

THE HIGH-PERFORMANCE ORGANIZATION

AN ASSESSMENT OF VIRTUES AND VALUES

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What is the *high-performance organization* and does it contribute to achieving both business virtues and societal values? Does it contribute to a better world?

Over the course of the past twenty years the assumptions about management practice, organization design, and the role of managers and employees has shifted dramatically. The motives for this shift are many and include global competition, transition to an information economy, and the increased emphasis on quality and productivity. All shifts in management and organization practice are not necessarily good. Improvements in productivity and quality of products and services are unquestionably good. The decrease in loyalty to corporations, a growing self-centered focus, and a growing gap in incomes are undoubtedly negative trends. What are the values and virtues by which we should evaluate different practices of management? What is the high-performance organization? How does it reflect desired values and virtues?

The purpose of this paper is to define the high-performance organization, its sources and evolution, and to present a set of values, based on the Writings of the Bahá'í Faith, to serve as a measure of judgment, a criteria, by which these practices can be evaluated and improved.

There is no Bible, authoritative document, defining the high-performance organizations. Management professionals may somewhat disagree on the exact characteristics of a high-performance organization. However, this term of art commonly refers to a set of modern practices and principles of work, management and organization design.

The term *high performance work system* and *high performance team* are necessarily linked to the concept of a high-performance organization. High performance work system refers to the design of jobs, how work is organized and assigned to individuals or teams. The high performance team is generally considered to be the fundamental work unit, the building block, of the high-performance organization. High performance teams know their customers, have defined processes that they continuously improve, measure their performance and are skilled in techniques of problem solving.

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They have a relative degree of autonomy in managing their own work. In order to implement these practices the process and culture of management must necessarily change. The principles and practices of management that have been engrained since the establishment of Henry Ford’s factory and the disciplines of mass production must give way to a new set of principles and practice.

What is a high performance organization?

- ✓1. An organization designed, bottom-up, around defined processes.
- ✓2. Fluid structure, adaptive and flexible, responsive to changing customers and environment.
- ✓3. Little hierarchy due to high self-management at lower levels.
- ✓4. Highly autonomous units networked across organization boundaries - web system.
- ✓5. High knowledge of performance and targets - financial, quality, customer satisfaction.

What are the key ingredients of the high-performance organization? First the process comes first. The organization of people, particularly at the first level, is designed around the work into small work groups, teams, with a high degree of self-management. The structure is highly flexible, with frequent changes in structure to respond to changes in customer requirements, technology

or work flow. Perhaps most important, the employees have a high knowledge of all important measurements of performance and can modify their own work processes to enhance their performance. A high-performance organization is a learning organization.

The Origins of the High-performance organization

Each architect of a high-performance organization may have been inspired by different models and precedents. However, there is a flow of management thought that has led to today’s set of practices that characterize the highest performing companies. I have identified nine sets of learning, contributions, to these practices.

What we now refer to as a high-performance organization has evolved over the past thirty years. Its origins, and its antithesis, can both be found in the work of Frederick Taylor and the development of Henry Ford’s factory. In the early part of this century the development of *scientific management* was viewed as “modern”. Rather than simply relying on the personality of a supervisor and the individual craft skills of a worker, Taylor’s methods of engineering work (measuring the time required for the different movements or operations within a job, seeking to rearrange those in the ideal way, and establishing measurable standards) created an entirely new method of management that, despite the recent aversion to these methods, advanced the production process. These methods established the basis for improving productivity, an improvement that led to lower cost products and, therefore, a higher standard of living. The fathers of modern

quality management, both in the United States and Japan, were students of Taylor and developed his emphasis on measurement to what became known as statistical process control.



Taylor’s methods that emphasized the definition of one “right-way” to perform a job led to a top-down rigidity that prohibited worker input, decision making or flexibility. It was the lack of moderation in the application of these methods that contributed to dehumanizing the workplace and a counter reaction. During the early part of this century the workplace gained efficiency at the cost of intimacy and individual initiative. One counter reaction to the industrial system of Taylor and Ford was the rise of the union movement, a rebellion not just for wages, but for dignity, a voice, a recognition that the human beings employed in the factory were not just subjects engineering or a scientific method. The development of humanistic management practices was the reaction from the academic universe.

The field of organization development (OD) emerged primarily from the work of social psychologists. Social psychology focused on human needs, feelings, and the dynamics between people in groups. Researchers and writers such as Kurt Lewin and Carl Rogers developed models to describe the interaction within groups and the patterns of communication between individuals.

In 1954 Maslow defined seven stages of human motivation or needs. This structure was useful in helping managers understand the significance of motivational

influences beyond the simple need for survival and money. Maslow's work and the work of Herzberg¹ and McGregor² further developed the understanding of the relationship between organizational systems, management styles (Theory X and Theory Y), and employee motivation. This work became the foundation upon which numerous management and organization development practices were built. Job enrichment³, Blake and Mouton's Managerial Grid, and various forms of group training and team building all have their foundation in the principles and values promoted by social and humanistic psychology.

The development of Quality Circles in Japan can be traced back to the research in group dynamics and decision-making conducted in the 1950s in the United States. Somewhat strangely, group problem solving and team development have returned to this country through efforts to emulate Japanese problem solving and decision-making.

After World War II several Americans were invited to Japan to assist in the rebuilding of Japanese industry and their teachings, filtered through prism of Japanese culture led to much of modern *total quality management*. Among these were W. Edwards Deming, Walter A. Shewhart and Joseph Juran. Shewhart's Economic Control of Quality of Manufactured Products⁴ may be the most important book on quality or manufacturing ever written and the seminars of these three fathers of modern quality management created much of the foundation of what is now regarded as Japanese management.

