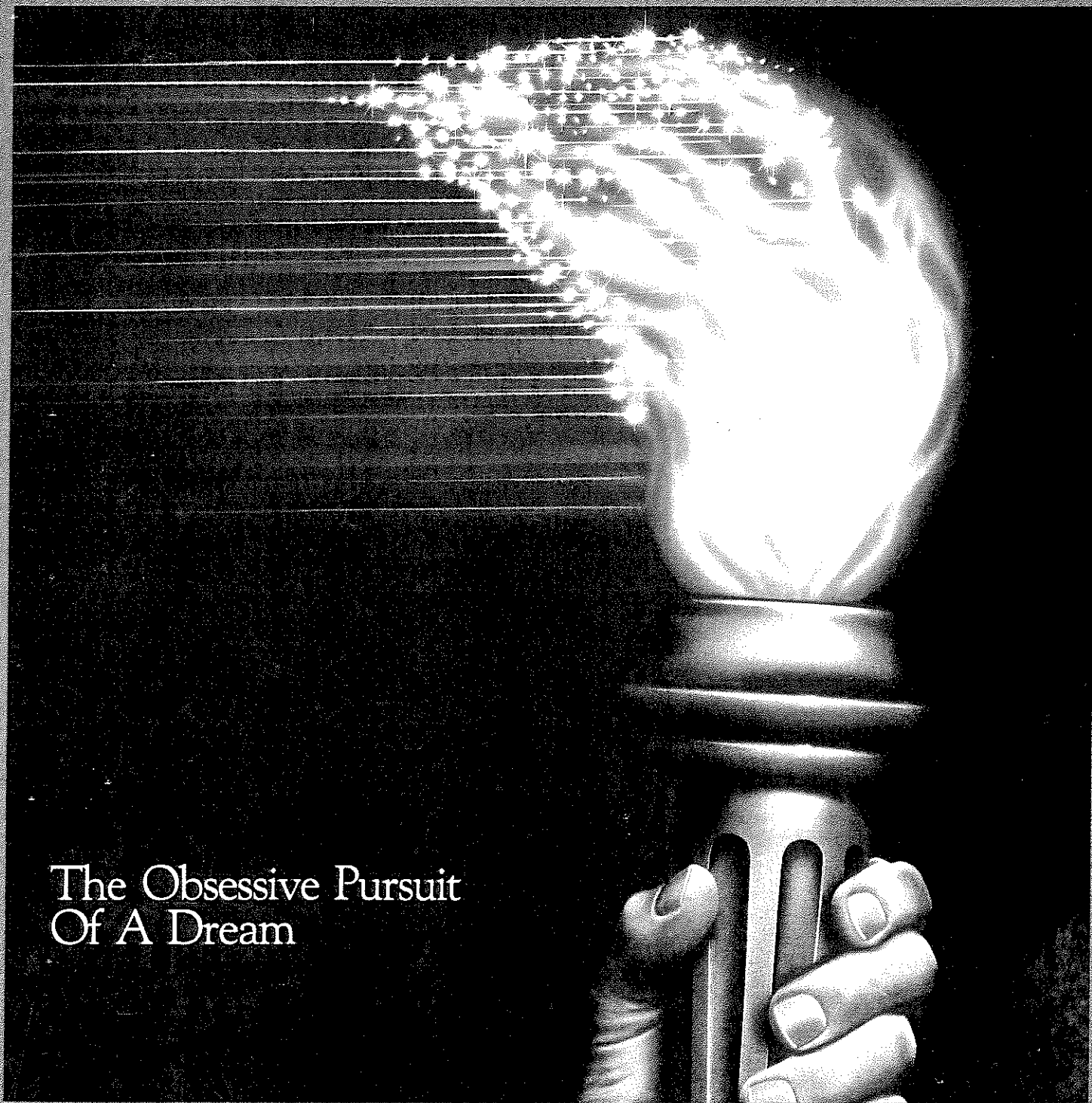
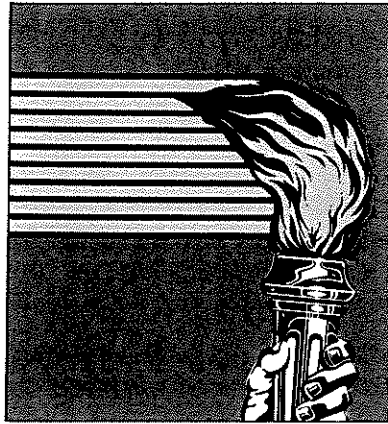


A
PASSION
FOR
EXCELLENCE



The Obsessive Pursuit
Of A Dream

I N T R O D U C T I O N



In this program, Tom Peters (co-author of *In Search of Excellence* with Bob Waterman, and *A Passion for Excellence* with Nancy Austin) describes and illustrates how successful organizations create and sustain their competitive edge. From chicken to grocery stores, airlines to pizza, textiles to the City of Baltimore, Tom discusses how care of customers, constant innovation, and the reliance on creative contributions from all hands marks each enterprise. Even where “it can’t be done” — down-and-out industries, big bureaucracies — distinguished performance is achieved, the clear result of superb leadership.

