CHAPTER 2: THE CONCEPT OF GLOBAL COMPETITIVENESS - BEING *"WORLD-CLASS"*

2.1. Introduction

As indicated in the preceding chapter, the world has become increasingly complex and turbulent, and a new world order has emerged in which every business organisation is striving to become globally competitive. To become globally competitive, business organisations focus on satisfying the customer by providing high-quality products at competitive prices. It is, therefore, argued in this chapter that customer satisfaction determines the structures and all processes of *"world-class"* organisations. This implies that *"world-class"* organisations are built on quality systems and sub-systems, supported by an infrastructure and culture designed to ensure customer satisfaction. In one way it is the design of the processes and systems coupled with the supporting infrastructure and culture that determines the efficiency and effectiveness of an organisation.

The questions that arise are: how does a *"world-class"* organisation design its systems and how can an organisation evolve as a global competitor? In answer to the posed questions, the concept of global competitiveness - being *"world-class"* was explored and the characteristics of a *"world-class"* organisation were discussed in detail. In the process, it was indicated how globally-competitive organisations design their systems and processes, and how an organisation could evolve as a global competitor.

2.2. The meaning of *"world-class"*

The meaning of *"world-class"* is reflected paragraph 1.1. It is clear that *"world-class"* organisations aim at producing high-quality products at competitive prices. Slabbert, Theron and Roodt (2001:2) further add that *"world-class"* organisations benchmark their performance against the world's best organisations; an aspect that enables them to reposition themselves and dominate world markets. Global market dominance means that organisations are able to attract as many customers as possible throughout the world.

Indeed, Parker (1998:11) observes that a '*"world-class"*' business focuses on the customer in the first place. It is this focus that translates into profitability, a necessary condition for any business existence.

Customer focus means that the business strives to meet the customers' needs. Against this observation, Manning (1991:4) asserts that the entire business system of a *"world-class"* organisation is structured in a way that empowers its employees to render the high quality products and services demanded by the customer. In line with Manning (1991:4), Vroman and Luchsinger (1994:76) indicate that globally-competitive organisations are supported by several integrated quality systems and an infrastructure responsive to most customer and competitive demands.

In order to respond effectively to customer and competitive demands, *"world-class"* organisations are guided by customer-centred strategies, which are formulated, effected and directed by visionary leadership (Prescott, 1995:19-30). Prinsloo *et al* (1999:14-15) also state that organisations' delivery systems (the organisations' fabric and employment relations management systems) have to be and should remain customer-centred. To ensure that the systems serve the customers, they (systems) and their performance are continually benchmarked against the world's best. Further more, *"world-class"* organisations ensure that a common understanding and behaviour among all its people is created to guide them as they develop and implement customer-centred processes and systems. Thus the organisations develop a unique culture shared by all its people.

Against the above scenario the characteristics of a *"world-class"* organisation will be discussed under the following headings:

- strategy;
- leadership;
- delivery systems;
- benchmarking and business results; and
- corporate culture.

2.3. Characteristics of "*world-class*" organisations

2.3.1 Strategy

A strategy is an integrated management plan designed to achieve the ultimate goals of an organisation (Swanepoel in Slabbert *et al*, 1998:7/8). According to Porter (1996:68) a strategy is the creation of a unique and valuable position involving a set of activities different from those of rivals or competitors. A company's strategy reflects its present and planned objectives and methods to accomplish such objectives. Thus strategy refers to a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organisation with markets, competitors and other environmental factors that give the organisation a competitive advantage over the others. Prinsloo (1999:17) adds that strategies are a pre-requisite for achieving goals in a business organisation. Therefore, because "*world-class*" organisations aim at securing competitiveness by focusing on the customers, they formulate and implement customer-centred strategies as discussed in paragraph 2.3.1.1.

2.3.1.1 "*World-class*" companies develop customer-centred strategies

A customer-centred strategy is designed to satisfy the needs and expectations of the customers. From a "*world-class*" perspective a customer is any person or body that holds a stake in the organisation. Prescott (1995:19) observes that customers may either be internal or external to the organisation. Whilst internal customers refer to all employees and people within the organisation, external ones are the traditional customers or clients who may consist of the community and any other individual stakeholders outside the organisation. A customer-centred strategy is thus designed to meet the needs and expectations of both internal and external customers.

In order to meet customers' needs and expectations, customer-centred strategies align all processes and systems with customer needs. According to Prinsloo *et al* (1999:22) aligning organisational processes and customer needs implies that a customer-centred strategy emphasises and directs the organisation towards:

- the creation of a vision, commitment and climate ensuring customer satisfaction;
- quality assurance processes;
- the creation of an information system to analyse customer needs;
- commitment towards identifying and eliminating customer problems;
- reaching out to customers;
- empowering all employees;
- continuous improvement of processes; and
- meeting customer needs and demands.

All the above aspects of a customer-centred strategy are discussed under the following headings.

- **Meeting customer needs, demands and expectations**

Customer needs and demands continuously change. Based on this fact, Prescott (1998:20) observes that *"world-class"* organisations listen to their customers and respond quickly to their changing needs and expectations. In order to respond appropriately, customer-centred strategies provide for the establishment of an elaborate customer information system to collect information pertaining to customers' needs.

The collected information is analysed and used to initiate the design of new products as required by the customers, to measure customer satisfaction and to redesign products (Prinsloo *et. al*, 1999:21; Vroman and Luchsinger, 1994:119). Designing and redesigning products for customer satisfaction requires that a customer-centred strategy makes allowance for market research. By providing for market research and customer surveys, customer-centred strategies enable *"world-class"* organisations to identify customers' present, future and unfulfilled needs.

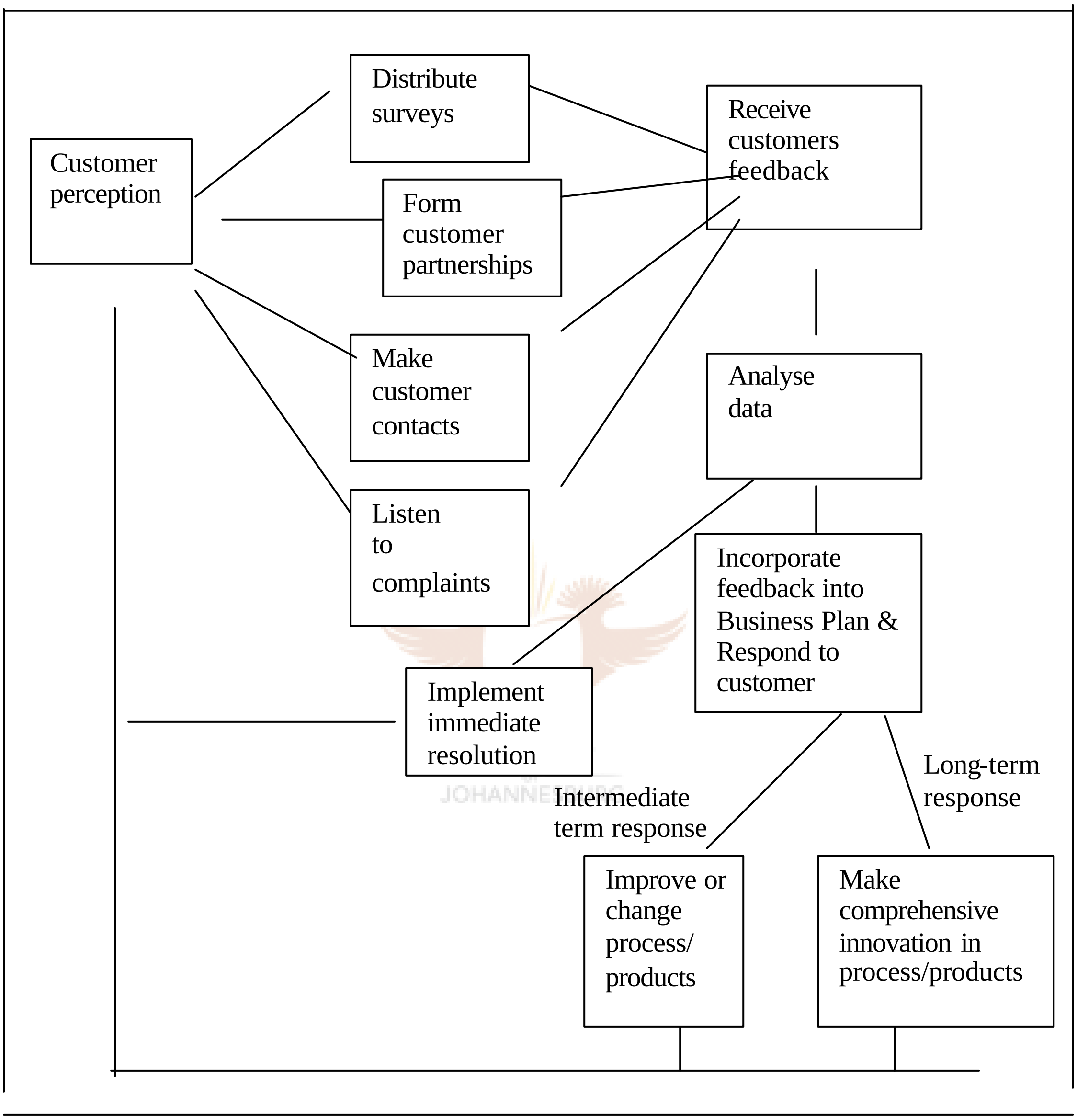
Through market research, *"world-class"* organisations are able to find out:

- the reasons why customers buy from them and not from their competitors;
- what customers think about the quality and the reliability of the products/ services in relation to those of their competitors;
- why their potential customers could prefer competitors' products/services and not theirs;
- how the internal customers (employees) feel about their work and the way they are managed;
- how the local community perceives the organisation in relation to safety, environmental issues and their involvement; and
- how the company’s position on ethical matters is perceived by organisations that advise investors (Prescott, 1998:21).

It is evident from the above questions that *“world-class”* organisations use the information system to establish customer needs, gather information on customer trends and competitors; and obtain regular feedback from their customers (see figure 3). In fact, answers to these questions are bound to enable organisations to meet their customers' needs and win the competitive *“battle”*. This is because such organisations:

- maintain close contact with their customers and use every opportunity to determine customer needs, expectations and concerns;
- take positive action to ensure that their customers' needs and expectations are fully met or exceeded;
- are able to find out what it is their competitors are doing well, and then use this information to improve their own performance; and
- empathise with, and understand their customer, ensuring that the collected information is relevant and up to date. This ensures that the right products are produced and sold to the customers who actually need them.

Figure 3: A customer response system



Source: Vroman and Luchsinger (1994:123)

It is evident from figure 3 that *"world-class"* organisations react to their customers' perceptions to ensure that their needs are met. All information received from market research is analysed by the appropriate units. An immediate response/resolution is implemented if the situation demands so; and the rest of the information is incorporated in the planning system for long-term response.

Vroman and Luchsinger (1994:122) note that the intermediate term response improves the processes/ products; and the long-term response leads to permanent changes in terms of comprehensive innovation in the processes/products as required by the customer. But customers' needs and expectations may not be met unless the strategy directs the organisation towards the creation of a vision that elicits employee commitment towards customer satisfaction as discussed below.

- **Vision, commitment and climate for customer satisfaction**

A vision is an organisation's long-term goal describing what it wants to be. The vision not only provides a picture which the organisation strives to achieve, but it also directs the activities of the organisation towards the implementation of strategies designed to achieve the stated vision (Slabbert and De Villiers, 1998:74; Lewis, 1997:4 Kotter, 1995:72).

Therefore, since *"world-class"* organisations aim at being globally competitive through the satisfaction of their customers, they adopt a clear business vision as part of the customer-centred strategy. It is this business vision that directs employees towards quality production. But Prinsloo *et al* (1999:22) observe that , it is only a well-understood vision that can guide or direct the employees. In this regard, *"world-class"* organisations ensure that employees understand and are committed to the Business Vision. Sujansky (1991:55) asserts that employees' commitment can be secured by involving them (employees) in the process of setting goals and pursing them collectively.

If the desired climate for customer satisfaction is to be achieved, Prinsloo *et al* (1999:22) contend that the commitment must pervade all levels of the organisation, aligning all organisational systems towards customer satisfaction. This requires the use of quality assurance processes as discussed below.

