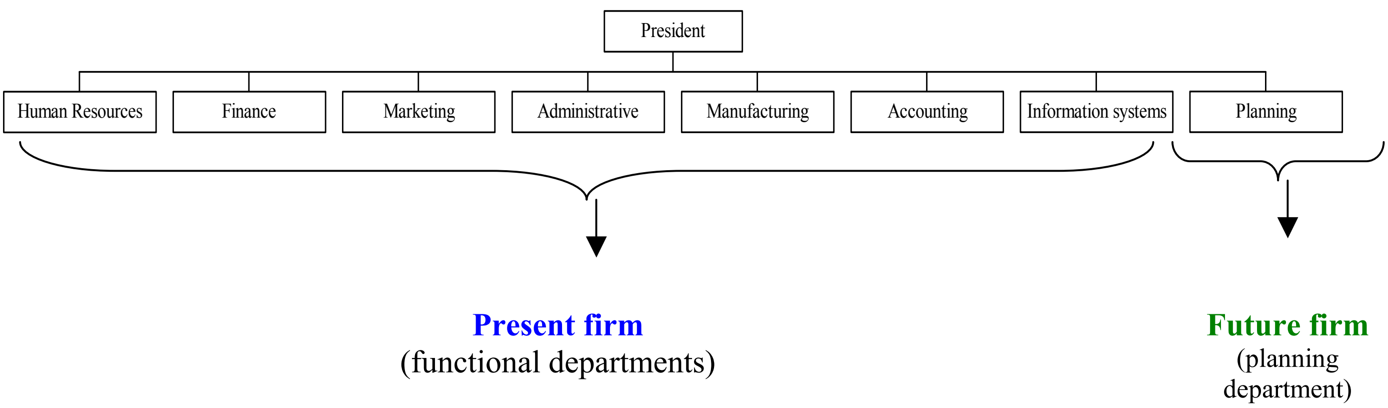
Brief description of
THE NEGLECTED FIRM
(Every manager must manage two firms)

by Jorge A. Vasconcellos e Sá
PhD Columbia University
Jean Monnet Chair

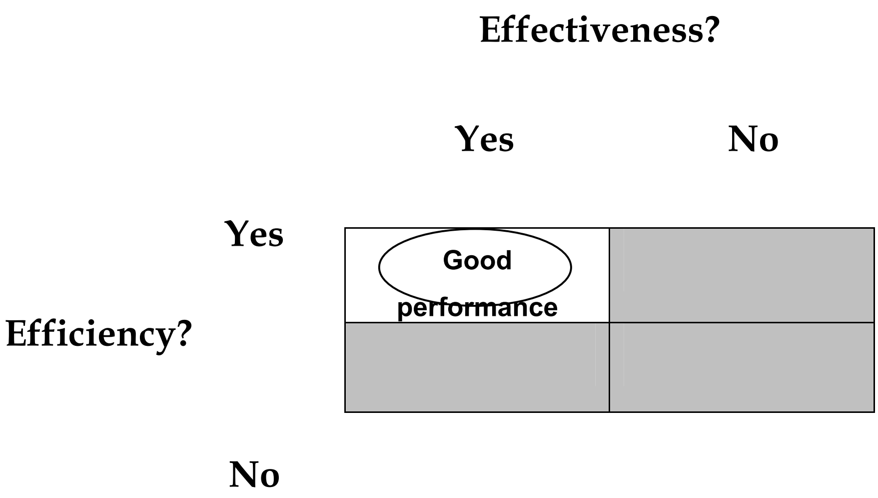
1. Every manager must manage simultaneously two firms: the present one and the future one. The first is managed through the functional departments: marketing; finance; etc. The second is managed through the most recent area of management: planning (see figure one). And the area about which we know less: what constitutes simultaneously a risk and a great opportunity.

Figure one



2. Indeed, **any strategy book** indicates that the success of a firm depends on its capacity to be **both** efficient **and** effective at the **same** time (figure two). That is, to do the right things and to do things right. To be in attractive market areas <u>and</u> to serve them at low costs.

Figure two



3. For this reason the first great task of a manager is **to manage the day-to-day business**. In other words, to manage the present firm. This means <u>two</u> things:

   3.1 In terms of **effectiveness** (to do the right things), to assure that the strategic plan is correctly implemented. Then,

   3.2 afterwards, and still in what concerns the day-to-day business, he has also to deal with all tasks related to **efficiency**: to negotiate with a supplier, to analyse the last cost accounting report, to solve a specific financial matter, to deal with the advertising agency, to select a candidate, to talk on the phone with a customer, etc.

