



“In Search of Excellence”

Review by: Kumar Amit



Executive Summary

As Tom Peter and Robert Waterman explored the area of business, they found that the strategies rarely seem to dictate unique structural solutions. Moreover, the crucial problems in strategy were, most often those of execution and continuous adopting: getting it done staying flexible. It was never so clear as in 1980, when US managers beset by obvious problems of stagnation, leaped to adopt Japanese management practices, ignoring the cultural differences, so much wider that even the vast expanse of the Pacific would suggest.

So to find out the ways by which other companies can adopt the strategy and become successful authors studied the working, their culture, their way of tackling work force or to say in their language their assets. For this purpose they visited several organizations, mostly big some small they met lots of employees working over their and interviewed several businessmen and executives. The eight attributes that emerged to characterize most nearly the distinction of the excellent, innovative companies go as follows:

1. **A bias for action:** for getting on with it. Even though these companies may be analytical in their approach to decision making, they are not paralyzed by that fact (as so many others seem to be). In many of these companies the standard operating procedure is "Do it, fix it, try it."
2. **Close to the customer:** These companies learn from the people they serve. They provide unparalleled quality, service, and reliability—things that work and last. They succeed in differentiating—'a la Frito-Lay (potato chips), Maytag (washers), or Tupperware—the most commodity-like products.
3. **Autonomy and entrepreneurship:** The innovative companies foster many leaders and many innovators throughout the organization. They are a hive of what we've come to call champions; 3M has been described as "so intent on innovation that its essential atmosphere seems not like that of a large corporation but rather a loose network of laboratories and cubbyholes populated by feverish inventors and dauntless entrepreneurs who let their imaginations fly in all directions."
4. **Productivity through people:** The excellent companies treat the rank and file as the root source of quality and productivity gain. They do not foster we/they labor attitudes or regard capital investment as the fundamental source of efficiency improvement.
5. **Hands-on, value driven:** Thomas Watson, Jr., said, "the basic philosophy of an organization has far more to do with its achievements than do technological or economic resources, organizational structure, innovation and timing." Watson and HP's William Hewlett are legendary for walking the plant floors. McDonald's Ray Kroc regularly visits stores and assesses them on the factors the company holds dear, Q.S.C. & V. (Quality, Service, Cleanliness, and Value).
6. **Stick to the knitting:** Robert W. Johnson, former Johnson & Johnson chairman, put it this way: "Never acquire a business you don't know how to run." Or as Edward G. Harness, past chief executive at Proctor & Gamble, said, "This company has never left its base. We seek to be anything but a conglomerate." While there were a few exceptions, the odds for excellent performance seem strongly to favor those companies that stay reasonably close to businesses they know.
7. **Simple form, lean staff:** As big as most of the companies we have looked at are, none when we looked at it was formally run with a matrix organization structure, and some which had tried that form abandoned it. The underlying structural forms and systems in the excellent companies are elegantly simple. Top-level staffs are lean; it is not uncommon to find a corporate staff of fewer than 100 people running multi-billion-dollar enterprises.
8. **Simultaneous loose-tight propertie:** The excellent companies are both centralized and decentralized. For the most part, as we have said, they have pushed autonomy down to the shop floor or product development team. On the other hand, they are fanatic centralists around the few core values they hold dear. 3M is marked by barely organized chaos surrounding its product champions.



INTRODUCTION

The very word 'organizing,' begs the question, "Organize for what?" In the large corporations the answer remains very clear that to build some sort of major new corporate capability-that is to become more innovative, to be better marketers, to permanently improve labour relations, or to build some other skills which that corporation did not then possess. In case of McDonald's it meant, among other things, teaching the German public what a hamburger is. Such skill building, adding new muscle, shucking old habits,

Getting really good at something new to the culture, is difficult. That sort of thing clearly goes beyond structure. To assume that anyone in a given position will perform exactly the same way his predecessor did is ridiculous. He won't. Therefore the organization ought to shift and adjust and adapt to the fact that there's new position in the spot. There is no such thing as good structural answer apart from people consideration and, vice versa.

Tom and Robert defined this idea more precisely and elaborated what came to be known as the McKinsey 7-S Framework.

