

# Dynamic Yet Static : A Boon For High Performance Organizations

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## ABSTRACT

The present paper is a descriptive research based on secondary data. This paper aims to highlight the practices that make an organization steady, and ensure long-term sustainability of the organization in the challenging marketplace. This paper highlights that to become successful in the long-run, an organization needs to become dynamic in all aspects, including its strategy, product-lines, organizational structure, systems of integration, etc. But some other areas like the organizations' core ideology, value system should remain static. This paper could be a great help for organizations to make themselves sustainable in the long run.

Time period of the study : February - July 2012

Keywords: Dynamic Part, Static Part, Core Ideologies, Value System, High Performance Organization

JEL Classification : M00, M14

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## INTRODUCTION

In the past few decades, business conductance has undergone a drastic change. With more and more countries joining the wagon of globalization, liberalization, and working towards creating uniform rules for carrying out business under the umbrella of WTO by removing or minimizing entry barriers, businesses have witnessed a manifold increase in the intensity of competition. Again, on the customer front, increased choice in the same category, increased aspiration levels, growing disposable incomes have made business spaces even more challenging. A rapid change in the technological environment, rising of special activist groups has created a question mark in the very basic way of practicing business. The traditional view - that an organization's sole purpose of existence is to earn maximum shareholders' return - is challenged. In such a scenario, some of the crucial areas that have taken a prominent mind space of the top executives are sustainable and high performance, shareholder and stakeholder, Triple Bottom Line (People, Planet and Profit) and so on.

## REVIEW OF LITERATURE

Analysis of some of the existing literature on high-performance organizations reveals the following characteristics of high-performance organizations :

- ❖ A high performance organization over a longer period of time portrays a better financial result, a goods return on investment for its shareholders than its peer groups in a more sustainable manner (Bruch & Ghoshal, 2004).
- ❖ A high performance organization has an integrated management process, and its strategy, structure and people are aligned throughout the organization ( O'Reilly and Pfeffer, 2000).
- ❖ Improvement of working conditions, providing equal opportunities for the development of the work-force is one of the most important agendas for the high performance organization (Coffman et al., 2002; Weiss, 2000).
- ❖ High performance organizations are very much adaptive to changes (Light, 2005), and their response towards changes are also very quick (Bossidy and Charan, 2003).

Again, in their best-selling management classic '*In Search Of Excellence : Lessons from America's Best-Run Companies*', Tom Peters & Robert H. Waterman JR talked about eight (8) attributes that are very crucial for the distinction of excellence, and the attributes are as follows:

- ❖ A bias for action, for getting on with it rather than getting paralyzed by the fact ("Do it, fix it, and try it").
- ❖ These companies learn from the people they serve, and ultimately, are able to create differentiation for them.
- ❖ These companies are able to foster many leaders and many innovators throughout the organization.

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- ❖ These companies treat employees as their greatest asset for productivity, and foster growth through proper care of them.
- ❖ 'Hands-on, value driven' is the simple philosophy mostly followed by the companies.
- ❖ Maximum of the companies stick themselves reasonably close to the businesses they are familiar with.
- ❖ These companies have an organizational structure that is fairly simple with lean top-level staffs.
- ❖ These companies are both centralized as well as decentralized. Decentralized in the shop floor level, and again centralized around the few core values they hold.

## **UNDERSTANDING HIGH-PERFORMANCE ORGANIZATIONS**

This present paper is an attempt to throw light on such areas that can make an organization sustainable while referring to some of the excellent organizations who managed it well in their journey so far.

The High-Performance Organization Survey, 2007, commissioned by the American Management Association (AMA) and conducted by the Institute of Corporate Productivity asked 1,369 respondents about a series of organizational characteristics that are associated with high-performance organizations as per the available literature survey. This study also inquired about the revenue growth, market share, customer satisfaction, and profitability and found the followings:

### **1) How High-performance Organizations Approach Strategy :**

- ❖ Organization - wide performance measures match the organization's strategy.
- ❖ Organization's strategic plan is clear and well thought out.
- ❖ Employees act in ways that are consistent with the behaviours needed to execute the strategic plan.

### **2) How High-Performance Organizations Approach Customers :**

- ❖ For the development of new products and services, customer feedback system/information serves as the most important factor.
- ❖ Customer's long-term needs are targeted accurately by the high-performance organization.
- ❖ Customer expectations are exceeded by the high-performance organization.

