

Virtual Direction

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Milieutech is a group of companies specialising in environmental management and data gathering services. Incorporated in the UK, the group manufactures electronic data logging and monitoring equipment in Australia and has subsidiary companies and offices in Europe, USA and Asia.

Milieutech was, from 1995 to 1999, a UK-centric company manufacturing a narrow range of data logging equipment for the UK market. In November 1999, we acquired a larger 23-year-old Australian based manufacturer, Unidata, which had a complementary range of products and sales offices in several countries, but had an extreme risk averse policy towards expansion. The strategic rationale behind the acquisition, which remains the corporate strategy today, was to capitalise on the synergies between the two companies and to embark on an expansion programme to become the first truly global player in what is currently a very fragmented industry.

However, although now being active in many countries, the total turnover is still only about \$10 million and there is less than 50 staff spread across five offices. This has presented Milieutech with an interesting issue in structuring the group management. In my previous business venture we had over 500 staff and only two principal offices, hence a centralised eight-person board and a traditional hierarchy worked well. In Milieutech we have had to work differently. Fortunately recent developments in technology have presented a way forward.

I agree wholeheartedly with the sentiments of Koch¹ when he says ‘... the whole idea of a corporate Centre is pretty curious ...’. Nowhere is this more true than in the Milieutech group. To achieve its strategic aims, it is vital that the management team is refined such that I become almost irrelevant. All members of the team need to be capable of carrying through their particular subset of the global strategic objectives from wherever they are based in the world with an ability and enthusiasm that permeates through the ranks.

We have decided to operate what is effectively a virtual board by taking advantage of all the latest communication media. We rely on extensive use of Internet, intranets, email, teleconferencing, videoconferencing and even nineteenth century technology such as telephone and fax.²

There are currently five members of this virtual board, all of whom are also shareholders, although we cover eleven different roles. As both Chairman and CEO (as well as acting Regional Director Europe), I have overall responsibility — and, as the largest shareholder, also the most to win or lose! The only problem is that I am the only member of the staff resident in Belgium. The other directors are the Group Product Sales and Marketing Director who is also Regional Director for the Americas and lives in Portland, Oregon, the Group Services Sales & Marketing Director who is also Regional Director Australasia and resident in Perth, the Group Technical Director who is also Business Development Director, S.E. Asia, who is not sure if he lives in Singapore or Perth and the Finance Director, based in the UK, who also acts as General Manager of the Sheffield office. We also have a non-executive director living in Sydney.

This is not a simple matrix structure where hierarchical authority has been overlaid with functional responsibility. Nor is it a case of authority simply having been devolved to the regions. It is true that the Regional Directors do have a large amount of autonomy in their geographic areas, however, this is largely to do with local structure and organisation and the maintenance of profitability.

The ‘centre’ of the group cannot be easily defined. For corporate strategic issues, whether they are to do with the conduct or expansion of current business or with major changes such as acquisitions, all the board are involved. However, the lead on such activities comes from the non-executive director³ and myself. With 20,000 km and several continents separating the two of us, we clearly cannot get together easily for such activities. However we do manage to meet roughly every six weeks or so, as I try and visit all the offices every three months and my colleague also visits Europe regularly to attend to his other business interests. But you can’t run a company on six-weekly meetings. Hence we rely heavily on technology.

Similarly, if one considers marketing strategy, this is split between the traditional group products (www.unidata.com.au) and the new service offerings (www.crossramp.com). The former is led by the Regional Director of the Americas and the latter by the Regional Director of Australasia. To achieve this on a global basis, both directors make quarterly world trips during which they visit all offices and gather input, and provide direction in their areas of responsibility. Again, however, more regular contact is required.

One of the interesting results of this approach is that it can lead two people reporting to each other on different aspects of the business. One might think this is a recipe for disaster, but we have not encountered problems in practice.

Research and Development is also handled globally. The Technical Director has overall responsibility for this activity, but relies heavily on input from the regional offices. We have introduced an authorisation process for R&D proposals whereby anyone in the group can initiate a request for a new product or service. This is

submitted on a standard electronic form on our intranet, for further completion by various other staff members. The regional sales teams add their estimates of the market potential of the new offering and its likely pricing, the Technical Director estimates the development cost and effort required, the factory estimates the finished product production cost, and comments are included about its relevance to our overall strategic direction. Once completed, the application is assessed by the board at the next virtual meeting and, if approved, a priority is set and it is slotted into the development program.

