

# In Pursuit of World Class Excellence

Dawei Lu



Dr. Dawei Lu

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In Pursuit of World Class Excellence  
1<sup>st</sup> edition  
© 2013 Dr. Dawei Lu & [bookboon.com](http://bookboon.com)  
ISBN 978-87-7681-741-1

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# Preface

One of the fundamental questions in the field of business performance improvement is how firms can achieve and sustain business excellence. With the irreversible trends of globalisation, this pursuit of business excellence will have to be staged on a global scenario if it is to be anything meaningful. Thus the concept of world class excellence was born.

However even though the awareness of the importance of world class excellence is much greater, incomplete understanding exists both in theory and in practice as to how to systematically create the world class excellence in any industry sectors. The good news is that more and more organisations around world are beginning to understand the importance and effectiveness of the systematic approach towards the total organisational excellence that the world class excellence programme can offer. Increasingly, companies are setting their goals on world class excellence as their ultimate performance target and driving their businesses relentlessly to achieve it.

This book is aiming to introduce the basic concept and promote the awareness of world class excellence and to provide guidance on the approaches towards its attainment. It presents a conceptual framework – World Class Diamond model© and describes the ways of how to apply it in real world business environment.

In preparing this book I have drawn on the ideas and thoughts of others mainly from the existing literatures, but organised them into a logical and cohesive flow for ease of reading. Notwithstanding that there are still many controversial points in the subject area; this book deliberately avoids any research oriented in-depth debate, but to focus on the concepts and practices that have been broadly agreeable. However, the key conceptual framework presented in the book was, in fact, one of the results of a recently completed research project led by WMG, University of Warwick. The author is a leading member in the *World Class Assessment and Accreditation Team* in WMG, and would welcome any business to participate the tailor made performance improvement programmes.

# 1 Introduction

To achieve long lasting business success calls for one thing and one thing alone, and that is the world class excellence. The world class excellence defines the highest business performance at a global level that stood the test of time. Only the very few leading edge organisations around the world truly deserve this title. But the title is not just a title. It is the fitness status that ultimately separates the business winners from losers.

## 1.1 World Class Excellence

World class excellence may be a concept that is difficult to define precisely, but that should not prevent people from coming to a generally agreeable consensus on a broad conceptual understanding that is useful to practical business management. An accepted working definition is that world class excellence represents a superior competitiveness that stood the test of time in any chosen markets and allows company to deliver world-beating standards in everything it does. Thus, a company with a laurel of world class excellence is expected to offer best quality products and service with total customer delight, and internally to be able to embrace the best practices of management techniques such as total quality management, continuous improvement, motivating and empowering people, international benchmarking, social responsibility and etc.

World class excellence represents a superior competitiveness that stood the test of time in any chosen markets and allows company to deliver world-beating standards in everything it does.

However, the fundamental concept of world class excellence is not new. There have been much extensive discussions in the plethora of literatures on the topics of manufacturing excellence, business excellence, world class, organisational excellence and so on. Although the perspectives and the scopes that are taken to observe and articulate the business excellence vary significantly, the essence of world class excellence that has been alluded to remains largely agreeable.

Consider, for example, Tom Peters and Robert Waterman's seminal book *In Search of Excellence* published in 1982. The book identified 62 excellent companies and sought to distil lessons from their behaviour and performance. It condemned the excesses of dispassionate management practice and advocated a return to simpler, more personal virtues. It counsels three first principles for all who aspire business excellence:

- Attention to customer
- An abiding concern for people (productivity through people)
- The celebration of trial and error (a bias for action)

In *Restoring Our Competitive Edge* (1984), Hayes and Wheelwright defined four stages of manufacturing competitiveness from operational strategy and practice point of view. For short, at the *Stage I*, the company is simply fulfilling the role of "make the stuff" without any surprises; and at the *Stage IV*, the company is leading the industry and exhibiting superior competitiveness through its operational excellence in its chosen market; it is not content being just the "toughest kid in the block" but seeks to be as good as anybody in the world at the things they have chosen to be good at – that is world class excellence.



Collins and Porras' *Built to Last* (2000) is another book that has addressed what makes a great organisation. According to the authors, companies that enjoy great and enduring success have core values and core purposes that remain fixed, while their business strategies and practices endlessly adapt to a changing world. In the authors' view, organisations with strong guiding principles have outperformed the general stock market by a factor of 12 since 1925. The 18 companies chosen as the subjects of their research are thus portrayed as the world class organisations.

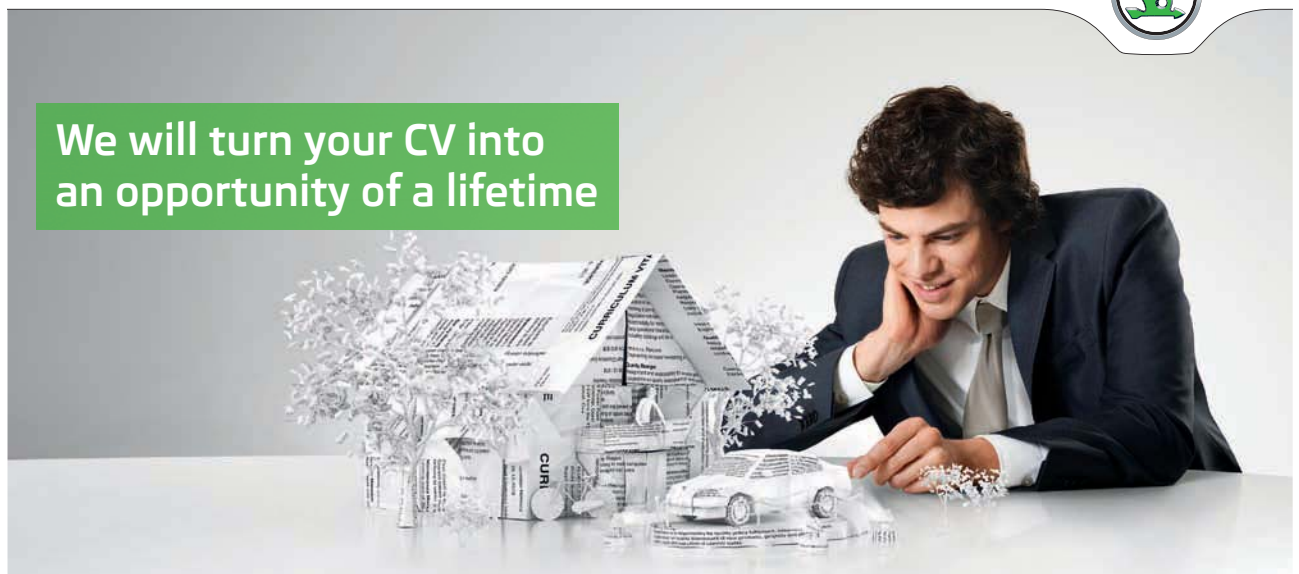
Alongside with the conceptually oriented discussions, there is also a considerable body of research which are based on comparison, benchmarking, and relative performance measures. Accordingly, those who perform at the top 5% box on any set of combined performance metrics from a global perspective are regarded as the world class companies or having attained the world class excellence. For example, a UK based consulting company The Hackett Group defines world class excellence through its Hackett Value Grid:

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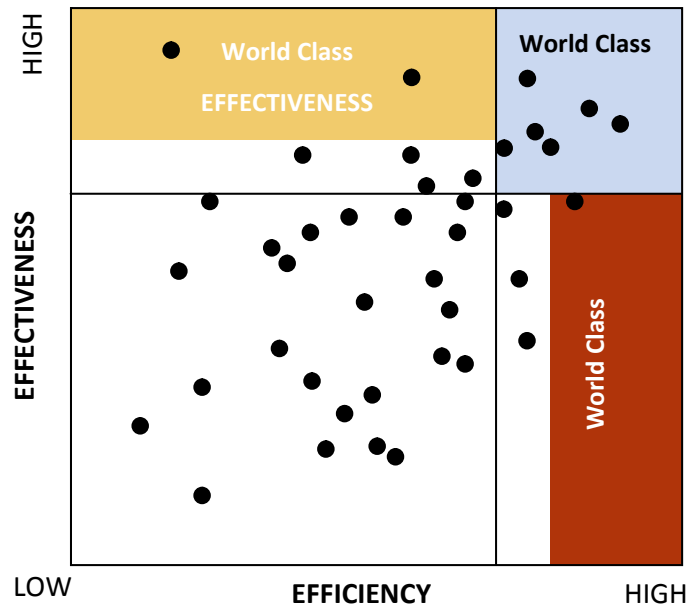


Figure 1. World class defined by Hackett Group

So, who are those world class companies? Fortune 2010 listed 50 world’s most admired companies and provides some factual measures as to why they are the world class companies. The top 10 of them are Apple, Google, Berkshire Hathaway, Johnson and Johnson, Amazon.com, Procter & Gamble, Toyota Motor, Goldman Sachs, Wal-Mart, and Coca-Cola. Effectively, those companies from diverse industry sectors often exemplify the performance standards and become the benchmarks for others to follow.

Of course, Fortune is not the only one that grades the best run companies around the world. Many other publications and institutions also regularly grade the companies from their own perspective and based on their own research. There are also many well established financial and risk rating organisations such as Fitch, Moody’s, Standard& Poor’s, and so on, who rate all the stock market listed companies from AAA (world class) through D, so that investors can make informed decisions. Although, inevitably there will always be some discrepancies between different grading systems collectively they are reliable source of references to make judgement on who are the world class companies.

## 1.2 Why It Is Worth Pursuing

Why, after many years of discussion, the topic of business excellence and its theoretical models and their applications still deserve the attention of the management community? There are perhaps a number of factors at play that continuously influence and reshape our understanding and ultimately drive us towards pursuing the world class excellence.

The first factor is the accelerated technological advances, which have substantially improved the industrial productivity and, in many cases, created new businesses and destroyed old ones. Consequently, the landscape of competitive market place for the existing firms has been constantly altered without much warning. The companies in the leading position are often being challenged or sometimes being displaced. Technology advances may have produced as many high performing companies as it destroys. Winner’s crown passes from one to another and the business excellence as we know it becomes ever more dynamic if not more elusive.

The second factor is the trends towards globalisation. A recent major study (2010) carried out by PRTM Consulting over the nearly 350 participating manufacturing a service companies around world revealed 5 major trends — the growing challenges facing the global supply chain organisations:

1. Supply chain volatility and uncertainty have permanently increased.
2. Securing growth requires truly global customers and supplier networks.
3. Market dynamics demand regional cost-optimised supply chain configurations.
4. Risk management involves the end-to-end supply chain.
5. Existing supply chain organisations are not truly integrated and empowered.

Under those renewed global challenges, organisation undoubtedly must reposition themselves and adapt into the unforgiving environment or facing the prospect of demise. They must rediscover what really constitute the world class excellence from within, and create the changeless core from the internal capabilities to withstand the poundings of external forces.

