

Toyota Production System
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Lecture – 40
Different Business Excellence Models

Welcome friends, so finally we are into the last session of this course on Toyota production system, we started with the idea that production is a very important activity in the organisation; there are organisations which are known as manufacturing organisation where directly you understand the importance of production activities because some raw material is converted into a finished product.

But if you see in service organisations, there are a lot of activities which go behind the curtain to deliver you a particular service and those things which we call as back office, so that back office also is actually involved into lot of operational activities so, whether it is a manufacturing organisation or a service organisation, operations are involved in both these kind of organisations and currently because the role of services organisations have increased tremendously in contributing the GDP.

So, the focus has moved from manufacturing to service organisations but we all know that everywhere it is considered that manufacturing organisations are having better potential for giving employment to large population of various countries particularly, if I talk in terms of India, so we consider that manufacturing is going to be the backbone of Indian economy because large number of small, medium enterprises, cottage industries, micro enterprises, all of them are expected to give employment to large number of Indian youth.

But giving employment is only one aspect of operational activities but if that organisation is not sustainable, if that organisation is not excellence then it is just a matter of time that some good company will come and that good company will take away the entire market of those organisations which are working without the objective of becoming the best in class so, therefore it is not your choice but it is certainly forced upon you that you continuously need to think about becoming the best in class organisation.

Then only you can survive in present competitive era, in earlier periods when we were going through the system of licensing when the markets were not so open, boundaries of the nations were protected by different kind of legal frameworks, at that time it was a choice of an organisation whether to go for some kind of excellence program or remain as it is and many of the Indian organisations are; is still suffering from that inertia of license or permit period.

But it is the era of competition, it is the era of globalisation, it is the era of innovation and therefore, you have to be always on your toes to remain competitive, to remain relevant in the current business environment, so the whole idea of Toyota production system was focused of this very aspect that how to make my organisation more and more competitive, so that I can face the test of the type.

And the this particular session which is actually going to be the summary of my 8 weeks discussion where we will discuss that ultimately, the idea of your best in class, you word class whether you have achieved something or not, how to have a measure of those things, for that purpose we have discussed many things that you have the inventory, you have the WIP, you have the through put, you have your other operating expenses, so many things are there.

So, these are there but on a global scale, when we say that I am a highly competitive organisation so, like you talk of a child or you talk of an organisation, we all love, we all get motivated if somebody from outer world, recognise our performance, so this discussion of business excellence models is the recognition of your superior performance, whether you have achieved something significant or not.

What type of achievements have you done so, to honour, to motivate you to create an example of you, these ideas came and different countries, different associations, they came with different type of business excellence models. Currently, around 100 different types of excellence models are available, so there are excellence models which are coming from Japan, there are excellence models which are coming from Europe there are excellence models which are coming from America.

Then our home grown excellence models are also there and then sector specific excellence models are also coming up that the education sector, hospital sector, the automobile sector so, everywhere the race of introducing excellence models are also there, so in this session, we will not be able to discuss those large number of excellence models, we will be discussing some important type of excellence models.

And with that you will have an idea that what is the philosophy of these excellence models, how excellence models are developed and how these excellence models can be used to as a tool for continuous improvement, if you just put a blank proforma in front of your table in the organisation in your office and there are various columns, various rows giving different weightages to different activities.

And on the measures of that, you choke out your plan of action for next 6 months, next one year, automatically that plan of action will be a tool for improving your performance because as we discussed in my last session, when we were discussing the theory of constraints where are we today, where do we want to be in a particular time and then how to go there, so present, future and process, these are the important thing.

And when I am striving for a excellence medal, excellence award, I know that what are the requirements of these excellence awards and where am I and how to go from this particular condition, how to go from this particular stage to that particular condition, so that is the content of this particular session.