- **Quality assurance (QA) processes**

Quality assurance implies using certain methods to ensure pre-defined standards of quality. It focuses on methods and tools that ensure quality products as demanded by the customer. To ensure that a customer is provided with what he/she demands, customer-centred strategies make allowance for formal quality assurance processes. Such processes are supported by teams and individual employees in all five quality systems of an organisation viz; partnership system, benchmarking system, product and service design system, people system and the integrated core technology (Vroman and Luchsinger, 1994:131). Each of the five systems contributes information that leads to quality production as illustrated in table 1.

Table 1: Contribution of the five systems towards an organisational quality plan

SOURCES OF INFORMATION	INFORMATION CONTRIBUTED TO QUALITY PLAN
Partnership System	Teams associated with supplier and customer partnerships are the source of important external information. Audits, surveys, and observations are part of the regular activities of these teams. Information obtained is used to improve quality of the products.
Benchmarking System	Benchmarking teams generate information on processes in every part of the organisation. Information from benchmarking exercises can result in a) challenging objectives for internal units, or b) a challenge to completely reengineer processes and improve quality of products.
Product or Service Design System (R&D)	Teams of design and manufacturing engineers with suppliers and customers characterise the system. Data from market segmentation analysis, competitive analysis and benchmarks all feed the system. As teams progress through development, information is provided to these databases. In addition, audits of the system add to strengths and weaknesses input.
People System	The team infrastructure runs throughout the organisation. Some teams undertake continual improvement activities within core units. Other teams undertake large-scale cross-functionals strategies for the organisation. Teams undertake surveys, benchmarks, testing, and segmentation analyses to add data to the portfolio, to competitive and to strengths & weaknesses databases of the organisations. Teams are an integral part of solving the on-going issues in improvement processes.
Integrated Core Technology	An increasingly flexible core technology results from closer integration of components due to partnerships, computer intelligence, and human integration. The effectiveness of all the systems is indicated by the product/service success in satisfying customers.

Source: Vroman and Luchsinger (1994:131)

Because quality is embedded in each of the systems as reflected in Table 1, the final product/service of a *"world-class"* organisation leaves the production line with quality already designed, built, inspected, fixed and *"educated"* in (Prinsloo *et al*, 1999:22; Vroman and Luchsinger, 1994:98). In fact, the philosophy behind a *"world-class"* organisation emphasises a designing-in and building-in quality as opposed to more inspecting, fixing and *"educating"* quality into the product as done in traditional organisations. This contrast between a *"world-class"* organisation and a traditional organisation is further illustrated in table 2.

Table 2: Quality efforts by traditional and *"world-class"* organisations

	TRADITIONAL ORGANISATIONS	***"WORLD-CLASS"* ORGANISATIONS**
	Strategy: Low cost through economies of scale	**Strategy: Quality leadership in the marketplace**
Design-in	This company is under pressure to match a competitor's product or service quality. Customer requirements are given to the unit by marketing. Finished design is given to suppliers and manufacturing to do their engineering.	The company has its hands on the pulse of the buying public and utilises customers in design teams to confirm the product reflects customer needs. Suppliers and manufacturing personnel are partners in the concurrent design process.
Built-in	Production engineers get products' design specifications. They design a process that melds those products specifications with available parts from low costs suppliers.	Concurrent engineering results in both product and process design. Engineers work together to ensure quality is built-in through good process design.
Inspect-in	Costs and time considerations result in modest product and process design. Quality pressure increases on inspection to pick up quality errors. Extensive quality assurance departments work to raise the quality of the product.	Partnerships in the design system increase the quality and the reliability of the product. This emphasis results in designing-in quality and minimises inspecting, fixing, and "educating" quality into the product.
Fix-in	Fixing, or reworking, is an important strategy. Quality is measured by meeting specifications. The assembly line is driven by an objective of lowering cost. Fixing products or redoing services is often cost-justified.	Problem-solving teams, with trained front-line employees, are used to finding root causes of defect in the production process increasing the quality built-in and decreasing the need to fix-in quality.
Educate-in	Marketing and Public Relations try to get customers to buy the product or service. It might require doing whatever it takes to make customers buy. The feeling is that increasing final inventories or returned products result from inadequate marketing or poor advertising.	All front-line personnel, including Customer Service and Marketing, concentrate on transmitting the company's quality message and helping customers expand their enjoyment of the product or service.

Source: Vroman and Luchsinger (1994:96)

- **Continuous improvement of processes**

The demand for quality products and services dictates that organisations continuously upgrade their technology and processes. It is only through continuous improvement of processes, products and services that customer expectations may be met adequately. In this regard Go and Pine (1995:246-247) observe that *"world-class"* organisations continuously improve their services by defining their market segments and consumer expectations. This means the appropriate customers to be satisfied and what is to be satisfied (customer expectations) are identified. The manner in which customers are to be satisfied (medium of technologies) must also be identified. Whilst segmentation identifies the organisation's customers, research sheds light on their expectations. Based on the customers' expectations, processes and products are improved to meet the expected standards and expectations.

Go and Pine (1995:247) further note that the identified expectations have to be communicated and demonstrated to frontline employees with passion. Organisations which demonstrate to their front-line employees a passionate belief in acknowledging consumer expectations, stand a better chance of gaining a competitive advantage over those which do not.

- **Empowering all employees**

Customer-centred strategies direct the organisation towards equipping the front-line employees with the ability and authority to deal with problems as they occur during the course of production. In this regard front-line employees have to be trained to assume more responsibility and manage their roles with authority. Prinsloo *et al* (1999:23) assert that every employee should have an understanding of the possible interactions between customers and business processes; and should work continuously to improve processes, products and services.

Against the above scenario, it can be argued that investing in people and technology is one of the aspects of a customer-centred strategy. This means that all employees in a company, irrespective of their level, must be empowered to use their judgement in taking quick action aimed at contributing towards customer satisfaction.

It is evident from the contents of paragraph 2.3.1.1 that by designing and implementing customer-centred strategies, *"world-class"* organisations give their customers value for their money. The customer response systems (see figure 3) enable them to anticipate and respond effectively to customers' changing needs. It is, however, imperative to note that a close relationship exists between the external customers and the people/ employees in the organisation. Employees are always in direct contact with the customers and are responsible for the customers' satisfaction.

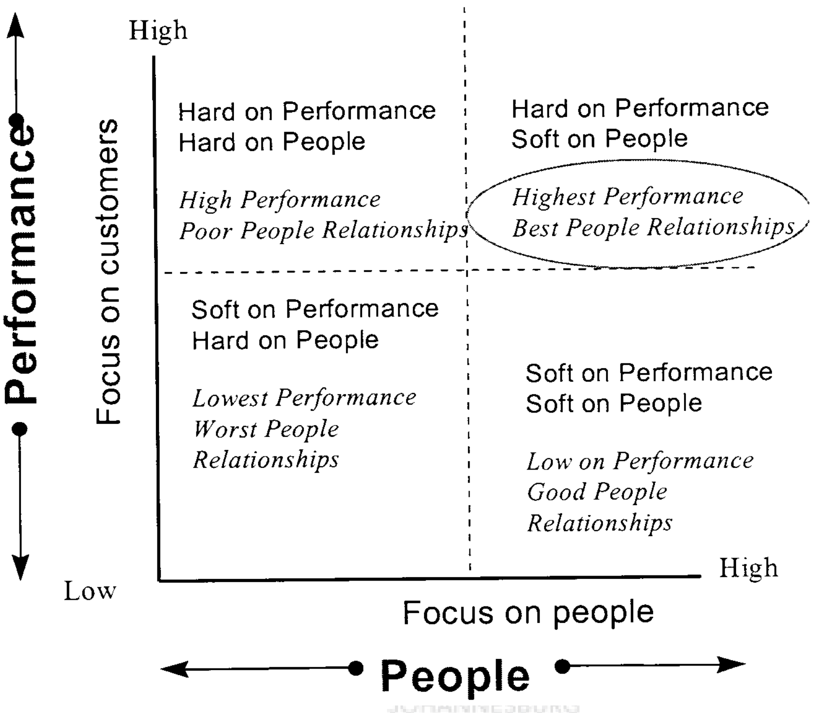
A satisfied employee is therefore bound to satisfy the customer too. Parker (1998:70) notes in this regard that if employees feel good about themselves and the organisation, such feelings will manifest themselves in the way customers are treated.

What the above implies is that customer-centred strategies are designed to cater for the needs of both the external customers and the people within the organisation. Therefore apart from meeting and exceeding the needs of the traditional customers, strategies must also ensure that:

- the work-place is safe and enhances employees' well-being;
- employee satisfaction, continual growth and development are assured;
- employees are appropriately rewarded for their work; and
- that their social and economic needs are also taken into account.

But satisfying the work-force or employees does not mean being lax on their performance. Indeed William's (1997) ideal model of People Management as reported by Parker (1998:73–74) advocates maximum focus on people and customers while at the same time ensuring highest performance and best People Practices as illustrated in figure 4.

Figure 4: Correlation between Williams' hard/ soft models and the Customer and People Focus Quadrant



Source: Parker (1998:74)

It is evident from figure 4 that the combination of being *"Hard on Performance"* and *"Soft on People"* is the ideal formula for organisations embarking on the journey to becoming *"world-class"*. This is because strategies formulated and implemented in the context of the other three management models are bound to fall short of either enhancing performance, good people relations or both aspects (see figure 4).

It is essential to note that though customer-centred strategies direct the organisation's actions towards the fulfillment of customers' needs and expectations, no strategy can be achieved without its translation into the policies, structures, processes and procedures of the business organisation (Rhinesmith, 1996:59). The success of the business depends on how well these elements are integrated into effective customer-focused Business Systems. This requires a type of leadership, which is also customer-centred as discussed in paragraph 2.3.2.

2.3.2 Customer-centred leadership

Prescott, (1998:15) defines a customer-centred type of leadership as one which is flexible and supportive. Customer-centred leaders therefore have the capability to respond flexibly to changing business circumstances as they try to create a company ethos and strategies that are customer-centred (see paragraph 2.3.1.). Prescott, (1998) further notes that customer-centred strategies enable managers to manage, train and to empower their employees to participate effectively in the process of achieving the quality objectives of the organisation.

From the above it can be seen that establishing a clear and successful customer-centred strategy is primarily an organisational task, which cannot be executed without good leadership. Customer-centred leadership is therefore about creating conditions where employees can perform to their potential in a manner that makes the leader, those being led and their company feel comfortable. The onus is upon such leadership to create a customer-centred vision for the company and then articulate, it so that the employees believe in it.

But Porter (1996:77) asserts that there are normally several forces acting against an organisational strategy. In such circumstances, therefore, the success of an organisation depends on a clear intellectual framework to guide the identified strategy and nullify the opposing forces. It is the responsibility of the organisation's leadership to provide such a framework. The above implies that customer-centred leadership goes far beyond management orchestrating operational improvements in a company. It also indicates that management has to promote teamwork and close cooperation with suppliers, remove barriers and mistrust between organisational stakeholders, and involve the organisation in the local community. Porter (1996:77) adds that the Leadership has to define and communicate the Company's unique position to the employees. Decisions must be made concerning the activities a company should trade off in favour of activities that would spur it on into a competitive mode. Leadership also has to make decisions regarding the integration of all company activities in order to create a strategy that cannot be imitated by competitors.

On addition to the above, customer-centred leadership has to direct and influence the workers, and get them to perform all activities related to the identified strategy. Rhinesmith (1996:59) notes that leaders establish the proper atmosphere to assist each of their followers to optimise their potential. customer-centred leadership thus is all about creating a customer-centred vision for the organisation, articulating it to the employees so that they can believe in it and then implement it successfully to ensure that customers' and stakeholders' needs and expectations are fully met. Such leadership can also project several years ahead to determine the organisation's direction, and then align the organisation to ensure that configurated individual activities/components are in position to achieve the organisation's mission/vision (Wickens, 1995:93). Customer-centred leaders therefore are also visionary.

