

In Search of Excellence - Past, Present and Future

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ABSTRACT

Some of the leading models and frameworks about *Excellence* from the last 25 years are presented and discussed: Peters and Waterman's eight excellence attributes (1982), Peters and Austin's simplified excellence model (1985), Lists of Best Practices, Xerox Excellence Models (1990, 2002), the European Excellence Model (1992) and two different but overlapping "4P Models" (1999, 2004). At the end of the paper past, present and future of TQM and Excellence is discussed.

1 INTRODUCTION

Today, many organizations are "searching" for *Excellence* but not many organizations have been able to achieve this goal, seemingly because management does not have a profound understanding what it really means to be excellent. Since 1982, where Peters and Waterman published their famous book *In Search of Excellence - Lessons from America's Best-Run Companies*, there have been many suggestions for a definition of *Excellence*, and for the success criteria behind excellence.

The starting analysis model or framework used by Peters and Waterman was MCKINSEY's 7-S *Framework*. The models comprised the following seven success criteria for excellence:

Hardware:

1. Structure and 2. Strategy.

Software:

3. Systems, 4. Shared Values, 5. Skills, 6. Staff and 7. Style.

During their study Peters and Waterman observed that managers are getting more done if they pay attention with seven S's instead of just two (the hardware criteria), and real change in large institutions is a function of how management understand and handle the complexities of the 7-S Model. Peters and Waterman also reminded the world of professional managers that *soft is hard* meaning that it is the software criteria of the model which often are overlooked and which should have the highest focus when embarking on the journey to excellence.

We know today that many of the excellent companies (*America's Best-Run Companies*) identified in the studies by Peters and Waterman later on became unsuccessful. This observation tells us what should be obvious that any model and/or lists of attributes have limitations, because they are always simplifications of reality (the context) in which the companies are operating. Hence, the observation also tells us that there is a need to analyze Peters and Waterman's findings and to compare with later excellence models which may have been designed in response to the problems and new knowledge acquired when companies have struggled to adopt or adapt early versions of excellence models and/or lists of excellence attributes. The purposes of this article have this need as a background. Thus, the first purpose of this paper is to present and discuss/ reflect on some well known excellence frameworks or models in order to understand the development in the contents of excellence during the last 25 years and to understand the problems or limitations which such kind of models still have. To complement Peters' early findings we have chosen to present and discuss a few selected lists on *best practices* together with the following *excellence models*:

The Xerox Excellence Models representing one of the early excellence pioneering companies, and *the European Excellence Model* as a representative of international quality award models. We will, after a short presentation of these three models/ frameworks, reflect on these models together with Peter and Waterman's findings from the early 80s. This reflection may be regarded as a status description of excellence of both the past and the present.

Another purpose of the paper is to present and discuss a relatively new quality strategy model (*the "4P" Model*) for achieving Organizational Excellence (Dahlgaard & Dahlgaard-Park, 1999). The basic assumption behind the model is that Organizational Excellence is a result of building excellence into the following "4P" - People, Partnership, Processes and Products. The suggested model is compared with another "4P" model – the "4P Model of the Toyota Production System" (Liker, 2004) – which focuses on the following 4Ps: Philosophy, Process, People and Partners, Problem Solving. As Toyota is regarded as the most excellent company within the car industry today and maybe the best managed company in the world, it is logical to recognize the Toyota "4P" Model as an example of today's excellence models.

At the end of the paper past, present and future of TQM and Excellence will be discussed in a concluding chapter.

2 TOM PETERS' SEARCH FOR AN EXCELLENCE MODEL

Peters and Waterman identified the following eight attributes which characterized the excellent, innovative companies in their study (op cit p. 13-16):

1. *A bias for action*, meaning that although companies' approach to decision making may be analytical, they emphasize the importance of experiments. It is believed that too many detailed analyses may be barriers against problem solving. Thus their approaches to solve problems and challenges are often experimental and dealt with immediately or in a relatively short time through establishment of cross functional teams where also external partners like customers or suppliers may participate.
2. *Close to the customer*, meaning that the successful companies really listen to the voice of the customer and also use *the voices* as input for continuous improvements and new product and service development.
3. *Autonomy and entrepreneurship*, meaning that all employees - not only people in R & D - are expected to be creative and innovative in their daily jobs.
4. *Productivity through people*, meaning that people are expected to come up with ideas for waste reductions and productivity growth by providing the proper framework i.e. respect, involvement and empowerment.
5. *Hands-on, value driven*, meaning that the company's philosophy, vision and values are seen as the main guideline and to be far more important than technological or economic resources for the daily activities and challenges.
6. *Stick to the knitting*, meaning that the excellent companies stay close to the business they know.
7. *Simple form, lean staff*, meaning that the underlying structural forms and systems in the excellent companies are *elegantly simple* and top-level staffs are lean.
8. *Simultaneous loose-tight properties*, meaning that the excellent companies are both centralized and decentralized. On the one hand for example *they have pushed autonomy down to the shop floor or product development teams*, and on the other hand, *they are fanatic centralists around the few core values they hold dear*.

Peters and Waterman complemented the above eight attributes with the following overall conclusions (op cit p. 13):

The excellent companies were, above all, brilliant on the basics. Tools didn't substitute for thinking.....Rather, these companies worked hard to keep things simple in a complex world. They persisted. They insisted on top quality. They fawned their customers. They listened to their employees and treated them like adults.

Tom Peters and Nancy Austin published in 1985 the second book on Excellence called “A Passion for Excellence”. The findings from the first book were now simplified into the simple model or scheme shown in figure 1 below.

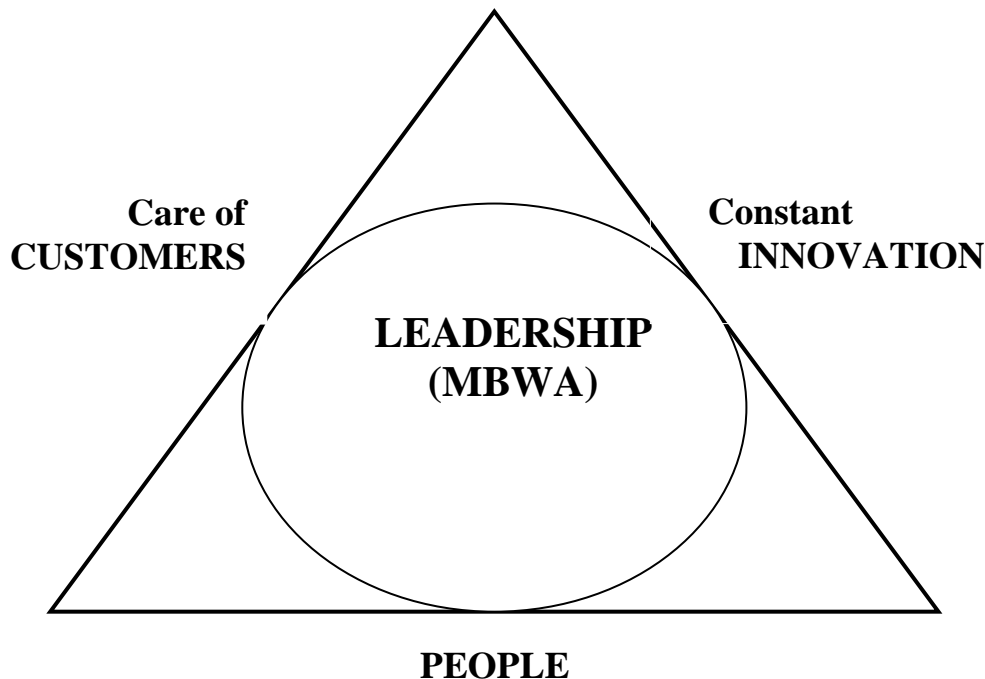


Figure 1: A Simple Model of Excellence (Peters and Austin, 1985)

As indicated in figure 1, Peters and Austin regarded excellence as being the result of the following 4 critical success factors:

1. *PEOPLE*, who practice
2. *Care of CUSTOMERS* and
3. *Constant INNOVATION*.
4. *LEADERSHIP* which binds together the first three factors by using *MBWA* (Management by Wandering Around) at all levels of the organization.