From Dr. Deming and Dr. Juran we learned to place the emphasis on performance to customer requirements, to define performance in terms of customer satisfaction, and to provide feedback to suppliers.⁵ Dr. Deming and his disciples emphasized the importance of variability in process and of gaining statistical knowledge and control of the process. These views complemented the emphasis on teamwork and employee satisfaction that was emerging from the humanistic school of management.

Dr. Deming repeatedly emphasized the power of the system and the importance of managing the system. Unfortunately, Dr. Deming and the quality advocates provided no method for analyzing and changing the system.

Forty years ago Eric Trist and others at the Tavistock Institute⁶ in London began studying the environment of organizations and the interaction of the technical system of

¹ Herzberg, Frederick. *Work and the Nature of Man*. World Publishing Company, 1966.

² McGregor, Douglas M. *The Human Side of Enterprise*. New York: McGraw-Hill Book Company, Inc. 1960.

³ Meyer, M. Scott. *Every Employee A Manager*. New York: McGraw-Hill Book Company. 1970.

⁴ Shewhart, W.A. *Economic Control of Quality of Manufactured Product*. New York, D. Van Nostrand Company, Inc. 1931.

⁵ Deming, W. Edwards. *Out of the Crisis*, Cambridge, MA, MIT Center for Advanced Engineering Studies, 1986.

⁶ Trist, E., Higgins, C., Murray, H., & Pollock, A. *Organizational Choice*. London, Tavistock Institute, 1963.

work and the social systems. The foundation study of *socio-technical systems design* was conducted by Trist in British coal mines. He found that the traditional culture of the mines was one of small, self-selected, and highly interdependent groups of workers. When new technology was introduced into the mines, workers were assigned to single tasks controlled by external supervisors. The reactions of workers were negative and led to high absenteeism and low productivity. When workers were allowed to design their own organization, they duplicated their traditional cultural arrangements. Each person performed a number of different jobs as a member of a self-supervising work group. Productivity went up, and absenteeism went down.

There are two major precepts to socio-technical design theory. The first is *how well the social and technical systems are designed with respect to one another and with respect to the demands of the external environment determines how effective the organization will be*. The second is that *the organization is an open system*. This simple idea is that the organization like every living organism depends upon interaction with its environment. No organization is right or wrong, effective or ineffective, due to its own qualities alone. Rather, it is effective or ineffective due to how it meets the demands and utilizes the resources of the external environment. Because the external environment is constantly changing, the organization must remain an “open system,” open to constant change and responsive to environmental needs. Its ability to adapt and change will ultimately determine its survival.

The idea of the organization as a system made up of interacting technical and social components is consistent with Dr. Deming’s view of the system and the need to improve the process of work. The open-systems concept is another way of arriving at the conclusion that the organization must be “customer-focused” and must engage in continuous improvement to meet ever-changing customer needs.

Humanistic psychology had its competitor for the attention of psychologists. Behavior modification is the application in the natural environment of experimental psychology, the scientific exploration of Dr. B. F. Skinner and his followers. Dr. Deming says that managers must “know the facts,” look at the data. If one has any respect for the scientific method, for statistics and true knowledge versus superstition, one cannot ignore the vast body of scientific research on the analysis of behavior.

Organizational systems, whether one uses to employ the term or not, are systems of behavior modification. All organizations deliver schedules of reinforcement that reinforce behavior. Organizations and their managers also deliver punishing consequences and suppress behavior. The essential learning that is incorporated in the design of high-performance organizations is that people perform best when they can trust that they are more likely to be reinforced than punished. High punishment suppresses creativity, innovation and problem solving. An environment that provides high reinforcement, intrinsic and extrinsic, material and social, increases motivation, creativity and problem solving.

Perhaps the strongest force influencing change in corporations over the past ten years has been the competitive pressure and example of the Japanese manufacturing processes. While Japan has suffered from a bureaucratic financial system and difficulty merging into the world financial system, their production system is now the prototype adopted from Dearborn to Stuttgart. Globally, Ford is implementing the “Ford Production System”, an admitted adaptation of the Toyota Production System. Even Mercedes Benz and Porsche have adopted the basic design or work that derived from Toyota. This design is, in my opinion, the single most important influence on the high performance work system.

The evolution of production systems can be seen in three stages (which have been well- described in *The Machine That Changed The World*, the result of a five-year MIT comparative study of the global auto industry).⁷ These stages are 1) craft production, 2) mass production, and 3) lean production. James P. Womack and Daniel T. Jones have recently describe their view on how to implement lean production systems in their Lean Thinking.⁸

The third stage of production began in post World War II Japan, and Eiji Toyoda and Taiichi Ohno must be credited with its development. Contrary to the belief of many in the quality profession, it is this different system of production and organization that is the primary determinant of quality, not statistical methods or quality circles, despite their obvious value.

In 1949, Toyota’s sales collapsed, and they were forced to lay off large numbers of workers. This collapse followed a lengthy and bitter strike by their union. By 1950, Toyota had produced a total of only 2,685 cars, compared to one Ford plant that produced more than 7,000 each day. Eiji Toyoda made many trips to Ford’s River Rouge plant in Dearborn to study the most efficient production system in the world. He concluded that the Ford system could not succeed in Japan.

