
How Excellence Models Should Be Adapted to Take into Account Local Values and Culture

Tito Conti
Consultant, Organization & Management
Ivrea, Italy

SUMMARY:

Excellence models comprise both technical/methodological and organizational/managerial aspects. The former (hard factors) are rather independent from culture; the latter (soft factors) are culture dependent. Actually, when aiming at excellence, soft factors are prominent; the organization's culture should be given great attention. The questions this paper addresses are, 'To what extent excellence models can be affected by the environment's culture?' and 'Should excellence models then be adapted to local culture (instead of being simply adopted, as it normally happens)?'

Value Generation within Organizations: The Critical Factors

Organizations are created to generate value. The organization's *mission* defines what kind of value is to be generated and the intended beneficiaries of it. So, we talk of customer and stakeholder value, but also of value for the organization itself, its own sustainable development. Value generation potentials and capabilities depend on hard and soft factors that TQM models strive

to identify. Soft factors are mainly related to people, how people relate, how they cooperate to create value; in other terms to the *social* or more precisely *socio-cultural* aspects of the organization (Laszlo, 1996), (Gharajedaghi, 1999).

Culture, is in fact, the DNA of human social systems, the ensemble of values, beliefs, history, traditions, way of thinking and doing, that link people together and make the organization's identity. Excellent organizations enjoy clear identities because they have corporate cultures that make them unique. Corporate culture is always at the root of excellence. We can represent such concept in figurative terms as in Figure 1, where culture is represented as the soil on which the seeds of knowledge, competence, creativity, and technology grow roots (Figure 1). The more the soil is fertile, the more the output of the organization – products, services, image, impacts on social environment – will be able to bring value to customers and stakeholders, as well as to the environment (or “supra-system”) as a whole.

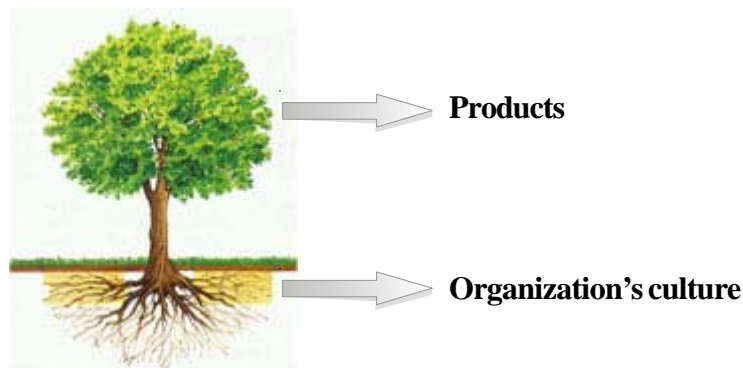


Figure 1: A representation of the organization's culture as the soil in which the seeds of the organization resources (knowledge, competence, and technology) are sown. If the soil is fertile, luxuriant products can grow.

Interesting to notice, to generate value (appreciated by customers), organizations need to be permeated with values (appreciated by its members). What do we mean? Organizations are systems, characterized by relations (von Bertalanffi, 1969), (Ackoff, 1999). And value intensive relations are the main place where organizational value is generated. Like persons can generate output value (muscular, intellectual, artistic) only if blood circulates in their arteries and supplies nourishment and oxygen to their muscles and brains (the value that they need), so groups of persons generate output value to the extent value appreciated by them circulates in the system and supplies motivation to its members.

(It should be noticed that we use here the word “value” in different contexts but always to mean the response to a need or expectation, or more generally what generates interest, desire).

The author introduced a few years ago the concept of “value generation cluster” (Conti, 2006) to represent the synergetic value creation process. Figure 2 is a representation of it. At the center of the figure, the organizational entity (for example

a process) that has the mission to generate customer/stakeholder value for given customers is represented; at the periphery, all those who are supposed to cooperate in value generation (for example, the process management team). For the sake of simplicity, the latter are represented by three elements, located on the vertices of a triangle; a polygon can be used to represent more complex clusters. Two types of relations take place within the system. The first are the relations between each “element” and the organization: a bilateral relation, represented by a couple of radial arrows for each element, pointing in opposite directions. The primary value flow is from the elements to the organization entity positioned at the center: it represents the value that the organization has the right to expect from any individual who freely joins it. What is a fair value contribution is difficult to say since, particularly in the case of intellectual activity, defining performance standard can be difficult. But, it is here that the reverse value flow, from the organization to the individual, comes into play. Psychology tells us that people’s motivation to contribute to a collective effort is proportional to the gratification that they get in return.

