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Management as a Balancing Act

MANUFACTURERS ALLIANCE/MAPI promotes the technological and economic progress of the United States through studies and seminars on changing economic, legal, and regulatory conditions affecting industry.

Management as a Balancing Act

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Management as a Balancing Act

Art of Management Involves Continually Adjusting the Balance Between Opposing Forces To Ensure That the Organization Thrives in the Changing Environment

Management is as much art as science. Although certain principles have been found to be widely useful, they tend to be extremely general and, taken together, often contradictory. More important, they offer only vague guidance to managers facing concrete problems. Nevertheless, it is extremely helpful for managers to keep them constantly in mind because only a small part of successful management involves making actual decisions. The most successful managers create an organization within which decisions can be safely delegated to those with the most information about the problem. Such an organization must successfully balance a number of conflicting goals. Creating it is more a matter of subjective feel than objective rote and the best lessons can serve only as guidance rather than instruction.

Routine management necessarily entails making firm decisions in specific cases; hire this executive, fund that product development effort, sell company A, and enter into a partnership with company B. But a manager can make only a small fraction of the decisions needed within the areas for which he has responsibility. Inspired management tries to create an organizational structure that produces correct and timely decisions by the individuals with the best knowledge of all the relevant information. In a variety of direct and indirect ways, managers influence the institutional structure within which their subordinates operate. The appropriateness of this structure plays a large role in the decisions these individuals make. The importance of this organizational shaping increases with the seniority of the executive.

Proper management in this sense always requires a careful balancing of opposing forces. This report briefly discusses four unavoidable conflicts that every organization must deal with: (1) flexibility verses stability, (2) centralization versus decentralization, (3) complexity versus simplicity, and (4) the short-term verses the long-term. The goal is to find the right balance between each extreme. The precise nature of this balance will differ not only between industries, it will differ between companies within the same industry. It also is likely to differ between different divisions or groups within a company and is almost certain to change over time. Finally, the correct balance will depend on the environment surrounding the company and on its goals. Careful managers must constantly be aware of how their organizations make these tradeoffs and reevaluate them from time to time.

Flexibility Versus Stability

The first tradeoff requires the manager to find the right balance between organizational flexibility and stability. In a recent paper, economist Lester Thurow points out that no society that values order above all else will be creative, but without some order creativity disappears.[1] Management consultant Tom Peters describes the need to foster stability within the organization in order to encourage its constant adaptation to external change as a central paradox of management.[2]

Stability is needed in order to coordinate the activity of thousands of employees as well as of suppliers and customers. However, since the environment surrounding the corporation is constantly changing, the corporation also must change with it in order to continue providing value. Although each has important benefits, both flexibility and stability also impose large costs on an organization.

A number of commentators have remarked on the accelerating pace of change; not only is the world changing, the rate of change is also increasing.[3] Technology is usually mentioned as one of the chief drivers of this change. These conclusions should be taken with a grain of salt, however. The world has always changed. Today's changes, while challenging, are not necessarily more significant than the automobile, electrification, or the telephone. The *Economist* magazine points out that, if one measures the time it takes for a technology to

[1] "Building Wealth," *Atlantic Monthly* June 1999, p. 63.

[2] Tom Peters, *Thriving on Chaos; Handbook for a Management Revolution*, 1987, p. 478.

[3] James Gleick, *Faster: The Acceleration of Just About Everything*, 1999

become widely diffused, today's experience does not seem unusual.[4] Rather, today's changes fit into a long line of intermittent innovation that has lasted for over 150 years and is likely to last far longer, provided that the broader structure of society remains intact.