There is no doubt that Tom Peters, through his early publications and his management seminars, has had an effect on *excellence thinking* in North America during the 1980s. We will see, through this article, if his and his co-authors' findings also have affected the excellence models and frameworks which we have included in this article.

3 LISTS OF BEST PRACTICES

Since Peters and Waterman's extracts of excellence characteristics several others have tried to identify such lists of excellence. Such lists typically describe the key enabler characteristics, which differentiate organizations with excellent results from organizations with mediocre or poor results. The British Quality Foundation published such a list in a report about Business Excellence (1998), and the differentiating characteristics (criteria) were shown as follows:

1. Management commitment to the business excellence 'journey'
2. Effective strategic planning
3. An emphasis on people issues through empowerment and training
4. Unprecedented levels of employee participation through effective communication of and involvement in the organization's goals, mission and objectives.
5. Process understanding, management, measurement and improvement
6. Deliberately avoiding 'jargon' to ensure a seamless integration of business excellence practices

7. Nurturing a culture which focuses implicitly and explicitly on anticipating and serving customers' needs
8. Demonstrating concern for better environment management
9. Making the internal spread of best practice contagious

Lists like the BQF list, or Peters & Waterman's list on eight characteristics concerning *organizational excellence* or *best practices*, can be found in several areas of the literature. Such lists may be valuable for organizations, which decide to embark on "the Journey to Excellence", but they may also be misleading. Managers may misunderstand that the shown characteristics are exhaustive, and they may not understand the interrelationships and logical linkages between them, as the lists mixture various elements together and does not provide a proper guiding framework. It is also important to understand that the best practices in the list may not always be a "good medicine" for an organization and hence the lists may both be misleading or biased and risky for companies to apply. The risk of bias has recently been reported theoretically by Denrell (2005), and was earlier reported by Harrington in an empirical study almost 20 years ago.

Harrington (2004) reports on 60 organizations from Japan, Germany, US and Canada which he and others at that time (1987) believed were setting the standards for *best management practices*. The selected companies were from two manufacturing industries (automotive and computer equipment) and two service industries (acute-care hospitals and commercial banks).

The analyses of this study showed that only five practices were significant when correlated with performance where performance were measured with *Return on Investment*, *Profits*, *Value Added per Employee*, and *Customer Satisfaction*. These performance measures were measures on profitability, productivity and quality.

The five *universal best practices* were the following:

1. Cycle-time analysis
2. Process value analysis
3. Process simplification
4. Strategic Planning (Deploying the Strategic plan)
5. Formal supplier certification programs

Organizations that made frequent use of *Process Improvement methods* (1. 2. and 3.) tended to have higher performance than the other organizations, and the positive impact was on all performance measures - profitability, productivity and quality.

Regarding *Strategic Planning* the statistical analyses showed that *widespread understanding of the strategic plan by people inside and outside the organization had a broad beneficial impact. The two groups whose understanding showed the strongest impact on performance are middle management (or the medical staff among the hospitals in the study) and customers. Understanding of the plan by suppliers was also generally beneficial.*

This finding is in our view important because we have found in too many cases that top management still do not use enough time and resources to involve lower management in a real *Policy Deployment* process where lower management are invited to comment and come up with suggestions for improvement of the company's strategic plan (*Hoshin Planning with Catch Ball* (Kondo, 1995)). We regard such a process as one of the critical indicators of excellence, and as one of the most critical pre-conditions for a real people involvement, where people's competencies and creativity will be released to the benefit of all stakeholders of the company.

Another important finding in the study was that many of the practices considered being basic principles of the quality movement (TQM, Six Sigma, etc.) proved to be ineffective or even detrimental under certain conditions. Examples were empowerment of the workforce, use of natural work teams, benchmarking, eliminating quality control inspection, and not inspecting quality into the product service. The conditions for what is a best practice depend on the company's situation. The analyses proved that *it takes a very different set of activities and beliefs to move a low-performing up to the medium-performance level than it does to move a medium performing organization up to the high-performance level.*

We agree with this finding, and we recommend therefore organizations to be very critical against long lists of so-called best practices. It is always better to identify what are the most important general principles for achieving excellence in the long run, and then use these general principles as the basic work principles when specific practices are being tailored to organizational contexts.

4 THE XEROX BUSINESS EXCELLENCE MODEL

In the 1960's Rank Xerox appeared as *the sweetheart of Wall Street* (Dahlgaard et al 1998). The company had developed a product, the photocopying machine, which became a real milk cow. The company entered the Fortune 500 in 1962 as No 423 and worked its way up to No 70 in 1970. The result of this rising was, however, that the company fell asleep. Much money was lost on adventures outside the core business, and the control of vital functions such as product development and production were lost. Furthermore, the company forgot to keep an eye on the competitors. The company lost market shares when the world patents expired and especially the Japanese competitors were really cost competitive when they entered the world markets offering new products at prices less than the production costs of the existing Xerox products. The company was near to bankruptcy.

However, Xerox did not give up and Mr. David Kearns, the managing director, said: *We are determined to change significantly the way we have been doing business.* By using Benchmarking and later on a well designed self-assessment process Xerox became very successful during the following about 15 years.

During these survival years Xerox first learned from W. E. Deming, P. Crosby, the Japanese Quality Award framework (the Deming Prize), and later on from the Malcolm Baldrige Quality Award Model (1987). Xerox became recognized for its *Leadership through Quality* program and the success with application for several quality awards. Hence it seems to be a good idea to look at what were the main characteristics of the business excellence model used by Xerox in that period.

Xerox related Business Excellence to certification (1994) as they defined *excellence as being certified with a high score* on the following *six excellence criteria*:

1. Management Leadership,
2. Human Resource Management,
3. Business Process Management,
4. Customer and Market Focus,
5. Information Utilization and Quality Tools,
6. Business Results

The excellence criteria 1-5 were called *enablers*. The sub-criteria of the six excellence criteria can be seen in figure 2 below which shows the details of the so-called Xerox Management Model (XMM). The XMM model was introduced in Xerox as *A Mechanism for Integrating Quality into the Daily Business Operations*.