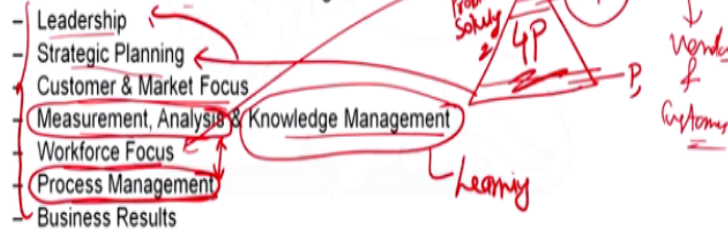
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Baldrige Criteria for Performance Excellence



- This is the model behind the US Malcolm Baldrige National Quality Award, an award process administered by the American Society for Quality (ASQ) and managed by the National Institute of Science and Technology (NIST), an agency of the US department of Commerce. This framework is used as the basis for over 70 other national Business Excellence/Quality awards around the world.

- The model consists of seven categories



And with this idea, we start the first very important award that is Malcolm Baldrige National Quality award, this is one very important award and because this award comes from USA throughout the growth, we have a very important recognition. If you are a Malcolm Baldrige award holder company, so you are automatically considered that you are a best in class type of company so, this is a very, very prestigious award.

And for this, let us see what are the different type of categories and how these awards are being given etc. So, this award is administered by American Society for quality, so ASQ is basically the body which are administrating this award and it is being managed by National Institute of Science and Technology and this is an agency which is working under the American Governments, Department of commerce so, this is administration of this award.

So, this is used in around the basic framework of this Baldrige award is used by 70 other awards for their particular countries, so you can understand the robustness of this particular award, now it is given in the 7 categories; the leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, workforce focus, process management and business results.

So, these are the 7 categories where your performance is measured and based on the performance in these 7 categories, you are awarded this Malcolm Baldrige Quality award, now it is very

interesting that we are discussing this under Toyota production system but the part of measurement, analysis and then the process management, these are the 2 components which are directly related with our discussion.

These are the 2 components of this award which are; with our discussions of Toyota production system but if you remember in Toyota system, we have discussed this 4P framework and if you remember in the 4P framework, the bottom P was about philosophy and that philosophy will help us in these 2 aspects; leadership and strategic planning that what is my long term planning and one of the P is about people and partners.

Now, in this people and partner, if you remember the 14 principles, one of the principal was about the development of leadership in your organisation that what is this successive plan in your organisation and that succession plan is nothing but dealing with the leadership, so what I am trying to prove that prima facie, it may look that only one or two components out of these 7 components are related with our discussion.

But in fact this TPS or the concept of world class manufacturing and this whole idea of becoming the lead organisation, these are such and over encompassing concepts which are dealing with almost every aspect of this award category, so it deals with leadership, it deals with strategic planning, it deals with customer focus without knowing your customer we have already discussed that in people and partner, your vendor and customers both are important, without them you cannot get the success.

So, we are not talking of customer and market, rather we are also talking of vendor focus, then measurement, analysis, knowledge management, workforce focus, so this entire people part comes to under the workforce focus, so how to have; how to strengthen your workforce, how to make your organisation; a learning organisation, so the knowledge management part is deals with that learning organisation.

We have discussed this under problem solving and then you will always have a positive green business lessons, the point which is very important for all of us to understand to realise that we

need not to run from one philosophy to another philosophy to another philosophy, if I follow a particular idea of doing the business, if I am following Toyota production system in my organisation so, I need to go to the route of that Toyota production system.

And then, I will be able to take the benefit of this, if for different sections, for different activities, I keep moving from one concept to another concept, I will not be able to take benefit of any of those ideas because just now we saw that we are working for a Malcolm Baldrige National Quality Award but we just saw that the Toyota production systems 4P model is actually helping us in achieving all the 7 categories.

So, there is no need for having a separate consultant for helping you in MB and QA, your work, your rigor, your focus, your follow through for TPS, will help you in getting all these excellence awards.

