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Vienna, Austria, 3 - 7 August 1970

**REPORT ON THE "EXPERIENCES OF THE UNIDO/STANFORD RESEARCH INSTITUTE
TAIWAN INDUSTRIAL EXECUTIVE DEVELOPMENT PROGRAMME"**

(23 April to 16 May 1969)

and

**SOME RECOMMENDATIONS FOR FUTURE
INDUSTRIAL MANAGEMENT CLINICS** ✓

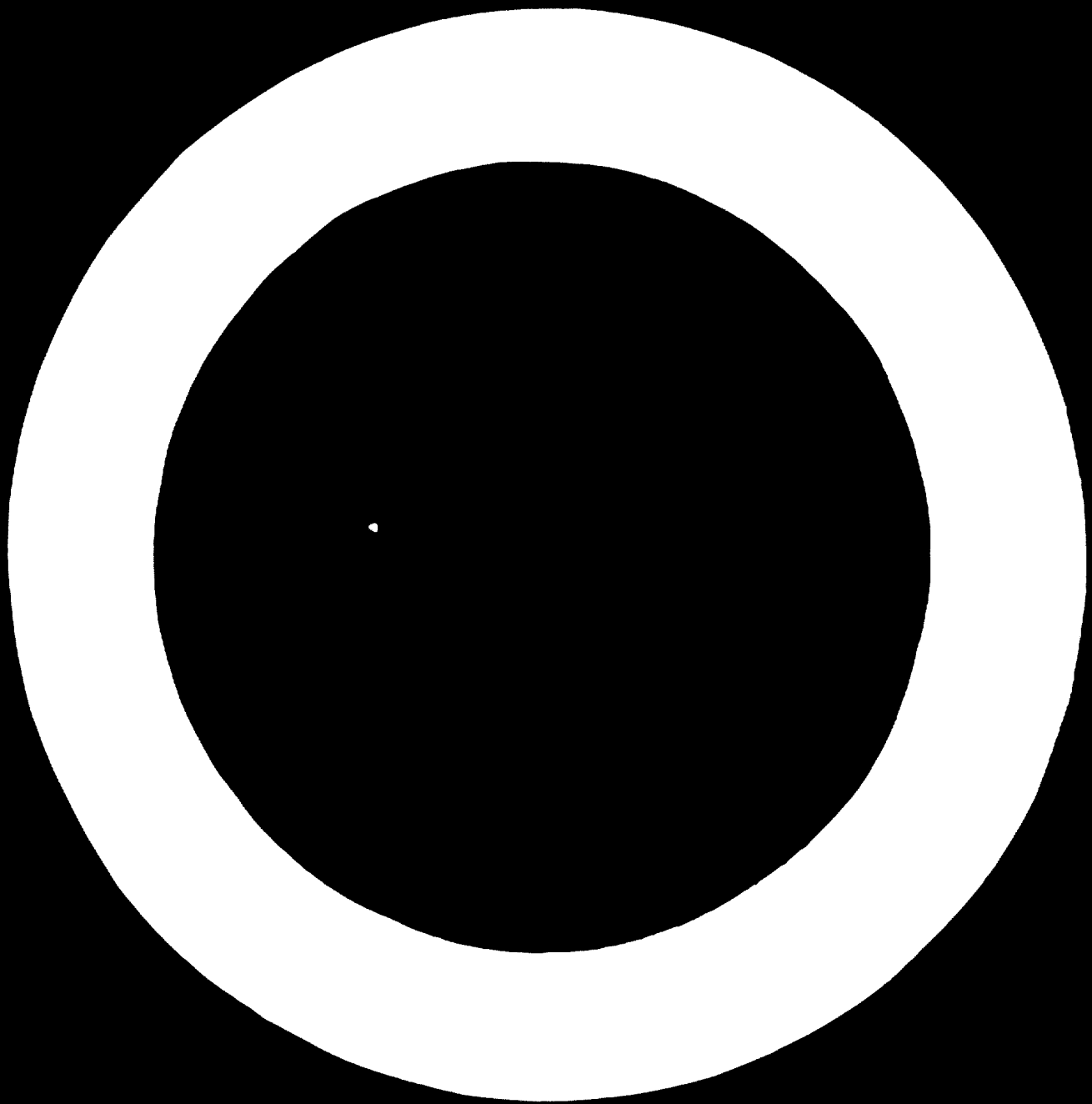
by

**J.H. McPherson
Senior Behavioral Scientist
Stanford Research Institute
Menlo Park, California, U.S.A.**

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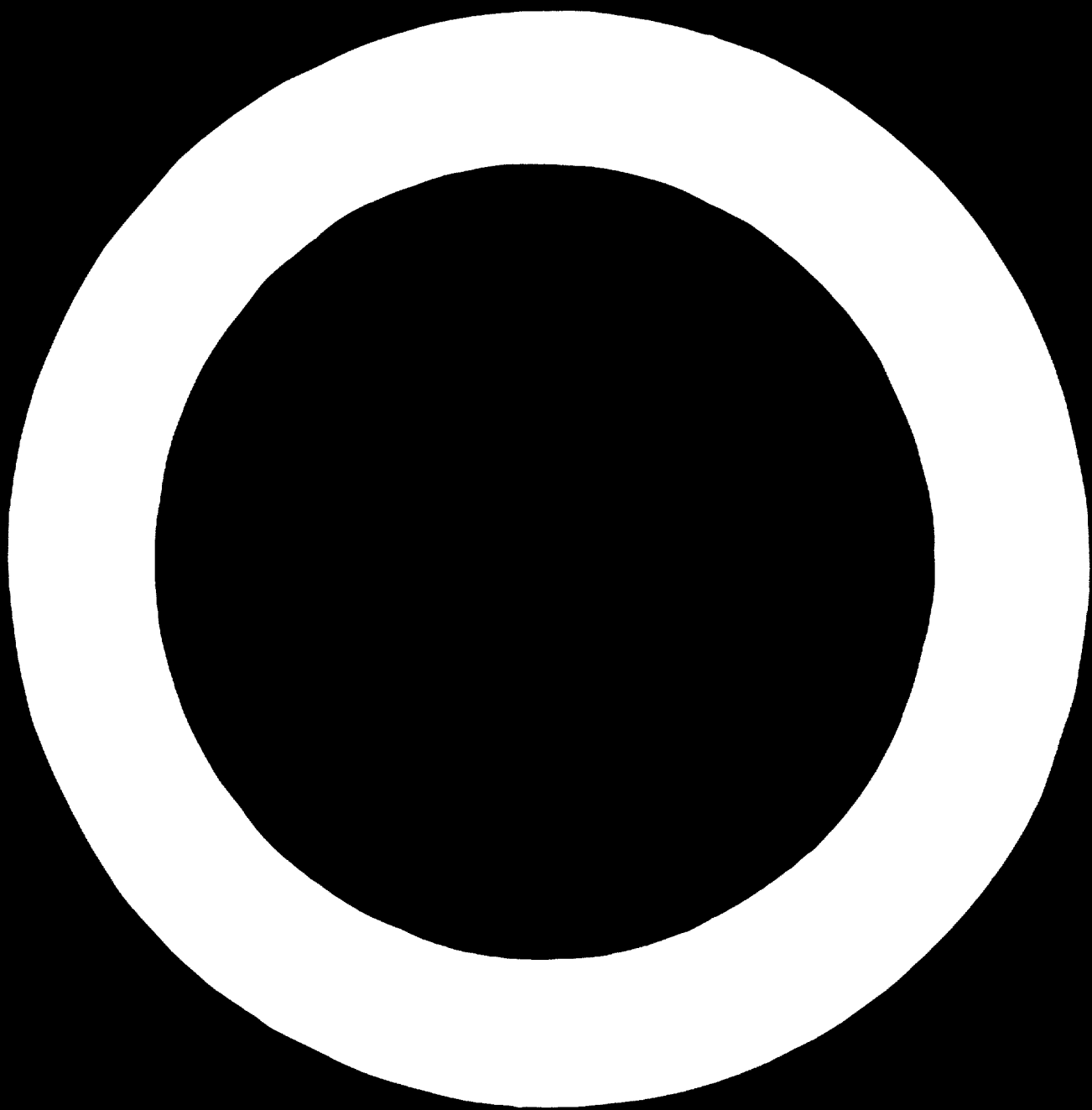
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I INTRODUCTION AND BACKGROUND

Under Contract No. 79/68 between UNIDO and SRI dated November 9, 1968, SRI undertook to "organize and initiate an enduring program to assist executives in the Republic of China in further development of their entrepreneur talents and, thereby, to increase the contribution of business to the economic welfare of the nation." The project was sponsored on behalf of the UK by the United Nations Industrial Development Organization (UNIDO), with the China Productivity and Trade Center (CPTC) as the principal counterpart organization on behalf of the Government of the Republic of China (ROC).

This project grew out of an request in 1966 from the Government of the Republic of China to UNIDO for technical assistance to Chinese industry in several areas of advanced management. UNIDO was not in a position to grant the full request. Also, there were some problems connected with defining the nature, scope, and methodology of a "executive development" program. Stanford Research Institute was asked to propose an approach to resolving these issues. In response, SRI suggested a project that would be partly experimental, while helping to get ROC and cooperating organization in Taiwan started on an initial series of activities that should have early useful results.