The environment in Japan was different. First, the market was small and required a wide variety of different types of vehicles. Long production runs of identical cars and parts were not possible. Second, the workforce and their unions would no longer accept being treated as insignificant interchangeable parts. Labor laws introduced by the American occupational forces had so strengthened the unions that they represented everyone, eliminating the distinction between white and blue collar workers. They had also negotiated a share of the profits. Third, capital was scarce, making heavy expenditures for the latest technology impossible.

The development of “lean production” methods by Toyoda’s production chief, Taiichi Ohno, was a response to this environment. It began with the stamping of body parts.

⁷ Womack, James P., Jones, Daniel T., & Roos, Daniel. *The Machine That Changed The World*, New York, Rawson Associates, 1990

⁸ Womack, James P., Jones, Daniel T. *Lean Thinking: Banishing Waste and Create Wealth in Your Corporation*. New York, Simon & Schuster. 1996

In the craft shop, body panels were hammered by hand into shape. The metal sheet was laid over a die and gradually shaped by hammering the metal. Aston-Martin and Morgan still use this method. Contrary to myth, this step does not produce a superior product to mass production methods; it is simply more expensive. In Ford's factory the production of body parts was based on large quantities of identical metal sheets being placed in a die and stamped into shape. The quantities of identical parts required in Ford's factories allowed for die presses to be dedicated to single parts. There were die change engineers who supervised the die change process. Changing a die usually required one or two days of machine downtime. Ohno concluded that this second method was impossible due to the quantities required for efficient operation. Toyota could not afford dedicated die presses. If they used this method to change dies, the stamping presses would be inoperative half of the time. Ohno had to develop a system whereby dies could be changed every couple of hours. This meant that the die change process had to be reduced from days to minutes.⁹

Ohno developed a system of rollers that allowed dies to be quickly moved in and out of place by the workers themselves. He concluded after experimentation that the requirement of specialists slowed the process down. It could be accomplished quickly only if the workers working as a team had the knowledge and skills to perform the task themselves. In order to do this they not only had to have the necessary skills; they had to have knowledge of the larger production process to know when to change dies. They had to accept full responsibility for their own work.

In accomplishing this quick die change process, Taiichi Ohno had established a pattern that would be replicated throughout the factory. Small groups of workers would be treated as full partners in the process, responsible for their own work, able to improve and modify their process, and having knowledge of the previous and next stages of production (their internal customers and suppliers) so that they would understand the requirements and effect of their work. Ohno found that these work groups, given the necessary information, worked to continuously improve their work process.

On the assembly line Ohno formed workers into teams with a working team leader rather than a foreman. Teams were given a set of assembly steps and told to work together to devise the best possible ways to accomplish the assembly. The team leader would participate in the work, stepping in to help where needed. These teams soon accepted responsibility for housekeeping, small machine repair, maintenance, and checking their own quality. The teams would meet periodically to find ways to continuously improve (Kaizen) their process.

The total system in the Toyota plants became distinctly different than those in American auto plants. Lots were small, and quick change-to-order was a priority. They achieved the combination of efficiency and small production runs which American

⁹ Ohno, Taiichi & Mito, Setsuo. *Just-In-Time For Today and Tomorrow*. Cambridge, MA, Productivity Press, 1986.

producers assumed to be contradictory. This was accomplished only by completely redefining the system of work and worker responsibility. It was a whole new system.

Ohno's system had implications for all areas of the business and organization. Engineering and design teams now functioned in a fast-cycle process. The need for quick response, quick change, and just-in-time was extended to supplier relations. These processes produced a different type of organization than was developing in Detroit. Toyota required few layers of management with less distinction in function, pay, and status between workers and managers while Detroit was increasing layers and distinctions.

Business process reengineering has been one of the hottest buzz words in management this decade. Michael Hammer and James Champy¹⁰ define reengineering as "starting over." It means abandoning long-established procedures and looking afresh at the work required to create a company's product or service and deliver value to the customer. It means asking the question, "If I were recreating this company today given what I know and given current technology, what would it look like?" Reengineering a company means tossing aside old systems and starting over.

The emphasis of reengineering has been to study the flow of the work process and seek to redesign that work process to eliminate cycle time, unnecessary steps and, particularly, apply the capabilities of information technology to that process. Toyota, socio-technical systems and quality management also employed process analysis and redesign. The strength of reengineering was the application of information technology, the weakness was the frequent failure to take into account the social system or culture of the organization.

Chaos theory may be one step beyond useful to most managers. However, for those struggling with the transformation of their organizations, understanding complex systems may be the key to creating order from apparent chaos. Complexity matters. It defines the difference between successfully managing a McDonald's restaurant and a pharmaceutical research lab and why the misapplication of management techniques, such as reengineering and performance measurement, can stifle the productivity of knowledge work. The high-performance organization must include an understanding of the dynamics of complex systems since most organizations are not longer makers of "things", but makers of "knowledge."

As knowledge work expands, as work increasingly becomes shared across companies and nations, as place becomes less important and connections and interaction become more important, as the Internet becomes the factory, we are working in a complex system. Whole system thinking is essential to the management of these systems. A focus on only one part of the system minimizes the opportunity to shape the behavior

¹⁰ Hammer, Michael & Champy, James. *Reengineering The Corporation: A Manifesto For Business Revolution*. New York, N.Y., Harper Business, 1993.

of the complex system. Managers must become students of the new science of complexity and whole systems.

