

Introduction: The 7 Characteristics of World Class organisations ... extracted from the PhD of Dr Andre Parker



During times of uncertainty and rapid change, organisations around the globe, let alone South Africa, are feverishly in search of the Holy Grail of competitiveness as they traverse the uncharted white waters of hyper-turbulence. This Holy Grail is commonly summed up in a single expression; 'world-class'.

Over a series of 7 articles, Andre J Parker will be unpacking the 7 key characteristics of 'world-class' organisations from his doctoral research work.

Divided into 7 themes, he will be covering how, in these organisations

- (I) Ongoing strategising focuses on a challenging, desired future
- (II) Shared leadership which is transformational, is continuously recreating the organisation
- (III) Stakeholders form a community of partners with a shared destiny
- (IV) Organisation design is centered around customers
- (V) Continuous improvement and relentless Innovation is a way of life
- (VI) People philosophy and practices release the potential of people in the organisation
- (VII) Powerful branding energises all that the organisation stands for

A leading journal asked Dr Parker to define the concepts 'world class' and globalisation and why becoming and staying 'world class' is essential for survival in a white water world of continuous change.

Q: What does it mean to be a 'world-class' organisation?

A: Becoming 'world-class' implies benchmarking one's organisation and becoming competitive with other business organisations in the global arena. Put another way, it means being able to respond effectively to the prevailing challenges in a manner that surpasses that of competitors and to compete effectively in the global economy.

Q: The concepts 'world-class' and 'globalisation' tend to be used interchangeably. Do they have the same meaning?

A: There is an assumption that being 'world-class' means having to be 'global' – meaning that you are in multiple countries around the world. This would imply that unless an organisation is global, it cannot be 'world-class'. Nothing is further from the truth. However, whilst an organisation does not have to be globalised to be 'world-class', becoming 'global' certainly has the potential to improve a 'world-class' organisation's performance. SAB's initial local pursuit of becoming 'world-class' and its later rapid global expansion is a good example. The challenge is to achieve a globally integrated business organisation that achieves economies of scale and responsiveness to global customers, while simultaneously retaining local flexibility for multiple customers throughout the world.

"The slogan "think global, act local", should read "think and act global and local." This means that whilst being local but also 'playing' in a globalised competitive market, a 'world-class' organisation adopts a 'global mind-set'. A 'global 'mind-set' in this context means scanning the world from a broad perspective, always looking for unexpected trends and opportunities that may constitute a threat or an opportunity to achieve an organisation's objectives

Q: We often hear the term 'think global and act local'. Is that correct?

A: The slogan think global, act local, should read "think and act global and local." This means that whilst being local but also 'playing' in a globalised competitive market, a 'world-class' organisation adopts a 'global mind-set'. A 'global 'mind-set' in this context means scanning the world from a broad perspective, always looking for unexpected trends and opportunities that may constitute a threat or an opportunity to achieve an organisation's objectives

Q: Why then is it so important for business organisations who only play in the local economy to become 'world-class'?

A: Regardless of whether a business is local or global, there is a growing pool of transnational sophisticated customers who see the 'globe' as one market place, having access to the best the world has to offer and who now seek globally standardised products – particularly in the field of popular consumer goods. So by default, whether an organisation is physically constrained to one country or not, it has to compete with some of the world's brightest companies. Country boundaries no longer constrain market boundaries. Living in a boundaryless world where the pace of globalisation is accelerating exponentially, means that anyone, anywhere in any country can play on your turf and “scrum” you into the ground. It therefore follows that being 'world-class' depends on whether you have a 'global' mindset and not where you are in the world or how many countries you are in.

in the blogs that follow, Dr Parker takes us through the 7 characteristics of World Class organisations which are:

- (I) How World Class organisations strategise**
- (II) Leadership in World Class organisations**
- (III) Stakeholders forming a community of partners with a shared destiny**
- (IV) Organisation design which is centered around customers**
- (V) Continuous improvement and relentless Innovation which is a way of life**
- (VI) People philosophy and practices which releases the potential of people in the organisation**
- (VII) Powerful branding which energises all that the organisation stands for**

Part I of the 7 Characteristics of world class organisations. “How 'world-class' organisations strategise”

6 Jan



Q: : Could you start with an overview, after which we can delve into key aspects of how 'world-class' organisations strategise.

A: In a global economy where 'world-class' organisations continually flex to improve on customer needs and expectations, good is never good enough. They create and live innovative stretch strategies which are always recreating the future as a way of life. Continual future creation and improvement renders conventional strategic plans prematurely obsolete which means that **strategic planning is an organic, continual process** to stay ahead of an ever moving beacon which is the strategic intent. This inner urge for progress lies deeply rooted in their core ideology which works hand in hand with their envisioned future.

Everyone in the organisation partners in continually improving processes where there is close alignment of strategic thinking with all other interdependent practices and systems in the organisation. The way in which this alignment is lived by, either repel or attract people to the organisation. Careful synergistic alignment of overarching and interdependent strategies creates a balance and harmony that eliminates waste and drives high performance.

Q: Why is that 'world-class' organisations view their strategic plan as continually obsolete?

A: It is all about satisfying ever demanding customers who know that the whole world is their 'shopping counter'. The perpetual race for 'front line' position by 'world-class' organisations, who know that they have to continually innovate and improve, is driven by continual strategising that can rapidly flex to meet changing customer needs and expectations.

The need for continual future creation therefore is a need for 'metamorphoses'. The biological meaning of the word suggests a 'change process' as opposed to the outcome of the change itself. In organisation language, this describes the building of strategy as a continual process because the intended outcome of the plan in a rapid and exponentially changing environment renders the outcome of the plan obsolete before a neatly packaged strategy is achieved. Continual crafting of the strategic intent is therefore what makes it relevant and always current to the changing business landscape.

Q: You talk about "Future driven creation strategising". What does it imply?

The 'formal' strategic plan is no longer the true guiding light of a 'world-class' organisation because its time horizon and orientation is to give effect to a desired business plan. 'World-Class' organisations are therefore not fixated on a time horizon dictated by a strategic plan but reference all their actions against a strategic intent. This implies viewing the 'intent' as a constant beacon of where the organisation wants to be into the future and then taking their people there in their imaginations.

This explains why a 'once a year' strategic planning process is avoided like plague by 'world-class' organisations.

Q: What is the source of this kind of thinking in 'world-class' organisations ?

A: The late Peter Drucker was once asked: "how do you predict the future?". His response was "you create it!" 'World-Class' organisations realise that in order to create the future (as they envision it to be) they have to take charge of the future. This means creating a 'stretch' future which suggests that for these organisations, allowing the future 'to be what it will be' is simply not good enough. The future needs to be pulled back into the present so that resources can be leveraged to make it a reality. It is also a philosophy where the 'present' is always seen as 'past tense' and where 'what could be' becomes a mindset which is always in a future creation mode.

This 'inner urge for progress' is deeply rooted in the core ideology of these organisations who are seen as 'visionary' since they are continually focusing on beating themselves - not so much as the end goal but as a residual result of always wanting to do better, never thinking that they have done good enough.

'World-class' organisations begin with a set of core values which drive their brand, that are energising and capable of unlocking the human potential of their people. Although these organisations decide for themselves what these enduring core values are, some form of innovation is likely to appear on their list of values. The very fact that their purpose is forever pursued but never reached means that such organisations can never stop stimulating change and progress so that they can live more fully up to their purpose. Consequently, a combination of 'core values' and 'core purpose' continually stimulate and drive stretch and innovation through and into the envisioned future of the organisation. When people feel connected to something with a purpose greater than themselves, it inspires them to reach for levels they might not otherwise obtain.