With all of the focus on change, it is worth reviewing the benefits of stability:

- The firm is an organization consisting of individuals. The main challenge of management is to coordinate the efforts of individuals both within and outside the firm so that they achieve common objectives. Coordination necessarily requires stability so that individuals can form common expectations about the future. To take an obvious example, workers must know where to report for work each day.
- Routinization also lowers the cost of coordination. If there is one procedure for submitting invoices and processing them, communicating and following it is likely to be relatively easy. In many cases the cost to change this procedure in terms of uncertainty and miscommunication will be greater than any theoretical benefits from having a more efficient process.
- Individuals have a psychological need for some degree of stability in their lives. Individuals often form a degree of psychological attachment to the familiar. Too much change can cause cognitive dissonance if workers are no longer able to function effectively because the perceptual models they have formed to help them interpret the world no longer work. These perceptual models have a great deal of staying power. As a result, workers are often unable to recognize when external conditions have rendered their models obsolete. A large number of workers are simply unable to adapt to sudden change. In addition, the threat of change often leads to suboptimal performance.[5]
- Many of the reinvention efforts earlier in this decade failed because they attempted too much change too fast, without respecting the limitations imposed by the corporate culture. Even the threat of change can reduce productivity as workers spend more time worrying about their job security than contributing to the future of the organization.
- A large part of any company's value lies in its reputation or goodwill. Even companies that advertise their ability to adapt want their suppliers and customers to view them as stable business partners. Organizational and managerial stability is needed to assure business partners that present performance will continue into the future without interruption, that key employees are likely to remain, and that deals will be honored not just in form but in substance. Even when change is desired, it cannot be allowed to threaten certain constants such as the company's commitment to quality or customer service.

Successful companies must maintain a stable structure within which different parts of the organization can orient themselves. This structure allows both internal and external communication and coordination to continue irrespective of what is happening in different parts of the organization.

Still, change is inevitable. Within any company, people leave and must be replaced. More important, the corporation's fundamental goal is to make a profit.[6] It does this by adding value to the environment around it. Since the environment continually changes, it seems unlikely that any company remaining static can continue to create value for very long. In especially competitive environments, the pressure to respond rapidly to external events is increased by the threat that other companies will do so first.

Companies that cultivate the ability to change rapidly can gain several potential advantages:

- Any change imposes transition costs. These can include set-up times, moving costs, severance packages, and learning curves. Flexible companies with fewer fixed obligations can minimize these costs, thus maximizing the gain from switching to new technologies, markets, or locations.
- Companies that adapt easily can more quickly meet the needs of changing markets, take advantage of changing technology, or respond to changes in input costs. Since profit margins are often highest early on in the product lifecycle, the ability to get to market first can boost stock prices. Similarly the ability to take advantage of changes in the relative price of different inputs can lower manufacturing cost and give the firm a price advantage against rivals.

[4] "Survey of the 20th Century," *Economist*, September 11, 1999, p. 41.

[5] Peter Drucker lists three conditions for the worker's psychological readiness for change. The change must seem rational. It must seem like an improvement. Finally, it must not be so rapid nor so great as to threaten the psychological landmarks that guide him. *The Practice of Management*, 1954, p. 269.

[6] Eliyahu M. Goldratt, *The Goal: A Process of Ongoing Improvement*, 2d ed., 1992.

- On a deeper level, the ability to adapt can increase a firm's viability. From time to time, external changes can force dramatic shifts in how a company normally does business. Organizations that are able to absorb these shifts and respond appropriately with a minimum of adjustment time and cost are more likely to survive. Organizations that cannot may lose their viability.
- A reputation for innovation and openness can also serve as a competitive asset, especially in highly technical industries. Companies known for being on the leading edge often have an easier time attracting and keeping skilled employees and suppliers.
- Frequent changes, even on a small scale, expose a company to new ideas and procedures. If the company's internal structure succeeds in selecting and propagating the best of these, it can increase its efficiency and competitiveness. Two separate skills are involved. The first is the ability to generate or discover new ideas. The second is the ability to adapt the internal structure to make use of them. Companies often lack the ability to capitalize on internal innovations, often because the inertial effect of the existing organization prevents them from developing the business procedures that must accompany the implementation of any new idea.

