



Striving for Business Excellence by Living It

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Abstract

Every successful organization strives to achieve Business Excellence and thereby improve organizational learning, employee satisfaction, customer experience and maximizes stakeholder value. There are several Business Excellence models serving as basis for organizational self-assessments providing important feedback to the organizations. Being non-prescriptive and adaptable these models supports systems view to maintain organization-wide goal alignment. Alignment requires one to ensure consistency of plans, processes, measures, and action across the organization. Two reference models are used for discussion in this paper.

Tata Business Excellence Model (TBEM) Criteria is designed to help organizations develop & use aligned approaches to organizational performance management. This results in value to customers, success in market place, improvement of overall organizational effectiveness, and capabilities, value to stakeholders, organizational and personal learning. The Balance Scorecard (BSC) is a framework for designing a set of measures for activities chosen as being the key drivers for business. BSC framework has been widely implemented by organizations around the world. The performance metrics in BSC are derived directly from the business strategy of an organization. There are four distinctive perspectives in BSC, promoting a holistic view of the business.

In all these models and frameworks, one thing that is paramount important is what gets measured. Organization is a very complex object to measure. Organizations are different when viewed from many dimensions, for example, size, domain, type of customers, skills of employees, etc.,. If the right things are not identified and measured, it does not matter even if things are done right. It is a matter of effectiveness and efficiency. It is pointless to have efficient mechanisms for accomplishing not so right things.

Different business units in an organization often report their achievements following a given reference structure. All these business performance metrics from different business units aggregate at organization level. So, if one studies organization as a system, one can come up with the trace of alignment between different reporting units and highlight gaps, if any.

Excellence is not about reaching a destination, but is about the journey the organization takes scaling one peak to the next higher one. Organization is a living organism in systems parlance. This paper highlights how the organization can live as it journeys towards achieving higher goals of business excellence. Living is not about merely reporting the results but is about planning and performing as per the design.

Keywords: Alignment, BSC, Business Excellence, Customer Satisfaction, TBEM, Performance Metrics, Employee Satisfaction, Shareholder Value

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Introduction

Leadership exerts a strong influence leading an organization by continually interacting with it. Leaders guide and shape the outcomes of the actions of an organization as in a concert. This way, leaders are planners, designers, architects and builders who influence functioning and culture of an organization. Leadership does not simply happen. It can be taught, learned, developed. It may not be class-room training, but every individual have a capability to transform. Change is natural. Leaders understand the change and appreciate and embrace it. Through this process, leaders not only manage change but choose it to lead. As they appreciate change, they plan and venture on it by not just being the courier in the change process but being master planners, designers and transformers. A manager may craft a strategy and create an organization through which strategy can be successfully implemented in the economic, political, legal, regulatory, social and technological environment in which organization performs. However, the problem of finding alignment among the environment in which the organization performs, its strategy, and its design is not one that can be solved once and for all. Rather it involves an ongoing process of adjustment as the environment changes, as the strategy develops, and as the organization evolves.

The modern times are challenged with fast technology change, information overload, new business dimension, globalization and high complexity environments. How a leader cope with this change is as that of surfing on the edge. Goal achievement is a critical aspect of the long term survival of all forms of organizational entities and it is a critical leadership issue.

It is the performance of the organization that judges a leader. They are effective as well as efficient. Successful leaders set clear direction, undertake effective execution and perform efficient operation. The leaders align the efforts of their teams by clearly setting the direction and thereby avoiding resulting in conflicting priorities, slow action, wasted resources and non value adding activities. *Alignment in an organization is a key business performance measure.*

Metrics are yardsticks measuring important characteristics of performance. For example, the metric of batting average tells us something about the skill of a cricket player. Company's market share tells us the level to which a company dominates its industry. The metrics are helpful in making informed decisions. Intuitions cannot help us figure out business projections as it is not based on hard numbers. On the contrary, metrics provide a firm documentation for our decisions. Metrics are relied for a number of reasons (Gary Klein):

- Setting Goals: Metrics are used to define goals.
- Setting Tripwires: We can use Metrics to set alarms for ourselves
- Spotting trends: Helps in monitoring changes over time.
- Sense making: Combine lots of data to give bottom-line picture.
- Regulating performance: Provide us the feedback to adjust us.
- Ensuring compliance
- Making comparisons
- Evaluating and rewarding performance
- Promoting fairness: Helps us to develop fair policies.
- Helps in building stories and mental models: Helps in understanding the issues that challenge us.

Oftentimes organizations report their performance in different measurement systems. When it

comes to driving new strategic initiatives, the strategic performance measures like Balanced Score Cards (BSCs) are used to create enterprise wide improvements. People focus on what is important as per their accountability. This approach saves money and time. People will understand what is expected of them by the way of measures set for them. One has to communicate the expectations, choose the right measures, and provide recognition and rewards. For measuring the performance one has to set objectives and sets targets of measurement.

It is important people identify the right things to do before they start doing things, right. Here the alignment helps groups of people to focus on right things like what accountability does at individual level. The goals of the department need to be derived from the goals of the larger organization. To avoid the wastes, duplication of efforts and to even to avoid working at cross purposes, actions need to be aligned and pointed in right direction. Alignment empowers the people and communicates the right direction without micro-managing. To achieve this level of communication, well developed performance measures need to be cascaded from enterprise to department function levels. This top down approach become guide for the low level measures to different levels down the enterprise structure. The well set goals provide the alignment leading to empowerment to perform in the ever challenging world.

