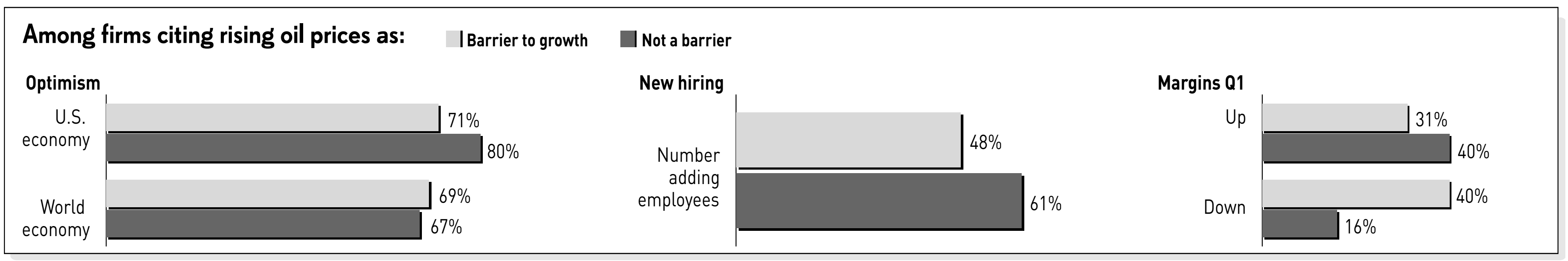
TOP DOWN

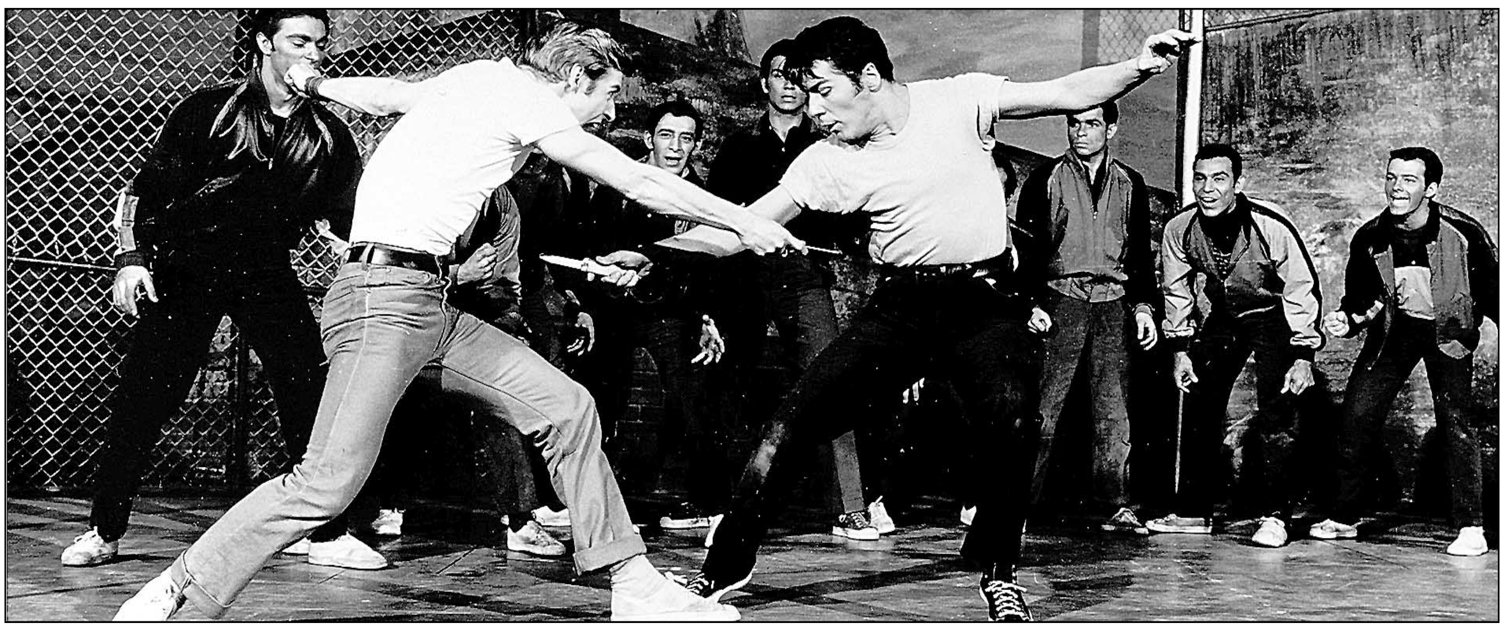
Oil Prices Slow Multinationals' Growth

Executives at U.S.-based multinational firms expect a 20% decline in revenue growth for the next 12 months, says a new survey. They see rising oil prices as the leading cause of slipping momentum. Forty-seven percent of executives said costs rose in Q1.