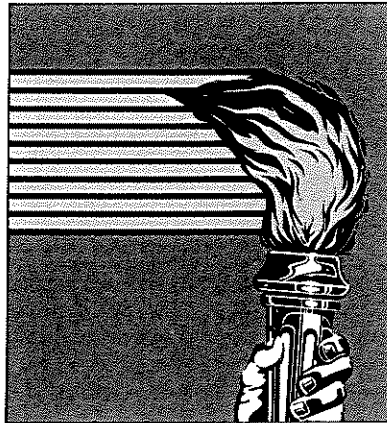
This Guide has been designed to complement the video tape for use in groups or by individuals. The program content is briefly summarized in outline form. Discussion questions follow each of the five major topics:

1. **The 1000% Factor**
2. **Customers**
3. **Innovation**
4. **People**
5. **Leadership**

The questions are designed to provoke thought, dialogue, and action; most encourage taking a few small actions — steps within 24 to 72 hours. Follow-up meetings will undoubtedly be needed to address long-term issues or to measure progress on action plans generated by the questions.

Winners — even when they're found in mundane, declining, and battered industries, in public and private sectors — don't just squeak by with a percent or two better than the norm. They do hundreds of percent better, at least — without an apparent heaven-sent growth rate.

In the years since *In Search of Excellence* was published, our interest has been taken by the top performers in places where "it can't be done." No outside factors can account for the extraordinary achievements we have observed in businesses as mundane as they come: chicken, dairy products, soft goods. Superb management — leadership — living for its customers is the only explanation left.



These organizations looked to the talent they had and seized their opportunity. They outperformed the rest by a long shot. We call it the 1000 percent factor, and it's the challenge for all of us.

The City of Baltimore

Mayor William Donald Schaefer has led a twelve-year revitalization of his city by insisting that city government serve the citizens, innovate, celebrate, and induce citizen ownership through a series of small successes.

- 1.) Think Pink Day, an unusual demonstration of civic ingenuity and pride.
- 2.) A community eyesore — potholes — were sold to the citizens of Baltimore, to be patched on Valentine's Day.
- 3.) A mundane device — riding through the city streets in his 1966 Oldsmobile, the Mayor dispatches Mayor's Action Memos to rid the city of abandoned cars and broken streetlights.

Stew Leonard's Dairy, Norwalk, Connecticut

This astonishing "Disneyland of Dairy Stores" does over 80 million dollars in business — fully ten times the industry average in sales per square foot — from a single location by turning a homely activity into a delight. There is *no such thing as a commodity* to Stew Leonard.

- 1.) Petting zoo for the kids.
- 2.) 6,000 photographs of customers holding Stew Leonard's shopping bags against backgrounds including The Leaning Tower of Pisa; The Great Wall of China; deep-sea dives.
- 3.) Unparalleled customer loyalty is the result of this re-definition of the mundane.

Perdue Farms, Salisbury, Maryland

Frank Perdue earns a margin on a pound of chicken several hundred percent above the industry average, despite economists' predictions for the past 55 consecutive years that the chicken market is saturated. In major markets — Norfolk, Philadelphia, Boston, New York — his lowest share of the market was close to 60%.

- 1.) Perdue Farms is an example of what we have observed everywhere: regardless of product or service, there is unlimited potential to improve its quality.
- 2.) The scale of possible improvements is 400, 500, 800 percent — not a point or two at the margin.

Scandinavian Air System, Stockholm, Sweden

Jan Carlzon turned an airline around not by investing in a new fleet of \$25 million planes, but by shaping up what he

already had: extensive customer service training and new designer uniforms for in-flight people; painting the existing planes. In the middle of a recession, SAS came from losing ten million a year to making \$70 million on \$2 billion in sales.

- 1.) Carlzon: "We did not seek to be 1000% better at anything; we sought to be 1% better at a thousand things."
- 2.) Paradox: Thousands of percent in improvement come from attention to tiny, mundane variables.

Sewell Village Cadillac, Dallas Texas

This dealership is the number three revenue-generator in the Cadillac family in new cars, and the number one revenue-generator in service, and has broken all records for customer satisfaction.

- 1.) Showroom and service bays are clean, comfortable, and beautiful.
- 2.) Preview Room: designed to look like a small boardroom, this is where customers are invited to view an audio-video presentation about becoming a member of the Sewell Village "Family."
- 3.) Customer service is the Sewell Village edge.

Kelly Johnson's Lockheed Skunk Work

Kelly's group is responsible for the antecedents of over a third of what flies in the sky today. Following World War II, they developed the first of the military jets — the YP or F-80 — in 143 days from concept to first successful flight.

- 1.) 3,750/126: The comparison of staff size for an overbudget, behind schedule competitor to that of the under-budget, on-time Lockheed "Skunk Work."
- 2.) A reminder of what is possible in any context.