This paper presents how the *alignment* can be done between responses to TBEM Criteria and BSC type of reporting among various business units in a given enterprise.

Tata Business Excellence Model (TBEM Reference Manual, 2004)

The Tata Business Excellence Model (TBEM) is a framework for Tata companies to become competitive and world class. It has a set of criteria to assess the health of the organization, and helps in identifying its strengths and weaknesses. It is based on the Malcolm Baldrige Model for Business Excellence. There are 7 categories in all embodying the core values and concepts. The *categories* are:

- Leadership
- Strategic Planning
- Customer and Market Focus
- Measurement, Analysis & Knowledge Management
- Human Resource Focus
- Process Management
- Business Results

TBEM is the basis for organizational self-assessments, recognition & awards, and providing feedback to applicants. TBEM Criteria, comprising a set of questions to be answered as part of the assessment, is designed to help organizations develop & use aligned approaches to organizational performance management. The framework connecting the categories is shown in Figure 1.

Balanced Scorecard (Nils Goran, Jan, Magnus, 1999)

The Balance Scorecard (BSC) is a framework for designing a set of measures for activities chosen as being the key drivers for business. BSC framework has been widely implemented by organizations around the world. The performance metrics in BSC are derived directly from the business strategy of an organization. There are four distinctive perspectives in BSC, promoting a holistic view of the business.



Figure 1: Tata Business Excellence Model Framework (TBEM)

The strategic objectives are translated into performance measures categorized into four **perspectives**:

- Learning and Growth
- Internal Business Processes
- Customer
- Financial

The Balanced Score Card (BSC) is different for different organizations taking into account different market conditions, product strategies, resource availability and competitive environments. Business units devise customized scorecards to fit their mission, strategy, technology, and culture. In fact, a critical test of a score card's success is its transparency: from the 15 to 20 scorecard measures, an observer should be able to see through to the business unit's competitive strategy (Kaplan and Norton, 1993).

Balanced Scorecard (BSC) is useful for:

- Defining and then executing Corporate Strategy.
- Communication effectively.
- Quickly identify the root causes of potential problem and responding proactively.
- Alerting decision –maker about early indication of trouble.

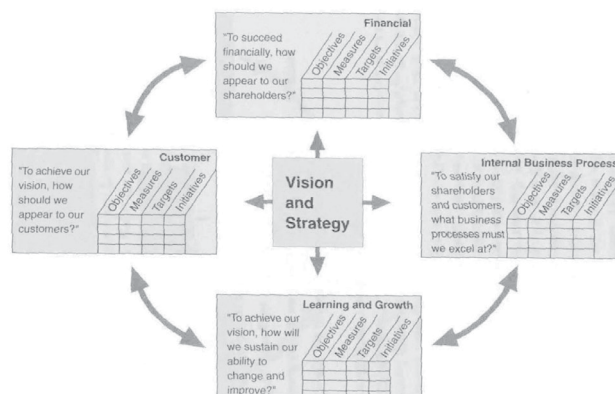


Figure 2: Balanced Scorecard (BSC)

Working with Different Measurement Frameworks

TBEM & BSC are considered for discussion here.

It is primarily the strategy that guide overall resource decisions and drive the alignment of measures for all work units to ensure customer satisfaction and market performance. The leadership team, unit heads and various stakeholders are involved in the process of developing the strategy. The end product of such a process is a set of strategic objectives and related Balanced Scorecard (BSC) measures. The Strategy Map developed using the BSC methodology and the Scorecard ensures that the strategic objectives balance the needs of all stakeholders.

From TBEM perspective, the 'system' comprises the six categories (1-3, 5-7) that define the organization, its operations and results. The remaining category (4th category in the figure 1.) which is 'Measurement, Analysis and KM' is critical to the effective management of the organization and for a fact-based system to improve company performance and competitiveness. Measurement, Analysis and Knowledge serve as a foundation for the performance of management system. The focus of TBEM is on business results; category 7.

TBEM focuses on the following key areas of business performance:

- Customer-Focused results
- Product and Service results
- Financial and Market results
- Human Resource results
- Organizational Effectiveness results, including internal operational performance measures
- Governance and social responsibility results.

The balanced nature of these indicators is very important in that the strategies are do not inappropriately trade off among important stakeholders, objectives, or short-and longer term goals. In other words, it serves as a Balanced Scorecard. Figure 3. proposes how the mapping of the strategic objectives to business results can be achieved passing through the six categories of TBEM. The various attributes are shown in a grid kind of a structure. For example, the realization of the objective of 'Customer Relationship' is measured in the responses to set of questions in the category of 'Customer and Market Focus' of TBEM resulting in Customer Loyalty Index by meeting relevant targets.

Illustrative Case: "Customer Relationship"

Tracing all the way from "Customer & Market Focus" entry through "Customer Relationship", one can arrive at "Customer-Loyalty" index. The strategic objective of 'Customer Relationship' can be assessed by measuring all or some of the following attributes. These may stem out as responses to "Customer & Market Focus" of TBEM assessment. The first two of the following are represented in the Fig. 3 that follows.

- No. of unsolicited proposals accepted by the customer.
- No. of customer complaints escalated to the senior management
- No. of appreciation letters/e-mails received from customer as % of account team strengths.
- No. of co-created products/services
- No. of CXO level meetings organized with the Senior Management Team Members of the firm that are outside of regular meetings like steering committee meetings, review meetings etc.

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