Similarly, marketing strategy, although led by the two responsible directors, is based on input from across the group. We have a Marketing Working Group which meets 'virtually' on a regular basis. In addition to the two marketing directors and myself, the senior sales staff, the Finance Director and the head of production are all members. Any marketing ideas are thus discussed in the context of their impact on all aspects of the business.

There is also a production Working Group, composed of representatives from all group regions and functions, which considers the implications of changes in production patterns and procedures, stock levels and the like.

My contribution to these various groups is not one of issuing instructions or forcing through decisions. Indeed, apart from my temporary role as acting Regional Director Europe, I take very little part in the day-to-day operations of the group. I prefer to see my role as one of 'designer, teacher and steward'⁴ and, on occasions, referee. Unfortunately some staff, particularly recent joiners, expect me to issue orders and are uncomfortable with telling me that they disagree with my tactics. Changing this mentality is essential, as a cross-fertilisation of ideas from all regions, functions and levels is vital to the maintenance of market leadership. I attempt to provide useful direction, but the detailed implementation benefits enormously from the ideas of the individual managers. Compulsory reading for all my management team is a book called *First Break All The Rules*. As the authors say, 'Define the right outcomes and then let each person find his own route toward those outcomes'.⁵

Only through continual re-evaluation and evolution can Milieutech hope to dictate industry trends, rather than simply following them.

The finance function is also spread across the group. This is probably the least surprising as finance and accounting are commonly run across hierarchies. Local staff in each of the regions prepare accounts autonomously however, all management reporting and treasury management is consolidated globally by the Finance Director and the relevant information made available to those who require it. All this consolidation and dissemination is handled over the Internet, making it irrelevant where the Finance Director is actually based.

For all of the above activities, it is fundamental that information is readily available to staff across the globe. This has necessitated reliance on all the latest technological developments.

Foremost amongst these are of course the Internet and email. In addition to using the Internet as a data transmission medium for client service offerings, we also use it

extensively for in-house purposes. By overlaying a group intranet, we have the possibility of documents being accessible by all authorised staff, wherever they may be based. We are also able to update or amend documents locally (such as completing details of a new R&D proposal).

Emails are also used very extensively, although I have found it necessary to forbid their use for purposes other than requesting or supplying information. Being a faceless medium, we have found that the possibilities of misinterpretation are too great for it to be used for opinions or arguments. The danger, particularly where different time zones apply as in our case, of lengthy tomes being batted backwards and forwards in a sort of email tennis match, rather than one party simply picking up the telephone and sorting the issue in a matter of minutes, is great.

Teleconferencing and videoconferencing on the other hand do not suffer nearly as badly from this problem. Being able to see, or at least to hear, the other party or parties, reduces dramatically the likelihood of misunderstandings arising. Interestingly, however, we have observed that the *more* split up the parties are for a teleconference, the *better* it works. If only one or two parties are in separate locations and most of the group are together somewhere, there is a tendency for those at the primary location to only talk to the telephone in the middle of their table and for the one or two remote parties to monopolise the meeting.

In general, it is my view that more and more companies will move towards this 'virtual board' concept. Recent technological changes are not just altering the way that traditional business methods are implemented. They are more than just new tools: they are providing a platform upon which the whole management process can be fundamentally redesigned. I foresee the day when traditional corporate structures are only a topic in a university unit called Management History.

¹ Koch, R. 1995, *The Financial Times guide to strategy: How to create and deliver a useful strategy*, 2nd edn, Prentice Hall, Hemel Hempstead, England, p. 86.

² The basic principles of the modern day fax were outlined by a Scottish clockmaker, Alexander Bain, in 1843.

³ Actually 'non-executive' is a slight misnomer, as the person concerned regularly knocks up over 40 hours in a week for the group, albeit unpaid.

⁴ Senge, P.M. 1990, 'The leader's new work: Building learning organizations' in *Readings in the Strategy Process*, 3rd edn, 1998, eds. H. Mintzberg & J.B. Quinn, Prentice Hall, New Jersey, pp. 226-30.

⁵ Buckingham, M. & Coffman, C. 1999, *First Break All the Rules: What the World's Greatest Managers Do Differently*, Simon & Schuster, New York, p. 110.