In Search Of Excellence Essay, Research Paper

In Search of Excellence was the 1982 best-selling look at excellent companies and an attempt to identify the attributes they had in common that helped to make them successful. Thomas Peters and Robert Waterman studied dozens of American companies and deemed these companies to be excellent: Bechtel, Boeing, Caterpillar, Dana, Johnson & Johnson, Hewlett-Packard, Delta, Fluor, IBM, Procter and Gamble, McDonalds, 3M, Digital Equipment and Emerson Electric.

The book gives many anecdotes describing incidents of unusual efforts by employees, contributing to long-term financial performance and growth.

For example, IBM products were described to have higher cost than their competitors, and were harder to use. But customers felt that IBM went to unusual lengths to get to know their needs. They offered unequaled guarantees of reliability and service, which spoke of assurance and success. Procter and Gamble is regarded more for extreme commitment to product quality than for their legendary marketing. Frito’s potato chip salesmen strive to achieve a 99.5% service level. This is the foundation of its extraordinary success. Analysts showed how much could be saved if Frito would reduce its commitment to service The analysts are right, Frito would save money. However, analysts can not begin to predict the impact of service unreliability on the sales force, retailers, and eventually on the market share loss.

The successful companies limited themselves to a handful of themes that were intense and repetitive, and highly successful in helping employees buy into themes.

Quality and service were the hallmarks of these companies. In addition, everyone’s cooperation was required; they demanded extraordinary performance from average employees. Productivity through people was a common theme.

Excellent companies were ingenious on the basics. Companies worked hard to make things simple. They insisted on quality and made each customer feel vital. They listened to employees and treated them like adults. The excellent companies allowed for some chaos in return for quick action and regular experimentation. They simply persisted.

Over-commitment on reliability by Caterpillar (forty-eight hour parts service anywhere in the world or Cat pays) or Maytag (ten years trouble-free operation) makes no sense. Who in his right mind would establish MBWA (management by walking around), as HP does? Those excellent companies would have a hard time convincing skeptics that they had solid management practices.

The authors finally realized that they did not have to look at Japan to find the answer to corporate problems. Excellent companies here at home have been doing it right for years, with little fanfare.

The psychologist Ernest Becker explains that man needs at the same time to be a member of a winning team and a star in his own right. The excellent companies have found ways to meet both needs.

Excellent companies are learning organizations, and they create their own internal marketplace. When IBM had a 90% market share, they did it by creating the specter of competitors. A number of the companies in the book would ensure that departments would compete against each other on products.

Mavericks in a company usually make the big leaps. Studies have demonstrated that the industry leader never does.

Excellent companies get results because their organizations are fluid. These companies often insist on informality, and keeping in constant informal contact, such as MBWA (management by walking around).

Superb companies reinforced degrees of winning rather than degrees of losing. For example, IBM sets goals so that 70-80% of its salespeople meets quotas. A competitor works so that only 40% of the sales force can meet its quota. Thus, about 60% of the salesmen feel like losers. Rate someone a loser and they’ll think and act like one. The excellent companies’ strategies are not only designed to produce winners, but to celebrate the winning. People tune out if they fail, because they blame the system. If they win, they feel they are responsible.

Too much information can overload people. Excellent companies keep corporate staff small. There isn’t enough corporate staff around to generate as much confusion down the road. Dana has fewer than 100 people in its headquarters. Ford, on the other hand, has 17 layers of management, while Toyota has five.

A key is that excellent companies focus on only a few key business values and objectives. This lets everyone know what’s important. When Dana got a new CEO, he threw out over 22″ of policy manuals and replaced them with a one-page statement focusing on the “productive people”.

In these companies were eight traits the authors felt significantly contributed to their success. Kimsey Mann, CEO of the world’s second largest apparel manufacturer, believes that every one of the eight is about people. Each one may seem trite, but the intensity of the implementation of these traits, especially when compared to their competitors, is remarkable. The eight practices work because they make great sense. These basics are not new or untested, but managers have merely ignored the following practices.

A Bias For Action

The authors describe American companies as limited by structures which hinder action. Extraordinary effort was seen when a worker was given even a small measure of control over his destiny. He then has a bias for getting things done.