The Virtues and Values

Before we analyze the high-performance organization, we must define the principles that establish the basis for a Bahá'í view of business practices. Let me make a distinction between *business virtues* and *ethical or societal values*. Business virtues are those characteristics that contribute to the successful performance of the business. Societal values are those qualities or characteristics that contribute to achieving an ideal view of society, the common good of the people. Business virtues may coincide or contradict values.

Business virtues contribute to the economic success of the enterprise. They represent those things that contribute to traditional measures of business success: growth in revenues, return on assets, and economic stability. Efficiency in the use of capital, productivity of capital, is a business virtue, but it may be achieved in ways that are consistent with or contradictory to societal values. Management practices have traditionally been evaluated according to these virtues. Success in these virtues is generally regarded as business success. Among the business virtues are the following:

- Efficiency of capital deployed – capital productivity.
- Human productivity – output per person hour/day/year.
- Growth in revenue and market share growth.
- Product and service innovation.
- Product or service quality – customer satisfaction.

The ideal business enterprise would achieve the above virtues and would also create societal value, make a contribution to the establishment of the “good society.” How do we know what is the “good society.” This, of course, has been the subject of discourse since Plato. Many of us refer to our religious faith as a source of guidance to the ideal society. The following values are drawn from the writings of the Bahá'í Faith. You may choose others as well. However, it is my opinion that these represent, in short form, the essence of guidance from the Bahá'í Writings that may be applied to work and the design of the business enterprise. It is also my opinion that these values do not contradict and are generally consistent with values represented in other religions.

- Honesty: the Foundation of all virtues
- The Spirit of Service
- Justice: The Trainer of The World

- Consultation: Decision Making in the Knowledge World
- Unity: The Circle of Commitment
- Abolish Extremes of Wealth and Poverty
- World Citizenship: The Field of Action
- Universal Education: Building Social Capital

The following are very brief statements from the Bahá'í Writings that represent each of these values.

1. Honesty: The Foundation of All Virtues: Beautify your tongues, O people, with truthfulness, and adorn your souls with the ornament of honesty. Beware, O people, that ye deal not treacherously with any one. Be ye the trustees of God amongst His creatures, and the emblems of His generosity amidst His people. They that follow their lusts and corrupt inclinations, have erred and dissipated their efforts. They, indeed, are of the lost.¹¹

2. The Spirit of Service: “Every individual, no matter how handicapped and limited he may be, is under the obligation of engaging in some work or profession, for work, especially when performed in the spirit of service, is according to Bahá'u'llah a form of worship. It has not only a utilitarian purpose, but has a value in itself, because it draws us nearer to God, and enables us to better grasp His purpose for us in this world.”¹²

3. Justice: The Trainer of The World: “Justice is the one power that can translate the dawning consciousness of humanity's oneness into a collective will through which the necessary structures of global community life can be confidently erected. An age that sees the people of the world increasingly gaining access to information of every kind and to a diversity of ideas will find justice asserting itself as the ruling principle of successful social organization.”¹³

4. Consultation: Decision Making in the Knowledge World: “Central to the task of reconceptualising the system of human relationships is the process that Bahá'u'llah refers to as consultation. ‘In all things it is necessary to consult,’ is His advice. ‘The maturity of the gift of understanding is made manifest through consultation.’”¹⁴

¹¹ Bahá'u'llah, *Gleanings*, The Bahá'í Publishing Trust, Wilmette, IL. Page: 297

¹² Bahá'u'llah, *The Kitab-i-Aqdas*, The Bahá'í Publishing Trust, Wilmette, IL. Page 193.

¹³ *The Prosperity of Humankind*, A Statement by the Bahá'í International Community.

¹⁴ *The Prosperity of Humankind*, A Statement by the Bahá'í International Community.

5. Unity: The Circle of Commitment: “Bahá’u’llah compared the world to the human body...Paradoxically, it is precisely the wholeness and complexity of the order constituting the human body--and the perfect integration...that permit the full realization of the distinctive capacities in each..”¹⁵

The Great Being saith: O ye children of men! The fundamental purpose animating the Faith of God and His Religion is to safeguard the interests and promote the unity of the human race, and to foster the spirit of love and fellowship amongst men. Suffer it not to become a source of dissension and discord, of hate and enmity. This is the straight Path, the fixed and immovable foundation. Whatsoever is raised on this foundation, the changes and chances of the world can never impair its strength, nor will the revolution of countless centuries undermine its structure.¹⁶

6. Abolish the Extremes of Wealth and Poverty: “Then rules and laws should be established to regulate the excessive fortunes of certain private individuals and meet the needs of millions of the poor masses; thus a certain moderation would be obtained. However, absolute equality is just as impossible, for absolute equality in fortunes, honors, commerce, agriculture, industry would end in disorderliness, in chaos, in disorganization of the means of existence, and in universal disappointment: the order of the community would be quite destroyed. Thus difficulties will also arise when unjustified equality is imposed. It is, therefore, preferable for moderation to be established by means of laws and regulations to hinder the constitution of the excessive fortunes of certain individuals, and to protect the essential needs of the masses.”¹⁷

7. World Citizenship: The Field of Commerce: “That one indeed is a man who, today, dedicateth himself to the service of the entire human race. The Great Being saith: Blessed and happy is he that ariseth to promote the best interests of the peoples and kindreds of the earth. In another passage He hath proclaimed: It is not for him to pride himself who loveth his own country, but rather for him who loveth the whole world. The earth is but one country, and mankind its citizens.”¹⁸

8. Universal Education: Building Social Capital: “The tasks entailed in the development of a global society call for levels of capacity far beyond anything the human race has so far been able to muster. Reaching these levels will require an enormous expansion in access to knowledge, on the part of individuals and social organisations alike.”¹⁹

¹⁵ *The Prosperity of Humankind*, A Statement by the Bahá’í International Community.