McKINSEY 7-S FRAMEWORK

- The McKinsey 7-S Model is a widely discussed framework for viewing the interrelationship of strategy formulation and implementation.
- it helps to focus managers' attention on the importance of linking the chosen strategy to a variety of activities that can affect the implementation of that strategy.
- originally developed as a way of thinking more broadly about the problems of organizing effectively, the 7-S framework provides a tool for judging the "doability" of strategies.
- According to one of its developers, Robert H. Waterman Jr., the framework suggests that it is not enough to think about strategy implementation as a matter only of strategy and structure, as has been the traditional view:
- The conventional wisdom used to be that if you first get the strategy right, the right organization follows. And when most people in Western cultures think about organization, they think structure. We find in practice, however, that these notions are too limiting.
- To think comprehensively about a new strategy and the problems with carrying it out, a manager must think of his company as a unique culture and must think about the ability of the company to get anything really fundamental (i.e., not tactical) accomplished as a matter of moving the whole culture

The 7-S framework views culture as a function of at least seven variables:

- ✚ Strategy
- ✚ Structure
- ✚ Systems
- ✚ Style
- ✚ Staff
- ✚ Skills
- ✚ Shared values

- The McKinsey 7-S Framework should be thought of as a set of seven compasses. When the needles are aligned, the company is "organized". When they are not, the company is not really organized even if its structure looks right.
- If a 7-S analysis suggests that strategy implementation will be difficult, managers either can search for other strategic options, or go ahead but concentrate special attention on the problems of execution suggested by the framework.



MANAGING AMBIGUITY AND PARADOX

The four distinct eras emerged between 1900 and 1970 onwards. As it is very clear from the following figure.

	Closed system	Open system
Rational actors	1930 Taylor	1970 Herzberg
Social actors	1960 Lippitt et al. Schlegel Gordon Ford Clark	?

Mayo and his followers established the field of industrial social psychology. After the world war II a major contribution was made by McGregor by his theory of X and Y, these are the opposing views that workers are lazy and need to be driven by and alternatively, they are creative and should be given responsibility.

McGregor termed **Theory X**

“The assumption of the mediocrity of the masses.” Its premises are

- That an average human has an inherent dislike of work and will avoid it if he can
- that, the people, therefore, need to be coerced, controlled, directed, and threatened with punishment to get them to put forward effort towards the organization’s ends and
- That the typical human prefers to be directed, wants to avoid responsibility, has relatively little ambition, and wants security above all.

The **Theory Y**, by contrast, assumes,

- That the expenditure of physical and mental effort in work is as natural as in play or rest--the typical human behavior likes work.
- External control and threat of punishment are not the only means for bringing about efforts towards companies end.
- The average human being learns, under the right condition, not only to accept but also but to seeks responsibility; and
- *The capacity to exercise high degree of imagination, ingenuity, and creativity in the solution to an organizational problem is widely, not narrowly, distributed in the population.*

Barnard was first to talk about the primary role of chief executive as a shaper and manager of shared values in an organization: “the essential function of the executive are

1. To provide the system of communication
2. To promote the securing of essential efforts



3. To formulate and define purpose.”

Selznick unveiled a similar theory in which he invented certain terms as “distinctive competence”(i.e. what a particular company is good at and most others are not). He further says the terms Institution, Organizational character and distinctive competence all refer to the same basic process---- the transformation of an engineered, technical arrangement of building blocks into a social organisms...Organizations become institutions as they are infused with values..... the infusion produces a distinctive quality and identity. The Mayo-McGregor –Barnard-Selznick legacy, the legacy of man as a social actor is immense.

Chandler Paul and Jay found that the stars in a business characterized by stability maintained a simple functional organization from the simple control system. By contrast, the stars in a fast moving specialty plastic businesses has had a more decentralized form and richer system than their competitors who were not doing so well.

The leaders of the present era i.e. 1970 onward are Weick and March. They emphasized informality, individual entrepreneurship and evolution. They are totally against the military metaphors as it forces people to entertain a very limited set of ways to organize themselves.

Thus on the basis of these theories and their experience of excellent companies the authors include the following elements of basic human needs in organizations in the modern theory

1. **People’s need for meaning;**
2. **People’s need for a modicum of control;**
3. **People’s need for a positive reinforcement;**
4. **The degree to which actions and behaviors shapes attitude and beliefs rather than vice versa.**

These are the some very important ides from past and current management theories that need to be woven into the fabric of new theory.