Apart from being visionary, they are bold and nurse a sense of urgency within themselves. Boldness and urgency here imply taking calculated risks, breaking away from the traditional ways of people management and acting faster than potential competitors. Manning (1991:73) indicates in this regard, that a leader who gets to the market late is bound to suffer a penalty in terms of branding, customer awareness, market share, costs and profits. Prescott (1998:17) adds that to break away from traditional ways of People Management, customer-centred leaders:

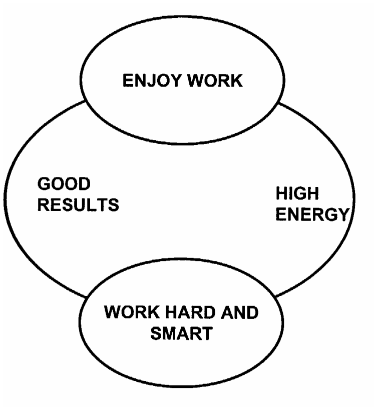
- ensure that all employees are conversant with the Company's mission and key objectives;
- support and show by their actions that they are committed to customer-centred strategies;

- insist on people accepting personal responsibility for satisfying the needs of their customers;
- provide the tools, information, training and authority for people to participate in improvement and innovative activities;
- encourage recognition and reward for exceptional performance; and
- ensure that a code of ethics is enforced throughout the organisation.

Leaders should also be capable of building cordial relationships with their subordinates/ employees. The leading function is all about interacting with people. It is therefore vital that Leaders master the techniques and skills of building interpersonal relationships based on the philosophy of respect for human dignity. In this regard Van der Bank (1994:83) asserts that building relationships is an important task of a leader because it determines the level of contentment and satisfaction of employees in the organisation. Therefore, the greatest challenge for a customer-centred leader is to balance the friendly aspects of being pleasant, personable, likeable and interesting with the company aspect of competitiveness. It is this balance that makes the organisation achieve a peak-to-peak performance, making it globally competitive.

"World-class" leaders lead by example. Such leaders are imbued with high energy, are excited about their work and show their enjoyment of it. This in turn is contagious to their followers who also become excited and committed to their work, resulting in what Tompkins (1995:60-61) dubs the Cycle of Peak Performance as illustrated in figure 5.

Figure 5: The Cycle of Peak Performance



Source: Tompkins (1995:60)

Peak performance is no doubt due to the commitment, which customer-centred leadership elicits from all the employees, to work towards achieving the Organisational Strategy. Rheeder (1995) indicates that employee commitment is cultivated through the leaders' ability to develop them (employees) in such a manner that self-control replaces externally imposed control characteristics of traditional Management. It can, therefore, be maintained that customer-centred leaders lead by eliciting commitment from employees as opposed to the use of the control paradigm. In table 3 the differences between the Management Control Paradigm and the Participative Commitment Paradigm are given.

Table 3: Differences between management paradigms.

Control Paradigm	**Commitment Paradigm**
• Expects compliance	• Encourages commitment
• Believes supervision is necessary	• Believes continuous learning is necessary
• Focus is on hierarchy	• Focus is on customers
• Biased towards functional organisation	• Biased towards process-based organisation
• Manages according to Policy	• Manages according to Principle

• Favours audit and enforcement process • Selective information sharing • Emphasis is on means to an end • Encourages hard work • Status is important.	• Favours trust and a climate for innovation • Consultation and shared decisions • Emphasis is on ends: "moments of truth" • Love for people: encourages balance • *"No holy cows*" continuous improvements.

Source: Walton in Parker (1998:22)

While traditional managers normally resort to the Control Paradigm, customer-centred leaders adopt the commitment paradigm. The differences between traditional management and customer-centred leadership are further illustrated by Johnson (1993:60) in table 4.

Table 4: Differences between a leade r and a manager

Leader	**Manager**
• Gains power through his/her actions and personal relationships • Found throughout the organisation • Has followers who desire to be on the team. • Depends on people for success • Provides vision in terms of *"the real benefit to you is…"*	• Relies on positional power • Found in the organisation's higher echelons • Has subordinates who have been assigned to him/her • Depends on the Systems for success • Uses the *"this is your job …"* approach

• Has self-conceived goals to better the organisation • Strives to change the organisation to best meet needs as they perceive them • Often views rules and procedures as bureaucratic red tape • Works for results • Works through people	• Attempts to meet the goals provided by the organisation • Works to maintain the organisation's *status quo* • Views rules and procedures as a necessary control to provide order • Follows orders • Works with charts and computer print-outs

Source: Johnson (1993:60)

Johnson's (1993) comparison is in line with the Central Training Units (CTU)-Applied Research Units (1995) comparison. CTU dubs the differences between traditional Management and *"world-class"* leadership practices as sheep-herding versus shepherding respectively. These differences are illustrated in table 5.

Table 5: Sheep-herding versus Shepherding

	Sheep-herder	Shepherd
Techniques	— directing	— developing
Work focus	— the flock itself	— the flock's surroundings
Location	— behind the flock	— in front of the flock
Purpose	— move the sheep	— create other shepherds
Methodology	— barking and heel-nipping	— clear the path
Result	— creates dependence	— create self-reliance

Source: Central Training Unit (CTU) Applied Research Unit (1995)

It is evident from CTU's and Johnson's comparisons that the biggest challenge facing the customer-centred leader is to create business systems that meet the needs of the customer. This requires a guiding star in form of a customer-centred vision.

2.3.2.1 Creating a customer-centred vision

A vision has been described as an organisation's long-term goal describing what it wants to become. A customer-centred vision is a realistic attractive future for the organisation. It projects the way the organisation wishes to treat its customers in order to be the best organisation in the world. Through such a vision the organisation defines what it wants to attain in terms of providing the best as well as cheaper products as demanded by customers. When employees buy into the vision, it acts as a guiding star; giving them a sense of direction, a sense of destiny as they move towards the ultimate goal. The vision thus provides the emotional and intellectual energy for the organisation's movement into the future. Collins and Porras (1997:220-221) note that a well-conceived vision consists of two major parts: a core ideology and an envisaged future. Whilst a core ideology refers to the character of a business organisation that is consistent through time, an envisaged future refers to a time not yet realised by the business. It is the dream, the hope or aspiration that an organisation envisages to attain in the long-term.

Sharing a core ideology bonds the business organisation together as it grows, decentralises, diversifies, expands globally or as it attains diversity with itself (Collins and Porras, 1997:221). Indeed any effective vision must have a core ideology. A core ideology has two building blocks: core values and core purpose (fundamental reason for being) or the mission. A business' s core ideology, thus, is the same as its culture.

Parker (1998:39) and Marquardt (1999:65) contend that if a company's vision is to be realised, employees at all levels, customers, partners and shareholders should be given the opportunity to contribute to the core ideology and the envisioned future. Stakeholders who take ownership of the organisation's vision will work jointly in pursuit of that vision. According to Lewis (1997:9) such a shared vision channels all the workers' energy towards accomplishment of what company leadership wants the organisation to represent. It also inspires commitment from all members to work hard towards the envisioned tomorrow. In addition to identifying a new tomorrow, a shared vision provides the framework that guides all decision-making, planning and action.

Porter (1996:72) reinforces the necessity of every employee in a *"world-class"* company being aligned with a shared vision. According to Porter (1996) a vision:

- clarifies the general direction for change. This makes it simpler to make the numerous decisions needed, since every decision is made in light of whether it is in line with the stated vision;
- motivates all members of an organisation to act in a manner designed to make the stated vision attainable; and
- serves as the guiding light to co-ordinate the actions of different people from different backgrounds in a quick and efficient way.

The above implies that a clear customer-centred vision enables employees to figure out what to do with regard to meeting customer needs without constantly checking with their superiors or peers.

Customer-centred strategies and customer-centred leadership have been discussed as major characteristics of *"world-class"* organisations in the preceding paragraphs. Implementing a customer-centred strategy does not only need capable leadership but it also requires appropriate systems to support it. In this regard *"world-class"* organisations are also characterised by systems that enable them to deliver what customers expect. The question that now arises is: how do *"world-class"* organisations manage to deliver the services and products expected of them by the customers? To answer the posed question the delivery system of a *"world-class"* organisation is discussed in paragraph 2.3.3.

2.3.3 A "*world-class*" delivery system

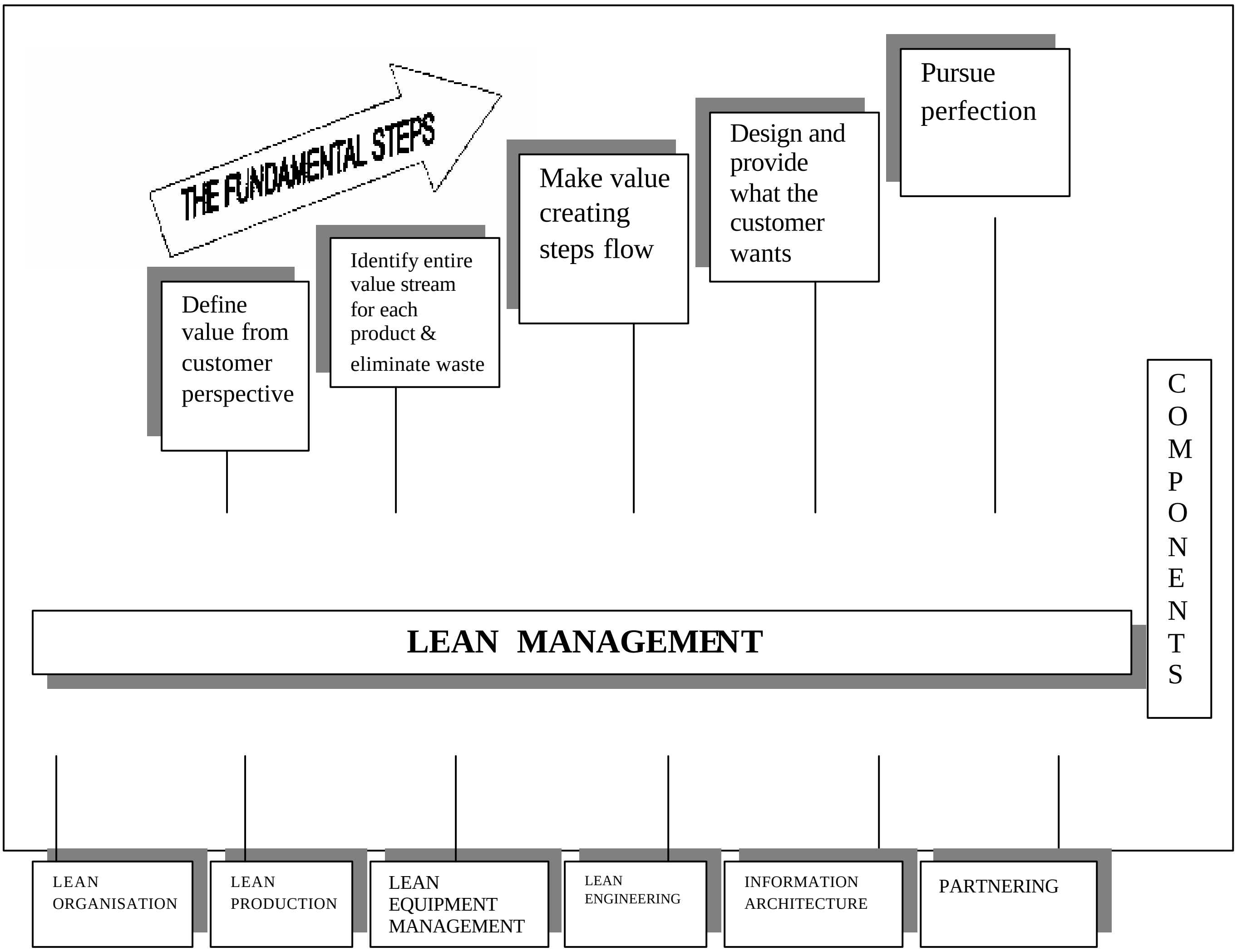
A Delivery System refers to the *hardware* (organisation fabric) and the *software* (Employment Relations Management) components of a "*world-class*" organisation. It is this Delivery System that enables management processes to render a service or deliver a product to the customer. While the organisation's fabric entails all structures that help in the production of goods and services, employment relations management deals with the people element of the organisation. Therefore, in order to understand how "*world-class*" organisations succeed in rendering the best products/ services to the customer, the fabric of a "*world-class*" organisation is explored in paragraph 2.3.3.1.

2.3.3.1 The organisational fabric

Prinsloo *et al* (1999:23) define organisational fabric as the hardware in which lean management takes place. Lean Management refers to a system of management where organisational leadership and management set out to improve the efficiency of all the systems in the organisation by avoiding waste of organisational resources and unnecessary inventory. Such a system is supported by the organisation's strategy, structure and strength. While strategy refers to the strategic intent of the company, structure refers to how the business' internal and external relationships of the business are arranged. On the other hand, strength refers to organisational capabilities or step-by-step production and support routines mastered by the organisation.