Source: PricewaterhouseCoopers Management Barometer



MANAGING FOR SUCCESS



"West Side Story," which opened on Broadway in 1957, benefited from collaboration among newcomers and more experienced team members. AP

What's A Dream Team's DNA?

Businesses could learn some team dynamics from Broadway, scientists

BY PATRICK SEITZ
INVESTOR'S BUSINESS DAILY

The business world could learn a lot from successful Broadway musicals.

Not song and dance, mind you, but the composition of successful teams.

Researchers from Northwestern University say they've divined the DNA of successful teams by studying critical and financial hits on the Great White Way. They've determined that the teams with the best odds for success are ones that combine old blood and new.

Creative teams with veterans and newcomers perform better than those with mostly one or the other.

Why is this a recipe for success? The reasons go beyond just combining experience with youthful enthusiasm and new ideas. Newcomers to a team are often seasoned professionals who bring their own networks of colleagues that they use for advice and feedback. This gives an organization more resources than just the team members themselves.

Researchers at Northwestern studied data on Broadway musicals since 1877 to determine characteristics of a great team. They also studied publications in four fields of science to look for common traits among co-authored papers that had the most impact on academia.

The results were the same: Teams with a mix of incumbents and newcomers were more likely to find great success than those with too many of one or the other.

The findings were published April 29 in the journal Science.

A successful team requires the right balance of diversity and cohesion, says Brian Uzzi, associate professor of management and organizations at Northwestern's Kellogg School of Management.

Diversity is reflected in new collaborations while cohesion comes from repeat collaborations, he says.

Brian Uzzi, a professor at Northwestern University's Kellogg School of Management, says business teams benefit from their members' networks.

Consider "West Side Story." Its creative team had a balance of both variables.

Producer and director Harold Prince and lyricist Stephen Sondheim had worked together on "The Pajama Game." Choreographer Jerome Robbins was experienced in the industry, but hadn't worked with Prince or Sondheim.

Classical composer Leonard Bernstein was a newcomer on Broadway. "West Side Story," which debuted in 1957, became a smash hit.

Uzzi co-authored the research paper on dream teams. He shares credit with Luis Amaral, associate professor of chemical and biological engineering at Northwestern; Roger Guimera, a postdoctoral fellow in Amaral's lab; and Jarrett Spiro, who was Uzzi's undergraduate research assistant.

In addition to Broadway teams, the researchers studied scientific teams in the fields of social psychology, economics, ecology and astronomy.

Their report should serve as a wake-up call to businesses and organizations that don't encourage the formation of new teams.

That's because the unsuccessful teams repeated the same collaborations over and over.

The key element for success is the addition of newcomers who bring different viewpoints and access to a fresh network of industry colleagues, Uzzi says.

"Imagine that you're at Procter & Gamble and you've put together a team with five people in it," Uzzi said. "Those five people have worked some time previously in other teams. And the people that they worked with in those other teams worked in other teams as well. You can take each of those teams and you could build a large network of the relationships."

It takes more than talent to create a successful team, Uzzi says.

The show failure rate on Broadway from 1919 to 1930 was 90% compared with 75% today.

Yet that 1919-30 period had tremendous musical-writing talent, including Cole Porter, Richard Rodgers and Lorenz Hart, and Jerome Kern and Oscar Hammerstein.

The problem was: Production teams stayed intact too long and no new blood came in.

Teams made up of the same people from one project to the next hurt creativity, Uzzi says. They share the same experiences and ways of viewing the world and become more insular. They also become less likely to be sensitive to negative feedback.

It's a natural tendency for people to want to surround themselves with people they're familiar with and have worked with before.

And organizations don't want to break up a team that's worked well for them in the past.

But companies and other organizations need to have the courage to mix up their teams to keep them fresh, Uzzi says.