### **3) How High-performance Organizations Approach Leadership :**

- ❖ Organization's performance expectations are clear among everybody.
- ❖ Management promotes those persons who are best equipped with skills and knowledge to do the job.
- ❖ Employees' behaviour affects the organization - this is the deep rooted belief among employees.

### **4) How High-Performance Organizations Approach Processes and Structure :**

- ❖ Performance measures of the organization are clearly defined.
- ❖ For doing the job properly, whatever training and instructions are required, employees receive that properly.
- ❖ The organization invests in upgrading its employees' knowledge about state-of-the-art technological advances.

### **5) How High-performance Organizations Approach Values and Beliefs:**

- ❖ High emphasis on readiness to meet new challenges.
- ❖ One of the shared values that keep organizations together is commitment to innovation.
- ❖ Employees' thinking about the organization is a good place to work.

### **6) Again, the study showed that high-performance organizations approach their value-propositions as :**

- ❖ Distinctive branded products or services : 84%.
- ❖ Products or services that are customized for specific customers : 79%.
- ❖ Lower price products or services with desirable extra features : 31%.
- ❖ Lowest-price products and services : 20%.

Thus, the term 'High Performance' for an organization can be attributed to the following parameters :

- ❖ Ensuring long term sustainability for the organization.
- ❖ Behaving as a responsible corporate citizen by ensuring community improvement, responsible use of natural resources, curbing environmental degradation and so on.
- ❖ Ensuring good work place by providing safety and security, career enhancement opportunity for employees, quality products for reasonable price for the customers, and win-win relationship with the partners in the supply-chain.
- ❖ Ensuring a fair return for the owners, shareholders and the government at large.

## WHAT DYNAMIC, YET STATIC MEANS

'Dynamic Yet Static' implies the fact that, to become a high-performance organization, the organization needs to be *responsive towards change by changing itself according to the macro-environmental trends (dynamic)*; whereas, also be consistent by preserving its *core ideologies and value system (static)*. Organizational hierarchy, authority responsibility relationships, area of business, business strategy, product lines, competencies, administrative policies, cultural norms, operational procedures of an organization (dynamic) can change based on macro and micro environmental trends; whereas, its core ideologies and values (static) must remain static in nature.

Some of the organizations that have done really well in their entire journey of business so far by being 'Dynamic Yet Static' are discussed in the following paragraphs. The organizations that are taken into consideration are 3M, Ford, Hewlett-Packard, Johnson & Johnson, Marriott Hotels, Procter & Gamble, Walmart, Timberland, and the Tata Group. Core ideologies and value systems of the organizations at a glance are as follows :

❖ **3M:** The company was founded in the year 1902 at Lake Superior town of Two Harbours, Minn by five Minnesota investors - two railroad operators, a physician, a meat-market operator, and an attorney. These five businessmen set out to mine a mineral deposit for grinding-wheel abrasives. But the deposits proved to be of little value, and the new Minnesota Mining and Manufacturing Co. quickly moved to nearby Duluth to focus on sandpaper products.

### ❖ Core Ideologies:

- ❖ Innovation.
- ❖ Absolute Integrity.
- ❖ Respect for Individual Initiative and Personal Growth.
- ❖ Tolerance for Honest Mistakes, Product Quality and Reliability.
- ❖ 3M drives innovation with the statement : “Our real business is solving problems”.

❖ **Ford:** Ford Motor Company was founded in the year 1903 by Henry Ford and Alex Malcomson to make automobiles based on Ford's automobile expertise and vertical position technology. Ford was among the 502 firms founded in United States in between the years 1900-1908 to make automobiles.

### ❖ Core Ideologies :

- ❖ People as the source of our strength.
- ❖ Products as the “end results of our efforts”.
- ❖ Profits as a necessary means and measure for our success.
- ❖ Business honesty and integrity.

❖ **Hewlett-Packard :** HP was founded in the year 1937 by William Hewlett and David Packard as strictly as an opportunistic company within the broadly defined “radio, electronic, and electrical engineering field”. In its initial year, the company produced welding equipments, shock machines for weight reduction, automatic urinal flushes, bowling alley sensors, radio transmitters, public address systems and medical equipments.

### ❖ Core Ideologies :

- ❖ Technical contributions to fields in which we participate.
- ❖ Respect and opportunity for HP people, including the opportunity to share in the success of the enterprise.
- ❖ Contribution and responsibility towards the communities in which we operate.

- ❖ Affordable quality for HP customers.
- ❖ Profit and growth as a means to make all the other values and objectives possible.

❖ **Johnson & Johnson:** The company was founded in the year 1886 by Robert W. Johnson, James Johnson, and E. Mead Johnson for the purpose of manufacturing medical products with particular emphasis on antiseptic surgical dressings and medical plasters.