¹⁶ Bahá’u’llah: *Gleanings*, Page: 215

¹⁷ Abdu’l Bahá *Some Answered Questions*, p. 275

¹⁸ Tablets Of Bahá’u’llah revealed after the *Kitab-i-Aqdas*, p168.

¹⁹ *The Prosperity of Humankind*, A Statement by the Bahá’í International Community.

The Principles and Practice of High-performance organizations

Now let us examine the specific attributes of the high-performance organization and ask whether they enhance or detract from our virtues and values. The principles and practices of high-performance organizations may be viewed and best understood in terms of the shift they represent from traditional organizations. The following shifts summarize the characteristics of the high-performance organization.

High Control to High Trust

<i>High performance organizations shift</i>	
<i>from...</i>	<i>to..</i>
High Control	High Trust
Produce Things	Produce Knowledge
Individual Decisions	Team Decisions
Individual Reward	Team-based Reward
Vertical-functional Organization	Horizontal-Flow-based Organization
Fixed Structure	Dynamic Structure
Companies with Walls	Companies Without Walls
Financial Secrecy	Open-book Management
Blame -Fix the Person	Blame -Fix the Process

Henry Ford's factory symbolized the transition from the world of work dominated by small groups, working together in an intimate environment – the craft shop and family farm, to large buildings large organizations, specialization in tasks and organization. Mass production improved economic efficiency, but at the expense of intimacy. It represented

material gains, but at the expense of social and spiritual well-being. The mass production assembly line required a high level of control, where the small craft shop had relied on a high level of trust. Each piece on the assembly line had to be built to exact specifications and the amount of time for each work had to be controlled to assure smooth flow from one work station to the next.

It would not be hard to argue that the pervasive influence of the mass production model of organization, which encompassed all organizations, including the classroom, is a major corrupting influence that led to a cascading of social ills. The isolation and loneliness of the mass production organization caused alienation, the feeling of helplessness, the absence of personal control that produced the inevitable revolt in the form of unions. To regain dignity and self esteem employees organized and entered into a culture of conflict. This tension, this assumption that to be heard one must shout, to be respected one must fight for position, contributed to the decline of civility, unity and the social glue that forms society.

High control may be needed in a work system with high repetition of operation and little or no change in operations. That system is rapidly disappearing as small lot, mass customization, becomes the norm in the factory and the knowledge work becomes the dominant currency of production.

A recent and popular book by Francis Fukuyama²⁰ presents a well thought out argument that *“one of the most important lessons we can learn from an examination of economic life is that a nation’s well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society.”*²¹ Fukuyama presents a detailed argument for individual virtues which are the bedrock of social relationships, or the tendency toward fluent association, what he calls spontaneous sociability. *“Spontaneous sociability is critical to economic life because virtually all economic activity is carried out by groups rather than individuals. Before wealth can be created, human beings have to learn to work together, and if there is to be subsequent progress, new forms of organization have to be developed.”*²² The idea of human capital as a measure of wealth, the intellectual competencies and abilities of the members of society, has been presented before. However, Fukuyama distinguishes between human capital and social capital. Human capital being the knowledge and skills, social capital the culture of trust or values that permit association. High trust societies are more successful at wealth creation, those which are low trust societies demonstrate less ability to generate both social and material wealth. Low trust societies, such as in the Middle East and southern Italy, extend trust within, but little beyond the family association. Economic relationships are often within the family and those relationships beyond are treated with distrust. This is a brake on economic activity. High trust societies such as the U.S., Japan and Great Britain develop multiple forms of association and ease of relationships beyond the family. These associations include the civic clubs, fraternities, political parties, trade and professional associations, as well as religious and other community organizations. This ability to “spontaneous sociability” is the foundation of economic activity.

This analysis of high trust society as a foundation of wealth presents a clear warning to cultures such as the United States in which the decline of sociability, the loss of trust, is rapid and visible. It also represents a keen insight into the dynamics within the enterprise. The level of trust within the corporation, among its associates, as well as between the organization and its suppliers and customers is an essential form of capital required to succeed in today’s economy.

What Fukuyama’s analysis lacks is the mechanism, the force, to create or recreate trust. There are two components that drive the creation of trust in the enterprise. The first is the personal behavior, the character, of leaders. The second, is the nature of the systems and structure.

To create high trust organizations we must rely the creation of character – the personal ability to control one’s own behavior to a set of standards. This is the essential function of religion – to establish a community of individuals who behave in ways that are trustworthy and guided by the common, rather than the selfish, good.

²⁰ Fukuyama, Francis: *Trust: The Social Virtues & The Creation of Prosperity*, New York, The Free Press, 1995.

²¹ *Ibid*, p. 7.

²² *Ibid*. p.47.

The other requirement to the creation of trust is the establishment of systems and practices that call on the exercise of trustworthy behavior, that reinforce this behavior, and cause it to become habitual.

The high-performance organization is organized into teams in which individuals work toward the common good of their customer, their team and their organization. It is a huge leap forward from workers who focused on their assigned tasks. It is an organization in which information is shared in a trusting manner. It is an organization in which the manager's job is defined as "helping" the teams to do the best possible job, rather than controlling and "catching" mistakes. These changes are simple to state, but profoundly difficult to establish. Each of the following paradigm shifts contribute to this first and most essential characteristic of the high performing organization.