DISCUSSION QUESTIONS:

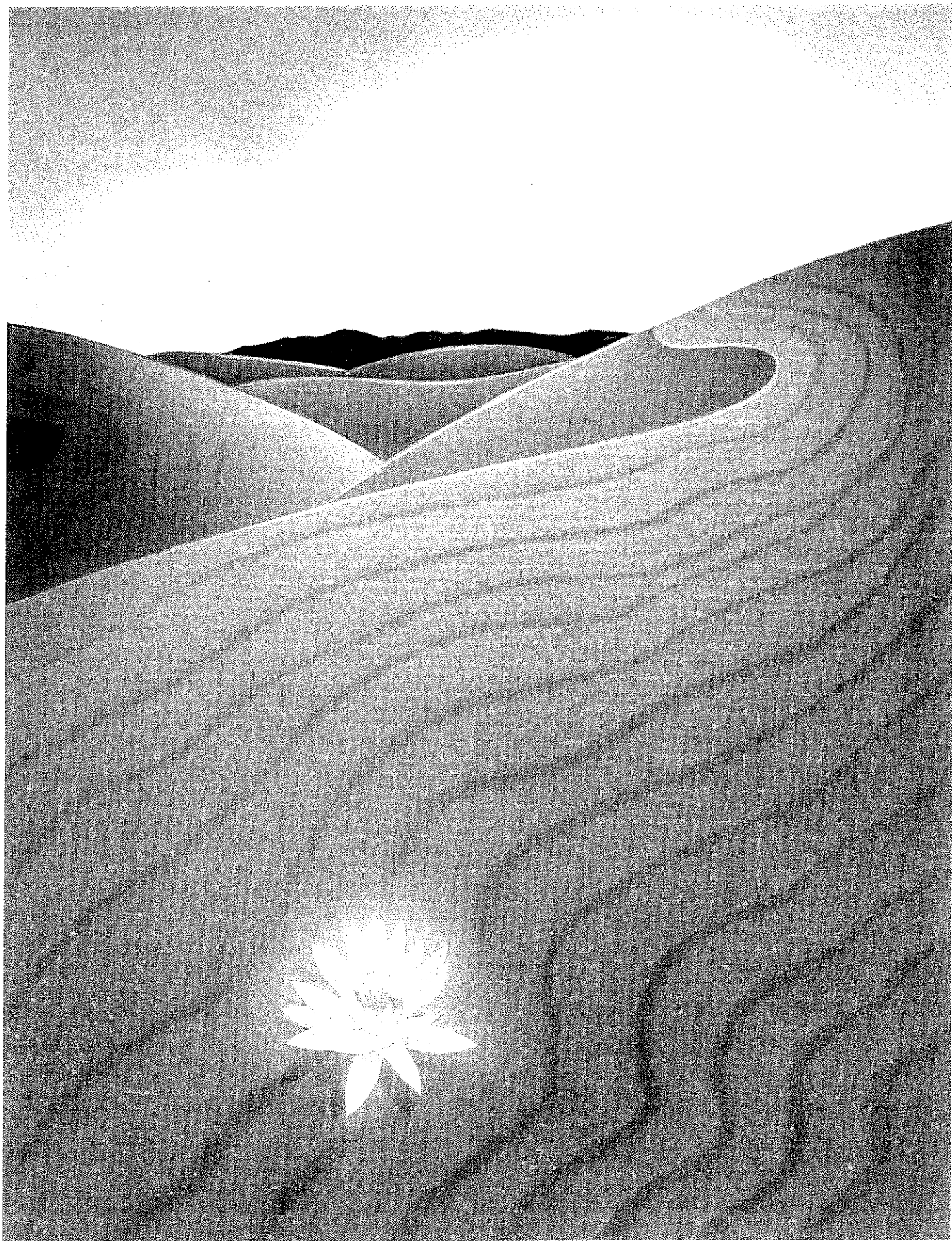
1. Think back to top performing groups you have been associated with — a sports team, a drama club, a department in an organization. When "the rhythm was there," or "the operation was humming", has performance been a bit better than average or a lot better? What were the underpinnings of these stellar operations? Do you see them around you in your current context? If not, what's missing?

2. Consider how **each** function in your organization provides at least two sources for potential differentiation. Discuss ten **small** — specific, immediate — opportunities you have. Can you commit to move on these right now?

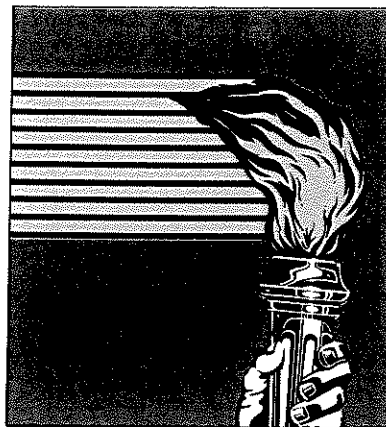
3. Select two or three of the most vital and innovative departments in your organization (or in one you know well). Now select two or three non-innovative spots. Focus on management's involvement in the products/services and innovations in both sets of examples. What are the differences you observe? Try to come up with a minimum of 10 to 15 points of differences (look for small, mundane, "trivial" things). What themes and patterns emerge? How could they be applied to the rest of the organization?

4. Consider your best-selling product or service. What *specific, small* enhancements (at least 25) could you make, say, within 45 days? What 5 can you make this week?