Stability and change must exist simultaneously within any dynamic organization. Both have their own costs and benefits. A good manager must find the right balance for each part of the organization within his area of responsibility. While it is often accepted that change has become more important in today's economy, it is just as likely that corporations will succeed by providing islands of reliable stability in an increasingly uncertain world. What is important is not change for its own sake, but the ability to change when and as needed. This, in turn, implies some form of direction.

Centralization Versus Decentralization

Since the fall of the Soviet Union, and the contrasting revival of the U.S. economy, centralized planning has been discredited as a tool for managing national economies. Instead, market forces, with their ability to use price signals to coordinate economic behavior, have emerged as the only viable alternative. The ascendancy of open economies is always subject to political forces and social stability. But it is unlikely that any alternative to free and open economies will ever deliver better improvements in welfare for a larger number of people.

It is perhaps ironic that the dominant form of organization within such economies is the firm, which relies on a much greater degree of centralized control and substitutes contractual relations for market forces to regulate economic transactions within its borders. Unlike the broader economy, firms have a boss who possesses the ability to make final decisions over many areas. With few exceptions, goods are not sold from one part of the production chain to another. And most employees show up to work every day knowing what they are expected to do and what they will be paid, irrespective of any changes in the price of the firm's inputs and goods.

The traditional explanation for the existence of firms is that they are needed to overcome transaction costs.[7] By routinizing certain procedures, companies can eliminate many of the costs traditionally associated with market transactions, such as, the time needed to coordinate activities and negotiate new agreements, the uncertainty of dealing with unknown parties, and the effort needed to search out the best products at the best prices. A related explanation is that firms can achieve greater efficiencies of scale by developing networks, investing in specialized skills, and spreading fixed costs over a larger volume of business.

Corporate size is limited, however, by certain offsetting costs that come with greater centralization. These costs eventually doomed centralized planning at the national level. Hierarchies of any kind imply rigidities that prevent the organization from responding quickly to external changes. These rigidities tend to increase over time as different parts of the organization develop entrenched standard operating procedures that slowly become separated from the rationales that originally led to their creation. Each of these procedures may make sense individually, but collectively they can be inconsistent and counterproductive.[8] The costs of bureaucracy can slowly rise even as the benefits of managerial control decline.

The people that make up an organization often have interests that diverge from those of the firm as a whole. Over time the rise of factions and interest groups, often split by function, can use the power of the organization to act in their own interests rather than those of the organization as a whole. Individual

[7] Ronald H. Coase, "The Nature of the Firm," *Economica*, November 1937, pp. 386-405.

[8] Tom Peters and Nancy Austin, *A Passion for Excellence: The Leadership Difference*, 1985, pp. 286-294.

workers are likely to find that their personal well being depends at least as much on internal relationships within the firm as on the firm's external competitiveness. Even when a divergence of interests does not arise, too many divisions within an organization can impede the flow of information, causing some parts of the firm to work at cross-purposes.

In fact, deciding how much authority to delegate basically involves a tradeoff between the agency problem and the possibility of acting on greater information. Since the interests of the principal (firm) and the agent (employee) do not match, any delegated authority may be misused to pursue interests that benefit the employee, but are tangential to or even frustrate corporate goals. On the other hand, since lower level employees are closer to the external environment, they often possess information that, for one reason or another, cannot be effectively communicated to management. The only way to take advantage of this information is to delegate the decision to those possessing the knowledge.

The emergence of large manufacturing companies followed the spread of the assembly line. With the move away from craftsmanship toward mass production, labor became more of a commodity and routinization began to substitute for management science. Efficiency and management expert Fredrick Taylor led an effort to break production into its constituent parts and reassemble them in the most efficient manner. The rise of the Organization Man assumed a structure in which information flowed upward from one management level to another. Managers on each level gathered this information, analyzed it, made the decisions appropriate to their level, and then communicated these decisions to those below them. This model promised several advantages:

