

Succeeding Through People : An Overview Of How Business Excellence Practices Have Changed The HR Landscape

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ABSTRACT

In the last 60 years, HR practices have undergone many changes. Driven by business conditions and advancements in technology, people practices have helped in steep improvements in productivity and value creation. Since the advent of TQM in Japan in 1950, kicked off by the visit of Dr. W. Edwards Deming, the HR ethos have moved from the days of "Time and Motion Study" of Frederick Taylor to Quality Circles and beyond, where the philosophy has been one of "Continuous Improvement leading ultimately to Personal Growth and Self Realization". The Business Excellence (BE) movement, which was started in the USA in 1987 through the declaration of the Malcolm Baldrige National Quality Award (MBNQA) for excellently performing US companies, was a logical extension of the TQM wave that swept Japan and other countries. The MBNQA was followed by several BE models, like European Foundation for Quality Management (EFQM). Building on the key concepts of TQM, such as Plan, Do, Check, Act (PDCA), the BE models set the tone for a holistic look at managing companies through systematic process deployment. People practices came in for their share of scrutiny and large-scale improvements. This paper highlights the areas where the BE wave has impacted Human Resources (HR) and people practices. It also deals with the differences between the TQM and the BE ways of embracing the HR function to align people workings with the rest of the company requirements, thereby providing the methodologies to ensure that people remain at the centre of the excellence drive by companies in an increasingly competitive world. The paper also tracks the more recent developments, such as the growth of the service industry and the need for the BE movement to deal with this major change in a more focused manner.

Keywords : Business Excellence, Malcolm Baldrige, EFQM, HER, PDCA, MBNQA, Continuous Improvement, Service Industry, GDP

JEL Classification : L22

PEOPLE AND CORPORATE SUCCESS

Business history is replete with people dreaming of products and services which they can offer to the society at large. The world was created the driving force for production of goods in large quantities, using the technologies developed to wreak havoc on the enemy and save millions from the jaws of despots. The so-called spin off effects led to the creation of organized and channelled resources, with a focus to churn out large quantities of similar looking and behaving products. These were gobbled up by a public which was still unused to mass consumption. Still living in agrarian, environmentally friendly daily living activities, the potential of mass production was not known to large swathes of populations in the early twentieth century. Adam Smith and Frederick Taylor provided the guidelines for industrialization on a scale never imagined before. The auto industry was perhaps first off the block to put to good use the newly emerging principles of mechanized production, when Henry Ford proposed to sell everyone a car, provided the colour was black. Henry Ford was a contemporary of illustrious industrialists like Andrew Carnegie, Alexander Bell, John Rockefeller, followed by Ray Macdonald, Sam Walton, Hewlett and Packard, and many others, who were all people with a vision to change the world through products and services. In India, we have had persons of eminence like Jamsetji Tata, Ghanshyam Das Birla, Murugappa Chettiar, the Mahindra brothers, followed by the Ambanis, the Piramals, the Modis, the Sundaram Iyengars of the TVS group, the Kumars of the Sanmar group, who all have contributed to the development of a vibrant corporate sector in India. The dreams and aspirations of individuals drive the formation of corporations and their success. Not only do these individuals become the nuclei of change, but they also spawn industrial success through the involvement of large groups of people who form the very basis of corporate work. The link between an individual's ability to dream and aspire, and the ultimate outcome of products and services is the "peopleisation" of efforts. "Peopleisation" refers to the total engagement and involvement of people at all levels in an organization to collaborate, to align behind the vision and mission of the founders of the business, to give a concrete shape and identity to the dreams and aspirations, and to generate wealth by meeting the needs and aspirations of customers. The people under reference include employees, partners, other stakeholders in a business, apart from customers, who form the very basis for the existence of the business.

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enterprise.