The envisioned future contains what Collins and Porras in Built to Last (2002, p82) call "hairy audacious goals". These goals describe what a ten to thirty year future may look like. The vision, also influenced independently by the core values and core purpose, puts it all together and describes a ten to thirty year effort to complete.

Q: What approach do 'world-class' organisations adopt as they continually strategise?

A: A flywheel accelerates from continuous and consistent pushes, maintaining its own momentum since it is perfectly aligned and balanced. And once it has gained critical momentum to drive everything within and with it forward, it becomes an internal source of energy to the organisation that 'teaches' everyone in the organisation 'the way', "motivates the troops" and "manages change". But to "spin" at speed and retain this momentum, it has to be perfectly balanced and aligned in the direction it is going.

In practice this means careful synergistic alignment of overarching and interdependent strategies and allocation of resources to ensure that there is balance and harmony of efficiency to attain and sustain high performance. The the builders of 'world-class' organisations seek alignment in strategies, tactics, organisation systems, structure, incentive systems, building lay-out, job design, in fact, in everything.

The introduction of unrelated and disjointed strategies, which lead to unrelated practices, are avoided like plague by 'world-class' organisations. For example, it is unlikely for a 'global minded' 'world-class' organisation to announce that it is to introduce a 'continuous learning culture' because it is a widely reported characteristic of 'world-class' organisations. Such an organisation will already be a 'process based' organisation where autonomous

teams interface with customers along the value chain and are continuously learning.

Because their thinking is dominated by continuous improvement, members have to be multi-skilled where life-long learning emerges as a natural phenomenon and lives in harmony with all other interdependent practices and systems within the organisation. Three hundred and sixty degree appraisal, where fellow team members, suppliers, and customers in the value chain provide feedback to teams and individuals on how they perform, become an almost involuntary natural phenomenon. It does not have to be created or imposed on the business as a 'good idea' or the 'latest thing' to do.

The essence thus of 'world-class' organisations comes in the translation of their core ideology and vision into the very fabric of the organization, into their goals, strategies, organisation design, tactics, policies, processes, cultural practices, management behaviors, building layouts, pay systems, accounting systems, job design – in fact everything that these organisations do. 'World-class' organisations create a total environment that envelop employees, bombarding them with sets of signals so consistent and mutually reinforcing that it's virtually impossible to misunderstand the organisation's core ideology and ambitions.

Part 2 of the 7 Characteristics of world class organisations. “Leadership in ‘world-class’ organisations”



Q: “Leadership” is a topic that competes with Harry Potter for bookshelf space. Is ‘leadership in ‘world-class’ organisations’ yet another leadership theory amongst all the ‘others’?

A: No, it is not a leadership theory but a distinctive leadership style that has evolved as ‘world-class’ organisations continually improve, flex, adapt and transform to meet customer needs in a hyper-turbulent global market. What we describe here from our research, is what we observe ‘world-class’ leadership doing – not what any one ‘business thinker’ has to say about his or her ‘theory’ on leadership.

You will recall that when we discussed “ongoing strategising” in ‘world-class’ organisations, the point was made that these organisations continually flex to improve on customer needs and expectations’ that ‘good is never good enough’ and that they create and live innovative stretch strategies which are always recreating the future as a way of life. This means that ‘world-class’ organisations are continuously transforming – and rapidly so. Translating this

into leadership, it was not surprising to find a 'transformational' mindset amongst leadership in 'world-class' organisations.

One of our sources, when asked about leadership in 'world-class' organisations said "If I had to choose one common, outstanding characteristic strength of 'world-class' organisations, it would be their leadership, or more specifically, the incessant drive and energy of their leaders." Obviously this led to many questions around what qualities and characteristics these 'driven' and 'energised' leaders have beyond that of their peers in other organisations.

Q: "So what then makes 'world-class' "transformational" leaders different from their peers?"

When at first the term 'leadership' became a popular cliché in a changing world-of-work towards the last two decades of the 20th century and even more so in the 21st Century,, the important differences between 'outmoded' management and leadership practices have been highlighted. Leadership is about creating the conditions where people can perform to their potential in a fashion in which they and their company are comfortable. It is about creating a vision for the organisation and then articulating it so that others can be enthused by this vision and successfully implementing it.

Leaders have to project several years ahead to determine where the organisation is going. The most important role of company leadership is defining a company's vision and aligning people in the company behind this vision. Next they align the organisation's operating model, organisation design and structure, to all point in the same direction.

Transactional leaders satisfy their followers' material and basic needs in return for satisfactory expected work performance. To achieve shared objectives, they utilise their power and position to enthuse and create transactions with their followers to pursue common goals, hence the term 'transactional leadership'

However, in a turbulent one global market where organisations are continually competing for the hearts and minds of demanding customers, the most important role of leadership has evolved to that of driving transformation. A disempowering, rigid culture driven by the strengthening and maintenance of the existing state through transactional leadership is avoided like plague by 'world-class' organisations.

For example, Jack Welch detested the very notion of transactional leadership, which he referred to as "management". Most managers, he insisted, over

manage. “Those who do, all too often help to create the bureaucratic sloth and sluggishness that large companies should avoid”. 'World class' organisations place an emphasis on and encourage transformational leadership whilst average organisations suffer from undue emphasis on transactional 'management'.

Part 3 of the 7 characteristics of World Class organisations: “Stakeholders form a community of partners with a shared destiny”

8 Jan



Q: “What is meant by ‘partnering’ in the context of this ‘world-class’ characteristic?”

A: Partnering is natural where there is ownership. Inversely, ownership comes more naturally where there is partnering. When ‘ownership’ and ‘partnering’ extend across functional boundaries both internal and external to the organisation, an action community is mobilized around seamless business processes to deliver on peak-to-peak levels of customer service. In other words, the organisation is more than just its formal structure as a legal entity. It lives as part of a much wider “business echo-system” where formal boundaries become purposefully blurred.

Q: “What does business partnering entail?”

A: Some of the best-hidden ‘world-class’ organisations rely on business partnering to solve their problems. Suppliers, customers, and companies outside of but aligned with their particular industry – form a contingent that drive them to unusual achievements. They build strategic alliances as either

suppliers or customers and see all stakeholders as being potential alliance partners.

For example: The Chase Manhattan Bank pride themselves in extending their banking business to partnering with their clients in what is traditionally outside the spheres of traditional banking business.

Q: “Where do competitors fit into the ‘partnering’ picture?”

A: Even competitors are seen as training partners for fitness and not as adversaries. They actively seek confrontation with strongest competitors in the world, seek demanding customers and follow them wherever in the world they go. This phenomenon is known as ‘**co-opetition**’ where co-operation and competition exist side by side.

Q: “How do ‘world-class’ organisations manage to grow and nurture a culture of ‘partnering’ ?”

A: ‘World-class’ organisations place a premium on empowerment and involve the workforce as true business partners. This implies involving people across the organisation where the strategic intent becomes common property and grows organically, vertically and horizontally across the organisation.

A South African consumer organisation shares its long term plans with employees by way of an annual publication and then invites input and commentary for the immediate one year plans. Information and views are fed up and down the line and are tested for clarity and viability. Although functional directors make final decisions, the plan itself is carefully communicated to all levels of the organisation in stages of detail and complexity. This way, the strategy becomes ‘common property’.

Care is taken to ensure that all stakeholders, irrespective of level in the organisation, are treated as all being able to make valued contributions. Personal interactions and events are therefore conducted in a manner that include all stakeholders as far as is possible. Virtually nothing is sacrosanct. Information is transparent and carefully crafted so that it can be given to and be understood by all in the organisation. All stakeholders are involved early in the identification of the problem or opportunity and are invited to give input to and assume joint ownership of organisation strategies. Consultation or consensus is dependent on level and type of decision to be made.