"They Said It Couldn't Be Done"



The first of the two sustainable competitive advantages we have observed is an obsession with customers. Customers, not markets: a market has never paid a bill. Customers do that. The superb organization, from chicken to aircraft makers to MIS departments — put the customer first, by naive listening, staying in touch, and having an *obsession* with the measurement of customer satisfaction.



1. Perception

"The customer perceives service in his or her own terms." There is not "real", just the customer's idiosyncratic belief about what's good and bad.

2. Naive Listening and Perception

Milliken & Co., Spartanburg, South Carolina.

This textile giant is on the top of the heap in a supposedly destitute industry. Recently the company inaugurated a renewed effort to listen to their customers **naively**: not as experts who tell customers what they should have, but as passionate listeners who stay in touch with customer needs and problems first-hand, at all levels.

- 1.) Milliken's strategy is founded on the premise that the customer's perception is what counts.
- 2.) Customers perceive service in their own (unique, idiosyncratic, emotional, totally human) terms.
- 3.) People Express Airlines: "Coffee stains on the flip-down trays imply lousy engine maintenance."

3. Measuring Customer Satisfaction

- 1.) 40/40: All forty participants in a Young Presidents Organization seminar agreed that long-term customer satisfaction is the only reason to be in business, yet none did very much to measure it in their own organizations, and none tied the measures to compensation, promotion, and evaluation.
- 2.) Domino's Pizza: Intense customer satisfaction measures including weekly telephone surveys and personal visits. The results are distributed within 24 hours throughout the organization — and publicly posted.

4. (Un-) Common Courtesy

- 1.) Hot-rod pilot in Detroit: He never said "I'm sorry."
- 2.) Lost luggage: Courteous treatment and "We're sorry."

5. Living Quality

- 1.) J. Willard Marriott Sr.: In his mid-80's still reading every customer complaint card in his \$4.5 billion hotel operation.
- 2.) Quality Circles, etc.: These work only if all of management is *living* quality on a day-to-day basis.

6. No Such Thing As a Commodity

- 1.) Shoes, chicken, computers: *substantial* differentiation is possible in every market.
- 2.) Duds 'n' Suds: Even the corner laundromat can be enhanced!

DISCUSSION QUESTIONS:

1. Review your own buying habits as a customer of, say, an airline, a department store, express mail service, or car dealership. Consider also your corporate life with respect to a few key suppliers. Why do you sustain a relationship? Why have you stopped dealing with some of them? What are the subtle *perceptual* attributes of your personal and corporate decisions to buy or go elsewhere?

2. Choose **one** long-standing "best" relationship with a supplier. List 20 attributes that make working with them attractive. Do the same for **one** recently severed relationship. What patterns emerge?

3. Now, using the characteristics and attributes that you listed in question 2 above, how do **you** rate as a supplier? For a sample of products and services, what are the top 10-20 "coffee stain" irritants that you regularly subject customers to? How "and how regularly" do you measure yourself on these? Is your grasp of the data firm enough to allow realistic assessment?

4. List three customers you lost after a botched transaction. Plan to spend time with them on the telephone, or visit, if possible. To what extent did the loss result from the transaction per se, versus your organization's **response** to the problem?

5. What do you do with customer complaint feedback? Are copies of complaint letters circulated at all levels — weekly at least?

6. How is your response to complaints **perceived** by your customers? Do your smallest customers receive the same level of perceived service as the large ones? How do you know?

7. Are external satisfaction measures widely publicized? Do you base (directly) any part of compensation, evaluation, or promotion decisions on satisfaction measures? Are successes recognized?

8. Does every department or function have internal customer satisfaction measures for which they are held accountable?

9. Are you certain that customer satisfaction measures are based upon the *customer's* perception of what's important rather than yours? How do you know for sure? How often do you check?

10. Are *you* (and your company) regarded as a Customer Quality fanatic? Is anyone in your industry better? Is it an advantage for them?

11. Recall Frank Perdue's belief that there is unlimited potential to improve the quality of anything (see "The 1000% Factor"). Would the people in your organization agree? How about you? What really comes first, and what trade-offs occur: quality vs. "Ship it anyway to make month-end numbers?" How do you know? How can you test your knowledge? Are you sure that those "on the line" would agree?