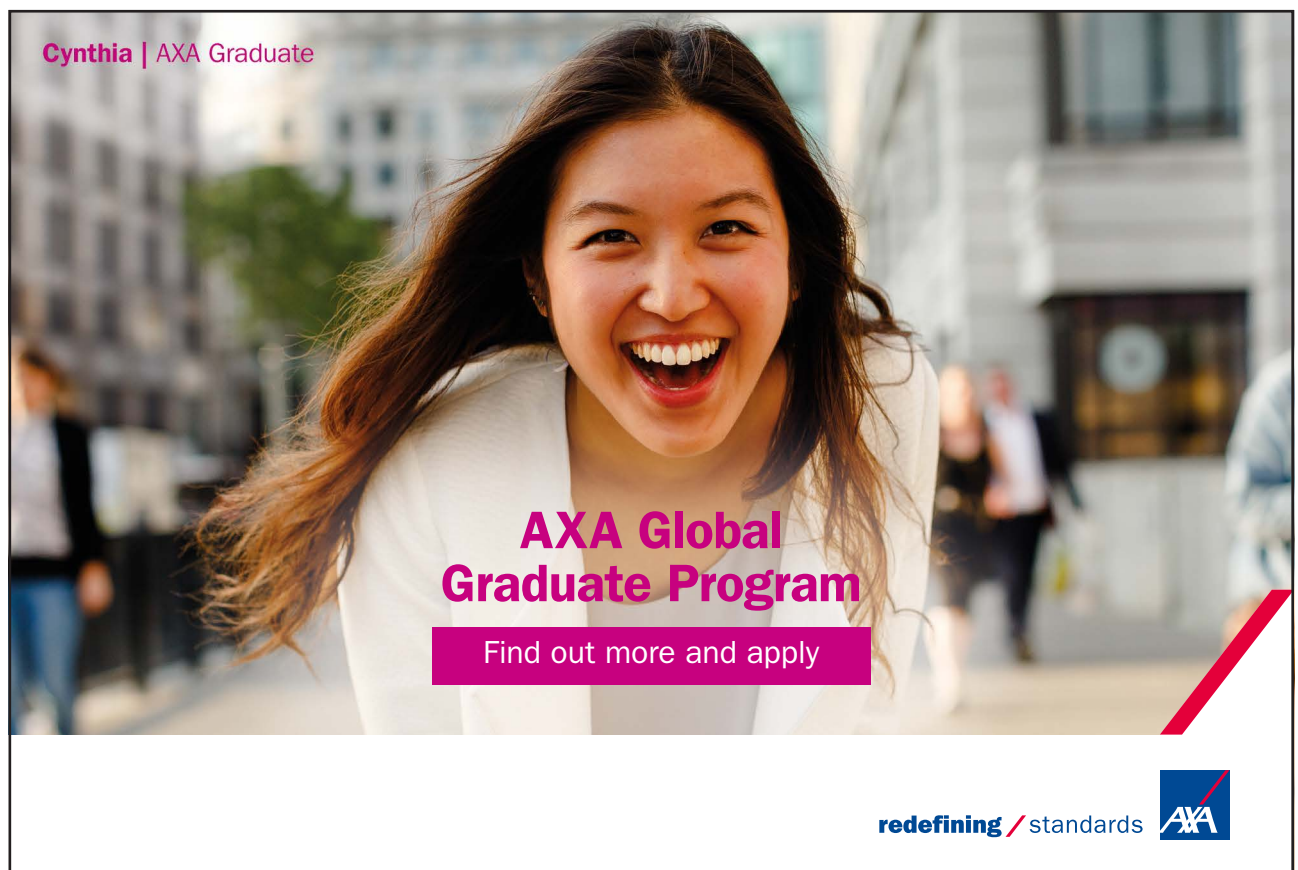
The third factor is the evolving market expectations – the winning factors. Looking retrospectively for 50 years or so, one can easily observe some fundamental changes of the key business winning factors. In 1960s it was merely the Output, i.e. the ability to produce the products could safeguard the business’s survival. In 1970s, merely being able to produce was no longer enough; competition moved on to Price, i.e. in addition to the Output, business must be able to produce the products at a competitive price in order to succeed. In 1980s, even the output and price were not sufficient to secure a winning position, when the competitive cutting edge had opened a new frontier on Quality. From 1990s, over and above everything else, it was the Service that appeared to have differentiated the key competitive advantage.

Winning Factors	Output	Prince	Quality	Service	WC Excellence
1960’s	Output				
1970’s	Output	Prince			
1980’s	Output	Prince	Quality		
1990’s	Output	Prince	Quality	Service	
2000 +	All factors that fit for World Class Excellence				

So, what is going to be the ultimate winning factor in the 21st Century? There is now plenty evidences to suggest that the ultimate winning factor for businesses in the 21<sup>st</sup> Century is going to be the world class excellence – the necessary and sufficient condition to secure a long lasting business success. Indeed by definition, the world class excellence is a conceptual framework that contextualised all the known winning factors in the past and the unknown for the future.

The ultimate winning factor for businesses in the 21<sup>st</sup> Century is going to be the World Class Excellence – the necessary and sufficient condition to secure a long lasting business success.


In the following chapter, having briefly reviewed the published excellence models, a world class excellence framework is presented and elaborated. Then, in Chapter 3, suggestions and practical guidance on tools and approaches are given for managers to assess and measure their level of world class excellence. Chapter 4 further explores how companies might use the framework and the measurement systems to improve their performances and make the tangible business transformation. Finally, the Chapter 5 discusses how to continue the journey towards the world class and how to sustain the achieved success.



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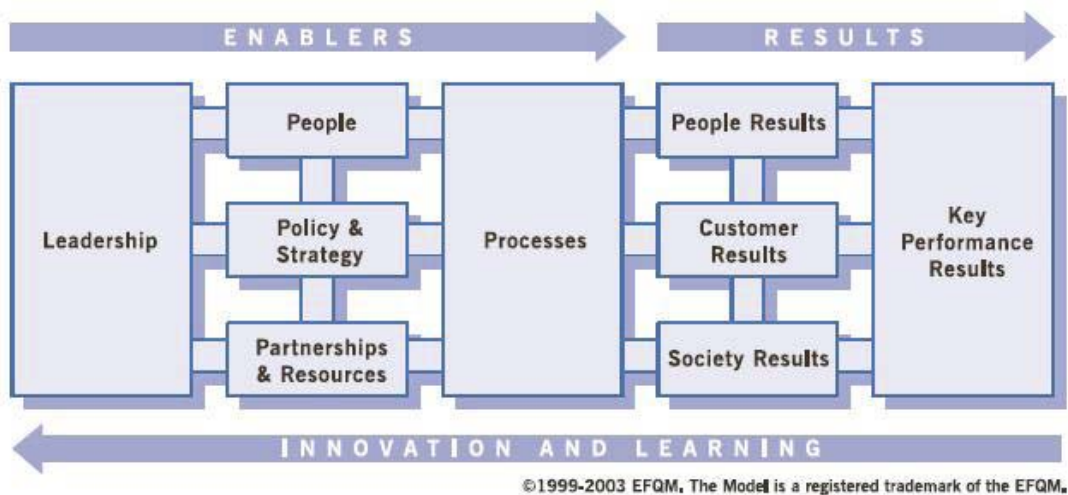
# 2 World Class Excellence Defined

## 2.1 Business Excellence Frameworks

Undeniably the concept of business excellence has, for at least three decades, been in the centre stage of management theory and practices and there is no shortage of models and frameworks that explain it. Based on B. Talwar’s recent (2009) work there are at least 94 business excellence models or frameworks being proposed, published and used in 77 different countries around the world. To give an idea what an excellence model or framework looks like, let’s take a look at a couple of examples.

One of the most widely used business excellence frameworks is The EFQM Excellence Model. It was created in 1988 by 14 CEOs joined forces to develop a management tool that would increase the competitiveness of European organisations. It is undoubtedly the most authoritative and most widely applied excellence model in Europe and is highly regarded around the world. By 2010, the model has been implemented in over 30,000 organisations worldwide.

The EFQM Excellence Model is a non-prescriptive framework based on nine criteria. Five of them are “Enablers” and four are “Results”. The “Enabler” criteria cover what an organisation does, and the “Results” are caused by the “Enablers”. The model recognises there are many approaches to achieving sustainable excellence in all aspects of performance. Excellent results with respect to *Performance, Customers, People* and *Society* are achieved through *Leadership* driving *Policy and Strategy, People, Partnerships* and *Resources*, and *Processes*. The model is usually presented in a diagrammatic form:



**Figure 2.** The EFQM business excellence model.

The nine boxes in the Model represent the nine criteria against which organisation can assess their progress towards the excellence. Each criterion has a definition which explains the high level meaning of that criteria. They are further supported by a number of sub-criteria which pose questions that should be considered in the course of an assessment. Along with the model EFQM also developed a robust scoring system that standardised the assessment processes. Already, thousands of trained and licensed assessors and agents have been helping organisations around world to implement the EFQM Model.

Another very popular business excellence framework is the Baldrige Performance Excellence Model. Companies that satisfied the assessment will be awarded the Malcolm Baldrige National Quality Award, which is the only formal recognition of the performance excellence of both public and private organizations given by the president of the US. Since many of the awards winners are, in fact, global companies, the framework has gained considerable international awareness. Its diagramming representation is like this:



**Figure 3.** The Michael Baldrige performance excellence model.

As shown in the above diagram, there are altogether 7 main criteria in the model, covering from strategy to operation; from processes to business results; from leadership to people. The main uses are education and organizational self-assessment and self-improvement. The criteria are the basis for giving the Awards. The whole Baldrige Excellence system provides organizations with an integrated approach to performance management that result in ever-improved customer and stakeholder satisfaction, and contributing to organizational sustainability.

The emerging consensus from across the numerous excellence models suggests that it is the internal capabilities and the external business performances combined that constitutes the total organizational excellence. This explains why excellent business performances can be readily observed time and again from many organizations that are not necessarily world class companies. However, all truly world class organizations must demonstrate measurable excellent performances. Indeed, many of the so called “excellent” organisations in Tom Peters’s list (Peters, 1980) fell from grace shortly after being recognized mainly because somehow they could no longer deliver to the market the same levels of discernable excellent performance as they used to. This necessitates that a business excellence models must measure and drive both internal capabilities and external performance.

What really do all world class businesses have in common? A satisfactory answer to the question will go pretty close to defining what business excellence really is. To this end, I would suggest using the World Class Diamond model (created by WMG, University of Warwick in 2007). It is a lot simpler model in structure than those before it, and more balanced in conceptual components.



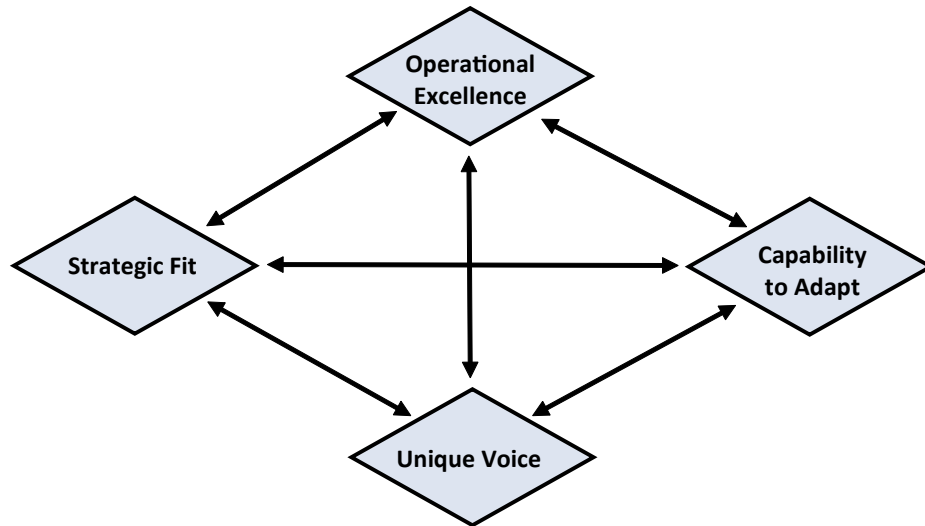


Figure 4. The World Class Diamond Model©

The beauty of this framework is that it leaves all the detailed measurement criteria under each of the four dimensions for business to define so that they can be tailor made to suit the firm-specific needs. In other words the Diamond model shown above is only the top level part of the framework, which does not change wherever it is used. The second level of the framework defines detailed measurement criteria which are situation-sensitive and case-specific, and hence not being stipulated in the diagram.