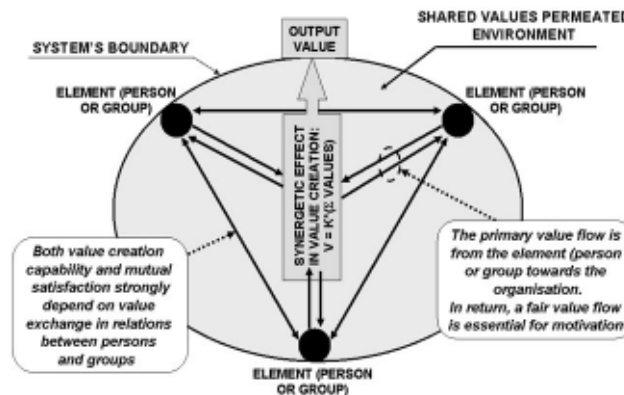


Figure 2: “The value generation cluster”, the synergetic process of value generation in relations

Gratification depends on many factors: one is certainly how interesting for the person the value generation process is, but of paramount importance is the perception of value received through appropriate recognition: economic, career related, appreciation from the boss, public acknowledgment, a good work environment. The perception of a fair balance between received and given value is fundamental for keeping the level of employees' contribution high. This point is critical when aiming at high performance. The figure represents the output value from the cluster activity with the formula $V_{out} = K * \sum V_i$, where $\sum V_i$ is the sum of the individual contributions in absence of the team, and K represent the amplification factor due to the synergy of the team. Synergy within the team (K higher than 1) increases the generated value; lower than one K coefficient means that there is no positive synergy and the groups destroy value.

The second important type of relations highlighted in Figure 2 is the one between the members (elements) of the "value generation cluster" (bi-directional arrows between the elements). To enhance value generating capabilities, such relations should be based on shared social values: mutual respect, trust, openness and transparency, intellectual honesty, willingness to share information and to build knowledge together, empathy. Clearly, for mutual relations to take such character, an appropriate environment is *essential*, where the just mentioned social values are clearly indicated and exacted (see: "shared value permeated environment" in the figure).

How Company Culture Interacts with Environment Culture

The social culture (the dominant values in particular) of the external environment (the supra-system), is inevitably reflected in the company's (more generally, organization's) internal environment and culture. That is why understanding the culture of the environment and being in harmony - or, at least, coming to terms - with it, is of paramount importance, and will be more and more so with the progress of globalization. (About the latter, in systemic terms, globalization is the irreversible move from closed - or almost closed - systems to open systems. Such move was first forced by economic/trade interests, but the extent to which it will be successful in generating harmonious and peaceful growth worldwide depends on cultural attitudes: respect of cultural differences, not imposing one's own values, common research of shared values that can be accepted by all the interested parties. That certainly means sacrifice from all sides, but there seems to be no alternatives).

To analyze the dynamics of values in the different social environments, from those pertaining to the individual to those accepted at world level – and their mutual interactions – we utilize here a kind of Maslow Pyramid (Maslow, 1953), which is not, however, based on personal needs but on values, personal and collective (that is, related to all kinds of social aggregations, up to the world level) (Figure 3). There is no ideological view in the representation; only two principles are taken that should be universally shared because they are preconditions for avoiding catastrophic conflicts in the coming age of globalization and heavy migration flows. The first

principle is the UN human rights declaration, the second is that organizations at all levels should adopt social codes that favor peaceful coexistence and development to individuals and communities who compose them.

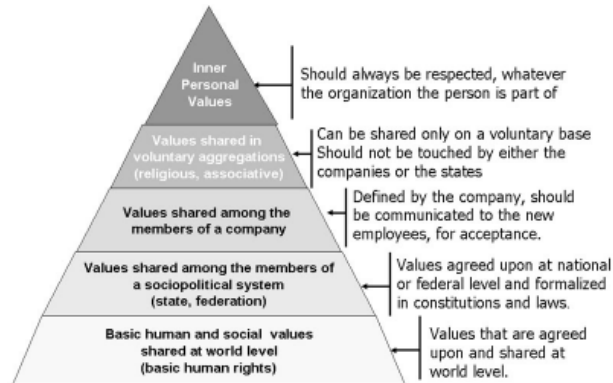


Figure 3: The value pyramid: from basic human & social values to the personal inner values

