SWP 52/87 IN SEARCH OF IS EXCELLENCE

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IN SEARCH OF IS EXCELLENCE

REFERENCE

"In Search of Excellence" Peters & Waterman (Harper & Row) 1982

"The Winning Streak" Goldsmith & Clutterbuck (Penguin) 1984

ORIGINS

The Peters & Waterman survey and analysis was "commissioned" to enable companies in the United States to learn from the success of other American companies, when Japenese competition had undermined confidence in American business management.

The Japanese approach to business strategy was quite different from the U.S. companies and their national and business culture was radically different. The search focussed on successful companies' corporate cultures - belief or value systems - which can be compared across different firms and industries, rather than particular strategies which will vary across industries, amongst firms and over time.

Following the publication of "In Search of Excellence" a United Kingdon survey was carried out, to discover how the lessons applied and if others could be learned. "The Winning Streak" is more factual and analytical (if less inspiring!), and includes some comment on less successful companies. It generally concludes that the lessons are valid, even if they need some interpretation in the cultures prevalent in British companies.

It is worth noting that in spite of their problems, U.S. companies are generally more successful than British ones!

VALUE SYSTEMS AND STRATEGIC MANAGEMENT

The importance of value systems - the beliefs of owners, management and employees with regard to the customers & suppliers of the organisation and the environment in which the firm operates - in achieving business success is exemplified in the article:

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"Of boxes, bubbles & effective management" by David Hurst
(HBR May - June 1984).

The value system guides the management of the business towards its goals, including the determination of strategies, and governs the way the business operations are carried out. Strategies are developed, or adopted to meet corporate goals - but if the strategy is incompatible with the value system then the operations will not necessarily be managed in direct support of the strategy.

If, for example, the value system demands that customer service is paramount, a strategy to lower inventory levels to reduce costs may be "sabotaged" by changes to the forecasts of customer demands to protect customer goodwill.

The relationships of goals, value systems, strategies and operations are shown in the diagram below.
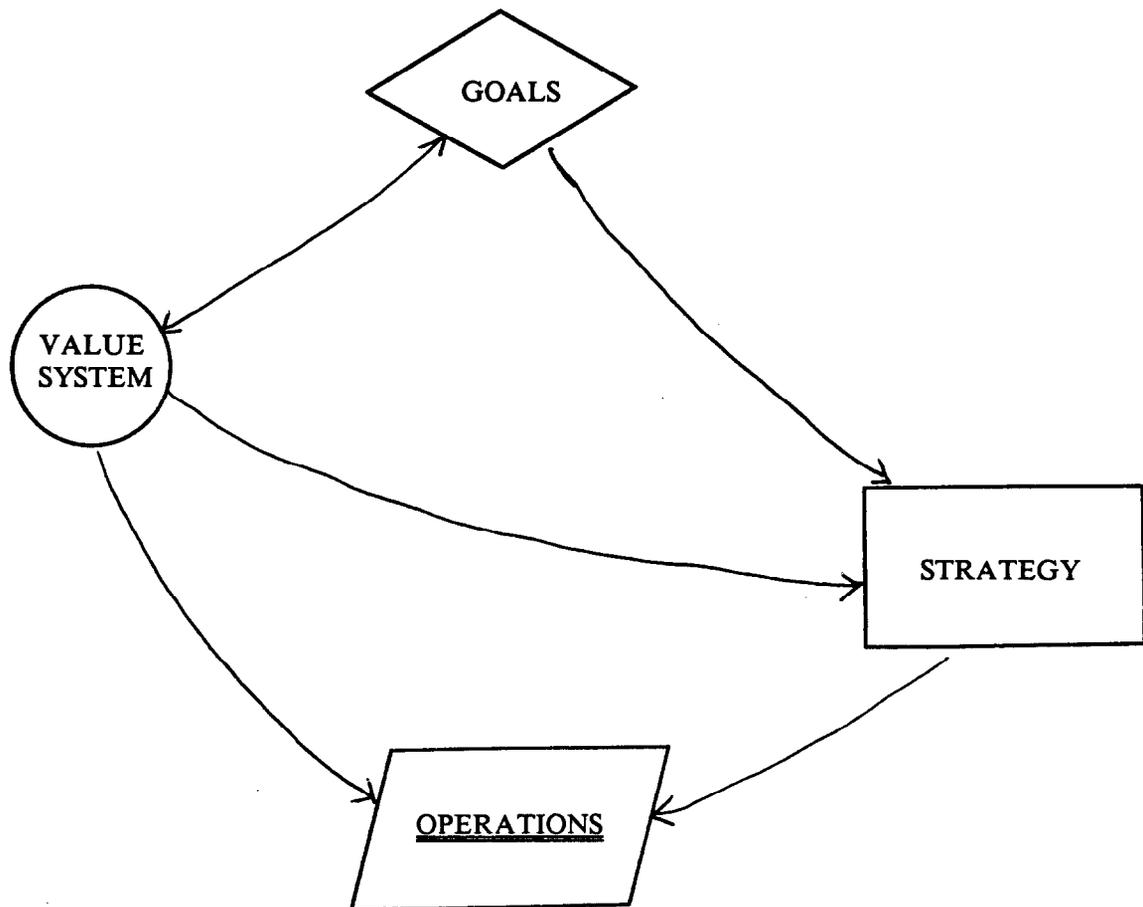
THE RELEVANCE TO THE *IS* FUNCTION*

