

REDISCOVERING EXCELLENCE

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Abstract

The topic of Corporate Excellence has been the subject of many best-selling books, dissertations, Ph.D. theses and a mantra for numerous consulting firms over the past few decades. The world has seen some remarkable changes over this time - globalization, emergence of powerhouse Asian companies, outsourcing, corporate governance just to name a few. The paradigm for measuring excellence too deserves to change. The author has established a new framework to study and measure Excellence in this brave new world. This methodological paper introduces you to a new approach for measuring Excellence -A new paradigm to see Excellence through the eyes of the entire key stakeholders who impact it, and ultimately, the fate of the corporation.

Definition: The best of the dictionaries offer following definitions of the word excellence,

- To surpass others in qualities
- To be superior, distinguished or pre-eminent
- Surpassing virtue, goodness or merit
- That in which a person, thing or an organization excels
- They are extremely good in some way
- The quality of being excellent
- Extremely good or of very high quality

Excellence is something, which never goes out of fashion. The organizations, which were confirmed as excellent in the yester years, cease to be ones in coming years. The parameters, which were used earlier to define excellence, need to be reviewed periodically.

Who will define excellence? We are told the

story of four blind men and one elephant. Each one defines the elephant in its own way. The blind man who is touching the tail of the elephant says that it is like a rope; the other one says no, it is like a pillar and so on.

Similarly, the excellence may have different interpretations from different viewpoints. We are looking for excellence in every field. Let us see some illustrations.

- ¬ A student calls a teacher excellent who makes him understand the subject.
- ¬ We see a movie, drama or an opera from which we come out in daze and pronounce it as excellent.
- ¬ We go to a ball game or watch a game of tennis in which a player comes out with a superior performance in defeating the opponent and we call it excellent.

A company announces fantastic results by declaring a dividend of 400 percent and bonus shares in the ratio of 1:1. As a shareholder, we are delighted and call it an excellent performance. So on and so forth.

Each of us is defining excellence in our own way. What appeals to one may not have the same impact on the other. Excellence is therefore relative. It is the average effect, which will determine the excellence. For a business organization, it will be measured by using both the quantitative and qualitative measures.

Quantitative measures : The measurement of the following indices is usually resorted to.

- Financial performance
- Comparison with others
- Benchmarking

Qualitative measures : Quality being the essence of excellence these two aspects are important.

- Opinions of different stakeholders
- Opinions of management experts like consultants and educators

This paper will attempt at exploring whether the two can be combined together giving rise to new paradigms in discovering excellence.

The earlier researches

Management literature is full of researches to define the excellence, quality and leadership. A quick review is taken here of the major studies that are available. Perhaps the first major study that became a part of the popular management literature undoubtedly was the book *In Search of Excellence* (1) that was written by Tom Peters and Robert Waterman Jr. in the year 1982. They picked up 62 companies from the following sectors,

High Technology companies such as Digital, Hewlett Packard, Intel and Texas Instruments

- ¬ Consumer goods companies such as Proctor & Gamble, Chesebrough Ponds and Johnson & Johnson
- ¬ General industrial goods companies such as Caterpillar, Dana and 3M
- ¬ Service companies such as Delta Airlines, Marriott, McDonald's and Disney Productions
- ¬ Project management companies such as Bechtel and Fluor
- ¬ Research based companies such as Atlantic-Richfield, Dow Chemicals and Exxon.

The list was reduced to 43 and finally in-depth interviews were taken of only 21! The other criteria that were applied in selecting these samples include their consistency in financial performance and their market shares. Even after this, it cannot be said that this list is representative of the population!

The authors came out with eight attributes, which they identified with excellent companies. They were,

- ¬ A bias for action
- ¬ Close to the customer
- ¬ Autonomy and entrepreneurship
- ¬ Productivity through people
- ¬ Hands on value driven
- ¬ Stick to the knitting
- ¬ Simple form, lean staff
- ¬ Simultaneous loose tight properties

After almost two decades, it is felt that these characteristics are too general. They are very subjective and may show the bias of the two authors. The so-called experts who gave their opinions were certainly not the stakeholders of the companies. Hence, they were merely their own impressions based on the data available. The book and the video film made on it and giving only seven examples of excellent companies became a best seller all over the world. It made Tom Peters and Robert Waterman the new Management Gurus. It was not surprising, therefore, that there was a spate of similar

books to cash on the popularity of the subject. Like a sequel for a popular movie!

