The Executive View and the Executive Reality

"He's the kind of person who believes his own press releases."
-- Manager in large US corporation about another manager.

In a recent *Economist* article (July 2001) on the globalization of airlines, I read about the difficulty large alliances and alliance-like global companies have in getting real bang for their increasingly larger bucks. While increasing their revenues and creating the appearance of a unified global presence seems to be doable (at least in telcos, airlines, banks and transportation), most seem to have difficulty in reducing their costs. There are many reasons for this: One is that it is easier to standardize logos and marketing material than the internal business processes. A second may be that we are really looking at network effects and nothing else. A third may be that the efficient scale of certain operations isn't global, even if the marketing of it is. For instance, while the marketing of branded consumer goods or electronics tends to be global, the production is frequently farmed out to many small OEM companies, which bid for production under a strict specification system. A fourth reason may be just delusional thinking: While some companies, such as Dell, have managed a global production (or, rather, assembly) line, most companies are more adept at creating the illusion of efficiencies rather than the reality.

Sometimes, these delusions extend to the executive suite. An IT manager in a *Fortune* 500 industrial firm told me this story about three years ago:

> I went to this conference given by a large ERP vendor. The presentation was very effective: It showed a series of tableaux, each depicting how the ERP system could automate and integrate the activities. The first tableau showed a salesperson, a woman in Spain who just got off the phone with a customer, having sold 500 mobile phones. She entered the sales terms into the ERP system. The next scene showed a logistics manager, who made decisions about stock levels and redistribution based on data from the ERP system. Then came a marketing manager tracking sales and planning campaigns, and then a finance manager monitoring liquidity. Lastly, a scene showing the board looking at business graphs.

> The whole thing was very nicely done, with large screen projections and convincing detail. I was very impressed. When I came back, I suggested to the IT management team that we should invite the ERP vendor in to give the presentation to the Executive Board, to show them what we were striving towards. The team quickly quashed that suggestion, telling me: "Don't you realize – *top management think it's that way already!*"

Top management in a global corporation cannot be expected to know the nitty gritty details of every instance of value creation in every corner of their corporate world. They need to rely on information from below, but while this may look streamlined and taut, the level of noise and inefficiencies in the system tends to get filtered out as it moves upward. This is particularly true in technology management: Here, we often find that executive understanding of how the technology works is shaped not from own experience with large, corporate-wide systems, but

from the executive's own creation of small spreadsheets on his or her portable computer. Global CIOs frequently find themselves representing the corporation's unity of technology to the outside – in a recent study of CIOs, we found that external presentation took a lot of their time. The challenge of managing global IT then becomes a tightrope walk between total belief in your own press releases and total alienation because someone will screw up the technology no matter how much you micro-manage.

I would very much like to toot the horn for complexity again – it is time we started to understand that some things are complex not because they are mismanaged, but because they are complex. Reducing complexity then becomes a question of deeply understanding the sources of complexity from below, rather than pushing a particular business model from the top. To do that, you need to understand how the business works at a detailed level. Let's start where it is simple: How many executives are customers of their own companies – not with free services or products available whenever they need them, by employees who know there are serving the boss, but as more or less anonymous customers having to face the wait for customer service or the inconvenience of daytime delivery, just like everybody else?

Espen Andersen
Norwegian School of Management