Running through the pyramid top-down, we pass from individuals to larger and larger communities of individuals. At the top, we find the inner personal values that no social organization, be it a company or a state, should interfere with. Below them we have the voluntary aggregations, of which the religious are the most important worldwide. We have here also the ethnic groups, characterized by their own values and traditions. Here again, we find an area of values that should not be interfered with by companies and socio-political organizations (the lower level layers). Next, we find the area of companies and administrations. Individuals join them freely and are bound to them by contracts. The company has the right to choose values that define its identity (cultural in particular). What kind of values? Typical are “mutual respect”, “trust”, “willingness to cooperate”, “respect for customers”, “transparency”, “aiming at excellence”, which dictate organizational behaviors that are relevant to the mission and vision of the organization and its value-generation goals. Company value should not interfere

with the sphere of personal values. In general, every layer in the figure should respect the values of the upper levels and comply with the values of the lower levels, that is the larger systems they can belong to. For example, the religious aggregations, the ethnic groups, the companies are bound to comply with the laws and regulations of the region, state, federations they live in (which in turn should respect their nature and mission). The pyramid suggests frameworks of mutual respect and well conceived balances that privilege freedom but at the same time define its limit to protect the well being of individuals and social systems at all levels.

If we focus on the company level, its relation with the environment is fundamental. As the systems science teaches, any open system finds its reason of being and its source of neg-entropy (that is the vital energy it needs to develop) in the supra-system(s) it operates within. Customers, suppliers, partners are to be found in the supra-system. Success is not an internal matter, it happens in the supra-

system. Therefore, to be successful, knowing the higher level system (next lower layer in the figure), identifying own place in it, establishing value creating relations within it, is very important. The good company starts from the environment(s), where it is bound (or has chosen) to live, because its aim is to be successful in it (them).

After full integration in the environment is assured, the company can look for positive differentiation. That is, trying to innovate, doing things differently, building one's own identity. Taking the cue from evolution in the natural world, where mutations come from within the environment and the fittest in the environment survive, we can look at innovations in the business environment as intelligent mutations that can more easily be conceived when fully immersed in the environment. One could say that we have already heard that, summarized in the expression "market in" as opposed to "product out". But, it is more than that, it is "company within", immersed in the environment, its culture included, like a fish in the water. The company better understands itself, its mission, its role, if it starts from the big system and then comes to positioning itself within it.

The above is opposite to the analytical approach that starts from the organization

and looks at the surrounding environment as an external scenario, down there. Then, by analyzing itself as a sum of capabilities, it defines its own mission and vision, its plans and strategies. Finally, it packs its people and products off into the battlefield.

In conclusion, the company culture cannot be independent of the environment culture and must take it into account; but the company can keep a proactive attitude, finding out opportunities for positive differentiation in any area that is not in conflict with laws and formal rules of the supra-system.

Different Types of Systems

Figure 4, elaborated from Gharajedaghi (Gharajedaghi, 1999) provides a schematic representation of systems, from the mechanistic/deterministic to the organic/animated (which are present in nature) and finally the multi-minded, human social organizations (which are created by humans). All the models have been used in managing organizations in the different stages of the *homo sapiens'* evolution. The mechanistic model was, in fact, the (often unconscious) management paradigm of the industrial revolution and is still present in the cultural DNA of many managers.

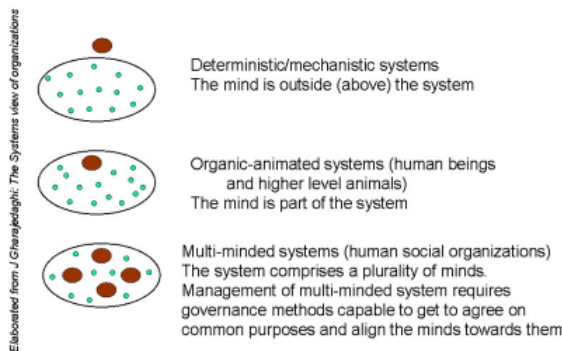


Figure 4: Different kinds of systems

In today's world – and presumably in tomorrow's, taking globalization trends into account – the multi-minded system is bound to be considered the only model applicable to human social systems. Wanting to examine the relation between the company culture (a major factor in relation to excellence) and the culture of their environment, we are bound to spend a few words on the socio-political systems (Conti, 2003), because they are the natural supra-systems in which companies are immersed. Such systems can take different forms, within the framework of the multi-minded model, according to the specific culture and traditions. They can bend toward an “individualistic” interpretation, where freedom of choice and the individuals' personal interests prevail on the social interests of the system; or toward the “authoritarian” interpretation, where “one mind” – or a group of them - takes the control, prevailing on the others. In between, solutions have been found that aim at guaranteeing a balance between the different values represented in the pyramid of Figure 3. One is what we can call “paternalistic model”, where the individual rights and the social system integrity is guaranteed by a paternal figure, who takes care of the well being of the citizens and