The *Business Results* sub-criteria were measured every month, and the *enablers* were measured by self-assessment every 3 months. The results of self-assessment were input to: 1. the quarterly review and correction process, 2. the yearly strategic planning process. The Xerox Business Excellence Model became a mirror of how Xerox was managed, and a holistic diagnosing tool for sustaining Business Excellence. The process of certification, where top managers from other Xerox companies were external assessors, proved to be very effective in spreading best practices within the whole corporation.

By comparing The Xerox Business Excellence Model with Peters and Austin's simplified excellence model we find both similarities and differences. The criteria 1, 2, 4 and 6 seem to cover very well Peters and Austin's model of the most critical success criteria for excellence. The Criteria 4 and 6 - *Business Process Management* and *Information Utilisation and Quality Tools* – do not seem on the surface to be included in their model. The reason may be that those two criteria is based on sub-criterion 1.4 under Leadership – *Fact-Based Management* – and Tom Peters and his co-authors did not seem to pay too much attention to measurements.

In fact, as we see it, fact-based management is necessary when balancing the *Hardware* and *Software Factors* in the *7S Model* shown in the introduction. But we also agree with Peters and

Waterman's findings that focusing too much on tools and measurements, which are important in the criteria 4 and 6 in Xerox Business Excellence Model, can have a negative effect on the software factors, which are highlighted in Peters and Austin's simplified excellence model. We agree with Peters and Austin that the four software factors included in their model are among the most important success criteria for excellence because they are often pre-requisites for successful fact-based management.

When we look at criterion 6, Business Results, it is important to know that the sub criteria have been ranked in order of bonus importance. Top managers' bonuses were dependent on how well the business results were achieved and 6.1 Customer Satisfaction, and 6.2 Employee Motivation and Satisfaction had higher weights than 6.3 ROA (Return on Assets) and 6.4 Market share. This ranking seems well in accordance with Peters and Austin's simplified Excellence model. It seems as if Xerox, with the Xerox Business Excellence Model, had developed a reasonable business excellence model which tried to balance hardware and software factors when running its business.

The Xerox quality program called *Leadership through Quality* was not a static one, but it became continuously improved during the 90's. In the late 90's, Six Sigma and Lean were adopted locally by Xerox's supply chain and manufacturing operations, and finally in 2002, it was integrated across the corporation by committing the resources required to enable a robust deployment.

The name of the Xerox quality program is now *Xerox Lean Six Sigma Quality* (see: Fornari & Maszle, 2004). Customer focus is at the heart of Xerox Lean Six Sigma framework (fig. 3). The outer ring sends the message that:

1. People providing 2. Customer Value leads to improved 3. Business Results.

The four components surrounding the customer focus circle signal what people must do in order to improve customer value and business results. *Benchmarking and Market Trends* provide the best practices for setting performance targets and finding better ways to improve processes, while the *DMAIC process* (Define-Measure-Analyse-Improve-Control) provides the roadmap, principles and tools for process improvements. The Xerox *Performance Excellence Process* supports the alignment of strategies and performance objectives, and the *Leadership* component is critical in supporting all components of the framework.

By comparing the Xerox Business Excellence Model from the early 90's and the Xerox Lean Six Sigma framework from 2002 we find that the former model focused on what had to be measured, and the Xerox Six Sigma framework communicates what are the guiding principles and practices for staying in business and achieving excellent performance. We find this simplification natural and important seen from a communication point of view.

The message highlighted in the outer ring is the *People First* message, which became more and more common and accepted during the 90's as being one of the most important principles of excellence. This principle was easy to support orally but not so easy to practice. Xerox revised excellence model may have come up because of problems with real people involvement/empowerment.

By comparing the revised excellence model in figure 3 with Peter and Austin's simplified model in figure 1 we find both similarities and differences. The similarities are related to the overall messages of the two models, which are almost identical. The differences are related to the details which have been taken away in Peters and Austin simplified model. The arguments for their simplification are shown here at the end of this section because these arguments may also partly be used for understanding the necessary simplification of Xerox Business Excellence Model:

Many accused "In Search of Excellence" of oversimplifying. After hundreds of post-In Search of Excellence seminars we have reached the opposite conclusion: "In Search of Excellence" didn't simplify enough! In the private or public sector, in big business or small, we observe that there are only two ways to create and sustain superior performance over the long haul. First take exceptional care of your customers via superior service and superior quality. Second, constantly improve. That's it....Both are built on a bedrock of listening, trust and respect for the dignity and the creative potential of each person in the organization (Peters and Austin, op cit p. 4).