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What the model tells is that world class excellence should be assessed from the four performance dimensions in balance and in full. Accordingly, achieving a raft of excellent operational performances alone does not necessarily warrant the world class excellence to the organization. It will all depend on whether or not the company also exhibits comparable performances in the other three dimensions.

World class excellence should be assessed from the four performance dimensions in balance and in full.

From the validity point of view, the model has demonstrated that all known performance measures fall into one or more of the dimensions. In other words, the dimensions are complete and there will be no corner left uncovered as far as the measures for the world class excellence are concerned.

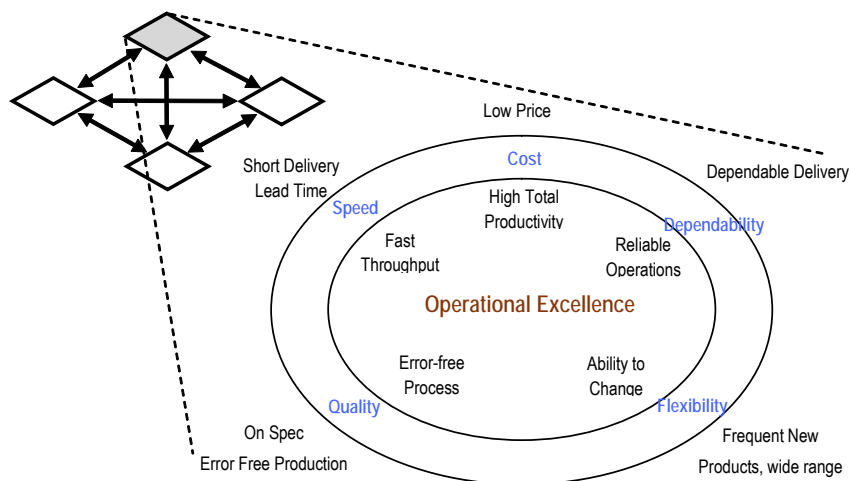
## 2.2 Operational Excellence

The first dimension in the *World Class Diamond* model is the *Operational Excellence* which is a performance standard defined to assess organisation’s operational functions. Operations function in an organisation is responsible for fulfilling customer requests through procurement, production and delivery of products and services. It is therefore central to the organisation because it produces goods and services that define its reason for existence.

All operations are essentially the transformation processes that turn the operation’s inputs into its desired output. During these processes, value is added in terms that the output will have more value and the input, and cost is incurred in terms of the consumption of inputs to the operation. Thus inevitably operations do result in different levels of performance depend on many factors including how well it is management. All world class organisations demonstrate their excellence through exceptionally high standard in operational performances.

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However, how excellent an operation is will depend on and be assessed by how well it meets the operational objectives. Professor Nigel Slack from Warwick Business School defined five performance objectives for all operations. They are:



**Figure 5.** Five performance objectives (N. Slack) for operational excellence.

- Quality – you would want to do things right first time; you don't want to make mistakes; you want to provide error free goods and services to satisfy the customers; you want your products “fit for purpose”.
- Speed – You would want to do things fast, minimising the time between a customer asking for goods and the customer receiving them in full, thus provides the added time value to the customer and reduced need for inventory.
- Dependability – You want to do things on time so as to keep the delivery promises you have made to your customers.
- Flexibility – you would want to be able to change what you do; that is being able to vary or adapt the operation's activities to cope with unexpected circumstances or to give customers individual treatment.
- Cost – you would want to do things cheaply; that is produce goods and services at a cost which enable organisation to gain higher returns from the market.

These five operations performance objectives will then further determine what exactly needs to be measured internally. It is worth noting that the priorities and emphasises towards a set of operations objectives may vary from firm to firm depend on the nature of business and its competitive environment. Therefore, in examining the operational excellence, it is vital that one adopts a situational sensitive approach and firm-specific means of evaluation.

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In any excellence frameworks, measuring operational excellence is always included because operations are the most tangible part of business management. As operations fulfil customer requests, they become directly visible to the external environment. Since operations execute and deliver the strategic planning, they become most immediately concerned and always measured part of the business.

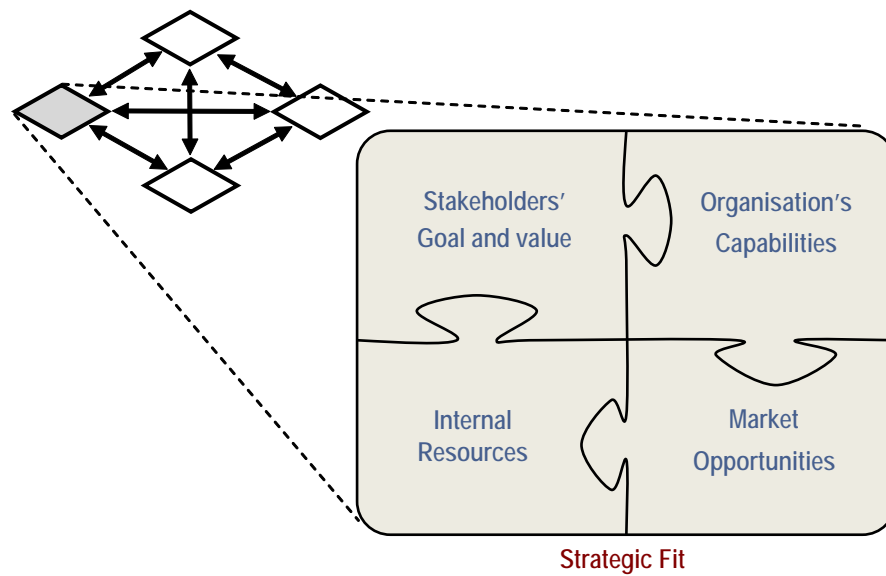
Undoubtedly, operational excellence has become the most discussed topics in assessing business performances. This focus on the mostly operational performance centred business assessment is often regarded as the “classical school” of business excellence. The mass-production systems heralded by Taylorism and Fordism in 1920s and 1930s were examples of this classical business excellence, in which operational efficiency is the centre piece. Its objectives were to define the “scientific” organization by measuring cost, productivity, throughput time, volume, speed and etc. most which are still used in today's measurement system.

Operational excellence is very much a “result-driven” excellence, which still has its significant role to play in today's excellence theories. Amongst the many great thinkers who theorized the concepts of operational excellence, were Adam Smith, Frederick W. Taylor, Henry Ford, W. Edwards Deming, Taiichi Ohno and Genichi Taguchi, to name just a few.

### 2.3 Strategic Fit

The second dimension of the *World Class Diamond* model is the *Strategic Fit*. This is based on the fact that excellent operations do not guarantee the business success or the total organizational excellence. If the operational excellence is “doing things right”, then the strategic fit is “doing the right things”. Operational excellence will contribute to the overall organization’s world class excellence, if and only if it is fit to the overall business’s strategic objectives and implements the strategic planning.

The *World Class Diamond* model shows that there is a need to develop and execute strategies that connect internal resources to the external environment whilst representing stakeholders’ interests. Hence, the strategic correctness and excellence should constitute a distinct category of measures that shape the business excellence.



**Figure 6.** Strategic fit

Therefore, in any world class organizations, or those on the journey to achieve it, there must be the right strategies at play. Right strategies are those intermediate the firm with the industrial environment; fit the organization's capabilities to the stakeholder's objectives; and matches the internal resources to the market opportunities. Such "fitness" of strategic positioning of a firm is the indispensable ingredient of any successful stories. In fact, lack of the "fit" or consistency between the strategy pursued by a firm and its external and internal environments is a common source of failure.

Right strategies are those intermediate the firm with the industrial environment; fit the organization's capabilities to the stakeholder's objectives; and matches the internal resources to the market opportunities.

Unlike measuring the operational excellence, assessing and measuring the Strategic Fit may not be so straight forward. The impacts and results of any strategy are usually felt through all aspects of the business behaviours, and it may take long time to emerge. Thus, it would be difficult to create a causal links between any specific behavior and an implemented strategy. To this end, some non-conventional mainly qualitative mechanisms are usually deployed to assess the excellence of business strategies, such as case study and case analysis, system dynamics based modeling, interviewing and syndicating, strategic maps and so on.

Despite the difficulties in measurement, the paramount importance of strategic fit in achieving world class excellence is beyond the shadow of doubt. The focus on Strategic fit reflects the strategic school of business excellence. During the 1990s and early 2000s, management communities began to realize the growing imperative of strategic fit over and above other critical measures. The premise of the concept is that the coherence between operational performance and business strategy is more important than the operational performance alone.

Firm must ensure it is doing the right things first before to make sure that it does things right. Thus, mission, vision and value will all become the pre-condition for business success. Strategy is a mediating factor between stakeholders' objectives and operational behavior. In short, the strategic school of thought argues that there can be neither excellent operations nor excellent performances unless they fit to the business's top level strategies. Evidently, 1990s witnessed a growing discussion of strategic direction in defining and achieving business excellence by many leading thinkers including Peter Senge, Henry Mintzberg and Michael Porter.

## 2.4 Capability to Adapt

The third dimension of the World Class Diamond model is the Capability to Adapt. Having satisfied Operational Excellence and Strategic Fit, an organization may still not qualify as a world class organization. There are a number of strong arguments to support that operational excellence and strategic fit achieved at a time do not necessarily warrant the world class excellence.

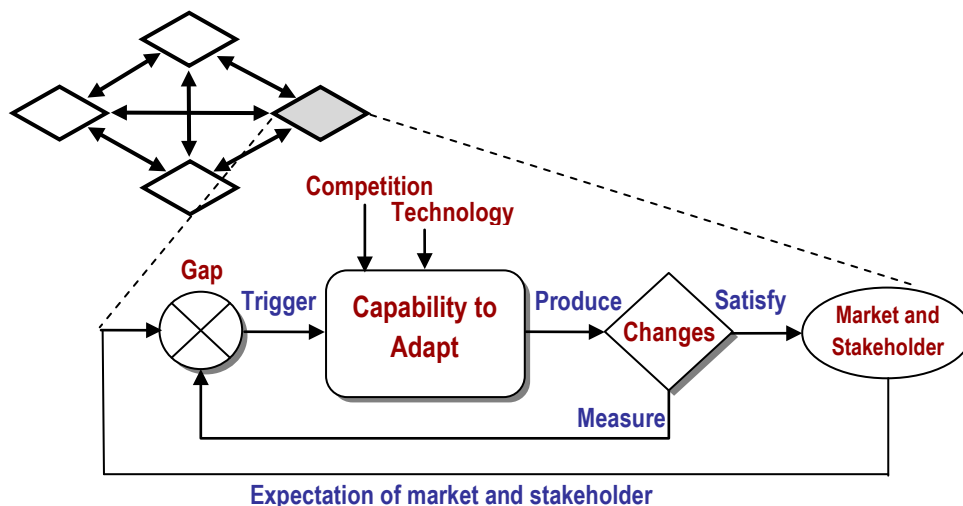
The first argument is that high performance and strategic correctness at a time is not difficult to achieve. What's difficult is to sustain it and continuous improvement. To reward a title of world class company based on the temporary performance level without assessing the sustainability will only encourage the short-term behavior of management, which undoubtedly is flawed.