Drastic simplification has been a key. Instead of a long-term task team that generates only reports, a task team may last only a week, generating results. This inhibits paralysis by analysis; when action stops while planning takes over. Chunking is a term for focusing on a problem and getting it resolved immediately.

People with ideas are deflated by those who want to prove something won’t work, killing initiative. Most companies take pride in setting very high goals for people, which is often self-defeating.

Close To The Customer

The excellent companies listened regularly and intently to customers, instead of treating them like they were a nuisance. Other companies talk about it but these companies do it. IBM hasn’t been a technology leader for decades. It’s dominance was because of service. The head of IBM World-Trade said that IBM acted as though it was on the verge of losing every customer. A significant part of the excellent companies’ mission statements spoke of service. They tended to be more driven by a focus on the customers than technology or cost.

Autonomy and Entrepreneurship

The excellent companies strive for leadership and innovation. They seem like a network of people who are encouraged to let their imagination go in all directions, rather than a large corporation. They are big and yet act small.

Product champions are innovators who believe so strongly in their product they take on the challenge of manuevering a product through the system. The companies indulge them because a volunteer champion was key to success. When someone had to be talked into a task the chances of success dropped dramatically. New ideas often show little promise early on. The champion succeeds because he is a driving force behind innovations, and he believes in the product.

Productivity Through People

These companies treat the rank and file as the source of quality and productivity improvements. Respect for the individual means that every worker is a source of ideas, not just a pair of hands. They have shown that if you treat people as adults, as partners, they really do view themselves as an extended family. There is an apparent absence of a rigidly followed chain of command in these companies. Informality seems to spark a free-flowing exchange of ideas.

Bringing financial information to the blue-collar workers makes the goals clear and the job seem more of a partnership. Very few layers are truly needed to make the companies work.

Hands-on, Value Driven

Leaders are legendary for walking plant floors (MBWA), visiting stores to assess them, and being highly visible. Employees know what their company stands for, and what they can view with pride years down the road. The excellent companies had a well-defined set of guiding beliefs, and stayed close to those beliefs. The annual reports of these companies make clear what their values are.

Dominant beliefs include importance of people as individuals, belief in superior quality and service, innovation, and informality.

Stick to the Knitting

The companies studied in the book believe that you should never acquire a business you don’t know how to run, but stay close to the business you know. Related diversification pays off best, as unrelated diversification is frequently not profitable. Virtually all growth has been internally generated for these companies. They do acquire, but only in small increments, and are willing to get out if it doesn’t work.

Simple Form, Lean Staff

Lean top-level staffs are the norm for these performers. It was not unusual to run a huge enterprise with a staff of fewer than 100 people. Product divisions are treated as separate companies.

They have shown that hands-on management works better with less middle management. A difference in philosophy between Japan and US is shown by the fact that US management tends to believe that no one can control more than 5-7 people. One bank in Japan has several hundred managers reporting to one person. When the form is simple, a company can survive with a smaller staff.

Simultaneous Loose-Tight Properties

Excellent companies are simultaneously centralized and decentralized; a firm central direction and individual autonomy. Excellent companies are devoted core values, and within those values, they allow much experimenting. They are at once rigidly controlled and yet encourage innovation. Attention to the customer is the most strictly adhered to property.

The companies may seem simplistic. Yet, astonishing results have come from simply believing that every product can be of the highest quality, that every customer can get exceptional service, or that a worker can contribute a new idea regularly.

This book is meticulously researched on the subjects of what motivates people and what makes organizations work. I agree that our work is more fulfilling if we are excited and committed to what we are doing.

Hindsight tells us the eight attributes were simply things those companies did well at the time, but were they the answer to longevity? Apparently not, as a number of the excellent companies have not maintained their level of success. It would be interesting to research why some of these formerly successful companies are not still as successful. I believe that a lot would have to do with the ability of companies to adapt to a more rapidly changing world.

Past insights are a necessity because they teach us something about how to create a more successful future. However, hindsight also shows us that the information technology revolution was dramatically underestimated at the time this book was written. In addition, the Internet likely had a significant impact on the potential of a global market for companies.

It would be quite interesting to read a sequel to this book. What happened to impact the fortunes and futures of the companies discussed? Did the philosophies that made them successful change with new management? Were any companies successful in implementing the practices described? This book discusses many valid points, and a follow-up book would also be exceptionally interesting.

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