- It ensured consistency. Each manager could hope to ensure consistency within the area of his authority by communicating a common decision.
- Because they collected information from all of the employees under them, managers could base their decisions on more information than could any lower level employee. They could also ensure that any decision took into account the interests of the entire organization and anticipate problems caused by the effect of decisions taken in one part of the organization on other parts. Information was communicated within the firm by traveling up and down management levels.
- Centralized control allowed managers to override the tendency of different workers or groups to take actions in their own interest rather than in the interest of the corporation. Workers who could not make decisions could not abuse their authority to further their own ends. Unfortunately, this limited the firm's ability to take advantage of the knowledge specific to the worker. It also had a negative effect on worker motivation and effort.
- Finally, most corporations have found that dramatic change cannot come without direct support from the highest levels of the organization. Only centralized support for a major initiative can ensure that it succeeds against the inertial and factional interests that normally impede major change. For this reason alone, a certain amount of leadership will always be vital to maintaining competitiveness.

But, of course, centralization also imposes costs. Economist Fredrich Hayek predicted that centralized economies would ultimately fail because they were incapable of taking advantage of all of the information available to individual people. The processing capacity of managers is necessarily limited. They can review only limited amounts of data. Workers on the shop floor and at the counter are often aware of valuable information that, if properly utilized, could dramatically improve performance. While in theory this information could be transmitted through the hierarchy, in practice corporations usually do a poor job of processing information, especially when it is forward looking or questions standard assumptions.

Centralization also usually means that only one alternative can be tried. Yet in dynamic situations systems that generate a number of approaches and then select those that work the best usually outperform those that bet everything on just one approach. Each worker is likely to face a unique situation, and each customer may demand a unique treatment. Decentralization allows each worker or unit to tailor its response to the specific situation facing it.[9]

A major problem in allowing this type of decentralization lies in the inability of managers to verify that workers are truly acting in the company's best interests rather than their own. Since

[9] Peter Drucker has distinguished two forms of decentralization, federal and functional. Federal decentralization organizes activities into their own businesses with profit-and-loss responsibility. Where this type of delegation is not possible, functional decentralization establishes integrated units that should be given maximum responsibility for turning out as complete a product or service as possible. See, *The Practice of Management*, 1954, Chapter 17, which discusses in some detail general principles for successful decentralization. See also, Tom Peters, *Thriving on Chaos, op. cit.*, pp. 608-17.

the interests of individual workers can diverge from those of their employer, any degree of freedom carries with it the risk of self-promotion of the unit at the expense of the group. Employers can minimize this by stressing integrity and loyalty in their employment decisions. A related problem is that each unit acting on its own may take actions that impose costs on other parts of the firm. In many cases, the decision can impose net costs on the company even though it benefits one part. Few efforts at broad decentralization have succeeded without active efforts to align individual and group incentives with those of the company as a whole. This, in turn, makes the selection of compensation schemes and metrics extremely important. What gets measured gets rewarded and what gets rewarded gets done, often at the expense of more important goals. Just as important, decentralization also must ensure that workers have all of the authority and information needed to perform a distinct stage in the work process.

A third problem is that decentralized groups may lack information available to others within the firm. In this case, even if incentives are perfectly aligned, a lack of communication may prevent the best decision from being made. This problem is likely to increase as the corporation grows in size and complexity. In fact, in extremely complex organizations, it may become almost impossible to trace how a decision in one part of the company will affect others. In the past, the managerial hierarchy served as the only effective means of communication between distant parts of an organization. Increasingly, multi-functional teams consisting of lower level employees are used to communicate information and coordinate action.

The rise of the Internet opens up the possibility of shifting the appropriate barrier between centralization and local autonomy. It allows companies to place information in a centralized place physically accessible to everyone. It also makes it easier for different parts of the organization to communicate and collaborate with each other on decisions that affect them all. If managed properly, this increase of power at the local levels can replace management and allow the company to adopt a more horizontal structure.