Focus on Making "Things" to Making "Knowledge"

Peter Drucker explained it well: "The basic economic resource - 'means of production,' to use the economist's term - is no longer capital, nor natural resources (the economist's *land*), nor labor. It is and will be knowledge. The central wealth creating activities will be neither the allocation of capital to productive uses, nor labor - the two poles of nineteenth and twentieth century economic theory, whether classical, Marxist, Keynesian, or neo-classical. Value is now created by 'productivity' and 'innovation,' both applications of knowledge to work. The leading social groups of the knowledge society will be 'knowledge-workers' - knowledge executives who know how to allocate knowledge to productive use; knowledge professionals; knowledge employees. Practically all these knowledge people will be employed in organizations. Yet unlike the employees under Capitalism, they will own both the 'means of production' and the 'tools of production' - the former through their pension funds, which are rapidly emerging in all developed countries as the only real owners; the latter because knowledge workers own their knowledge and can take it with them wherever they go. The economic challenge of the post capitalist society will therefore be the productivity of knowledge work and the knowledge worker."²³

In the knowledge work culture the importance of human capital, the intelligence of the enterprise, is the greatest asset of the corporation. We all remember the old General Electric commercials that proclaimed "progress through people" and all of the slogans proclaiming that people are our most important asset. This is now genuinely true. Workers now own the knowledge. It is in their heads, in their creativity ability. The company cannot lock it up, rarely can it be copyrighted, and there are virtually no secrets in the age of the Internet.

The knowledge work environment makes the importance of honesty far more important than in the industrial age. In the past the worker might walk out of the factory with a fifty dollar part under his coat. Now he walks out with the idea for a new software product. If the individual can leave and take the essential capital of the corporation with

²³ Drucker, Peter. *Post-Capitalist Society*. New York, Harper Business, 1993. P. 8.

him or her it requires not only trust on the part of the company, but honesty and loyalty on the part of the employee to assure the value of the firm. The loyalty and honesty must be built into the fabric, the culture, of the enterprise. It cannot be established with slogans and gimmicks. It must be practiced on a daily basis. Just as the family is the field of practice for establishing societal values, the team is the parallel in the organization.

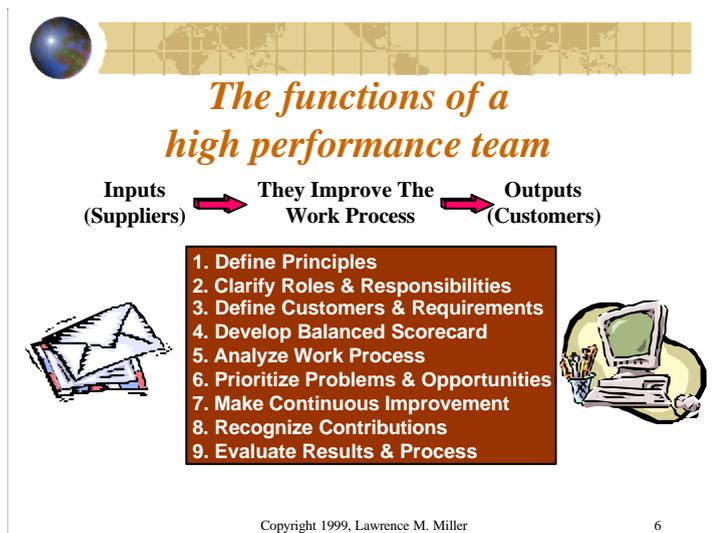
Individual Decision Making to Team Decision Making

One hundred years ago the class system was just beginning to be challenged. Those with knowledge and money had power and made decisions. Those without knowledge were paid little and followed instructions. This was the essential disunity, the essential class system, of the traditional organization. This is now history.

The semi-autonomous team, the work cell, of the organization is designed to foster continuous learning and continuous improvement. A high-performance organization is designed, from the ground up, to enable teams of employees to take ownership of work processes, to be able to communicate with their customers and suppliers, and to be able to change or improve their processes based on customer requirements. All of the systems of the organization must be aligned with this goal. The hiring, training, compensation and promotion systems must be aligned to the nature of the high performance team and its environment. The training of leaders must develop those qualities that lead to consensus, collaboration, rather than command and control.

The high performance team agrees on essential principles to which its members will adhere. It identifies its customers, those who receive and utilize the team's work. The team listens to the customer and defines their specific requirements. It then designs and monitors its work process to conform to those requirements. It measures its own performance and, to the degree possible, solves its own problems.

The value of unity is at the core of a high-performance organization and team. First the team must seek its own unity, its own consensus of view. Then the team must be in unity with its internal customers and suppliers, the next links in the productive chain. Then the entire organization, the sequence of internal teams, must be aligned to the needs and requirements of the marketplace, the external



customers. Any misalignment in goals and function hinders performance to customers and, therefore, economic performance. Business virtue and the value of unity are both served by team based organization.

