we have articulated a simple model for change based upon the original work of Kaplan and Norton\(^1\) and best practice benchmarking, together with our experience of working with a large number of organisations, so it is no surprise we are both committed to developing the corporate culture that will speedily deliver results. This also means developing an approach to learn from methodologies such as EFQM and others and incorporate what works, but at the same time dissociate from that within the same models that has little credibility to delivering to expectations. Each of the six stages undernoted has a number of discrete activities that deliver core elements which create the foundation for a high performance, team driven culture. Tools have been specially developed to assist the movement from each phase in the model below.

**Values and culture**

Although direction is incredibly important we also believe that we have to ensure that the values and culture are such that they facilitate and make the vision a certainty. There has to be total alignment with the values which people exhibit. ‘We do what we value and we value what we do’ sums up the importance of articulating the values and ensuring that the culture is in place to enable the ease of delivery of the desired future state.

**Strategies and goals**

Strategies follow naturally from values and culture – which tell us how we will achieve the vision. Strategies and goals tell us about the methods we will employ as a business and across functional/process boundaries that will result in achieving the vision. Strategies and goals are driven both top-down and flowing upwards through empowered individuals and teams and communication channels. Cross-functional working on processes is critical to ensure that vision is apparent, real and tangible with the operational means whereby results will be monitored and achieved.

**Behaviours**

‘To what leaders pay attention’ is the driver that enables results to happen. For instance, if directors talk of the importance of acquiring new business, but demonstrate little adherence to this in their strategic focus – why should anyone take them seriously. However, when business leaders demonstrate their intentions with behaviour to support their assertions – people take note and emulate the example set. We have to differentiate those behaviours that leaders, teams and staff in general need to excel at and display, from those behaviours that are counter to business objectives. ‘Without leadership there is no change’ is a powerful statement that reflects the importance of leading by example, and without this component the formation of a culture to enable the achievement of objectives will never be optimised\(^2\).

**Structure, roles and processes**

We have always believed that direction must be articulated before organisations structure their activity, in terms of roles and responsibilities. Unfortunately, too many organisations take the structure as ‘given’ and develop strategies around how people are organised rather than the other

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way around! We believe that successful change takes place only when the direction and the method for achieving the vision have been clearly debated. Structure should follow on much later in the change process and be fundamentally shaped by ‘where we are going’ and not ‘where we have come from’. This activity should always be geared to streamlining processes and providing seamless service to the customer and those who directly interact with the customer.

Key performance indicators (KPI’s)
Finally, KPI’s complete the model. Too many organisations focus upon KPI’s first rather than getting the bigger picture. KPI’s are not drivers, they are the measures by which we can assess whether strategies and behaviours are in alignment and working. Obviously the process progressing from vision to KPI’s is a systemic process with multiple learnings evolving and this reason we use a variant of a rapid improvement strategy for instigating change. This five stage change process focuses upon investing in prevention and frontloading a change initiative ensuring that staff at all levels:

- Can understand the reasons why the organisation is articulating its vision;
- Focus upon leverage points for getting the ‘vision – KPI’ model to work;
- Are committed to the benefits of building the culture that enables results to take place;
- Take ownership of the measures by which progress can be assessed, measured and corrected when required.

It is very much like developing a sophisticated ‘instrument panel’ monitoring those activities that enable results to be achieved with ease. We focus upon creating a strong culture that encourages challenge and improvement. The culture reflected in the commitment to improve all internal processes results in behaviour that is geared solely to achieve and maximise customer delight – thereby guaranteeing a sound competitive future that will yield the results and will move the business inexorably forward towards its vision.