In the initial phase, SRI designated William F. Boyce, Senior Industrial Economist in its Corporate Planning and Strategy research program, as project leader. Mr. Boyce visited Taiwan from January 14 to January 24, 1969. There he met with some 35 government officials, executives of companies, professors, and consultants, plus the top staff members of the CPTC. The objective of this visit was to evaluate the present status of executive development activities in Taiwan, determine needs and priorities, discuss the feasibility of alternative development approaches, and prepare a preliminary program for the remainder of the project. Results of this visit were reported in an Interim Report dated February 12, 1969.

Based on suggestions in the Interim Report, and subsequent negotiations with CPTC, agreement was reached on a program of activities covering the period from April 23 through May 16. Other members selected for the project team were (biographies appended to this report):

- Dr. Kuo Chia, associate director of the Institute Program Office, SRI, specialist on systems science and quantitative analysis (now Vice President of Indo-Nepal Joint Ventures Industries Incorporated)
- Dr. Joseph M. McPherson, visiting scholar at SRI, on leave from Dow Chemical Company where he is Director of Personnel Research, specialist on creativity in the industrial setting (now on the staff of the Management and Organizational Development Program at SRI)

- Dr. William T. Sitphen, Director of Chemical and Process Industries Economics Research, SRI, specialist on techno-economic studies

Program Rationale

The program was prepared by the SRI team from materials developed over more than a decade of research and the practice in hundreds of companies. It was based on the following rationale:

- The term "executive" was defined as a person who has authority and responsibility to plan and make decisions for a line of business (or other clearly-definable activity). Thus, "executive development" meant the presentation of new ideas, principles, and methods regarding planning and decision-making to those who already are or are preparing to become executives.
- Subjects selected for presentations were primarily those of proper concern to executives, rather than those of concern to persons in lower-management or technical and staff specialties. Although other subjects were treated, primary attention was given to planning, forecasting, decision analysis, development of new business, creative problem-solving, and manpower development and organization.
- Emphasis was on preparation for the future of a business, rather than on supervision of current operations or review of past activities. (The latter two areas had received much attention in Taiwan during recent years; the former question was hardly recognized.)
- A common starting point for executive development was to identify and develop those "attributes of entrepreneurship" by which some executives are able to build organizations that are uniquely successful. This seems to apply as much to great social institutions (universities, government agencies) as to business and industrial firms.
- The success of any modern enterprise depends on the willing interaction of several groups of people--owners, employees, suppliers, customers, lenders, and society-as-a-whole, each of which puts something into the business and expects some benefit in return. The term that is being increasingly used to identify these people is "stakeholders"--those who have some stake in the business. The most critical management problem is to identify what each group contributes to the business, to be aware of what each group expects to get back out of the business, and satisfy as much as possible their legitimate expectations.

- The true "executive outlook" requires the use of a carefully selected combination of quantitative and qualitative methods of analysis and management; there is no single correct way nor any magic recipe for success in business. The good executive becomes acquainted with a wide variety of tools and learns to use each--and the specialists who are expert with them--as appropriate, rather than trying to solve all problems with one method.
- Success in enterprise depends at least as much on the ability of a top executive to get maximum effectiveness from his human resources--that is, the development of multiple talents, creative approaches to solving problems, and motivating people to do their best work--as on the availability of materials and equipment.
- There is need for wider understanding of the basic principles of business success. These principles should be adapted to the Chinese situation, rather than an arbitrary and forced use of "Western" or "advanced" methods.
- Long-term effectiveness of the executive development program depends on building a respect for the use of Chinese specialists and consultants rather than remaining overdependent on foreign consultants. These specialists and consultants in Taiwan should have maximum opportunity to participate in the development program, to develop further their own expertise, and to demonstrate their capabilities to Chinese executives.
- A chief executive of any organization has three major responsibilities:
 1. Require that realistic planning be done for the organization
 2. Ensure that these plans result in appropriate action
 3. Prepare the organization to survive when he is no longer there to lead it.

The project was to be carried out through a series of conferences, seminars, and consultation sessions for selected executive personnel of Chinese companies, both public and privately owned, business consultants, professors of business at Chinese universities, and government officials concerned with development of industry. It was initially estimated that approximately 200 Chinese executives and technicians could be given extensive exposure to and illustrative practice in executive techniques.

The SRI team was to provide appropriate printed materials for distribution to participating executives and technicians.

The final phase was to present to the Government of the Republic of China and others concerned with the program the project team's recommendations for continuing activities of the executive development program.

II THE PROGRAM ACTIVITIES

Several types of activities were used to achieve the objectives of the project.

Conferences for top managers were designed to give an appreciation of five basic subjects:

1. An Introduction to Modern Business Planning--Planning is one of the indispensable functions of all executives. Technical, economic, and social change require new executive approaches. Stanford Research Institute has revealed a logical pattern in all planning. Adapted to the modern corporation, it enables many minds to share the planning workload, while strengthening the ability of key executives to make good decisions and to ensure that they will be implemented. The objective of this one-day seminar is to expose the participants to some techniques for organizing and implementing a structured planning system.
2. New Business Development--"New business development" is the deliberate effort of a company to change or expand its line of products and services in order to achieve its strategic objectives. It may be accomplished either by "internal" research and development (R&D) or by "acquisition" of existing business. In a free-enterprise economy, the maintenance and growth of a viable business depends largely upon its ability to meet the changing needs of its customers, to produce goods and services on a competitive basis. As world competition becomes more intense, companies have questioned the traditional approach to R&D; demand increases for more effective linking of R&D efforts to corporate objectives. Similarly, the traditional role and performance of government-sponsored R&D has been challenged. The objective of this one-day seminar is to expose participants to some basic principles of new business development, of the evolving role of R&D in new business development, and a variety of ways in which these may be adapted to particular situations in Taiwan.
3. Environmental Forecasting--The objective of this seminar is to present current thinking on the role of environmental forecasting in the planning function of an industrial company. It will cover the needs for planning information, interrelationships among technological, economic, and sociopolitical forecasting; methods of forecasting; and uses of forecasts in planning. Discussion periods will allow interchange of ideas and experiences, especially on the relevance and adaptation of American and European practices to Chinese industry.

4. Decision Analysis--decision analysis is a new formal procedure of analyzing and relating the factors relevant to a decision on an explicit and logical basis. The highlights of the procedure include a systematic formulation of decision problems, an explicit treatment of uncertainties, and an integrated approach to the collection and utilization of management information. As major decision makers, executives in industry and government have benefited from decision analysis as an entrepreneurial and managerial approach. The objective of the one-day seminar on decision analysis is to expose the participants to the basic concept of decision analysis, its value, and its applications.
5. The Creative Organization--The creative ideas, innovation and inventions produced by the personnel of an organization are such important ingredients for organizational growth and survival. Organization revitalization is a goal of most managers. The objective of this one-day seminar is to expose the participants to a set of factors that management must consider in the development of an atmosphere in an organization that will stimulate the personnel of the organization to give their best talents toward the achievement of organization objectives.