IS as a part of the organisation can be considered as a "business within the business" - providing products and services to other business activities - both line activities (marketing, distribution, production, etc) and other service functions (finance, personnel, administration, etc).

Therefore, it has customers (clients or users), uses suppliers and deploys resources, and functions within an environment - the rest of the business.

An excellent *IS* function is one which is strategically and operationally actively supporting the achievement of company goals. In order for this to happen, its value system must closely coincide with the corporate value system.

Historically, due to the separation, almost isolation in some cases, of the traditional *IS* functions from the mainstream of business activity these value systems have often diverged. In particular data processing functions have focussed on "technical or methodological excellence" rather than business excellence. This often causes a chasm of misunderstanding between the professional *IS* staff and the users of their skills and services.

The chasm needs to be effectively bridged by mutual agreement on values, before a strategy for *IS*, of any long-term benefit, can be developed.

(* variously known as Information Systems, Data Processing, Management Services, etc and applies to any significant specialised *IS* Group)

WHY IS IT SO IMPORTANT NOW?

The use of information technology (*IT*) is becoming widely spread throughout organisations and is being used to change the way information as a business asset and resource is employed. A balanced approach between exploitation and control is required to enable strategic and operational advantage to be gained and potential strategic or operational disadvantage to be avoided. *IT/IS* has the capability to change the way an organisation achieves its goals and even change the goals in some cases.

Judgements must be based on business requirements both by users of *IS* and the providers of services. Any strategy to be adopted must reconcile ambitions and constraints - an appropriate value system will be needed to ensure responsible behaviour by all parties during a period of change and uncertainty.

Strategies will change, perhaps dramatically, but the value system should ensure those changes do not cause confusion and result in bad investments in I.S./I.T. - both applications and resources.

THE LESSONS FROM THE SEARCH FOR EXCELLENCE

1. "Bias for Action"

2. "Autonomy and Entrepreneurship"

3. "Close to the Customer"

4. "Productivity through People"

5. "Hands-on, Value driven"

6. "Stick to the Knitting"

7. "Simple form - Lean Staff"

8. "Simultaneous Loose-Tight Principles"

Each of these "buzz-phrases" and the relevance of their key attributes to *IS* management is reviewed briefly below.

1. Bias for Action

Traditional Data Procession organisations, often under management pressure to minimise the damage they might cause, have shown a reluctance to take risks. Evaluation before implementation has avoided costly mistakes, but also frustrated progress. In the "pioneering" days everything was apparently risky so the cautiousness is understandable, but not always appropriate.

- Willingness to implement, test and try as a method of evaluation is required - but the users must appreciate that not all attempts will be successful!

- Any strategy should be action orientated - what can be done to achieve results: not what needs to be considered to avoid problems.