The second argument is that the measures for world class excellence on operations and strategy may have to change over time. Our business environment and competitive market place changes all the time; technology advancement creates new businesses as readily as it may destroy the old ones. A truly world class organization, therefore, must constantly adapt itself into the changing environment in order to keep and reshape its competitive edge.

The third argument is that there has been a continuing emergence of new socio-economical expectations upon the business that they must adapt themselves into. Environmental consciousness, low carbon emission, social and community responsibility, employee and stakeholder’s welfare and etc. to name just a few. Consequently, organizations aspiring for world class excellence will have to adapt in order to accommodate those new measures.

Organizations that meet the challenges with the right responses are regarded as success. But when faced with new challenges, all too often, the old successful pattern of response no longer work. The continuing success calls for new and innovative responses that can effectively meet the new challenges — that equate adaptation.

Capability to adapt is also a measure of organizational learning and organizational transformation. It captures personnel training, technology upgrading as well as organizational structure and external supply chain change. It is clear that such changes are essential for any organization that aspires to achieve world class excellence.



**Figure 7.** Capability to adapt

The diagram also shows some details as to how the process of adaptation takes place. First the discrepancies between the business performance measures and expectation of market and stakeholders are recognized as the Gap. This Gap will then trigger the organisation to create the capability to change and adapt. This capability obviously will be influenced or constrained by the competition and technology resources. The result of this capability is the changes which will then be measured again to see if they meet the expectation. In the end the changes will converge to satisfy the market and stakeholders to complete the course.

Capability to adapt should be part of an organisation’s ‘DNA’ that needs to be designed and hard-wired into the business structure and processes. In the same vein, Jerry Porras et al. (2006) show how organizations can be and should be ‘built to change’ so they can better survive and prosper in today’s turbulent global economy. They argue organizations need to be designed in ways that stimulate and facilitate change in order to adapt.

Capability to adapt should be part of an organisation’s ‘DNA’ that needs to be designed and hard-wired into the business structure and processes.

Looking just one hundred years back, how many today’s industries were in existence then? The answer: not many. Many basic industries such as automobile, music recording, aviation, petrochemicals, health care and management consulting were the direct result of industrial adaptation.

The concept of *Capability to Adapt* reflects the ‘dynamic school’ of business excellence. Notably, deep and rapid changes in management practices took place during the early 1980s. The changes were mainly spurred by the huge success of Japanese automotive and electronics industries. In his another seminal book ‘Thriving on Chaos’ (1987), Tom Peters analyzed the impact of uncertainty in the business environment, and urged an increased capability for organizations to be able to *adapt*.

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The need to adapt is also exacerbated by the ever increasing influence of technology and changing customer tastes and preferences. “Excellent firms don’t believe in excellence – only in constant improvement and constant change” (Peters, 1987). Soon after, Michael Hammer and James Champy published their book “Reengineering the Corporation” in 1993, which further supports the idea of adaptation and the concept of becoming a learning organization.

## 2.5 Unique Voice

The fourth dimension of the *World Class Diamond* model is the *Unique Voice*. The Unique Voice means the unique organisational voice. It represents something unique that the organisation created and practises in achieving its business success. To put the unique voice as a category of excellence measure into the world class framework is based on the overwhelming evidences that all known world class organisations have exhibited something unique on their own. The story of achieving world class excellence has never repeated itself.

Unique Voice is as a combined representation of any unique business policy, process and operation that fit particularly well to the organisation’s specific circumstance and delivers the winning performance as the result.

The Unique Voice is therefore defined as a combined representation of any unique business policy, process and operation that fit particularly well to the organisation’s specific circumstance and delivers the winning performance as the result. There are two critical components in the definition. The first is the existence of the organisation’s internal signature practices that are recognisable and unique but are created and nurtured from within. The second is the positive external echoing to the signature practice, or the market result due to the signature practice. Unique voice is the amalgam of the two. Simply doing something unique but without any positive market result is not a unique voice.

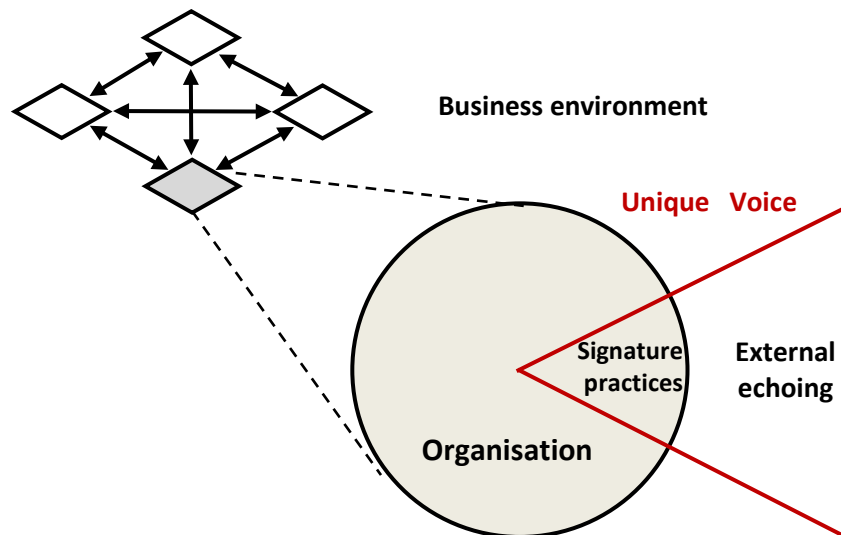


Figure 8. Unique Voice

Research shows that all world class organizations became so by having something unique, something that they do differently from their competitors and as a result they bring about market success. The world is littered with evidences of such uniqueness such as in Toyota, Zara, Dell, IKEA and so on:

- TOYOTA has created whole raft of what we call today the best practices of lean manufacturing system. These best practices such as JIT (just-in-time), TQM(total quality management), TPM(total preventive maintenance), Cam Ban, and so on were indeed the signature practices from within, not learned from outside. It was the Toyota's great success that brought the world to learn what they do and regarded them as the best practices – they are indeed Toyota's unique voices.
- ZARA is a newly emerged global fashion retailer. Zara's unique voice is that unlike traditional retailers that clothing design and manufacture were done before the market window begins. Zara does it its own way; they put 30-40% clothing design and raw material purchasing, 50- 65% of external manufacturing, and over 75% of internal manufacturing after the market windows started so that they can follow the fashion trends closely instead of betting on them.
- Dell created its combined *signature process and signature operation* of “manufacturing to stock and assemble to order” to ensure that the customised products are delivered faster with the mass production prices a distinct *signature process* that differentiate Dell's competitive edge, which is unique to Dell at the time of its first implementation.
- IKEA is a world leading furnishing company. Its unique voice is a bundle of signature practices that creates the value by enabling customer's own value creating activities. It offers a brand new division of labour. If the customer agrees to take on certain key tasks traditionally done by manufacturers and retailers – assembly of products and their delivery to customer's home, then IKEA promise to deliver well-designed products at substantially lower price.

The concept of *Unique Voice* as one of key commonalities for all world class organisations represents the *individualist school* of business excellence. The management paradigm change from a *generic* approach towards an *individualist* approach took place from the beginning of the 21<sup>st</sup> century with a growing body of literature discussing how leading edge organizations created excellence through identifying and developing their own signature practices that help them to outperform their competitors.

The concept of *Unique Voice* as one of key commonalities for all world class organisations represents the *individualist school* of business excellence.

The companies with the unique voices often have the guts to sail into the uncharted water by pursuing differentiated competences and innovation that result in difficult-to-imitate competences which lead to an enhanced competitive edge. One can argue that *true excellence is always unique*. This perception has been echoed by many contemporary management thinkers around the world. Gratton *et al* (2005) stressed the importance of developing the individualized signature processes not just copying the best practices. McGahan (2004) developed an industry evolutionary model and concluded that business success and excellent performance can only be realized if and only if they fit to their individually specific trajectory evolution. Kim and Mauborgne (2005) in their international bestselling “Blue Ocean Strategy” emphasized the critical importance of creating the company's own individualized “blue ocean” in order to make the competition irrelevant.

# 3 Measuring the WC Excellence

Having understood what really constitute the world class excellence, the next important step to know precisely how well an organisation is performing in against the world class excellence standard. This simply means to take the assessment. Without the reliable data, information and knowledge about the on-going business, organisations stand no chance of knowing where to start with, nor would they know about their progress or how close they are to the world class destination. Any business development, improvement and transformation programmes, therefore, must come after when the proper assessment has been carried out.

Without the reliable data, information and knowledge about the on-going business, organisations will stand no chance of making progress towards world class excellence.

## 3.1 Establishing a Performance Management System

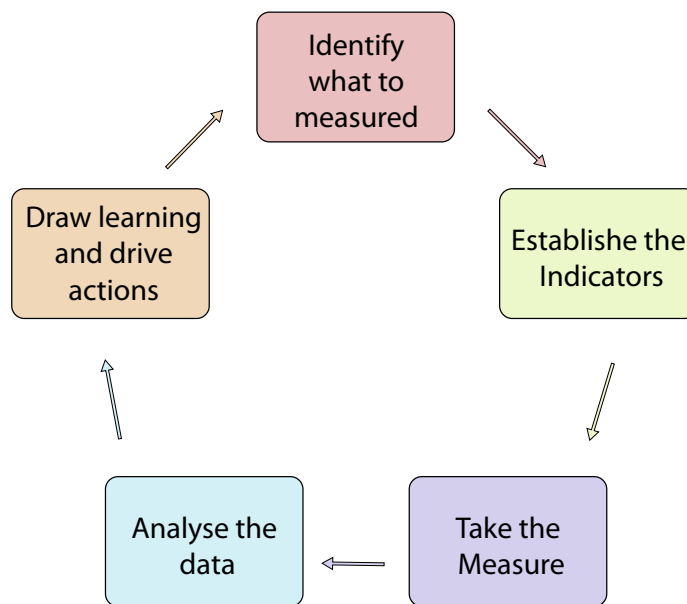
The purpose of performance measure is to establish the current status of performance and to assess how well an organisation or department is accomplishing its performance targets. It is therefore a key requisite in the continuous pursuit towards achieving the world class excellence. The information gathered from the measurement process must be relevant and directly useful to serve a number of critically important management purposes:

- To Evaluate: How well the organisation is performing against the world class measurement targets can only be known through proper measurement.



- To Control: The operational behaviours and outputs have to be controlled through measurement in order to keep the business running on the right track.
- To Motivate: Giving people reward and incentives for their achievement and setting next targets that challenging enough to provide excitement and motivation.
- To Improve: What to improve and how much to improve will be based on the measurement of current and past performance results.
- **To Learn:** Great deal of business knowledge is, and can only be, learned through regular and targeted measurement.

However, the performance measurement can only be effective and reliable to fulfil the above purposes if a proper measurement system is in place. A performance measurement system provides an organised means of defining, collecting, analysing, and making decisions regarding all performance measures within a process or activity. It is an institutionalised process rather than a reactive process. At the centre of the performance measurement system is a process through which performance measures can be carried out in the most efficient manner and can ensure its supportive role to the top level business strategy. A performance measure is a quantitative gauge, by which the company can use to assess whether they are meeting or exceeding the performance targets. Some of those measures are so critical and causally related to business success, so that they are called the key performance indicators. A typical performance measurement system may include five key steps:



**Figure 9.** A performance measurement system’s flowchart

**Stage 1. Identify the activity and process to be measured**

All significant business activities must be measured; and only the significant ones are to be measured. Many tools or system can be applied at this stage. It is highly recommended that you should start using Balanced Score Card (BSC) system to help you to determine what to measure. The gist in making this decision is to determine which are relatively more strategically important, strategically supportive, and strategically connected than others. Examples of processes and activities to be measured are purchasing, customer service, product delivery, invoicing, handling the complaints. Reflecting on the firm-specific principle discussed in the previous chapter, the process you think is strategically important may or may not be so in other organisations, and that's perfectly normal.