The team based organization also calls on new personal competencies. It is not possible to lift managers and employees from a traditional organization and simply drop them into a high-performance organization and expect high performance. On the contrary, you will have confusion and frustration. A transition period of training and coaching is always required. The process of team problem solving, reaching consensus, or as Bahá'ís like to say “consultation”, requires a major change in attitude and perspective. For some, this transition requires years. “What Bahá'u'llah is calling for is a consultative process in which the individual participants strive to transcend their respective points of view, in order to function as members of a body with its own interests and goals. In such an atmosphere, characterized by both candor and courtesy, ideas belong not to the individual to whom they occur during the discussion but to the group as a whole, to take up, discard, or revise as seems to best serve the goal pursued.” “Viewed in such a light, consultation is the operating expression of justice in human affairs.”²⁴

Individual Rewards to Team-Based Rewards

All of the human resource systems must be re-aligned to the culture of the high-performance organization. The most common cause of failure in managing this transition is the failure to align the systems, structure and processes to support one another. Imagine a team based organization in which employees are still paid “piece-rate” bonuses for doing their own work, while encouraging them to solve problems as a group. This would obviously send mixed messages and be a source of anxiety and disharmony.

There is no one system of compensation associated with the high-performance organization. However, what is common is some form of sharing in the benefits of good performance. This may be in the form of profit sharing, or in the form of a “gainsharing” formula, or other bonus based on shared performance. The importance of this sharing is not simply to appeal to the desire for money. The meaning is far more significant. Ownership, a feeling of unity with the organization, the managers and owners, is fostered by shared goals and shared rewards. The Bahá'í Writings recognize this need. *For instance, the owners of properties, mines and factories should share their incomes with their employees and give a fairly certain percentage of their products to their workmen in order that the employees may receive, beside their wages, some of the general income of the factory so that the employee may strive with his soul in the work.*²⁵

Striving with one's soul in the work epitomizes perfectly the human connection so important to the high-performance organization.

²⁴ *The Prosperity of Humankind*

²⁵ *Abdu'l-Baha: Foundations of World Unity, Page: 43*

The value of justice is also connected to this principle. What is justice? Justice is built on the twin pillars of reward and punishment, the “trainer of the world”, we are told. It is just, when one has worked hard and contributed to corporate success, to share in the success. It is unjust to either benefit when performance is poor, or to gain when performance is low. A high-performance organization cannot exist in an environment in which an executive receives a huge bonus while performance is down and workers and shareholders are penalized. Virtually all workers, although possibly lacking depth of intellect, have the capacity of the soul to sense what is just. Shared profit is inherently just.

Vertical to Horizontal Organization

It is axiomatic that the greater the control of the work achieved at the first level of the organization, the fewer mechanisms of checking and control are required. The high-performance organization may have half the number of layers as the traditional organization. The fear of fewer managers is that the work will get “out-of-control”. The horizontal organization creates effective control by having each team empowered to measure and control their own work, and establishing a system of customer and supplier feedback loops. The work is controlled by the on-the-spot inspection and immediate feedback to the preceding team.

In days past at General Motors an engineer could be hired and work his entire career within one vertical segment of chassis engineering, for example. He might work exclusively, for years, doing rigidity analysis of frames. Like the hourly worker on the assembly line, the engineer had little understanding of the entire process of designing a chassis, not to mention the suspension, engine or transmission. His hope was to move “up” the organization chart, so one day he could lead his section. This vertical focus was a break on learning and improvement and deprived employees of motivation. Now the engineer is far more likely to work on a Taurus Team or Explorer Team, and have broader personal responsibility as well as share in problem solving with engineers from other specialties. Over and over again it has been proven that this process focus has reduced cycle time while improving the quality of the effort.

In parallel with the transition to vertical process and organization design, the information systems must also provide for shared information and feedback along the process flow. All just-in-time manufacturing requires almost instantaneous flow of information from customer to supplier to allow for rapid adjustments to the production process. This information flow is essential to knocking down the walls between organizational units.

Fixed Structure to Dynamic Structure

I was meeting a division president of a communications technology company and I asked him what his vision was of the business five years forward. He frankly and

emphatically said that he had no idea. This was somewhat surprising coming from the individual responsible for the divisions strategy. He then proceeded to point out that the dominant factor in his divisions business today was the Internet. Five years ago no one was talking about the Internet and today it is the single most dominant technology and influence in our economy. He then asked me what I thought would be the driving force in communications technology five years from now. Of course, I had no idea – just like him!

This is the reality of business for many companies today. The technology, the market, the means of production and distribution, are all shifting so rapidly it is virtually impossible to define strategy and structure that will carry the organization forward for any number of years. Many organizations are acknowledging that their structure is probably good for one year. Then, tear it apart and recreate it – fast!

This tendency to fast cycle organization change requires new competencies within the organization. In the past, it was common for the executive to hire the external consultant to redesign the organization, in the future it will be common practice for the internal employees to work in teams, redesigning their processes, structure and systems efficiently and with little disruption to their work.

Companies with Walls to Companies without Walls

Our corporations are legal creations with the right, like individuals, to own property. The concept of property ownership and the mental assumption of property lines or boundaries is well ingrained in our corporate culture.

The high-performance organization, particularly those with highly dependent relationships between customers and suppliers, lowers or eliminates these walls. Walls interrupt flow. Walls create delay as materials or ideas stop at borders. Walls slow feedback, learning and improvement. Walls create quality problems by hindering understanding of requirements between customers and suppliers. Walls cost money, the money required to maintain boundaries and borders.

The values of consultation and unity are clearly furthered by the reduction in boundaries between companies. When work is performed in the spirit of service there is a bond, a close connection between those performing work and those receiving the output of work. It was not unusual in the past for workers to work an entire career in a factory and never meet a customer, never look them in the eye and understand their needs, or feel their appreciation. Clearly such boundaries are destructive to the human spirit.

