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Conference review: The Challenge of New Realities - Leading Profitable Growth

By Jay Chatzkel, Progressive Practices
Email: jchatzkel@progressivepractices.com

The 1996 International Strategic Management Conference, sponsored by the Strategic Leadership Forum, drew a broad spectrum of strategic thinkers to Atlanta, Georgia, last spring, to share their understandings of the strategic issues framing "the new realities", especially the challenge of leading profitable growth. In providing attendees with an update of the conditions and practices needed to cope successfully in transitioning times, the conference implicated the significant role that quality management can continue to play in a globally networked economy and society.

Third Wave Strategies

Noted futurist, Alvin Toffler, described a knowledge-based, "Third Wave" reality, where the intangible asset, knowledge, will be the defining factor of production. While elements of the preceding agricultural and industrial waves continue to exist, it is the emerging knowledge wave, Toffler explained, that is changing the nature of world society and all of its relationships. Using knowledge leads to a "demassifying" of all means of production and living. Uniform mass production will no longer predominate. Customization, niche items, and multiple ways of communication will lead not only to new products but also to new ways of producing them.

To succeed in the knowledge wave change, organizations must develop what Toffler called a "third wave strategy" based on demassification and diversification. One major shift in this era of rapid change will be that people at the top of organizational hierarchies can no longer have an adequate working knowledge of what is going on throughout their organizations. They must depend on networks of empowered teams to take appropriate actions. Labor will no longer be an interchangeable commodity. Instead, organizational wealth will be based on the internal knowledge of its employees. According to Toffler, the strategic insight is discovering how "this all fits together". To succeed, organizations must redesign themselves to ensure that they take into account all key sets of connections when creating products and services.

Integrating Global Supply Chains

Another key speaker, Fred Steingraber, chairman and CEO of the AT Kearney consulting firm, focused on how global trading is creating the need for integrated supply chains linked throughout the world. World trade, Steingraber told his audience, has gone up 200 per cent while world demand has risen only 50 per cent. The response is to develop a global supply chain and a global focus taking into account local considerations and flavors. A global supply chain is an interlinked network of collaborating suppliers/processors. Steingraber illustrated the inefficiencies of a non-linked system with an example of a product that travels 250,000 miles before it reaches its final customer. The global supply chain is held together by global knowledge workers. Steingraber emphasized that just because an organization operates internationally does not mean that it does so very well. "The best organizations not only operate globally but do so with a dynamic alignment. Over the next decades, Steingraber predicted, an integrated supply chain will be what separates successful global organizations from the unsuccessful.

Emerging East Asia

Yet another keynote speaker, John Naisbett, author of *Global Paradox* and *Megatrends Asia*, addressed the reality of continual global realignment. Naisbett made a strong case for East Asia emerging as the dominant global economic power over the next two decades. Naisbett discussed a number of factors implicated in this shift. One factor is entrepreneurship. According to Naisbett, only two places in the world currently foster entrepreneurship: Asia and the USA. A second factor is a reverse brain drain; Asia is seen as having more promising prospects than the rest of the world. Other factors include Asia's very young population and its very sophisticated urban centers. A final factor is the phenomenon of the "Easternization of the West"; that is, Asia is using Western processes but in an Eastern framework. The implications of this shift in locus of economic power are massive. North American and European organizations, Naisbett said, will need to realign internally and externally, partnering with the newly emerging Asian areas to be significant players in the world economy.

How Can Organizations Compete In The New Reality?

How can organizations compete? Two conference sessions illustrated that enormous organizational improvements are being made.

One of the sessions examined successful customer-supplier alliances by showing how the parties of alliance can rework themselves to become world competitive. Leading the discussion was Jordan Lewis, author of *The Connected Corporation: How Leading Firms Win through Customer Supplier Relationships*. Joining him were Thomas Stallkamp, vice-president of procurement and supply, and large car operations for Chrysler; and Donald Walker, president and CEO of Magna, Inc, a major supplier to the auto industry. Together they described the customer-supplier alliance Chrysler has put in place with suppliers like Magna. These alliances have allowed Chrysler to move to cross-functional teams that interact and produce a whole vehicle. The first step for Chrysler, Stallkamp

said, was "deciding what business it was in". Chrysler could not have developed new products without then re-engineering internally and extending those changes to include external suppliers. Chrysler needed to ally with its suppliers to carry off just-in-time (JIT) processes. According to Stallkamp, Chrysler's JIT activity concentrates on pulling together core elements, with development of trust among all parties playing a crucial role. In this process Chrysler moved from being a "command and control" organization to one which is building its future based on mutually beneficial relationships. Both Chrysler and its suppliers, Stallkamp said, see their alliance as a shared relationship based on shared goals and objectives.

Walker spoke from the supplier side of the alliance. Magna, he said, is structured to react quickly. It has integrated total quality management into its mindset as well as into the parts produced. It has organized itself to meet a goal of becoming a boundaryless organization, able to bring its products to market faster, with lower warranty costs. This has meant a shift from being driven by sales goals to being customer and program management focused. The measurements now driving Magna are purchasing data geared to meet the customer's technical requirements, using quality, cost and weight targeting.

While this alliance has been extremely successful, it epitomizes the challenge as well. As Walker put it: "It is more difficult to work in somebody else's company than in your own." Nevertheless, this reworking of all relationships and processes is indicative of the changes successful organizations will be making as they move into the twenty-first century.

A session entitled "Design for collaboration" complemented the alliance discussion. In it, Michael Schrage, author of *No More Teams*, stressed that leaders need to provide for successful outcomes by refraining their organizations for collaboration. Schrage defined collaboration very specifically as "44creating value in our interactive relationships". Schrage advocated shifting from emphasis on creative individuals to a network of interdependent creative relationships and redesigning organizational environments so ,that will happen.

Implications for Quality

How can quality professionals and their organizations leverage their organizations for success? As seen by the transformation of work at Chrysler, quality management can be a catalyst for the new organization. Quality management will add value by supporting the building of relationships and practices that allow organizational networks to navigate in the uncharted waters of the new realities.

For further information, contact:

Jay Chatzkel is Principal, Progressive Practices, 8004 Trevor Place, Vienna, VA22182, USA. Tel: (1) 703 556 4255; Fax: (1) 703 790 0071; E-mail: jchatzkel@progressivepractices.com