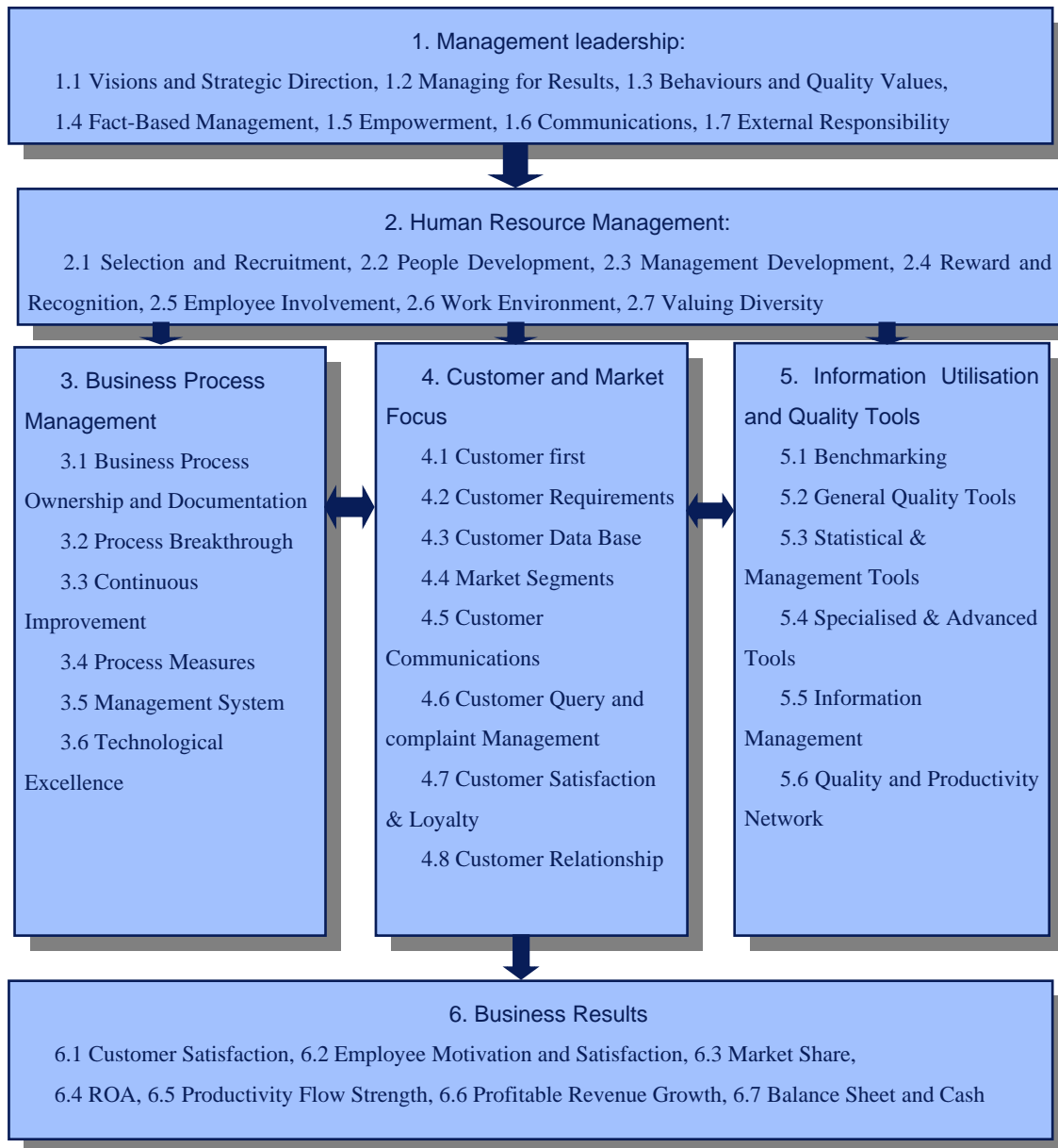


Figure 2: The Structure and Criteria of the Xerox Excellence Model (1990)

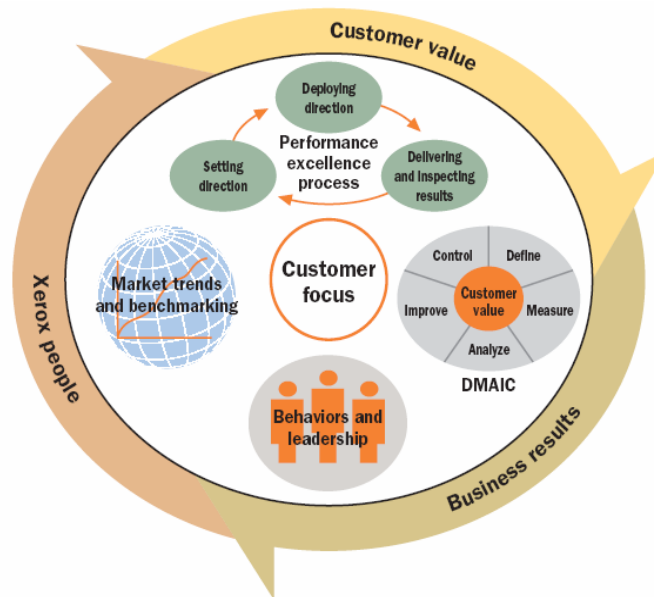


Figure 3: Xerox Lean Six Sigma Framework

5 THE EUROPEAN EXCELLENCE MODEL – PROBLEMS AND CHALLENGES

In Europe, one of the most used models for self-assessment and strategic change is the EFQM Excellence Model, which is based on following 8 *fundamental concepts*: 1. Results orientation, 2. Customer focus, 3. Leadership and constancy of purpose, 4. Management by processes and facts, 5. People development and involvement, 6. Continuous learning, 7. Innovation and improvement, 8. Partnership development and public responsibility. The model consists of nine criteria (see figure 4).

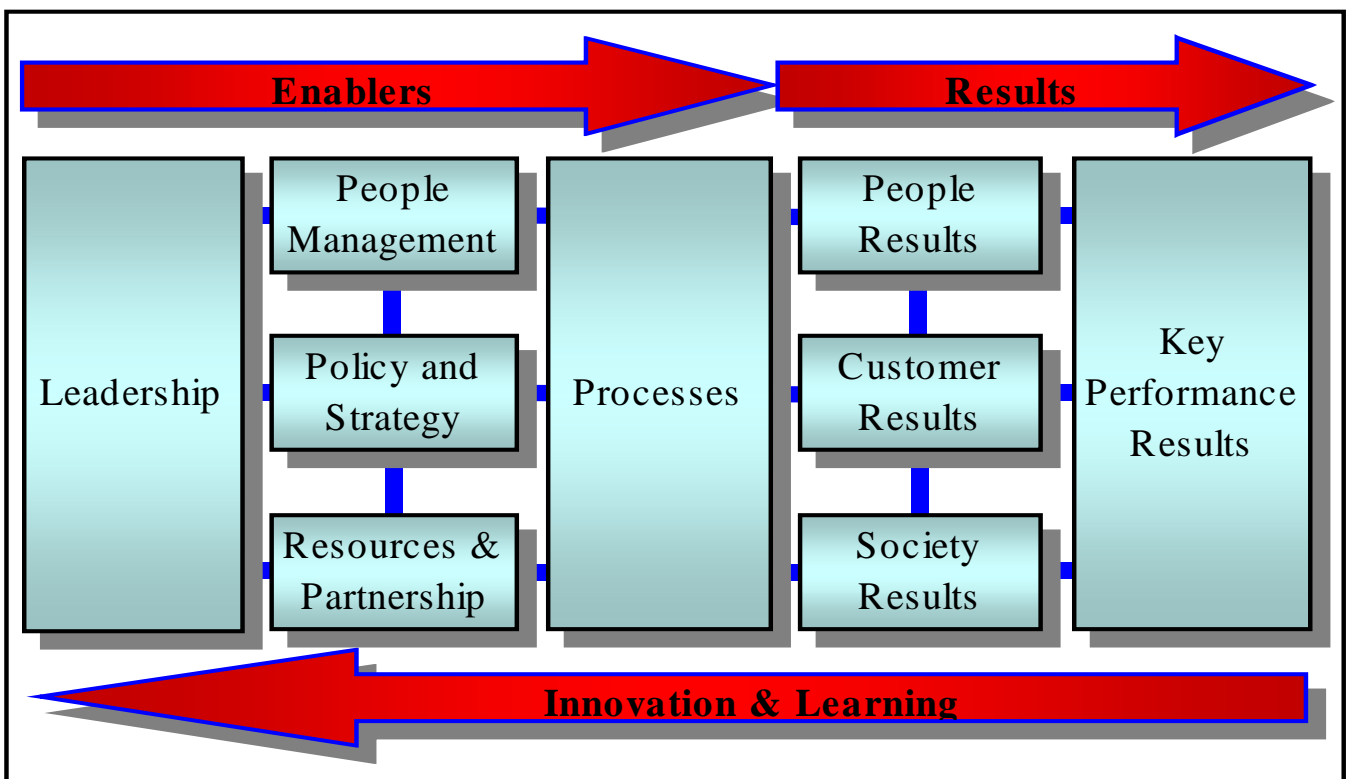


Figure 4: European Excellence Model

. The first five criteria on the left are the *enabler criteria*: 1. Leadership, 2. People, Policy & Strategy, 4. Partnerships & Resources, 5. Processes. The four criteria on the right of the enabler criteria are the *result criteria*: 6. People Results, 7. Customer Results, 8. Society, 9. Key Performance Results. By analysing and comparing this model with the two previous models we have come up with a number of observations and comments which will be discussed in the following.

On the result side of the model we see a difference to the criterion 6 of the Xerox Business Excellence Model. Society Results – or Impact on Society - is missing in the Xerox Model. As results are not included in Peters and Austin's simplified excellence model it is logical that we have the same difference when comparing with this model.