Evidently, from "concept to commissioning", to borrow a phrase from project management, it is people who are responsible for what a business enterprise is worth to the society and community. It is people who design assets, purchase and install them, operate them day in and day out, generate products and services from these inanimate objects funded through capital (which again is generated by other people), and put them out in the marketplace, where they assume a value put on them by discerning customers. In all aspects of a business enterprise, it is the people who are the underlying force behind its success. To make success possible, such as in the illustrious cases of Bill Gates, Narayana Murthy, the Oracle of Omaha - Warren Buffet, Eichi Toyoda, Ratan Tata, Michael Dell, and Steve Jobs, leaders have to integrate the efforts of a diverse lot of people in the management of industrial organizations. While in a capitalistic economy, over the years, the importance of capital has seemingly overridden the relevance of people, especially in light of the tremendous surge in automation through technological breakthroughs. Intense competition and the very same technology impetus are bringing back the need to recognize people as the differentiators in the marketplace. Technology has acted as a great leveller - as now, Hollywood films and the latest model of automobiles are being released simultaneously in India and other parts of the world - and hence, the search for alternative differentiators has assumed a new momentum, and many companies have realized that people can be that instrument. Companies are now doing more than ever before to nurture and hold on to people who they see as resources to be valued and cherished. However, the terms of engagement have changed. For example, Tata Steel is recognized for its egalitarian approach to people issues, as a company which did much more than required before anyone else decided to do something about it (Table 1).

Table 1 : Tata Steel Labour Welfare Measures Ahead of Its Time		
Welfare Measures	Tata Steel	Enforced by Law
Eight hours working day	1912	1948 Factory Act, 1948
Free Medical aid	1915	Employee State Insurance Act, 1948
Establishment of welfare dept.	1917	Factory Act , 1948
School facilities	1917	
Works committee	1919	I.D. Act, 1947
Leave with pay	1920	Factory Act, 1948
Worker's provident fund	1920	Employee P.F. Act,1952
Workers' accident compensation scheme	1920	Workers' Compensation Act,1923
Tech. Institute for training apprentices, Craftsman, Engg. Graduates	1921	Apprentices Act, 1961
Maternity benefits	1928	Bihar M/B Act, 1946
Profit sharing bonus	1934	Payment of Bonus Act, 1965
Retiring gratuity	1937	Payment of Gratuity Act,1972
Ex-gratia payment - road accidents on going / coming from duty	1979	
Pension Scheme	1983	2% Employee and Company's contribution
Medical Separation Scheme	1995	
Get together with retiring employees	2000	
Family Benefit Scheme	2001	
Source : Tata Steel Company Limited Internal Documents, 2002		

Today's companies have to do many of the above as per the law and Companies Act (in India) and related legislation. However, they have used their imagination and sense of innovation to try out new and appropriate ways to stay in touch with their employees. Some companies have stopped using the term 'Employees' and all the workforce is now addressed as 'Associates'. Some have flattened their organizational structures to bring in a sense of "democracy" and de-stratification, indicating that they value their employees for their contributions, rather than following the organizational hierarchy. In fact, many organizations have created matrix operating structures with decentralization to provide a modicum of "freedom to operate" to all employees, some of whom felt that the pyramidal structures

rewarded only seniority. Some have started movements to identify "Fast Trackers", and put them on accelerated career paths. The thought was to reward people for their performance, and not their position in the hierarchy. More and more companies have started programs to move their younger employees up the corporate ladder by giving them positions of big responsibilities, to encourage and motivate them to perform better and set the cash registers ringing. Recent innovations in employee retention and motivation in India include Employee Stock Option Schemes (ESOP's), performance linked pay, annual rewards and recognition in the form of paid holidays in foreign locations with family, a slew of awards for achievements in different areas of performance (person of the month, star of the month, pat on the back, instant recognition, etc.), ceremonies to reward and recognize significant efforts (such as, dinner with the Managing Director (MD), get-togethers). In some telecom companies, "Long Service Awards" are given to employees who have completed three years and more of continuous employment. Evidently, people as a key resource for corporate success has received a new push in recent days, aligning practices to stay relevant to the new-age needs and the changing corporate landscape. And one of the major contributors to the thinking behind the changes seen in people practices is the "Business Excellence" (which is being slowly replaced by "Performance Excellence") paradigm.