Some organizations try to break down teams every five years to get a clean start. Halliburton[HAL], the engineering, construction and oil field services company, takes such an approach with its teams, Uzzi says.

"A lot of companies use task rotation and job rotation to make this happen," he said.

Bringing in new blood is just as important, says David Sanderson, head of recruiting for global business consulting firm Bain & Co.

IBM[IBM] used to have a practice of hiring only entry-level workers.

The firm found itself having an inside-out perspective and realized it was potentially missing big opportunities, Sanderson says.

After Lou Gerstner joined as chief executive in 1993, he changed that. He saw the need to hire experienced outsiders for key positions to keep the organization fresh.

His vision helped transform IBM from a computer products company to a tech services company.

Many successful techs brought in experienced executives to take their businesses to the next level. Often these executives are from industries other than technology. Dell[DELL], eBay[EBAY] and Yahoo[YHOO] are examples of firms run by outsider CEOs with nontech backgrounds.

EXECUTIVE BRIEFING

LEARNING FROM THE PAST

Alexander The Great As A CEO?

If Alexander the Great were alive today, he could tell CEOs a thing or two about supply-chain management.

The Macedonian king, who ruled in the fourth century B.C., made sure his army never ran short of supplies.

He always made sure his soldiers marched along rivers so they could get food and equipment by boat rather than rely on pack animals that carried small loads. His army also marched faster because Alexander banned servants and spouses from traveling with his men. Bases and supplies were set up ahead of the line so his men could carry less baggage.

Timothy Van Mieghem, a logistics expert, says Alexander's approach to supply and other management issues are still applicable. His analysis is based on ancient historians who wrote about Alexander.

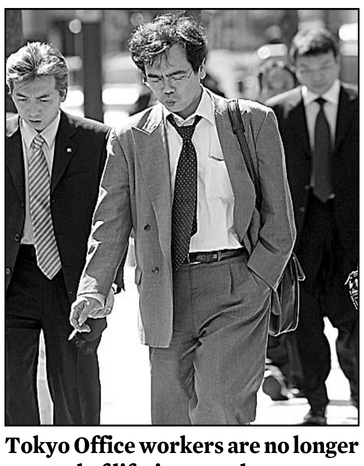
Van Mieghem noted in an issue of Quality Progress, a publication of the American Society for Quality back in January 1998, that if Alexander were a CEO today, he would:

- Include logistics in strategic planning.
- Consistently make changes in his organization that were demonstrated to provide specific benefits.
- Develop a working knowledge and detailed understanding of customers and products.
- Do the same analyzing his industry, rivals, technologies and logistics requirements.
- Appoint a single person to lead all logistics functions and participate in strategic planning sessions.
- Develop alliances with key suppliers and service providers, accessing their infrastructure by letting them entrench themselves in his company.
- Utilize technology and other business tools only to the extent that they furthered profitability and competitive advantage.

"In fact, if Alexander the Great were a CEO today, he would strike fear into the hearts of his competition," Van Mieghem wrote. **Doug Tsuruoka**

GLOBAL BUSINESS

Japan Employment Pacts Changing



Tokyo Office workers are no longer assured of lifetime employment. AP

Many Americans might be surprised to learn that Japan's once-vaunted system of lifetime employment was a U.S. invention.

Akio Morita, the late founder of Japan's Sony, once told a writer that the system was imposed on Japan by the U.S. after the end of World War II.

New labor laws were enacted during the U.S. Occupation that made Japanese firms employ all workers in good standing for life, with full benefits after retirement.

U.S. officials had been influenced by the pro-labor policies of President Roosevelt's New Deal. They wanted to make it impossible for Japanese managers to fire workers. They also wanted to redistribute wealth that had been in the hands of a few powerful families.

Japanese companies complied with the order. In the process, they adapted it so it fit more closely with Japanese cultural values. It's an example of how being open to new ideas can lead to successful new management approaches.

Morita noted in his autobiography "Made In Japan" that Japanese firms were able to transfer old concepts of loyalty to a clan or nation-state to the companies that led Japan's postwar resurgence.

This was similar to the way a samurai warrior served feudal rulers. In return, the ruler cared for the warrior and his family for life.

Fusing such loyalties to modern companies resulted in the gung-ho auto workers that marked the boom years of the Japanese economy in the 1970s and 1980s.