### **Stage 2. Establish the performance indicators**

Performance indicators must be established for each and every critical activities selected for measurement. It is often referred to as the Key Performance Indicators (KPIs). The indicators can be created based on a number of factors: company's own average performance; customer and stakeholder's expectation; technology and operational standards; legislative standards (such as toxic emission level). A good performance indicator must be realistic and not requiring unreasonable effort; simple and understandable; measurable in terms of quantified data is possible to obtain; and economical in terms of low cost in setting and administering them.

### **Stage 3. Take the measure and collect the data**

Taking measures and collecting the measurement data are the main execution part of the performance measurement system. Managers need to decide at this stage how frequently they want to collect the data, and how much is enough of the data; is it going to be complete collection or just a sampling. In many cases the data required may already exist in, for example, the stock database, an ERP or MRP system. In some cases one may have to install an automated data collection system to provide accurate and additional data without need for human intervention.

### **Stage 4. Analyse the data**

Data must be first verified to ensure that there is no bias in the collection process and there are enough data to draw meaningful conclusions. Once the data are verified the analysis process can begin. There are abundant analytical tools available that it is rarely needed to develop your own. Most of the tools are already computerised as commercial packages which are often easy to use with exciting visual display, including statistical data processing, data mining, data envelopment analysis, and others to name just a few. The result is then to be compared with the KPIs set in the Step 2 above. The final part of data analysis is the reporting and documentation. Mark sure that you clarify the date and the period, and always link the analysis with the business objectives and strategy.

### **Stage 5. Draw learning and drive actions**

This is the step where the performance measurement is turned into the performance management. World class organisation necessitates both. When the process and activities are under performing, the cause and reason must be identified, and the follow up corrective action plan and improvement project should also be initiated with defined ownership and accountability. When the measured performance already exceeds the KPI, there might be a legitimate course to re-set the KPI in order to excel the business. In general, when the performance improves continuously through the action, the KPIs, operational targets and business goals must also be re-visited and amended if necessary. This is where the loop closed to the first step of identifying what to measure and setting the new KPIs.

The five steps of the performance management system have ultimately no start and no finish; they form a continuous and dynamic process loop.

However to pursue the world class excellence, the conventional performance measurement system described above may not be sufficient to serve the purpose. In particular when it comes to many qualitative aspects of the business performance, such as innovation and leadership, the quantitative data collection and analysis may lose its effectiveness. To this end, perhaps some alternative non-conventional approaches should be considered, which include using survey questionnaires, benchmarking exercise, interviews, and case study.



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Jane, Chinese architect

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## 3.2 Using Survey Questionnaire

Survey questionnaires are among one of the most widely used and valuable means of performance assessment. The range and types of questionnaires that have been used in the management research and business performance analysis can vary enormously. However the key aspects of questionnaire design and implementation for most of management improvement purposes remain fundamentally unchanged.

Survey questionnaires are among one of the most widely used and valuable means of performance assessment.

Managers need to consider the following:

- The range and scope the questionnaire to be included.
- Question types, for example, open or closed.
- Question structure, order and grouping.
- Content of individual questions.

A questionnaire is a series of questions designed to provide as accurate account as possible about the information and data in the concerned areas from every correspondent. To help achieve this, the questionnaire should be unbiased and easy to understand. To design a questionnaire, one needs to have a clear idea of the overall objectives, the targeted information, and how the intended result is to be summarised. It is highly recommended to prepare a set of draft questionnaire and try it out on a few people before commencing to the main survey. In brief the questionnaire should:

- Be as short as possible;
- Have a logical structure, with a clear focus of each group of questions
- Avoid ambiguity and vagueness, by using plain language not sophisticated words or jargons.
- Avoid any leading and indicating questions that influence the answers.

Questionnaire based surveys tend to focus on three main area of information: factual information, behavioural patterns and opinions. There are normally explored through questions which fall broadly into two categories:

### **Category 1. Closed questions**

These are most common type of question. They are good for routine questions with limited answers and be easily summarised and analysed. They are typically easy and quick to answer; but they may only 'scratch the surface' or be superficial.

### **Category 2. Open questions**

These are more suitable for open-ended and flexible enquiries, particularly in an interview context. Such responses are likely to give deeper insights. They often reveal a richness of information. They dig deeper than closed questions. However, the answers to those questions are likely to be more difficult to summarise and analyse. They are particularly valuable for identifying the unexpected and therefore are effective in exploratory contexts; but can be time-consuming to administer.

Collecting data through questioning is the main method used in what is known as survey. Survey is essentially an approach to data collection that involves collecting data from large numbers of respondents. This is the main distinguishing feature of survey compared to many other types of assessment or research method that are primarily concerned with small numbers. More often than not, although not exclusively, surveys of whatever form and purpose often use questionnaires as the main vehicle for collecting data. For the purpose of assessing world class excellence questionnaire based survey appears to be one of the most widely used data collection methods.

Collecting data through questioning is the main method used in what is known as survey. Survey is essentially an approach to data collection that involves collecting data from large numbers of respondents.

Properly designed, surveys can be used to investigate a wide range of organisational issues or problems either inside or outside of organisations. The survey techniques are particularly effective in understanding organisational capability issues, people's skill and motivation, organisational leadership, customer satisfaction, business responsiveness and so on. As an alternative, there are many specialised organisations that can do commissioned survey for their clients, and in particular they can provide survey results from the external markets and industrial benchmarking, which could be difficult to do by a company's internal resource. In addition to gathering assessment data and information, often world class survey produces a positive by-product of engaging people and spreading the message across the organisation.

### 3.3 Benchmarking Against the Best

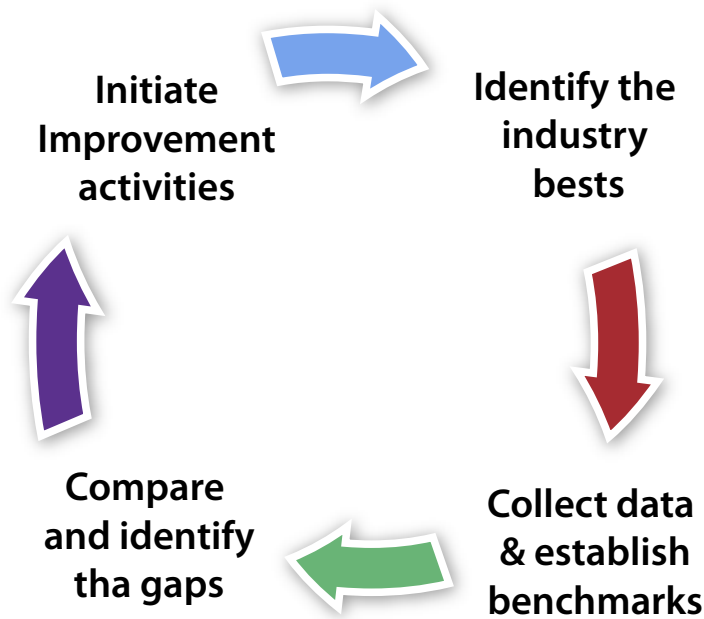
Since the notion of world class excellence is a relative measure to the rest of the world, one of the most effective ways to assess and verify the excellence is through external benchmarking. To put it simply, benchmarking is the process of comparing a firm's own business performance to the industry bests. Through a properly designed executed benchmarking exercise, companies will be able to identify their performance gaps, capture best practices, and drive the business to gain competitive advantages.

Benchmarking is most used to measure performance using a specific indicator, such as cost per unit of measure, productivity per unit of measure, cycle time of x per unit of measure or defects per unit of measure and so on. The resultant metrics of performance are then compared to the benchmarks that have been chosen and established. To date, the scope of benchmarking extends far beyond the operational performances to processes, finance, products, strategies and many more.

Typically, in a benchmarking process, organizations evaluate various aspects of their processes in relation to the best practice companies' processes, usually within a peer group defined for the purposes of comparison. This then allows organizations to develop plans on how to make improvements or adapt specific best practices. For achieving world class excellence, it is essential that benchmarking is carried out in the aim of the world class standard; and it must be treated as a continuous process in which organizations continually seek to improve their practices.

Typically, in a benchmarking process, organizations evaluate various aspects of their processes in relation to the best practice companies' processes, usually within a peer group defined for the purposes of comparison.

Benchmarking processes involve management in, first of all, identifying the best firms in their industrial sector, or any other industry where similar processes and activities exist. This may be achieved through publically exposed information channels, such as, Internet, business magazines, industry special report, and market surveys and so on. The second step is to collect and gather as much as possible the performance data, metrics, and achievements in order to establish specific benchmarks. This is not always easy, as business naturally would like to protect their operational secrecy and confidentiality. The third step is to compare a firm's own performance metrics against the benchmarks and identify the performance gaps. The final step is to initiate improvement activities and projects that will eventually close the gaps and surpass the benchmarks.



**Figure 10.** Benchmarking Process

Organisations embark on the benchmarking exercises will not find themselves alone, as there are now increasing number of organisations that are pursuing world class excellence and doing the benchmarking exercises regularly. There are also many tools already been created and tested that managers can make use of, which include: Mission and Vision Statement, SWOT Analysis, Informal Benchmarking, Performance Benchmarking, and Best Practice Benchmarking, Quality Management System, Improvement Teams, Customer Surveys.

A recent benchmarking report by The Global Benchmarking Network (2010) shows that benchmarking helps to sustain long term success through continual comparison and learning from other organisations. It is a strategic strength if practised well and a fatal weakness if not pursued. The report show that the most important factors for benchmarking success were: support of top management, understanding of own processes, clear project objectives, and linking of project objectives to strategic objectives; and the most popular methods for collecting benchmarking data and best practice information were: searching websites (59%) literature search (52%), and site visit and meetings with partners (51%).

Benchmarking helps to sustain long term success through continual comparison and learning from other organisations.

Both research and management experience show that benchmarking is an effective improvement tool which is becoming increasingly popular. This trend of more application of benchmarking tools is partially driven by the wider use of Internet, through which organisations can quickly obtain good ideas, best practices or new techniques in the process of management. This is known as *Informal Benchmarking*. On the other hand, *Formal Benchmarking* methods such as performance benchmarking and best practice benchmarking require more effort and time but deliver higher level of gains. For achieving world class excellence, organisations must harness the value of both Informal and Formal Benchmarking as a means to complete the journey.

### 3.4 Conducting Group Interviews

Interviews are a major category of techniques for collecting data through questioning and are acknowledged as being some of the most effective ways of collecting data and information for the purpose of assessing business performance. Interviews are designed to be much more thorough and in-depth investigations. They provide very flexible ways to explore any unscheduled agenda and to follow up unexpected new leads that may serve the assessment objectives exceptionally well.

Interviews are designed to be much more thorough and in-depth investigations.

The intimate nature of interview mechanism does provide additional dimensions for the interviewers to discover something more convincingly. For the purpose of world class excellence assessment, interviews are best to be carried out in small focused groups just like playing the “Dragon’s Den”. This is because, in the context of pursuing world class excellence, the purpose of the interviews is not on a specific person, but rather on collecting information and developing a better understanding of a group, a department, and the company as a whole.