BUSINESS EXCELLENCE (BE) AND PEOPLE

In the book "*Good to Great*", Jim Collins (2001) lists the six principles which differentiate great companies from others. These are:

- ❖ **Level 5 Leaders**
- ❖ **First Who ... Then What**
- ❖ **Confront the brutal facts (yet never lose faith)**
- ❖ **The hedgehog concept (simplicity within the three circles)**
- ❖ **A culture of discipline**
- ❖ **Technology accelerators**

It is significant that at least four of the factors refer to people. A level 5 leader is *de rigueur* for transiting from good to great. Getting the right people on the bus is far more important than setting new vision and strategy. Perseverance and a faith that you will succeed in the end - typically human qualities of greatness - are the hallmarks of a great company and a culture of discipline - not merely of great technology; not just great marketing skills, and not only a superior sales force - is most essential for greatness. It was in 1950 that the three wise men of Total Quality - Dr. W. E. Deming, Dr. Juran and Philip Crosby (Dr. Deming, Dr. Juran and Philip Crosby, 1990) followed by luminaries like Kaoru Ishikawa, Shigeo Shingo, Hitoshi Kume, Masaki Imai and others took steps so that quality was moved out of the cobwebs of the production shop floor and got elevated to the company and the Board Room levels. So much so, that even die hard auto companies like Ford, Chrysler and GM decided to board the bandwagon of TQM and Zero Defects, Motorola contributed through the Six Sigma breakthrough, and Toyota completed the cycle through the practice of lean (Liker, 2004), which led to a new wave of thinking about value creation by corporations. Central to the evolution in the role of quality is "Total" and "Excellence". The first word indicates the need for all the departments in a company to practice quality, and the second is an acknowledgment that we live in a competitive world and that the need of the hour is to be excellent in whatever one does, so that long-term sustainability is addressed continuously. Apart from the PDCA concept which came to engulf most leading companies, concepts like zero defects (now discredited in some quarters), doing it right the first time, every time, developing and working to an "overall framework" (replacing the older concept of Management by Objectives) so that the entire corporation is immersed in high-quality work, excellence came to define the new paradigm. This did not happen in a day, rather, it evolved through the 1950s - the success of the Japanese companies through TQM, the response by the American government through creation of the Malcolm Baldrige model for business excellence, followed by the EFQM and other such frameworks (Jayaraman, 2004).

The emphasis in BE thinking about people issues arises from the centrality of people to achieving corporate success. In the Malcolm Baldrige scheme of things (National Institute for Standards and Testing, 2011), the core values of visionary leadership, organizational and personal learning, valuing employees and partners, managing for innovation and customer-driven excellence - 5 out of the 11 core values - are explicitly focused on people. In a specific reference

Exhibit 1 : People Issues Addressed By The Malcolm Baldrige Model For Performance Excellence

- a. Organization and Management of Work
 - (1) How do you organize and manage work and jobs, including skills, to promote cooperation, initiative, EMPOWERMENT, INNOVATION, and your organizational culture? How do you organize and manage work and jobs, including skills, to achieve the agility to keep current with business needs and to achieve your ACTION PLANS?
 - (2) How do your WORK SYSTEMS capitalize on the diverse ideas, cultures, and thinking of your employees and the communities with which you interact (your employee hiring and your CUSTOMER communities)?
 - (3) How do you achieve EFFECTIVE communication and skill sharing across work units, jobs, and locations?
- b. Employee PERFORMANCE Management System

