Excellence

Some Lessons from America's Best Run Companies

In business, and in education, what's good for the individual is good for the organization.

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Most American educators see the world of business as tough, hard-headed, disciplined, tightly organized, effective and, above all, efficient. In fact, a significant cluster of education professionals would gladly model American education on their perceptions of the corporate world.

"To be effective and efficient," they reason, "we need rigorously enforced standards, quality control, discipline and order." We need "no-nonsense" schools, where objectives are clearly stated, curriculum is prescribed, goals are "prioritized," production "targets" are met, "inputs and outputs" are carefully monitored, and children are "impacted."

I must admit that until recently I shared this view of the *nature* of the corporate world, although I did not share some of my colleagues' enthusiasm for adapting these ideas to education.

All of this changed, however, when I read Thomas Peters and Robert Waterman's fascinating new book, *In Search of Excellence*.[1] Subtitled "Lessons from America's Best Run Companies," it was on the *New York Times* bestseller list for weeks.

Peters and Waterman were curious about the ways outstanding American companies functioned on the inside. They wanted to know what went on day-to-day: how people communicated, how new ideas were generated, what kind of working atmosphere prevailed, what relationships were like among people.

In order to do this, they asked a group of experts—businessmen, consultants, members of the business press and business academics—to identify companies they considered innovative and "excellent."

This group identified 62 companies, which Peters and Waterman grouped into various categories (high-technology, consumer goods, general industrial, service companies, and so on). Then, as part of the selection process, they applied their own measures of long-term financial performance: measures of growth and long-term wealth creation over a 20-year period.

Finally, they asked a selected group of industry experts to rate the companies' 20-year record of innovation, which they defined as a "continuous flow of industry Bellweather Products and Services and general rapidness of response to changing markets."[2]

Thus, 19 companies were dropped from the original list. The remaining 43[3] became the subjects for the study.

What did Peters and Waterman discover? What "lessons can educators

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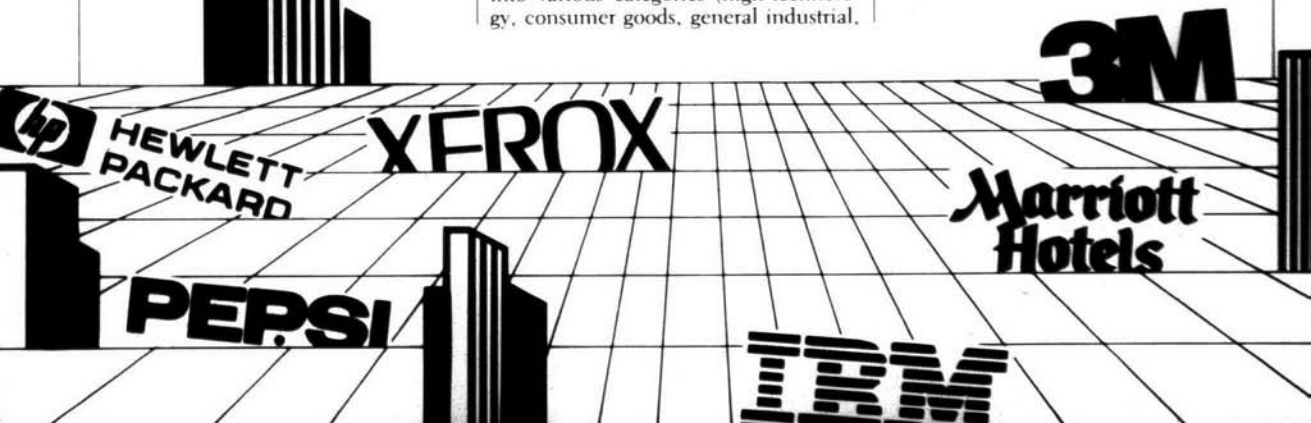

learn from the study of 43 of America's best run companies? How do their insights compare with the perceptions most educators hold of the ways in which the business world works?

Rather than summarize these ideas in my words, I decided to let American business speak for itself. What follows is a "sampler" of quotations grouped into seven categories which, I think, reveals the essence of Peters and Waterman's work.*

The implications for education are enormously significant, given the sort of pressures and movements that exist in education today, and the faith so many parents and education professionals have in business as a model for American education.

On Respect and Meaning in the Lives of People

The dignity and worth of the individual is a very important part of the Hewlett-Packard Way. . . . many years ago we did away with time clocks, and more recently we introduced the flexible work hours program. . . . this is meant to be an expression of trust and confidence in people as well as providing them with an opportunity to adjust their work schedules to their personal lives. . . . Many new HP people as well as visitors often note and comment to us about another HP Way—that is, our informality, and our being on a first name basis. I could cite other examples, but the problem is that none by themselves really catches the essence of what the HP Way is all about. You can't describe it in numbers and statistics. In the last analysis it is a spirit, a point of view. There is a feeling that everyone is part of a team, and that team is HP. . . . it is an idea that is based on the individual. It exists because people have seen that it works, and they believe that this feeling makes HP what it is (p. 244).