"Those companies that are most successful in Japan are those that have managed to create a shared sense of fate among all employees," Morita wrote.

But a prolonged downturn in Japan since the 1990s has sounded a death-knell for lifetime employment. Huge numbers of middle managers and other workers have been laid off. Performance-based pay systems are in vogue. Lifetime employment is no longer an iron-clad pact. Instead, Japanese businesses are learning to operate more like companies anywhere else.

This isn't a management failure per se. It only shows all companies must adapt to changing situations and go back to the drawing board.

"Companies cannot take care of their employees for life," said Japanese business leader Hideo Ishihara in a speech several years ago. "The system has to be changed to a more fluid market-based employment relationship." **Doug Tsuruoka**

REAL SOLUTIONS

When Your Workspace And Your Living Space Are The Same Thing

Small business owners learn to juggle demands of running a home office

BY THE ASSOCIATED PRESS

Many people who start home-based companies find after a few years that it's time to move out. The business has grown too big for the house.

Many others are still operating out of their homes years later, finding ways to adapt as the business expands. For some entrepreneurs, it means buying or even building a new house to accommodate the enterprise.

Robin Zucker started her public relations firm in her studio apartment in Manhattan's Greenwich Village 25 years ago.

As the business grew, it did indeed take over. Zucker recalled having piles of work-related papers on her bed as she slept.

Twelve years ago, Zucker bought a two-bedroom apartment in Manhattan, with one of the bedrooms turned into an office for three people, including desks, filing cabinets and computers. That's amazing, considering the cramped confines of most Manhattan apartments.

When Zucker has a big project, she expands temporarily into the living room. She recently had six people working there on a folding table.

Having the business in her apartment gives Zucker the flexibility to work whenever she wants, a plus that appeals to many home-based entrepreneurs. It also means she has to set limits.

"We go away on most weekends. That way I can't work," she said of herself and her husband.

The primary reason many entrepreneurs work out of their homes is to save on overhead. There's no office rent or utility bill to pay, so revenue can be used to keep expanding the business. A home-based business is also appealing to parents of school-age children.

Often, compromises or adjustments must be made.

Jeff Zbar, a writer in Coral Springs, Fla., has a business easily run out of his home.

He and his wife moved from one house to another as their family grew, and he always used one of the bedrooms as his office.

But, Zbar notes, some work cannot be done at home.

"By (zoning) code, I cannot have client visits and I could not have nonresident employees," said Zbar. When he needs to meet with a client or other business associate, it's usually at a diner or the client's office.

Zbar pointed out another option for the home-based entrepreneur whose house can't accommodate all his or her activities: renting space by the hour or day from companies that provide support services to small businesses.

Another alternative is the office of a friend, or perhaps your lawyer or accountant, who's willing to lend an empty conference room.

A big benefit of a home-based company is the income tax deduction available to people who dedicate a room or larger part of the house to a business. An owner can deduct a percentage of the mortgage, utilities and other expenses attributable to the home office.

Many owners follow a typical route of starting a company at home and moving to an office a few years later. But late last year, Angela Bendorf Jamison turned her marketing communications firm back into a home-based concern.

Jamison, owner of Communicopia in Wake Forest, N.C., moved the company from her home to an office in 2001 after taking on an employee. The worker stayed about two years and left, and by then the economy had taken a downturn.

"I still had my same clients, but they really weren't doing quite as much with me, and I was as nervous as anyone else about what was going to happen," Jamison said.

She decided to move the company back home after her office building was sold.

In the meantime, Jamison and her husband had built a new house.

Wally Blume took the idea of including a home office in building plans even further — most of the bottom floor of his house is where he and his wife, June, operate Denali Flavors, a company with about $70 million in sales at the retail level.

The Blumes first began running a business in the late 1980s, when "we started in the basement with a card table and folding chair" working as food brokers, Wally Blume said.

By the mid-1990s, they were in the flavors business, developing flavors — including the best-selling ice cream Moose Tracks — and licensing them to dairies.

The business got too big for the Blume home, so in 1998 the couple built a house near Grand Rapids, Mich., designing it to hold the business and their family. It has office space, a conference room, a mail room and a kitchen for the eight people who work there.

If the firm gets even bigger?

Blume is aware of the possibility that someday they might need commercial space.

"We are about at maximum," Blume said. "I'm not absolutely opposed to moving to another location — but I just don't see the need to do that."