How does your employee PERFORMANCE management system, including feedback to employees, support HIGH-PERFORMANCE WORK and contribute to the achievement of your ACTION PLANS? How does your employee PERFORMANCE management system support a CUSTOMER and business focus? How do your compensation, recognition, and related reward and incentive practices reinforce HIGH-PERFORMANCE WORK and a CUSTOMER and business focus?
- c. Hiring and Career Progression
 - (1) How do you identify characteristics and skills needed by potential employees?
 - (2) How do you recruit, hire, and retain new employees? How do you ensure that the employees represent the diverse ideas, cultures, and thinking of your employee hiring community?
 - (3) How do you accomplish EFFECTIVE succession planning for leadership and management positions? How do you manage EFFECTIVE career progression for all employees throughout the organization?
- a. Employee Education, Training, and Development
 - (1) How do employee education and training contribute to the achievement of your ACTION PLANS? How do your employee education, training, and development address your KEY needs associated with organizational PERFORMANCE measurement, PERFORMANCE improvement, and technological change? How does your education and training APPROACH balance short- and longer-term organizational objectives with employee needs for development, ongoing LEARNING, and career progression?
 - (2) How do employee education, training, and development address your KEY organizational needs associated with new employee orientation, DIVERSITY, ethical business practices, and management and leadership development? How do employee education, training, and development address your KEY organizational needs associated with employee, workplace, and environmental safety?
 - (3) How do you seek and use input from employees and their supervisors and managers on education, training, and development needs? How do you incorporate your organizational LEARNING and KNOWLEDGE ASSETS into your education and training?
 - (4) How do you deliver education and training? How do you seek and use input from employees and their supervisors and managers in determining your delivery APPROACHES? How do you use both formal and informal delivery APPROACHES, including mentoring and other APPROACHES, as appropriate?
 - (5) How do you reinforce the use of new knowledge and skills on the job and retain this knowledge for long-term organizational use? How do you SYSTEMATICALLY transfer knowledge from departing or retiring employees?
 - (6) How do you evaluate the effectiveness of education and training, taking into account individual and organizational PERFORMANCE?
- b. Motivation and Career Development

How do you motivate employees to develop and utilize their full potential? How does your organization use formal and informal mechanisms to help employees attain job- and career-related development and LEARNING objectives? How do managers and supervisors help employees attain job- and career-related development and LEARNING objectives?

Source : Malcolm Baldrige Criteria For Performance Excellence , 2005 , pp. 21-22

and emphasis on people management, apart from leadership and customer orientation - for which separate chapters are designed in the criteria, People Management and Focus has been singled out for addressal. In these criteria, the understanding of people management, the different facets of the issues faced by organizations, how to address them through issues based design, and using the core values to form the basis for action, thereby enabling excellence are dwelt upon. By reading, understanding, internalizing and practicing these criteria, an organization can achieve excellence in several areas of performance. The people dimension impacts all other criteria and is also impacted upon by each of the other. This interaction is what makes the management of people significant and complex. However, the complexity, once deciphered, can be dealt with by the guidelines now available in the literature based on Best Practices developed by companies, such as the "Great" ones identified by Jim Collins in his book, as well as those who have been a part of the Malcolm Baldrige and the EFQM processes (nist.gov/baldrige and efqm.org).

The models for BE look at the multitude of dimensions, which are encountered in dealing with the people management issues. These are enumerated in the Exhibit 1.

In the EFQM model also, there are similar issues raised. Over the years, companies have evolved methodologies and responses to induct practices, which will ensure the deployment of the issues in day to day management. In the process, several best practices have emerged, which have helped practicing companies to improve their people performance and overall performance significantly. Hence, it would suffice to say that the emergence of the Best Practices includes the following aspects:

- 1) HR Policy and Strategy, HR as an internal business partner of the operating line departments.
- 2) HR Balanced scorecards which help in linking the HR strategy and aligning it with the company strategy, as well as track progress continuously.
- 3) Measurement of training effectiveness.
- 4) Using different media for designing and delivering training to suit current requirements (e.g., e-learning, web based learning, webinars, video conferences).
- 5) Design and implementation of rewards and recognition systems, suggestion box schemes, knowledge management.
- 6) Recruitment on mass scale (e.g. IT companies) at a short notice.
- 7) New programs to motivate and encourage people to deliver superior performance.
- 8) Fast track schemes to identify and promote high fliers.
- 9) Development of KRAs and KPIs to measure individual performance and using the same for performance

Table 2 : Evolution In HR/People And Quality		
1900 to 1970	1950 to 2012	1995 to 2012
Quality metrics	TQM Metrics	BE Metrics
Educational qualifications of employees	Quality metrics +	TQM Metrics +
Increments and promotions given each year	Training days per employee per year	HR Scorecard
Rewards given to employees for various activities	Employees training effectiveness measurement	HR Policy and strategy
Long Service Awards	Involvement in team activities (e.g. Quality Circles) Suggestions given , implemented Knowledge pieces contributed KRA's accomplishment Speed of recruitment Competency Mapping Employees' education	HR as a business partner
Source : Author's Research		

measurement.