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The core concepts of the Baldrige Criteria for Performance Excellence are

- Visionary leadership
- Customer-driven excellence
- Organizational and personal learning
- Valuing employees and partners
- Agility
- Focus on the future
- Managing for innovation
- Management by fact
- Social responsibility
- Focus on results and creating value
- Systems perspective

14 Principles of TPS ✓

So, this concept as if I go further into detailing of that, you will see that the concepts on which this award is based those 7 criteria; macro criteria, if we further try to explain them these are changing into visionary leadership, customer driven excellence, organisational and personal learning, valuing employees and partners, agility, focus on the future, managing for innovation, management by fact, social responsibility, focus on results and creating value and system perspective.

So, these are the core concepts, so you see that almost these concepts we have discussed in 14 principles of TPS, so these are not something new, we have discussed this is just the session, is just to reinforce this idea that whatever we have discussed, these are not only applicable as TPS, you will see that other systems, other excellence related ideas are almost parallel to this, it is just a matter of naming those things.

But they may be packaged differently so, the only difference is of the packaging but when you go for the implementation, when you go for their actual use, then you will find that there is no difference, so we talk of visionary leadership in Toyota production system also, customer driven excellence in Toyota also, the learning is a very, very important in fact, the whole idea is to make the organisation as a learning organisation where we are not only adopting technology but we are also creating new technologies, new skills, new products.

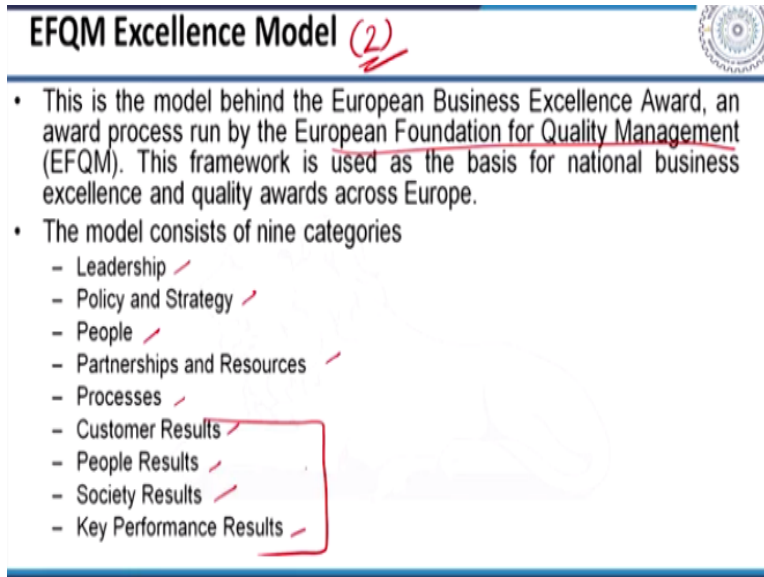
So, that is what we want to do, then people and partners, agility means, how flexible you are, focus on the future and innovation are almost the same thing that you are going to think about future not only the present management by fact, if you see that one of the principle we say that we need to go to the root cause of the problem, we just not need to be superficial in solving the problem.

And we expected that our top management should go to the site of the problem, so that he or she should have more facts about the solution and therefore, management by fact, even you go in TPS or you come to this Malcolm Baldrige everywhere it there, social responsibility, focus on results and creating value; value is a term which we have used so often in our these various sessions, that whatever is non-value, we need to eliminate that.

So that is also a very, very important thing we have discussed and systems perspective; in our last session, when we were discussing about theory of constraint, the whole idea is based on the systems perspective, if you have systems perspective, then you are going to use that concept of silver bullet which will hit that target, so that your entire systems performance will improve, so that is what we have already discussed.