Organisational fabric, therefore, refers to the management of all the components which constitute the structure of an organisation and the key fundamental steps that can be used to implement the lean management concept as illustrated in figure 6.

Figure 6: Management of the organisation fabric



Source: Prinsloo *et al* (1999:24)

In order to ensure successful lean management, the strategy, structure and strength of the organisation must focus on making the production processes better, cheaper, quicker and easier for the customer. The role of a customer-centred strategy and leadership has already been discussed in paragraph 2.3.1.1 and 2.3.2 respectively. In the ensuing paragraphs therefore, the lean organisational structure and the process of becoming lean/

team-based organisation is discussed. Partnering relationships and information architecture as components of a lean management structure are explained.

(a) The Lean organisational structure

A lean organisational structure consists of interlocking teams (networking teams). Lean organisations therefore are also team-based. The use of empowered teams eliminates organisational bureaucracy; and increases the organisation's efficiency and responsiveness to market conditions.

McLagan and Nel (1995:83) indicate that team-based structures enable horizontal employee interaction. Kreitner and Kinicki (1998:412-413) add that participation in such a setting is possible because employees are given the latitude to set their own goals or priorities, analyse and allocate duties among themselves, examine and re-examine their performance and where necessary take corrective measures. It is this form of employee participation that erodes hierarchy and organisational bureaucracy, creating a *"world-class"* organisation with an empowered work-force. Such a work-force has the following characteristics:

- a sense of common purpose about why the team exists and what its functions are;
- participates in the organisation's leadership;
- shares responsibility and feels as responsible as the manager;
- is future-focused and sees change as an opportunity for growth; and
- is creative as it applies individual talents and creativity in the execution of its work.

But developing and nurturing teams demand strong leadership, without which an organisation may not become team-based. In this regard Mc Dermott, Brawley and Waitte (1998:29) assert that the organisation's Senior Chief Executive should actively get involved in the process of team development. A need exists for Top Leadership to demonstrate its support and commitment to team-based structures. The question that now arises is: how does an organisation become team-based? This is explained below.

(b) The process of becoming a team-based organisation

Tompkins (1995:83-85) indicates the need to be conversant with the different types of teams as a starting point to understanding the process of becoming a team-based organisation. In table 6 the different types of teams, their objectives, composition (members) and frequency of meetings are illustrated.

Table 6: Types of Teams in a Team-Based Organisation

TYPE	OBJECTIVE	NUMBER of MEMBERS	FREQUENCY OF MEETINGS	OTHER
Steering team	To establish, communicate, and maintain focus on the Model of Success. Guide and support the leadership team.	5 to 10	Weekly until Model of Success and Leadership Team have been established. Then monthly.	Team should consist of Top Executive and key staff who direct reports representing a broad organisational cross-section. Team leader should be Top Executive.
Leader-ship team	To work toward Model of Success. Define, charter, orient, encourage, motivate, support, accept accountability for team. Ensure performance.	8-16	Twice weekly for first few weeks. Then weekly.	Workhorse of the team-based process. People on this team will be required to spend seven hours each week on the team process.
Commu nication team	To ensure that everyone in the organisation has a clear understanding of the Model of Success, the status of teams, and the organisation's status.	10-20	Weekly, with monthly communication forums.	Critical in assuring alignment and motivation. Information and understanding give power. The job is to speed information and understanding throughout the organisation.
Design team	To design or re-design the company by using a clean-sheet, green-field process of innovation and creativity to bring about significant performance improvements.	Varies depending on design team scope. Could be 3-4, or 10-20.	Varies depending upon design team scope, from three times daily to monthly.	Place where concurrent engineering and re-engineering efforts reside. Important element in becoming a '“*world-class*’” organisation.
Work team	To bring process of continuous improvement to life. To unleash the power of the people in the organisation.	6-9	Weekly	Need to understand differences between cross-functional & functional work teams. Cross-functional: work *across* organisation for cultural transformation. Functional: work *down along* organisation for performance improvement.

Source: Tompkins (1995:85)

Team-based organisations do not just *"happen"*. It takes careful planning and dedication on the part of the Leadership to assemble a committed group of influential people (the Steering Committee) to kick-start the process. During this initial stage, team members learn the ABC of communication and administrative procedures. The members focus on

Training and facilitating the operational decision-making efforts on the foundation laid by the steering committee as they embark on working towards a model of success. It is the responsibility of the communication team to ensure that everybody within the organisation understands the model of success, the status of the organisation and the team. In this regard, Osburn *et al* (1990:51-53) contend that the steering committee must come up with a mission statement to stimulate and focus the energies of all involved employees. The mission statement may express the need for continuous improvement, employee entitlement, bottom line results, competitive edge, customer satisfaction or social contribution as illustrated in table 7.

Table 7: Six kinds of mission statements

Purpose of the Transition	Sample Statement	Typical Effect of the Statement	Caveat
Continuous Improvement	"We're going to be a better company tomorrow than we are today".	Can help bring on an initial burst of energy	Must define "better" in measurable terms
Employee entitlement	"All our people deserve to share in the rewards of superior corporate performance."	Can foster efforts to please "benevolent" employer	Can lead to squabbles about who gets what
Bottom-line results	"We promise a 15 percent return to all who invest in our future."	Can appeal to the need for security	Narrow financial focus, may perpetuate autocratic management style
Competitive edge	"We will lead our industry into the 21st century."	Can build on the natural desire to be a winner	May arouse fears about losing.
Customer satisfaction	"We will meet the needs of our customers, work force and investors."	Can expand ongoing efforts to focus on the customer	Despair sets in if the company fails to meet the needs of the teams
Social contribution	"Our efforts will improve the lot of all humanity."	Can arouse patriotic or humanitarian zeal	Without specifics, can sound like platitudes.

Source: Osburn *et al* (1990:52)

Any team mission statement as illustrated in table 7 is informed by business conditions, employees' needs, prevailing attitudes and any other issues of importance to the company (Osburn *et al*, 1990:51). Once employees have accepted the mission statement, it is up to the steering committee to draw up the operational parameters or boundaries of the teams. According to McDermott *et al* (1998:32) parameter identification helps to:

- define the boundaries within which the teams have to operate;
- define a non-negotiable position that, among other things, states quality and quality requirements, time frame requirements, resource limitations, external or internal regulations; and
- defines the team's authority.

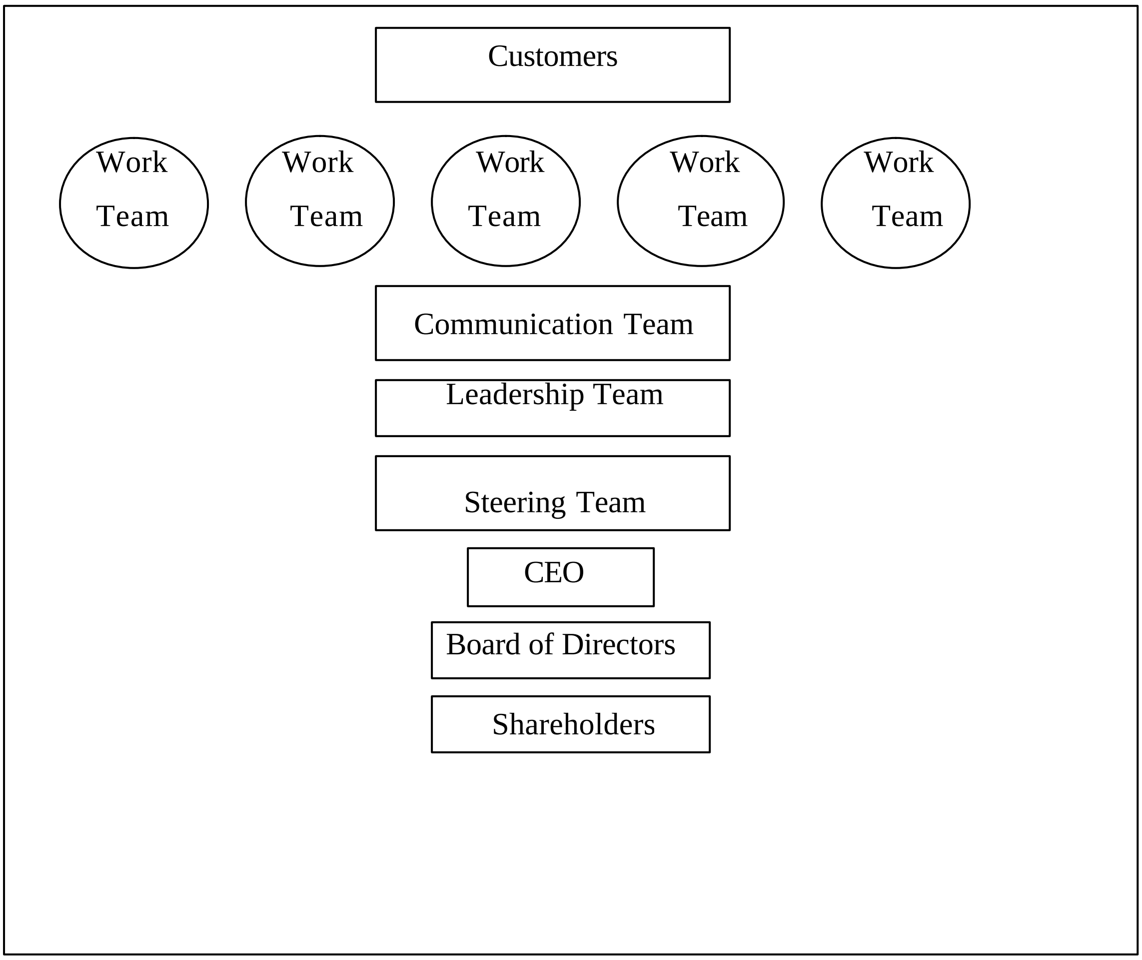
Osburn *et al* (1990:54) adds that it is critical to identify the operating parameters of each team because clear boundaries make the design team's work easier.

As soon as operational boundaries of each team are identified, and as soon as sites or areas of operation are identified, the steering committee can now appoint, train and empower the design teams(s). The design team consists of a selected group of managers, supervisors and employees from specific departments or sites. The team is charged with the responsibility of working out the basic requirements of the teams at specific sites with the purpose of bringing about significant performance improvements. It is also the responsibility of the design team to oversee the selection of work team members.

The formation of work teams is the ultimate aim of the process. According to Osburn *et al* (1990:23) it signals a stage of true employee self-direction. Once the teams have matured, they develop a powerful commitment to achieve corporate and team goals at all costs, even if it implies their own reconfiguration. In the words of the Vice President of an American Consumer goods company (Midwestern), this is the stage when employees on the floor start talking about world markets, consumers' needs, competitors' products and making process improvements - things which would have been the sole responsibility of managers in traditional companies (Osburn et. al. 1990:22).
After the process of team formation, it is essential that team members regularly acquire new skills, are assigned technical tasks, seek out to respond to internal needs, improve support systems, handle administrative duties and re-design work processes according to information received concerning contracts, competitors and external customers.

As teams handle administrative systems, design and redesign processes within the organisation, hierarchical structures naturally crumble, giving way to a lean organisation supported by team-based structures as illustrated in figure 7.

Figure 7: Team-based organisation structure



Source: Tompkins (1995:146)

But the lean organisation structure does not only lead to the demise of organisational bureaucracy. Prinsloo *et al* (1999:26); Vroman and Luchsinger (1994:83) note that the structure is also designed to:

- eliminate non-value adding work within the organisation by emphasising the production of only what is needed by customers through lean production;

- ensure efficiency, accuracy, easy machine operation and maintenance, readiness and equipment availability as Lean Equipment Management is implemented and ;
- ensure early resolution of design problems by jointly involving customers and suppliers into the design process.

Through the above three cornerstones of the organisational fabric, *"world-class"* organisations ensure a work-force capable of improving and creating flexible production systems. Such systems rapidly offer new products, as they are demanded by customers.

In the paragraph that follows, partnering as a component of a Lean Management System is examined.

(c) Partnering relationships

Partnering is one of the components of a lean management system. It refers to a set of conditions deployed to all stakeholders (employees, suppliers, customers) and society at large and is aimed at creating and maintaining the competitiveness of an organisation. Vroom and Luchsinger (1994:80-84) assert that customer and supplier partnerships in the product design process for instance, increases the degree of the product's sophistication, an aspect which contributes towards competitiveness. Partnering with suppliers and customers enables the supplier to know the specific requirements of the organisation. It also enables the supplier to know what the manufacturer is getting. On the other hand, employer-customer partnerships enable the employer to understand the requirements of the customers and what is needed to meet these demands. The organisation is also in position to know the extent to which customers are being satisfied.