10) Developing cross functionality in large organizations through formation of teams such as Quality Circles , Small Group Activities , 5 S , TOP (Total Operating Performance).

In short, the evolution of the BE platform has driven as well as has been driven by the developments in the practicing companies. This interactive methodology has been the hallmark of the successful use of BE for performance excellence. In fact, the use of BE helped US companies to overtake and address the challenges posed by Japanese companies, which embraced TQM and Lean . In the war of corporates , as on date , BE has put one over TQM + Lean. The future is evolving, and it is to be seen what will emerge. Already, some thinkers have studied and have written about the new scenario (Hayes and Pisano, 1994) . To summarize , the changes in the "quality" aspects of people management in companies has evolved as shown in the Table 2.

Table 3 : New Paradigms In The New Corporates In India		
Industrial Sector	New Paradigms	Remarks
IT	Outsourcing , benching of employees, flexi working, long working hours , campus type of working conditions, higher salaries at the entry level , market driven salaries and perks , individual contribution is key , no assembly lines and grease and oil work machines , large percentage of women in workforce.	Prediction of demand is difficult , allocation of work-persons to do the work are not supported by industrial engineering studies , greater degree of people orientation than traditional manufacturing companies.
Retail Banking	Non - traditional banking products , greater attention to individual customers , faster and prompt services, fewer security checks , more flexible product features , greater degree of marked to market	Demands fluctuate , more susceptible to changes in the overall economic conditions , more government vigilance and scrutiny , media attention.
Retail Stores	Larger stores , more products on display, more products' features, greater flexibility in pricing and terms of payment, flexi working hours, multi tasking, multi skilled employees, lower education level of employees, more training needed of a specialized type, greater interaction with customers.	More complex supply chain arrangements , faster replenishment of select items , distributed sales points under the same roof , more complex rewards and recognition structures , greater difficulties to strategize and evolve policies.
Source : Author's Research		

Table 4 : The Transition From A Manufacturing To Services Based Economy				
Pure Goods	Core Goods	Core Services	Pure Services	Remarks
Those which fulfill a need , which are produced using resources and delivered to customers	Those which use goods and services to produce goods which are sold to customers	Those organisations which use goods , resources and services to deliver services	Those which use goods and resources to deliver services to customers	The differences are primarily in the form of usage of resources and other inputs using processes of varying value creation
Food products , chemicals , medicines , tablets	Electrical Appliances like mixer , grinder , refrigerator	Hotels , resorts , airlines , railway reservation counters	Teaching , Consulting , coaching , training	
Tables , chairs , bags , fans	Data storage systems like servers , tapes , hard disks	Stock market , commodities markets , power supply companies , water supply	Investment banking , legal	

Source : Operations & Supply Chain Management 12th Edition: R.B. Chase, R. Shankar, F.R. Jacobs, & N.J. Aquilano Tata McGraw Hill

THE NEW PARADIGMS

In the race to compete, companies have tried to innovate and invent new practices, which will give them the needed edge to overtake competition. In the last two decades or so, the world has seen the emergence of a "flattening" (see the book by Thomas L. Friedman, (*"The World is Flat : A Brief History of the Twenty-First Century"*) discovery of methods to cater to the "Bottom of the Pyramid" (see, for instance, *"The Fortune at the Bottom of the Pyramid"* , by C. K. Prahalad), which are bringing new business ideas to the forefront. There has been a significant growth in the service sector of the economies of all leading nations, including the emergence of small and medium-sized businesses as well as retail businesses. Some of the better-known examples of such developments are the telecom companies, the retail chains in India , the media based industries such as television and film making, apart from the regular advancements in IT and related companies, which have grown significantly. In these sectors, the work methods, employee skills and competencies, the methods of engaging with employees by the companies have all undergone a change, when compared with the more traditional hierarchical, manufacturing companies, which originated in the earlier period of the industrial era. The "New Corporates" , as they may be called, are seeking to change the norms, to suit their business requirements and becoming excellent. To list a few of the "New Paradigms" being adopted by these entities - see Table 3.