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EFQM Excellence Model (2)



- This is the model behind the European Business Excellence Award, an award process run by the European Foundation for Quality Management (EFQM). This framework is used as the basis for national business excellence and quality awards across Europe.
- The model consists of nine categories
 - Leadership ✓
 - Policy and Strategy ✓
 - People ✓
 - Partnerships and Resources ✓
 - Processes ✓
 - Customer Results ✓
 - People Results ✓
 - Society Results ✓
 - Key Performance Results ✓

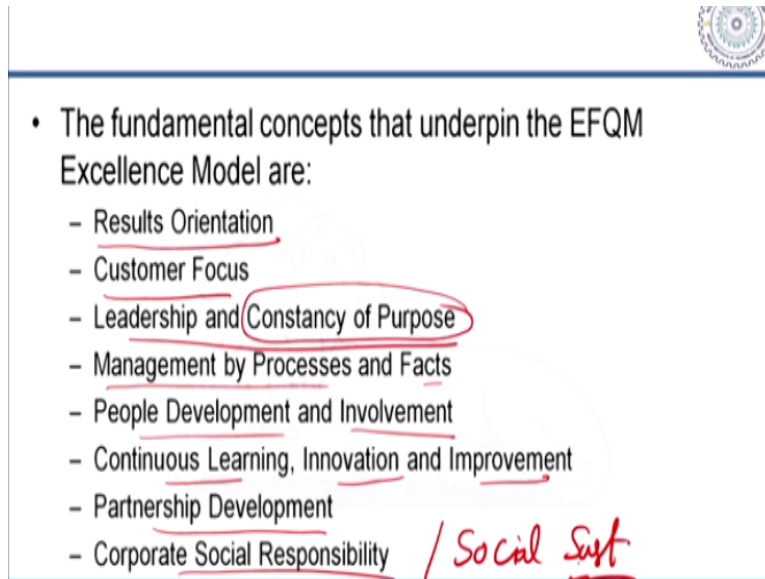
Now, coming to the second important excellence model; EFQM that is European Business Excellence Award and this is run by European foundation for quality management and this European foundation of quality management is another very, very important, you can say name in the field of quality excellence awards and initially, these awards started in the field of quality management and those organisations which were successfully implementing TQM.

But nowadays, these are also not only linked to quality but they also take care of other aspects of your business, so therefore, these award have increase in their scope and more and more organisations have also adopted this EFQM excellence model award. So, as we just discussed there were 7 categories in Malcolm Baldrige, here 9 categories are there, these are leadership, policy strategy, people, partners, resources, processes, customer results, people results, society results and key performance indicators.

So, here you see that around 4 categories are there which are focusing only on results, so the output is given a lot of importance in this EFQM model and that is a point of difference between Toyota production system and EFQM. In Toyota production system, our focus is more on the process and less on the result side because in that we believe if your process is right, your output will also be right.

So, the emphasis is more about is strengthening the processes but here in EFQM model and that also gives you an insight about different cultural settings because this model comes from Europe, so where the result is more important and therefore, they are talking about 4 categories out of 9, so the 50% weightage you can understand is for the output, so if you are working in a European organisation or you are part of a supply chain of European companies, you need to see whether you are giving more emphasis on results or not.

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- The fundamental concepts that underpin the EFQM Excellence Model are:
 - Results Orientation
 - Customer Focus
 - Leadership and Constancy of Purpose
 - Management by Processes and Facts
 - People Development and Involvement
 - Continuous Learning, Innovation and Improvement
 - Partnership Development
 - Corporate Social Responsibility / *Social Syst*

And the broader aspect; the basically those who are the 9 categories and if you go to the some detailed aspect, so as I am mentioning that the first important thing is that; it is a result oriented mode. The Japanese models are more process oriented models while EFQM, the European models, the western models apart from that Malcolm Baldrige, this is a more results oriented model, so you have to take a call, whether I want to go for more process oriented or result oriented.

But as per my view, when we have the right processes in place, you will have the right result also, so therefore if your processes are in place, you can for this EFQM also. The focus is on customer, leadership and constancy of purpose, this came for particularly Deming idea of quality because in that Deming has mentioned that there has to be a constancy of purpose, the management by process and facts, as we have already discussed in the Malcolm Baldrige.


