sección especial en idioma inglés

managing the adolescent company

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Once a successful small company tries to grow beyond 50 or 75 people, a real shifting of gears becomes necessary, and many firms fail to make the transition. Thus each year many apparently viable businesses are unnecessarily lost as they struggle with the management problems of adolescence. (An adolescent company is defined here as one that has been successful in its initial efforts, has reached sales of $2 million or so, and wishes to continue growing to the $20 or $30 million level.)

Companies fail to survive adolescence chiefly because the management requirements for this second phase of growth are entirely different from, and antithetical to, the requirements for the first ,entrepreneurial) phase. And the kinds of people who start and guide companies through the entrepreneurial phase often don't conform well to the procedures and styles appropiate in the next phase.

Basically, a little company survives by its wits and by being highly responsive. Opportunism, personal heroics, and freedom from administrative routine are all appropriate in managing a star-up company. But with increasing size, these same approaches begin to work against continued success. If profitable growth is to be maintained, informal procedures must give way to more formal ones in all functional areas.

This is also true in the top-management

area. Formal planning procedures are necessary to focus limited resources on selected strategic and tactical targets. Control procedures are needed to provide early detection of problem areas. This becomes especially important as increasing size prevents to management from keeping abreast of all aspects of the business.

Setting a new style

Just as important, management style must change. In order to attract and motivate good managers, a participative management style is increasingly appropriate. Top management (or the founding group) must leam to delegate to newcomers and adopt a "coaching" management style.

All of this is usually obvious enough to the small-company management. The problem comes in actually changing. It is very difficult to alter a winning style, and this reluctance to change usually spells trouble for the firm in transition.

What's needed is a model, or system, to make it easier for founder/entreperneur managers to change their behavior. Acurex Corporation, a technology-based firm in California that is in the midst of this growth phase, has developed a system that may be useful to other firms undergoing similar growth. It is a fairly simple, integrated management process that provides a mechanism for managers to undertake the unfamiliar planning, delegation, motivation, and controlling activities necessary for continued sucess during adolescence.

Growing pains

By 1972, seven years after its inception, Acurex had reached the $7 million sales level and was showing strains under the informal management style that had characterized its earlier history. These symptoms included:

—Reduced profitability.

—Declining morale—"things were better when we were smaller."

—Lack of organizational focus as diffuse departmental goals filled the void created by a lack of clear corporate direction.

—Marked increase in corporate mistakes as shared-responsibility tasks fell in the cracks between organizational units.

—Reactive management style (fire fighting versus fire prevention).

—Great difficulty among the founding group in delegating to newcomers.

As a result, newcomers felt frustrated in their efforts to take on additional responsibility, while the founder/entrepreneurs stretched their time and energies thinner and thinner.

The company's management, realizing that it had a problem, made a commitment to a new style of management, consisting of three essential elements: (1) formal strategic planning, (2) conversion of the strategic plan into a system of management by objectives, and (3) establishment of a formal follow-up system to monitor progress toward objectives. The result has been a dramatic reversal of the trends mentioned above and a rekindling of the high level of staff motivation so much in evidence during the company's earlier days.

Strategic planning

Each year Acurex publishes a formal five-year-plan update that forecasts the actions and interactions of each key element of its business. This is the final step in a six-month effort (between May and November), which includes contributions from about 100 of the company's 500 employees.

The planning process commences with an analysis of the external environment in which the company's externally oriented managers (such as product, program, and marketing managers) attempt to understand what is changing in the outside world. They do not attempt to predict the future at this point; they simply assess those market, industry, technology, and economic changes that are currently in progress and that may affect the business.

These changes are then evaluted in meetings with the company's internally oriented managers (such as engineering and manufacturing managers). At these same meetings, the internally oriented managers present analyses of the company's strengths and weakneses and attenpt to identify its unique excelences. Then, by relating the changes to these strengths and weaknesses, the groups separte them into threats, opportunities, or irrelevancies. They also examine the historical behavior of competitors to understand how they may react when confronted with the same changes.

The specific alternative strategies that result from these meetings are then reevaluated by using the external-anlysis/internal-analysis loop. Marketing managers discuss strategy notions with present or potential customers, and most are either killed or altered at this point. Engineering and manufacturing managers evaluate strategic alternatives with respect to resource requirements and the company's ability to implement specific strategies.