"World-class" organisations foster partnering relationships among all their stakeholders. This enhances their growth, effectiveness and success as stakeholders jointly solve problems and seize business opportunities. Sujansky (1991:4) observes that joint problem-solving enables an organisation to move forward, learning from those problems and finding solutions, forecasting and predicting potential problems. Meanwhile joint seizure of opportunities enables the organisation to explore new ways to expand the

business, streamline efforts, change products and even increase the organisation's competitiveness. But the question that now arises is: how does partnering enhance an organisation's competitiveness?

According to Sujansky (1991:5) partnering creates a supportive organisational environment that benefits all stakeholders. Such an environment provides all the involved parties with:

- the understanding of how their roles contribute to the organisation 's big picture;
- a belief in the organisation and the desire to produce the best product / service;
- the feeling of being recognised for their talents, experience and contributions;
- knowledge that the survival of the organisation hangs upon production of quality products / services;
- the realisation that stakeholders' success has to be celebrated and that rewards are accorded to those who deserve them; and that
- making mistakes is part of the process of growth and innovation..

In order for partnering relationship to yield the envisaged results, all partners must share a common vision, a commitment to specific goals and a clear plan of action to accomplish the identified goals (Sujansky 1991:13-14). Partners who share a vision are not only committed to it, but also understand their roles and responsibilities clearly. Driven by the vision, the partners brainstorm, listen to each other's ideas and evaluate the pitfalls without closing the doors to creativity.

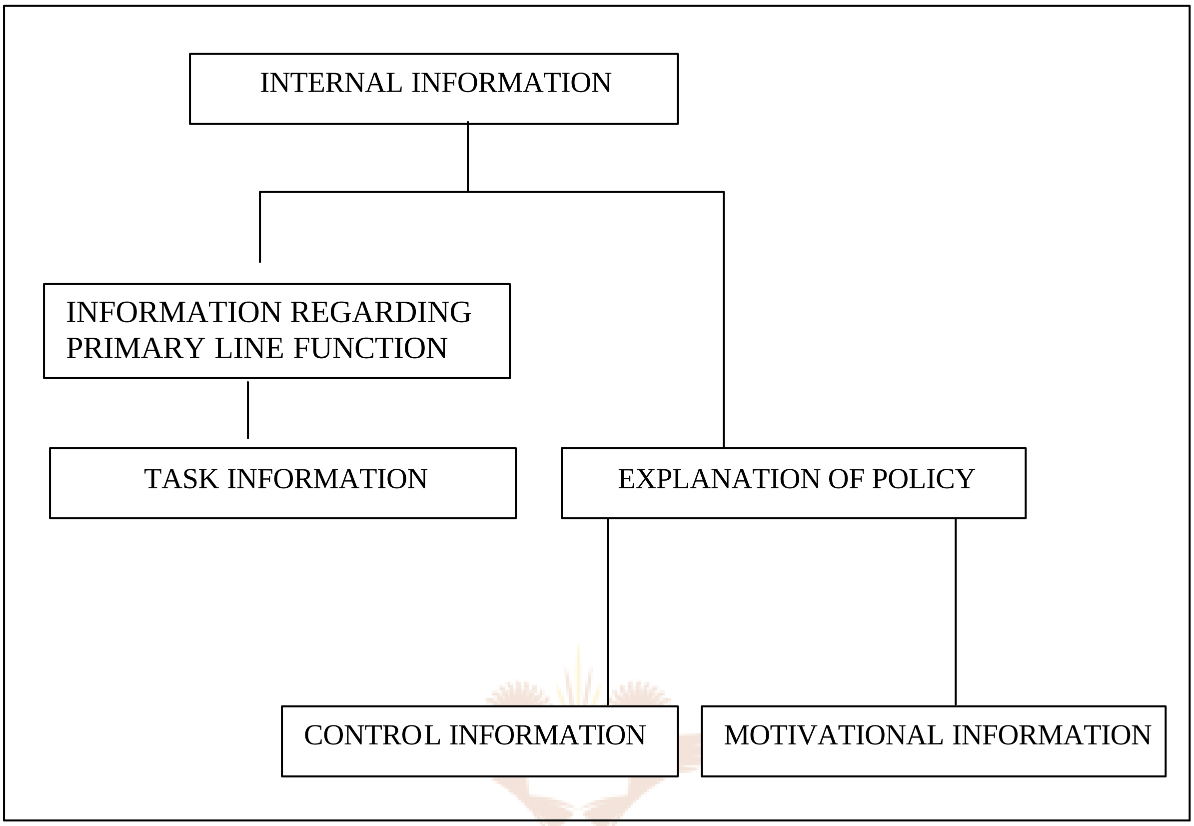
The above form of collaboration dictates that all partners are given the information that enables them to challenge one another, learn from their mistakes, take risks and move forward. Against this scenario, *"world-class"* organisations design information architectures that are supportive of partnering relationships and team-based structures as indicated below.

(d) Information architecture

Information Architecture refers to the provision of information to a framework that is supportive of a lean or team-based organisation (Prinsloo *et al* 1999:27). *"World-class"* organisations are characterized by well-structured information systems that support team-based activities and partnering relationships. Through such structures, information is disseminated to all employees, enabling them to make informed decisions (McLagan and Nel, 1996:119) and to take part in the day-to-day running of the organisation.

Information that is disseminated to the teams and other stakeholders include both task and policy information (Slabbert *et al* 1998:14/5). Work teams that are equipped with task information are able to produce the right quality and quantity of the product/ service. While task information enables employees to fulfill their role in the production function, policy information seeks to explain to employees why things are done in the way they are. It consists of both control and motivational information as reflected in figure 7. Control information is related to planning. It enables work teams and employees to perform the right activities at the right time. On the other hand motivational information encourages the work teams and employees to execute their duties to their maximum potential (Slabbert *et al* 1998:14/5).

Figure 8: Types of information shared in organisations



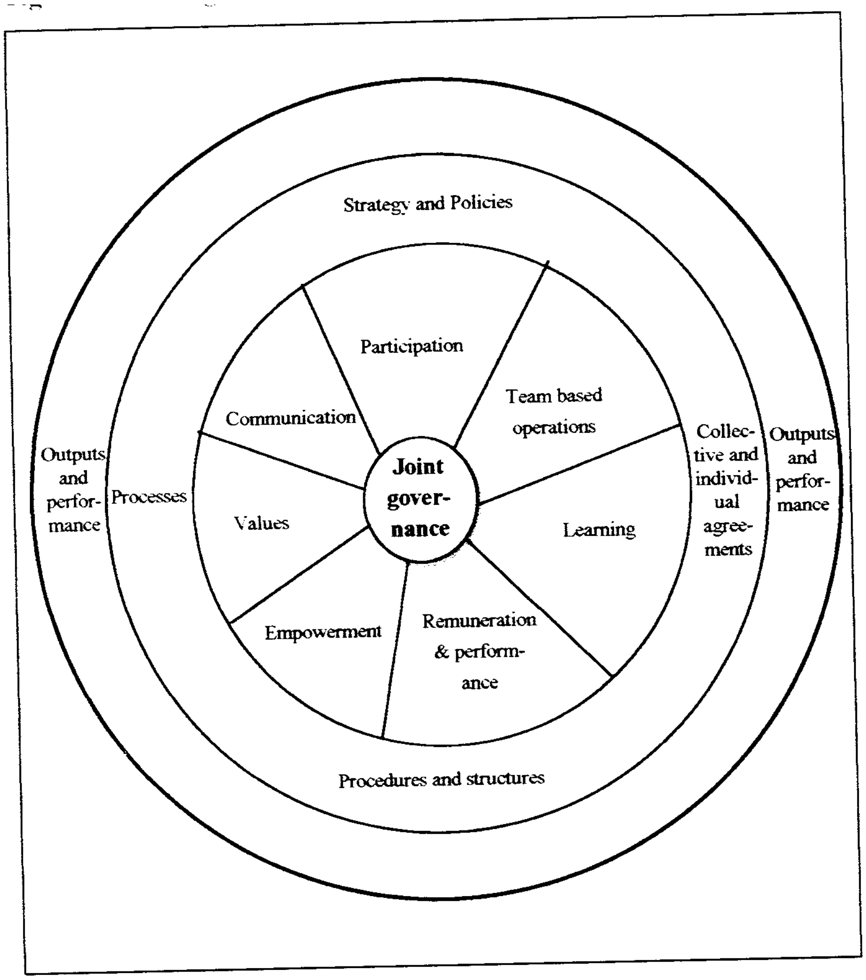
Source: Slabbert *et. al* 1998:14/5

It is evident from the contents of the preceding paragraphs that organisational fabric is one of the core elements of the delivery system. It was indicated that the fabric of the "*world-class*" organisation is characterised by a lean management system. In order to ensure that all customers' needs and expectations are met, "*world-class*" organisations integrate the lean management system with the employment relations (people) aspect of the delivery system. People systems thus are central to the success of a "*world-class*" organisation. The success of a "*world-class*" organisation depends on the effectiveness of front-line employees who are always in direct contact with the customer. This aspect is reflected in the many human resource practices used by financially successful companies; and is epitomised by the concept of joint governance between employees and employers. Joint governance as the "*software*" in the delivery system is explored in paragraph 2.3.3.2.

2.3.3.2 Joint governance

Joint Governance encompasses popular concepts such as empowerment, team-based operations learning, employee participation, communication, remuneration and values as reflected in figure 9.

Figure 9: Building blocks of joint governance



Source: Slabbert and Swanepoel (2002:173)

As one aspect of a delivery system in a *"world-class"* organisation, joint governance between employees and employers dictates that all participative practices associated with globally competitive organisations are extended and effected (Parker, 1998:91). The extension of participative practices means the following.

- Visionary and customer-centred leadership is developed. Orsburn *et al.* (1990:37) contend that such leadership has to share the belief that employees want responsibility. They must also lead by example, articulate a coherent vision of the changing environment, have the imagination and authority to overcome obstacles to change.

- Customer-centred strategies and visions have to be pursued and translated into strategic beliefs that are broadly understood by all stakeholders, and that are capable of motivating and guiding the employees.

- Employees are given the responsibility of creating a performance-driven environment.

- Organisational structures have to change as pyramidal structures are replaced with lean ones which bring the customers closer to the people who serve them. Orsburn et. al. (1990:28-30) add that self-directed teams become a permanent feature as traditional roles are phased out.

- People systems change to reflect the new management process. In this regard individual employees and teams are more challenged when the self-management style of leadership is effected. Thus people systems are adapted to actively involve all employees in the organisation's leadership, making them more accountable.

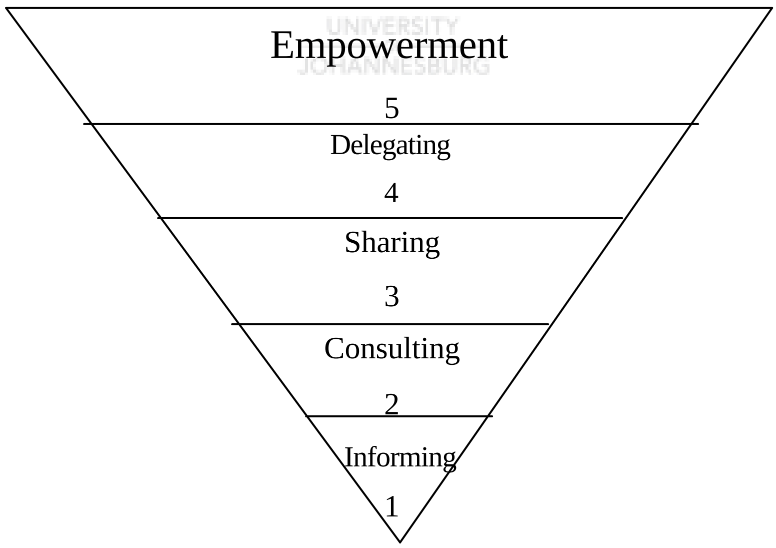
From the foregoing information it is clear that people are one of the core elements of the delivery system. *"World-class"* organisations make drastic changes in terms of managing employees empowerment, remuneration, communication, learning, values and employee participation.

The manner in which each of the fore-mentioned building blocks of joint governance is managed to enable ascendancy to *"world-class"* status is discussed in the ensuing paragraphs.