The people development and involvement, continuous learning, innovation and improvement, partnership development and CSR, so nowadays, all these awards in our Malcolm Baldrige also, what is the social responsibility of the business, that is the one of the criteria, here also in this, EFQM also, CSR is one of the criteria but you see when we are talking of CSR, many organisations get confused with CSR and social sustainability.

So, organisations need to specifically mention that what is their contribution in this CSR, those people who are not directly the stakeholder or having any kind of direct benefit from your organisation, they normally get the benefit of CSR related initiatives, so even if you do not have any business interest with those people, what type of efforts you are doing through your business to improve their condition, so that is a CSR.

And it has become really important for us to understand that in the current environment, how inequalities are increasing and unless, until we have a solid mechanism in place we will not be able to address the new challenges which are coming, the overall GDP is also increasing globally, no doubt in that but at the same time, the income distribution is becoming to (()) (25:53) and that is another challenge.


The people below poverty line are reducing but the difference in wealth which is their with few people in the world and with the large number of people in this world, that type of challenges are continuously coming up, so therefore the people are thinking about these things and therefore, CSR related activities are becoming the part of business excellence models.

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3 Business Performance Improvement Resource (BPIR) Model 

- The BPIR model provides an alternative, comprehensive, and simple way to classify benchmarking and best practice information within the web-site. The model classifies information through over 250 business processes.

Service *IT*
ITES



Then, another important model that is third in our list; is business performance improvement resource model, BPIR model, now this BPIR model provides an alternative comprehensive and simple way to classify benchmarking and best practice information within the websites, so this is particularly applicable to service organisations service, service which are in the field of IT or ITES.


So, depending upon what type of information, best practices are available on the website, this BPIR model is developed. The model classifies information through over 250 business processes, so there is a long list available and those different categories, the information available on your website is classified and based on the comprehensiveness, the quality of information available on your website; this BPIR model is proposing the excellence to their particular website.

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- The high level processes are shown below
 - Understand markets and customers
 - Develop vision and strategy
 - Design products, processes and services
 - Market and sell
 - Produce and deliver for manufacturing-oriented organisations
 - Produce and deliver for service-orientated organisations
 - Invoice and service customers
 - Deliver Leadership
 - Develop and manage human resources
 - Manage information and knowledge
 - Manage financial and physical resources
 - Execute environmental management program
 - Manage external relationships
 - Manage improvement and change
 - Measures of Organisational Performance

Now, some of the high level processes which are included in this BPIR model are like this, so you see that they are giving importance to market customer, vision and strategy, product development processes, services, marketing and selling activities, produce and deliver for manufacturing oriented organisation, service oriented organisation, invoicing, deliver leadership, develop and managing human resources, managing information and knowledge, manage financial and physical resources, execute environmental management program, manage external relationships, manage improvement and change and measures of organisational performance.

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DEMINGS PRIZE 4 

- The Deming's Prize that is given to organizations, has exerted an immeasurable influence directly and indirectly on the development of quality control/management in Japan. These organizations developed effective quality management methods, established the structures for implementation and put the methods into practice.
- Those organizations who have challenged for the prize share the feeling that they have had a valuable experience and that the management principle of achieving a business success through quality improvement has really worked.
- This award recognizes both individuals for their contributions to the field of Total Quality Management(TQM) and businesses that have successfully implemented TQM.
- The purpose of the Deming Prize was to recognize those who excelled in quality control and as a way of driving quality control. It was also established to thank Dr. Deming for his accomplishments and impact in the Japanese industry.

So, these are some of the important processes which they try to judge using the information available on your website. Then, another very important prize without which this session cannot

be completed that is the Deming prize, now in the Deming prize, this is coming from the Japan and this is basically started in the honour of Professor Deming who started the concept of total quality management from Japan.