A small multifunctional team properly assembled to represent part of the organisation's capability can give a much fuller picture of the situation under assessment. The views from different people's perspectives often together create better and new understanding that each individual is unable to come up with alone, which makes the interview more in-depth. This applies to both interviewers and interviewees alike. Any possible individual person's bias in the interview is easily filtered through the group discussion and summary, which makes the assessment more accurate. A true picture is better fitted by a team together:



**Figure 11.** Team working

Essentially in this approach, the interviewers are not so much of asking questions, but rather a participating and joining in and listening to the conversation and story-telling about the organisation. Information gleaned in this way has characteristics that often cannot be achieved in any other way. The level of the interviewers' participating and listen in has to be managed very sensitively to maximise the disclosure of valuable and genuine information.

Structured group exercise is a form of group interview; the instructors will take the participants through a structured discussion process in order to gather information.

This approach of group interviews also include structured group exercise, such as the BEM (Business Excellence Model) assessment exercise designed and licensed by the EFQM. The interviewers are now effectively the instructors, who will take a group of participants through a structured discussion process based on the EFQM model. The participants are selected to represent the different levels of management, including operators, team leaders, department managers and senior managers. For each of the 9 assessment criteria in the model, participants are shown the criteria of assessment and supported with some case examples. They are then encouraged to comment and debate on the strength and opportunities of their own company in the respected criteria, followed by a collective scoring using the RADAR scoring system in the model.

Structured group exercise is a form of group interview; the instructors will take the participants through a structured discussion process in order to gather information.

Similarly there is also a well established form of interview called Focused Group. Focused groups normally consist of between six and ten participants. A trained moderator as they are often termed steers the group to discuss predetermined area of business. In the case of assessing world class excellence, you may choose the topic of customer satisfaction or productivity. This is where the term 'focus' comes from, and the interviewer will focus the discussion between members of the group into these areas. The moderator usually encourages the group to interact in discussing the issues surrounding the prompt or trigger with a view to establish an overall group feelings.

The precise steps in planning and conducting interviews will vary according to, for example, the type of interview being conducted and the circumstances of the interview. Nevertheless, there are a number of key steps and considerations in planning and conducting group interviews that are common to virtually all that are aiming for organisational excellence assessment. They are as follows:

- Determine the target information or data to be collected
- Identify the participating group and the mix of it
- Choose a group interview approach, dragon's den, or focused group, structured group exercise.
- Prepare the questions, document, forms and summary sheets.
- Conducting the interviews
- Post-interview summary and analysis and reporting





### 3.5 Building Case Studies

Case study is a vehicle for learning and discovery. It can be used for many different purposes. For world class assessment purposes, building case studies is often the best way to establish some unique business performance and capability that constitute the world class excellence, which tend to be difficult by the conventional data collection or measurement. Some great business capabilities are often the company's signature practice and can only be properly revealed through case studies. This type of case study is often produced in the form of the Situation Case or Progress Case, whereby the unique practice and its features are revealed, and their development progresses are documented.

Building case studies is often the best way to establish some unique business performance and capability that constitute the world class excellence.

Apparently, based on the World Class Diamond model discussed in Chapter 2, Operational Excellence appears to be the only area where the data collection methods described above may perhaps be sufficient. For the rest three of the four areas in Strategic Fit, Capability to Adapt and Unique Voice the conventional measures and even carefully prepared KPIs may not be sufficient enough to assess their levels of excellence.

The key problem with quantitative measures and KPIs is that they can only measure and represent the features, quantities and qualities that have already been well understood. Those measures are usually part of the well defined frameworks, such as productivity and lead-time. But, they could be a poor measure for those unknown or too complicated business features and capability, such as Capability to Adapt and Unique Organisational Voice. To bypass the complexity and theoretical validity test on creating a new set of measures, the easiest thing to do is to build a business case.

Another reason that conventional measures may not be appropriate is that the business excellence is simply a very complex concept. An organisation's excellence demonstrated in the competitive market place is often the result of many intricately related internal causal factors which may not be so explicit to the managers. That is why case building exercise can be an effective and unequalled alternative to 'measure' the excellence. This goes right back to the fundamental concept that world class excellence is the combination of external performance result and internal quality of management.

An organisation's excellence demonstrated in the competitive market place is often the result of many intricately related internal causal factors which may not be so explicit to observe.

Building cases is actually an interesting discovery and learning process whereby new understanding and revelation can be made. For this reason, during the process, engaging people and getting them involved in the case study is a critical success factor. The key components of this type of situational case building should include:

- Background of what was the business practice and external result
- Describe the unique management process or effort that has been initiated during the journey of business development.
- Demonstrate what have been the customer or stakeholder result of this development
- Illustrate how the internal practice has unmistakably linked to the positive market success.
- Establish a framework to theorise them.

# 4 Achieving the WC Excellence

Becoming a world class company is not a simple process. It calls for a total commitment from the entire organisation, which has to be so strong and long lasting that it becomes the obsession. Ultimately companies will see and endure a culture change and total business transformation before it achieves the world class status. That is how profound the pursuit of world class excellence is meant to be.

Becoming world class calls for a total commitment from the entire organisation, which has to be so strong and long lasting that it becomes the obsession.

## 4.1 Developing a strategy for WC Excellence

First and foremost, developing an appropriate overall strategy is indisputably essential if world class status is to be achieved. This is because the strategy sets out the direction of business development; it intermediates the business internal resources with the market requirement; it also ensures the alignment to the stakeholders' ultimate benefit. The development of the strategy and its implementation process underpins a strategic management framework for the company. Whether it is through a top-down or a bottom-up approach, the entire process of strategy development will generate enormous organisational learning in its own right.

To begin with, you may follow the G. Johnson and K. Scholes' model (1984) to set the world class strategy development into the context of overall business strategic management process. The development of the world class excellence strategy must not be treated as an isolated activity in the organisation. It is an organically bound constituent component in the strategic management of business. G. Johnson and K. Scholes suggested a triad model that a strategy development is embedded in a process of strategic analysis, strategic choice and strategy implementation.



**Figure 12.** A strategy development process.

### 4.1.1 Strategic Analysis

Strategic analysis is concerned with understanding the strategic position of the organisation in terms of its external environment, internal resources and competences and the expectation and influences of stakeholders.

Organisations must identify the factors in the external environment that call for a strategic response from the business. Particular stakeholders’ interests from both internal and external environment constitute a major source of influencing factors. The identified factors should be grouped under category headings, such as economic factors, human resource factors, demographic trends, environmental factors, technology, suppliers and competitions.

Organisations must identify the factors in the external environment that call for a strategic response from the business.

Analysing and prioritising the factors, and understanding their inter connection in between can be a very complicated and difficult task, where learned tools should be applied. Analysing your current position is another important task in strategic analysis. Benchmarking against your competition is an effective approach. But as discussed in chapter 3 this can be very difficult because much of the necessary information may not be available. However services providing benchmarking data do exist. The key areas to clarify your organisation’s position are: your product range, pricing, availability, customer service, costs, and market share.

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### 4.1.2 Strategic Choice

Strategic choice involves understanding the underlying bases that guide future strategy, generating strategic options for evaluation and selecting from among them.

Establishing world class vision for the organisation will determine the bases for any future strategy. It will also stimulate the ideas and initiatives that lead to new strategic options. It gives direct guidance to what core business that your organisation should excel. Top management must make the vision of excellence bold and clear in a brief statement that is impossible to misinterpret. This mission statement must also be displayed in a highly visible fashion throughout the organisation.

Establishing world class vision for the organisation will determine the bases for any future strategy. It will also stimulate the ideas and initiatives that lead to new strategic options.

Strategic choice also means to make a selection of a strategy from the available and conceivable options. The World Class Diamond model serves a sound basis for making such assessment. It is basically to ask a series of questions. Which of those options build upon the operational strength? Whether it provides the 'Fit' between internal resources and external demand? Which options can drive the organisation to adapt into the new environment by taking emerging market opportunities? Which one cultivate more innovation and promotes home grow best practices for achieving world class excellence? Obviously, they can only be assessed for their relative merits. There is unlikely to be a clear-cut 'right' or 'wrong' choice. In the end the choice is likely to be a matter of management judgement.

### 4.1.3 Strategy Implementation

Strategy implementation is concerned with the translation of strategy into organisational practice and the management of strategic change.

Much of the interpretation of world class strategy is crystallised in setting appropriate but high enough performance targets. Setting ambitious enough targets by identifying where you want your company to be in one, three or five years' time is a good starting point. If the targets are easily achievable there is a danger that you will rest in your laurels and never become world class. Set the target unrealistically too high, even in the right strategic direction, may over stretch your resources and demoralise staff members when no achievement can be made. Targets setting must be systematic; the organisational targets must be based on and supported by the divisional and departmental targets setting; the department goals also must be clear enough for staff to set up their individual performance targets.

Much of the interpretation of world class strategy is crystallised in setting appropriate but high enough performance targets.

Implementation of world class development strategy also requires the management strategic change. Those changes may be so profound to an organisation that you may call it total organisational transformation. The changes may have come to the managers in terms of way they manage business process. It may come to the organisational structure, where major adjustment to the responsibility and accountability lines may have to be rewired. It will certainly come to the business processes, where value adding and total cost reduction are to be exercised; it will certainly come to people and ultimately the organisational culture.

## 4.2 Involving and Motivating People

People are the only active force in the pursuit of world class excellence. Without exception, all world class organisations and those who are actively pursuing it devote tremendous amount of effort in involving and motivating people. They must not only do so, but also do it exceptionally well in order to achieve the world class status. In today’s turbulent environment, business success and its level of excellence depends increasingly on the employees who are fully engaged in the process and highly motivated to contribute their talent and to realise their full potential.

Over the last few decades, scholars and practitioners have been actively seeking for better ways to engage and motivate people in workplace. A plethora of literatures have been published and some significant progresses have also been made in understanding the nature and principles of motivating people. As a working definition, Twyla Dell writes, “The heart of motivation is to give people what they really want most from work. The more you are able to provide what they want, the more you should expect what you really want, namely: productivity, quality, and service.” (*How to Motivate People*(1989)).

Without exception, all world class organisations and those who are actively pursuing it devote tremendous amount of effort in involving and motivating people.

It is a broad consensus today that a positive motivation philosophy and practice should improve business performances, promote innovation, and deliver stronger drive to achieve strategic objectives. Such positive motivation philosophy and practice is essential to deliver world class excellence. It can be better understood and applied by looking into the basics of Herzberg’s hygiene theory, McGregor’s X and Y theories and Maslow’s hierarchy of needs.

In 1959, Frederick Herzberg published his study on understanding employee motivation in *The Motivation to Work*. He developed the hygiene theory to explain the results. The analogy is that ‘hygiene’ prevents the illness but does not cure illness; it is necessary but not sufficient condition for healthy life. If the theory holds, management not only must provide hygiene factors to avoid employee dissatisfaction, but also must provide factors that motivate people. For a truly world class organisation, the ‘hygiene’ factors must be in place, but what really makes the difference is the motivation factor: achievement, recognition, responsibility, advancement and growth.



**Figure 13.** The Hygiene factors and the motivational factors



Douglas McGregor, an American social psychologist, proposed his famous X-Y theory in his 1960 book *The Human Side of Enterprise*. McGregor's X-Y Theory remains central to organizational development, and to improving organizational culture.

In theory X, which has been proven counter-effective in most modern practice, management assumes employees are inherently lazy and will avoid work if they can and that they inherently dislike work. As a result of this, management believes that workers need to be closely supervised and comprehensive systems of controls developed.

In theory Y, management assumes employees may be ambitious and self-motivated and exercise self-control. It is believed that employees enjoy their mental and physical work duties. They possess the ability for creative problem solving, but their talents are underused in most organizations. Given the proper conditions, theory Y managers believe that employees will learn to seek out and accept responsibility and to exercise self-control and self-direction in accomplishing objectives to which they are committed. A Theory Y manager believes that, given the right conditions, most people will want to do well at work. They believe that the satisfaction of doing a good job is a strong motivation. World Class organisations have invariably show the theory Y management approach.