For example, a marketing manager may observe that his or her customers are becoming more concerned about pollution monitoring and record keeping (a change). This may be coupled with another change—the decreasing cost of digital logic for simple monitoring functions. The opportunity for a low-cost monitoring/recording instrument exists. Engineering and manufacturing managers suggest possible specifications, development costs, technology requirements, and so forth from which a possible new-product strategy emerges.

This possible strategy is then evaluated back through the extenal-analysis loop. What do prospective customers think of the idea? How much would they pay? Are the specifications right? How will competition respond when confronted with the same opportunity? And so on.

This procedure, of course, is not limited to new-product opportunities. It also can deal with a threat or a nonproduct-strategy alternative in more os less the same manner.

Throughout the summer, strategic notions are developed, evaluated, altered, and reevaluated so that, by September, management has a pretty good idea of how its strategic-plan update will look. At the top corporate level, financial requirements are reviewed and cash flow, borrowing needs, facilities requirements, and so forth are examined. Finally, contingency plans are developed by reviewing planning assumptions and establishing methods to measure the ongoing relevancy of these assunptions as the plan unfolds.

These activities comprsie the bulk of Acurex's planning efforts and are conducted at the divisional, or family-group, level. Thus strategic planning generally occurs simultaneously at three or four points within the company. The planning process is concluded in November with the publishing of the plan document, which is then made available to the board of directors for reference and review. The first fifth of the five-year plan is peeled off and becomes the next year's annual operating plan.

All this sounds fairly straightforward and probably looks very elementary to the sophisticated larger company. But for the litte companly that has never used formal palnning and cannot afford a planning department, it's a reasonable beginning.

To ensure that it actually gets done, planning can be tied into a management by objectives (MBO) system. Most of the managers on the MBO system have specific strategic-plan input requirements as one of their key objectives.

Management by objectives and results

Once the plan is published, the second

phase of the management system—management by objectives and results (MOR)—begins. This is an MBO system that was implemented at Acurex by a consultant.

The company actually considered itself to be practicing MBO long before implementation of the present system. Unfortunately, objectives were principally in the minds of top managers, and the further down one went in the organization, the less clear objectives became. Indeed, if one were to ask 20 people at random what Acurex was trying to become or what Acurex was trying to accomplish, one could easily get 20 different answers. When the company discovered this failing in its MBO system, it adopted the following ten-step procedure:

—Defining roles and missions (determining the nature and scope of work to be performed).

—Forecasting (estimating the future).

—Setting objectives (determining results to be achieved).

—Programming (establishing a plan of action to follow in reaching objectives).

—Scheduling (establishing time requirements for objectives and programs).

—Budgeting (determining and assigning the resources required to reach objectives).

—Establishing standards (determining a gauge of effective performance in achieving objectives).

—Measuring performance (determining actual versus planned perfomance).

—Taking corrective action (bringing about performance improvement toward objectives).

—Achieving objectives.

This second part of the management system flows quite naturally from the first part (strategic planning). Having participated heavily in building the strategic plan, each manager has a thorough understanding of his piece of the five-year plan. Hence he or she can move very easily into the first step of the MBO process—defining roles and missions—on through setting objectives for the forthcoming year and establishing standards of perfomance (or *indicators* of progress toward objectives). These indicators are especially important in monitoring progress during the ensuing year (as shown in the next section).

Eech manager generally has no more than five or six objectives. One is almost always a short-term financial objective that is related to the company's annual profit plan. One or two others are usually maintenance objectives that are related to the ongoing aspects of a managers's job. And one or two are usually change objectives that are related to something to be done better or differently.

The first year Acurex used MBO it was less than a total success. While the company probably did a satisfactory job of setting objectives, the lack of any formal follow-up system allowed significant departure from plans without timely corrective action. Further, interdependencies between departments often meant that one manager depended upon another for successful accomplishment of his or her objectives. Thus a manager did not always have control of the resources necessary to achieve objectives.

For example, if the manufacturing manager had a cost-reduction objective, he might be dependent upon the engineering manager to provide certain design improvements. If the engineering manager failed to provide the design improvements because of higher-priority projects, the manufacturing manager missed his objective.

Consequently, by the end of the first year, many objectives were missed by a wide mark. This led to the creation of the third part of the system—formal progress reviews.