(a) Employee empowerment

Employee empowerment can be defined as a leadership process of building, developing and increasing power of the organisation to perform through cooperation, sharing and working together of teams (Tompkins, 1995:127). According to Johnson and Redmond (1998) empowerment is part of a five-stage communication process, which commences with informing and matures into empowerment as illustrated in figure 10.

Figure 10: Stages of empowerment



Source: adapted from Johnson and Redmond (1998)

As reflected in figure 10 the process of empowerment is initiated by informing. Information-giving is an elementary stage, which is done by everybody within the organisation. It leads way to consultation, a two-way process more difficult to achieve. Sharing, which implies accepting one another, follows. During this stage partnerships founded on trust are created. Delegation of duties is now possible because of the trust between the two partners, the ability to accept responsibilities and to make decisions. The ultimate of the process is employee empowerment. Empowerment is therefore an extension of trust between management and employees. In fact it demands a greater sense of maturity from both parties because leadership should be able to assign duties without interfering with their execution. On the other hand, employees should be able to accept the work and be accountable for the results. Empowerment also requires a high level of honesty, openness and integrity on the part of management.

Argyris (1998:98-100) warns that the envisaged metamorphosis in the process of communication may not take place; and employees may not accept responsibility unless empowerment is reinforced by internal commitment.

Commitment refers to generations of employees' energy and the activation of their minds in such as a way that they get a sense of belonging to the organisation, excitement in the organisation, excitement in the job and confidence in management that translates into increased production.

According to Argyris (1998) leadership in *"world-class"* organisations, and organisations aspiring to become global, can create internal commitment to reinforce empowerment by allowing employees:

- to define the tasks to be done;
- to define the behaviour required to perform the tasks;
- to define the importance of the goal; and
- to jointly define performance goals with management.

By nature, internal commitment is participatory, and the more it is encouraged in an organisation, the more empowered employees are bound to become. Tompkins (1995:128) summarises the leadership requirements in an empowered business organisation as follows:

- defining the organisational direction;
- defining the team process and evolution of team authority;
- communicating effectively with employees regarding targets and expectations and monitoring performance;
- defining time-frames for performance improvements and envisaged constraints; and
- defining the flow of information within the organisation.

Johnson and Redmond (1998) add that it is incumbent upon the Leadership to:

- scan the environment, identify customers and plan how to meet their needs;
- encourage, support and coach employees in decision-making and thinking skills;
- respond to legitimate concerns of their people and give feedback on any suggestions and questions raised;
- act as a coach, mentor and sometimes counselor; and
- remunerate, praise and give constructive feedback as the need arises.

From the foregoing information it can be argued that employee empowerment as a building block of Joint Governance can only be successfully provided if the following are done.

- Management allows free flow of information among all employees. It is only employees equipped with information who can carry out duties independently, and make the necessary decisions.
- Fear and mistrust among employees and between management and employees is "*driven*" out of every corner of the organisation.
- Management respects employees' knowledge; and even solicits their views pertaining to organisational issues which affect them.
- Management accepts unsolicited problem solving ideas from the employees.
- All employees' views are listened and responded to by Management.

- Employees/ teams who have and knowledge regarding decision-making within their areas of competency are empowered to make decisions without managerial interference. In this regard authority should be given to employees to act and make decisions without checking to ascertain what the boss' view is.
- Management supports those employees and teams in whom authority has been vested.

However, empowerment is not possible unless employees are equipped with the necessary skills. Employees require training to increase their knowledge of operations, skills in problem solving and mastery of interpersonal ability. This means that employees and organisations alike must be receptive to new ideas, approaches and attitudes; an aspect which is only possible in learning organisations.

(b) Learning organisations

"*World-class*" organisations are "*learning organisations*". What this means is that they continually expand their ability to shape their future by equipping their people with the necessary knowledge and skills. Marquardt (1999:241) notes that "*learning organisations*" encourage learning as one of the organisational values that permeates all areas of the organisation. As a result such organisations exhibit the following important dimensions and characteristics.

- Learning is accomplished by the organisational system as a whole as if the organisation were a single brain.
- All employees within the organisation recognise the importance of learning for the organisation's current and future success.
- They structure learning in such a way that it is continous, strategically used and integrated in jobs. Thus learning runs parallel to the organisational tasks.
- "*Learning organisations*" focus on and encourage employee creativity.
- They ensure that employees have continuous access to information and data that is vital for the company's success.
- Individual and group learning is rewarded.

- The organisations embrace change, and unexpected surprises and failures are viewed as opportunities to learn.
- All employees are driven by the desire for quality and continuous improvement.
- Well-developed core competencies serve as a take-off point for new products and services.
- The organisations are able to adapt, renew and revitalise themselves continuously environment changes.

It is because of the above that "*learning organisations*" are able to rapidly create, improve and refine their capabilities to survive in the environment where they operate.

According to Senge (1997) teams are the fundamental learning units in modern organisations. It is teams, therefore, that have to be receptive to new ideas, approaches and refine their capabilities, in order to make the organisation competitive. An organisation is a "*learning organisation*" if its teams are constantly trained in interpersonal, administrative and technical skills to give it a competitive edge over its competitors.

It is against the above scenario that Welch (1990) and Wickens (1995) maintain that winning organisations are more knowledgeable and competent in dealing with and developing all their people and not just a selected few. Parker (1998) adds that a relationship exists between high-performing organisations and the sum of knowledge and skills of its people. Using the acquired knowledge, skills and competencies, people leverage the enabling resources of the business organisation to cooperate in order to satisfy customer needs. Learning in organisations is, therefore, not for its own sake but for improving processes and employees' skills and competencies.

From the contents of the above paragraph it can be argued that for South African organisations to become globally competitive, they will have to follow and effect the following six steps (Marquardt, 1999:216-219).

- Align organisation-wide learning along with business and employee personal success.

- Build learning into all organisational operations and activities.
- Recognise and reward learning.
- Develop a variety of ways to measure and disseminate the impact and benefits of learning to the people and organisation.
- Staffing policies and practices should enhance the creation of a *“learning organisation”* culture.
- Employees and teams need to be exposed to a large number of learning opportunities. In this regard, leadership should strive to build the desire and opportunity to learn into the employees.

Implementation of the above steps is bound to ensure that organisations in South Africa become skilled at creating, acquiring and transfering knowledge to their people.

(c) Communication

As one of the building blocks of Joint Governance, communication is an organisational process that persuades employees to support corporate goals. Nieuwmeijer in Slabbert *et al* (1998:14/4) defines communication as the presentation of messages from a party to another within the organisation for the purposes of achieving the organisation's and employees' objectives.

Through communication as a process, employees access information concerning their jobs, business conditions, customers and competitors. According to Nieuwmeijer in Slabbert *et al* (1998:14/3), employees will only take part in joint decision-making if they can access relevant information given through the communication process. It is through the communication process that relationships between the organisations’ people are established; organisational culture built and transmitted.

“World-class” organisations manage the communication process proactively and strategically (Prinsloo *et al*, 1999:40) as they encourage a mutual exchange of information between employees and management. In this regard, the communication

process is not only used to build and transmit culture, but also to create positive employee attitude about the organisation. Employees are also equipped with motivational, task and policy information, which empowers them to effectively carry out their tasks and participate in the decision-making process.

From the above, it is evident that if South African employees are to add value to their organisations they must have access to strategic information, information about the organisation's larger vision, and information about the work itself. By communicating and sharing this type of information with them, management will enable employees to understand matters related to global competitiveness, customer satisfaction, the organisation's weaknesses and strength. Employees will also be well versed on what goes on within the organisation itself. It is this type of information that will guide them in the execution of their day-to-day tasks.

But communicating information *per se* may not enhance the productivity of the workers. Thus, there is need for communication to be accompanied by the acquisition of skills and competencies to enable them to utilise the information. In this regard McLagan and Nel (1995:122) state that employees will need "… *to articulate their information needs, think deductively and inductively from data, and understand the various ways in which information should be presented*".

The above quotation has reference to the South African work-place where the majority of employees are either illiterate or semi-literate. In such an environment employee access to information may not serve the intended purpose; unless employees are trained to become skillful users of the information.

(d) Remuneration

Burger and Erasmus (in Slabbert *et al*, 1998:20/11) note the existence of a relationship between remuneration and increased employee performance. However, if employee reaction to remuneration and performance is not carefully considered, it may result in unexpected and negative behaviour. Although employee remuneration has the potential to motivate behaviour and performance, employee satisfaction and increased performance is not a result of remuneration *per se.* It is a function of several other factors that have to be properly managed. According to Beer and Walton (1990:15-16) remuneration will enhance employee satisfaction under the following conditions.

- It is related to what employees expect. For example, employees who feel that their inputs (job skills, education, effort, etc.) are more than the remuneration offered, are bound to perform less well than is expected of them.
- If employees performing similar and equal tasks/ jobs are equally remunerated.
- The system of the remuneration is understood by the affected employees. In this regard, employees who misperceive the rewards of others are bound to become dissatisfied and less productive.
- The remuneration system is a combination of rewards as opposed to being a single reward. Thus, both intrinsic and extrinsic rewards have to be offered. Intrinsic rewards accrue from performing the task its self. Extrinsic rewards are offered by the Company in form of money, promotions, or they may be offered by supervisors and co-workers as a form of recognition.

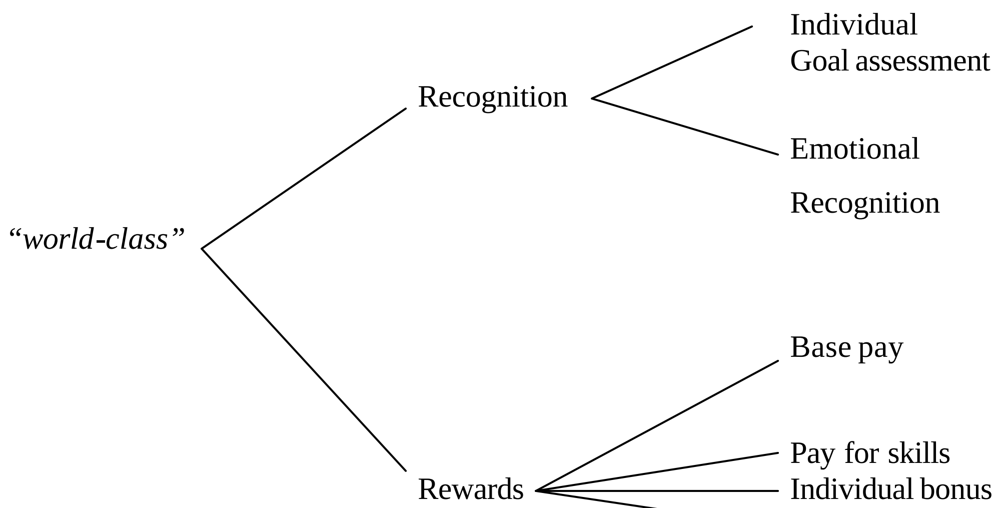
"World-class" organisations employ *"world-class"* remuneration practices to motivate their employees. Tompkins (1995:227) observes that the remuneration system is structured in such a way that it emphasises performance as opposed to payment. This system ensures the following.

- Only desirable employee performance is rewarded; and that the performance includes all aspects of an employee's job as it is executed with the aim of advancing the organisation's vision.
- The pay system is linked to the organisation's strategies. For instance, it should reflect the need for quality, customer satisfaction and retention, changes in the business culture and globalisation.
- The system should make employees feel honoured and respected by the reward or recognition. Thus employees need not feel manipulated by the reward/ recognition or pay.

- The pay system is unilateral. In this regard employees who reach the same level of performance are rewarded equally.
- Individual employees and teams take part in the design of the reward system.
- Pay is separated from reward and feedback. In this regard employees are paid a fixed amount for their competences or expected production. They may also receive a variable pay-packet based on the organisation's performance. Pay that is based on the organisation's performance hastens the culture of mutual accountability, teamwork and unity among a diverse work force. Feedback is separated from individual and variable compensation; is frequent and utilsed to support performance.
- Employees are involved in the design of the Remuneration System, something that ensures that they all understand it and are motivated by the system.
- Remuneration practices are transparent to ensure that increases are awarded fairly.
- Management focuses not only on rewards and recognition but also on increased quality employee performance.

From the above scenario it is clear that *"world-class"* organisations combine both recognition and reward in their remuneration systems as illustrated in figure 11.

Figure 11: *"World-class"* remuneration system



Source: Tompkins (1995:233)

The two aspects of employee recognition and reward are discussed in the paragraph below.