❖ **Core Ideologies:**

- ❖ The company exists “to alleviate pain and disease”.
- ❖ “We have a hierarchy of responsibilities: customers' first, employees second, society at large third, and shareholders fourth.”
- ❖ Individual opportunity and reward based on merit.
- ❖ Decentralization = Creativity = Productivity

❖ **Marriott Hotels:** Founded in the year 1927 by J. Willard Marriott and Allie Marriott with a nine seat A&W root beer stand. Gradually, they added hot food (mostly Mexican) to attract additional business and named the restaurant 'Hot Shoppe'.

❖ **Core Ideologies:**

- ❖ Friendly service and excellent value (customers are guests); “make people away from home feel that they are among friends and really wanted”.
- ❖ People are No -1 - treat them well, expect a lot, and the rest will follow.
- ❖ Work hard, yet keep it fun.
- ❖ Continual self-improvement.
- ❖ Overcoming adversity to build character.

❖ **Procter & Gamble :** Founded in the year 1837 by a collaboration of two small businesses (owners were brothers-in-law) using similar raw materials as animal fat for making candles (William Procter) and soaps (James Gamble). They decided to pool their efforts and form a partnership to sell soaps and candles.

❖ **Core Ideologies :**

- ❖ Product excellence.
- ❖ Continuous self-improvement.
- ❖ Honesty and fairness.
- ❖ Respect and concern for the individual.

❖ **Walmart:** Inspired by the early success of his dime store, and driven to bring even greater opportunity and value to his customers, Sam Walton opened the first Walmart in 1962 at the age of 44 in Rogers, Arkansas.

❖ **Core Ideologies:**

- ❖ "We exist to provide value to our customers, to make their lives better via lower prices and greater selection; all else is secondary."
- ❖ Swim upstream, buck conventional wisdom.
- ❖ Be in partnership with employees.
- ❖ Work with passion, commitment and enthusiasm.
- ❖ Run Lean.
- ❖ Pursue ever-higher goals.

❖ **Timberland:** Nathan Swartz bought a half interest in the Abington Shoe company in Abington, Massachusetts in 1952, and the remaining half interest was bought in the year 1955. 1973 was the year when the Timberland brand name was born. 1978 was the year when it became the Timberland Company. The company initially started the manufacturing of private label shoes for leading brand manufacturers.

### ❖ **Core Ideologies:**

- ❖ Voluntary employment meaning every employee has the right to choose his retirement year for prohibiting all sorts of prison labour, indentured labour, slave labour and any form of compulsory labour.
- ❖ Freedom of association for all employees and fair and equal treatment for all employees.
- ❖ Strictly prohibited child labour.
- ❖ Compensation and working hours specification for employees.
- ❖ Health and safety code as per International Labour Organization (ILO) and national laws for employees.
- ❖ Specifically mentioned code for environment and continuous reduction of environmental impact, enhancing communities and a healthy profit.

❖ **Tata Group:** Established in the year 1868 by Jamsetji Nusserwanji Tata, when the country had just set out on the road of gaining independence from the British rule. The founders of the group aligned business opportunities with nation building.

❖ **Core Ideologies:** For all business decisions, the Tata companies share a set of five core values derived from the groups' early beliefs namely :

- ❖ Integrity
- ❖ Understanding
- ❖ Excellence
- ❖ Unity
- ❖ Responsibility

## **CORE IDEOLOGIES ARE NOT MERE PIECES OF PAPER**

Close analysis of the organizations mentioned above reveals that these core ideologies, values and guiding principles are not merely a piece of a document. Rather, these organizations implemented these ideologies in their business practices, whether in good or bad time. Over the years, their strategies, product lines, areas of business, organization hierarchy, authority relationship (dynamic) changed, but the core remained static. In face, all the above-mentioned organizations have converted themselves, and some of the organizations have ended up with a completely new type of business which they perhaps never dreamt of during their inception. However, one thing that remained with them throughout their journey is their core ideologies and value system. A few examples of some of the incidents for some of the organizations mentioned above can be handy.

P&G has a history of carefully screening the entry level employees and only young people are preferred. After that, there is a rigorous moulding of all the executives into P&G ways of thought and behaviour, spitting out those who are the misfits, and making middle and top slots only for those who are in the company for several years and grew up inside the company (Levering, Moskowitz and Katz, 1985). In fact, some of the employee oriented pay and benefit programs are the brain child of P&G. For e.g. :

- ❖ Profit sharing plan for workers (1887).
- ❖ Employee stock ownership plan (1892), one of the first in the industry.
- ❖ Sickness-disability-retirement-life-insurance plan (1915) - P&G became one of the first companies to implement this plan.