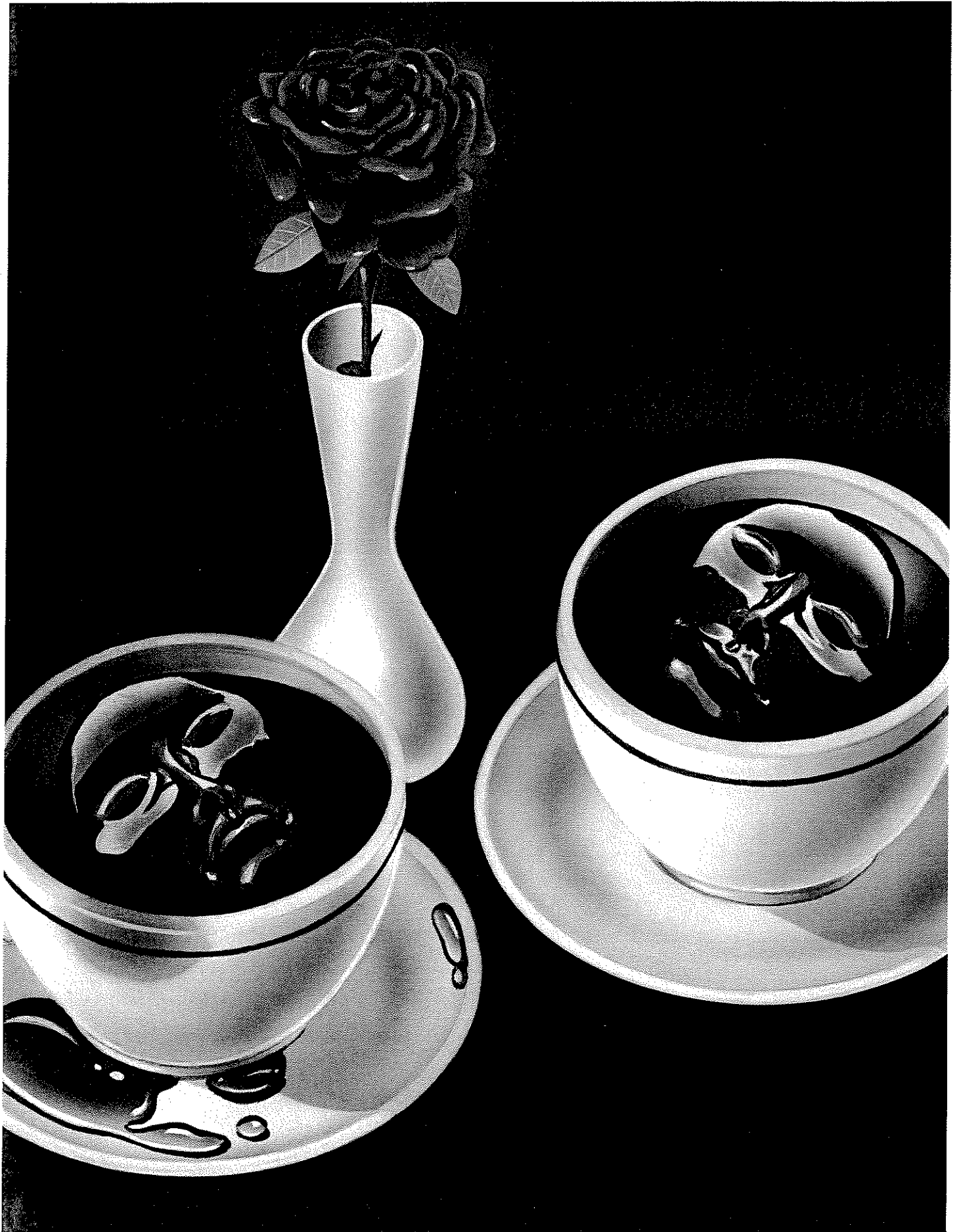
12. Do you treat any of your products or services as "commodities?" Focus on two or three that come nearest to that categorization. How can these be differentiated? Look in every tiny corner — from factory quality to delivery to follow-up — for ways to add value. Consider the market leaders in some detail (this is a considerable commitment, but worth it). Involve people from all functions and ask each to conduct detailed customer visits and competitor assessments.

13. Do you **accept** commodity-ish language? Do your people — in all functions — accept it? To what extent do your people believe that their organization offers better products and services than your competitors? How about you? Is there substantial agreement in your group on this point? Why or why not?

14. How is your organization doing at "naive listening?" Do all your managers work in selected customer — and user and/or distribution channel — operations (in a regular job) on a quarterly basis? Do your "technical experts" (R&D, designers, brand managers) visit and work in selected customer operations? How about hourly-level people?

15. Do you regularly invite customers to visit *all* your facilities? Are there regular routines to listen to customers on these visits?

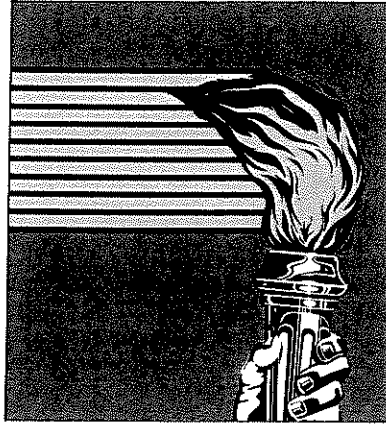
“Common Courtesy...The Telltale Sign Of Success”



I N N O V A T I O N

Regular innovation, at all levels and functions, is the second basis for sustainable strategic advantage. The most significant issues are speed and the presence of a passionate and committed champion, and the willingness to break silly and bureaucratic rules to get on with it.