4. That is, *dozens of small tasks which consume the day-to-day of the manager.* For this reason it is said that management is a series of interruptions constantly interrupted by interruptions: sending a paper, making a phone call, attending a meeting. And so on.

5. **Both** management of the present effectiveness and efficiency are entrusted to the office of the chairman and to the **functional departments** of a company (which are seven: marketing; production; finance; accounting; personnel; information systems; and administrative – catering, hygiene, buildings, maintenance, etc - see figure one).

6. Traditionally management books indicate whether good performance is being achieved in terms of the **effectiveness** and **efficiency** of the present company (see figure two).

7. So far, so good. Indeed, managing both 1) **present** effectiveness and 2) efficiency is therefore **one** of the dimensions of management: *it corresponds to managing the company of the present*. To do so well for good performance is fundamental to the company's survival in a competitive environment, where only the strong survive. And as Darwin said: *in the struggle for survival not to be strong is almost to be guilty.*

8. ***But*** as Heraclitus and Buddha also said, the only constant thing in life is change. Everything changes. In A. Allais words: History´s wastebasket is full of long trends. Therefore, what a **company** should be in the **future** is *different* from what it is at present. Different at **two** levels.

   8.1 First in terms of **new *effectiveness***, that is, of reanalyzing the segments (and industries and geographic areas) it should focus on. Perhaps some of the present segments should be set aside, and/or a move be made into new ones. Perhaps so. Perhaps not. But thought must be given and the effectiveness of the company must constantly be reappraised.

8.2 Second, in terms of seeking new means of being ***efficient***, whether our strategy (position in the marketplace) changes or not. Would it be worth merging two departments now split into divisions? What if one farmed out an activity now carried on in-house? Doesn't that section need to be reorganised?

9. All this has to do with the possibility of the company doing different things in the future, (8.1, above) or the same things in a different way (8.2, above). That is, *thinking up (our) company of the future.* Thus, in addition to managing the company of the **present**, a manager must also manage the company of the **future**. This is his second major task.

10. The life of a manager is therefore to manage these **two companies *simultaneously***: the *present* one and the *future* one.

10.1 Should he manage just the first (and not the future one), his company, given environmental change, will shortly become **obsolete.**

10.2 Should he manage just the second (and neglect day-to-day business), he will never reach the **future.**

11. Consequently, the future competitiveness of a company depends on good management of the *short-term* (the company of the present) and on introducing *qualitative* jumps (managing the company of the future).

In other words, any corporate executive must be both a **manager** (to deal with the present firm) and simultaneously an **entrepreneur** (to create the future one). Both. Not either, or.

This is the *eternal dilemma* of management: the urgent (day-to-day) and the important (the future) which have to be reconciled. Because, only when both firms (the present and future one) are well managed is good performance achieved (see figure 3).

Figure three

Quality of **management**

Future firm (both **future** effectiveness and efficiency) / Present **firm** (both **present** effectiveness and efficiency)	High	Low
High	1 Good performance (optimized)	2 Average performance (under optimized firm)
Low	3 Average performance(under optimized firm)	4. Low performance (obsolete firm)

12. Now, **in order** to deal with the urgent, the chairman has his office and functional departments (marketing, finance, etc.), as mentioned in 5., above. But who **deals with the important, that is, with the company of the future? And how is it done?**

13. The answer is: through a **planning department** which deals with the time dimension, with the future of the company, the company of the future rather than the company of the present.

    This department has a twofold role: to help top management: to search for: 1) **new** ways of being effective (market positioning); and 2) **new** means of being efficient. **That is, all that is new. Both what (should be done) and how (got new and old things should be done). Having from start to end, a step-by-step approach**. **Not in bursts of random, erratic impulses, but rather on an ongoing basis under an overall plan.**

14. This *planning* department, backing up the chairman, acts as a sort of *war room* or *general staff* for the chairman. Its role is to help the chairman (either alone or with his top management, as he wishes) to manage the company of the future.

15. **This book explains** how the planning department should be organized to manage the future firm.

    15.1 Chapter II presents a step-by-step approach on how to do it.

    15.2 Then from chapter III up to IX, each planning step (to create the future firm) is discussed in some detail. And

15.3 Chapter X presents the planning department's internal organization necessary to implement steps from chapter III until IX.