[A BIAS FOR ACTION](#)

The excellent companies have some attributes that underpin the rest: action orientation, a bias for getting things done. For them the life does not have to be that way. They seem to be abound in distinctly individual techniques that counter the normal; tendency towards conformity and inertia. Their mechanism comprises of a wide range of action devices, especially in the area of management systems, organizational fluidity, and experiments---devices that simplify their system and foster a restless organizational stance by clarifying which number really count or arbitrarily limiting the length of the goal list.

Organizational Fluidity (MBWA)

The concept of organizational fluidity has been used in the excellent companies from a very early period. The nature and the uses of the communication in excellent companies is remarkably different from those of their non excellent partners. The excellent companies are a vast network of informal, open communication. It has an emphasis on informality. At Walt Disney, for instance, everyone from the president to the down wears a name tag only his or her first name on it. At United Airlines, Ed Carlson labeled it “Visible Management” and “MBWA—Management by Wandering About” as a major tenet of the all –important.

There are scores of variations on this theme in the excellent companies, but they all come down to a refreshing willingness readily to shift resources: chunk of engineers, chunk of marketers, products among divisions, and the like.

Chunking

There is an principle which authors gave the name of chunking, which simply means breaking things up to facilitate organizational fluidity and to encourage action. The action oriented bits and pieces come under many labels ----- champions, teams, task forces, czars, project centers ---- but they have one thing in common. They never show up the basic organizational chart and seldom in the corporate phone directory. They are nevertheless the most visible part of



the adhocroay that keeps the company fluid. The true power of small group lies in its flexibility. In excellent companies the Task Forces as it has become a buzzword in today's world work the way they are supposed to work.

1. *There aren't many members in these task forces, usually ten or less.*
2. *The task for reporting level, and the seniority of its members, are proportional to the importance of the problem.*
3. *The duration of a typical task force is very limited.*
4. *Membership is usually voluntary.*
5. *The task force is pulled together rapidly, when needed and usually not accompanied by a formal chartering process.*
6. *Follow up is swift.*
7. *No staffers assigned.*
8. *Documentation is informal and at most and often scant.*

Experimenting Organizations

“Do it, fix it, try it” is the favorite axiom of excellent companies. The most important and visible outcropping of the action bias in the excellent companies is their willingness to try things out, to experiment. There is absolutely no magic in experiments. It is simply a tiny completed action, a manageable test that helps you learn something. As for example *P&G tests and tests and tests*. It is not afraid of testing and therefore telegraphing its moves. Because the value added from learning before the nation wide launch exceeds the costs of lost surprise. As the most important word in advertisement is TEST. If you pretest you product with your customers, and pretest your advertising, you will do well in the market. It itself proves the importance of experiments.

Another important property of the experiment is its relative invisibility. At GE one term for experimenting is “bootlegging”(The parallel term at 3M is “scrounging”). There the traditions of squirreling away a little bit of money, a little bit of manpower, and working outside the mainstream of the organization is time honored. Finally and most important, is the user connection. The customer especially the sophisticated one is a key participant in most successful experimenting process.

Speed

Speed means quick in also quick out. As the Storage Technology's president Jesse Aweida says “ I often believe that making a decision, even a bad decision is better than making no decision at all.” His ability to change courses rescued the company from some of its bad decisions. So, according the authors the best project management and experimenting management system they had seen treat these management activities like poker. They break them up into manageable chunks; review quickly; and overcame in the interim. Making it work simply means treating major projects as nothing more than experiments, which is indeed what all of them are, and having the poker player's mental toughness to fold one hand and immediately start another whenever the current hand stops looking promising.

Simplifying Systems

In excellent companies the bottom line is, virtually any system can be cleaned up and made simple. Some watchwords at TI are “More than two objectives is no objective” A one page memo is better than a 50 page report it helps a lot. In the first place, there are simply fewer numbers to debate, and the ability to cross-check and validate twenty on one page ,say, is easier than twenty times a hundred. It focuses the mind.



CLOSE TO CUSTOMER

A simple manage permeates the atmosphere. The good news from excellent companies is the extent to which they focus on their customers. All business success rest on something cabled as sale, which at least momentarily weds company and customers. The excellent companies really are close to their customers. That's it, other companies talk about it; the excellent companies do it. The most striking thing with these companies is consistent presence of obsession in them. This characteristically occurred as a seemingly unjustifiable over commitment to some form of quality, reliability, or service. Being customer oriented doesn't mean they slouch on then fronts such a technology etc. In this focus winner seems to focus on the long-term revenue generation side.