Again, in case of Ford also, the core ideology of people and products placed ahead of profits is true. Statistical Quality Control (SQC) as a quality control tool was used completely in the Ford Motor Company. Ford not only ensured the implementation of SQC for them, but also encouraged its suppliers to implement the program (named 'Q1' program) by restricting itself to source components from those who implemented the program. Ford also provided training program and helped its suppliers a lot to implement SQC. For an organization-wide communication and to improve the involvement of the employees, Ford invested in the satellite television system to communicate Ford's news and information to its employees before they got the news through print or broadcast media. Again, in case of HP also, the same remains true. In the year 1950, when the company went public, all employees at all levels with a tenure of six months received an automated stock grant and became eligible for a stock option program. Even to reduce the chance



of layoffs, HP passed up large government contract opportunities (however profitable they might be), if they led to hire-and-fire tactics. During large corporate-wide downturns, HP generally asked all employees to take every other Friday off and reduce their pay by 10% , rather than going in for a 10% layoff.

The Tylenol crisis that occurred in the history of Johnson & Johnson during 1982 also proved that the core ideologies documented by Johnson & Johnson are not only documents, rather they are for practice. Death of seven people in the Chicago area revealed that someone (not a J&J employee) had tampered with the bottle, lacing them with cyanide. J&J immediately removed all the Tylenol capsules from all US markets (not only the Chicago area) at an estimated cost of 100 million dollars (US) and mounted a twenty-five thousand person communication effort to alert the public and deal with the problem.

## **WHAT SHOULD BE THE CORE IDEOLOGIES (STATIC PART) OF THE ORGANIZATION?**

Core ideologies can be categorized under core values and core purposes.

### **Core Values:**

- ❖ Honesty and Fairness while dealing with all the partners in the value-chain.
- ❖ Openness in communication and collaboration with the partners in the supply-chain.
- ❖ Appropriate health and safety concern for all the employees of the organization and their families.
- ❖ Win-Win approach while dealing with customers.
- ❖ Character backed strategy.

### **Core Purposes:**

- ❖ Contribution by the way of undertaking social projects for the development of the society, eco-friendly projects to make the world a better place to live.
- ❖ Ensuring a fair return on investment for the shareholders while protecting the interest of the minority shareholders.
- ❖ Creating an organization wide culture of co-creation by encouraging innovation.
- ❖ Quality offerings at an affordable price for the customers.

## **CONCLUSION**

Over the years, the power of business success has shifted significantly in the hands of the empowered consumers. Companies cannot simply treat people as consumers; rather, time has come to treat people as human beings with minds, hearts and spirits. In a globalized world (which is full of confusion), consumers are actively seeking for companies which are truly trying to provide solutions for consumers' anxiety. Consumers are actively searching for companies that address their economic, social and environmental issues, and make the globalized world a better place to live.

Creation of a high-performance organization needs a fine distinction regarding what is static and what is dynamic. Understanding this change in consumer trend will help an organization enormously to determine what needs to be static and what needs to be dynamic. Static part of the organization should be the core, the life blood or the DNA of the organization. All the dynamic activities, including the business plan, strategy, product line extension or addition, and diversification should be build around the core or the static part. The static part of the organization should be the organizational value and belief system, and it should flow seamlessly around each and every level of the organization as a culture.

All the employees of the organization must abide by this value and belief system while dealing with their stakeholders, including customers, intermediaries, suppliers and external direct or indirect influencers of the business. This value and belief system must reflect among all the activities of the top management as organizational culture flows downwards. From selecting employees to selecting suppliers, the organization must take into active consideration this value and belief system. This value and belief system must build on honesty, integrity, fairness and openness. Organizations must proceed with another assumption that 'profit and only profit' cannot be the sole objective for any organization to exist. Rather, thinking in the sequence of 'inverted Maslow's hierarchy' based on the

core value and belief system will pay a sustainable and commendable dividend for the organization. Taking care of an organization's actualization needs (upgrading community, clean and green living, and so on) will automatically take care of the organization's basic needs (profit, market share, etc.).

In a more uncertain environment, quest for growth and high-performance demands for bold goal setting and achieving that goal by constant re-modification of strategies, areas of operation and so on. However, what is more important is to identify the core of the organization and constant building of the organization based on the core values and purposes.

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