Jack Welch, former CEO of General Electric adopted the view that employees have to be treated as an integral part of the business. “Allow them to take part” he said, “and you will discover employees becoming a good deal more

conscientious. And conscientious employees automatically become more productive.”

Q: “Building a partnering relationship with customers appears to be pivotal to the phenomenal success of 'world-class' organisations. Could you expand on partnering with customers ?”

A: 'World-class' organisations know instinctively that their ability to stay ahead in a global market is to be best at customer service by establishing business partnerships with their customers.

The importance of customer interface in this ‘business partnership’ is even more profound when it is realised that ‘happy’ people in the organisation have happy customers. Bob Head, MD of the UK’s revolutionary Egg Bank made it quite plain when he said “if you want happy shareholders, if you want happy customers, you’ve got to have happy people working for you”. **Unfulfilled frontline employees make for unhappy customers and an army of unhappy ex-customers.** This, by implication, means that where there is a positive employment relationship all along the value chain as internal and then external customer requirements are met, the ultimate ‘moment of truth’ where the final customer’s needs are met, is positive.

Sears in the US ascribe the satisfaction of their customers to “happy” employees who fuel overall organisational performance. Their view is that if their staff are happy, smiling and enjoying their work, they will perform well and the customer will enjoy the experience. If they are miserable, their customers will be equally miserable. The way employees feel therefore is ultimately the way their customers feel. Many organisations turn their employees into quality terrorists by the way they treat them. Research reinforces the fact that employee attitude correlates highly with customer attitude which is why 'world-class' organisations put a premium on employee satisfaction with their work life as a driver of external customer satisfaction and business results.

A senior executive at the Disney Corporation described the importance they attach to employee satisfaction as a driver of customer service as follows. “Committed, motivated and productive people have a sound relationship with the organisation that employs them. That has a direct rub-off as to how they treat their customers. Such people are a valuable asset to the organisation. Poor relationships, on the other hand, become the breeding ground for ‘lousy’ attitudes and poor commitment – for which the customer bears the brunt. Such people are a costly liability”.

Southwest Airlines in the US, commit themselves as follows. “ Above all, employees will be provided the same concern, respect, and caring attitude within the organisation that they are expected to share internally with every Southwest Customer”.

Kopke, the past Chairman of DaimlerChrysler South Africa provides an apt summary in explaining the value of innovation through partnering. “It is only through the satisfaction of our own people and the satisfaction of the people in our dealerships and suppliers and, the strength of our partnering with them, that we can achieve in customer satisfaction”.

Q: “To what extent is ‘partnering’ lived – person to person - within the organisation?”

'World-class' organisations have made the transition from a 'coercive relationship' with their members to that of a 'partnership' where there are reciprocal rights and obligations between the parties on a basis of equality. This unlocks the 'hidden value' of the intellectual and emotional capital of the organisation which is in the power of the minds and hearts of its people.

Great Plains Coca-Cola in Oklahoma city in the US experiences this partnership relationship as a two way street in that “we are each other’s customers ... together we manage things ... we lead people only by example ... use things ... love people”. What is so significant about this approach is that “even at the “moment of truth,” we are our customer’s customers in that there is a reciprocal meeting of needs. Where there is true partnering, no one is greater than the other. It is a case of sharing reciprocal interests from a base of equality”

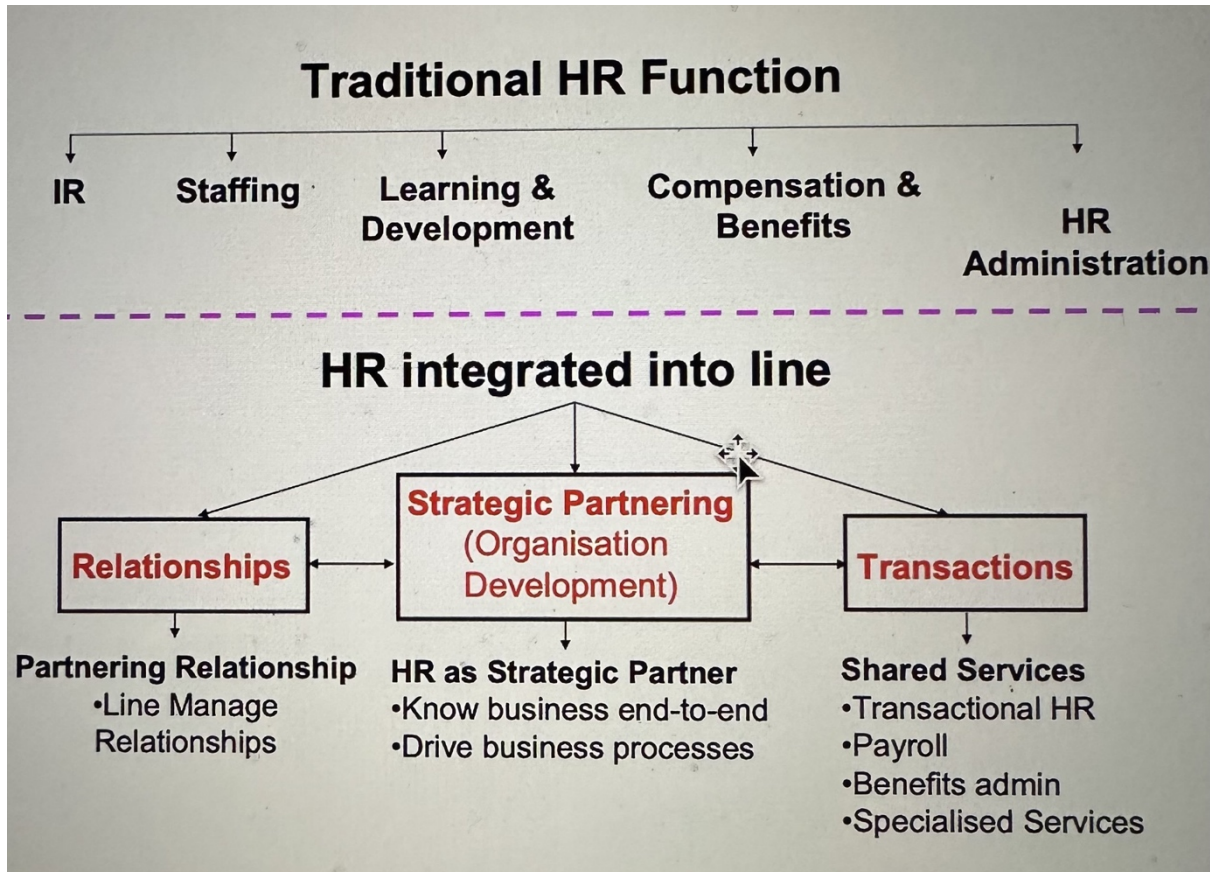
Partnering on the basis of equality therefore goes hand in hand with participative practices and flatter organisation structures designed around process, where people are empowered to remain close to their customers. Business cards with the sub title “associate” for all people in the organisation is not uncommon amongst 'world-class' organisations

Q: “What role does the Human Resources function play in this process?”

Aware that line management is logically best positioned to manage this 'partnering relationship, 'world class' organisations endorse the intent that line management takes full ownership of managing individual and collective relationships with their people. The phenomenon of line management assuming increased accountability for people management is causing the 'traditional' HR function to re-assess its role and function in the organisation with a view to integrating the management of human resources practices into

line. The paradigm shift in how HR is viewed and practiced in 'world class' organisations is illustrated in the figure below.