Service Obsession

Accordingly to Joe Girard a car salesman who sends over thirteen thousand cars every year, "The sale really begins *after* the sale---- *not before*----, the customers are not out the door, my son has made up a *thank- you note* ". Out of context, Joe's 13000 cars so like just another sales gimmick. But like the top companies, Joe seems genuinely to care.

Like Joe Girard, IBM is fanatic about its service beliefs. IBM always out as if it new on the verge of losing every customer. It starts, as at IBM, with role model. Wesley Cantrell, the president of Limier, exudes customer orientation. The top Limier executives all make sales calls once a month. It also stress on product simplicity and "friendliness". In nutshell, Nemenoff finds three principal themes in an effective service orientation.

- Intensive, active involvement on the part of senior management;
- A removable people orientation; and
- A high Intensity of measurement & feedback.

Nemenoff makes the important connection that "Customer relation simply mirror employees relations". Men most significant finding in this regard was that new rewards & incentive programme are in continuum preparation in all excellent companies, programme for people- incentive programs, training programs, or simple hoopla - undergo continuous returning, much as product development does.

The service - through - people theme at Disney stints, as it does in money of the excellent companies, with a special language. There is no such thing as a worker at Disney. The employees out front are "Cast Members" as the personnel department is "Casting" whenever you are working with the public, you are working on the stage". The cast members get training to learn about Guest - not lower - care "C" - customer, but upper - care "G" guests. In fact, one of authors most significant conclusions about the excellent companies is that, whether their basic business is metal binding, high technology, or hamburgers, they have all defined them themselves as service business.



Quality Obsession

A company that overkill the quality dimension id McDonald's for years it theme has been "Quality, Service, Cleanliness and value". Q.S.C. & V. In all the excellent companies the obsession is on quality and service not on the numeral growth, which is more visible. Quality & the Reliability are not synonymous with exotic technology. It was especially in testing, and surprising, to authors to find that even in higher technology business, reliability was always preferred over sheer technical wizardry. Many excellent companies such as HP, IBM P&G are among industry leader in basic R & D expenditures. What distinguish them is that their bias is towards making technology were for the consuming public. New products make it through their screen are above all, aimed at consumer needs. Authors give me example for the question that how much service is enough or what kind of quality is right lie in the market place. The answer is," The customer who is looking for a seventy-five pre cent salad doesn't expect avocados, but the does expect the lettuce to be crisp. The produce showed concentrate on lettuce and forget about finding cheap avocados".

Nichemanship

The customer orientation is by definition a way of "tailoring" – ways of finding a particular niche where you are better at something then anybody else. Very large shares of excellent companies are superb at dividing their customer base into numerous & segments so they can provide tailored products and services. These are five fundamental attributes to this companies-

- *Astute technology manipulation,*
- *Pricing skill,*
- *Better segmenting,*
- *As problem solving orientation and*
- *A willingness to spread in order to discriminate.*

Johnson & Johnson, in the minds of authors is uniquely a niche company. The firm consists of about 150 nearly independent companies, each of which has a primary responsibility to get new products out the door. J & J livers by a credo in which customers come first, employees seemed the community third, the shareholders fourth and last.

Listening To The Users

The excellent companies are better listeners. They get a benefit from market closeness; most of their real innovation comes from the market. P & G was the first commerce goods company to put the toll free 800 phone numbers on all its packaging. P & S responds to every one of those calls and the calls were summarized monthly for board meetings. Their customers push around the best companies, and they love it. Who is Levi Stracess invented the original Levi's Jean? Nobody. IN 1873, for \$ 68, which was the price for filling the patent application, Levi's obtained the right to market steel - riveted jeans from one of its users, Jacob Youphes. Almost all-early IBM innovation, including the companies first computer, were developed, were developed in collaboration with the lead customers - the census Bureau.



AUTONOMY AND ENTREPRENEURSHIP

The most discouraging fact of big companies is the loss of what got them big in the first place; innovation. It big companies don't stop innovating entirely, the rate almost certainly goes way down. According to a study, "small firms produced about four times as many innovation per research and development dollar medium - sized firms and about twenty-four times as many as large-firms".

