

# Executive **EDGE**

## THINK SMALL

During the past decade large corporations have been looking for ways to exploit their size and power while rekindling the entrepreneurial spirit that made them successful. Companies have downsized to cut costs and improve productivity and have reorganized monolithic corporate structures by creating smaller operational units focused on product lines or discrete businesses. But the critical issue for big businesses has been finding ways to recapture the allegiance and commitment characteristic of the best small businesses.

Building a small-business atmosphere has been key to the global strategy of Percy

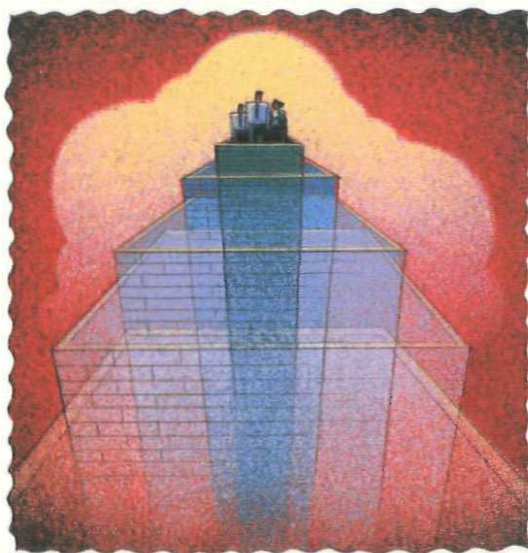
Barnevik, chief executive officer of ABB Asea Brown Boveri (Holdings) Ltd., Zurich. Barnevik has broken ABB down into 5,000 autonomous, accountable profit centers.

Managers of these scaled-down operations have a better feel for their customers' needs than do higher-level managers in traditional organizations. For instance, as an alternative to discontinuing a line of power plant components that were losing money because of low-cost competition from Poland, ABB decided to delegate responsibility to a 35-year-old executive more familiar with the market than top managers. The new manager saw that ABB

could recapture much of the market by exploiting its ability to make faster deliveries.

Barnevik believes that success breeds success. To encourage managers corporation-wide to embrace new management and production strategies, he concentrates on bringing one factory to optimal efficiency and showing managers from other plants how it works.

Instead of developing complex business strategies, Barnevik favors keeping lines of communication open between and within ABB units so that people throughout the corporation can keep attuned to what works and what does not. Profit-center chiefs regularly share operating performance data with middle managers, who



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share that information with ABB employees throughout the world.

Barnevik is also experimenting in Swedish factories with the creation of autonomous work teams without formal supervision. Workers will rotate jobs within groups to foster flexibility and promote

continuous learning. They will also be encouraged to constantly look for ways to redesign work processes for improved efficiency.

*From Richard A. Melcher, "How Goliaths Can Act Like Davids"; and Gail E. Schares, "Percy Barnevik's Global Crusade," Business Week/Enterprise, 1993, pp. 192-211, 218-219.*

## RIGHT-SIZING TECHNOLOGY

Recent technological breakthroughs have benefited both large and small companies, allowing them to retain the advantages of their size while overcoming some of the limitations.

For small companies one of the key developments has been improved access to information. With computer data bases a keystroke away, they have a vast store of economic, demographic, and financial information at their disposal. For instance, cheap, powerful personal computers connect Terrence B. Magrath and Kathleen Busboom Magrath directly to Wall Street, enabling them to manage more than \$500 million in investments for such clients as 3M and the California Public Retirement System. And cellular technology gives them the chance to leave the office without risk. While on a yachting vacation in Canada this summer, they moni-

tored the investments they managed, as they sailed along the shore of Cape Breton Island.

For small businesses, then, the key advantage of new technologies is that they can do more with less. For big corporations, on the other hand, improved information technology can help cut through cumbersome scheduling and inventory transfer processes. At Consolidated Rail Corporation, for instance, an outmoded system for handling documents often left conductors unsure whether their trains were running with the right cars and forced some customers to employ people to find out where Consolidated had their cargo. Installation of an electronic message system helped the company increase predictability, cut costs, and improve customer relations.

But technological advantages can be missed, and technology can be misused or overused. In

the 1980s General Motors found that overreliance on technology was reducing its flexibility, making it slow to respond to changes in the marketplace. Small manufacturers, on the other hand, often hesitate to use new technologies that would quickly improve their bottom lines.

However, the indications are that both big businesses and small businesses are becoming more adept at using technology appropriately. Smaller companies have dramatically increased their purchase of items such as computers, Fax machines, and cellular telephones, giving them critically needed access to customers and suppliers. Meanwhile, larger companies have learned that "low-tech" approaches to bringing people together, such as locating team members working on a critical project at one site, work much better than using devices such as speaker phones and e-mail to connect them.

*From Peter Coy, "Start with Some High-Tech Magic . . ." Business Week/Enterprise 1993, pp. 24-32.*