

ORGANIZATIONAL EXCELLENCE¹

The word excellence is widely used to denote superiority or excelling in the performance in any activity in which a person or thing is engaged. Excellence is important to society as it sets examples and standards of behavior that are socially important and useful. Excellence is about how capabilities are developed, improved and utilized throughout the lifetime of a person or an organization (Khandwalla, 1992).

In the context of organizations and business, excellence is not easy to evaluate and define. Difficulties arise because some of elements of excellence are intangible and cannot be easily quantified or measured. What excellence means to an organization could depend on the organization itself. . Organization/ Business Excellence may refer to some specific aspects of their activities or it may be used with reference to their overall performance.

The concept of excellence in context of management and organizational performance was introduced by Peters and Waterman in 1980 when they published their best seller book "In Search of Excellence –Lessons from America's Best-run Companies". Organizational excellence was later defined as outstanding practice in managing organizations and delivering value for customers and other stakeholders (Moullin, 2007). Design of organizations for achieving excellence may depend on process, people, product, partnership and leadership (Dahlggaard – Park and Dahlggaard, 2003, 2007). Organizational Excellence may be viewed as the outstanding measure of relationship of all performance variables influencing an organizational's functioning (Antony and Bhattacharya, 2010).

J.R. Katzenbach and D. K. Smith (1994) identified six characteristics of excellent organizations:

- balanced performance results that benefit all primary constituencies including employees, customers, and shareholders/owners;
- clear, challenging aspirations;
- committed and focused leadership;
- a dedicated work force dedicated to productivity and learning;
- Skill-based performance as a source of competitive advantage; and
- open communications and knowledge management Within the organization.

Types of Organizational Excellence

Several different types of Organizational Excellence exist or may even co-exist in an organization.

Competitive organizational excellence: The main characteristic of this type of excellence is being the best among competitors within an industry. The company surpassing others in the growth rate, highest return on investment, best earning per share performance are typical examples of competitive excellence. To achieve competitive organizational excellence the champion organization must develop clear goals and craft efficient and effective strategies to

¹ This note has been prepared for the purpose of class discussion. The note borrows from several sources most of which are listed in the references section. This note has been prepared by Vinita Mishra, Academic Associate, and Prof. Pradyumana Khokle at the Indian Institute of Management Ahmedabad. Review comments by Prof. Vishal Gupta are gratefully acknowledged. © 2015.

achieve these goals with strong commitment from its management. It also requires tight control mechanisms to keep all operations on track and coordination of functions through effective team management. Managers need to employ competitive moves and business approaches to grow the business, attract and retain customers, compete successfully and achieve the targeted level of organizational performance.

Rejuvenatory organizational excellence: The main characteristic of this form of excellence is vast improvement over previous performance. Many organizations that recover from sickness, decline or imminent disaster exhibit this form of excellence. It includes both increasing efficiency and building of effective systems, structure and skills to create sustainable and profitable growth. Organizations innovate and adjust continuously in a changing market and chief executives play an important role in rejuvenating the organization. The style of management for rejuvenatory excellence needs to include (a) strong, high energy leadership that galvanizes the organization and leads by personal example; (b) making the company a great place to work; (c) negotiations with external stakeholders; and (d) creating a culture of integrity, trustworthiness, fairness, creativity, accepting responsibility and exercising initiative.

Institutionalized organizational excellence: Sustainable high achievement over a period of time on important performance indicators even when there is no threat or competition for excellence is the main feature of this type of excellence. This sort of excellence requires institutionalization of management practices and a high order of professional management. Top management continuity and orderly succession through carefully selected successor who are well versed with organization's traditions and norms are needed for this form of excellence. Commitment of employees towards long-term vision of excellence also plays a major role in such organizations.

Creative organizational excellence: Organizations that are committed to change, innovation, enhance creativity and are dedicated to experimentation show the traits of creative organizational excellence. Creativity, dropping and modifying current norms and practices, innovative products and services are the key features of such organizations. Recruiting, developing and retaining creative talents, conducive leadership styles, freedom to experiment, open flow of communication and risk taking are likely to be significant in such organizations.

Missionary organizational excellence: The main feature of this form of excellence is dedication to developing societies centering on poverty alleviation, literacy, improvement of health and greater social and economic equality. Goals of such organizations are altruistic.

Versatile organizational excellence: Desire and ability to meet expectations of both external and internal stakeholders of the organization, who often have widely differing interests, is the main characteristics of this form of excellence. The management of such organization works as a trustee for the benefit of its stakeholders. The main objective is woven around the welfare of human resource associated with the organization. High quality product with superior customer service, excellent work environment and growth opportunities for employees, fulfilling corporate social responsibility to please the government and cordial relationship with unions are the main goals of such organizations.