He was an American but his a major contribution came from the Japanese (()) (29:06) and to honour the contribution of Professor Deming, Government of Japan initiated this Deming prize, so this award recognises both individuals for their contribution to the field of TQM and organisations that have successfully implemented TQM practices, so that is for recognising the TQM but this Deming prize because as we have discussed that TPS is a complete philosophy.

Therefore, we are having this full course on TPS, similarly Deming gave TQM as a complete philosophy and you may think that name look differently but when we try to improve the organisation on the basis of TQM because it also talks of continuous improvement, it also talks of workers empowerment, it also talks of customers voice and therefore, we will see that there is going to be a marriage of TQM and TPS.

And therefore, whether I am talking of Toyota production system or I am talking of TQM, Deming prize becomes a very interesting recognition and nowadays, you will be happy to know that large number of Indian organisations are also receiving Deming prize every year, so now in India also, people have become sensitive to these things and they hire consultants, they aside a special duties in the organisation to some of the senior executives to work for these awards.

So, lot of sensitivity, lot of awareness, lot of eagerness is coming to Indian organisations for becoming the world class organisations. Purpose of the Deming prize was to recognise those who excelled in quality control and as a way of driving quality control and it will also establish to thank Dr. Deming for his accomplishments and impact in the Japanese industry. So, as we have already discussed that it is to honour Professor Deming for the Japanese organisations.

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GOLDEN PEACOCK NATIONALITY AWARDS



- Golden Peacock Award instituted by the Institute of Directors (IOD).
- India in 1991, are now regarded as a benchmark of Corporate Excellence worldwide. Golden Peacock awards for corporate leadership and institution excellence, over the time, have become a hallmark of excellence both locally and globally. This is largely due to its transparent and 3 Tier evaluation process, based on internationally recognized criteria.

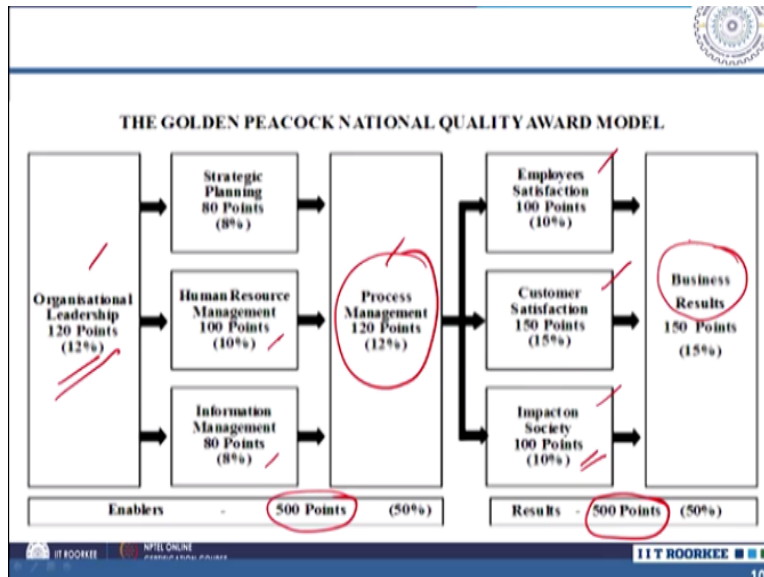
Then, another award which is our Indian award that is very home grown award that is Golden Peacock Award. Now, on the basis of this idea of excellence everywhere, so almost at the time, when India was moving from that license system to liberal system, in the year of 1991, this is becoming the point of starting the our own excellence model and this was known as Golden Peacock National Award.

Now, India in 1991 now regarded as a benchmark of corporate excellence worldwide and Golden Peacock award was established and it is given for corporate leadership and institutional excellence and over the year there are different types of changes which have taken place in this Golden Peacock award, with respect to categories, with respect to criteria, so since it is just you can say 2, 3 decades old award, so people are still in the phase of improving some of the things based on research.