In 1985, Tom Peters coauthored this time with Nancy Austin to write *Passion for Excellence- The Leadership Difference* (2). Quite frankly, there was nothing new in this book from the earlier one by Peters & Waterman. Except, some new illustrations! The gist of the book can be summarized in defining excellence by the authors as given below,

- ¬ Care of the customers
- ¬ Constant innovation
- ¬ Investing in people
- ¬ Leadership which shows a style of Managing by Wandering Around (MBWA)

If you are wondering what that means, it is listening, and staying in touch with all concerned!

In 1995, Robert Waterman Jr., this time alone, wrote a book named *Frontiers of Excellence* (3). He acknowledged the previous researches done on the subject through *In Search of Excellence*, the *Renewal Factor*, and *Adhocracy: The Power to Change*. He was honest enough to admit that it is difficult to explain why some great companies like IBM stumble badly while others like Procter & Gamble remain vibrant. His sane advice was "to learn from the best while they are good and move on when they lose their edge. He summarized excellence as follows,

- ¬ Companies that remain successful break themselves into small, fairly autonomous units. His emphasis was on decentralization. His research revealed that small units, organized to be relatively independent, have more will to succeed. They keep companies reinventing themselves. It is worthwhile breaking big companies into small, independent, market driven units. They are quick with innovations.

- ¬ The companies that stay healthy organize to please their customers and to motivate their people. Rather than "Please the boss", they have the will and the ability to organize "upward" rather than "downward".
- ¬ The companies that show the ability to switch smoothly and easily from normal bureaucracy to what the author coined the word "adhocracy". They develop cross-functional project teams and task forces.
- ¬ The companies show the staying power and will to commit to long-term plans.

There are of course many other researches, which have come out in the book form on the subject. Mention must be made of *Managing for Excellence -The Guide to Developing High Performance in Contemporary Organizations* by David L. Bradford & Allan R. Cohen in 1984 (4), *Organizational Designs for Excellence* by Pradip N. Khandwala in 1992 (5) and many others.

With due respect to all the authors, they all look similar. They all have tried to be different. However, it is "reinventing the wheel", with some newer illustrations. All of them are highly subjective. They do not take into consideration the opinions of the various stakeholders of the companies. Thus, it is high time to "Rediscover the excellence" and develop some new paradigms for the same.

Limitations of the earlier researches

Based on years of intensive research and high level management consultancy experience, the author feels that the earlier researches done on the subject of excellence had the following limitations.

- i. The research was done mostly on large industries and of American origin. There can be many excellent

organizations world over and also in medium and small-scale sector. In developing countries, the public sector plays a major role. It is quite likely that there could be some excellent organizations in this sector also. For instance, in India organizations like ONGC, SAIL and few others are giving excellent results over last few years. No biases can be carried with respect to sector or size of industries.

- ii. The sample size to begin with of 62 by Tom Peters & Robert Waterman Jr. in their book *In Search of Excellence* finally getting reduced to 22 in depth interviews looks too small. Also, it cannot be statistically representative.
- iii. Innovation has been the key factor in defining the excellence in almost all the studies. Some others have added the dimensions of care of customers and leadership for defining excellence. It must go beyond these three factors.
- iv. It is not very clear who all are the people who are defining excellence. Are they customers, shareholders or others? Or, is it only the opinion of the authors?
- v. No model is available to make a comparison between two excellent companies to decide which is better than the others and why.
- vi. The earlier authors have admitted in their subsequent researches that they fail to explain why a company earlier defined by them as excellent performs poorly later on. Can the decline be logically explained?
- vii. Most importantly, the earlier researches fail to take into consideration the viewpoints of different stakeholders of the organization.

Can companies like Hewlett-Packard, Intel, Texas Instrument, Caterpillar, Bechtel, Dow Chemicals be considered as excellent by the employees if they find that the companies have gone for major down sizing, no salary rise for two years, stalled promotions and many other shortcomings from the viewpoints of the employees?

Can companies like Delta Airlines, Marriott Hotels, McDonalds, Disney Products be considered as excellent if the customers find that the companies are some how slipping in generating customer satisfaction, making tall claims and not delivering, have not launched any new products in the market in last few years, have gone for a price rise and others?

Can companies like Texas Instruments, Caterpillar, Bechtel, Dow Chemicals and others be called excellent if their suppliers find that these companies are taking a long time in making payments to them, are not helping in any manner for their development, have dropped them and gone for cheaper supplies from say China or India?