HR integrated into line



HR integrated into line

This figure shows how the 'traditional' HR function is giving way to line management taking accountability for people management practices and hence people relationships. HR as 'coach' and 'strategic business partner' is assuming a wider organisation change and leadership role.

Q 'Partnering' therefore seems to be 'a way of doing business' which transcends the boundaries of 'world-class' organisations. Please could you pull it all together in a tight summary?"

A: Sharing the organisation's long term plans and extensive involvement of people across the organisation go hand in hand. Care is taken to ensure that employees are treated as an integral part of the business where their full potential can be tapped. This 'partnering' approach transcends the boundaries of the organisation into networking and partnering with both suppliers and customers where innovation comes as a result of continued joint problem solving.

Dedicated business partnering with customers where happy people partner with happy customers, builds relationships in which customers are seen as an extension of the organisation culture. People partnering within the organisation creates co-responsibility for organisation success where everyone in the organisation is mobilized around a commonly understood and internalised strategic intent. Line management takes complete ownership of managing relationships with their people which implies re-engineering people management into line where HR 'people professionals' become strategic business partners, as opposed to being a dedicated support function.

Part 4 of the characteristics of world class organisations:” Organisation Design is centered around Customers”



Q: “Does the title of this blog imply that customer needs determine how these organisations are designed and structured?”

A: 'World-class' organisations are obsessively driven by a focus on one factor: the customer. They know more about their customer: get closer to their customer; and emotionally connect with their customer better than anyone else. And because they know that their customer is continually comparing customer service with everyone, not just their market, they have to look everywhere for new standards of performance.

This explains why 'world-class' organisations see their core business process starting with their customers' 'moments of truth'. For example, in the motor industry, the process starts with the customer's moment of truth which, for a motor manufacturer, is complete satisfaction with a new vehicle. From there the process, made up of several sub-processes winds seamlessly 'backwards' through the dealership and then on into and through the motor manufacturer to 'partnering' suppliers.

'World-class' organisations take their customers as starting point and then work inwards into the organisation, ensuring that their core business process and sub-processes are capable of consistently delivering what their customers require. This results in building strategic business alliances with both their suppliers and customers where the '*moment of truth*' is complete customer satisfaction. Relying on transformational leadership, these organisations know that as they design their core business process and sub processes around delivering on these 'moments of truth' and build people capability (knowledge teams) around process, continuous improvement is possible and becomes a reality.

As processes improve and change to realign with the strategic intent of the organisation, so do structures flex and change to drive these core processes. Not only do structures flex to meet existing process changes, they also anticipate future change and consequently call for people capacity (quantity) and capability (quality) ahead of demand to meet future anticipated structure requirements.

Q: "Please could you define process and show how it drives core organization capabilities and competencies"

A: A process consists of a series of interdependent core business activities (input>process>output) resulting in an outcome / result. A mapped process view of the organisation cuts across the rigidity of both internal and external functional boundaries which allows everyone in the organisation to see the organisation end-to-end.

The organisation is therefore viewed holistically as an integrated whole, consisting of a network of customer and supplier chains which cut cross functional boundaries in the organisation to meet the needs of the 'end customer' where 'moments of truth' await. Process leadership to improve these key cross-functional business processes are key to capitalizing on significant improvement of business performance.

'World-class' organizations therefore focus on and build critical core organisational capabilities and competencies; and people competencies and

capabilities around core processes which are unique to the requirements of their customers, allowing them to outperform their competitors..

For example, Wal-Mart excels in store management, inventory, selection and pricing. GE is 'world-class' in cost management and quality whilst Toyota is 'best in class' in product lifecycle management. For IBM the process of product design and delivery to the end customer is considered critical to their industry. The same process which is critical to IBM, is for example, also critical to the motor industry but not to the petroleum industry. The process for each industry is therefore externally driven and determined by the needs of their customers. If they are antiquated, slow moving and disconnected from customers – particularly those that drive success in an organisation - both customers and the organisation become losers.

Q: “How then does a process view of the organization create opportunity for continuous improvement?”

A: A process view of the organisation fosters a larger common playing field and opens the way to widespread exchange of creative solutions. Until we speak the language of process, it is not possible to start finding ways to best practice because finding ways to best practice is looking for ways to improve fundamental processes. The audit and redesign of processes often results in total organisation transformation. Says Browne, past CEO of Great Plains Coca-Cola, *“before you blame the people, improve the process”*.

'World-class' organisations continuously seeking to shorten the distance between the customer and the decision maker. Their focus is on thinking quickly and making real-time decisions where transformational leadership occurs at all levels. They continuously improve processes; seek shorter cycle times; and keep staff motivated by allowing them to multi-task and to see the complete picture all of the time.

Q: “What other benefits are there to a process approach? ”

The late Jack Welch of GE fame, reported from his own experience that a process approach to an organisation reduces bureaucracy; leads to innovation and continuous improvement; empowers employees; and reduces vertical boundaries. It breaks down intra-organisation walls; develops formal alliances and informal relationships with customers; and develops extra-organisational relationships with, for example, suppliers, the community and government.

Innovation is central to the extraordinary success of process based organisations. Such organisations believe that innovations go beyond

improving products. They have learnt to focus intensely on internal and external processes that bring benefits to their customers. Innovation to them resembles a continuous process of improvement – benefiting the ‘moment of truth’ for the customer. It is not surprising then that many innovative ideas are born when they work close to the customer, discovering opportunities for invention, and then designing processes to meet customer requirements. Co-development with customers prevails amongst these hidden champions. And it is this ‘*moment of truth*’, getting close to and exceeding customer expectations, that is the single biggest success factor of process based organizations.

Q: “*And what about organizations that don’t think or practice a process approach at all?*”

A: The antithesis of a process-based organisation is a functional organisation where each function is internally focused to produce ‘functional’ pockets of excellence. Such processes “*consume ten times as many hours as the work itself requires*”

Jack Welch described the difference between the “*Process Control Perspective*” and the “*Functional Silos Perspective*” as being boundaryless versus being boundary bound. Welch wanted to run GE as if it were a small company, yearning for the simplicity that characterises the corner grocery store where there are no boundaries. By removing boundaries, Welch argued, he could give his people a greater sense of involvement in day-to-day operations. Welch regarded boundaryless behavior as his most important business strategy.

Q: “*Surely a ‘process’ approach to organization design impacts on how teams function across process and hence functions?*”

‘World-class’ organisations place a premium on empowerment and involve the workforce as true business partners. This implies involving people across the organisation where the strategic intent becomes common property and grows organically, vertically and horizontally across the organisation.

Care is taken to ensure that all stakeholders, irrespective of level in the organisation, are treated as all being able to make valued contributions. Personal interactions and events are therefore conducted in a manner that includes all stakeholders as far as is possible. Virtually nothing is sacrosanct. Information is transparent and carefully crafted so that it can be given to and be understood by all in the organisation. All stakeholders are involved early in the identification of the problem or opportunity and are invited to give input

to and assume joint ownership of organisation strategies. Consultation or consensus is dependent on level and type of decision to be made.

Q: "It would be logical to conclude that 'world-class' organizations are also focused on staying ahead with the latest technology?"

'World-class' organisations invest in new technologies, know-how and innovative industry practices much more aggressively than their 'trailing' competitors do. Instead of waiting for the world to impose change, these organisations cherish impermanence and seem to thrive on chaos, setting new industry standards. For example, Walt Disney continued to invest in new film technologies whilst its rivals fearfully contemplated the possible drawbacks. McDonnell Douglas' conservative short term bottom line focus at the expense of investing in technical development, caused the organisation to abandon the development of new generation jetliners at the expense of Boeing taking the industry lead in investment in technology and eventually absorbing the former.