Because it is very important for any award to become relevant that that it has to continuously adapt to changing situation and Golden Peacock award is one such award which is continuously keeping itself updated and it is a very transparent and 3 Tier evaluation process based on internationally recognised criteria so, it takes care from Deming prize, it take some of the input form European quality award and it take some of the things from the Malcolm Baldrige.

So, it is in fact, you can say taking whatever best is there in any awards, so all those things you can find in this Golden Peacock National Quality award so, if you see that this is the framework which is used for Golden Peacock National Quality award.

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So, here we have, you can see that different types of weightages are there for different type of categories, so out of 1000 points, 50% of the points, 500 points are given for making a conducive environment in your organisation that whether you are creating that ecosystem in your organisation where higher level performance can be delivered and that 50% of the marks are given on your performance, only having the ecosystem is not sufficient, you also need to have the output from that ecosystem.

And only output is not sufficient because if output is coming without ecosystem that may be an accidental output, so you need to have a proper structured system for getting or for improving your performance in a continuous fashion and therefore, it gives you a balance between output and the process. Now, in the enabler category, we have organisational leadership, so 12% is the weightage given for the leadership.

The, 8% for strategic planning, human resource management; what is the system of HRM, how are you doing training, how are you selecting them, how are taking their well-being so that is 10%, the information system in your company that is given 8% weightage and finally, the

process and management part. Again, you see the the process management has 12% weightage, so out of this enabler category, the leadership and the process are two most important thing which are delivering the output.

And then in the result side, if you see what is the level of employees satisfaction, so a survey is done to determine the level of employee satisfaction quantitatively, customer satisfaction again based on the survey, we determine that what is the level of customer satisfaction, the impact on society; what socio-economic impact your business has created on the society, so we are not talking as such of CSR but we are talking here in this Golden Peacock award that what your business is doing for the society.

So that is 10% weightage in this overall exercise and then finally, the business results, what is your ROI, what is your cash in hand, what is your profit, what is your liability, all those business results, net profit etc., these are given the 15% importance in this overall exercise. So, 50% for this the output side, 50% for the input side, so this way it is balancing the Japanese view and the European view.

The European is more result oriented, Japanese is more process oriented, so this Indian model, Golden Peacock award is actually creating a balance between both these things and therefore, we discussed this particular model in detail that how you are able to combine both these things for success of your organisation, so these different business excellence models we just discussed. Then, people are also developing different kind of philosophies that all these things are there but spirituality is not there in these models.

So, some of the researchers have taken place, which are focusing on involving the spirituality in workplace as one of the component of your excellence models, then there are concern for the environment that what your processes are doing for environmental protection, so now in the latest guidelines, your contribution to safeguard the environment, these are also included. So, all these models which we just discuss are highly dynamic in nature.

And therefore, these dynamic models will be always relevant to judge the performance of the organisation, if the model is not dynamic, so it is quite possible that the competition the business is moving much ahead of the model, rather we need a business excellence model which is ahead of time, so that it gives you an idea, it gives you an idea that for the best in class organisation, for the number one company it also gives an idea that where I want to reach and where I am.

So, therefore the one important point with which we can finally close this course also that you also need to have some targets in front of you, where some of the component of the target is achievable and some of the component of the target will never be achievable, so that the achievable component will help you that yes, I should try but non- achievable component should always give you that motivation that I am not achieved everything.

There is something which I still need to work upon, so that I achieve those goals, so that is what the purpose of all these excellence models and through the journey of Toyota production system, we discussed that how can we achieve these business excellence and world class status for our organisation, whether I am a manufacturing organisation or a service organisation, I think everything whatever we discussed was relevant for all types of organisation irrespective of nature of organisation.

So, with this we come to end of this discussion and we will love to answer your queries through our forum discussions, so thank you very much for participating in this course.