- **Employee recognition**

Recognition essentially refers to the special treatment given for individual employee accomplishments. Recognition could be emotional or be in the form of an actual gift. According to Lawler (in Walker, 1992) it could be as simple as a round of applause for the best performer at an employee meeting, a positive verbal remark from the Manager, a certificate or any other tangible gifts, which indicate appreciation for the work done by the employee. If emotional recognition is to have the desired effect, it has to be applied correctly. According to Tompkins (1995) this means that:

- sincere and genuine recognition is offered;
- recognition is specified and linked to a particular task performed;
- management recognises the action performed, not the person or the teams;
- recognition is not used to establish a win – lose situation;
- the motive for recognition is well understood by the employee;
- recognition is confined to something that has already been done and not something expected to be done.

Recognition can also be given through performance appraisal. Although performance appraisal has a number of shortcomings, Tompkins (1995:237) indicates that it could still be used as a powerful tool for peak-to-peak performance. Indeed, several authors (Goodale, 1993; Mavis, 1994; McLagan, 1994; and Bussin, 1993) are in agreement that well designed appraisal systems strengthen good relationships between supervisors and employees. Such systems:

- are collaborative in approach because supervisors and employees participate in their development;
- have clear objectives, understood by the employees, appraiser and the appraised;
- focus on observable behaviours; and

- are structured in such a way that they support the mission and strategy of the company.

However, due to the negative connotations attached to performance appraisal, Tompkins (1995) divides it into separate elements: Individual goal assessment and career guidance. Both elements should be performed differently at different times by different people, and kept separate.

- **Employee rewards**

Rewards like recognition are critical for a *"world-class"* organisation. Lawler in Walker (1992:291) asserts that internationally competitive organisations design reward systems in such a manner that employees understand why they are being rewarded. Lawler (1992) further indicates that if rewards are to be used as a transformation driver in any organisation:

- employees must perceive such rewards as within their reach;
- the potential rewards must be sufficiently attractive and substantial, to be worth working for;
- the rewards should be allocated equitably among the employees; and
- the reward system must be flexible to allow greater responsiveness to employee needs.

Burger and Erasmus (in Slabbert *et al* 1999:20-19) indicate that flexibility of the reward system is very important because it allows Management to choose the option best suitable to the company's strategy, while Tompkins (1995) identifies the following options which may also be used singularly or in a combination of base pay, pay-for-skill (skills-based remuneration), individual bonus and goal-sharing rewards. Whether the options are used singularly or in a combination, it is imperative that any reward system adapted ensures that the core reward principles are adhered to. This done, the remuneration option will have the potential to act as a transformation driver in the organisation.

(e) Employee participation

Joint Governance is certainly impossible if employees do not participate in the organisational processes. Slabbert and Swanepoel (2002:175-176) view participation in terms of workers' influence (see also paragraph 4.2) on decisions that affect them. Joint Governance would thus involve employees giving their opinions and input during the process of decision-making within the organisations (paragraph 4.3.2.4). Employee participation in decision-making and all managerial practices may be either direct or indirect. However participation is only possible if organisational structures, values and leadership support it. Employees must also be empowered through learning and skills acquisition to enable them participate effectively. Thus, as discussed later in chapter 4, the concept of participation means that authoritarian management practices are replaced by a system where employees take part in organisational decision-making. Hierarchical structures are replaced by lean/ team-based ones {see paragraph 2.3.3.1 (a)}.

Communication, team-based operations, learning, empowerment, remuneration and employee participation have been discussed in the preceding paragraphs as major building blocks for joint governance. No organisation may ascend to "*world-class*" status unless the above aspects of joint governance are developed, nurtured and implemented. The implication is that people within the organisation will all have to support and appreciate all the identified aspects. They will need a force to guide them, to think and act jointly. Such a force can only come if they all subscribe to the same values. Thus values as reflected figure 9 are one of the building blocks of joint governance. This is explained below.

(f) Values as a building block of joint governance

McLagan and Nel (1995:45) refer to values as the often invisible controlling force within an organisation. According to Slabbert *et al* 1998:14/ 19) values are the organisation's basic precepts about its view of humanity, its role in society, what is important both in business and life, the manner in which business should be conducted, the way the world works and what is to be cherished. Parker (1998:42-46) and Slabbert *et al* agree that values give direction to the behaviours and attitudes of employees and Management within an organisation.

The above implies that joint governance is only possible if the organisation and all its people are guided by values that support employee participation and joint work-place governance. McLagan and Nel (1995:61-66) identify among several others the following values as guiding "*stars*" for participative organisations:

- **Customer focus**

It is important that both Management and employees internalise the fact that satisfying the customer is the ultimate purpose of their work. (see paragraph 2.3.1).

- **Commitment to performance**

In this regard all the people within the organisation are guided towards increased performance. They all acknowledge the role of participation and joint governance towards the creation of value, continuous improvement and innovation within the organisation.

- **Shared power, rights and responsibilities**

Promotion of values related to the above ensures that the burden of assuming performance and decision-making is no more confined to the higher echelons of the organisation, but passed on to the people in their teams.

- **Information access and communication**

Values related to information sharing will no doubt enhance effective employee participation (see paragraph 2.6.3)

- **Learning**

The values within the organisation should promote learning at all levels of the organisation in order to empower employees with new skills, knowledge and competencies needed to run a participative organisation (see paragraph 2.3.3.2b).

Implementation of values as identified above is bound to contribute towards an organisation's ascendance to "*world-class*" status. But this may not happen until such values are participatively formulated and integrated with employees' personal values (see paragraph 3.3.4). The questions that now arise are: how can organisational values be created participatively and how can they be integrated with other stakeholders' values?

In this regard it would be essential for the organisation to formulate, implement and live by values that promote its interests and those of the customers, employees, company owners and other significant role players within the community. Implementation of an intergrated set of values will no doubt leave all stakeholders satisfied since:

- satisfied customers boast about the company to an extent that they become part of the marketing and sales force;
- employees support the business goals and objectives as if they were the owners of the company;
- shareholders get contented with the returns on their investments; and as
- a spirit of shared responsibility and mutual trust emanates between the organisation and the community or other relevant stakeholders.

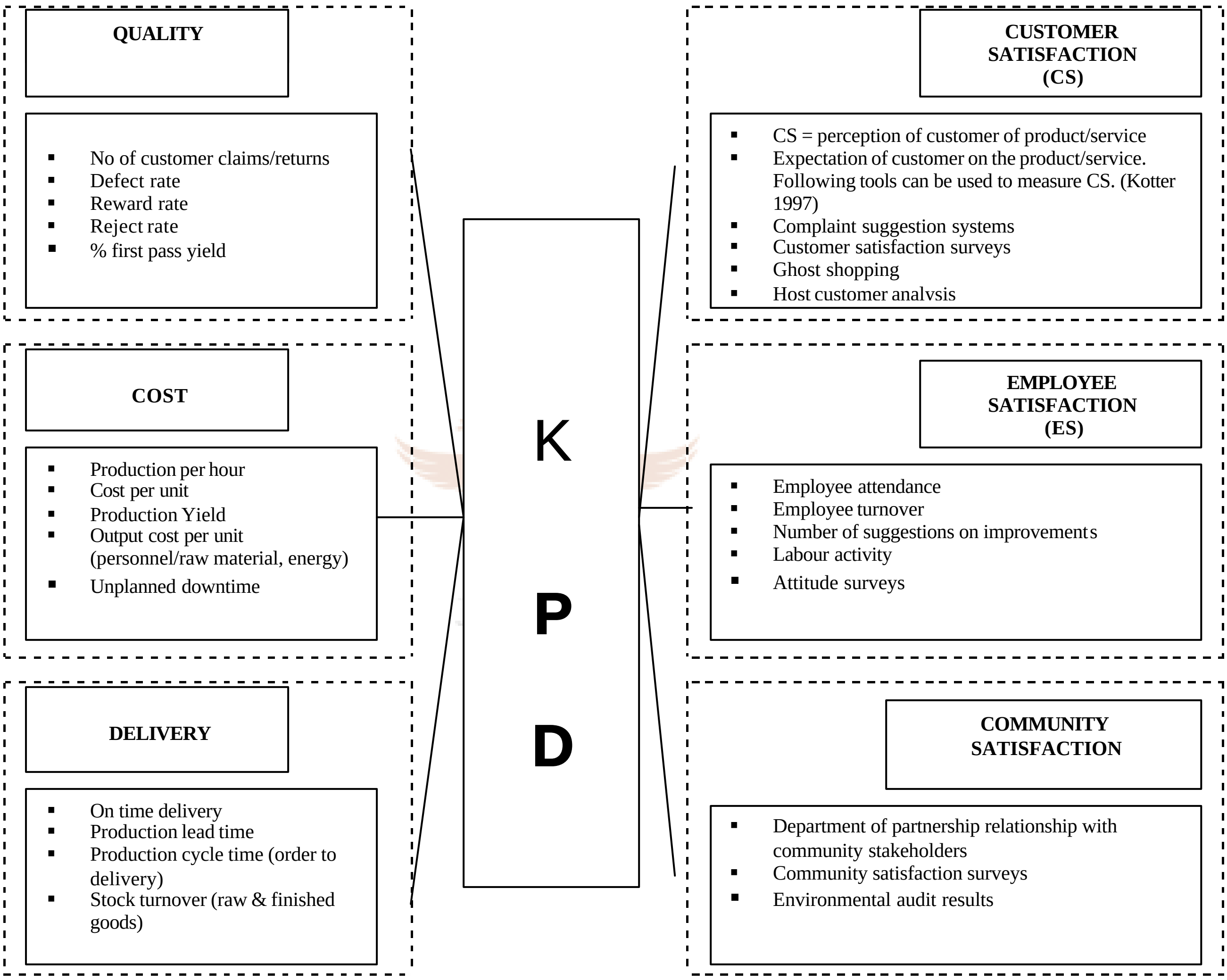
The delivery system of a "*world-class*" company has been explored in the preceding paragraphs. It is now evident that the "*hardware*" and the "*software*" of the delivery system are all designed to meet the needs of the customer. To ensure that both "*wares*" continuously deliver best-quality products/ services, "*world-class*" organisations compare their performance and their internal processes with those of excellent organisations. Thus continuous performance evaluation and benchmarking are two prominent features that characterise globally competitive organisations. These features are discussed in paragraph 2.4.

2.4 Business results and benchmarking

2.4.1 Business results

In order to establish their performance in terms of business results, "*world-class*" companies use two categories of measurement: Key Performance Drivers (KPDs) and Key Financial Measurements (KFMs). Key Performer Drivers are used as frameworks against which the organisation's initial business results may be judged. They include quality, cost of production, delivery systems, customer, employee and community satisfaction (Prinsloo *et al* 1999:50) as reflected in figure 12.

Figure 12: Key performance drivers



Source: Prinsloo *et al* (1999:50)

KPDs form the cornerstone as a yardstick to measure a company's business results and act as catalysts to drive businesses towards business competitiveness and superior financial results (Prinsloo *et al*, 1999:50).

The final business results are determined by measuring the overall competitiveness and financial performance of the organisation. Competitiveness is measured in terms of market share, image, reputation and profitability of the company. Market share is measured in the market segments within which the organisation competes. Image and reputation measurements are conducted in a variety of ways including, but not limited to, surveys, focus groups and interviews (Prinsloo *et al*; 1999:50; Vroom and Luschinger, 1994:21). Prinsloo *et al* (1999) indicate that it is also possible to develop image and reputation indices which are then used to set future standards.

In order to measure the profitable dimension of the company, *"world-class"* organisations use KFMs. Though KFMs may differ from one organisation to another, profitability in all organisations is judged against:

- cash generated by the company in a financial year;
- net operating profit after tax (NOPAT);
- return of total assets percentage (ROTA%); and
- return on equity percentage-measurement of shareholders profitability (Prinsloo *et al* 1999:50).

2.4.2 Benchmarking systems

Benchmarking is a continuous process through which organisations evaluate their products, services, work processes, practices, and strategies against the best organisations in the same category of performance. Benchmarking enables the organisation to learn from its own experiences, past history, experiences and practices of the best companies. This makes the company able to enhance its performance and meet its customers' needs (Prescott, 1998:94-95; Prinsloo *et al*, 1999:51-54). Vroman and Luschinger (1994:84) contend that the essence of Benchmarking is to achieve competitive advantage in the market-place.