- 1.) Speed: The average airline requires 12-18 months to open a new station (e.g., start operations in Harrisburg) after the decision is made. People Express does it in 10 days, typically.
- 2.) Champions: The committed, sometimes irrational people who are determined to make something worthwhile happen.
- 3.) Bureaucracy and bigness: The only antidote is people who are willing to experiment, try a little something new, and get on with it. 3M recognizes and relies on this.
- 4.) The issue is encouraging every person in the organization to innovate, to try things, and to get involved in something they really care about.



experimenting, quick action, the push from committed champions? Was “try something now” characteristic of the success? Is yours an environment that encourages testing? What marked the failure? If champions were lacking, how can your organization make room for them?

2. Evaluate your own careers (this may involve a larger session dedicated only to this issue). Are you all former champions? If so, how did that happen? Who supported you in what, specifically? If not, what got in the way? How can you apply this to your own organization now?
3. Did you regularly “cheat” — i.e., break some bureaucratic china — to get where you’ve gotten? Do you admit it? To junior members of your organization? Test your answers by asking them bluntly. With a half-dozen colleagues, talk over the last 5 specific times and places you bragged about your “bootlegging” skill. Do you find you have to look back more than a month to find examples?
4. Look specifically at lower levels or in non-line departments for champions. Can you find them in accounting? Personnel? Information Systems? If not, why?

DISCUSSION QUESTIONS:

1. Take a look at one recent product or service introduction that succeeded, and also at two that failed or were significantly delayed. Consider each in some detail. Do you find any differences consistent with the ideas presented here —

NOTES:

“Encourage The Go-Getters Wherever You Find Them”

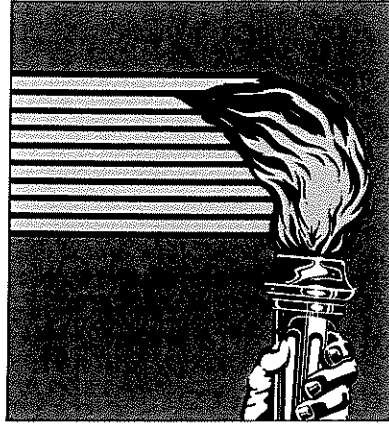
OFFICE MAIL



Courteous, distinctive customer service and inducing the champion within us all to surface does not result from some elegant design. These have to do with a thousand little things done a little bit better. Distinction on either dimension, then, is not the result of executive-suite genius, but of an all-hands commitment to excellence. People are the base.

1.) Ownership and Commitment

- Sarah Clifton, Supreme Commander, at the W.L. Gore & Associates, Flagstaff, Arizona plant. No gimmick, Bill Gore has learned that “commitment, not authority, produces results.”
- The dramatic turnaround of the 100,000-person Tactical Air Command of the U.S. Air Force under the direction of General William Creech: His focus over five years was to decentralize (“deorganize” he called it) and support — turn the maintenance and supply people into heroes.
- Average time to replace parts in grounded planes fell from 4.3 hours to 7.8 minutes.



- The sortie rate increased by a compound annual rate of 11.2% (after having plummeted at a compound — 7.8% rate for the preceding 10 years).
- Medals, ribbons, and the roll-by.

DISCUSSION QUESTIONS:

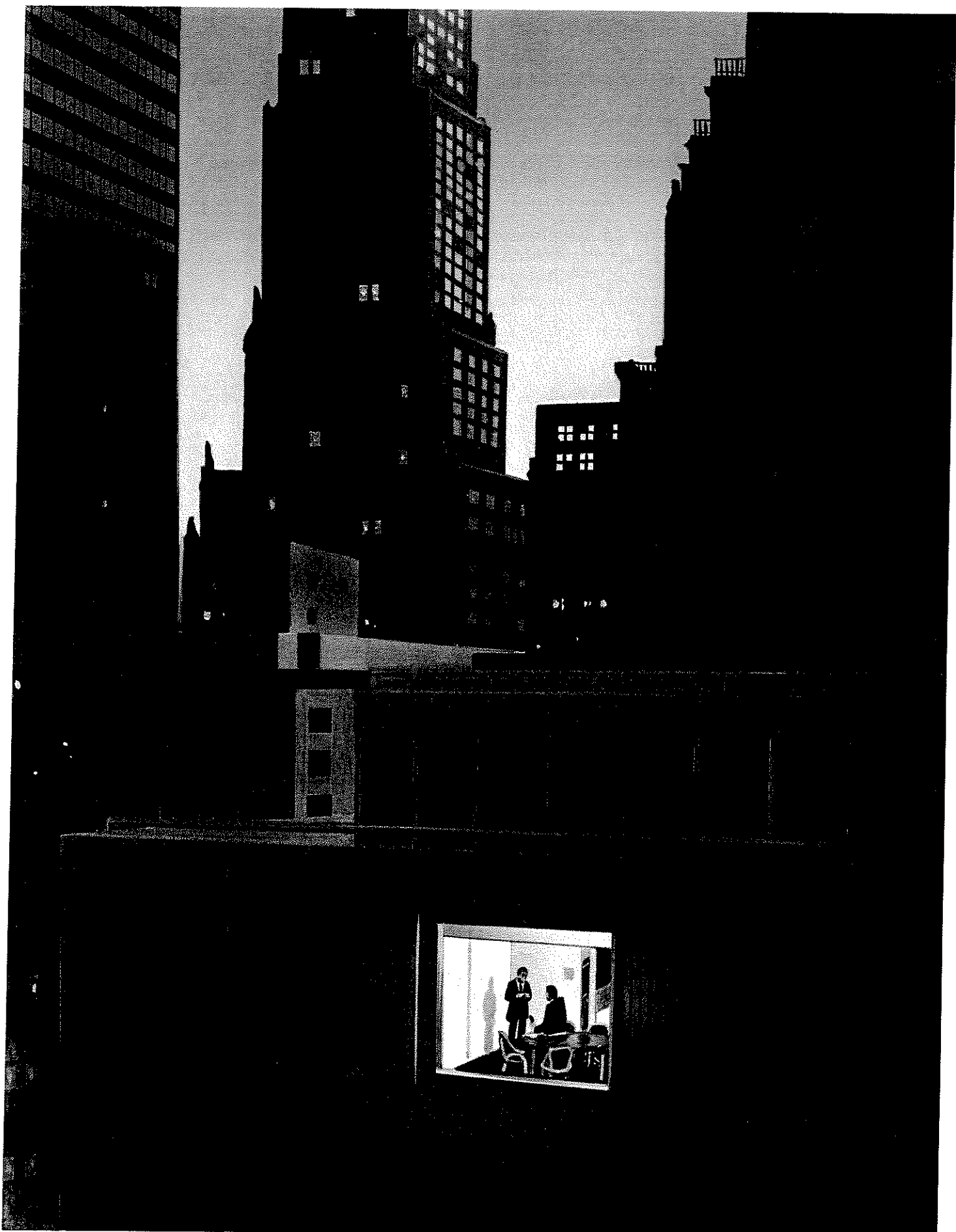
1. Review the W.L. Gore and TAC Air examples. Find 25 little marks of respect in use in your own organization. Can you? If not...