Can companies like Hewlett-Packard, Intel, Delta Airlines, Exxon and others be considered as excellent by their shareholders if they find that they have worked as wealth destroyers for them?

Can the townships where the factories of Dow Chemicals, Exxon and other chemical industries are located be justifiably considered excellent by the population thereof if they are not controlling the issues like pollution and effluents?

Practical scenario

Let us now critically look into the likely scenario of some of the American companies who were considered as excellent in the earlier studies.

These are few of the examples given here just to illustrate how different stakeholders will be looking at the companies to define excellence.

Stakeholders opinions

We know that an organization has several stakeholders. How do they look at the excellence? Let us see.

1. **Employees** : some outside expert may have recognized an organization as an excellent organization. Has anybody asked the views of its employees? What is their opinion on the organizational culture, whether it is conducive to innovation, is the company a good paymaster, what are the work conditions like team work, policies on promotion, hire & fire and many others. In Japan, they were practicing lifetime employment. Was it out of compulsion or by choice? Did it give rise to a high level of employee satisfaction? Is this regularly measured and the feedback is used to make improvements? How do the employees find the leadership?
2. **Customers** : It has taken almost 50 years to change over from product orientation to customer orientation. What does it mean exactly? It is not only knowing the customers and understanding their expectations. Today, it goes much beyond that. The Japanese talked about from satisfying to delighting the customers. How to achieve this? A customer may like a company whose representatives are easily accessible, who treat customers intelligently, help them in selecting the right products and offer a host of before sales and after sales services. They maintain a relationship with the customer, regularly, obtain their feedback and use this in developing new products meeting the needs and wants of the customers. They deliver value to the customers.
3. **Middlemen** : The middlemen play a major role in reaching the goods and services to the customers. They enlarge the markets for the producers, generate volumes, and offer after sales services and many other benefits. They are described as the eyes and the ears of their principal. But, frankly, are they really used effectively? The middlemen may define a company as excellent if they can grow along with their principals, get good margins, credit period, incentives, training and guidance in enterprise management.
4. **Suppliers** : All types of companies today are practicing outsourcing. Typically, these are described as a make or buy decision. Vendors are complimenting the original equipment manufacturers. How does their principal treat them? The suppliers' definition of excellence will be in terms of prompt payments made for the supplies, retention, and guidance in technological up gradation in any other area.
5. **Shareholders** : The shareholders are the owners of any organization. How will they define an excellent company? First and foremost will be in terms of safety of their investments. This has become very critical today with so many companies going bust. After that, the shareholders will expect good returns on their investment annually, appreciation over the years, issuance of bonus and right shares to increase their net worth and any other incentives like discounts on the company products. The financial performance given in the annual report will be only one of the parameters to evaluate this.
6. **Competitors** : Why should the competitors define excellence? We know that there are four types of players in every market. They are

leaders, challengers, followers and nichers. It is said that everything is fair in love and war. Today's businesses are nothing but short of warfares. Even then, a company would like to define a competitor as excellent if they are not resorting to unfair and unethical practices are willing to take up common causes and are open for networking of any kind as per the situations.

7. **Financial institutions** : In most of the situations, the financial institutions are the real owners of the business. They may include the term lending institutions, banks, venture capital funds and any others. In the third world countries, most of these financial institutions are facing a serious problem of non-performing assets (NPA's). From the view point of a financial institution, excellence will be defined in terms of organizations which are doing effective debt servicing, are maintaining good credit rating, are regularly expanding their businesses and are giving additional business to them. Having transparency and good accounting practices also will be crucial.

8. **Facilitators** : A business organization requires many other services. Some of them will include services like advertising, management consultancy, transportation, legal and many others. These are the facilitators to the business. They will be looking for freedom and non-interference. The organization which gives them professional freedom and encouragement will be viewed as an excellent company.

9. **Government** : In most of the countries, the government plays a major role in the industrial development. The major revenue to the government comes from the duties & taxes paid by the businesses. They also generate employment. In most of the developed countries, a lot of work has been done on the subject of corporate governance.

10. **Society** : Any business organization owes a lot to the society where it has its operations. They generate their business and profits at the cost of the society. How much of this is returned to the society in some form or the other? Big industrial houses have contributed largely to the cultural, economic, educational and other developments of the society. A general view of the excellence will be defined in terms of how ethically the companies operate, how they look after the consumer welfare, generate employment and contribute in any manner for the welfare of the society?