Similar conferences for younger executives were held in Taiwan. The Young Executive Conference was organized on approximately two weeks notice, in response to numerous requests to the Minister of Economic Affairs, His Excellency, H. T. Li, to make the SRI materials available to a greater number of executives especially those at "middle management" levels.

A one-week, five-day seminar dealt with the primary units of subject matter in more detail. This seminar was given as a series of one-day sessions. Emphasis was on obtaining participation by the attendees in discussion of the state-of-the-art of each subject in Taiwan, applicability of new approaches to Chinese business management, and actual practice in using the techniques described. This seminar had 20 participants (senior executives, government officials, and consultants. 17 of whom were top management) representing 19 companies.

A business planning demonstration where the problems of one organization were used to construct a plan for the organization was given to 32 participants (20 percent of whom were top management) representing 17 companies. Participants from the seminar plus a group of the Taiwan Aluminum Corporation carried out a "live" exercise in participative formal planning. This exercise, using actual company data, was based on the SRI planning method used by many companies in America and Europe. Full instructions and materials for completion of a formal plan were left with company officials. Special attention was given to training CPTW staff in use of the method, so they could use it with other Chinese companies.

Three on-the-spot consultations with the board chairman, president's and division managers of the Taiwan Chemical Company, Taiwan Corporation, and Formosa Plastic Group Companies were held to discuss specific problems. These formal consultation sessions with each of these companies consisted of:

1. Review of the present situation and outlook for industries in which the company operates.
2. Demonstration of the applicability of various advanced management methods to resolution of the company's problems.
3. Identification of the major planning issues that require management attention.
4. Encourage decisions on further action to be taken by company management. Since none of these executives of each company had participated in the previous seminars they had received instruction on how to lead their companies' further planning efforts.

Two more of a number of national conferences - The Inter-Industrial Strategy Planning Conference involved 84 participants (70% of whom were top management) representing 37 companies. The top management conference involved 63 participants (80% of whom were top management) representing 61 companies, and the Young Execs. Conference (previously mentioned) had 214 participants representing 94 companies.

Statistically, the project exceeded expectations in every respect. Altogether, there were 414 registrations from 234 organizations represented at major events, less with adjustment for participation by some individuals at two or more events, this nearly doubled the national contact of 227 participants. About 100 additional persons participated in the on-the-spot consultations, bringing the total number exposed to the program well over 400.

In addition, 4000 on-the-spot consultation sessions were held with executives of the Postal Service, the Ministry of Communications, the Union Industrial Research Institute, the Local Industries Development Center, and Penghai University, with special covering given to management and planning problems. Throughout the project period, consultations continued with officials and staff members of the Ministry of Economic Affairs and of the Office of Economic Planning, and officials of various local and provincial development centers in China. They include in the hundreds of course, and they constituted the personal consultation with project team members on subjects of particular concern to them.

To the greatest extent possible, staff specialists of CPTC were included in these discussions so they could benefit from the experience of working directly on such consulting activities. The SRI team demonstrated the proper way and value of using such consulting services and encouraged Chinese industrialists to make more use of the qualified Chinese consulants and other specialists available in Taiwan.

On-the-spot Research

With assistance of CPTC staff and the participants in other activities, the SRI team completed three on-the-spot research tasks on problems related to industrial executive development. Although none of these could be carried out with the rigor required to give them statistical validity, each served to point up the practicability of getting information useful for planning purposes with a small effort plus the need to challenge "what everybody knows" about long-standing problems of national concern. Results of these surveys were left with CPTC and other participants, with suggestions for follow-on actions.

Task 1--Resistance to Management Change and Planning

Seminar participants were asked to record their impressions of the reasons why some executives of Chinese companies tend to resist the introduction of new management methods, particularly formal planning. The results, tabulated and analyzed by two CPTC staff members, indicated that both the reasons of resistance and the indicated methods for overcoming such resistance were not significantly different in Chinese business from those found in earlier studies of American and European executives. In other words, Chinese business will accept new methods if they can be shown to be of sufficient value to offset the costs of the changeover.

Task 2--The Chinese Brain Drain

Like many countries during the last decade, Taiwan has seen some of its most capable people emigrate to other countries, particularly to North America. Many are people who should be among the new leaders of Chinese industry and government. Recent surveys on the reasons for the "brain drain" were conducted among three groups--Seminar participants, participants in the Top Management Conference, and a group of students at the National Taiwan University. Comparison of the results indicated the three groups differ significantly in their impressions of the reasons for the "brain drain." The responses suggested a need for re-thinking many government and business attitudes about the development and utilization of capable people. This should be followed by action programs to reverse the trend and to lure back to Taiwan many of those who could contribute much to its further success.

Task 3--Industry Problems Needing Research

As part of the Seminar work, participants compiled a list of 91 problems or ideas for Chinese industry on which research might lead to new opportunities, or possibly help to avert threats that could not be foreseen. These were developed under the "total research" concept. This concept suggests that new ideas can come from research not only on products and processes but also on the identification of new markets, improvement of distribution methods, better use of resources (manpower, money, and materials), and more sophisticated management systems.

A major objective of this activity was to help broaden the horizon of the Chinese executives in their search for new opportunities. Also, this helped to encourage them to develop unique capabilities of Chinese industry rather than being dependent on competing in world markets on terms established by their more affluent competitors.

Public Information Activities

To assist in publicizing the executive development program events and in explaining its importance to the people of China, the team members participated in two television programs, four radio interviews, and two newspaper interviews. There was also extensive press and radio-TV coverage of the conferences and seminar.