Companies with too much centralization can always substitute market forces for internal decisions. The increased outsourcing of many functions and the spinoff of units into separate companies reflect decisions that the costs of internal management were greater than its benefits. At the same time, many industries are in the midst of a historic merger wave, demonstrating the belief that, in at least some areas, efficiencies can still be achieved by bringing previously separate organizations under common control.

Complexity Versus Simplicity

By most measures, the world is becoming a much more complicated place. Although the second law of thermodynamics states that everything has a tendency toward greater disorder, today's complexity is actually an increase in structured diversity. True, we see the merger of previously separate industries in finance, telecommunications, and energy. In addition, Western values, culture, and products are spreading to other regions. Yet, today's competitive environment is becoming increasingly complex as markets become more varied, more challenging, and more diverse than ever before.

Complexity is more than just a function of size. Economist Herbert Simon argued that in order to be comprehensible, large hierarchies must be nearly decomposable. In a nearly decomposable system, the short-run behavior of any one part of the system is largely independent of what is happening in other parts. An observer can then gain an understanding of the whole hierarchy by studying each of its parts. However, when the interrelationships between different parts of the system become more important, it becomes increasingly difficult to understand the system.[10] This may explain why many companies have broken down functional barriers to rearrange work around multifunctional teams responsible for specific projects.

Several trends are pushing this transformation. First, the competition for markets has intensified as more foreign and domestic companies battle for each of the major global markets. This competition is pushed by the growing amount of internationally mobile capital seeking the highest returns available. Increased shareholder activism also has made it extremely difficult for company managers to rest content with their current performance.

Second, technology has dramatically changed the most efficient methods of doing business and the range of products that can be offered. As technology continues to advance, especially in the computer industry, companies will face constant pressure to imbed it into new products.

Third, the continued growth of what can be called an effective middle class presents a wider but also a more demanding customer base. Far more people now have incomes high enough to devote a

[10] Herbert A. Simon, *The Sciences of the Artificial*, 2nd ed., 1981, Chapter 7.

significant percentage to what previous generations would have viewed as discretionary or even luxury spending. These customers are rapidly becoming more discriminating in their purchases. In an atmosphere of low inflation, they are extremely reluctant to pay for high margins on any but the best products.

As the environment has become more complex, companies have had to either match its complexity or narrow their scope to concentrate on a smaller portion of the market. There is room for both approaches.[11] Increasingly diverse markets offer more opportunities for niche players specializing in a small market segment with unique needs. The implementation of lean manufacturing and supply chain management aids this by allowing efficient production at lower volumes. On the other hand, many companies have concentrated on growth by offering a broader range of goods and services centered on their core competence. Leveraging existing assets is not always easy, however. Management must increasingly tailor its products to the individual customer according to geography, culture, income, and tastes, or lose out to companies that do. One manifestation of these trends has been the elimination of the traditional company hierarchy ruled by standard operating procedures. The demise of consistency in small things requires lower level units to respond to local events. But it presents the risk that management will lose control of the corporation's progress. Parts of the company may fail to take actions that benefit other divisions. Worse, they may take actions that harm the overall interest of the firm.

There also is a limit on the amount of complexity that humans can intelligently handle. Experiments show that the average human can only keep track of about eight items at once. Business strategists Gary Hamel and C.K. Prahalad maintain that the organizational unit can handle only two management initiatives at any one time.[12] Individuals rely on perceptual models to navigate the world around them. If these models change too fast or try to handle too much information, confusion can occur leading to an inability to act purposefully.

Simplicity has many benefits. The simplest structure that will do the job is the best one. In a simple business fewer things can go wrong. When something does go wrong it is easier to understand the problem and take remedial action. Communication is more difficult in complex organizations, creating the need for additional management, and making it more difficult to make timely decisions.[13] Simplicity allows workers to devote a larger portion of their effort to a limited number of goals, increasing the possibility of realizing them. It also increases psychological security. Simplicity also makes the workings of the corporation more visible not only to upper management but to other parts of the organization as well. This, in turn, permits greater coordination and better planning.