IBM, McDonald's and Marriott have been pathbreakers in treating people as adults, in inducing practical innovation and contributions from tens of thousands, in providing training and development opportunities for all, in treating all as members of the family. . . . Like good parents, they cared a lot—and expected a lot (p. 96).

The orientation toward people in these companies often started decades ago—full employment policies in times of recession, extraordinary amounts of training when no training was the norm, everybody on a first-name basis in times much more formal than ours, and so on. Caring runs in the veins of the managers of these institutions. People are why those managers are there, and they know it and live it (p. 239).

. . . .Our emphasis on human relations was not motivated by altruism but by the simple belief that if we respected our people and helped them to respect themselves, the company would make the most profit (p. 259).

Treat people as adults. Treat them as partners; treat them with dignity; treat them with respect. Treat them—not capital spending and automation—as the primary source of productivity gains. These are fundamental lessons from the excellent companies' research. In other words, if you want productivity and the financial reward that goes with it, you must treat your workers as your most important asset. . . . There was hardly a more pervasive theme in the excellent companies than respect for the individual (p. 238).

On Innovation, Experimentation, Success, and Failure

If you want to understand the culture that encourages entrepreneurial activities at 3M, as good a starting point as any is. . . . it's "eleventh commandment." It is: "Thou shalt not kill a new product idea." If you want to stop a project aimed at developing a new product, the burden of proof is on the one who wants to stop the project, not the one who proposes the project. When you switch the burden from proving that the idea is good to the burden of proving that the idea is not good, you do an awful lot for changing the environment within the company with respect to the sponsorship of entrepreneurial people (p. 227).

A corollary to treating everyone as innovator is explicit support for failure. Emerson's Charles Knight, J&J's James Burke, and 3M's Lewis Lehr explicitly talk about the need to make mistakes. Steven Jobs, originator of the hugely successful Apple computer, says: "People were asking me "How does Apple do it?" I said, "Well, we hire really great people and we create an enviornment where people can make mistakes and grow" (p. 286).

. . . People must ask different kinds of questions . . . Not, "What is standing in the way?" but rather, "What are some things we can accomplish in the next little while?" . . . Instead of trying to overcome resistance to what people are not *ready to do, find out what they* are *ready to do* (p. 149).

It eventually became clear that all of these companies were making a purposeful trade-off. They were creating almost radical decentralization and autonomy, with its attendant overlap, messiness around the edges, lack of coordination, internal competition, and somewhat chaotic conditions, in order to breed the entrepreneurial spirit. They had forsworn a measure of tidiness in order to achieve regular innovation (p. 201).

On Fun and Excitement

A final correlation among the excellent companies is the extent to which their leaders unleash excitement. Remember that HP managers are evaluated in terms of their ability to create enthusiasm. At PepsiCo., president Andy Pearson says: "Perhaps the most subtle challenge facing us in the decade of the eighties is to ensure that PepsiCo. remains an exciting place to work." In the same vein, Chuck Knight of Emerson says: "You can't accomplish anything unless you have some fun." And David Ogilvy urged his organization: "Try to make working at Ogilvy and Mather fun. *When people aren't having fun, they seldom produce good advertising. Kill grimness with laughter. Maintain an atmosphere of informality. Encourage exuberance. Get rid of sad dogs that spread gloom* (p. 291).

The theme of fun in business runs through a great deal of the excellent companies' research. The leaders and managers like what they do and they get enthusiastic about it. Or, as Howard Head said in a recent speech, "It seems to me you have to be personally associated with what you do. I just love design. If it weren't fun, I wouldn't do it (p. 247).

On Bigness vs. Smallness

In the excellent companies, small in almost every case is beautiful. The small facility turns out to be the most efficient; its turned-on, motivated, highly productive worker, in communication (and competition) with his peers, outproduces the worker in the big facilities time and again. It holds for plants, for project teams, for divisions—for the entire company. Small, quality, excitement, autonomy—and efficiency—are all words that belong on the same side of the coin (p. 321).

Repeatedly, we found that the better performers had determined that their small plants, not their big ones, were

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most efficient. Emerson is the best example. When named as one of the Dun's Review *"best managed companies," a simple success ingredient was highlighted: "Emerson eschews giant factories favored by such competitors as General Electric. Few Emerson plants employ more than 600 workers, a size at which [Chairman Charles] Knight feels that management can maintain personal contact with individual employees. 'We don't need a 5,000 person plant to get our cost down,' he says, "and this gives us great flexibility.' Emerson puts heavy stress on those personal contacts with employees"* (p. 273).