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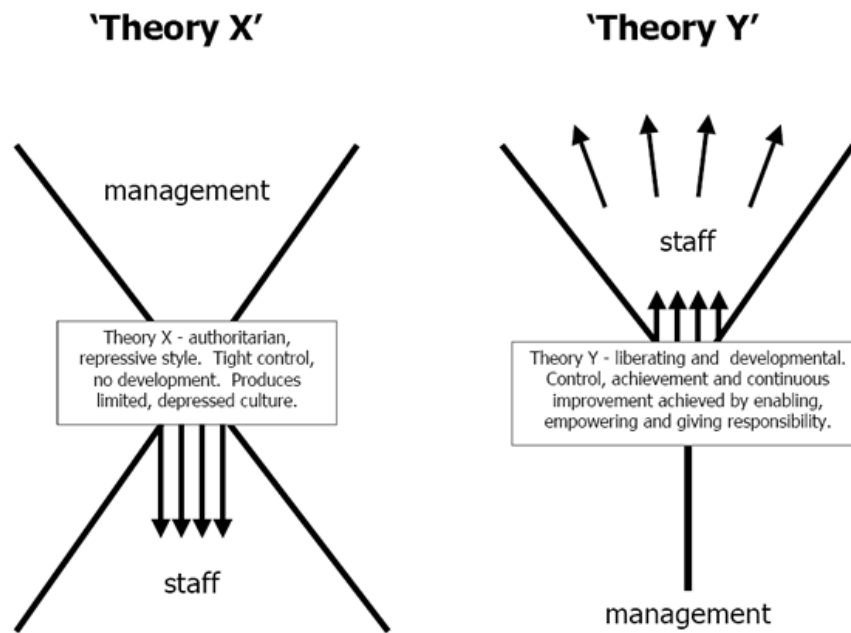


Figure 14. The Theory X-Y

Maslow’s hierarchy of needs was first appeared in his 1943 paper “A theory of Human Motivation”. It suggested that people are motivated to fulfil basic needs before moving on to other needs. A more important and relevant implication of the theory is that whilst people are satisfied with their basic needs such as physiological and safety, to which they are in today’s environment, they can only be most effectively motivated by the higher levels of needs such as social, esteem and self-actualisation.

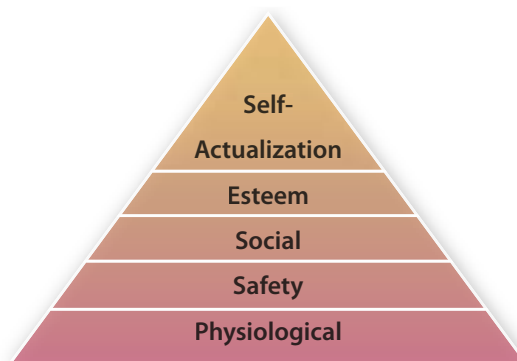


Figure 15. Maslow’s Hierarchy of Needs

The very essence of world class business is that it depends on people to create more value for customers than the competitors. We can all learn something from those models shown above, and possibly perform markedly better by applying them in practice. Fundamentally, leaders of organisation must conduct the business such that people see fulfilling their personal ambitions as being consistent with that of business. People’s experience lives up to the brand image and promises of the world class organisation.



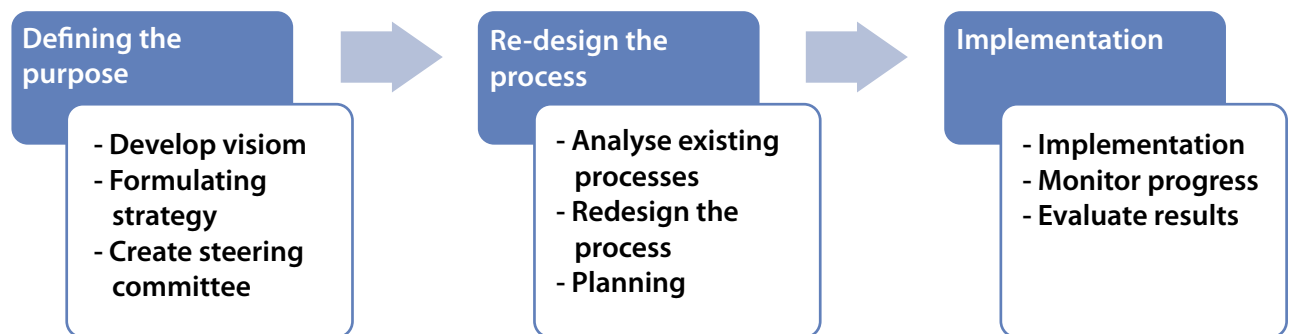
### 4.3 Re-engineering the Processes

One of the critical components of world class transformation is re-engineering the business processes. An organisation is only as good as its processes, and a good process must be continuously re-engineered. At the centre of business process re-engineering (BPR) there are two fundamental approaches: the understanding that organisations are process-driven, not function-driven, and an appreciation of the far-reaching quantum-leap effect encouraged by BPR. It is a method of initiating and controlling process changes through strategy driven process analysis, redesign, planning and implementation.

An organisation is only as good as its processes, and a good process must be continuously re-engineered.

Any organisation regardless of size or type operates fundamentally by transforming a collection of inputs (for example, raw material or raw data) into required outputs (products or service). This transformation involves one or more processes. In order to achieve world class excellence, organisation must demonstrate that it can transform the inputs to outputs most efficiently and effectively in against its competitors. Thus, amid other things, business excellence calls for continuously refined and re-engineered highly effective core processes to attain the excellence.

In *Re-engineering the Corporation* (1993), Hammer and Champy define BPR as: fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical contemporary measures of performance, such as cost, quality, service and speed. Therefore, BPR is not just business improvement as we know it, it runs against the conventional vertical functional silo focused business improvement and promotes the alignment of processes horizontally from strategy to market requirement.



**Figure 16.** The flow of process re-engineering

#### 4.3.1 Defining the purpose

World class business process starts with a clear sense of purpose and long term vision. Senior management needs to gain a perception of the problems in the current business; to have an awareness of stakeholder’s expectation and competitive environment; and to create a grand vision of becoming world class in its process management.

World class business process starts with a clear sense of purpose and long term vision.

With an established vision, a top business level strategy must be formulated to provide the overall guidance to the process re-engineering. The strategy must translate the vision into a set of strategic objectives including the world class performance standard; and clarifies the targeted markets and customer segments which should be matched by the internal resources and core competences.

A cross functional steering committee is often created in order to lead and co-ordinate the re-engineering process. The committee sets the objectives and priorities, and draws out the overall plan for the process re-engineering, communicates the preliminary strategies to the whole organisation, identifies the key processes to be re-designed, and prepares the organisation for change.

#### 4.3.2 Re-design the processes

Making detailed observation and analysis of the existing process is an indispensable step leading to the business process design and re-design. Modelling current processes in detail and rationalise their merits of existence. At this stage, establish performance indicators to assess the gaps and shortfalls as the “as is” position.

Starts with the needs of customers and re-design the business process from outside-in. The re-design must base on detailed collection of information; aiming at improving quality and service; focusing on key business outcomes. Once the process has been re-designed, an implementation plan can be prepared. Changes take time. Although BPR aims to achieve dramatic improvement in a short time, the planned schedule of change should not be unrealistically short.

Start with the needs of customers and re-design the business process from outside-in.

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### 4.3.3 Implementing the change

Implementation is the execution part of process re-engineering. It starts with recommending organizational changes in terms of process; then you need to categorize and prioritize the main problems in the change-over and propose possible remedy for the problems; followed by evaluating alternative solutions. It will then lead to the development of a cross-functional process map for the recommended process. There are seven *success factors* for the successful implementation or process change:

1. Executive leadership and management commitment to see the project through to successful completion.
2. A widely communicated vision of how the organisation will be different after the changes.
3. A clear statement of why the change is necessary.
4. A sound implementation strategy and plan.
5. Adequate resource and time.
6. Clearly defined roles, responsibilities and accountabilities.
7. Willingness of affected functions and individuals to support the proposed changes.

The most important part of this stage is to check whether the process change has delivered the desired benefits.

On-going process change should be closely monitored for any emerging problems. Process performance measures should be applied to assess the improvement. The most important part of this stage is to check whether the process change has delivered the desired benefits.

It is worth noting that a truly world class organisation tends to have its own unique signature processes that distinguishes itself from the rest or the comparable peers. Such unique signature processes are often the result of carefully planned process re-engineering, rather than a stroke of luck. Innovation and creativity have undoubtedly played an important role to the success of such process improvement.

## 4.4 Cultivating a Culture of Customer Centricity

World class excellence is also about cultivating a culture of customer centricity. The concept of customer centricity is not new. More than 50 years ago Peter Drucker (1954) wrote in his book *The Practice of Management* that “it is the customer who determines what a business is, what it produces, and whether it will prosper.” Customer centricity generally refers to the orientation of a company to the needs of its customers, rather than internal drivers such as resource, incumbent technology, and operational costs and so on.

“it is the customer who determines what a business is, what it produces, and whether it will prosper.” — P. Drucker

Historically, firms tended to be product-centric and more internally oriented with their attention fixed more on manufacturing superior products rather than on being oriented towards the purchasers and users of the products. This inward looking management culture has been the major impediments for organisations to achieve lasting business success. To date, ample evidences from leading edge world class companies have unequivocally demonstrated that business excellence is the result of a culture of customer centricity.

There are five trends that reinforce the need for organisations to make its cultural transformation towards customer centricity:

1. Intensifying pressure to improve product and service marketability
2. Increased level of globalisation and market diversity
3. Intensifying competition
4. Elevated expectation and demand from increasingly well informed customers, and
5. Accelerated technology advancement

In such an environment, the only way to assure business success and business excellence is to re-align all aspects of business to the single factor — customer; and create a close and profitable relationship with the customer. The information technology advancement in the later part of the 21<sup>st</sup> century presents a greater opportunity than ever before for firms to create much higher level of market sensitivity and customer awareness. Businesses have therefore put in place an appropriate investment strategy in IT infrastructure to support technology-driven customer services.

The only way to assure business success and business excellence is to re-align all aspects of business to the single factor — CUSTOMER.

However, customer centricity is easier said than done. Despite extensive discussion and publications and even the high media coverage of firms declaring their commitment to customer centricity, reality more often than not reflects an entirely different picture. Managers seem to be running product-centric firms with merely a cosmetic gloss of customer focus sprinkled around the edge. In many cases managers were unsure themselves whether their approach belongs to product-centric approach or customer-centric approach.

The following tables provide two check lists that can help managers to assess their management approaches in terms of either product-centric or customer centric approaches. They can also be used to identify where the gaps might be in order to enhance the culture of customer centricity.