Meeting with Chinese Government Leadership

On the last day of the team's stay in Taiwan, members were invited to make a preliminary report on their activities, conclusions, and recommendations to the Government of the Republic of China. The Premier, His Excellency Vice President C. K. Yen, hosted the meeting. Also present were the Minister of Economic Affairs, K. T. Lu; the Minister of Communications, Y. S. Sun; the Minister of Finance, H. K. Yu; and about 20 other key government officials. Mr. J. H. van Heerden, Acting Representative of the United Nations Development Program, was specially invited to participate.

The project team presented a 19-point written statement of its preliminary conclusions and recommendations, which led to a mutually-beneficial two-hour exchange of ideas. This statement became the basis for the final conclusions and recommendations to the GRC.

Materials Presented to CPTC

Since one objective of the project was to improve the capabilities and resources of Chinese institutions and specialists to continue the executive development program, the SRI team presented copies of all materials used in the project to CPTC. So that CPTC could adapt it as appropriate and translate it into Chinese, these materials included a complete "how to plan" kit with all instructions, sample forms and illustrations of alternative methods for carrying out each step. Also included were several papers by SRI staff members, other publications pertinent to subjects covered during the project, and extensive bibliographic material. These are permanently available through CPTC's library to any Chinese company, government agency, university, or individual.

CPTC recorded on tape most of the formal presentations and discussion sessions and retained these tapes for transcription and replay.

CPTC reproduced several of the advance papers prepared by SRI, translated some into Chinese, and distributed them to participants in the various events.

Financial Support for Activities

Although UNIDO paid the costs of the SRI activities--that is, preparation of materials, travel, and time in Taiwan, it should be noted that participating companies and government agencies made substantial contributions through fees paid to CPTC to defray the local costs. These local costs included arrangements for conference facilities, reproduction of materials, and time and travel of CPTC staff. This was in accordance with the SRI team's recommendation made in January that those who expected to benefit from the program should bear some direct portion of the cost, rather than expecting either the UN or the GRC to support the entire program.

UNIDO funds also were used to support participation by eight university professors of business or independent consultants and five CPTC professional specialists. Purpose of this allocation, which was under terms of the contract, was so they could become better qualified to carry on similar work.

III THE EVALUATION OF THE PROGRAM

Evaluations by Others

The SRI team members, because of their belief in the importance of feedback as the basis for continuing improvement of any activity, conducted several evaluation efforts during the project. Participants in both the Seminar and the Top Management Conference were asked to complete brief questionnaires on their impressions of those events. Many participants expressed pleasant surprise at being asked for their evaluations; some "experts" doubted we could get useful responses. Results of these surveys were very candid and helpful. Details were sent to UNIDO and others by CPTC.

Similarly, team members made frequent requests of participants for their candid comments on the program--the content, manner of presentation, usefulness to Chinese business, and acceptability of methods. Often as a result of these comments, the team made on-the-spot changes in programs or presentation methods, all the while seeking the most appropriate combinations for each audience and demonstrating their belief in flexibility rather than a "single correct way" approach.

At the conclusion of the project, CPTC was asked to prepare an evaluation, based on the impressions of its own management and those it received from others in Taiwan. This evaluation, prepared by S. C. Kao, General Manager of CPTC, dated June 1969, was forwarded to UNIDO and the GRC. The SRI team are in general agreement with the "Assessment and General Comments on the Program (Section III)" of the CPTC evaluation.

During the latter half of the period the SRI team was in Taiwan, Mr. James Balano, Field Representative of UNIDO, Vienna, participated as an observer. He made a number of helpful comments on the project activities, their furtherance of UNIDO objectives, their applicability to other parts of the world, and the appropriate follow-on measures that might be suggested for Taiwan. To the Chinese audiences, he stressed that the most important evaluation measure and justification for UN-sponsored follow-on assistance would be the actual use made of the material by Chinese executives.

The following are selected excerpts from the SRI team's evaluation of the program (from 15 evaluative statements):

- Of the respondents to the evaluation surveys at the Seminar and Top Management Conference, about one-half and one-third respectively said they would adopt and use the "SRI ideas" without additional help. Another one-third and one-half said they would need more help or practice to learn how to use them. Considering the newness of many of the ideas presented and the short time they had to consider them, this is a high level of acceptance. (There should be a follow-up survey in about six months to find out what the companies have actually done about them.)
- About two-thirds of both groups surveyed said they would send people to additional courses of this type, if they were held. The ranking of interest expressed by subjects is shown in Table 1.

Table 1

INTEREST RANKING FOR ADDITIONAL EXECUTIVE DEVELOPMENT PROGRAMS

	<u>Number of Responses</u>	
	<u>Conference</u>	<u>Seminar</u>
Production management/control	35	6
Operations research	33	11
Marketing	32	7
Personnel management	24	6
General business management	24	7
Industrial engineering	24	2
Financial management	20	10
Statistics	19	6
Economics	7	1
Mathematics	6	2
English	1	1
How to commercialize research results	1	-

- Although those subjects in Table 1 that got a strong response are all important, it was disappointing that the "top executives" still showed more concern for production management and operations research (which might be more emphasized at the line management and staff specialist levels) than for financial management and personnel management. Unfortunately, planning, decision analysis, and forecasting were not listed separately, although each is involved in other subjects listed. The lack of interest in economics and commercialization of research results was deplorable, if understanding of these new subjects can be considered the key to future success in new products and new markets.