Technological 'know how', and excellence in whatever they do, is hailed as one of the single most important success factors behind the competitive advantage and global market leadership of 'world-class' organizations. The question though is how and through whose eyes to define 'know how' and 'technological excellence'?

Technological excellence is what customers experience; therefore customers make up the rules. They look at a business and see "*sameness*", thinking that they can get the same thing or better anywhere else. This implies that in order to 'stay in the game' 'world-class' organisations differentiate themselves as being technologically superior in what they deliver to their demanding customers. Apple is a living example.

And it is not only about quality anymore. Everyone brings a quality product to the market. It is an entry requirement and no longer a competitive advantage since quality has graduated from its past status as a 'competitive factor' to an 'expected factor'.

Part 5 of the characteristics of world class organisations: “Continuous improvement and relentless Innovation”



Q: “You talk about ‘continuous improvement’ and ‘relentless innovation’ as if these were different concepts. Is there a difference?”

A: Yes there is a significant difference. The catchphrase ‘bigger is better’ has been replaced by ‘better is better’ by ‘world-class’ organisations. Continuous improvement can be likened to getting better over time ‘inside the box’ whereas innovation is likened to making ‘radical’ quantum leaps ‘outside the box’, thinking as if there is no box. Radical innovation is no longer an option but a business imperative for survival in a white water world of relentless change.

‘World-class’ organisations continuously question the status quo, never satisfied with ‘what is’, continually in search of ‘what can be’. Whilst continuous improvement has been the story of civilization, the acceleration of continuous improvement coupled with quantum leaps in innovation has become a way of life for ‘world-class’ organisations.

A: “How does continuous improvement become a way of life in ‘world-class’ organizations?”

Living a mindset of continuous improvement and relentless innovation starts as a source of life deep within these organisations. The drive for innovation and quantum leaps in progress is an internal force which arises out of an inner urge for progress. Consequently the drive to go further, to do better, and to create new possibilities needs no external justification for 'world-class' organizations. It is the way they 'naturally' are. "They just cant help it".

Q: "We hear so much about 'continuous improvement' but not enough about 'quantum leaps in innovation' " Can you give us some examples?

A: Unheard of leaps in innovation to achieve 'stretch' operational efficiencies to get really close to delighting customers are on their way to becoming a competitive norm, with the challenge to get even better. Peter Lewis, CEO of Progressive Insurance in England is quoted as saying: "We don't sell insurance anymore. We sell speed. When a member's property-damage automobile accident takes place, it's not unusual for a Progressive van to arrive at the scene of the mishap within minutes of being called. Using the latest in wireless technology, and astonishingly sophisticated computer databases, the Progressive claims adjustor may well assess the nature of the damage ... and issue the final settlement cheque ... on the spot ... within 20 minutes of the time that tin whacks tin. As I see it, that's probably half a year ahead of the industry norm - and if not half a year, then awfully close. When you produce at that kind of speed, you have fundamentally reinvented an industry. And it can happen anywhere".

By comparison, a well known South African insurance organisation is well ahead of the local market with an "astonishing" 2 days claim settlement time. For this insurance company to ward off global competitors and remain competitive, it has no choice but to focus on radical innovative process improvements to make quantum leaps towards improving claim settlement time whilst the remainder of the insurance industry faces the risk of drowning in their sleep. Superb execution is not just about doing the right things, it is about doing the right things faster, better, more often and more productively than your competitors do.

Q: "What drives innovation in 'world-class' organizations? "

A: 'World-class' organisations are consistent in their intense focus on continuous improvement of their internal and external processes that bring benefits to their customers. Consequently innovations to improve products and services follow . It is therefore not surprising that many innovative ideas are born when they work close to the customer. In fact, they talk about co-development with customers where customers are labeled as the 'innovators'. In the global information economy power comes from influence over

consumption. As mobility and alternatives give customers more choices, power shifts from those producing goods and services to those buying them. Staying close to the customer means thinking like customers and not like producers

Here is an example where the customer was the innovator. Würth is a relatively unknown 'world-class' organisation in Germany making a range of assembly products. A Würth executive heard a customer grumbling about how hard it was to read the size number of tools and corresponding screws stamped on the metal. This led to Würth replacing the numbers with coloured rings so that workers need only match the colours of screws and tools.

Q: “Does partnering to innovate and solve problems apply to customers as well?”

The integration of suppliers into core business processes as strategic alliance partners improves and creates seamless core business processes and adds value to the ‘moment of truth’ in terms of satisfied customers. That way customers and suppliers work together and form inter-organisational teams that improve communication and accelerate learning across removed boundaries. The sharing of mutual knowledge and experience results in improved processes and consequently, improved alignment with customer needs.

Such organisations adopt a holistic end-to-end process view of the efficient use of resources, eliminating waste and inefficiency, ensuring that resource requirements are met ‘just in time’. And if requirements fluctuate, then innovative re-process engineering is applied on an ongoing basis to ensure that needs are met ahead of demand. This kind of thinking fits naturally with a process based organisation where all resources including people, are built around core business processes.

Q: “What role does ‘benchmarking’ play?”

A: Benchmarking is the practice of constantly emulating the best to introduce change in pursuit of superior organisation performance. It helps to answer the question whether an organisation is competitive enough and is therefore used as a means of preventing unjustified complacency. The danger of benchmarking though is that it could be seen as a ‘silver bullet’ which is applied fragmented without sufficient systemic alignment. This is particularly the case where a team sets off to visit comparable organisation overseas to observe what they have been told is so called ‘best practice’, only to return with a report containing new ideas of which very few can be implemented, not

to speak of being sustainable. Even if some ideas could be implemented, it would only amount to 'catch-up' and not 'leap frogging' to new and unsurpassed levels of performance.

Benchmarking adds value to organisation improvement when it starts with the voice of the customer and the voice of process. This practically means mapping processes across organisational boundaries as we saw in the previous blog in this series. Competitive standards can only be achieved through an understanding of how these processes function, how long they take, what resources are required and how much they cost. Only once this information is known can the process be qualified and quantified and can improvements be tracked and measured.

Because traditional organisations think in terms of functional silos, their managers have been trained to make decisions based on functional financial information only which is not relevant to the total process delivering end-to-end value to the customer. Predominantly 'functional' organisations are successful at measuring functional or departmental performance as a 'silo' within the organisation but are unable to measure the efficiency and effectiveness of processes and consequently, are 'blind' to improvement opportunities.

It is only when processes have been mapped, qualified, quantified and understood that benchmarking as a dedicated continuous improvement strategy, consisting of two phases, can hope to begin. During the first phase an organisation completes all its process mapping and related measurements and identifies opportunities for improvement. Once optimum levels of performance have been attained which become the organisation's internal 'benchmark' or standard, phase two is embarked on where suitable benchmarking partners are identified; a measurement strategy is agreed on; and 'like for like' data is exchanged. Understanding differences in performance between partner organisations for the same or similar processes enable the benchmarking organisation to identify opportunities for closing the gap.

Q: "Surely innovation does not only refer to gigantic leaps forward. What about small improvements in employees' specific jobs?"

A: Innovative solutions develop through the sharing of ideas and the recognition of them. World-class' organisations report that no matter how dramatic the end result, good-to-great transformations never happen in one fell swoop. There was no single defining action, no grand programme, no one killer innovation, no solitary lucky break, and no wrenching revolution. It came about as a result of a cumulative process, step-by-step, action by action

adding up to spectacular sustained results - big leaps being achieved with small steps.