The European Foundation for Quality Management (EFQM) stresses in their training material that an *assumption* behind the model is that the results of the organization are achieved through excellent performance in the enabler criteria. An organization achieving excellence in the enablers will experience *sustainable developments* through improved customer, people, society and financial results. That sounds logical and easy, but reality or practice is not always that easy. There is among others no consensus on how to start up and how to continue with the implementation of the EFQM Excellence model. Companies are struggling with a lot of problems and many companies skip the model because the model seems too complex to understand and too time consuming to implement.

One of the reasons behind these problems is maybe that the self-assessment approach suggested by consultants or other experts trained as EFQM assessors is often an award based approach even if the companies need quite a different approach. In most cases companies do not aim to receive a quality award, but rather need to initiate and carry out sustainable quality improvements. In these cases the strategic intent of the company will determine what is most important in the self-assessment process (Conti, 1997, 2002), and the standard weights of the model's criteria suggested by EFQM are meaningless and misleading. Furthermore the model generally pays little attention to contextual factors. The right approach for implementation varies depending on the current maturity level of the company and existing organizational culture (Dahlgaard and Dahlgaard-Park, 2003).

Another problem is linked to the management paradigm. Although it is stressed by EFQM that the model is based on 8 *fundamental concepts*, the actual approach will vary depending on the interpretation and understanding of the model, and the existing management paradigm often determines the character and direction of the interpretation. For instance, if the existing and dominant (Dahlgaard, S. M. P., 2003) management paradigm is a rational and measurement oriented one, the model will be interpreted favouring those aspects, while other aspects such as people and culture which are rather irrational and intangible aspects will be more or less undermined or ignored. In fact in most quality literature those irrational aspects of conflicts, power issues as well as peoples' political interests are either ignored or unseen and remain as untouched areas. The accusation as being a new 'Scientific Management', which TQM received from some organization theorists, can be understood in this context (Boje & Winsor, 1993; Steingard, 1993; Dahlgaard-Park, 2002, 2003).

One major problem, when implementing the model, is especially to balance the human oriented approach with a fact and measurement based approach. This problem is also related to a tendency to focus on tangible and objective aspects while underestimating the more intangible and subjective aspects. Several authors (Corrigan, 1995; Evans, 1995; Shin et al. 1998; Dahlgaard, et al 2001) have argued that the unbalance where the human dimension is underestimated while tools and techniques are prioritised in implementation processes can be one of the main causes of TQM failures. The consequence of that is not only failure with implementation, but people's contribution may not be maximised because people development and involvement, are far from being fulfilled.

The critics of the European Excellence Model do not mean that we reject the model as such. The critics we have come up with may be the same for other quality award models as for example the Malcolm Baldrige Quality Award model. Our point is that the model in the future should be used more like a business/ management control model where the main aim is improvements, not an

award application. Under this condition we regard the model as one of the best management control models, which definitely can help companies in improving competitiveness and the financial performance (Dahlgaard-Park, 2003). Research by Hendricks & Singhal (2000) shows major impact on financial performance of striving for quality awards in North America. We expect similar impacts will be shown when analysing the financial impacts using the European Quality Award, a research project which is running right now (Boulter, L., Singhal, V. & Dahlgaard, 2004).

6 THE “4P MODEL” FOR BUILDING ORGANIZATIONAL EXCELLENCE

One important motivation behind *the “4P” model* has been to create a model that provides an integrated approach between various, and often conflicting aspects, such as soft (intangible) and hard (tangible) aspects, subjective and objective aspects, rational and irrational aspects, individual/personal and collective/organizational aspects etc. As mentioned above existing models have often been misinterpreted and the result has been organizational prioritizing on certain aspects while other equally important aspects are unseen and/or ignored. Among others the human aspect has been one of the most underestimated aspects (Sparrow & Marchington, 1998; Dahlgaard-Park 2000). With these considerations in mind, we felt a need to construct an alternative more people oriented model of organizational excellence. The result became the “4P” model (Dahlgaard & Dahlgaard-Park, 1998; 1999; 2003) in which the people dimension is recognized and emphasized along with other critical excellence variables. According to the model *building excellence into the following 4P develops Organizational Excellence* (OE): 1. People, 2. Partnership, 3. Processes, 4. Products.

The “4P” model is suggested based on the recent awareness on human resources and their role in an organizational context as one of the most critical issues for any organizational improvement activities. From this viewpoint it is argued that the first priority of any quality or excellence strategy should be to build quality into people as the essential foundation and catalyst for improving partnerships, processes and products. But what does that really mean? In order to answer that question we need to understand human nature, human needs, motivation, human psychology, environmental and the contextual factors of human behavior because the project of “building quality into people” can only be carried out when we have a profound knowledge of people and psychology (Deming, 1993).

The quality strategy should preferably be implemented multi directional, i.e. through a top-down, middle-up-down and a bottom-up strategy (Dahlgaard et al. 1994 & 1998). The strategy should follow the Policy Deployment approach (Hoshin Kanri), which has both the top-down and the bottom-up strategy included. Such an approach provides a framework for building quality into the following three levels (Dahlgaard-Park, 1999): Individual level, team level and organizational level. An efficient quality strategy aiming at improving “the 4P” can only be developed based on an understanding of the interrelationships and interactions between these three levels as well as the critical contextual factors at each level in each given situation.

Figure 5 below indicates that building Organizational Excellence (OE) is initiated by *building Leadership*, which means recruiting leaders with the right values and competencies and developing leaders through education and training so that proper leadership is practiced. Leadership impacts throughout organizations are huge. For instance, leaders’ behaviours will largely determine if core values (as for example trust, respect, openness etc.) will be diffused and will become a part of the organizational culture (Dahlgaard & Dahlgaard-Park, 2003).

The next level is *People*, which involves recruitment of ‘the right people’, training and education with the right values and competencies. Education and training of employees is essential for giving people understanding of the company’s philosophy and values as well as the competencies (skills and know-how) needed for performing their job. Working on the people level also includes intangible aspects of individual persons’ mental processes such as perceptions, thoughts, intentions,

beliefs, motives, willingness, desires, self-motivation etc along with more tangible aspects of behaviour and patterns of interaction with others.

Building Partnership / Teams means that teams are established and developed, so that each team is able to practice the right and needed values and competencies in their daily activities. *Partnership* is established in all people relationships - within the team, between team members (intra-team), between teams (inter-team) and with other people or groups outside the team. Partnership also includes external stakeholders such as suppliers, customers, society and community stakeholders.

Building Processes means that leaders, individuals and teams day by day try to practice the needed values and competencies based on the principle of continuous improvement and the *speed* is continuously improved and at the same time *costs* are reduced through improved people relationships in the system. The strategy, for simultaneously improving quality and speed and reducing costs, is to identify and reduce waste everywhere in the supply-chain processes from suppliers to the customers. Here the overlapping principles, tools and methods of TQM (Dahlgaard et al 1998), Lean Thinking (Womack & Jones, 1996) and the Six Sigma Quality methodology (Dahlgaard & Dahlgaard-Park, 2001) are used.

