

Geert de Raad

WAY TO EXCELLENCE A ROAD TO HEAVEN ON EARTH?

Introduction

17 years after the EFQM Model for Business Excellence was conceptualized, the inherent basic issues for excellent management are still very much alive. The 14 presidents of large European organisations that developed the basis for the EFQM thinking were all operating in industrial markets with global competition. This competition was their reason to discuss with each other successful entrepreneurship in the European context.

“Integral quality”, meaning quality of the total organisation and the output quality was recognized as the key to success. The EFQM Model was constructed to support this all encompassing quality thinking.

In recent years new insights and new notions in all the Model-elements have emerged. We now realize much better than in the past that by far the most important issue is Leadership. The willingness and ability-to-change in organisations depends for more than 90% on the commitment and examples shown by the leaders at all levels in organisations.

At the same time, however, the environment for Leadership has changed because of evolutions in our society: democratisation, emancipation, corporate responsibilities and ideology about running organisations.

In my speech I will emphasize the changing demands on the role of these top-leaders and consequences for the developments of the Model.

THE BEGINNING

The 14 Presidents of European multinational companies that decided to found the EFQM in 1989 had a vision.

They agreed that something had to be done to improve the organisational structure of their companies: to become more focused on employees and more involved in society and environmental issues. And they emphasized the concepts of *'Added-Value'* and *'Value-Creation'*, implying focusing on partnerships and on much more transparency in the way organisations were run. And above all, they felt that leadership with guts, focus on results and developing the learning-capacity of people and of organisations were important elements of good management.

They understood that a strategic development directed towards future successes was more important than relying on the results of the past and that excellence today is no guarantee for excellence tomorrow. Many of them were in the midst of a competitive crisis and their companies were undergoing intensive worldwide redistribution (automotive, chemicals, electronics, airlines and machine-builders). And they realised that they did not know exactly why and how their companies had become successful in the past. They felt a little bit like captains of ships that appeared to be on the right course by luck and admitted that they did not have the necessary strategies to maintain their successes.

From this understanding they developed the EFQM Business Excellence Model. It was their conceptual imagination of an integral and rational vision of modern management.

THE BUSINESS EXCELLENCE MODEL

In the last 50 years we have seen many management concepts and Guru-theories being brought to the market and disappear again. They all had their truth at a specific moment for specific problems. But, regrettably, we have to admit that on the notion of *'management'* more nonsense has been written than about any other business process. The biggest problem is that most guru's present their methods as „the ultimate solution“ for every organi-

sational problem.

At a certain moment we have even introduced the phrase: 'another fad-of-the-month' when again another guru came up with another new idea. Many of these theories, all promoted to solve all management problems, were however only related to specific periods or specific issues. But all these concepts can have a meaning and a use for many organisations. We only have to understand how to apply them.

When the expectations that managers have who started applying these concepts were hardly met - and certainly not on short term - it resulted in disappointment and disbelief. As competitiveness and continuity are elements of a long term strategy, short term quick solutions are simply not possible. TQM and Short Term do not belong in the same league.

There are very few concepts and theories that offer the possibility to apply them open and without limitations to analyse organisational problems to help improve performance. One concept, however, has been alive for over 30 years and is still being further improved: TQM!