Financial Secrecy to Open-Book Management

The high-performance organization achieves performance by securing the commitment of employees to business performance. In the past it was assumed that

employees could not be trusted with financial information and would not understand the complexities of the profit and loss statement and balance sheet. But the reality of financial knowledge is entirely different today. More than fifty percent of American workers own stock in corporations, receive annual reports, and track mutual fund performance. The nightly news and entire news channels are devoted to the stock market and investments. The books are now open. The secrets are out.

Eight years ago Jack Stack, the plant manager of International Harvester's Springfield Remanufacturing Center, along with other plant managers sought to purchase this unprofitable, low technology remanufacturer of diesel engines in the heart of the rust belt. For several years the company had tried to find a buyer to divest itself of this drain on profitability. Failing its efforts to find a buyer with money, International Harvester sold the plant to its managers on favorable terms.

Having invested their meager life savings and now in the possession of a money losing enterprise, Jack Stack and his compatriots knew they had to do something radically different than the traditional patterns of management. Jack decided that he had to get everyone in the plant playing the same game, what he came to call the "Great Game of Business."²⁶ He broke the plant down into work teams. He taught every hourly employee and manager to read the profit and loss statement and the balance sheet. Every employee was given the company P&L statement every month. Every week they were given a statement for their own department. There were no secrets. Everyone knew the truth about the business. They knew where the money came from and where it went. Everyone was involved in deciding how to improve ratios of income to expense and the variances between budgeted and actual numbers. Every employee was made an owner and given a share of potential profits. People changed. The business changed.

In eight years, this business that appeared doomed to failure, without any significant infusion of capital, technology or outside expertise, went from a per share value of ten cents to more than twenty five dollars per share. The employees started twenty new businesses, eighteen of which were profitable. Mercedes Benz ships diesel engines to the SRC for remanufacturing and many of the employees have become millionaires. Every employee is in touch with the reality of the financial well being of the enterprise and every employee took responsibility.

This story has been repeated dozens of times. It is the story of people given a system that recognizes their potential, that treats them as adults, as partners, as owners, and eliminates the destructive class distinctions that deny responsibility, deny information and ownership.

The story of SRC, I believe, is very much what is advocated in the Bahá'í Writings regarding profit sharing, and the spirit of unity, shared ownership.

Blame the Person to Blame the Process

²⁶ Stack, Jack. *The Great Game of Business*. New York, Doubleday, 1992.

Dr. W. Edwards Deming, one of the leaders of the total quality movement, was fond of saying that 95% of the quality problems are in the process, but we blame the person. This is an important insight. It is a cultural tendency to look for the person who is to blame for every failure, then punish or change the person. This creates fear and a generally negative environment. Dr. Deming identified fourteen points important to a quality culture. One of them was “drive out fear.” Fear is the enemy of quality and productivity because it creates paralysis and hinders innovation and improvement. It also deflects thinking from the real problem. Without altering or improving the process, changing the person will have little effect.

The high-performance organization reduces the anxiety producing fear of personal performance and negative judgments. On the other hand, the team system and knowledge of performance, creates a shared anxiety about performance. It is, however, more rational anxiety, anxiety based on following the numbers and taking responsibility for performance, rather than fearing what may be a biased judgment by one supervisor. In the best case, this anxiety is mobilizing rather than paralyzing.

Assessment: Virtues and Values

Is the high-performance organization good? In the competitive and practical world of modern business, the high-performance organization has emerged and thrived. This is not a world that rewards theoretical schemes. It only rewards what works. Clearly the high-performance organization has succeeded in enhancing the business virtues of efficiency, productivity and quality. For one example, several years the average rate of productivity at General Motors was 28 hours per car in the assembly operation. At Honda it was 16 hours per car. It was similar at Toyota. General Motors had more robots per car, greater capital invested, yet achieved lower quality and productivity. Honda’s advantage was in the nature of their work system and culture.

But, does the high-performance organization contribute to a “good society”, or societal values. The following is the author’s assessment and others will have differing views. No system is entirely good or bad, however, the weight of evidence, I believe is on the side of this new culture and system of work.

Honest – the high-performance organization is an open system that requires shared knowledge and therefore is far more likely to promote honest relationship and honest discussion of problems and performance.

The spirit of service – this new system creates close links between customers and suppliers at every level and on each chain of the work flow. Traditional work systems built walls that inhibited knowledge of those whom you served.

Justice – the evidence is less clear on this. To the degree that workers share in performance based compensation, profit sharing or other system, it is more just. However, this is not an element that is always found in high-performance organizations.

There is also no necessary imperative to reduce the disparity of income from top to bottom in the organization, a significant issue of justice in most companies today.

Consultation – without a doubt this system is more consultative, based largely on group decision making and ownership, than traditional work systems.

Unity – unity may be horizontal or vertical. The high-performance organization clearly creates greater unity within the immediate work team and between teams. However, it does not necessarily create greater unity from top to bottom. It is still common to have leaders who are divorced from those they lead.

Abolish Extremes of Wealth and Poverty – there is nothing inherent in this new system that abolishes extremes. Neither does it create extremes. It must be evaluated as neutral on this point.

World citizenship – Again, I would give high-performance organizations a neutral on this. While most corporations are becoming more global and reducing barriers between nations, there is nothing inherent in the high-performance organization that achieves this.

Universal Education – I would give a plus to the high-performance organizations on this account. This system requires more educated workers and workers become more educated in the process. Knowledge of performance, open communication, and group problem solving are the essence of a learning organization.

No new corporate system will create the “good society.” All we can hope is the any new system will enhance business virtues, corporate performance, and make a positive contribution to our values as a society.