Factors affecting Organizational Excellence

As excellence is powered by strong commitments, differences in organizational excellence spring from differences in organizational commitments. Research indicates that there are some basic factors common to all types of organizational excellence. Each factor is not equally important for every form of organizational excellence. The core factors of organizational excellence are:

Policy and Strategy: An organization's strategy is its action plan for achieving its goals. Strategy consists of actions and moves that managers take to grow the business, strengthen its long-term competitive position, attract and retain customers, and achieve targeted levels of organizational performance. Developing vision, mission, core values, guiding principles form the basis of strategic planning of an organization. To achieve desired organizational excellence, competent execution of an excellent strategy is indispensable.

Mission and Vision drives an organization. Clear documented mission and vision are the essence of organizational life as they define what the company and organization is all about. They provide a long-term direction towards building the competencies and bind together disparate commitments of employees together to remain competitive in the business. To achieve organizational excellence mission and vision statements must incorporate not only financial and commercial objectives but also needs and all organization's stakeholders. Organizational mission can be few or many, global or local, specific and concrete or abstract and general. Similarly organizational vision of excellence can be: the vision of performance excellence, vision of innovation and experimentation, entrepreneurial vision and vision of organizational quality. Mission and Vision may vary with the type of excellence organizations visualize to achieve.

Values are the foundations on which mission and vision of excellence are built. Compatibility of core values of an organization with its purpose of existence is essential for achieving excellence. Organizations can find values based on product quality, customer orientation, focus on creativity and innovation, efficiency, quality of products and services appropriate.

Style of Management and Leadership: Organizational effectiveness is not only about achieving outstanding results but also meeting the expectations of various groups of stakeholders involved. For an employee, good working conditions and a competitive salary may be the relevant criteria for describing an organization as effective. Profitability and growth may be relevant for a shareholder and quality, reliability, post purchase service, value for money relevant for customers. An organization cannot meet one stakeholder expectations ignoring expectations of another. A motivated employee will result in manufacturing a better product and satisfied customers will help increase profit. Organizational effectiveness is therefore multi-faceted.

While a change in mindset is required to achieve organizational excellence by breaking down existing barriers, it must start at the top where serious commitment and leadership must be demonstrated. The top management must commit to organizational excellence that focuses on the customer needs. Middle management's role is to communicate the changes required.

Effectiveness of the organization depends greatly on its management style i.e. how top management performs different management functions like setting organizational goals, administering the organization, controlling and coordinating activities, monitoring performance,

managing internal and external stakeholders etc. Excellent managers and leaders make significant contributions to organizational excellence. They have the competence and commitment to create a vision of excellence and articulate that vision to the entire organization. Leaders are agents of change and accept managed risks. Leaders motivate innovations, continuous learning and support transformations leading to long term success. Leaders at all levels should set goals for their teams or groups aligned with company's mission and vision. Effective leadership is often the key to organizational excellence, and this may be demonstrated through:

- Commitment to constant improvements
- High focus on right-first-time
- Improving employees' understanding of customer-supplier relationship.
- Not buying on price alone.
- System improvements.
- Modern supervision and training.
- Improving processes through better teamwork and communications.
- Elimination of barriers and fears.
- Constant individual development

Structure and systems: Management structures and systems play a useful secondary and supportive role in organizational excellence. Defective or faulty management structure can impede excellence and make it difficult to attain whereas good management structure and systems can pave a smooth way towards achieving organizational excellence. Structure and systems depend upon the size and type of the organization, domain in which it works, products and services it offers etc. More professionalized management systems and complex forms of differentiation and integration are required for large organizations compared to small organizations.

Structures and systems must be as per the operating context of the organization to achieve excellence. Functional structure for organizations employing mass production technologies and matrix structure for those employing custom technology is more appropriate. Flat structure with powerful formal and informal environmental scanning system is needed in a turbulent operating environment and high structuring of activities is appropriate in a stable one.

Organizational Processes: Companies reluctant to tread the path of excellence may have to exit the business one day. Organizations that do not change, learn, improve and innovate fall prey to flux and strife and become extinct. Organizations cannot stand still in today's highly competitive market. Innovation and continuous change has become crucial for success of organizations.

Organizational learning, creativity and innovation are some of the processes and mechanisms by which organizations can undergo renewal. To achieve excellence, processes should be simplified and unnecessary complexity should be avoided. All organizational processes and systems must be aligned and function cohesively to achieve organizational excellence.

Human Resource/People Development: People with their knowledge, skills, capabilities and competencies form the intellectual asset of an organization. Motivated and dedicated people, who feel a sense of responsibility and ownership, can become a competitive weapon for an organization when other resources like technology, product design, and cost could be duplicated. The effectiveness of an organization depends on the extent to which people perform their roles and move towards common goals and objectives.