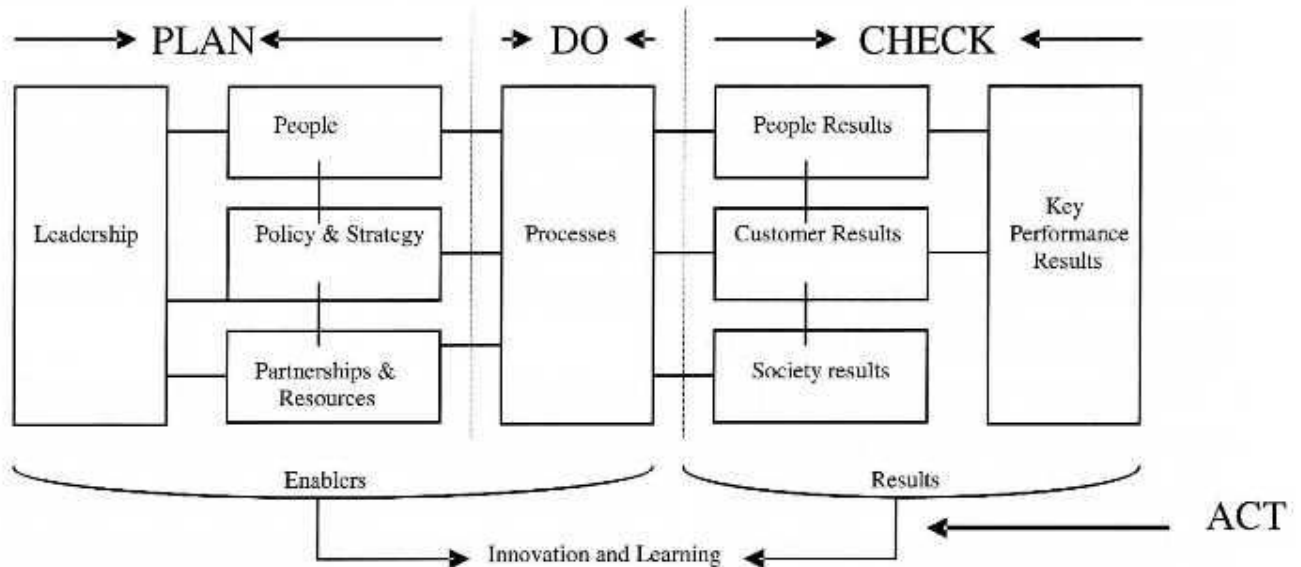
It would be much better to say that all these concepts are building blocks of our "Quality House". Some are more important than others like carrying walls in a building are more important than just dividing walls, but they all have their place.

What every building needs, however, is a good foundation, a solid base in order to survive in the rough times of our social and economic life. And that is added by e.g. the ISO 9001 certification process or by a regular self assessment according to the EFQM Model principles. It is not the certificate itself or the result of the self-assessment - those are just pieces of paper - diploma's on the wall - but the intrinsic process involved, defining who does what and how in our organisations and how processes are handled.

An all this is TQM!

Present day TQM as presented by e.g. the EFQM Model is still based on the concept that Deming introduced early 1950 in Japan to help that country build up its economy after WW-II. The feedback notion is very important for every planned change - and improve-

ment means change! Also in the EFQM Model this feedback element is a very important part to make sure that actions result in proper execution of planned activities and that deviations are analyzed and acted upon. The famous Deming circle PDCA - “ Plan, Do, Check, Act” - is part of every improvement process - and also of the EFQM Model.



The essence of the EFQM-Excellence Model is the notion, that a proper control and direction of the enabler criteria, the organisation, the left side of the Model, will cause improved results: the criteria of the right side of the Model.

The Model offers organisations a vocabulary to communicate clearly to everybody in the organisation and to take the best business decisions.

DEVELOPMENTS

In our 21st century the possibilities for entrepreneurs appear to be unlimited. Advanced technologies and new ways to control and improve quality of products enable organisations to produce faster and faster and nearly without failures. But how about the organisational climate: has that also improved. Managing and internal control in all organisations have become much more complex. Let's look at a few developments and see which consequences

these have on organisations and on their leadership. Does the 21st century offer companies a heaven on earth or will it become more and more a hell?

I see four major developments that influence organisations and the way they have to be managed: Democratisation, emancipation, corporate responsibilities and ideology about how to run organisations.

Democratisation has led to more power and participation of employees and consumers. Unions, consumer-movements and employee-representation are now a normal part of the total organisational area in our societies. This political concept of democratisation poses much higher demands on the leadership and the decision capabilities of organisations.

Emancipation has brought much more 'mouth' to customers and employees. Customer demands are higher and they don't accept mistakes anymore. Employees are better educated and demand respectful and human treatment and possibilities for individual development.

Responsibility for risks and risk-management as a result of government deregulation and privatisation now lies much more with companies.

Ideology around enterprising has changed. There is now a much more balanced view on what is good management. It is not only about making profits; organisations have to be more aware of responsibilities towards society and environment, to treat employees properly, to weigh the interests of all customers and other stakeholders and to create value. This changed ideology has two effects: business oriented organisations become more 'social' and social and governmental organisations become more "business-like".

FUTURE

These developments and the increasing demand on organisations to prove their added value, make the 'old' organisation theories on which our understanding of organisations was based, less valid. We may need, as Prof. Chandler from Harvard said: "a new theory of the firm".