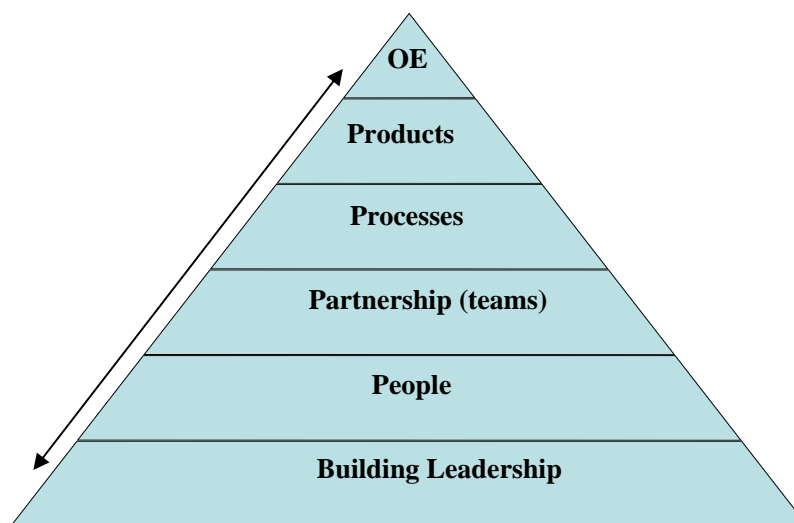


Figure 5: The “4P” Model for Building Organizational Excellence (OE)

Building Products means building quality into tangible and intangible products/ services through a constant focus on customers’ needs and market potentials, and to practice the principles of continuous improvement parallel with innovativeness in new product development.

The foundation (building leadership) supports the four other factors represented by “the 4P” and all together the 5 factors comprise a roadmap to the “result”, which is called *Organizational Excellence* (OE). It is assumed by the model, that all 5 factors are necessary for achieving organizational excellence.

7. Epistemology and Ontology behind the “4P” Model

In this section we will reflect on our paradigms and assumptions which the “4P” model is based on. One of the basic assumptions behind the “4P” model is the principles of open systems theory that recognises the importance of interrelationships, processes, contingency and integrative aspects between various parts of a system (Luhmann, 1995; Deming, 1993; Morgan, 1986; Scott, 1986). More specifically we adopt the purposive and goal seeking socio-cultural system view (Buckley, 1967) in which organizations are supposed to intentionally searching and receiving information and making efforts in order to keep moving toward their goals. The positioning of *Building Leadership* in the model should be understood from this point of view, as we recognise the decisive influence and authority of leadership in shaping goals and designing the vision, mission and strategy for achieving the goals. Although we recognise the decisive role of leadership in shaping the vision,

mission and organisational culture, the influence and interaction aspects of all levels and subcultures should not be underestimated. The above mentioned multidirectional approaches of *the “4P” Model* are based on this view.

Seen from this perspective all activities and interactions are information exchange activities, which organizations try to utilize in order to not only maintain their existing standards and processes (morphostasis), but also to improve and change (morphogenesis) (Buckley, 1967:58-62; Scott, 1981/2003: 90-91). Thus keeping the system’s capability moving towards a state of negentropy is essential, as in the state of negentropy organization’s energy in terms of information is mobilised and utilized to restore, maintain and improve structures, processes and routines (Buckley, 1967; Scott, 1981/2003; Morgan, 1986).

Another assumption in relationship with the model is the aspect of organisational reality. The quality movement has often been explained and characterised as a quality evolution from a rather mechanical view with a focus on objective and rational elements to a more holistic and organic view with a focus on both subjective and objective elements of organizational reality (Dahlgaard, 1999; 2002). TQM can be explained as an ongoing process of fusion between western and eastern ways of seeing, thinking, interpreting, understanding, and doing. It is argued (Dahlgaard, 2002), that the rational and logical approach is a heritage from the western tradition mediated by pioneers such as Shewhart, Deming and Juran, and the more holistic and humanistic approach is a heritage of the eastern tradition, mostly transmitted by Japanese practices. As a result of this quality evolution, which also comprises the fusion between western and eastern traditions, TQM as well as the Business Excellence Models came to recognise this multifaceted reality (Dahlgaard, 2002). The multifaceted reality means here that the various aspects of organizations, e.g. subjective, irrational, objective, logical, rational, emotional, formal, and informal aspects are all recognised as representing organisational reality, and are thereby candidates for consideration in relationship with implementing TQM and building organizational excellence.

As many theoreticians in quality still seem to misinterpret seeing excellence models from a one-sided ‘reductionist’ view, we emphasize that *the “4P” Model* should be viewed as an integrative model where the distinctions between subjective/mental and objective/physical as well as between micro/individual and macro/collective aspects of reality are abandoned. Instead of dichotomies between these aspects we suggest an integrative approach where subjective and objective as well as micro and macro aspects are seen as a dynamic continuum of organizational reality, and thereby are all parts of the reality.

As can be seen in Table 1 below the various elements of *the “4P” Model* can be interpreted as parts of the dynamic continuum between the micro-macro and the subjective-objective pole of organisational realities. The micro/individual – macro/collective continuum is shown vertically and the subjective/intangible – objective/tangible continuum is shown horizontally.

Table 1: The “4P” and the four aspects of organizational realities

	Subjective/ intangible	Objective/ tangible
Micro/ Individual	Individual feelings, perceptions, assumptions, values, thoughts, intentions and will, beliefs, motives, meaning creations, desires, motivation, commitment, loyalty <i>(Building Leadership, Building People, Building Partnership)</i>	Individuals’ patterns of behaviour Leadership behaviour and patterns, Patterns of interactions Patterns of partnership Individual work processes Individual work performance <i>(Building Leadership, Building People, Building Partnership, Building processes)</i>
Macro/ Collective	Groups, departmental and organizational norms, values, political interest, power relationships, informal power structure, conflicts, interpersonal-, inter group meaning creations	Vision, mission statement, Symbols, Ceremony, Traditions, Patterns of inter group /inter departmental interaction and partnership, Patterns of inter organizational partnership, Groups, departmental and organizational work processes, Training and education programmes, Rules, Techniques,

	<i>(Building Leadership, Building People, Building Partnership)</i>	Communication channel, Structures, Manuals, Technology, Routines, Products <i>(Building Leadership, Building People, Building Partnership, Building Processes, Building Products)</i>
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Because the table may be misinterpreted as four distinctive areas we emphasize the importance of interactions and interrelationships among and between the four areas. The micro/subjective area of organizational reality involves individual persons' mental processes such as perceptions, thoughts, intentions, beliefs, motives, willingness, desires etc. These realities are often difficult to observe, as they are mostly intangible. The micro/objective area of organizational reality involves the more tangible aspects of individual processes such as behaviour and interaction patterns. The macro/subjective area of organisational reality involves intangible collective processes e.g. norms, values, political interest of groups, departments and organizations. The macro/objective area involves tangible collective organizational realities such as vision, mission statements, the visible part of organisational cultures in terms of the way of celebrating success and failures, the way of using symbols, work processes, rules, routines, technology, manuals, structures, collective behaviour patterns, communication channels, reward systems, products, profits etc.

Seen from the "4P" model, large parts of Building Leadership and the two Ps - People and Partnership Building - belong to the micro areas, and large parts of the last two Ps - Processes and Products - belong to the macro areas of organizational realities. However as the organizational realities are not divided into different categories or levels, they are overlapping in all areas. Thus the most important point is here that all four aspects of realities are important, and there are mutual interrelationships between all four areas.