Most corporations fail to tolerate the creative fanatics i.e. champion of innovation. Innovations, being far removed from the mainstream of business, show little progress or promise in the early stage of development. Moreover, the champion is obnoxious, impatient, egotistic, and perhaps a bit irrational in organizational terms. As a consequence he is not hired, if hired, he is not promoted or rewarded. He is regarded as "not a serious person", "embarrassing" or "disruptive". These are a difference between creativity and innovation. Creativity is thinking up new things. Innovation is doing new things. A powerful idea can go around unused in a company for years, not because its merits are not recognized, but because nobody has assumed the responsibility for converting it from words into action. Ideas are useless unless used. The proof of their value is only in their implementation.

The champion is not a blue-sky dreamer, or an intellectual giant. The champion might even be an idea thief. But above all, he is the pragmatic one who grabs onto someone else's theoretical construct if necessary and bull headedly pushed it to fruition. So to championing the system, companies will have to do following things.

Playing the Numbers: - Not Surprisingly, most champions fail most of the time. Management must allow a sufficient number of projects with a long enough lead-time for the characteristic 1:20 success ratio to have effect.

Sub optimal Division :- Each division as at 3M, has its own product development group. The message from the excellent companies is "Small is beautiful".

Internal Competition: - There are two ways of sorting things out in an organization. First is driven by rules or bureaucracy and the second is driven by internal markets and internal competition. Internal competition entails the excellent companies high costs of duplication, cannibalization, overlapping products etc.

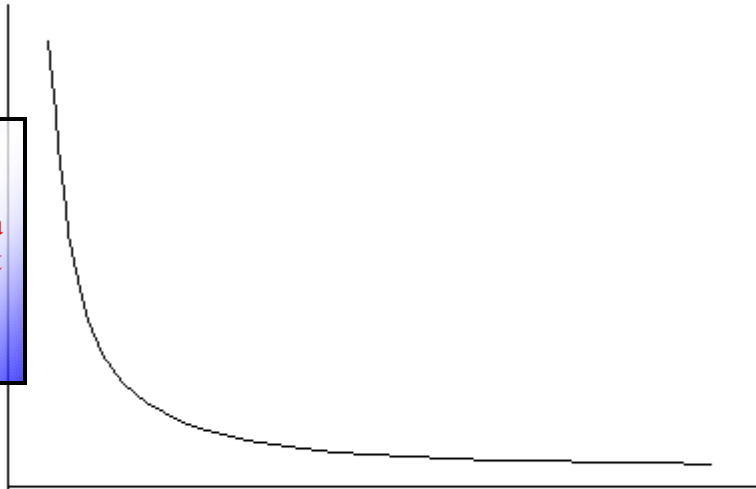
Intense Communication: - In excellent companies, these are five attributes of communication systems that seem to foster innovation.

- *Communication systems are informed*
- *Communication intensity is extraordinary*
- *Communication is given physical support*
- *Forcing device*
- *The intense, informal communication system acts as a remarkably tight control system.*

Last but not the least, factor is tolerating failures. A special attribute of the success - oriented, positive and innovating environment is a substantial tolerance for failure. General Johnson, J & J's founder says, "If I wasn't making mistakes, I wasn't making discussions". Tolerance of failure is a very specific part of the excellent company culture - and that lesson comes directly from the top.



Probability
Of
communica
ting at least
once a
week



Separation Distance in meters

PRODUCTIVITY THROUGH PEOPLE

Non-believers will give you, "an infinite numbers of reasons why workers can't be trusted. Most organizations are governed by rules that assure the average worker in an incompetent ne'er-do-well; just other way round. Treat people as adult. Treat them as partners; treat them with dignity & respect. Treat them-not capital spending and automation - as the primary source of productivity gains. These are the 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. These companies give control over their destinies; they make meaning for people. They turn the average Joe & Jane into winners. People flood your with ideas if you cut them.

Genuine people orientation is in moved contract to the two major attentive all too often seen in companies: the lip service disaster and the gimmicks disaster. To understand it better the word "manager" in lip service institutions often has come to mean not someone who rolls up his or her sleeves to get the job done right alongside the worker; but someone who hires assistants to do it.