- There is still some indication of unwillingness to pay for specialist or consulting services, either from foreign or local sources. Business executives must learn to invest in knowledge as readily as in materials and equipment if they are to meet toughening competition.

- Some of the company consultations were less than satisfactory. In one case, there was no prior agreement between the company executives and the SRI team defining the scope of subject matter or the method of approach. Nor was the SRI team given sufficient or advance information about the company to prepare for intelligent discussion of its problems. The company had expected "instant answers" on a variety of subjects, many of which would require careful study to yield information on which executives could make defensible decisions. In most cases, too many company representatives and outside observers were in the room to allow for meaningful discussion of important questions. (In two of these cases, the SRI team insisted on breaking up into sub-groups, so that some useful results might be obtained in the time available.)

Two consultations appeared to be especially successful. In one company, a senior staff member who had attended the Seminar made preparations for the meeting, based on methods he learned in the Seminar, that enabled executives to focus quickly on the significant problems and initiate actions toward their solution. The other special success was the Tunghai University, in which the group was limited to the 10 key people, the discussion was lively and creative, and some actionable ideas were developed in a short time.

IV THE RECOMMENDATIONS

Eighteen recommendations were made to His Excellency, the Premier, and the other government officials at the conclusion of the SRI team's stay in Taiwan, and to CPTC (China Productivity and Trade Center) and UNIDO. These eighteen recommendations are given as an appendix to this brief report.

Specific recommendations were also given for transforming CPTC into a more viable Management Development Center.

V RECOMMENDATIONS FOR FUTURE UNIDO MANAGEMENT CLINICS

Upon request from the officials of a nation for UNIDO assistance to its industries, the following actions seem to be in order:

1. The staff of UNIDO's Group 10, Industrial Training, Management and Consulting Services, should "locate" the nation in accordance with the "models" discussed in the aide-memoire, On UNIDO's Philosophy with Regard to Long-term Technical Assistance in the Field of Industrial Management, Training and Consulting Services.
 - Model 1: Multi-sector-Multi-product approach--countries in which the number of factories in total is limited, where sectors of industries exist but with only one or a limited number of enterprises in each.
 - Model 2: Single/Multi product approach--countries where sectors of industries can be fully identified with regard to a fair or large number of factories within each of them.
 - Model 3: General Management Consulting Services--countries where the level of industrialization is already high and the size and number of factories is relatively large.
2. Then the UNIDO staff should visit the nation and gather the information needed to compose the team for the management clinic.
3. Then the team (4 seems to be the appropriate team size) that is to conduct the clinic should be brought to UNIDO for a briefing about the problems of the industries of the nation, its place in the "model" structure, the specific objectives of the proposed clinic, and a review of past clinics.
4. The leader of the team should be expected to visit the industries of the host nation to also get a first-hand acquaintance with the problems.
5. Then the team should prepare its action program in some detail and get approval for the program from UNIDO and officials in the host country.

6. The conduct of the clinic.
 - a. It would seem desirable for the UNIDO representative in the host nation to link the incoming team with the government officials.
 - b. It may be wise to have a two-day briefing of pertinent government officials by the team prior to actual work with the industries (one day is not enough).
 - c. Depending upon the "model," the team should brief the industrial leaders (if Model 1) or the specific industry leaders (if Model 2) about the contents of their program.
 - d. Then the team should spend at least two-thirds of its time in cooperative efforts to isolate and solve the major industrial problems that exist by working on-site with company representatives.
 - e. The team should be expected to:
 - (1) make specific recommendations to help each industry (the recommendation will cite specific aids, specialists, etc., that could help with the program)
 - (2) arrange for translation of appropriate materials
 - (3) leave behind copies of needed procedures, etc.
 - f. The team should conduct a well planned evaluation of their clinic by seeking responses from those served. The evaluations should be reviewed both by the team and UNIDO representatives.
 - g. At the end of the clinic, the team should be expected to do a debriefing for government officials prior to leaving the country. Again a UNIDO representative should be present.
 - h. The clinic team should be sufficiently flexible and sufficiently motivated to participate in some tangential activities (with universities, television, youth groups, unscheduled small company interests, etc.).
7. After the clinic the team should return for a debriefing session at UNIDO headquarters. This activity should:

- a. Provide a specific early evaluation of the clinic
 - b. Provide information about the improvement of future clinics
 - c. Result in the design of appropriate follow-on evaluations to be done later (perhaps in 6 months or a year).
8. The final evaluation should be conducted. The budget for the total clinic should include funds for this follow-on work.

Appendix

SSI RECOMMENDATIONS

The following conclusions and recommendations are modified only slightly from the preliminary statement discussed with His Excellency, the Premier, and other government officials at the conclusion of the SSI team's stay in Taiwan.

1. The members of the Stanford Research Institute team were overwhelmed by the hospitality and cooperation of the many Chinese people who provided assistance to us during our stay in Taiwan. This spirit of friendly cooperation is one of China's greatest assets in its dealings with the foreign business community.
2. The traditional Chinese modesty sometimes makes it difficult to make the best use of many of the talents of the people. We found that--when they were challenged--many Chinese with whom we worked proved that they could do many things that their top executives did not believe they could do. Ways must be found to encourage these talents and put them to use, without a loss of a proper sense of modesty.
3. The Government has made an excellent contribution to progress in China through its economic development and social action programs. Continued improvement is needed, especially in providing forecasts of anticipated changes and guidelines that will enable industry leaders to plan more effectively for their own companies. As part of its planning process, the Government should consider the potential impacts of a variety of alternative futures so that various contingency plans can be developed. There is a need for systematic methods for industries to use in communicating regularly with government on matters that affect future planning for both sectors.
4. All Government agencies with functions that affect industry should be required to modernize the planning for their own activities. This will help to insure that each agency understands its priorities properly and will meet its commitments to industry and society. Planning should use the participative approach to ensure that all key people in an agency have an opportunity to suggest creative solutions to the agency's problems, to develop new managerial talents in government, and to ensure better understanding and implementation of decisions made by the top executives.