This may appear contrary to how success in these organisations is reported in the media and in business school literature. What is reported on is often the culmination or maturation of a process that started as a 'customer-needs' idea and then went through step changes as process improvements built upon themselves. This continued until the innovation became so visible that it was worthy to be reported on. From the outside, they (innovations) look like dramatic, almost revolutionary breakthroughs. But from the inside, they feel completely different, more like organic development processes.

Part 6 of the characteristics of world class organisations: “People philosophy and practices release the potential of people in the organisation”

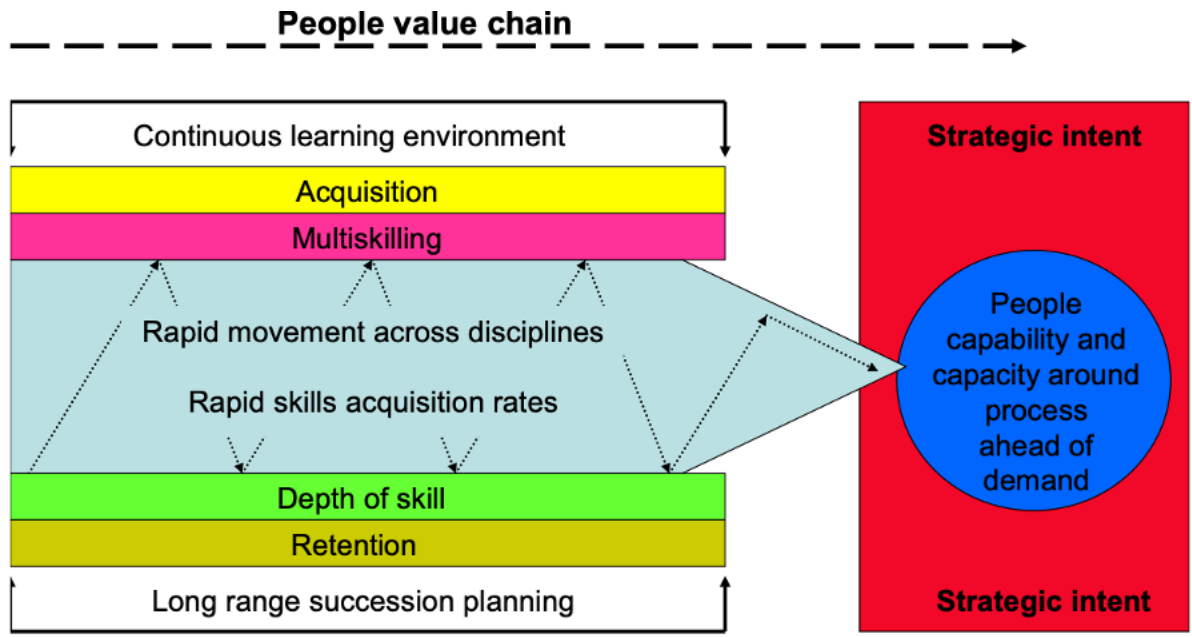
Q: “In a nutshell, how would you describe the people philosophy and practices in 'world-class' organisations?”

A: The entire range of people practices in 'world-class' organisations are tightly and consistently aligned with each other and the core ideology of the business. Loose standing practices are avoided like plague.

Q: “In an earlier blog you explained how 'world-class' organisations build people capacity and capability around customer centric processes. How does this practice impact on people practices in these organisations?”

A: Continued organic building and development of people capability and capacity to always be ahead of demand and forever improving customer centric processes, are both business growth and survival imperatives that outweigh all other business strategies. Tom Peters in his extraordinary book “Re-imagine” (2003) refers to people capability as “*talent*”. He lists the attributes of talent as displaying passion, inspiring others, loving pressure, craving action and thriving on ‘what can be’.

The attraction of ‘talent’, retention of critical knowledge and skills repertoires, development of high skills densities and high rate of skills acquisition, equipping of people to move rapidly across organisation disciplines and long range people planning are seen as one integrated process. This is illustrated below:



Long range succession planning, and an environment that stimulates continuous learning, encompass and energise the entire process. Acquisition and retention processes drive and sustain the flow of people capacity whilst the widening of skills repertoires and development of skills densities raise people's overall capability. In so doing, rapid movement of people across functional boundaries becomes an almost involuntary reality as people movement is 'pulled' by the 'magnet' of strategic intent.

Jack Welch, former CEO of GE was insistent on making sure that the right people are hired and promoted. He believed that if he could not get the 'people' and the leadership side right, then none of his business strategies and values were going to be much worth. Jim Collins in his classic "Good to Great" reports that 'world-class' organisations are uncompromising about having the right people on the bus and the wrong people off the bus as a prerequisite to developing winning strategies.

Organisation performance is therefore seen not as individuals or even teams performing or not performing, but as a 'capability' to deliver sustainable high performance over time. That is only possible if the organisation's people capability is built as a long term strategic goal, against 'stretch targets' which require both capacity and capability ahead of demand. When potential and performance outstrip existing demand, discontent with the status quo grows. This creates constructive tension which continually pulls the organisation forward towards a 'stretch' future of new possibilities.

South West Airlines for example do not employ people for the first job that they will hold but for their potential to move to roles that 'can be' over a career with the organisation. In a world where the present is already past

tense the future desired profile of roles in an organisation far outweighs the importance of current roles. In this way, organisations are pulling as opposed to pushing their members into a commonly shared desired future.

The order therefore is 'tall'. For sustained performance 'today', 'tomorrow' and into the "future", the 'people value chain' needs to be highly efficient and effective to deliver against 'world-class' business demands which is to do 'today' but live and plan for 'what could be' tomorrow. Early development of sponsored students, development of existing talented people both in and outside of work time, dedicated skills acquisition processes, succession planning, and career management drive an ongoing people value adding process. This combination of integrated processes ensures an effective people supply chain that results in learning and growth, building capability and capacity ahead of organisation demand to drive and sustain 'world-class' levels of performance.

Q: "Surely continual process improvements and rapid movement of people across organisational boundaries can only work if learning in these organisations are 'continuous' and, in fact, 'ahead of the game'?"

A: 'You hit the nail on the head' as they say.

For the first time in human history contributions in the workplace are increasingly coming more from minds than from muscles. Knowledge is providing the key raw material for wealth creation and is quickly becoming the fountain of organisational and personal power. It is created continuously in every corner of the globe and doubles every three to four years simply because more people are creating more knowledge. It is becoming a company's most valuable asset and is absolutely critical for the survival of organisations competing with the world's brightest companies.

The need for wide skills repertoires, high skills densities, continuous and accelerated skills acquisition rates within and across work domains means that we have entered the era of the 'knowledge worker' and the 'knowledge work team'. Organisations that attract the most valuable knowledge workers gain a decisive competitive advantage over their competitors. It is a case of being an employer of choice of employees of choice.

Knowledge work requires a special set of skills related to an area of expertise, such as those of an engineer, sales person, a consultant, a manager, or a health-care professional. However, it requires much more than technical competence to be successful as a knowledge worker. "Savvy" knowledge workers have the additional skills, which imply the ability to acquire and transfer knowledge effectively. It involves analyzing information and applying

specialized expertise to solve problems, generate ideas, teach others, or create new products and services.

This means that one needs to make a differentiation between a work team and a 'knowledge work team'. Knowledge team leaders are boundary managers who act as organisation designers and cross organisation collaborators. Whilst traditional managers work 'in' the processes, knowledge team leaders are boundary managers who work 'on' processes. They work on the boundaries where knowledge enters the system and where exchange of knowledge takes place. This allows them to help the team to stay focused on the big picture in stead of becoming mired in the day-to-day throughput tasks for which the knowledge work teams now have primary responsibility.

'Smart' people in 'smart' organisations are the formula to high performance as we venture deeper into the 21st century.