For example Hewlett - Packed, this company people orientation stated early, in the 1940s, HP decided, not to be a hire and fire company. Later, HP's collective mettle was to be tested when business was severely down during the 1970 recession. Rather than lay people off, in HP everyone took 10% cut in pay. Everyone worked 10% fewer hour. HP successfully weathered the recession without having to sacrifice it work force.

After examining 7- 8 excellent companies on these grounds, authors find a number of strikingly similar themes running through the excellent companies data. First is language. The language in people oriented institutions has common flavors. Words and phrases like family feeling, open door, Rally, Jubilee, Management by wandering



around on stage etc all shows people in the institutions that the orientation is bone - deep. Many of the best companies really do view themselves as an extended family, for them family means more than collection of employees, it included employees entire families.

Another of the more striking feature of the excellent companies is the apparent absence of a rightly followed chain of command. Of course, the chain of command does exist for big decisions, but it is not used much for day - to day communication for information exchange, informality is the norm. Next feature is the way these companies socialize incoming managers. The first element of course is recruiting. The screening is intense. They want to be sure of the people they hire, and they are also saying to could - be recruits, "Get to know our company , Decide for yourself. Whether or not you can be a good fit to our culture." Most of these companies always start their potential managers near the bottom, usually right on the production line. There are no overnight stars in the organization.

Information Availability And Comparison

Some believe in business in the theory of sharing information. But in excellent companies, they struck by the importance of available information as the basis for peer comparisons; it is the basic control mechanism in these companies. General objectives and value are set forward and information whether or not the job is getting done and who is doing it well or poorly. Nothing is worse for morale than a lack of information down in the ranks or to call it *NETMA* – “*Nobody Ever Tells Me Anything*”.

Smallness

The point of smallness is that it induces manageability and, above all, commitment. A manager really can understand something that is small and in which are control disciplines prevails. No other way individual can stick out under the size of units - divisions, plant, and teams - is of human scale. Smallness works. Small is beautiful. J & J uses the same magic, even in consumer goods, where large scale is seen as essential by most with in total revenues has around 150 divisions - about \$ 30 to \$ 40 mn per division on average. The conclusion is that regardless of industry, it seems that more then 500 or so people under one-roof cause substantial and unanticipated problems.

Philosophy

The excellent companies have a deeply ingrained philosophy that says, in effect, "respect the individual", "make people winner", "let them stand out"" "treat people as adults".



HAND ON VALUE DRIVEN

One may speculate at length as to the cause of the decline and fall of a corporation. Technology, changing tastes, changing fashions, all play a part... No one can dispute his or her importance. But authors question whether they in themselves are decisive. They believe the real difference between the success and failure in a corporation can very often be traced to the question of how well the organisation brings out the greatest energies and talents of its people. Authors 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 decisions. And the most important factor in corporate success is adherence to those beliefs. If an organization is to meet the challenges of a changing world, it must be prepared to change everything except those beliefs as it moves through the corporate life. For example, back in 1890, Johnson and Johnson put together the original first aid kit in response to a plea from railroad workers who needed treatment on the spot as they toiled to lay tracks across America. Even after hundred year the name J&J is still synonymous with the home wound care.

Every excellent companies they studied it was very clear in them for what they stand for. In these companies as Selznick implies, values are not usually transmitted through formal written procedures. They are often more diffused by softer means: specifically the stories, myths, legends, and metaphors. The specific content of the dominantly beliefs of the excellent organizations is also narrow in scope including just a few basic values.

- 1. A belief in being the “best”.*
- 2. A belief in the importance of the details of execution, the nuts and bolts of doing the job well.*
- 3. A belief in the importance of people as individuals.*
- 4. A belief in superior quality and service.*
- 5. A belief that most members of the organization should be innovators and in corollary , the willingness to support failure*
- 6. A belief in the importance of informality to enhance communication.*
- 7. Explicit belief in and recognition of the importance of economic growth and profits.*

Clarifying the value system and breathing life into it are the greatest contribution a leader can make. Moreover, that's what the top people in the excellent organizations seem to worry about the most. Creating and installing a value system is not easy. For one thing, only a few of all possible value systems are really right for a given company. For another, installing a system is backbreaking work. It requires very much persistence and perseverance.