8. All Government-owned corporations and industry-type agencies (such as the Railways, Postal Service) should be encouraged to plan and manage their affairs using modern business management principles and practices, rather than according to traditional government regulations. The Government should give to the executives of these agencies:

- Clearly-defined charters, outlining their purpose and scope
- Authority and responsibility to manage within the scope of their charter
- A minimum of political interference in their operations; operating policy should rest with the Boards of Directors and management
- Evaluation of management based on performance, with a system of rewards and sanctions related to performance

The Government must decide what its role is in each of government corporations--a "holding company", banker, overseer, or operating line. This decision should be stated in the charter of each company and reflected in both strategic plans and operating policies.

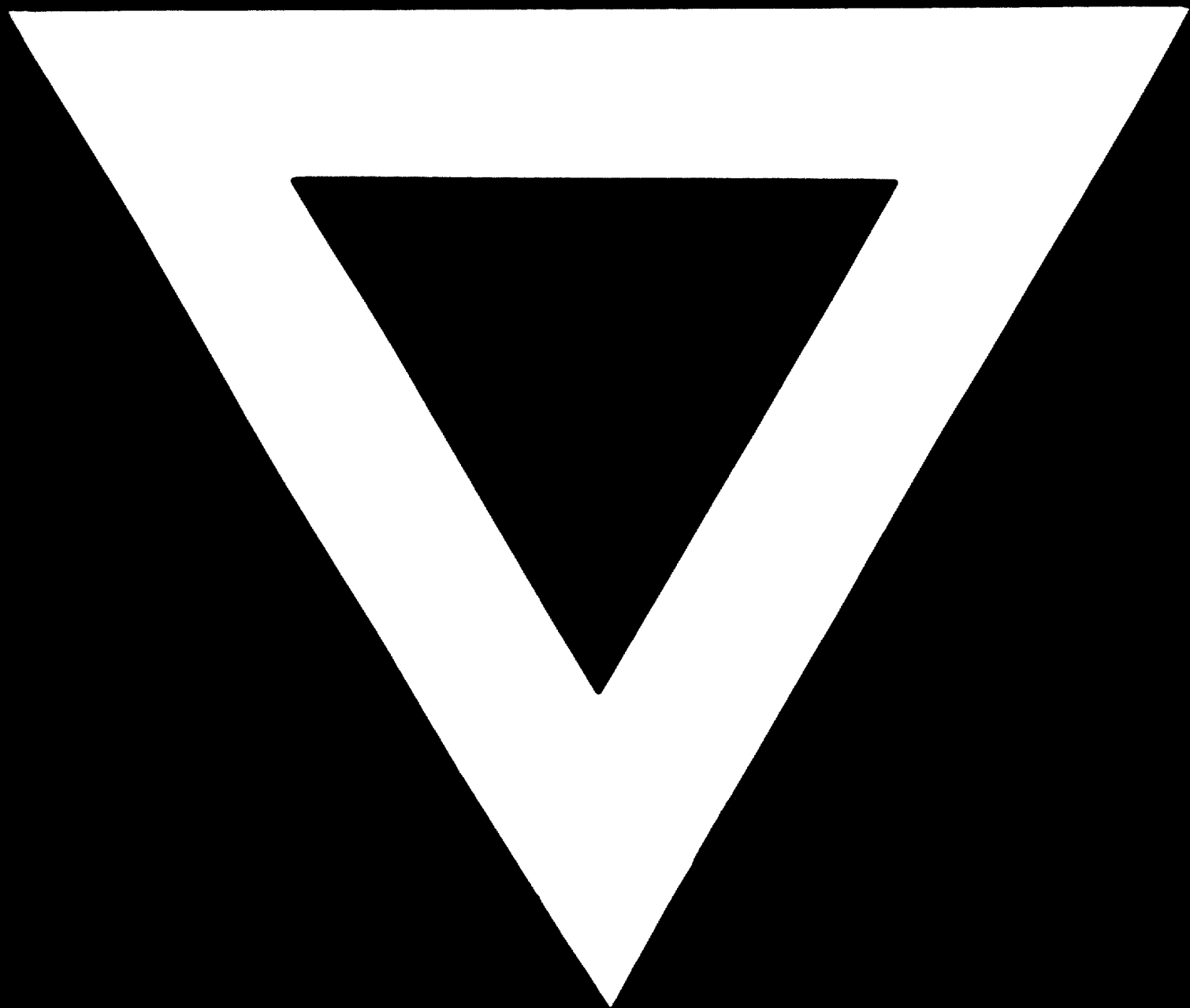
9. To recognize the natural creativity of the Chinese people and encourage the application of their creative talents for the benefit of all, several steps are suggested:

- Encourage the universities--the administrators, professors, and students--to establish closer relations with industry and government agencies. A greater interchange of information and ideas is needed. This will help make the teaching in the universities more realistic and give industry and government a flow of new ideas for the benefit of the people.
- Leaders of Government and industry must recognize the obligation and advantages of meeting the higher-level needs of the people--especially their own employees. Besides sufficient income to feed, clothe, and house themselves, people need recognition of their individual importance, reward for their creative ideas, and opportunity to contribute to the improvement of the society.
- Creative ideas that will help China grow and prosper always require change. Leaders of government and industry must encourage creativity by being willing to listen to ideas that suggest change, to evaluate new ideas on their merits rather than rejecting them because "we don't do things that way," and to accept good ideas offered from any source.