As processes improve and continuous learning take place, knowledge abounds and becomes one of the most critical assets to the organisation, propelling it faster into the future where continuous improvement towards even higher performance awaits. Teaching and learning therefore has to be faster than the velocity of change. Ignorant of boundaries, it creates open learning spaces for talent in the organisation to move rapidly across functional boundaries. And in the process, the organisation flattens to less reporting levels. In this realm of existence, 'good is never good enough' and the 'present' is already 'past tense'. 'What is' is merely tolerated and 'what can be' becomes the ever-moving beacon.

To learn faster than the rate of change, 'world-class' organisations are learning/ teaching organisations where learning/ teaching is "*embedded in a well integrated knowledge value chain*". Knowledge is continually generated, shared, applied and then immediately challenged as being prone to obsolescence as core competencies are being continuously renewed and rebuilt.

Q: "Building organisation capability and capacity around process seems to dominate people practices. How does impact on performance management and rewards?"

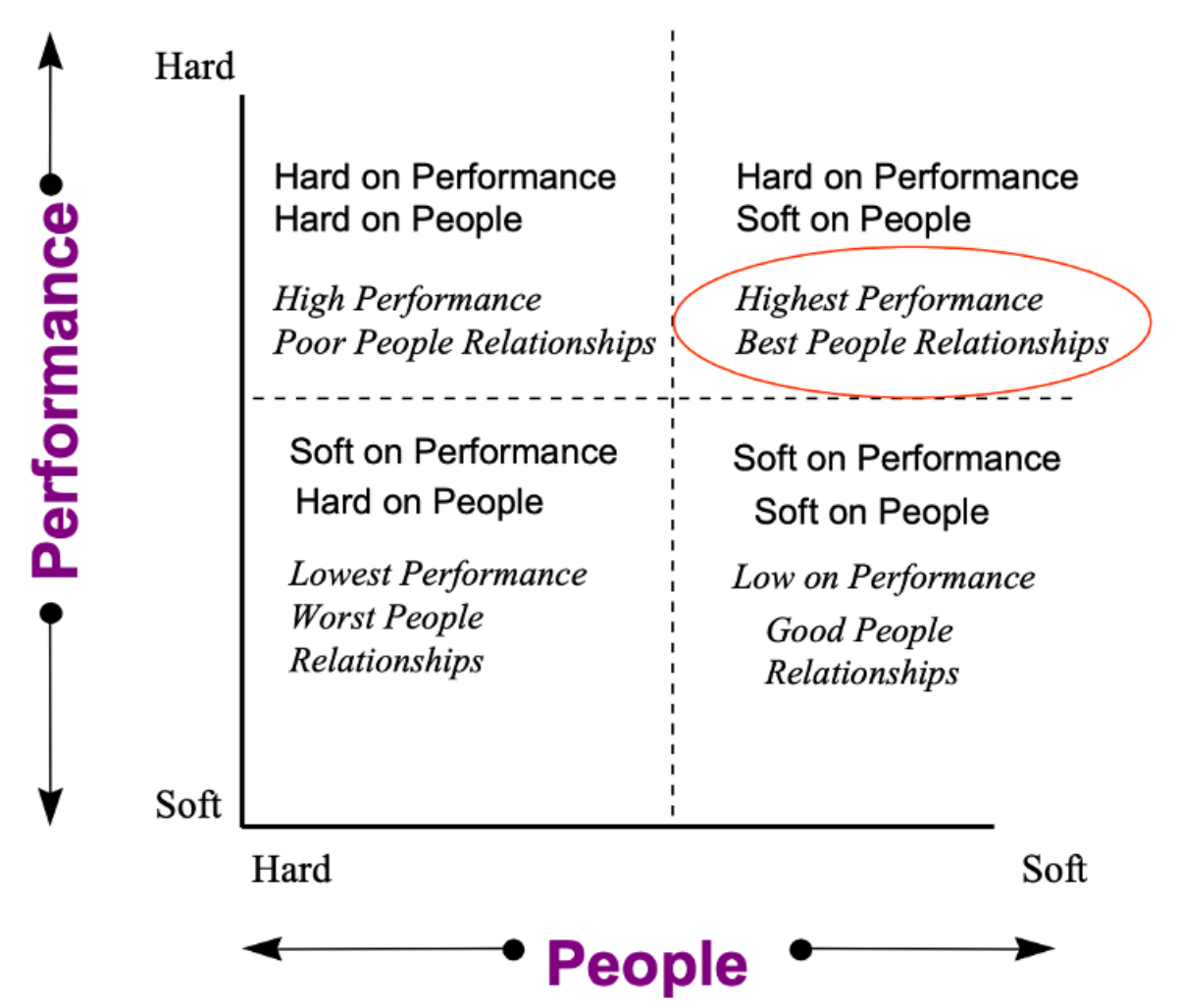
Once an organisation talks and lives the language of process, management of performance takes on new meaning and a different approach to what is found in traditional functional based organisations. Considering a process consisting of a chain of activities which are all interconnected and interdependent, everyone has a customer and everyone is served by someone else. This means that poor performance anywhere along the value chain of the process is

sufficient to impact on the performance of the entire process. Consequently, 'world-class' process based organisations focus on achieving inter-functional and sub process efficiency and flexibility to attain and sustain high performance.

"White water" ('world-class') organisations therefore adopt an integrated and systemic view of performance with the emphasis on inter-functional effectiveness across business processes. They track performance using real-time, on line measurement of management information to enable rapid decision-making to drive continuous improvement.

Delivering and tracking sustainable high performance against short, medium, and long term strategic plans are non-negotiable imperatives for 'world-class' organisations. An efficient and effective performance management system translates organisation vision into clear measurable outcomes that define success for the organisation, its suppliers, customers and strategic stakeholders. It provides for a structured methodology to benchmark performance against strategic goals which are aligned with the strategic intent of the organisation. And so doing, performance measures against goals drive continuous improvement and continuous learning.

Williams in *"A New World Leadership Model"*, views this 'non-negotiable' as only *accepting "a high level of continuous performance improvement"* which he explains as being *"hard on performance."* However, to achieve high performance, he explains, means having to be *"soft on people"*. This means *"doing a better job of meeting the needs, wants, and rights of associates in a non threatening manner."* Williams describes four models of management with consequential performance results. He contends that the combination of being *"hard on results"* and *"soft on people"* is the ideal formula for leaders to adopt who have embarked their organisations on the journey to becoming 'world-class'.



focus on people and performance

The 'lesson' taken from Williams suggests that 'world-class' organisations have learnt how to balance the potential mechanistic 'coercive' application of a performance measurement system with an approach that strives towards a partnership psycho-social contract which achieves a simultaneously satisfactory match between the demands made on members and the contributions offered by them.

The conclusion to be drawn is that whilst 'world-class' organisations view performance as an integrated systemic real-time process, they are equally serious about creating high performance partnerships as opposed to coercive goals imposed on their members. This creates a sense of community which is performance driven as opposed to individuals, each with their individual goals.

Q: "How would you pull it all together?"

A: Strategic intent in 'world-class' organisations pulls the organisation forward like a magnet. For this to happen, people management processes are carefully integrated and aligned to enable the flow of people to function like an ever improving rhythmical movement through the organisation and across functional boundaries to create sustainable people capability and capacity ahead of demand.