But simplicity must be of the right kind. Henry Ford created simplicity by offering only one model and color of car. In a new market this worked well. As the market matured, the failure to offer more types and styles of car led to a loss of market share. Tracking hundreds of financial or quality data can produce large reports that hide the falling tree in a forest of paper. Focusing on a few measurements clarifies management's attention and communicates to workers what is really important. For precisely this reason, the measures must be selected carefully. Stressing sales to the exclusion of all other items can encourage activity that increases sales at the expense of profits or strategic position.

Executives must find the correct tradeoff between complexity and simplicity in order to manage intelligently. Complex directions usually have less power because they are difficult to communicate and are open to several possible interpretations. A simple message, provided it is not inane, can have a strong influence in making sure that a corporation's efforts are consistent. However, in order to give the organization effective guidance within the complex world, the message must accurately reflect the key strategic imperatives that management wants workers to keep in mind.

Short-Term Versus Long-Term

Peter Drucker listed the balancing of present and long-run considerations as one of four central factors of modern management.[14] Pundits commonly complain about today's excessive focus on the short-term. Whether it is a lack of personal savings caused by excessive consumer debt, preoccupation with meeting quarterly earnings estimates, or a lack of investment in basic research, there is a widespread perception that long-term performance is jeopardized by the fact that too many people focus on meeting short-term objectives. On the other hand, John Naisbitt identified the increased

[11] Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, 1980, Chaper 2.

[12] *Competing for the Future*, 1996, p.177

[13] Peter Drucker, *Management: Tasks, Responsibilities, Practices*, 1973, pp. 601-02, 679.

[14] *The Practice of Management, op. cit.*, pp. 14-16.

importance of long-term planning as one of his ten megatrends influencing society.[15]

At first this complaint looks confusing. Short-term objectives need not conflict with longer time horizons. Once compound interest is factored in, it becomes clear that a company that always maximizes its performance in the short-term must necessarily maximize its long-term performance as well. Indeed, the complaint against meeting short-term goals is often used as an excuse to avoid measuring actual performance against any standard. Falling short in the short-term is seldom a prelude to long-term success.

If a company's value was accurately measured, it is hard to think of ways in which a company could improve its long-term value without simultaneously increasing its immediate net worth. If certain actions would increase short-term value by even more, it is probably in the company's best long-term interest to pursue these alternatives first and delay longer-term plans.

However, accounting methods and market judgements are often imprecise. As a result, it is often easy to increase short-term results by spending down capital. This indeed, may increase profits even as it reduces the company's true value. It also may be difficult for a company to convince shareholders that investments made today will truly pay off in the future. Conversely, certain expenditures may decrease a company's book value even though they increase its long-term profitability because the benefits do not appear for several years.

From a management view, the tradeoff between different time horizons is more basic. Managers have a limited ability to process information in an effective manner. To begin with, no matter how much technology advances, there will still be only 24 hours in a day. In order to make timely decisions, managers must keep up with the pace of the world around them. This necessarily limits the amount of information they will be able to gather before a decision must be made. Second, the ability to gather information does not imply the ability to make intelligent use of it. Managers must sift through data to select the most relevant facts and fit them together into a broader view of the problem before them. Finally, problems seldom arrive one at a time. Usually the manager is faced with several problems to prioritize, giving lower priority issues less time than they might otherwise deserve.

As a general rule, managers should focus on solving longer-term problems, while leaving short-term implementation to their subordinates. In a dynamic world nothing can be optimized. Managers must always choose between improving current performance or concentrating on the problems ahead. Just as a driver looks some distance in front of a car in order to drive it, managers often must give up control of what is happening today and instead focus on setting the direction for the next several years. If the corporation is intelligently pursuing a long-term strategy, it must be set and guided by top management. Careful planning does not ensure that managers will set the proper direction or that intervening events will not make a wise strategy obsolete. Even a well-organized firm cannot succeed for long without someone at the top saying: "This is who we are, this is what we do, these are our core strengths, and this is where we want to be in five (or 10, or 20) years."