- The great cultural traditions of China should be used as a basis for encouraging innovations and progress, rather than as an excuse for resisting change. Example: Confucius was the first "Great Planner."
- 7. To build up a larger number of trained and experienced managers for industry and government, the most important step is for the present top executives to be willing to delegate more authority to their subordinates. This means that subordinate managers must (a) be given real authority to manage their units without day-to-day supervision, (b) be judged on their overall performance rather than on single incidents, and (c) know they will be supported even if they make an occasional mistake.
- 8. To build up the experience and competence of the management specialists and consultants in Taiwan, they must be given opportunities to work on significant problems. There is still too much tendency to rely on foreign consultants for analysis of questions that involve major changes. There are many persons in Taiwan who have been trained in advanced methods of analysis and problem-solving. They should be used as professionals, not as assistants to foreign consultants. In turn, these professionals must rise to those occasions. Industry and government should be willing to pay for their services, rather than to expect them free.
- 9. The industrial development strategy of Taiwan should be reoriented. Instead of the present emphasis on "catching up with Japan," a new strategy could be based on "what can Taiwan industry do that no one else can do?" Taiwan needs to have an image in the world markets, not to be a copy of Japan.
- 10. To carry out Point 9, there is need for a significant increase in industrial research in Taiwan. Both industry and government should adopt the "total research concept." This means a search for practical new ideas on products and processes, finding new customers, installing better distribution methods, finding and using resources, and use of better management systems. There is a particular need for marketing research, both in Taiwan and in the world markets where Taiwan must sell for export. The emphasis should be on applied research to solve real problems, rather than on theoretical or abstract questions. The university people and those in industry and government-supported research agencies should be urged more to get out of their offices and collect real data, talk to people, and test new ideas in the market place of public opinion, rather than to speculate in isolation.

11. Taiwan has made a splendid example of success of the system of "responsible private enterprise" in Asia. But its accomplishments are too little known in America and Europe. China's technical assistance work in Africa is not known in America or Europe. The Government and Chinese industry leaders should do a more effective job of telling China's story abroad--with emphasis on the economic and social accomplishments more than on the political and military problems. This will help win more friends and encourage other developing countries to follow China's example.
12. Consideration may be given to a new world strategy for China--to build its role as a leader of developing countries that are committed to responsible free enterprise as the best system to meet all the needs of the people. It is the system based on development without enslavement--to meet the needs of the "whole person," not just to feed and house him at the cost of his personal dignity. This, it seems to us, is fully in accord with the true Chinese culture, which has been thrown out by the mainland rival government. If enough other developing countries can be encouraged to adopt such a system--and to make it success, the example will force a complete re-thinking by others of the relative merits of various political-economic systems.
13. The chronic power shortage in Taiwan poses a special need for cooperative planning and action among government agencies and industry. Taiwan Power Company needs better data from industry on long-range power requirements as a basis for justifying adequate expansion plans. Industry needs better assurance on the future availability of power, as well as timely notice and fair treatment when emergency cutbacks are required.
14. Reconsideration should be given to which industries should be subsidized by government and which should be made to prove themselves in a competitive situation. If any industry should be subsidized, probably it should be power, which is basic to all others.
15. The future leadership of industry, government, and education requires strong steps to reduce the "brain drain." The major recommendations are:
 - o Improve the status of staff and the facilities for teaching and research to make these activities more attractive in Taiwan than overseas.
 - o Make visible the opportunities for young management personnel; dispel the idea that most government and private industries are "closed" family-run organizations; let it be known there is a keen desire to delegate responsibility.

- Through both a national and international public relations effort, make it more esteemed to help one's country make progress than go abroad; both the attitudes of young people and their parents must be changed.
16. Specific recommendations relating to the business practices of government agencies include:
- Proper methods, such as decision analysis and discounted cash flow, should be used in evaluating investment projects
 - Accounting practices designed to encourage decentralized responsibility, rather than to stifle innovation and flexibility to meet different conditions, should be adopted
 - There should be more flexibility on the use of net earnings of government corporations, to encourage growth
 - Steps to continue the transfer of ownership to individual share-holders, using the receipts to finance needed projects that the private sector cannot support, should be carefully planned
 - Business practices in personnel administration, including hiring, evaluation, and promotion on the basis of job competence, with emphasis on developing the best talents of all employees, should be used.
17. We were very impressed with the diligence, the competence, the steady attendance, and the willingness of the Chinese leaders to participate in discussion of real problems with candor but without resort to personal criticisms. This was as true of government executives with whom we worked as it was of those in private business. The general public should be made more aware that such candid search for a better future is taking place.
18. Especially valuable in contributing to the success of the activities was the personal support of the Minister of Economic Affairs, K. T. Li, and his keynote speeches to each major audience. He captured the essence of the BRI message when he said it was the GRC's objective to "do a better job of meeting the legitimate expectations of our stakeholders." This, coupled with the Premier's comment that the program had already had an effect on the government's thinking about the future of industry in Taiwan, gave a proper example of the leadership from the top that is essential to any country-wide impact. This type of leadership, of course, will be best exemplified as government agencies themselves put into practice the advanced management methods that are recommended for private industry.



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