2. Find 25 little signs of disrespect. Look at language, demeaning rules, blatantly exhibited perks for the senior people, facilities. Eradicate some (within the first 96 hours after this exercise). *Repeat every 6 months.*

3. Does the average person (on the loading dock, in the mail room) feel as if she or he is an “owner” of the job — i.e., has *substantial* responsibility for quality *and* content *and* creative improvement of the job? If not, why? List 10 things you can do to enhance this form of “ownership”. (You might try this with a new job category once every month or two).

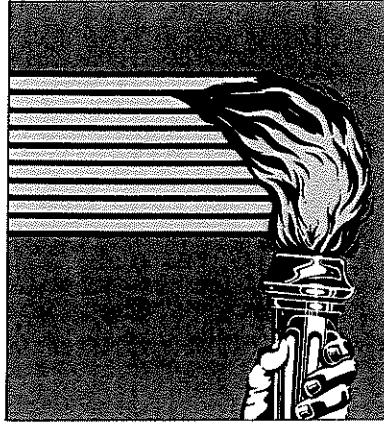
NOTES:

"Commitment...An Owner Of The Job"



The element that ties the others together is leadership — to shape values, symbolize attention. Leadership, not management.

- 1.) 180 degree shift: from manager as cop, referee, devil's advocate; to leader as coach, nurturer of champions, enthusiast, and cheerleader.
- 2.) Kollmorgen Corporation, Stamford, Connecticut: "The leader's role is to create a vision...tyranny is not tolerated here...people who want to manage in the traditional sense are cast off by their peers like dandruff."
- 3.) Ren McPherson: The only thing you have as a manager is *the way you spend your...time.*
- 4.) Focus and attention: People *do* pay attention to what the manager is up to.
- 5.) MBWA (Managing By Wandering Around): The term coined by the Hewlett-Packard Company, this is the only way to bring consistent attention and focus to strategic priorities.
 - Wal-Mart Corporation, Bentonville, Arkansas: Sam Walton has grown his company from \$40 million to a \$7 billion-plus operation in 15 years. He visits each and every store (now over 750) at least once a year and spends only one-half day a week in his office. Mr. Walton makes it perfectly clear — by the way he spends his time — that the clerk in the store selling to a customer is the heart of the matter.
- 6.) Enthusiasm and Pride
 - Neither word appears in any business school textbook, yet they are the distinguishing marks of any successful enterprise, from Girl Scout troops to IBM sales branches.
 - "We're no worse than anybody else."
 - Sunset Scavengers, San Francisco Garbage Company: Len Stafanelli symbolized love, care, enthusiasm, "I love garbage."



2. Look at **one** recent visit. Carefully dissect it, minute by minute, starting with the planning phase. If you were a first-line supervisor, clerk, or receptionist, how would you interpret the whole thing? Which values and set of concerns would it reveal or reinforce? (This requires reviewing whom you visited, in what order, and exactly what you discussed.)

3. Now look **ahead** 60 days. First, review the must-do, booked events. Can some of these be held at "their place" rather than yours? Now look at the time that is currently unscheduled. Can you put "Don't book" in 25% of it, and save that for spontaneous wandering?