the organizations within the system. We can observe that this is a multi-minded model that bends towards the organic model. Like all societal models, the paternalistic is a fruit of specific cultures and traditions and cannot be judged by others, with different cultures and traditions. The fact that in extremely individualistic cultures that model could not work is not a proof against it, but a confirmation that culture is at the base of any society (their “DNA”). A second solution conceived to avoid the extremes of wild individualism and authoritarianism is what we can call “ideal democracy”, where power comes from the citizens and constitutions and laws are created to guarantee the balance between individual and social rights and obligations.

Figure 5, taken from Gharajedaghi's book “Systems Thinking”, with minor adaptations (Gharajedaghi, 1999), describes the dynamics of oscillations – that take place in all organizations and are particularly critical for the equilibrium of democratic systems - between two extremes that take different names for the different kinds of organizations (integrations vs. differentiation, standardization vs. innovation, individual vs. society, liberalism vs. conservatism).

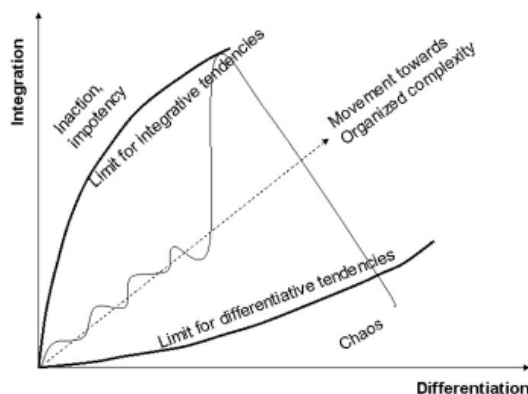


Figure 5: In social systems (from nations to companies), development takes place through oscillations between opposite tendencies: creation of new structures vs. increased order and conformity; integration vs. differentiation; conservatism vs. liberalism; innovation vs. standardization. Movement towards organized complexity requires harmonic growth toward higher levels of both differentiation and integration.

Some socio-political systems have gone very close to keeping the oscillations in time within safe limits (what we call here “ideal democracy”), some have not – and they bend either toward individualism and anarchy, or toward absolutism. (What we say about socio-political systems applies also to companies, where the best are able to keep a dynamic balance between standardization/integration and differentiation/innovation.)

Having said that about the socio-political environments, our questions are, what are the social-environment-related opportunities and threats for the company? How could the management model of the company be adapted to take the idiosyncrasies of the supra-system into account? We exclude from our discussion the two extreme situations considered above, that are intrinsically unstable. We will focus on the opportunities coming from the two intermediate situations (the threats for them being only to fall into one of the two extremes considered).

In the case of “paternalistic” environment, the opportunities derive from a culture that takes the traditional family as the model. When excellence models describe interpersonal leadership, the leader profile that emerges has many characters that are similar to those of a good father: authority without authoritarianism, role model; using both rational and emotional intelligence; able to educate, delegate responsibility, recognize positive behaviors, exact cooperation and teamwork. Since company values are more easily accepted and practiced when they match the environment’s traditional social values, the possibility to leverage on them should be

treated as an opportunity and management models adapted accordingly.

The enlarged family model, in addition to interpersonal leadership, matches the systems view of organizations also for the importance given to relations. The systems view, with its strong focus on organizational relations (see figure 2 and the discussion on value generation cluster above) is in fact putting the vertical hierarchical view of organization in a spot. While managers with a specialist hierarchical culture find it difficult to take the plunge, managers who have a teamwork based culture can be faster in making the organizational transformations needed to get to leaner organizations, based more on activity-based clusters than on organizational charts.

A possible weak point for companies immersed in a “paternalistic” environment is lack of personal initiative (the differentiation/innovation side of figure 5). Excellence models could emphasize that point and provide for suggestions on how to avoid that risk.