- The idea of ready.....fire.....aim is attractive and far better than traditional D.P. approaches of ready.....aim.....are we all ready.....are we aiming correctly..... ready again.....aim.....("psst! what was the target again?").....fire anyway, but be careful - if you only have a few bullets!

- "Analysis without Paralysis" sums it up well.

2. Antomony & Entrepreneurship

The *IS* role is primarily to facilitate innovation and change. This requires

- creative approaches
- responsible attitudes and behaviour
- taking risks
- tolerance of mistakes - to learn from them

and this environment is best fostered by encouraging individuals to develop and test their ideas without fear of career damming criticism for failure and with the prospect of personal enhancement from success. This produces positive competition amongst individuals and groups and hence constructive risk taking.

Responsible mavericks are more creative than frightened bullocks! To engender this adventurousness the organisation must be flexible, changing to enable individuals and small groups (the secret of innovation) to develop and try their ideas.

Much of the effort of *IS* management over the years has been directed at conformity to norms to avoid mistakes. Hence mistakes were actively discouraged and the people who made them penalised. Competitiveness was also minimised to avoid presenting a lack of unity to the user.

3.   Close to the Customer

Generations of systems analysts were taught to listen to what a user said he wanted, then analyse these wants using ill defined rules and advise him of what he really needed! The user was not always as impressed as the analyst expected him to be! and in due course the system not surprisingly did not do what the user wanted, and then he could not get it changed!

The success of a business will depend in the long term on satisfying the customer - the success of an *IS* group depends on satisfying the user. Therefore,

- make access easy, informal - not through predefined formal channels only.

- monitor how satisfied he is and adjust services to improve satisfaction.

- deliver what you promise and do not promise what cannot be delivered. It is better to say you will deliver in one week than promise every day to deliver tomorrow - the customer is only once disappointed - not 5 times.

A business cannot exist without customers, an *IS* department does not exist without users - although many D.P. departments have given the impression they would prefer to!

4.   Productivity through People

Skilled *IS* people are a scarce resource, as turnover figures prove. Hence, they are the critical factor in achieving success in *IS*, and an asset to be developed.

The motivation of the people is crucial and the organisation must balance people's need to belong and to be individuals. *IS* people in particular have dual loyalty - to their "profession" and the company and if the company does not appreciate their contribution, they will search for a company that will.

Managing a scarce resource means providing security, giving rapid feedback, investing in its development and training, respecting its needs and opinions and allowing freedom of expression of its talents.

Against this, organisations have been protecting their investments by increasing their resilience to staff turnover - by introducing methodologies/standards/rules etc with objective of increasing productivity and quality of output or at least making it predictably consistent. Unfortunately, the objective is often misrepresented and is seen as satisfying the requirements of the methodology rather than overall productivity or quality appropriate to the business.

Methodologies and rules do not improve productivity or quality - people can and do given the right motivation - using the methods and rules where they help.

5. Hands on - Value driven

IS (historically D.P.) is a renowned, obtrusive cost centre which due to the indirect nature of its objectives (efficiency and effectiveness) has normally had little direct profit motive.

Hence, objective measurement of its contribution to profitability has been difficult and at best is often the subjective view of management.

Adapting from Oscar Wilde - a D.P. manager is someone who knows the cost of everything and the value of nothing!

There has been an obsession with measuring the internal performance of D.P. departments, rather than assessing the business contribution or user satisfaction with services. Improving programmer productivity or average response times are important, but can be achieved by selecting favourable D.P. approaches rather than satisfying users real requirements. "Backlogs" are reassuring for the D.P. manager, but are they good for the company?

Satisfying business requirements as expressed by users are the real signs of an excellent *IS* service and this search for a value driven contribution should not be forsaken during technology or resource driven crisis. Users will appreciate the real problems more if they value the contribution that is being made.

Many D.P. managers have become isolated from the users and even their own staff because of the stresses of the job! Nothing is really learned sitting in an office and problems cannot be resolved in isolation. The key to being an informed D.P. manager, able to influence events, is to adopt the approach of "Management by Walking About" (MBWA), to ensure users needs are being met by the best available methods.

6. Stick to the Knitting

The basic message here is to do what you do well and let others do the same. Build on one's strengths first!