Excellence as an objective can be achieved when employees attain personal and organizational goals within a setting of mutual trust and alignment. Every employee of the organization should shoulder the responsibility of organization's vision/mission/values. There must be a close collaboration between managers and employees. Organizations can achieve sustainable excellence if they use Human Resources as a strategic tool. Top management must engage, develop and manage their most important resources. Employees should be partners in defining organizational architecture of excellence.

To achieve excellence through HR, an organization should:

- Design jobs and create a culture that promotes ownership, responsibility and sharing of information.
- Provide a work culture where employees feel empowered to take decisions and have ownership of their jobs.
- Educate, train, develop and re-skill employees to empower them.
- Involve employees in understanding and meeting customer's needs of quality, variety and innovation.
- Build committed cross-functional teams which drive innovations forward.
- Recruit workforce from diverse backgrounds and provide an inclusive work environment.

Customers: Organizations need to create a loyal customer base that encompasses both external as well as internal customers. External customers define and use quality while internal customers make it. Acquiring new customers is costlier than maintaining existing customers. A loyal customer base plays the central role in achieving organizational excellence. If an enterprise wants to grow and improve its market share then it must not only measure customer satisfaction but also customer retention. Continual improvement of products and services is important to retain customers. Aggressively enhancing and innovating product and services will often assist in building loyal customer relationships.

In today's competitive world, organizations must be customer-driven to achieve excellence. Customers remain loyal to such organizations which

- Delight their customers by understanding and addressing their expectations
- Anticipate future needs of their customers
- Have good information systems to deal with customers
- Have effective communications with their customers
- Use customer feedback to improve their products/services.

Overview of Organizational Excellence Models

As significance of quality and excellence gained importance globally, many countries established award programmes to encourage such efforts and recognize outstanding performers. These frameworks were seen as benchmarking and measuring models for implementing excellence strategies. Today these frameworks are not just recognition for quality and excellence but are seen as best-practice models for implementing excellence strategies. Some of the frameworks have been briefly described below.

The Deming Prize (http://www.juse.or.jp/deming_en/):

In 1951, The Union of Japanese Scientists and Engineers (JUSE) established the Deming Prize in honor of W. Edwards Deming. This was intended to recognize excellence in the implementation of company-wide quality control (CWQC). Categories in which the Deming Prize is awarded are:

- The Deming Prize for Individuals (restricted to Japanese applicants only)
- The Quality Control Award for Factories (restricted to Japanese applicants only)
- The Deming application Prize (open to non-Japanese since 1984)

The Malcolm Baldrige National Quality Award (<http://www.baldrigepe.org/>):

This was launched by United States Government in 1987 to encourage companies to adopt Total Quality Management (TQM) to gain competitive advantage. This award is administered by the National Institute of Standards Technology (NIST) and is assisted in the assessment process by the American Society for Quality (ASQ). Three awards may be given annually in each of six categories:

- Manufacturing
- Service company
- Small business
- Education
- Healthcare
- Nonprofit

Recipients are selected based on achievement and improvement in a set of core principles known as the Baldrige Criteria for Performance Excellence. These include leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, human resource focus, operations and results.

The EFQM Excellence Model (<http://www.efqm.org/the-efqm-excellence-model>):

European Foundation for Quality Management (EFQM) is a not-for-profit membership foundation established in 1988 by fourteen leading European businesses. The EFQM Excellence Model was introduced in 1991 as a self-assessment framework for measuring the strengths and areas for improvement of an organization across all of its activities. The model is based on nine model criteria that underpin this premise and attempt to cover all activities of an organization.

These nine ideas are separated into "Enablers" and "Results". Leadership, People, Policy and Strategy, Partnerships and Resources, and Processes are categorized as Enablers and People

Results, Customer Results, Society Results and Key Performance Results come under the Results category.

Enablers are concerned with how the organization conducts itself, how it manages its staff and resources, how it plans its strategy and how it reviews and monitors key processes. Results encompass the level of satisfaction among the organization's employees and customers, its impact on the wider community and key performance indicators.

Australian Business Excellence Framework

(<http://www.saiglobal.com/improve/excellencemodels/businessexcellenceframework/>):

The Australian Business Excellence Framework is a framework used extensively for excellence in business, local government and other areas in Australia and is administered by SAI Global. The framework uses the criteria given below for Australian Business Excellence Awards.

- Leadership and Innovation
- Customer and Market Focus
- Strategy and Planning Process
- People
- Data Information and Knowledge
- Process Management and Improvement
- Success and Sustainability

The framework is built around eight business excellence principles.