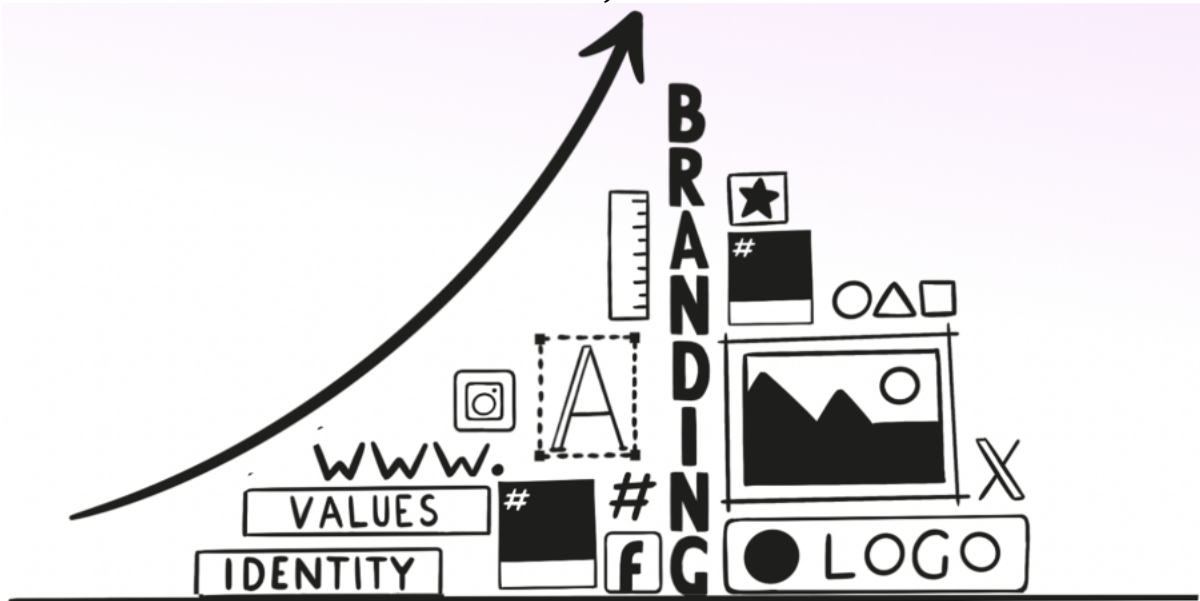
Building people and developing people capability and capacity ahead of demand ranks as the most important business growth and survival strategy. How people are grown and developed throughout the business, pulled forward by the strategic intent is seen as one integrated process. People capability and capacity ahead of demand, built around organisation processes; create constructive tension towards 'what can be' as discontent with the status quo increases.

Exponential increase in knowledge creation and the need for workers to increase and widen their skills repertoires has created the era of the knowledge worker where the rate of teaching and learning is faster than the rate of change, creating learning spaces for talent in the organisation to move rapidly across organisation boundaries. An integrated systemic view of performance, measured real time, focuses on inter-functional effectiveness which brings the core ideology and business strategies to life. High performing partnerships where goals are shared creates a sense of community which is performance driven – as opposed to goals being coerced on members.

Reward is a holistic concept which is far wider than pay and requires a delicate synergistic balance between explicit extrinsic and intrinsic rewards. It drives continuous learning, develops a sense of ownership and encourages innovation and risk taking. To achieve this, the components of performance and rewards are seamlessly integrated, interdependent, systemic, real time and on-line.

Part 7 of the characteristics of world class organisations: “Powerful branding energises all the organisation stands for”

22 Jan



The power of the brand promise - lived by internal values

Q: “How do you define ‘brand’ in the context of this discussion?”

A: Lets start with what your brand is not. It is not your advertising; it is not your logo; not your company name and not your your product. In fact, your brand may not be what you think it is and not what you intended it to be. And the reason for this is that you don’t own your brand. Your brand is owned by your customers and and anyone else who has an impression of your company. It is whoever your customers think you are and whatever they think you promise them – and whether they believe that you keep that promise or not.

No matter how well you think you are doing, all that counts is how well your customers think you are doing. You can have as many variations of brands as you have customers who have an impression of you.

Q: “Why is branding such a central theme to ‘world-class’ organisations?”

Understanding that “*your brand is everything*”, the ‘brand promise’ transcends the boundaries of ‘world-class’ organisations, end-to-end, from suppliers through the organisation to the customer’s moment of truth – and beyond. It

is the priority of everyone in the organisation to build, protect and represent the brand. 'World-class' organisations know all too well that when brands deliver their values internally, they live their promise to their customers.

Partnering is not just about a relationship between people but also with the business and what it stands for. The importance of employee alignment between the organisation's mission, vision, brand promise and, values, and strategies is not new and is widely accepted as fundamental to any organisation of note in the 21st Century. However, the impact of employees passionately buying into a corporate brand with a strong brand proposition is becoming a more powerful bonding agent to grow partnerships than Vision, Values and Culture could do on their own. Your brand is everything. It is who you are, what you are, what you promise and your ability and willingness to keep that promise. It resides in the minds of your customers and potential customers. It is who they think you are. It's about your people keeping promises".

The sum of mission, Vision, Values and Culture in the form of a strong brand proposition is more compelling than its individual components. One of the cornerstones of a strong partnership is ascribed to a compelling brand.

Q: "How do 'world-class' organisations bring branding to life?"

A: Three rules that 'world-class' organisations always follow:

- they know more about their customers than anyone else
- they get closer to their customers than anyone else
- they emotionally connect with their customers more than anyone else

Because these organisations are so intimately close to their customers, they are able to pinpoint their customer needs with "smart-bomb" accuracy. their needs are met by a promise, a 'brand promise'. This promise is a commitment that is understood, lived and practiced by everyone in the organization. Brand becomes the way you do everything, almost without thinking in the organisation. When BMW promises 'sheer driving pleasure', they are obsessed with ensuring that you enjoy every moment in your bmw.

It is unthinkable for a 'world-class' organisation to make a 'hand on heart' promise to customers and then leave the rest of the organisation guessing what the brand promise is – or at worst, whatever it may mean to employees who are supposed to FULFIL this promise.

It is not the job of marketing, advertising or public relations departments to create the brand. The brand is created by everyone in the organisation with the way that they do their work every day. It is the power of how people actually experience their organisation that 'is' their brand. An official brand promise may very well say one thing but how it is lived from inside the organisation could be a very different brand.

For example, in an airline, brand is created by ticket agents, flight attendants, baggage handlers, pilots and customer service agents. Brand is created by everyone in the organisation.

Then there are the 'meaningless "tag-lines" posing as brand promises. For example, Standard bank of south africa change their brand promise every now and then. But ask any of their senior staff what the brand promise means and they cant tell you. At one stage "simpler-better-faster" made good sense. I could count on the bank to make my banking experience easy and efficient. Then their advertising agents dreamed up "inspired, motivated and involved" which meant nothing to standard bank's clients.

Q: *"It seems then that powerful branding brings us full circle back to where we started with the first characteristic of 'world-class' organisations?"*

A: Yes indeed and more.

When we talked about strategising, we emphasised that 'world-class' organisations are focused on continual strategising since they are continually focused on keeping their brand promise alive and ahead of customer expectations. Branding is 'powered' in an organisation where the strategy is consistently lived and owned by everyone.

Transformational leadership, well seeded through the organisation, continually recreates the organisation, ensuring that the brand and its promise is always 'top of mind' with their customers and ahead of their competitors.

A community of partners all identify with and rally around the brand, living it seamlessly across organisational boundaries.

Customer centric business processes are designed to deliver on the brand promise.

Innovation which is a way of life in 'world-class' organisations keeps the brand 'ahead of the game' in a market where every competitor is 'chasing' a 'never satisfied' customer.

People potential is unleashed to bring the brand alive – for it is only people in the organisation who can either ‘make or break’ the brand.

One more time: A 'world-class' organisation's brand promise is the culmination of everything that it stands for, is created and lived by every person in the company and its entire community of partners.