Most companies have a formal procedure for developing a five-or ten-year strategy with annual updates. Many management writers urge executives to concentrate less on what their company is and more on what it must become in order to remain competitive. Although the prescriptions they offer are often vague and conflict with each other, it is usually productive for company leaders to devote a significant portion of their time to understanding the dynamic forces within their industry and plotting a strategy for responding to them.

When done properly, strategic planning fuses the short-term and the long-term into a consistent story that is compelling to both workers and shareholders. Corporate leaders must articulate a consensus view of how markets will change over the next decades and the ways in which the company will gather the capabilities to influence and take advantage of these trends. This common vision then leads to more specific plans for taking medium- and short-term actions in pursuit of this path. There is strong evidence that investors will purchase stock in companies whose primary opportunities are long-term once they are sold on the story. Boards that have not taken the time to develop such a vision are unlikely to deliver sufficient long-term profits to make up for short-term problems.

Conclusion

Ultimately, corporations are groups of people working with capital. Groups require coordination and, in order to accomplish much, this coordination must have a direction. Companies will always have to remain responsive to changing environments,

[15] John Naisbitt, *Megatrends: Ten New Directions Transforming Our Lives,* 1982, Chapter 4.

and in many cases this will require further decentralization of power and authority. But corporate direction can only be set and enforced by management at the top. In order for leaders to fulfill this role, information must flow freely and accurately up and down the company. Increasingly, it also must flow across the company and between different organizations in order to allow decentralized groups to coordinate their actions.

The degree to which all of this occurs depends heavily on the structure of the organization. Organizations with too many layers, rigid functional divisions, imprecise measures, and poorly thought out incentives are unlikely to provide managers with an accurate picture of how their corporation performs in the broader environment. At the same time, organizations must coordinate and direct the activities of hundreds and thousands of individuals in order to be successful. One of the most valuable things top executives can do, in addition to setting the long-range vision, is to shape the organizational structure of the corporation so that it is capable of responding intelligently to its environment. In order to do this, they must carefully weigh the balance between these interrelated dichotomies, recognizing that the proper balance is likely to vary depending upon the business unit, the market, and the time frame involved.

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The Manufacturers Alliance is a policy research organization whose some 450 member companies are drawn from the producers and users of capital goods and allied products. The Alliance includes leading companies in machinery and components, primary metals, automotive, pharmaceuticals, chemicals, oil and gas, electronics, precision instruments, telecommunications, computers, office systems, aerospace, and similar high-technology industries.

Acting as the national spokesperson for policies which stimulate technological advancement and economic growth for the benefit of U.S. industry and the public interest, the Manufacturers Alliance provides its member companies with timely, professional analyses of issues critical to the economic performance of the private sector. Annually, the Alliance's professional staff prepares over 75 reports on a wide variety of topics that are distributed to officials in the Alliance's member companies. This unique and valuable professional service is one of several distinguishing activities offered by the Manufacturers Alliance to the business community.

Another unique service available to the Alliance's member companies is the system of peer-discussion groups known as councils and an annual seminar series, the Conference on Business and Economic Policies. The papers and following discussions at the meetings of these councils and the annual seminar series frequently lead to improvements in business management practice.

The Manufacturers Alliance also performs a broad, educational function for the business community and public policy officials by sponsoring conferences that bring together representatives of government and the private sector to exchange information and discuss significant policy problems facing industry and the nation.

DESCRIPTION OF COUNCILS

Presidents Council—A peer group of presidents and chief executive officers of small- to medium-size industrial companies in seminar-like discussions on the special problems encountered as a chief executive officer in rapidly changing domestic and international markets.

Council on Engineering and Technology—A peer group of senior engineering executives which serves as a clearinghouse for state-of-the-art information and data affecting basic technologies and practices that further engineering excellence.

Environmental Management Councils I and II—Provide for the discussion of all aspects of environmental health and safety issues. Council members represent all disciplines involved in the environmental management process.