On Communication

When we tried to summarize what seemed most important (and different) to us, we unanimously agreed that it was the marvelously informal environments of the excellent companies. The name of the successful game is rich, informal communication. The astonishing by-product is the ability to have your cake and eat it, too; that is, rich informal communication leads to more action, more experiments, more learning, and simultaneously to the ability to stay better in touch and on top of things (p. 124).

The nature and uses of communication in the excellent companies are remarkably different from those of their nonexcellent peers. The excellent companies are a vast network of informal, open communications. The patterns and intensity cultivate the right people's getting into contact with each other, regularly. . . . (p. 121).

At P&G the language of action—the language of the systems—is the fabled one-page memorandum. We recently had breakfast with a P&G brand manager and asked if the one-page memorandum legend was really true. "It waxes and wanes," he said, "but I just submitted a set of recommendations to make a few changes to my brand's strategy. It ran a page and a quarter and got kicked back. It was too long." The tradition goes back to Richard Deupree, past president: . . . Deupree strongly disliked any memorandum more than one typewritten page in length. He often would return a long memo with an injunction: "Boil it down to something I can grasp." If the memo involved a complex situation, he sometimes would add, "I don't understand complicated problems. I only understand simple ones." When an interviewer once queried him about this, he explained, "Part of my job is to train people to break down an involved question into a series of simple matters. Then we can all act intelligently" (p. 150).

> "Instead of trying to overcome resistance to what people are *not* ready to do, find out what they *are* ready to do."

Documentation is informal at most, and often scant. As one executive told us, "Task forces around here are not in the business of producing paper. They are in the business of producing solutions (p. 130).

On The Role of Management

Like Dana, Delta management spends an extraordinary amount of time just plain talking to its people. Senior management meets with all employees at least once a year in "open forum," where direct communications take place between the highest and lowest levels of organization. The amount of management time required for all these communications is staggering and, again, difficult to imagine for those who don't work in this kind of environment. For example, senior management holds four full days of meetings a year just to talk to flight attendants based in Atlanta (p. 254).

Getting management out of the office is another contributor to informal exchanges. At United Airlines, Ed Carlson labeled it "Visible Management" and "MBWA—Management By Walking About" (p. 122).

On Listening to the Consumer

. . . . the excellent companies are . . . better listeners. That is the other half of the close to the customer equation. The fact that these companies are so strong on quality, service, and the rest comes in large measure from paying attention to what customers want. From listening. From inviting the customer into the company. The customer is truly in a partnership with the effective companies, and vice versa (p. 196).

On The Importance of Values

Let us suppose that we were asked for one all-purpose bit of advice for management, one truth that we were able to distill from the excellent companies research. We might be tempted to reply, "Figure out your value system. Decide what your company stands for. What does your enterprise do that gives everyone the most pride? Put yourself out ten or twenty years in the future: what would you look back on with greatest satisfaction (p. 279).

The less well performing institutions, on the other hand, were marked by one of two characteristics. Many had no set of coherent beliefs. The others had distinctive and widely discussed objectives, but the only ones that they got animated about were the ones that could be quantified—the financial objectives, such as earnings per share and growth measures. Ironically, the companies that seemed the most focused—those with the most quanitified statements of mission, with the most precise financial targets—had done less well financially than those with broader, less precise, more qualitative statements of corporate purpose (p. 281).

. . . I firmly believe that any organization, in order to survive and achieve success, must have a sound set of beliefs on which it premises all its policies and actions. Next, I believe that the most important single factor in corporate success is faithful adherence to those beliefs. And, finally, I believe if an organization is to meet the challenge of a changing world, it must be prepared to change everything about itself except those beliefs as it moves through corporate life. In other words, the basic philosophy, spirit, and drive of an organization have far more to do with its relative achievements than do technological or economic resources, organizational structure, innovation, and timing. All these things weigh heavily in success. But they are, I think, transcended by how strongly the people in the organization believe in its basic precepts and how faithfully they carry them out (p. 280).□

[1]Thomas J. Peters and Robert H. Waterman, *In Search of Excellence* (New York: Harper and Row, 1982).

[2]Ibid., p. 23.

[3]Allen-Bradley, Amdahl, Digital Equipment, Emerson Electric, Hewlett-Packard, International Business Machines, Schlumberger, Texas Instruments, Data General, Hughes Aircraft, Intel, National Semiconductor, Raychem, Wang Labs, Eastman Kodak, Frito-Lay (PepsiCo), Johnson & Johnson, Proctor & Gamble, Atari (Warner Commmunications), Avon, Bristol-Myers, Chesebrough-Pond's, Levi Strauss, Mars, Maytag, Merck, Revlon, Tupperware (Dart & Kraft), Caterpillar Tractor, Dana Corporation, Minnesota Mining & Manufacturing, Delta Airlines, Marriott, McDonald's, Disney Productions, K Mart, Wal-Mart, Bechtel, Boeing, Fluor, Dow Chemical, DuPont, and Amoco.