STICK TO THE KNITTING

Excellent companies have strategies of entering only those businesses that build on, draw strengths from, and enlarge some central strength or competence. While such firms frequently develop new products and enter new businesses, they are loath to invest in those areas that are unfamiliar to management. These better performing firms build their diversification strategies on some central skill or strength. These are the analysis of Richard Rumelt for his doctoral research. His findings are very clear, organizations that branch out somewhat, yet still stick very close to their central skill, and outperform all others. His analysis does not suggest that “simple is better”. An overly simple business--- one that depends on a single, vertically integrated combine--- is in fact, in variably a poor performer. We see that businesses that pursue some diversification --- a basis for stability through adaptation --- yet stick close to their knitting tend to be the superior performers.

The difference between the excellent companies and the non-performing one is that excellent companies don't taste the water with their both feet. Better yet when they stuck a toe in new waters and failed, they terminated the experiment quickly. As a general rule, the top performers moved out mainly through internally generated



diversification, one manageable step at a time. As Robert Wood Johnson, J&J founder says “ never acquire a business that you don’t know how to run.”

Thus, in brief, it is not that excellent companies don’t acquire but they acquire and diversify in an experimental fashion. They buy a small company or start a new business. They do it in manageable steps.... and clearly contain risks and are willing to get out if it does not work.

SIMPLE FORM, LEAN STAFF

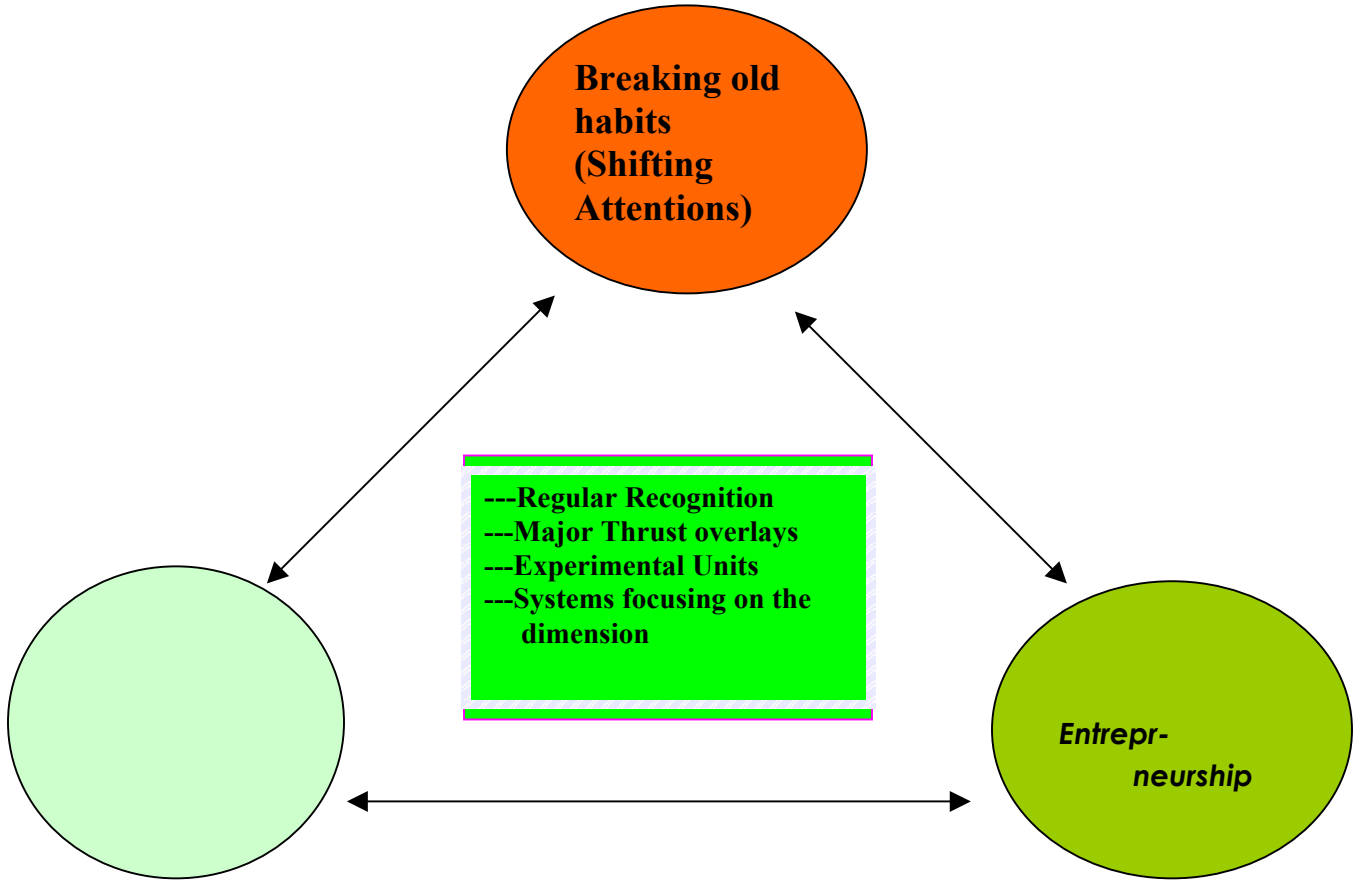
Along with bigness comes complexity, unfortunately. And most big companies respond to complexity in kind, by designing complex systems and structures. They then hire more staffs to keep track of all this complexities, and that’s where mistakes begin. The solution just does not go well with the nature of the people in an organization, in which things need to be kept reasonably simple if the unit is truly to pull together. This is the paradox.