Financial Councils I, II, and III—Programs are devoted to the study and discussion of internal company financial problems. Emphasis is on policy and operating plans.

General Auditors Councils I, II, and III—Forums of top-level internal and operational auditors from major transnational enterprises engaged in manufacturing and/or related business services exploring all aspects of managing and conducting audit to ensure control, compliance, and cost-effectiveness.

General Managers Councils I and II—Promotes an interchange among a peer group of senior executives in industry—those whose task it is to plan, organize, direct, control, and coordinate the resources of the division (business) in accordance with corporate policies to achieve long-term profit and growth goals of the organization.

Global Business Management Council—A forum for the discussion of global operational and related support issues which are critical to companies' efforts to expand their businesses worldwide.

Government Contracts Council—A forum for discussion by experienced executives of common problems and opportunities in doing government business in the light of contract administration, legal, financial, marketing, and other considerations.

Human Resources Councils I and II—Seminars in industrial and personnel relations for the senior executive. Provides a forum for the discussion of operating problems and the exchange of information in this field.

Information Systems Management Council—Information systems executives explore information management as an element of strategy, productivity, and quality; the efficient delivery of data and telecommunications solutions to all areas of the enterprise; the safeguarding of data from damage or misuse; and all facets of ISM organization and administration.

Investor Relations Councils I, II, and III—Forums for information exchange by investor relations specialists, it concerns itself with all aspects of enterprise presence, performance, communications, and competition in the global markets for financial capital.

Law Councils I and II—Forums for the exchange of ideas and experiences among a group of senior corporate counsel who are involved both in providing legal advice and counsel to top corporate management and also in the operation and administration of corporate legal departments.

Logistics Council—Composed of senior individuals who are in charge of logistics, the Council examines all issues involved in coordinating the movement of goods, services, and information throughout the supply, production, and distribution chains.

Manufacturing Council—A forum for the exchange of experiences and consideration of the policy and operating problems of senior manufacturing executives.

Marketing Council—Provides a focal point for the study of industrial marketing (at home and abroad) through the interchange of case studies and experience among marketing and sales executives.

Product Liability and Product Safety Council—Covers a wide range of issues: how products are designed, manufactured, and serviced; how product risk is managed; how product responsibilities (contractual, no-fault, or fault-based) are administered in U.S. and global markets; and how disputes arising from alleged damages or injuries are anticipated and avoided or resolved.

Public Affairs Council—A forum for an interchange of ideas and experiences with the objective of improving the role of American business in public affairs. Subject matter includes relationships between business and all of the "publics" with which it interacts—government, shareholders, employees, customers, and the general public.

Purchasing Council—Concerned principally with the policy and operating problems involved in procurement at the senior executive level, with discussion of such related subjects as the organization of purchasing in a multinational corporation, supplier quality assurance programs, materials and energy shortages, evaluating purchasing performance, and cost reduction.

Council on Quality—A forum in which senior executives explore all aspects of quality requirements, including the quality process as a critical source of productivity improvement, management leadership, process/product excellence, employee participation, supplier involvement, and customer needs.

Risk Management Councils I and II—Forums for discussion of corporate risk and insurance management including: integrating the quality concept into risk management function; analyzing changes in the property and casualty insurance markets; developing effective product liability programs; administering global insurance programs; and controlling workers' compensation costs.

Strategic Planning and Development Council—A forum in which senior corporate planning executives can exchange views on all parts of their function.

Tax Councils I, II, and III—Forums for informal discussion by experienced tax executives of federal tax policy and operating problems of common concern to manufacturers in the industrial sector with special emphasis on capital recovery allowances, foreign earnings taxation, tax accounting problems, etc.

Conference on Business and Economic Policies—Now in its 53rd year, this Conference is designed to generate fuller understanding of the economic problems and opportunities in industry and the impact of public policy on industry. Many companies utilize the Conference series each year as an integral part of their training programs to broaden the knowledge and experience of their executives.

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