Four issues putting it all together:

Integration

1. ‘Due diligence – diagnostics’
   ‘Start with the end in mind’ has always been a great way of managing projects. To achieve balance requires us to scope out the vision for the business in a variety of ways. This means assessing the risk of future business with existing customers and the barriers to entry for moving into new markets. The strategic vision is critical to get the technical/emotional issue in balance. There is no point having the technology and systems if no-one truly understands the process and the required changes in the behaviour of key people. Vision is never achieved by installing the motivation in others. Strategic vision has to be led through a committed and enthusiastic team of true business leaders who recognise that only through others will results be achieved. Of course, none of this
An accurate and speedy diagnosis is the great foundation for aligning both technical and systems advances with emotional commitment.

2. Processes and systems
Which comes first? The culture is the facilitator behind the systems and processes. Developing a firm commitment to process management and helping others learning that process, rather than function is king, is fundamental at this stage. Winning the hearts and minds of staff to the technology and its implications is central to accelerating learning and winning commitment of all constituencies. Failing to do so will fuel the grapevine and the rumour mill. Also, ensuring that staff are part of the process of designing processes reduces the need for managers to over-control this process. Any team leader should be spending their time developing the interpersonal skills and team leading abilities of staff to do their job more effectively through people. The sooner we can involve staff in the process management and mapping stage of any process design the sooner the culture will be in place.

3. Culture’s consequences
There are so many truths about culture. Here are some which we expose to clients. Every culture that we know there is sticky resistance to change. We have to access where changes are to be encountered, treat this as normal and deal with it. This means focusing on learning strategies. We fundamentally believe that resistance is normal and people resist change because others do not devote enough energy to convince them of the benefits of changing. We see this as a learning intervention – nothing more. To counter resistance one has to understand the fears and concerns and only when these have been resolved can you move forward. Our experience is people fail to confront the conflict and the resistance. The sooner it is acknowledged the sooner it is resolved.

An accurate and speedy diagnosis is the great foundation for aligning both technical and systems advances with emotional commitment.

4. Action and implementation
Action has got to be the focus of change. Theory is great in practice but if it’s not followed up by a ‘bias for action’ then implementation is at risk. If change is implemented slowly the old culture will take time to work through. Doing things badly at speed is not our suggestion. What we do suggest is using the six stage model to clarify the core issues of change and note them in our methodology for change. Companies like GE, RBS, Motorola, Sun Micro-Systems and many others have committed to an accelerated change strategy for improving corporate performance. Using a similar model it focuses on winning the support of key constituents and ensures that project hosts or sponsors, change makers and the targets for change are integrated as much as possible in change initiatives.

Overview and closing thoughts
It is clear that for new technologies and new structures to work, there has to be a very firm commitment to strategy, planning, process design, system development and the engagement and emotional commitment of staff at all levels. For too long there has been too much focus on the hard elements of the business, often disregarding or failing to focus at all on the cultural and behavioural dynamics. We would hope that the views presented here articulate a growing reflection of how change can be installed quickly without casualties. It is all about committing equally to winning ‘hearts and minds’.

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Can NLP help or harm your business?

By Graham Yemm

‘NLP could be the most important synthesis of knowledge about human communication to emerge since the sixties’ - Science Digest.

There is no limit to where NLP, or parts of it, can be applied. From writing advertising copy to customer service, people handling phone calls, managers motivating their people or sales people developing their skills to...

For me, one of the most powerful applications of NLP was using it on myself. It helped me to know myself even better, to recognise that I could develop even more flexibility in my actions and interactions and to take more responsibility for my own thoughts and actions. There is a particular model used within NLP called the neurological levels of alignment (or logical levels) that can help in a wide variety of ways and I have found of great benefit for me – and with individuals and groups within clients. The figure shown below is an adaptation from the original. Although some analysts happily take it apart and disprove it – in my experience it works! Make the changes closer to the centre and they will be more long lasting.