Product-Centric Approach	
Basic philosophy	Sell products; we'll sell to whoever will buy
Business orientation	Volume, production and transaction-oriented
Product positioning	Highlight product features and advantages
Organisational structure	Product profit centres, product managers, product sales team
Organisational focus	Internal resource focused, traditional competence focused
Performance metrics	Sales volume, profitability per product, productivity, and cost.
Management criteria	Sustaining the product lines and portfolio
Selling approach	How many customers can we sell this product to
Customer knowledge	Customer data are a control mechanism

Source: adapted and modified from Danish Shah (2006)



Customer-Centric Approach	
Basic philosophy	Serve customers; all decision start and finish with customer
Business orientation	Customer relationship-oriented
Product positioning	Highlight meeting customer needs
Organisational structure	Customer segment centre; customer segment sales team
Organisational focus	Externally focused, market driven business development
Performance metrics	Customer satisfaction, customer lifetime value, business agility
Management criteria	Customer driven design change, make-to-order, service
Selling approach	How many products can we sell this customer
Customer knowledge	Customer knowledge is a valuable asset

Source: adapted and modified from Danish Shah (2006)

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As can be observed from the lists above, being customer centric or not is determined by many factors that permeate throughout the organisation in structure, process and measurements. Hence, customer centricity to an organisation is a matter of culture or cultural changes. Cultures have many levels and facets, which makes them very resistant to change. At the deepest level are values that determine all the enduring business behaviours. A world class organisation today are held together precisely by its central values, which in turn express themselves through all its behaviours and performances that underline the excellence.

## 4.5 Developing Organisational Creativity

Organisational creativity is becoming the ultimate competitive advantage in today's fast changing business climate. Business is fundamentally a creation process: creation of customer value, creation of new technologies and processes, creation of new market space, and creation of the better ways of creation itself. It is therefore safe to say that a world class organisation must exhibit an unequalled excellence in creation, and the ability to do create is recognised as organisational creativity.

Organisational creativity is becoming the ultimate competitive advantage in today's fast changing business climate.

Harnessing organisational creativity is rapidly becoming the most important ingredient in achieving business excellence in almost all aspects of business. It is a capability that organisation can develop from within. Harnessing creativity to gain competitive advantage is not a matter of waiting for inspiration to descend from the sky, but a deliberate process and capability that is institutionalised in the organisation and can be called upon when needed. This institutionalised process and the resultant performances in making use of creativity are often referred to as *innovation* or *organisational innovation*.

Many things that organisation relies upon for its competitive advantages are fast becoming commodities, thus the table of competition might be turned around often unnoticed. For example, the critical information and information channels that the company so rely upon for its success has now become easily and cheaply accessible by the competitors — commoditised. The specific key technological knowhow for producing the products and services is also becoming a commodity in terms of easily obtainable through the third-party specialist. When everything else tends to become commoditised, the only secured mainstay for a sustainable competitive advantage is the continuous innovation.

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To develop the capability of organisational innovation, there are four key principles to follow:

1. **People focused:** create a highly engaging environment where every employee can participate and contribute his / her talent and realise his / her true potential.
2. **Taking challenges:** always look for ways to improve; and ask the question can we do it better. If better is possible, good is never enough.
3. **Being passionate:** Having a burning desire and passion is the unlimited source of energy and wisdom.
4. **Action orientated:** To innovate, 5% of it is to figure out what to do, and 95% is doing it. Setting up teams to act upon the ideas and test the ideas is pivotal to success. If you run out the ways that don't work you bound to have the ways that do work.



There are four key areas where the actions and process can begin to take place immediately:

1. **Product innovation:** striving for regular new product introduction; and make your own product obsolete before the competitors do.
2. **Service innovation:** be attentive to customer's service needs and go the extra miles to delight the customer by introducing new ways and new features of services.
3. **Process innovation:** processes must be reviewed for its fitness to purpose regularly; 'it has been like this for years' should not be the reason to keep it; applying process mapping tools will always shed lights on the hidden waste.
4. **Strategy innovation:** dramatically accelerate the pace of strategic renewal; developing a diverse "blue ocean" portfolio of strategic options.

However, since there is no universal solution for organisations to improve their ability to generate, develop, and disseminate new ideas. World class organisation faces and deals with different challenges in their own unique innovative ways. This reflects the firm-specific and situation-sensitive principles discussed in Chapter 2. It is worth noting that the scope of innovation often has to be taken from 'end-to-end'. That means the truly world class innovation process must integrate the components from internal, cross units, and through to the external supply chain.

# 5 The Journey Never Ends

Having become a world class organisation and achieved world class excellence, however admirable it may be, it is just the beginning of a never ending journey. In the relentless, head-snapping global competition, standing still is a quickest way to slip back. A truly world class excellence must be resilient, long-lasting, and can stand the test of time by definition. The challenge to go beyond the destination is far greater than to arrive at it.

The challenge to go beyond the destination is far greater than to arrive at it.

## 5.1 Sustaining the WC Excellence

A common approach to sustain the management change and success is to *embed* the new ways of doing things into the fabric of organisation. This means that manager must ask themselves questions on how will they maintain the improvement after the project /campaign is completed; how to ensure the new process is constructed into management system so that even the people who created it has left the company the process will continue to function.



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Often, without this final embedding phase, what has been done through a development programme could slowly fade away into the oblivion; what has been learned could be easily unlearned when the flavour of the month has passed. Hence, embedding a new development that has been painstakingly achieved becomes essential in organisational development. However, just knowing how to embedding and institutionalise the improvement is not enough for sustaining the world class status for the whole organisation. In order to renew its lease on success, organisational must also continue to learn and evolve much more zealously than ever before.

In order to renew its lease on success, organisational must also continue to learn and evolve much more zealously than ever before.

As Peter Senge said in *The Fifth Discipline*, ‘...in the long run, the only sustainable source of competitive advantage is the organization’s ability to learn faster than its competition.’ The needs to learn become all the more imperative when and after organisations have achieved great success and have demonstrated world class excellence, because they have no one to catch up with and no immediate threat of competition. It is at this stage organisations face greatest threat of slipping into the reverse gear. When one reaches the top of the hill, the next step is going down. Nothing fails like success.

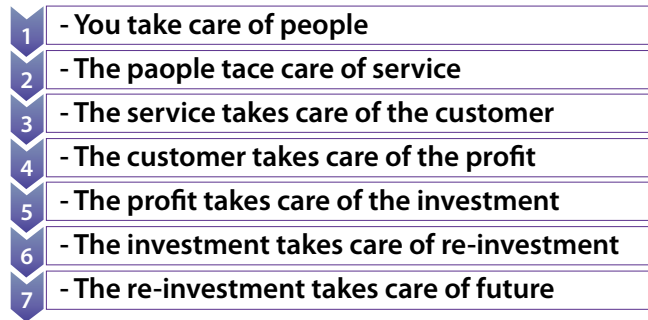
Admittedly, maintaining and sustaining world class excellence is a lot more challenging than achieving it. This is because organisations, after they have achieved the leading position, often lost their further directions and unable to set the next destination. At this stage, the conventional goal setting and organisational learning techniques may cease to be effective. What must be installed is the innovative learning and creative development.

In essence the learning beyond world class is a process of creative evolution, a journey into the uncharted water. This calls for the leadership that can show people the future and can communicate the new purpose that is worthy of commitment, which will also continue to inspire everyone in the organisation. The journey ahead is to be primarily a lot more emotional rather than technical.

In essence the learning beyond world class is a process of creative evolution, a journey into the uncharted water.

Even when a leadership is given and renewed direction and development strategy is formulated, sustaining a world class status is still far from certain. The ‘law of diminishing returns’ prevails, and management is no exception. If organisations follow the same orthodox and keep the same management approach unchanged, over time, the benefit and effectiveness of those approaches will begin to decline and eventually even diminish completely. To sustain the achieved world class excellence and go beyond the known standard, organisation must not only continue its pursuing, but also refresh its pursuit through changing and learning.

The only agent and active force in the changing and learning process is the people, and it is from the people comes the ultimate source of creativity. Tom Peters has suggested the *Seven-Step Path to Sustaining Success* ([www.tompeters.com](http://www.tompeters.com)). At every step the only measure is excellence. The first and the leading step for all the rest is *taking care of the people*.



**Figure 17.** Seven-Step Path to Sustained Success (Source: Tompeters.com)

## 5.2 WC Excellence in the 21<sup>st</sup> Century

What the future holds for the world class excellence in the 21<sup>st</sup> century? The accelerating pace of changes will certainly test the resilience of every existing organisation including those who believe to be the world class ones. In the meantime, the turbulence in the global business environment continues to create unprecedented opportunities as well as challenges.

However, the ultimate balance between the promise and peril will depend on how well the organisation can adapt into the new century. The World Class Diamond model discussed in Chapter 2 underlines the four key criteria including the ‘*Capability to Adapt*’ as the perpetuating characteristics for all world class excellence that last. It is crucial to understand no matter how much is to change in the future, there are always principles that don’t change and will guide the business to survive the changes.

It is crucial to understand no matter how much is to change in the future, there are always principles that don’t change and will guide the business to survive the changes.

The nature and character of future challenges in the 21<sup>st</sup> century is by no means certain, and the scaffolding of 20<sup>th</sup> century management may not fit for use in the 21<sup>st</sup> century. In view of the historical development, management was fundamentally based on trying to regulate the irregular business activities of all kinds. However, the 21<sup>st</sup> century will expose businesses to much more irregular markets, irregular customer behaviour, irregular completion, irregularly disruptive technologies and so on.

Thus, the regular approaches may cease to be effective for those irregularities. The remedy lies in the *irregular means* that can safe guard the regular performances and profits. This irregular means of management for the 21<sup>st</sup> century is what the World Class Diamond calls the ‘Unique Voice’.

The remedy lies in the *irregular means* that can safe guard the regular performances and profits.

Love it or loath it, the pursuit of ‘*Operational Excellence*’ will always be there in the 21<sup>st</sup> century. However, what will definitely change are the prescriptive measures of excellence and the standard of excellence. Hitherto, the operational performance and its excellence has been primarily understood and discussed from the economical perspectives, i.e. measuring the cost, productivity, profit, inventory turnover, employee turnover, market shares, customer satisfaction and retention.

What has apparently emerged already at the dawn of the 21<sup>st</sup> century is that the truly world class businesses have taken their performance measures far beyond the economical bottom-lines, and stretched it into social and ecological dimensions. Operations performance must now be measured against the corporate social responsibilities (CSR), including *ethics* and *fair trade* measures; and eco-environmental consciousness including carbon foot-print, environmental protection, and eco-sustainable development.

What is the best '*Strategic Fit*' for a long lasting business excellence in the 21<sup>st</sup> century? Whilst we can all recognise a great strategy once it is proven successful in action, we find difficult to generate a great strategy in the first place. Strategy formulation and *Strategic Fit* is not a purely analytical process, but a multi-faceted process that involves risk, gut feeling, emotions and whole host of internal and external factors as well as their analysis. Therefore achieving strategic fit has to be a dynamic and complex process.

Whilst we can all recognise a great strategy once it is proven successful in action, we find difficult to generate a great strategy in the first place.

Because of this dynamic nature, to achieve and remain strategic fit through the 21<sup>st</sup> century organisations must take some unconventional approaches to create and renew their business strategies. You may consider the following:

- Be innovative and passionate in creating strategy; avoid using calendar-driven rituals of strategic planning.
- A better fitted strategy often arises from the opposite direction of the existing one; challenge the status quo and not to be constrained by it.
- Strategy renewal is only possible when the business is free from the tyranny of strategic orthodoxy often from the senior levels.
- To predict where a good idea may be lurking, strategy formulating process must be democratic enough in order to encourage participation from across the organisation.

What ultimately may constrain the performance and prevent you from being a world class in the 21<sup>st</sup> century is not your business model, nor your operational model but most possibly your management model. At the centre of your management model should lie the un-relentless passion and zeal to become excellence. The journey to world class excellence is less of scientific or technical, but a lot more emotional and cultural in nature. Benchmarking and learning the best practices around world may give you a turn-around or an encouraging head-start, but at the best you become the follower and the second best. True world class organisations that can venture well into the 21<sup>st</sup> century are those capable of imagining and re-inventing the future of management.

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