The micro/subjective realities will often be *key performance indicators* and input for micro/objective realities and vice versa. Similarly micro/subjective realities are also closely interrelated to macro /subjective realities. Individual persons can initiate an action (micro objective) driven by some personal motives (micro subjective), however those personal motives might have been shaped, modified and constrained by the organisational culture (macro subjective) or the existing hierarchical structure (macro objective). In other words, individuals' behaviours and actions are often constrained and shaped by the environments. Thus interrelationships between them are multidirectional and not a clear linear cause-and-effect or enabler-results relationship. These relationships can be explained as an ongoing process of 'becoming' (Sztompka, 1991) or 'emergence' (Wiley, 1988) where feedback and feed-forward flow constantly at all levels through interactions. Externalisation, internalization, sympathy, socialization, combination, articulation etc. are some main mechanisms in interactions that make this becoming / emergence possible.

Although we are careful and reluctant to make priorities at any level, we can observe from table 1 that the impact of Leadership is obvious within and between all four levels. This is the reason behind our argument of leadership to be considered as the foundation of the model indicating that leadership is the most influential factor of the model.

The "4P" model and the idea of integrating micro-macro and subjective-objective aspects of organizational realities has been inspired and motivated by previous research from both organizational and management areas as well as from the area of sociology.

The century-long history of organisational and management studies can be seen as a series of polemics and controversies between the following two dominating school of thoughts: The mechanic/ rational/ deterministic/ objective school and the organic/ humanistic/ normative/ subjective school¹ (Burns & Stalker, 1961; Burrell & Morgan, 1979; Barley & Kunda, 1992; Astley & Van de Ven, 1983; Dahlgard, 2002). Similarly, conflicts and divisions between micro-macro,

¹ One of early sociologists, Durkheim, introduced the concepts of mechanical and organic solidarity in his analysis in *the Division of Labor in Society* (1893). The two concepts are then borrowed to managerial and organization study by Burns & Stalker (1961) and many others.

subjective-objective or agency-structure² have dominated debates and discussions in the sociological area during many decades. In order to overcome this extreme division and dichotomy several theoreticians attempted to link those conflicting aspects and tried to introduce more holistic and integrative approaches within managerial areas (Nonaka & Takeuchi, 1995; Barley & Kunda, 1992; Astley & Van de Ven, 1983; Senge, 1990; Deming, 1993; Dahlgaard, 2002).

When integrating these conflicting aspects we have taken these conditions, ideas and suggestions into consideration, and in particular we used as input for our model ideas from Giddens (1984), Alexander et al., (1987), Sztompka (1990), Bourdieu (1977; 1989), Wiley (1988) and Ritzer (2000/1983). More specifically Giddens and Sztompkas' attempt to integrate agency and structure, Bourdieu's effort to overcome the dichotomy between subjective-objective, and Alexander et al, and Wiley and Ritzers' efforts to integrate micro and macro perspectives have been useful inputs for our work with the suggested "4P" Model.

8 THE "4P" MODEL OF THE TOYOTA PRODUCTION SYSTEM

In his book called *The Toyota Way* (2004) Jeffrey K. Liker describes the 14 management principles behind the world's most successful car manufacturer. These 14 principles have by Liker been divided into four categories, all starting with "P" – Philosophy, Process, People/Partners and Problem Solving (see figure 6). An overview of the 14 management principles related to the four categories is presented in table 2 below.

By comparing Liker's "4P" model with our model it is obvious that there is a lot of overlap. First the "4P", which in fact in Liker's model comprises "5P". But when we regard the first P (Philosophy) as part of Leadership, the two models have the same number of Ps. *Problem Solving* is not a specific category in our model because it is integrated in the categories of *Processes* and *Products*. In stead we have a specific category on *Products*, which is both a result of the company's manufacturing, administrative and service processes, and the process of new product development.

The order of the Ps in the two models differentiates a little bit, but the models have the same start with relation to the importance of *Leadership* and *Philosophy* which guides strategies, activities, problem solving etc in the other levels of the two models. In fact it seems wrong to focus too much on the order of the Ps because neither we nor Liker regards our respective models to be simple mechanistic models which always must be used in a certain order. This is obvious when reading through Liker's book on the Toyota Way and when comparing with the epistemology and ontology behind our "4P" Model. The assumptions behind the two "4P" models seem to be almost the same.

² European theorists have widely implied terminologies of "agency and structure", while American theorists adopted terminologies of "micro and macro". At a superficial and general level, they can be interpreted as interchangeable. However if we make an in-depth analysis on how they are implied, there are many differences beside the terminological differences.

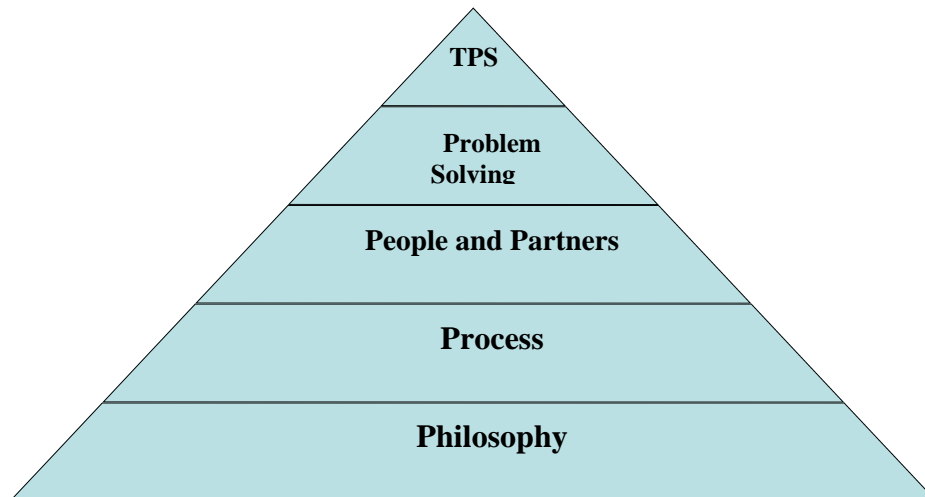


Figure 6: The “4P” Model of Toyota Production System (TPS)

The 14 principles of the Toyota Production System have been important principles in building excellence into Toyota Corporation and the whole supply-chain. We recognize these 14 principles as important principles to understand for any company and the successes of Toyota compared to other car manufacturers indicate that managers should study these principles carefully before they eventually try to adapt them or other overlapping principles. However, we do not regard the fourteen principles as being the ultimate number of principles which companies must work with in order to embark on and have success with the long *journey* to organizational excellence. Even if it may be argued (as Liker does), that all 14 principles are important and none of them can be ignored, it is refreshing to consider the overall simple model in figure 6, which are presented in Toyota’s own brochures about the Toyota Vision and Mission (2001). People can remember two principles but not fourteen! Nevertheless the 14 principles can be abstracted and may be regarded as a detailed check list which supplements the simple overall model in figure 7.