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Neuro linguistic programming

win over more customers, the limits are within the mind of the users.
Although NLP has many ‘direct’ business applications, I believe that its most powerful use is for individuals to improve their self-awareness and to develop greater skills in their self-management, communication and interpersonal dealings. It can help improve their Emotional Intelligence. The five pillars of NLP (expanded from four!) give a good indication of what it is:

Outcome thinking: Being clear about what you want to achieve, the aims or goals that you want. This can cover long, medium and short-term outcomes. Fundamentally, it is about doing things for a reason.
Sensory acuity: Paying attention to what is happening and the signals you are receiving. The better you can become at this, noticing changes in voice tone, small shifts in body language, the actual words people are using or even eye movements, the more you can understand the other person and tune into them.
Flexibility: ‘If you continue to do what you have always done, you will always get what you have always got’. If something is not working – do anything else! We can become creatures of habit, yet good communicators and influencers are those who have developed more habits so are not stuck in particular ways of operating.
Rapport: The ability to develop a sense of mutual understanding, to tune into the other person and they feel as though you are on their wavelength. This does not have to equate to liking each other.
State management: Taking control of your own emotions, responses and attitudes. The start point for this is to accept responsibility for these and then to recognise what you can do to generate the ‘state’ you want for the context.

By using a number of the tools within each of these, we can find ways to enhance our own skills in working with others or shift our attitudes within ourselves. For me, this is the start point for using NLP and not just acquiring some tools and techniques to use on others!

Management and leadership
Many organisations use SMART as their approach to setting goals and objectives. How effectively does this work? There is a technique within NLP which is referred to as ‘chunking’ or ‘stepping up and down’ which can

be very useful – and does not have to be mutually exclusive to SMART. For many people the SMART goal is not compelling or motivating in itself for various reasons. It may seem too big or far away and all they can see are potential problems. It could be that it is not giving enough of a challenge or payoff. By ‘moving’ the goal it is possible to both make it compelling and to create an action plan for getting started and working towards it. The fundamental process is shown in figure 2 and might look very simple. It is, and it is also very powerful, especially when the manager resists the temptation to make suggestions.

There are many aspects of NLP which are very useful for dealing with others. For managers and leaders, these can be beneficial when coaching their team members, getting teams to work together, creating and communicating the way forward and enabling them to be more motivated.

Going beyond those for a change, there are some really useful tools for handling problem-solving challenges or managing change. The good thing with these, is that they can be used alongside more conventional management tools and add strength to a manager’s skills-set.

Combining these with attention to the specific words and language can lead to insights for moving forward or overcoming problems. An example would be to use an approach called ‘SCORE’. It is worth adding here, that many NLP approaches work more effectively when ‘experiential’ rather than conceptual.

In this case, putting bits of paper on the floor and moving around them encourages different thinking, despite moving some managers outside their comfort zones!

SCORE is not highly complex – and goes through:

Symptoms - What is happening right now which we want/need to change?
Causes - What are the reasons for this? Which are the key ones?
Outcomes - What do we want to have instead of the present situation?
Resources - What do we have available (people, skills, or whatever)?
Ecology - Will the outcomes, and using the resources, fit our culture?

Sales and negotiation
This is probably an area where many organisations feel that NLP can make a difference and indeed it can. Certainly the range of communication and interpersonal tools can be very beneficial when added to a seller’s armory. Mind you, many top sellers are probably using these without even knowing that they are NLP! Do remember, the majority of NLP tools are not novel. They have been developed by breaking down what excellent people do and presenting it back as standalone tools or techniques.

The obvious start with sales development is to widen people’s ability to get into rapport quickly, especially with the more ‘difficult’ prospects. This can be achieved in a number of ways. The fundamental idea of matching and pacing (ie being like the other) is an area that does encourage the ‘manipulative’ label. It is something we all do naturally when we feel in rapport with another – just look around you at work or outside. How many people do you notice that appear to be mirroring each other or moving as though choreographed? However, it

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is useful to be aware of how you can use this, especially when you sense that you are ‘out of sync’ with someone. Care is needed though, as clumsy matching and mirroring will come across as insincere.