Progress reviews

Once every four to six weeks, each of the roughly 100 managers who participates in the strategic planning sessions and who has a written set of objectives makes a one-hour presentation of his or her progress toward-these objectives. Attending this meeting are:

—People who depend upon this manager for the accomplishment of their own objectives.

—People upon whon this manager depends for the accomplishment of his objectives (such as the engineering manager in the example given above).

—The manager's boss.

—Other manager who have a need to know what is going on in the subject business area.

Usually this is a group of six to eight people. And, like strategic-planning sessions, there are usually more than one of these meetings occurring simultaneously in divisional or departmental family groups.

The format of progress-review meeting includes:

—Review of action items from previous review.

—Review of objectives.

—Progress toward objectives.

—Cost/schedule/milestone charts of progress toward objectives.

—Short-term action plan to remain on, or to recapture, target performance.

—Problem areas.

This last area is the real heart of the review. As problems are highlighted, their resolution may take several forms. In the previous example where the engineering manager failed to provide design improvements that would enable the manufacturing manager to achieve his cost-reduction objectives. the engineering manager may simply promise to do sowithin a short period of time. Or if the matter is not so simply dismissed, a separate meeting may be set up to resolve the problem, wich then becomes an action item to be reported on at the next review. Or if the objective has become impossible to achieve, it may be officially revised at this meeting and communicated to all affected parties.

Basically, what this follow-up procedure accomplishes is early identification of departures from the plan. The attendees at the meeting represent resources for helping a managers work his way back to on-target performance. Often a manager will receive a half-dozen new alternatives to explore as a result of his progress review.

The meetings are very much in the nature of help sessions, not disciplinary sessions. If a manager's perfomance is below par, this is handled outside the meeting during a private session with his boss. Thus the manager learns that he will not attacked if he brings his problems to the meeting, but rather will receive help. This encourages a spirit of openness and makes the sessions much more effective as problem-solving meetings.

Results

Since implementation of this management process, Acurex has continued grow from $7 to $22 million, and profits have increased tenfold (from a low base). The company has also consistently achieved both its annual and five-year-plan targets. In addition, the system has also yielded several nonfinancial benefits:

* It has helped top management learn how to delegate. MBO provides a mechanism for spelling out exactly what is expected of subordinates, how they will be measured (the indicators), and where they have and don't have authority.

* It has improved morale and performance

by providing visible indicators, even for difficult-to-measure objectives, and requiring periodic reports on progress toward objectives. Morale has improved b ecause subordinates know exactly how they are being measured and can see their own progress, month-by-month, toward the objectives both they and their supervisors take seriously. And performance has improved because subordinates "own" their objectives, feel committed to them, and know where to get help (progress review) if trouble arises.

* It has fccu :ed resources. In formulating objectives throughout the organization, management can ensure that departmental and divisional cbjectives are consistent with corporate objectives. Previously, departmental and divisional objectives, often in conflict with one another, filled the void created by the lack of strong corporate direction.

* It has replaced tradiciotnally weak appraisal methods. Formerly, employees strugled through once-a-year formal appraisals that focused more on personality factors than on performance and that were equally uncomfortable for both the supervisor and the subordinate. Now, supervisors and subordinates agree in advance on what constitutes good and bad performance. At performance-review time there are no surprises. Both individuals look over the same record of accomplishments versus plan, and the review focuses on job factors rather than personality factors.

* It has established an environment for coaching. The subordinate's responsibility is to achieve objectives, and the supervisor's job is to help him. Once objectives have been agreed upon, the supervisor becomes a resource, along with other resources, for helping the subordinate achieve his goals.

* It has been invaluable in resolving interdepartmental conflict. Progress reviews provide the forum to force conflict into the open and resolve it within the context of corporate objectives (which represent a superordinate goal both departments can focus on).

* It has improved the quality of decisions because they represent the best thinking of several people working as teams instead of individuals.

In summary, the management system developed by Acurex has helped it to survive adoescence. The real problem for a small company trying to grow larger is not *knowing* what it should do but acually *doing* what it should do. This involves changing habits that have been succesful and trying to adopt systems the company cannot yet afford. The integrated management model presented here provides a mechanism both to help managers change their habits and to create the skeleton for future planning and control systems. These systems can then be fleshed out as the company continues to grow and can afford them.

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