

# A Passion for Excellence

with Tom Peters

Viewer's Guide

**Enterprise Media**

91 Harvey Street  
Cambridge, MA 02140  
800-423-6021  
[www.enterprisemedia.com](http://www.enterprisemedia.com)

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In this program, Tom Peters (co-author of *In Search of Excellence* with Bob Waterman, *A Passion for Excellence* with Nancy Austin, and author of *Thriving on Chaos: Handbook for a Management Revolution*) 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 reliance on creative contributions from all hands mark each enterprise. Even where “it can’t be done” — in down-and-out industries and big bureaucracies — distinguished performance is achieved, the clear result of superb leadership.

This guide has been designed to complement the video program for use in groups or by individuals. The program content is summarized briefly in outline form, and 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 undoubtedly will be needed to address long-term issues or to measure progress on action plans generated by the questions.

Notes

Winners — even when they're found in mundane, declining, and battered industries, in both the public and private sectors — don't squeak by with just a percent or two better than the norm. They perform 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 lied with 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, from grocery stores to transportation. Inspired leaders and people living for their customers are the only explanations left.

These organizations looked to the talent they already had in place and seized the opportunity, outperforming the competition by a long shot. We call it the 1000% factor, and it's the challenge facing all of us.

**The City of Baltimore**

Before being elected Governor of Maryland, William Donald Schaefer led a 15-year revitalization of Baltimore, as mayor, by insisting that city government serve citizens, innovate, celebrate, and induce citizen ownership through a series of small successes.

- "Think Pink Day," an unusual demonstration of civic ingenuity and pride
- A community eyesore — potholes — were sold to the citizens of Baltimore, to be patched on Valentine's Day
- A mundane device — riding through the city streets in his 1966 Oldsmobile, the Mayor dispatched "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 \$100 million 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.

- Petting zoo for the kids.
- 6,000 photographs of customers holding Stew Leonard's shopping bags against backgrounds including the Leaning Tower of Pisa, the Great Wall of China, and deep-sea dives.
- Unparalleled customer loyalty is the result of this redefinition 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 over 55 years that the chicken market is saturated. In major markets — Norfolk, Philadelphia, Boston, New York — his lowest share of the market is 60 percent.

- Perdue Farms is an example of what we have learned everywhere: Regardless of the product or service, there is unlimited potential to improve quality.
- 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 around an airline 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 inflight people, painting the existing planes. In the middle of a recession, SAS came from losing \$10 million a year to making \$10 million on \$2 billion in sales.

- Carlzon: "We did not seek to be 1000 percent better at anything; we sought to be 1 percent better at a thousand things."
- 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 for new cars in the Cadillac family, the number one revenue-generator in service, and has broken all records for customer satisfaction.

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

**Kelly Johnson's Lockheed Skunk Works**

Johnson's group is responsible for the antecedents of over a third of what flies in the air 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.

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

Notes

**Discussion Questions:**

1. Think back to the 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? Are they present 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 can they be applied to the rest of the organization?
4. Consider your best-selling product or service. What specific, small enhancements (at least 25) can you make within 45 days? What five can you make this week?

Notes

The first of two sustainable competitive advantages we have observed is an obsession with customers. Customers, not markets: A market has never paid a bill. Customers do so. The superb organization — from chicken producer to aircraft maker to MIS department — puts the customer first, by naive listening, staying in touch, and creating an obsession about measuring customer satisfaction.

**Perception**

“The customer perceives service in his or her own terms.” There is no “real,” just the customer’s idiosyncratic belief about what is good and bad.

**Naive Listening and Perception**

- The textile giant, Milliken & Co. of Spartanburg, South Carolina, is on top of the heap in a supposedly destitute industry. The company has inaugurated a renewed effort to listen to customers naively — not as experts who tell their customers what they should have, but as passionate listeners who stay in touch with customer needs and problems first-hand, at all levels.
- Milliken’s strategy is founded on the premise that the customer’s perception is what counts.
- Customers perceive service on their own (unique, idiosyncratic, emotional, totally human) terms.

**Measuring Customer Satisfaction**

- 40/40: All 40 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 organizations, and none tied the measures to compensation, promotion, and evaluation.
- 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.

**(Un-) Common Courtesy**

- Hot-rod pilot in Detroit: He never said “I’m sorry.”
- Lost luggage: Courteous treatment and “We’re sorry.”

**Living Quality**

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

**No Such Thing As A Commodity**

- Shoes, chicken, computers: Substantial differentiation is possible in every market.
- Duds ‘n’ Suds: Even the corner laundromat can be enhanced!

**Discussion Questions:**

1. Review your own buying habits as a customer of an airline, a department store, express mail service, or a 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. 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 to 20 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 them, 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 accountable?
9. Are you certain that customer satisfaction measures are based upon a customer's perception of what is important rather than yours? How do you know for sure? How often do you check?
10. Are you and your company regarded as customer quality fanatics? Is anyone in your industry more fanatical? Is this characteristic 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?



Notes

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 them 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 the competitors do? 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 of your managers work in selected customer — and user or distribution channel — operations (in a regular job) on a quarterly basis? Do your “technical expert” (R&D, designers, brand managers) visit and work in selected customer operations? How about hourly workers?
15. Do you regularly invite customers to visit all of your facilities? Are there regular routines to listen to customers on these visits?

Courteous, distinctive customer service and inducing the champion within us to surface does not result from some elegant design. These involve doing a thousand little things 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.

**Ownership and Commitment**

- Sarah Clifton, supreme commander at the W.L. Gore & Associates Flagstaff, Arizona plant. No gimmick. Gore & Associates has learned that "commitment, not authority, produces results."
- The dramatic turnaround of the 100,000-person Tactical Air Command (TAC) 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. The results:
  - 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 percent (after having plummeted at a compound 7.8 percent rate for the preceding 10 years).
  - Medals, ribbons, and the roll-by.

**Discussion Questions:**

1. Review the W.L. Gore and TAC examples. Find 25 little marks of respect in use in your 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 the first 96 hours after this exercise). Repeat after every six months.
3. Does the average person (on the loading dock, in the mailroom) feel as if he or she 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

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

**180-degree shift**

From manager as cop, referee, devil's advocate to leader as coach, nurturer of champions, enthusiast, and cheerleader.

- 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."

**Focus and Attention**

People do pay attention to what the manager is up to.

- Ren McPherson: "The only thing you have as a manager is the way you spend your . . . time."

**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 \$50 million to a \$15 billion-plus operation in 15 years. He visits each and every store (now over 1000) at least once a year and spends only one-half day a week in his office. Walton makes it perfectly clear — by the way he spends his time — that the clerk in a store selling to a customer is the heart of the matter.

**Enthusiasm and Pride**

Neither word appears in any business-school textbook, yet each is the distinguishing mark of any successful enterprise, from a Girl Scout troop to an IBM sales branch.

- "We're no worse than anybody else."
- Sunset Scavengers (San Francisco, California garbage company): Len Stefanelli symbolized love, care, enthusiasm: "I love garbage."

**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?
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 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 percent 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, top 25 upcoming milestones for projects currently underway, and 25 facilities or departments. Systematically plan to “do” two from each group each week (e.g., two customer calls, two department drop-ins). If you have a desktop computer, use it to remind yourself to follow through.
5. Check the number of hourly and first-line people with whom you’ve come in close contact (more than a five-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 two 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?