Integrated management to avoid sub-optimisation requires a different structure than a pure functional organisation. It needs a well developed potential to learn and to undergo change, putting other demands on the leaders; performance and output have to increase and at the same time they have to work to change the organisation itself. One cannot rest on what has been done. Change and continuous improvement do not allow time off. Everything has to be done better and faster in all organisations, in the for-profit and in the not-for-profit sectors.

Are we really on the way to a heaven on earth?

EXCELLENCE

Excellence is the challenge posed on everyone in an organisation, but especially on those in a leading position, to focus constantly on the reason of existence of an organisation; defining the structure, providing tools and resources and removing complexities and obstacles.

From leaders we expect excellence in a number of areas: they should have a clear vision, offer direction, be self-critical and properly plan the organisation's structure. In short: they have to motivate and inspire.

Cool efficiency has to be turned around into interest for the potential of the employees, in support, listening, passion and the ability to transfer energy to others. The leaders of an organisation have to create a synthesis between the internal and the external orientation of the company in order to get added value and thus be successful.

GLASS HOUSE

The automatic authority of managers belongs definitely to the past. In the 21st century the game is played with the cards open on the table; there is no time anymore for poker-games. Leaders cannot over and over come up with new ideas. We need consistency, vision and willingness to take decisions, also when things become difficult.

As the total organisation becomes more transparent, so will the quality of leadership. Leaders are positioned in a house of glass, making it less secure on the top; also leaders will have to prove their added value, as everyone in an organisation has to do.

COMPLEXITY

Because of the fast changes in society and technologies, good leadership becomes a hardship: the stress on leading roles increases. We need and want fast results and there is very little patience for those leaders who cannot meet these demands. As leadership becomes more complex, the leaders become more dependent on their own network of key-persons. When the boss leaves, he often takes one or more of his people with him, and vice-versa: a newcomer-boss often brings his own people in. We create something like a new guild-structure around masters and pupils.

TEAMWORK

The nature of leadership changes. It is no longer the soloist director who takes decisions in his ivory tower. Teamwork is required at all levels, resulting in more equality of the people in the top of an organisation. This collective responsibility of management does not mean, however, that people do not have their own specific responsibilities: if a person makes mistakes, he will have to accept the consequences. We will see more Shell examples than GE models. In Royal Dutch Shell all managing directors in the top-team have their specific area of responsibility and the chairman has more or less a process-facilitating role. Within GE for instance, this was different; the chairman (Jack Welch), was halfway God: ***“He, who is not for me, is against me and has to move”***.

Good leadership requires a somewhat highhanded personality, but at the same time teamwork is demanded. That creates a dilemma. Conflicts of interests in leading teams become more explicit and more visible. The time that a director or president was able to work as a soloist and take his decisions without consulting others, has passed. In the 21st century the feedback in teams about each

others' added value, will become a normal thing to do. That will create a feeling of joint responsibility.

SOCIAL INTELLIGENCE

Leaders are not social workers, but there will be much more demand for their social intelligence.

Clarity, proper and consequent behaviour and giving the right examples will become important landmarks of good leadership. It is not only about good results; also being good for the organisation, for the employees and for the environment will become a standard requirement. The automatism of leadership based on hierarchy will be reduced. If issues have to be forced, than that has to be done sensibly. You could compare power to a credit card: one needs one, but it should be used with lots of common sense.

Leaders will have to find the proper balance between the „hard“ sides of management, with clear, unbiased and consequent decisions and the „soft“ sides of management, with understanding, empathy and respect for employees. Jack Welch, the previous president of GE said:

„You've got to be hard to be soft“.

DECISION MAKING

Finding the right balance between the different needs and interests of the organisation and its people is one of the major tasks of leaders. But because of the democratisation and emancipation processes in organisations, management often has turned into a very political issue. The forced participation of all kinds of „control“ groups and customers can be a bottleneck in the timeliness of the decision making of management.

In Holland we have the well-known Dutch 'polder model', based on consensus and conformism.

That fits well in public decision making, where the decision making process has to be very careful and clear. Companies, however, are goal-organisations directed to profit; therefore they have to anticipate and react to fast changing environments in order to survive.

Then willingness to take decisions is required in order to take the right decisions in time.

Yet, the polder model can often help a manager: in a responsible and modern way it can hide a lack of vision and willingness to take decisions.

ADAPTING DNA

Organisations are seen more and more as self-transforming systems. That is a clear difference from all other organic systems - like humans - that have only one specific set of DNA during their total life. Organisations are different because of the processes they have developed in the course of years, determined on one hand by the tasks and roles of the organisation and on the other hand by the technologies involved. Organisational transformation is further driven by the successes and failures resulting from the strategic decisions the organisation took; results that have stored themselves in the collective memory. Successful ways are continued and bad experiences are muffled.