Table 5 : Increasing Importance Of The Services' Industry To The Economic Activities In India			
Year	% contribution from Agriculture	% contribution from Industry	% contribution from Services
1990/91	32	25	43
2000/01	26	24	50
2003/04	24	24	52
2005/06	22	26	52
2009/10	19	26	55
2010/11	18	26	56
Source : Indian Economics Statistics , Government of India , 2012			

The developments shown in the Table 4 are a direct result of the changing situation in the manufacturing services industry mix in all economies. Given in the Table 4 are the major changes that are being seen due to the transition from manufacturing based to services based economies in several countries, much as must have happened in the industrializing countries when they transited from an agrarian base to industrial economies. In the last few years, the contribution from the services industry to the GDP increased substantially (see Table 5) .

Obviously, the term "Services Industry" includes a mix of pure services and semi manufacturing organizations, logistics companies, people outsourcing agencies and other types of organizations, which need to be studied thoroughly in order to derive bases for clustering and categorization, to enable generalized conclusions about the behaviours and practices to be installed to move towards excellence and beyond. Such studies have been done in the case of manufacturing companies, and a whole body of knowledge has been developed over the years .The same needs to be repeated for the newly emerging economic realities.

CONCLUSION

Since 1950, TQM held the fort in terms of changing practices in all functions of a company. The idea was to do PDCA in all areas of company work, so that the company as a whole can reach levels of high quality in its products and services offerings. TQM moved quality out of the shadows of the production / inspection / quality control departments into the realm of the other work areas such as HR, Finance and Accounts , and Marketing and Sales . Techniques such as Policy Deployment, QFD, planned and well delivered training interventions to develop a strong work culture and ethos in the organizational workforces, Quality Circles to promote team work, suggestion boxes to generate new ideas systematically were all invented along the way to make PDCA happen in the TQM way. These programs and efforts enabled Japanese corporations to reach unprecedented heights of performance and took the country to the level of the world's second-largest economy.

The response from the USA was to evolve the Malcolm Baldrige National Quality Award (MBNQA) system, which promoted excellence in US companies through a systematic enlargement of the PDCA concept to include areas such as leadership, corporate governance, strategy implementation, performance measurement, and a strong results' orientation based on process driven work. The MBNQA philosophy emphasised a holistic approach to managing companies, and brought into continuous improvement movement, areas which were not fully or comprehensively addressed by TQM such as, leadership, corporate governance, ethics, environmental friendliness and sustainability. The MBNQA was followed by a flood of performance excellence models, the most significant of them being the EFQM. This model is also designed to promote excellence in the day to day work of companies by using the principles of PDCA, continuous improvement, team work and performance measurements.

These models have brought in their wake, several new practices in managing people and their work in companies, such as, cross functional team working, training effectiveness measurements, defining HR policies and strategies, how to make HR a business facilitator, developing a HR vision, integrating people with processes. Accompanying the BE developments was the change in the sectoral mix of the economies in all parts of the world - the services sector has grown rapidly and aggressively in contributing to the GDP growth. For example, in the USA, the contribution was 75 % in 2010. Similarly, in many developed countries, the contribution has been above 65 % in the past several years. This has led to a set of new paradigms, which need to be thoroughly addressed by the practitioners of BE. Such efforts will enable the BE movement to integrate itself with the current needs of companies as also drive excellence in the newly evolving services industries, which need to be efficient, waste free, environmentally sustainable and the like. It is foreseen that such developments, which have been in motion since a decade or more, will start yielding fruits, which will be embraced and endorsed by the affected industries.

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