The organization gets paralyzed because the structure not only does not make priorities clear it automatically dilutes the priorities. In effect it says, to people down the line: “ Everything is important; pay equal attention to everything”. The message is paralyzed. Virtually none of the excellent companies spoke of itself as having formal matrix structures, except for the project management companies like, Boeing. The simplicity of form in excellent companies comes from only one thing that is lean staff, especially at the corporate level. The bottom line is that fewer administrators and more operators. In almost all good companies this is very visible.



"FORM" FOR THE FUTURE

Based on their findings authors propose a hybrid alternative to all organizational forms, each having different strengths and weaknesses, to describe the properties of a potential "structure of the eighties," one that will respond to the three prime needs: a need for efficiency around the basics; a need for regular innovation; and a need to avoid calcification by ensuring at least modest responsiveness to major threats. In the following figure each of these pillars represent different needs. These three pillars represent a theoretical response to the issues that led to the matrix organizations in the first place and to the pathologies that emerged in the matrix structure as it responded to those conditions. Taken together they also correspond closely to the managing systems of the many of the excellent companies.



---Regular Recognition
 ---Major Thrust overlays
 ---Experimental Units
 ---Systems focusing on the dimension

---Simple, basic underlying form
 ---Dominating values
 (Super ordinate goals)
 ---Minimizing/Simplifying Interface

---Entrepreneurial, "small is Beautiful," units
 ---Cables, other problem solving Implementation groups
 ---Measurement system based on amount of entrepreneurship, implementation

THE THREE PILLERS OF THE "STRUCTURE OF THE EIGHTIES"



SIMULTANEOUS LOOSE—TIGHT PROPERTIES

Simultaneous loose tight properties, is the last of the eight properties of excellent organizations. It is in essence the coexistence of firm central direction and maximum individual autonomy. These organizations are rightly controlled; yet at the same time allow autonomy, entrepreneurship, and innovation from the rank and file. They do it through ‘faith’----through value systems. People have talked about lots of soft traits, lots of loose traits such as, campus like environments flexible organizational structures, volunteers, champions, maximized autonomy for the individuals’ teams and divisions etc. All of these traits focus on the positive, the excitement of trying things out in a loose fashion.

But at the same time, a remarkably tight--- culturally driven/controlled ---set of properties marks the excellent companies. Most have some rigidly shared values. The focus on the outside, the external perspective, the attention to the customers, is one of the tightest properties of all. It is one of the stringent means of self-discipline. Studies in the class room as suggest that effective classes are the one in which discipline is sure: students are expected to come to class on time; homework is regularly turned in and graded. On the other hand, those same classroom as a general rule emphasize positive feedback, posting good reports, praise and coaching by the teachers.

So, we find that *the autonomy is a product of discipline. The discipline (the few shared values) provides the framework. It gives people the confidence (to experiment, for instance) stemming from the stable expectations about what really counts.* The nature of the rules is crucial here. The “rules” in the excellent companies have a positive cast. They deal with quality, service, innovation and experimentation. Their focus is on building, expanding, and the opposite of restraining; whereas most companies concentrate on controlling, limiting, constraint.