Through product/service benchmarking for example, the organisations examine competitors' products and compare them with theirs. This enables the benchmarking company to locate opportunities and to understand new and different ways to respond to customer needs, to design and manufacture products (Prinsloo *et al* 1999:53). On the other hand, process benchmarking enables the benchmarking company to compare its processes with some of the best; and adjust accordingly. Benchmarking best practices enables the company to focus on management practices that affect employees' attitudes and behaviours. This type of benchmarking makes it possible for management to determine employee attitudes and behaviours that facilitate exceptional performance in the organisation.

Prinsloo *et al* (1999:51) summarise the benefits of benchmarking as follows.

- It initiates and leads to stakeholder involvement in changing organisational culture as teams take the lead in the implementation.
- It releases organisational talent and energies.
- Organisations learn new and tried ways of doing things from successful organisations.
- It creates a sense of urgency within the organisation as the benchmarking organisation tries to keep abreast with new and modern ways of production.
- It enables organisations to share information regarding best practices.

The question that now arises is: how do *"world-class"* organisations organise the benchmarking exercise to achieve exceptional performance and competitive advantage within the market. This is explored in paragr aph 2.4.2.1.

2.4.2.1 The Process of benchmarking

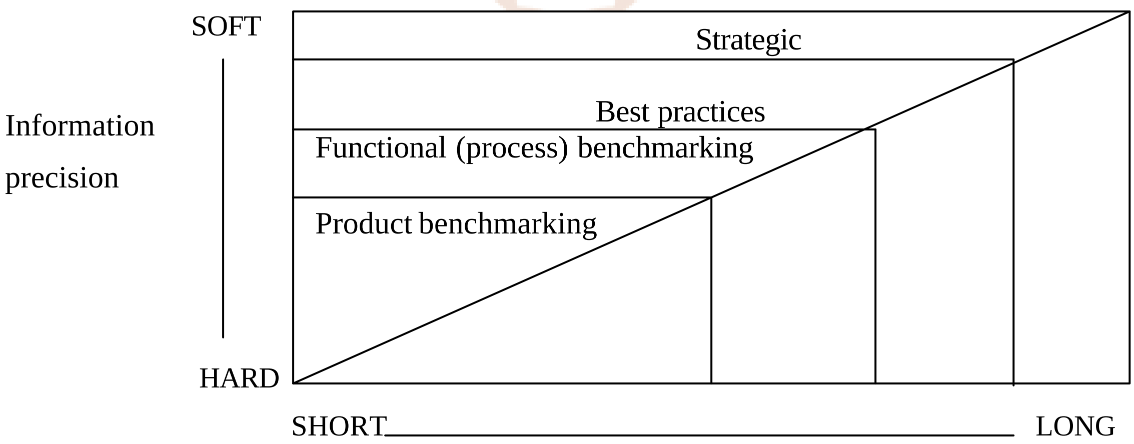
Vroman and Luschinger (1994:86) assert that teams are the core components of the benchmarking process. Teams are used to provide the benchmarking direction. They are also utilised to implement the benchmarking results. Vroman and Luchsinger (1994:86-87) identify the following as key steps of a benchmarking process.

- Teams are formed consisting of people involved with processes being benchmarked. These teams may include any technical or managerial personnel. The personnel add to the analytical or implementing power of the team.

- The need for change, or a target to be changed by the team, is identified through the teams' self-examination/study. Self-study enables the teams to understand the weaknesses within the process that is targeted.
- Organisations that perform well in the targeted processes are then identified and visited by the teams. The teams are charged with the responsibility of bringing back information to improve their own processes or sub-processes.
- The last stage entails making the needed changes to enable the organisation to keep in line with the best organisations. In this regard benchmarking information is integrated in the organisation's planning system.

But the process of benchmarking is not only done at the process level. It can also be done at the product, best practices, and strategic levels of the organisation as illustrated in figure 13.

Figure 13: Levels of benchmarking



Source: Prinsloo *et.al* (1999:53)

The question that arises is: At what level should a company benchmark? Prinsloo *et al* (1999:54) argue that the benchmarking exercise should be holistic and multi-factored. In this regard all components of the business direction (leadership and customer-centred strategy), the delivery system (organisation fabric and Employment Relations Management), and the business results (intermittent and final) should be benchmarked.

From information presented in paragraphs 2.4.1 and 2.4.2 it can be argued that Management and all employees in business organisations that aspire to become *"world-class"* must have a clear understanding of what the organisation intends to achieve in terms of business results. Both Management and employees thus need to agree and accept the need for cost reduction, quality production and prompt delivery of goods/ services to customers. They also need to accept the importance of satisfying the needs of customers, the organisation's people and the community.

If all employees' and Management's behaviours and actions are imformed by the above business results, it is possible for all parties within the organisation to understand the need for benchmarking as a control mechanism. Employees and teams that understand the importance of benchmarking are in a position to understand and identify indicators of business results like community, employee and investor satisfaction. Such teams are not only positioned to provide the benchmarking direction, but will also be quick and efficient in implementing the benchmarked results. This enables the organisation to achieve its final results, *viz:* increased productivity, product uniqueness, socio-economic equity and global competitiveness.

It is, however, vital to indicate that all components, which give the business its direction, the delivery system and the benchmarking exercise itself could easily be sabotaged if not supported by the organisation's corporate culture. *"World-class"* organisations therefore develop and nurture a *"world-class"* corporate culture to support *"world-class"* systems. The characteristics of such a culture are the subject of discussion in paragraph 2.8.

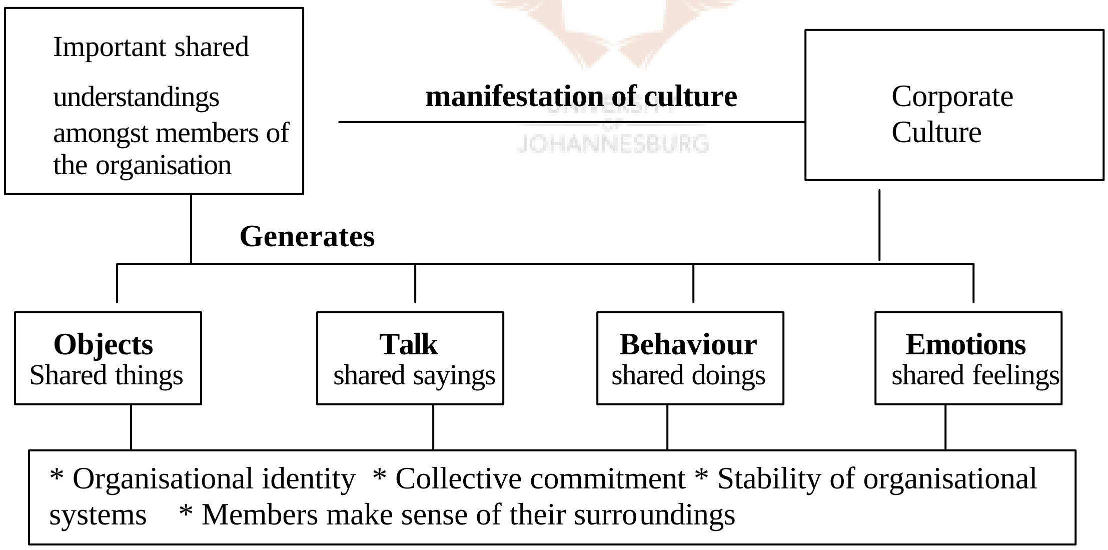
2.5 Corporate Culture

Corporate Culture can be referred to as all the intangibles (assumptions, beliefs, values, norms and attitudes) that powerfully direct the behaviours in a company (Vroman and Luchsinger, 1994:95). Veldsman (in Slabbert *et al* 1998:18/7-18/8) asserts that Corporate

Culture manifests itself in the way the organisation makes decisions, solves problems and treats customers, vendors and any other persons who have dealings with it. Individual organisations with similar cultures will respond to similar situations, problems or customers uniformly.

Corporate culture can thus be viewed as the *"glue or cement"* that binds an organisation together; resulting in employees establishing common behaviour. Referring to a Harvard researcher's model, Kreitner and Kinicki (1998:61-62) assert that Corporate Culture is evidenced in shared things (objects), shared sayings (talk), shared doings (behaviour) and shared feelings among employees. It is the idea of sharing that eventually gives rise to an organisational identity, collective commitment among all employees, stability of the organisational systems and helps members make sense of their surroundings as illustrated in figure 14.

Figure 14: Corporate culture: Its manifestations and functions



Source: Adapted from Kreitner and Kinicki (1998)

The task that now faces globally competitive organisations and those aspiring to become global is to create and maintain a *"world-class"* culture. The characteristics of a *"world-class"* Corporate Culture and how such a culture can be maintained with the aim of giving an organisation a competitive edge, are discussed below using Tompkin's (1995:19-20) comparison of a dinosaur and a crocodile.

Tompkin (1995:19-20) uses a dinosaur to denote a culture of a dying organisation; and a crocodile to represent a culture of a surviving organisation with the ability to adjust to new circumstances and continue surviving further. The characteristics of a Dinosaur and a Crocodile company are illustrated in table 8.

Table 8: Characteristics of a *"world-class"* culture

Dinosaur *"dying culture"*	**Crocodile *"world-class"* culture**
Control Analysis Slow decision-making Optimisation Authoritarian bureaucracy	Growth Progressiveness Peak-to-peak performance Learning

Source: Tompkins (1995:20)

Whilst dinosaurs were once very powerful creatures, they are now extinct because of their failure to adapt to a new environment. On the other hand, although crocodiles lived before dinosaurs, they still exist today. They were strong enough to survive and are a symbol of a surviving, winning and prospering culture.

The analogy between a Crocodile Company and a Dinosaur company spells out three of the most important characteristics of *"world-class"* cultures.

- *"World-class"* organisations nurture and maintain adaptive cultures. The adaptive perspective of the culture assumes that such cultures help organisations anticipate environmental changes. Like the crocodile, organisations with such cultures adapt to new and competitive environments, making them stay ahead of those with rigid cultures. Kreitner and Kinicki (1998:67) note that this type of proactive adaptability enhances a firm's financial performance.

- *"World-class"* organisations have a strong culture. A strong culture is vital for goal alignment, employee motivation and the needed structures and controls to improve organisational performance. Kreitner and Kinicki (1998:6-7) however, warn that a strong and change-resistant culture may hinder an organisation's ability to change according to world dictates.
- A *"world-class"* corporate culture must have a *"fit perspective"*. The fit perspective assumes that the culture is created, developed and nurtured in such a way that competitors are unable to copy it; and must at the same time be aligned to the company's strategies.

The three major attributes of a *"world-class"* culture require global leadership in order to be fully embedded in an organisation. The onus is upon the leadership to create and implement a business vision and associated strategies that fit the organisational context. This view is in line with Rhinesmith's (1996:15) opinion that leadership must provide a common vision and value system to guide the organisation to competitiveness. A *"world-class"* Corporate Culture in this regard must support customer-centred leadership and strategies, customer-centred delivery system and a holistic benchmarking system.

2.6 Summary

The characteristics of *"world-class"* organisations have been discussed in this chapter and it has been shown how organisations may ascend to *"world-class"* status. It was indicated that *"world-class"* organisations are committed to the production of high quality products and are bent on providing high-quality service to both their customers and employees. *"World-class"* companies communicate a clear vision and long-term customer-centred strategies which guide all the involved employees. The employees are also empowered, share values and a belief system by which they live and judge their activities. The use of lean structures and a lean management system speed up decision-making, the flow of information, removes functionality and creates multi-skilled generalists, as opposed to specialists, and enables the organisation to use all organisational resources in the most efficient manner. Continuous training and learning is encouraged, positioning employees to adjust to new trends and technology. Through benchmarking themselves against the best global businesses, these organisations are able to keep in line with the best global practices. Emphasis is laid on the development of teams rather than individuals. Teams are allowed to make decisions for which they are also accountable.

These unique characteristics are not by accident but by design. It is indeed because of these carefully engineered characteristics that *"world-class"* organisations are able to be globally competitive in terms of product quality, customer service and price. Therefore organisations that aspire to become *"world-class"* have no choice but to change, and design their strategies, structures, leadership, management and cultures in such a manner that these aspects support the characteristics of globally competitive organisations. Therefore, the envisaged change can take place only if organizational management embraces the new paradigm in employment relations management. It is only through such a pattern of management that organizations may ascend to the status of . In Chapter three the need for a paradigm shift in the management of Employment Relations is fully discussed.