On the other side, companies that are immersed in what we have called an “ideal democracy”, can benefit from a socio-political environment where the dialectic between innovation and integration – and more generally between opposites - is more diffused. When moving from the socio-political environment to the business environment, those in the population who have the innovative mentality are more inclined to assume an entrepreneurial attitude. But in such environment, the individualistic pressure is always high, and that often generates short term orientation. More energy is dedicated to the present

business goals, less to the future; and sustainability may be a problem. In general, opportunities and threats are reversed with respect to the previous example.

In summary, the purpose of the above discussion was to suggest searching for all possible opportunities and threats deriving from being immersed in a socio-political environment with specific characteristic. A SWOT analysis should be carried out, in order to catch the opportunities and take protective actions against the threats. Excellence models could help in doing that, because they put in evidence the critical success factors. But they should be possibly reviewed to make them better fit for the specific culture. Models, in fact, have been created in specific environments and inevitably carry their own cultural imprint. They were also born in a given time and may carry contingent emphasis, related to the period. The EFQM and Malcolm Baldrige, for example, rightly gave emphasis to process management, the discovery of the 1980s. However, the author of this paper, who was directly involved in the definition of the EFQM model in 1990, a few years later, in defining his model for diagnostic self assessment (Conti, 1997), found it necessary to add the category “Organizational architectures”, because the existing categories “Leadership” and “Processes” were insufficient to take into due account the systems view of the organization and the importance of the soft factors. Adaptation of the model, when it is used as a map on the road to organizational excellence, is always opportune. What this paper recommends is to critically review the models’ soft parts: leadership, people, socio-cultural architecture (relations) and partnerships in particular.

The Importance of Organic Model

We have maintained that the multi-minded model seems to be the only valid model for today’s socio-cultural systems. We have also seen that there are different possible implementations of such model, depending on the specific cultures and traditions. Whatever the situation, the author believes that the organic models, however not applicable, can provide managers with important indications. The reason for such affirmation is the following. The most renowned systems scientists and evolutionists who are working on the General Theory of Evolution (GET) maintain that there are “recognizable patterns of evolution that set the guideline, letting chance play its role”, and “The progression is from multiplicity and chaos to oneness and order” (Laszlo, 1996), (Laszlo, 1999).

The socio-cultural systems are the newest types of systems on Earth, following the appearance of human beings. Distributed intelligence, purposefulness, freedom of choice characterizes such new kind of systems. They are not obliged to follow the previous patterns of evolution, but they can, as long as they get to know and understand them.

It seems wise for intelligent beings to study what nature does, to find if something can be learned and replicated in different situations. The most interesting outcome of natural evolution on earth are for sure, the higher animals and, on top of them, the human beings. The author believes that some examples of what managers can learn from such beings are the following:

- * Nature creates higher complexity systems through simplification and

delegation to the lower level sub-systems. The latter have maximum autonomy in managing themselves, but they keep strong relations with the brain and the other subsystems. They ask for intervention of the central unity (the brain) only if something goes wrong. Relieved of the menial tasks, the human mind was able to devote itself to higher level jobs, some of them new in the realm of evolution, like rational and artistic creations (emergent properties, in the systems language). Nature gives in this area a great lesson to managers who too often pursue higher complexity through complex centralized structures.

- * The immune system too, can teach a lot on how to identify threats and create appropriate defenses for organizations.
- * Self-perpetuation by creating and nurturing successors. What is transmitted is the culture, more than the blueprint of body. In the case of companies, it is not the people, technology, or products that can perpetuate a living company, but it's the *soul*, its culture.
- * The nervous system, particularly the brain, of an intellectually active person, is always busy in creating new links that foster learning, innovation, creativity. In the same way, the organization can foster collective learning, creativity and innovation by growing intense relations and creating the right value clusters.

Conclusions

Excellence models are not high level standards, compliance with which guarantees high level performance. They do not give recipes for excellence. They must be understood and interpreted in relation to own situation. They are like the maps, instruments, reports from the previous experiences used by the 15th century navigators who set out to discover new lands. Maps, instruments, and reports that represented the accumulated experience of time, always evolving, left a lot to the ability, experience, and leadership of the new explorer. In today's times of uncertainty, of continuous and sometimes abrupt change, leaders are like those navigators who sailed toward the unknown. The leaders and their organizations should view excellence models as maps and instruments that give some indications, but leave wide spaces for completion and adaptation according to their specific situation.

The most "personal" part of excellence models – and at the same time the most critical – is that of the intangible factors, that are strongly influenced by the organizational culture. The latter, in its turn, is in close dynamic relation with the environment's culture. Knowledge of the above dynamics is of paramount importance to "personalize" the chosen model and get the most out of it.

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