Another thing that can be very useful for sellers is to use the ‘alignment’ model (Figure 1). I have found that helping people to make sure their ‘identity’ fits with the job empowers them. From here, a significant aspect is to address people’s beliefs and to bring out any limiting beliefs they may have. It is difficult to sell with integrity if you have limiting beliefs about your product or service, or the organisation – or if you are being asked to do anything which conflicts with your values.

When using this with a group of potential sellers in a bank in Saudi Arabia we were able to help some change their beliefs and become very successful whilst one or two who did not want to and felt their values were being challenged were better suited to being moved to other roles.

When these areas are aligned, the sellers can also be helped by learning to manage their state. They have to be able to handle themselves in a variety of situations and often operate in a relatively isolated way. Knowing how to reconnect to a positive or confident state (or whatever they need) is a great asset.

Most sellers are familiar with the idea of finding buying motives and hot buttons andsuchlike. Well, NLP has another approach that can give you an even more powerful way of doing this. You can even find out things about the way prospects make buying decisions that they don’t even know! From this, you can present your sales case using the appropriate language to increase your chances of success. There is a whole area around ‘meta-programmes’ which can benefit you here. A commonly used way of working with these is from language and behaviour profiling. For example, in conversation you can establish whether someone prefers to make buying decisions for themselves or do they seek reassurance from others. Think about how that can help with your sales pitch.

For sellers and negotiators, learning to ‘reframe’ can be important in many situations. Handling objections or blocks can be made easier with this.

Customer service
Whether people are handling customers on the phone or face-to-face, they often have to deal with varying degrees of irritation or anger.

Learning to manage their own state can be really important! Also, developing the ability to not only look at things from the customers’ situation but also from a more objective, dispassionate view can help to smooth things over and focus on solutions.

Getting rapport quickly is key for this role. If training people on the phone, getting them to learn to match voice tone, volume and speed can be a great asset. They can diffuse anger and complaints quickly.

Developing their listening skills to calibrate the changes in tone or pitch, or to pick up specific words can not only help them resolve issues more quickly, it can also improve their enjoyment of the job.

Using good questioning to change the state of the customer can help. Shifting them from a complaint frame to focussing on the outcome they want can benefit everyone and take the heat out of things. There are various options to achieve this and good customer service people are practising many of them anyway!

Summary
This has only scratched the surface of where NLP can help in the business world. There are so many examples of where it has helped. Encouraging top teams to work together more efficiently and creating a clear vision for the organisation. Doctors have been known to use certain language patterns to help their patients recover more quickly and with less need for medication. As a personal effectivenss tool, learning to change or adapt limiting beliefs can help you manage your time more effectively.

Recognising what your own values and their priorities are can help you to handle pressure better and be more resistant to stress.

Understanding your own language preferences can help you to become more flexible in presenting your messages, formally or informally, to appeal to a wider audience more of the time.

I can go on and on. There are ways NLP can harm your business too. The saying, ‘a little knowledge is a dangerous thing’ springs to mind! Just being familiar with one or two concepts can do more harm than good. On the other hand you do not have to have everyone becoming practitioners or beyond. What does make NLP useful is when it becomes part of everyday life and work – and not just a toolkit to delve into. As with anything in life, whatever aspects or tools are implemented will be most useful when used with ‘unconscious competence’ – and this means learning the fundamentals, practising them and sticking in there until they just happen.

Yes, there are charlatans out there. Some will promise to train your organisation, your sales team, your trainers or whoever in a couple of days. Hmmm, beware! They can give a flavour only, In my opinion, NLP is a great thing when used with integrity and becomes a part of the way you operate. It is not an answer for every circumstance, nor can it be forced upon anyone. It can be fun to learn more.

It can help your business or organisation in more ways than you can imagine. It can help to change your own life – and improve it, if that is what you want.

Suggested reading:
www.anlp.org.