16. Unless the **seven steps** described in this book (from chapters three to nine) are followed carefully, the future firm will not be managed but neglected. And managers will not be doing their **whole job,** but only **part** of it.

17. And then, it will be a question of time until the whole corporation becomes sub optimized (cells 2 and 3 in figure three) or even obsolete (cell 4 in figure three).

18. All along the chapters, the book uses:

18.1 **Two case studies** (examples) from start to end (from Chapter III to Chapter IX) in order to exemplify every step of the planning process:

— **Saab** (the Swedish car manufacturer); and

— **Caja de Madrid** (an European regional financial institution).

18.2 These two companies will be used from start to end in the book in order to exemplify **every step** in creating the **future firm**

18.3 Also these two examples (case-studies) were chosen to exemplify that the planning steps apply to any (**even very different**) type of institution. Be it a global manufacturer of a consumer product (Saab) or a regional company supplying a service (Caja de Madrid)

18.4 The book uses also here and there **other examples** (from both U.S. and Europe); and

18.5 The book has over sixty **figures** to illustrate the concepts, ideas and thesis.

19. Finally, the book **aims** at being:
- Synthetic;
- Schematic; and
- Easy to read.

20. For these reasons the reader may **obtain** from this book:

20.1 Some major **questions** for thought; and most specially

20.2 **Practical implications** for day-to-day management on how to manage the Future Firm.

21. The suggested market targets of the book are

21.1 **Middle and upper managers of small, medium and large institutions**. As an order of priority I would suggest:

Type of firms / Type of managers	Large	Average	Small	Europe and US
Upper	1st priority	1st priority	1st priority	
Middle	2nd priority	2nd priority	2nd priority	
Low	3rd priority	3rd priority	3rd priority	
MBA students				3rd priority
Executive Programs				3rd priority

21.2 And then, the book can also be used in **Universities MBA programs** and executive programs.

21.3 It should be noted that this book's methodology can be applied to three organizational levels.

213.1 **Top** management;

213.2 **Heads of business units**; and

213.3 **Brand** managers

21.4 Indeed, all three must rethink their companies, business units or products positioning.

22. What is this book's competition?

22.1 Although there are other books on planning;

22.2 Mostly present planning concepts and techniques in a disorderly way. Not from start to end. Not with a how to do methodology.

22.3 The Neglected Firm, on the contrary, presents the planning process in an **orderly way** from start to end, inserting the techniques and concepts where they are needed. And **in the simpler possible terms.** Thus, the Neglected Firm puts in a structured way a large number of individual contributions: mine and from other authors.

23. **Conclusion: planning, a risk that is also a great opportunity**

23.1 Planning is the management area that has been developed most recently and about which, consequently, least is known.

23.2 Therefore, investment in planning constitutes a *risk*. But, at the same time and for the same reason, it is also a great *opportunity*. Firstly, because as things stand those who are able to deal well with this area of management will take a step forward and gain competitive advantage. That will be achieved much more easily than in other areas (finance, marketing, etc,) in which knowledge is much more widespread.

23.3 Secondly, since every manager must manage two companies, the present and future one, in order to gain competitive advantage for the company of the present he/she must manage **seven** departments better (production, finance, etc., - all the functional areas shown in figure one).

Whereas to have an advantage in the company of the future it is sufficient to be better in the only department dealing with it: planning. (see figure one).

This is therefore the area in which the great present management opportunity lies.

23.5 This corresponds to cells 2, 3 and 4 in the figure 4.2. A manager has to perform well tasks belonging to all cells: 1, 2, 3 and 4. Traditionally the emphasis was solely in cell 1 in figure 4.2. But tasks in cells 2, 3 and 4 must be also tackled. That is where lies the great challenge.

23.6 To show how to face that challenge and to grab that opportunity, is the **task of the book** (see figure four).

FIGURE FOUR

4.1 Traditional way of looking at management

Present Efficieny? / Present Effectineness?	Yes	No
Yes		**Average** Performance
No	**Average** Performance	**Low** Performance

4.2 Modern way of looking at management

Which tasks are performed? / How are the tasks performed?		EFFECTIVENESS	
		Present: Old Tasks	New tasks
EFFICIENCY	Present: Old way (similar to the past)	1 Present firm	3 E Future Firm
	New way (different from the past)	2 Future firm	4 Future firm

TASK OF THE BOOK

E New tasks (market segments) usually require new approaches at doing things, but not always. So this cell is scarcely populated but not empty.