Table 2: The Categories and the 14 Management Principles of *the Toyota Way*

Category	Management Principles
Philosophy (Long Term Thinking)	1. Base management decisions on a long-term philosophy, even at the expense of short-term financial goals
Process (Eliminate Waste)	2. Create process “flow” to surface problems 3. Use pull systems to avoid overproduction 4. Level out the workload 5. Stop when there is a quality problem 6. Standardize tasks for continuous improvement 7. Use visual controls so no problems are hidden 8. Use only reliable thoroughly tested technology
People and Partners (Respect, Challenge, and Grow Them)	9. Grow leaders who live the philosophy 10. Respect, develop and challenge your people and teams 11. Respect, challenge, and help your suppliers
Problem Solving (Continuous Improvement)	12. Continual organizational learning through Kaizen

and Learning)

13. Go see for yourself to thoroughly understand the situation

14. Make decisions slowly by consensus, thoroughly considering all options; implement rapidly

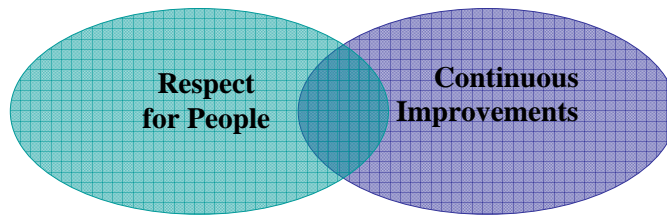


Figure 7: Toyota's DNA

9 CONCLUSIONS – Past, Present and Future of TQM and Excellence Models

This article is a result of two different brains' – the two authors' brains - struggle to understand each other, and a joint struggle to understand the different paradigms behind various excellence models. Our struggle to understand each other and the reviewed excellence models was not always easy, but it was always interesting. It was interesting for us, because our problems to understand each other's paradigms may be regarded as a reflection of the same problems as various people experience daily when a company's management starts the implementation of TQM by using an excellence model in a pursuit for excellence. In the article we have reviewed a sample of excellence models and lists of best practices presented during the last two decades – starting up with Peters & Waterman's (1982) model called MCKINSEY's *7-S Framework* and ending up with *Toyota's 4P Model* (2004).

One major contribution of Peters & Waterman (1982) is their early recognition of the importance of the soft dimension of organisational realities, in terms of systems, shared values, skills, staff and style along with the hardware of structure and strategy. By focusing on the soft dimension, and thereby recognising many intangible organisational phenomena such as values, beliefs, norms, patterns of behaviours and styles, Peters and Waterman are considered to have initiated culture studies in organisation areas together with several other authors in the early 80's, e.g. Deal and Kennedy (1982), Schein (1985), Sergiovanni & Corbally (1984). Peters and Austin simplified (1985) Peters' and Waterman's earlier findings on excellence as being the result of the following 4 critical success factors: 1. PEOPLE, 2. Care of CUSTOMERS, 3. Constant INNOVATION, and 4. LEADERSHIP which binds together the first three factors by using MBWA (Management by Wandering Around) at all levels of the organization.

During this early period of a focus on excellence TQM gradually evolved inspired by the Japanese management philosophy called CWQC (Company Wide Quality Control). As mentioned in section 7 the conceptual and philosophical foundation of TQM recognises the importance of intangible and cultural aspects of organisational realities in contrast to earlier theories and practices of quality, which ignored or underestimated those aspects. Numerous descriptions of the quality evolution, i.e. from a rather mechanistic narrow framework to a more broad and holistic framework, are related to the integration of intangible aspects of the TQM framework (Dahlgard, 1999; 2000; 2002). The European Excellence Model is a further development of the TQM philosophy, and should be understood from the ongoing evolutionary continuity of the quality movement.

Seen from a Meta level, TQM and the excellence approach requires a fundamentally different managerial paradigm and mental model compared to earlier quality approaches. Earlier quality approaches were rooted in a positivistic and reductionist paradigm which is well matching when focusing and understanding the formal and tangible aspects of organisations. However this positivistic paradigm is not suitable for understanding intangible and cultural aspects. As we have

discussed through this article, one major problem with the various excellence models and the managerial practices of these models seems to be that people still interpret these models from a positivistic and mechanistic paradigm. The high failure rate with implementation of TQM and excellence models seems to be related to this problem (Dahlgaard-Park, 2002; Dahlgaard-Park & Noronha, 2003). The phenomenon can be illustrated by an analogy of a doctor who tries to cure a mental sick person by carrying out a physical surgery. In order to understand the complex realities of organisations and its environments organisations need a new cure (framework) which can capture both depth (qualitative) and breath (quantitative).

The suggested “4P Model” is our attempt to provide such a framework which may help to overcome organisations’ current problems when trying to implement TQM by using existing excellence models. With this model and its related principles we have tried to simplify the integration of tangible and intangible aspect (objective and subjective) as well as individual and organisational levels (micro and macro) into the framework. The “4P model” can be used as a guideline for implementing TQM by integrating the paradigm level with the methodological level. The successful transformation of Post Denmark’s company culture in the period 1998 to 2004 from a bureaucratic commanding culture to a TQM and Excellence culture was guided by an educational framework designed by “the 4P Model” and complemented by measurements of more than 500 managers’ perceptions (mindsets) of selected critical success factors for excellence inspired by the European Excellence Model (Dahlgaard & Dahlgaard-Park, 2003). Post Denmark received in 1999 the Danish Human Resource Prize, and in 2004 the Danish Quality Award. Post Denmark is today regarded as one of the best managed post companies in Europe.

Toyota’s “4P model”, suggested by Liker (2004), seems to have the same theoretical foundation and paradigms as our “4P Model” and the factors are almost the same. The main difference is that in Liker’s model *Problem Solving* (Continuous Improvement and Learning) is a specific factor which in our “4P Model” is regarded as an important sub-factor integrated into all factors starting with the Leadership Factor. We have in stead suggested the last P of the model to comprise the *Product Development and Innovation* processes including *Continuos Improvements and Learning*. Both 4P models can be characterized as having a balanced focus on the soft side of management, such as values and culture, with the hard side such as tools, measurements and logical analyses. Both 4P models have a high focus on the People factor which also was of high importance in Tom Peters and Nancy Austin’s simplified excellence model and the revised Xerox excellence model from 2002. We believe that understanding and recognising the full range of realities always includes the company culture and respect for people’s values, and we believe that corresponding paradigms is a prerequisite for having success with the journey towards excellence.

In order to capture and understand the full range of realities we recommend that various *qualitative ideas and approaches* such as *sense making* (Weick, 1969/1979; 1995), *imagination* (Morgan, 1986), *story telling* (Czarniawska, 1995; 1997), a *symbolic-interpretive approach* (Pfeffer, 1981; Gagliardi, 1990) etc. to be adopted along with already well adopted *quantitative approaches*. Managerial tools and techniques can be more properly utilised and hence people better mobilised when there are consistencies between realities, intentions, people’s basic beliefs (paradigms) and the chosen approaches. This is the challenge of the future for TQM and Excellence and for managers in the too many bad managed companies all over the world.

At the end of this article we show the text from an embroidery, which we have found at the public market in Seattle after the manuscript was finished. The embroidery text definitely shows some wisdom contributing to the understanding of what is *Excellence*.

Excellence
Can be attained if you...

Care more
Than others think is voise.

Risk More
Than others think is safe.

Dream more
Than others think is practical.

Expect more
Than others think is possible.

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