In USA, *Malcolm Baldrige Award* (6) is a major step to recognize the excellence. Set up during the presidency of Bill Clinton, the US government came out with this award to encourage the US companies to enhance their competitiveness in the global markets. Many other countries have taken a cue from this and have set up similar awards in their country for acknowledging the excellence.

From the view point of any government, the excellent company will be the one who is paying their dues to the government promptly, maintains transparency, accountability and openness in running their businesses, is generating jobs and is not disturbing the ecology in any manner.

The SARWATE Model of Excellence (Total points 1000)

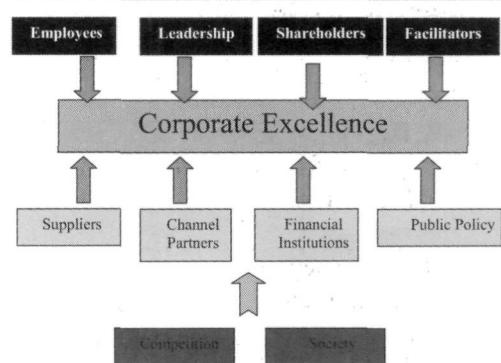
The author has developed a model that incorporates both qualitative and quantitative feedback from key stakeholders as illustrated in this diagram to measure and track

'Excellence'.

Highlights of the model:

- ♣ Determines impact of all the key stakeholders.
- ♣ Unbiased.
- ♣ Qualitative and Quantitative feedback loop.
- ♣ Customized for your company and industry.
- ♣ Measure and Track 'excellence' over time.
- ♣ Tailored recommendations to achieve and retain 'Excellence'.
- ♣ Scalable across companies, industries and geographies.
- ♣ Rigorous audit of key stakeholders to unearth true measure of corporate excellence.
- ♣ Powered by decades of experience and unbiased research

Based on the discussions made earlier, the model identifies excellent companies from these different viewpoints. This is then a quantitative measure of excellence. A benchmark can be set to define excellence as well as to make a comparison with different companies. This model will take into consideration the expectations of all types of stakeholders.



| STAKEHOLDER | WEIGHTS | TOTAL WEIGHTAGE |
|-------------------------------|---------|-------------------------|
| Customers | | Points 300 (30%) |
| Accessibility | 25 | |
| Choice | 50 | |
| Competitive prices | 25 | |
| Service | 100 | |
| Relationship | 50 | |
| Delighted customers | 50 | |
| Shareholders | | Points 200 (20%) |
| Safety of investment | 50 | |
| Appreciation | 100 | |
| Returns | 50 | |
| Financial institutions | | Points 100 (10%) |
| Debt Servicing | 75 | |
| Growth | 25 | |
| Suppliers | | Points 50 (5%) |
| Prompt payments | 40 | |
| Technology Support | 10 | |
| Dealers | | Points 50 (5%) |

| | | |
|---------------------------|----|-------------------------|
| Prompt payments | 40 | |
| Technology Support | 10 | |
| Commissions and credits | 40 | |
| Support services | 10 | |
| Facilitators | | Points 30 (3%) |
| Freedom | 30 | |
| Government | | Points 70 (7%) |
| Payment of duties & taxes | 30 | |
| Employment generation | 20 | |
| Corporate governance | 20 | |
| Society | | Points 30 (3%) |
| Ethical practices | 20 | |
| Environmental protection | 10 | |
| Competitors | | Points 20 (2%) |
| Ethical practices | 20 | |
| Employees | | Points 100 (10%) |
| Organizational culture | 20 | |
| Monetary benefits | 50 | |
| Career growth | 30 | |
| Leadership | | Points 50 (5%) |
| Vision | 25 | |
| People Management | 25 | |
| Total | | 1000 |

The ages weight given above are as perceived by the author. They can be changed by the researchers for specific companies as per the importance given by them to an attribute.

Conclusions : It is felt that a study on excellent companies can be carried out impartially by interviewing all the stakeholders of the companies and giving weightages as described above. Students & professors of management and independent consultants can carry out such studies. They can maintain transparency. The author feels that this then will become representative, as this will combine both the qualitative as well as quantitative aspects.

A scale can be developed as shown below to give absolute weightages:

| | |
|------------------------|----|
| Score of 950 and above | A+ |
| Score of 900 to 949 | A |
| Score of 850 to 899 | B+ |
| Score of 800 to 849 | B |
| Score of 750 to 799 | C+ |
| Score of 700 to 749 | C |

It is felt that this model can overcome the shortcomings of the earlier studies. With changing times, it does require continuity to rediscover excellence.

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