For more information visit www.solutions4training.com.

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Imagine your customers are at least satisfied and, in many cases, delighted with your products and services. Imagine your shareholders feel the same about your stock market performance and the dividends they receive. Imagine, too, that your highly trained and skilled workforce feel great about working in your organisation. And you have excellent relationships with your suppliers who feel they have a genuine partnership with you.

By genuinely understanding your customers’ requirements and developing efficient and effective processes, your results are outstanding. Sales and market share have increased and continue to do so, and your expenses have been maintained or reduced. And importantly, people satisfaction surveys show that your staff feel empowered and genuinely supported by management in their quest to improve processes and the way they work.

Impossible to imagine? It could happen only in the world of Hans Christian Anderson? Or is this the result of the rigorous application of Six Sigma throughout your organisation? It’s up to you.

Unless you create a vision of where you want to be, you will find it difficult to get there. And even if you do create this Six Sigma vision, it won’t be easy. It will take time, commitment, and genuine leadership throughout the organisation. Almost certainly, it will demand and create a change in culture especially in terms of the role and behaviour of managers.

The pressure is on short term results with continuous fire fighting and gut feel ‘by the seat of the pants’ decisions. So, given that scenario, does Six Sigma have a future? And what of quality?

With customers increasingly demanding improved performance from their suppliers, quality must have a part to play. If we carried out an electronic survey of this readership, then I feel sure you would all indicate that you are in favour of quality. The question is, how do we achieve it?

This series of articles focuses on Six Sigma (see Winter and Spring Management Services Journal) but we have also referenced the EFQM’s Excellence Model and demonstrated the clear links between the two. More and more, I feel it is likely that we will see convergence, not only with the Excellence Model and Six Sigma, but also with the revised ISO 9001:2000 standard. BS5750 and ISO as were, achieved dreadful press in the not so distant
past, essentially due to bureaucratic implementation often undertaken by cowboy management consultants. All too often, the exercise was undertaken simply to get 'the badge.' The principles, however, were sound. Write down what you do, do what you wrote down, and prove it. The trouble was that in theory what you did, didn't have to be any good!

The new ISO 9001:2000 calls not only for compliance but for improvement. The Sigma improvement approach fits very comfortably with this since it 'promotes the adoption of a process approach when developing, implementing and improving the effectiveness of a quality management system (QMS), to enhance customer satisfaction by meeting customer requirements.'

The revised standard is widely regarded as a major step forward from ISO 9001:1994, with stronger emphasis on customer focus and continuous improvement. Having a sound measurement system is essential; the new standard expects it to be prominent and linked to customer requirements. As you can see, ISO 9001:2000 and Six Sigma are clearly based on the same fundamental principles of quality. To quote from FDIS ISO 9001:2000 'such a (process) approach emphasises the importance of:

- Understanding and fulfilling requirements;
- The need to consider processes in terms of added value;
- Obtaining results of process performance and effectiveness;
- Continual improvement of processes based on effective measurement.

The process-based QMS model focuses on understanding customer requirements and measuring results to assess whether these requirements have been met. Six Sigma’s improvement philosophy aligns well with this. Both are underpinned by an understanding of the strong connection between what the customer wants and what the process delivers.

The successful aspects of Six Sigma, the Excellence Model and the new ISO converge into 'Sigma Excellence', which is increasingly being viewed as the future of quality. It can only be a matter of time before this hybrid becomes the accepted quality methodology, taking the best from the past and revitalising the subject, not just for quality professionals but also for the boardroom.

After all, we all want ‘quality’ in the simplest and deepest meaning of the word, don’t we?

John Morgan is a director of Catalyst Consulting. His many years of experience include operational and management roles for major insurance companies. He is a regular speaker on the conference circuit, and led the BQF workshops ‘Six Sigma and business excellence’. He has co-written SPC in the office - a practical guide to continuous improvement and a range of articles for quality press magazines.

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