Due to the relative isolation of D.P. staff and the highly skilled nature of the tasks, distinct specialist expertise has been established regarding the storage and processing of data - not in how to use information, make decisions, use images/graphics, process text or automate offices. The lack of knowledge here could unite users and *IS/IT* professionals in seeking the best solutions and methods - but not if the professionals pretend to know what's best.

The *IS* professionals are not experts in the new areas of *IT* use - but they can help, especially in the avoidance of stupid mistakes, learned from D.P. development. Criticism of users' tentative steps towards implementing I.T. themselves is not constructive - the "computer" is a business tool not the exclusive property of a self-declared specialist group! And the business has to learn how to use it, not just the specialists.

Specialist groups should strive to achieve excellence, as perceived by its "customers", in what it has a franchise to do - then those customers may demand the franchise be extended to include new "products" and "Services", rather than feel they can do it better themselves - because of existing poor services from D.P.

Evolution not Revolution! etc, etc.

7.   **Simple Form - Lean Staff**

Some basic rules:

(i)   Matrices inhibit innovation

(ii)   Staff Roles increase bureaucracy and reduce the bias for action

(iii)   Organisational inertia increases exponentially with the number of levels in the structure

Due to the rapidly evolving nature of *IS* and exceptional rates of personnel turnover, *IS* organisations need to change faster than most. Different parts of the organisation need to be structured and managed differently - to cause innovation in some areas or to provide control in others. There is a need for multi-skilled teams - potential matrices - but these should be task/objective based, not established for purposes of general co-ordination.

In general it is best to expand the spans of control, not the levels in the organisation - to provide necessary flexibility and to motivate the people to behave responsibly. "Defensive" organisations have often evolved in D.P. - deep structures and staff co-ordinators - but to defend against what or whom?

8.   **Simultaneous Loose-Tight Principles**

Not a case of Montezuma's revenge!

Core values and standards must be carefully guarded - but, wherever possible

delegate responsibility and authority. Rules should be positive - what to do, not what not to do.

In this way *IS* can establish the appropriate interfaces with users - who will be at different stages of development, requiring different services and methods of access to technology and resources. Accountants, Marketeers and Production people have intrinsically different attitudes to the business and the use of *IS* services. Presenting the same face to each is likely to result in different responses!

Consequently, the organisation must be flexible in its attitudes to different users at the same time and change that attitude as users' experience evolves - experimental, entrepreneurial, consolidating, controlling etc as required. But Key values, especially regarding the *IS* people and their future must be clearly stated and sustained, for all users to understand and respect.

A FEW CONCLUSIONS

The "Search for Excellence" has been dismissed as commercialised common sense! Even Peters & Waterman admit it contains little that is new or revelationary, but there is evidence that common sense does not alway prevail when it comes to management and the management of *DP/IS* is no exception. All *DP/IS* departments could do better and probably should - if common sense, observed from successful companies, makes sense then trust it and apply it.

The implications for *IS* in the future are:

- be more adaptable to the changing role in the organisation.

- be innovative in the approaches taken to satisfy business needs.

- try to increase the capability of the organisation to use *IT* <u>and</u> also the quality of services provided to the users.

- the technology can best be "harnessed" to the organisations needs by releasing user resources (overcome limited resources), expertise (they will innovate more) and energy (action bias).

Key objectives of the *IS* organisation become

- to educate users to define their own information needs and identify opportunities.

- to manage data and communications systems to deliver information.

- to provide technologies, tools and skills to quickly and directly enhance business performance.

- to develop and sustain resource critical applications requiring specialist expertise.

- to develop strategies and plans that enable divergence and extension of I.T. use, but also exploit technology convergence.

IS organisations in the past have tended to learn the hard way from their own failures – why not learn from success elsewhere if you can?

If you want to know more – read the books!

POSTSCRIPT

A new book is now available:

"A Passion for Excellence – the Leadership Difference"
by Tom Peters & Nancy Austim (Collins 1985) £12.95

This continues the story, focussing on the people management issues, citing an endless string of examples of success and excellence based on highly developed corporate and individual value systems. It also presents ideas on actions managers can initiate to learn from the recipes for success that the authors describe.