

# MANAGEMENT TODAY



**YALMAN A KHAN, PRESIDENT OF RESPONSETEK (EMEA) EXPLAINS WHY EXPERIENCE IS MORE IMPORTANT THAN EFFICIENCY.**

**E**nlargement will create huge opportunities and major threats in the short-term, especially to the new entrants. If they are to compete with the established powers, their general competitiveness will have to be vastly improved.

The surest way of achieving this will centre on experience-based management (EBM). The new entrants will need to show 'quick-wins', a proven approach and become early adopters. They can only impact the markets if their products and services sell.

Can any of you name three top, globally successful companies with poor products and services? Exactly. It just doesn't happen. Quality is the key. And achieving this as part of a company's fabric needs to be instilled in the new EU entrants right from the manufacturing base through to the service-based firms.

Expansion will happen. The question is, 10 years from now, do we want a three-tiered Europe or one very strong, globally competitive Europe? I'd personally pop for the second option, wouldn't you?

## ACCESSION

According to a recent global survey conducted by Accenture in cooperation with the Economist Intelligence Unit [EIU], expansion presents a major business opportunity.

The question is, how will these newer economies compete for resources, intellect and market presence with the more established and successful economies of Germany, France and the UK? There is a widely held view that resource allocation at the EU level will be

able to address this fundamental question over time. There are others who feel that such planned reallocation from Brussels will actually harm the new EU block as a whole. The answer surely does not lie in handouts from Brussels.

Personally, I feel strongly about this. I believe the single most distinguishing factor that will enable the new member states to compete successfully with the West will be quality: quality of people; quality of technology; quality of manufacturing and above all quality of services. At least these new countries need to give themselves a chance at succeeding.

Brussels needn't spend artificially propping up these new markets. What it needs to do is to educate the newer states. The new playing ground globally is shifting to refined, service-based economies. As such, all the traditional focus was how to refine production, engineering, manufacturing and distribution.

Globally, we spent billions on figuring out how to make the whole supply-side, in-side and demand-side of a business more efficient, better quality and how it could deliver better returns and margins. CFOs the world over were getting happier by the year. Suddenly, quality in manufactured goods was a given. Whether you bought a VW-Skoda, or a VW-Seat, you bought a distinct and defined level of quality.

The last 30 years has seen this gradual shift where quality of goods isn't even the last competitive ground by which companies live or die. It's actually just the price of entry to a market.

## EU FACT CHECK: FROM EU-15 TO EU-25

- Enlargement almost doubles the number of official EU languages from 11 to 20.
- Enlargement will increase the population of the EU by 20 percent and the land mass by 25 percent.
- Enlargement will add 75 million new consumers.
- In 2002, growth rates for the accession countries were higher than the EU average of one percent.
- The 10 accession countries do two-thirds of their trade with the EU-15 already.

Source: "The business implications of EU Enlargement", Accenture & The EIU, July 2003

## THE EU ENLARGEMENT SURVEY'S KEY FINDINGS

- Ninety-one percent of the international business community surveyed favour EU enlargement.
- Economic growth is expected to become more robust in the new accession countries.
- Companies face strategic choices about how to position themselves in bigger and potentially more competitive EU market.
- The nature of foreign direct investment will change in the post-accession EU. Merger and acquisition, partnership and outsourcing activities are expected to increase.
- Winning industries will be: tourism, telecommunications, technology (IT-infrastructure), consumer goods (retail and manufacturing), and transportation.



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Companies need quality to survive. It's no longer a luxury, it's an essential to win business.

Now, we all agree on this – except of course, when you swap manufacturing-based economies for a more distinct services-based model of the economy, this all falls apart.

### DELIVERING QUALITY

The way in which service-based organisations have measured and delivered quality is by attempting to measure the intangibles. Companies globally spend billions annually on periodic market research, surveys and secret shopper style programmes. At best, these merely provide the management with periodic snap-shots and some longer-term trends, whereas traditional manufacturing has spent billions on product quality through a variety of initiatives like ISO 9000 and Six Sigma.

Younger, aggressive and ambitious countries don't have the time, inclination or the wherewithal to attempt these and many other management 'fads' in their rapidly advancing service-based economies.

What an expanded EU will need is for these new countries to do something quickly, cheaply, easily and afford not to fail. Technology is one answer that has actually caught up at last with the service-based economies. These new technologies are the right answer for these new economies. Real-time computing is all about the real-time enterprise. The term can be misleading. But what executives will need to get on a level playing field with Western nations, is to feel the 'pulse' of their businesses as a whole and then to react even more rapidly.

Very few talented managers exist anywhere who can feel this pulse today, let alone manage accordingly by taking this 'snapshot' holistic view of their business and then allocating resources effectively, making decisions in that very same real-time frame.

### THE SOLUTION

As I mentioned briefly in the beginning, the one answer that seems to be catching on is EBM. Only the most forward thinking and visionary companies in the West have begun to take tentative steps in this direction. This approach is still refreshingly new and those that have tried it are addicted to its simplicity and results-driven nature.

EBM would be perfect for the newest EU members. It's a low-risk investment with immediate returns. In most cases we are talking weeks. So what exactly is EBM?

EBM allows any two or more groups of the company's stakeholders to performance manage one another in a quantifiable quality-based improvement framework. In simple terms, a

company's major stakeholder tends to be the employees, management, customers, investors, resellers, alliance partners, regulators, distributors, outsourcers and its suppliers.

If you could, in an instant, find out what the perceptions of any one of these stakeholders were about your company, and who within your company was responsible for impacting a real improvement in that perception, then we are getting to an experience-based company.

Likewise, if you could not only ascertain what parts of your business were great, OK, or absolute rubbish, but also: how you would improve the quality of these real and perceived impressions, then you would have a real-time EBM company.

The newly expanded EU will need to rely on extremely simple approaches, such as this. The pragmatists among us will want to make sure that these new approaches work well and are predictable. A low-risk approach is needed.

By embedding EBM into businesses, the new members of the EU will inherently be embedding quality improvement in to the fabric of their organisations and people. Those early adopters in the West that have begun this journey have realised huge returns. Companies such as Westjet Airlines, NTL, BT, Fairmont Hotel & Resorts, Sportchek, B&Q and others have seen a significant improvement in their products and services, as well as their systems and processes. Above all, EBM hits the money immediately. Early signs are that EBIT, ROCE, cost of failure and Churn rates are all positively impacted within the first quarter.

So looking ahead at the future and the research being done already, it appears pretty obvious that the expanding EU market will have to improve its overall levels of productivity and quality.

If I were in one of the new EU countries today, I'd actually be smiling inside. I would have the opportunity to create some real headaches for my competitors in the West, in a very short space of time, without legacy to worry about.

Experience after all, seems to be everything at last. Are the companies out there listening? ■

ResponseTek Networks Corp. has created groundbreaking software solutions that are changing the way companies interact with their customers and employees, with their suppliers and distributors and even with their investors and outsourcers.

ResponseTek, headquartered in Vancouver, Canada, was created after years of consulting to Fortune 500 companies.

Aware that there was a significant divide between those in leadership positions and the front lines of the organisation, ResponseTek sought to connect senior management and the customers and employees affected by their decisions.