This collective memory and experience determines whether an organisation can handle a dynamic transformation and development process well, as it forms the basis for decisions about the structure, the place in the value chain, the employees, the processes, all the other factors that determine the leadership manners.

One could say that these factors also are the basis for the inherent difference between identities of organisations. One mail-company is different from another; Volkswagen is not Daimler-Benz. Background and "roots" are important determining elements for the identity and the change-acceptance and -possibilities of organisations. Culture, standards and values of an organisation in Europe are different from those in the US or India or Japan.

I think that organisations have to prepare themselves better to understand their identity (expressed in "Vision" and "Mission") because of this changing DNA. Only when an organisation understands its identity, it can use its collective DNA-memory in the evolution-process we call 'competitive markets' and be able to develop the

excellence necessary to survive in the competitive environments.

FROM FUNCTION TO PROCESS

Present-day organisations normally can handle functional problems reasonably well, but too often this is not done in an integral way. Solving problems in a structured, systematic and above all integrated manner will become a necessity for any organisation. The tone will not be set anymore by staff-departments; the responsibility for the operational running of the organisation will be returned to the real experts: the people in the line, the people on the floor that have daily contact with all the processes! And the customer will be the final judge of the organisation's performance.

In other words: the hierarchy will have to serve and support the primary process.

HIGHER CRITICAL AWARENESS

In future, Corporate Governance and the external (societal) responsibility of organisations will play a much more important role. We already notice today the much harder and more critical treatment by the press, for instance. Do something wrong and the press will elaborate on it and exaggerate it. Transparency and responsibility increases and the ethical standards become more important. Malversations in organisations become public news, resulting in increased pressure not to play funny tricks in business. This transparency leads to a higher critical awareness, internally and externally.

SELF-CLEANING POWER

With the democratization process, the emancipation and the higher levels of education, self-control and self-cleaning power of organisations will increase. Mechanisms such as control on control on control, or checks on checks on checks are very expensive and give no guarantees that things will be done better; therefore their

importance will decrease. Control systems will be such that people can 'control' themselves. Let's realize: We only get one chance to do things right the first time!

And lucky enough: that is also the cheapest way!

Condition for all this of course, is that values of professionalism (openness and learning) are leading and that trust between colleagues and employees exists in all levels in organisations and that these values determine the internal behavioural rules.

VISION AND „STAYING POWER“

Is it realistic that we expect that future organisations can meet all these requirements that based on normal human standards hardly can be met? We wish ourselves a heaven on earth.

If the leaders of organisations want to attain something, then they must conceptualize and grasp new ideas, stick to them and push to get them accepted, showing conviction and creating security. That means that they have to understand which changes are necessary; plan the time required, realizing that a certain feed-back period is unavoidable. And one can only hope that the top gets enough breathing time to allow a good harvest of all the seeds being planted.

Management in future can become a little bit heaven on earth, but not for everybody.

All we know today is that it will become more complex, more difficult and more uncertain, but we will have to live with it. Excellence has many faces and it is the task of top-managers to give over-and-over again their own, personal touch to excellence.

WORKING ON THE ORGANISATION

In the past managers have spent much energy in working with organisations, while relatively little time and attention was given towards working on organisations to give it a better structure to do things better and more uniquely than other companies. Founders of large companies like Philips or Ford have in their times done some thinking about it, but most of the structures have grown organically, without thinking it through in the intensity required today. In the

nineties concepts like core-competences, financial management, product-choices, market-share and market-segmentation became important. These subjects relate to working with the organisations. What we need today is a further expansion of our vocabulary to express the growing importance of working on the organisation. This means working more with the people in the organisation and giving less emphasis on working with things. One could say that this is the core-competence, the essence, of what our thinking about excellence has to be: combining the goals of the people with the goals of the organisation in a chain of dependent activities.

In the years to come, we have to find the right balance between these two legs: working with and working in the organisation. That is necessary in order to get into the organisational heaven on earth. If managers disregard one of these two, and if they not continually adjust the direction, they will lose sight of the future. They need a clear view of the goals and they have to be determined to realize those.

In short: there is a road to heaven, but it is a very narrow path. Learning to excel can be learned, but it is not always the easiest solution!