4. Consider putting a checklist or two in an easily reachable desk drawer or even your wallet. On the list, note your top 25 customers, top 25 suppliers, 25 top upcoming milestones for projects currently underway, and 25 facilities or departments. Systematically plan to "do" 2 from each group each week (e.g., 2 customer calls, 2 department drop-ins). If you have a desktop computer, use it to remind you to follow through.

5. Check the number of hourly and first-line people with whom you've come in close contact (more than a 5 second "How are you?") Does this adequately reflect the importance of quality, service, cost reduction, etc.?

6. When is the last time you talked with a struggling project champion? If "over 2 days ago?" is your answer, why so long?

7. Where do you stand on the issues of rewards and recognition? Are celebrations held to recognize outstanding achievements in every function and department (not necessarily a bash — an unexpected box of donuts will do)?

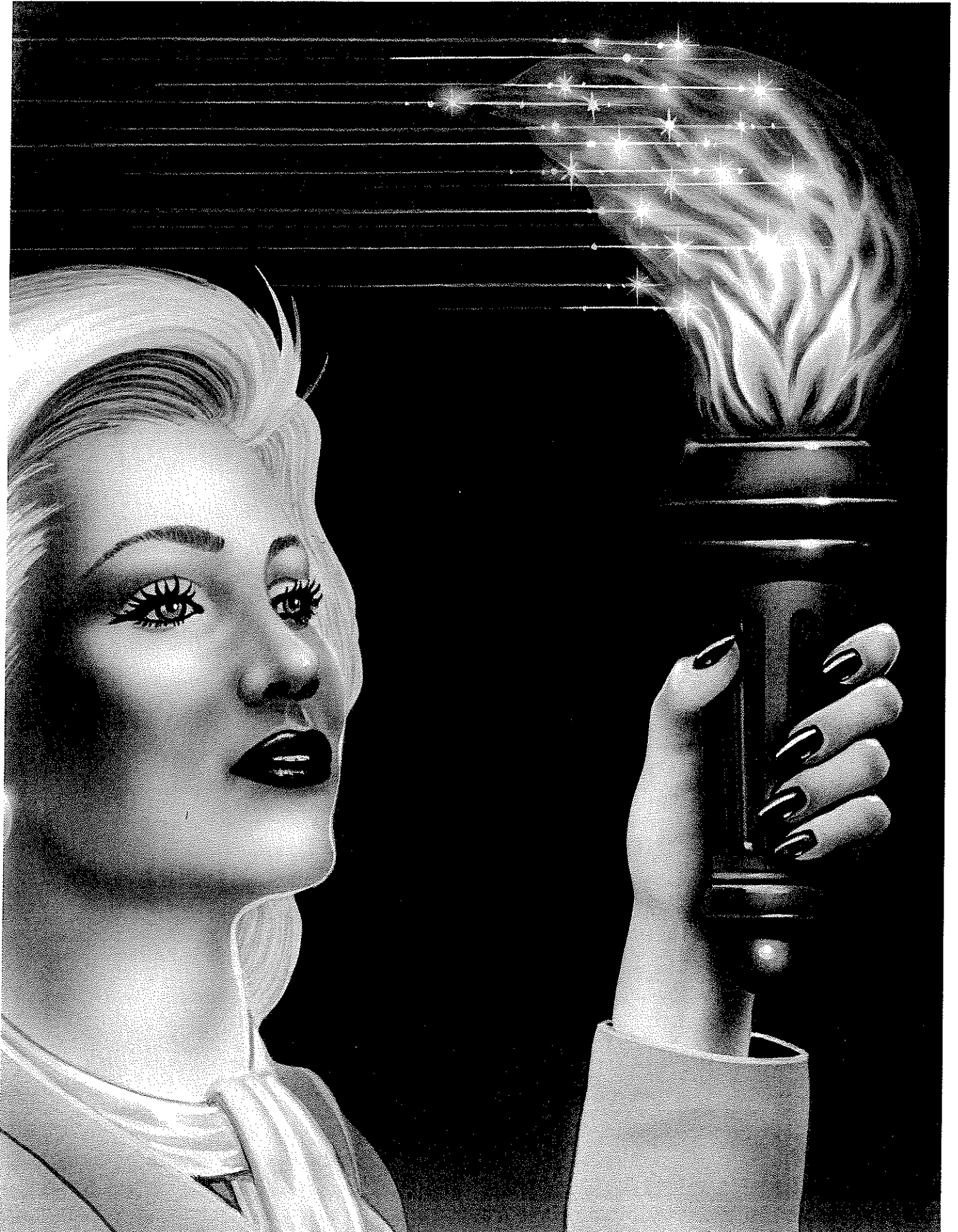
8. Do you have a spontaneous or planned vehicle for finding out about real-life "mini-exhibitions" of customer service or innovation excellence (not the \$5 million savings but the \$5,000)? Do you acknowledge these achievements and let the whole organization know about them?

DISCUSSION QUESTIONS:

1. Review your calendar for the last 30 days — in *detail*. What does it tell you about your substantive priorities and MBWA practices (in and out of your organization)? How do these match with your espoused priorities?

NOTES:

"The Obsessive Pursuit Of A Dream"





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