- Lead by example, provide clear direction, build organizational alignment and focus on achievement of sustainable goals.
- Build organizational design, strategy, products and services based on the information gathered from what market and customer value now and in the future
- Build a culture of continual improvement and innovation to develop overall agility, adaptability and responsiveness of the organization.
- Identify, develop and value people's capability and provide necessary support and motivation to release their skills, potential and creativity to change and improve the organization.
- Use of data, information and knowledge to understand variability and to improve strategic and operational decision-making.
- Ethically, socially and environmentally responsible behavior.
- Focus on sustainability of results.

Capability Maturity Model (<http://cmmiinstitute.com/>):

The Capability Maturity Model (CMM) is a tool used by organizations to develop and refine their processes. Initially CMM was used for developing and refining software development processes. CMM was developed and promoted by the Software Engineering Institute (SEI), founded in 1984, at Carnegie Mellon University.

A maturity model is a structured collection of elements that is taken as one significant characteristic of an effective process. It can be used as a benchmark for comparison of different

organizations. It also measures the maturity of the organization based on the project and client the company is dealing with. A maturity model basically reflects:

- How company's past experience is beneficial for the growth
- Importance of a common language and shared mission and vision
- Regular improvisation of processes is a part of organization culture

There are five levels of CMM which define different levels of organizational maturity.

Level 1 – Initial

The basic characteristic of processes at this level is that they are mainly un-documented and are unstable and in a state of dynamic change. Due to chaotic and unstable environment it becomes very difficult to control, document and replicate the process. Success of the organization mainly depends on the competence and contribution of quality people.

Level 2 – Repeatable

At maturity level2 some processes are established and success is repeatable mostly with consistent results. Process discipline helps to ensure that existing processes are maintained during times of stress. At level2 basic project management processes are established, defined and documented. This may not be possible for all the projects.

Level 3 – Defined

At Level3 Company develop its own standard processes which are documented, standardized, integrated and improved over time. These standard processes bring consistency across the organization. Defined processes for a project are established and pruned on the basis of organization's set of standard processes.

Level 4 – Managed

Management can effectively monitor and control the software development effort by using process metrics at this level. Without compromising on quality and deviating from established specifications management can adjust and adapt the process to particular projects. Predictability of process performance is established from this level. At maturity level 4, statistical and other quantitative techniques are used to control the performance of processes.

Level 5 – Optimizing

The main focus of this level is on continually improving process performance through both incremental and innovative technological improvements. Quantitative process-improvement objectives for the company are established, continually updated to reflect changing business objectives, and used as criteria in managing process improvement.

Rajiv Gandhi National Quality Award (RGNQA)

(http://www.bis.org.in/rgnqa/rgnqa_main12.asp):

RGNQA was instituted by the Bureau of Indian Standards in 1991, to encourage Indian manufacturing and service organizations to strive for excellence and to recognize those who have done well. There are five awards consisting of one each for large scale and micro, small & medium scale manufacturing organizations, one each for large scale and micro, small & medium scale service sector organizations, and one award the overall best organization. The framework for the award helps organizations by:

- Enabling the organization to assess its own level of commitment to quality.
- Allow the organization to analyze its strengths and weaknesses.

- Bringing recognition to the organization and increasing the confidence of stakeholders in products/ services provided by the organization.

Assessment is made on the basis of nine parameters for large organizations, viz. Leadership; Policies, Objectives and strategies; Human resource management; Resources; Processes; Customer focused results; Employees' satisfaction; Impact on environment and society; and Business results. For small organizations only six parameters are used; Resources, Employee Satisfaction, and Policies, Objectives and strategies are excluded.

References

1. Carlucci, D., & Lerro, A. (2010). Measuring business excellence. [electronic resource]. [Bingley, UK] : Emerald, 2010.
2. Katzenbach, J. R., & Smith, D. K. (1993). The wisdom of teams: creating the high-performance organization. Boston Harvard Business School Press 1993 106074.
3. Khandwalla, P. N. (1992). Organizational designs for excellence. New Delhi Tata McGraw-Hill Publishing Limited.
4. Muna, K., & Mahima Prakashan, S. (2011). Human Resource Strategy: A Tool of Managing Change for Organizational Excellence. International Journal Of Business And Management, (8).
5. Porter, L. J., Tanner, S. J., & European Centre for Business, E. (2004). Assessing Business Excellence : A Guide to Business Excellence and Self-assessment. Amsterdam: Routledge.
6. Oakland, J. S. (2001). Total Organizational Excellence : Achieving World-class Performance. Oxford: Routledge.
7. van Marrewijk, M., Wuisman, I., de Cleyn, W., Timmers, J., Panapanaan, V., & Linnanen, L. (2004). A Phase-wise Development Approach to Business Excellence: Towards an Innovative, Stakeholder-oriented Assessment Tool for Organizational Excellence and CSR. Journal Of Business Ethics, 55(2), 83-98.
