

Sustaining excellence in practice: a longitudinal study of a clothing manufacturing plant

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Abstract :

This paper discusses the relevant academic literature on organisational excellence, presents a longitudinal case study of a clothing manufacturing plant, and discusses the case study findings in the light of the literature. Based on this, four observations are made. First, the nature of organisational excellence is multi-faceted, and cannot be simply equated with TQM or any other specific management approach. Second, although developing a Total Quality culture may yield significant benefits, improving operations does not, on its own, lead to sustainable organisational excellence. Instead, the organisation has to build its own, unique strategic position. Third, sustainable organisational excellence depends on building dynamic capabilities for organisational innovation. Fourth, top management performs two vital roles in sustaining organisational excellence: an administrative role of maintaining and exploiting existing organisational competences, and an entrepreneurial role of both continually developing and transforming existing organisational competences and searching for new competences in order to keep pace with changes in the environment.

I. Review of relevant literature

1. The meaning of organisational excellence

Since the appearance of Peters and Waterman's "In Search of Excellence", organisational excellence has become a popular concept in the management literature. However, the precise meaning of this concept is still in dispute. Peters and Waterman (1982) emphasised the role of 'shared values' - as a vital element of *organisational culture* - in management's drive towards organisational excellence. A school of thought has developed that regards business excellence as inextricably bound up with organisational culture. (See Buchanan and Huczynski (1997) for a brief discussion.) In another interpretation - not necessarily incompatible with the previous one - excellence is associated with *quality*. In their textbook, Bounds *et al.* (1994) state: "We define quality as a principle that encourages *excellence* in everything: products, strategies, systems, processes, and people." (p.43; italics added). The link between excellence and quality has been further strengthened by the increasing popularity of the '*Business Excellence*' model developed by the European Foundation for Quality Management (EFQM). This model represents a 'non-prescriptive framework' for the implementation of *Total Quality Management (TQM)*.

It may be argued that the notion of excellence has been promoted recently to offset the waning popularity of TQM among practising managers. According to Ritchie and Dale (2000), "it appears that the concept [of TQM]

has been rebadged as business excellence to move away from existing pre-concepts of TQM". TQM itself may have become less popular because of the numerous studies reporting high failure rates among TQM programmes. (See Redman & Grievies (1999) for an overview and discussion.) On the other hand, a number of recent studies have shown that *effective* implementation of TQM principles and philosophies - as indicated by the winning of quality awards - does lead to significant improvements in the long-term performance of share prices (Hendricks and Singhal, 2001; Easton and Jarrell, 1998). And, even *ineffective* implementation of TQM may not be without rewards, as argued by Redman and Grievies (*op. cit.*) as follows: "... the study of TQM failure is a valuable vehicle to extend our knowledge of strategic change management." (p.45).

The lack of a precise meaning for the concept of organisational excellence brings clear dangers that it will be - and, perhaps, already is - treated as yet another management '*fashion*' or '*fad*' (Abrahamson, 1996). It should be remembered that TQM itself has been criticised over the years as a consultant-driven '*panacea*' - i.e. a supposed remedy for all managerial problems - that promises much, but, in the end, delivers little (Gill and Whittle, 1992). Donaldson and Hilmer (1998) argue that the uncritical adoption of management fads may actually decrease organisational effectiveness. Nevertheless, many managers may be tempted by the findings of Staw and Epstein (2000) that, although "... companies associated with popular management techniques did not have higher economic performance ... these same companies were more admired, perceived to be more innovative, and rated higher in management quality." (p.523).

In the following sections we shall endeavour to give a clearer meaning to the concept of organisational excellence by broadening its context well beyond the confines of TQM, through linking it with some innovative and important ideas emerging from the field of strategic management.

2. Total Quality culture and sustainable organisational excellence

As discussed in the previous section, the concept of organisational excellence has been associated with both organisational culture and TQM. Obviously, the latter two concepts are themselves strongly linked. Based on their analysis of the academic literature on organisational culture and on the findings from '*an expert panel for articulating quality values*', Detert *et al.* (2000) propose a model of '*TQM values and beliefs*'. This model comprises eight dimensions, and is based on: scientific method in decision making; long-term orientation and strategic approach to management; the idea that quality problems are caused by poor systems - not lack of motivation from employees; continuous improvement; achieving results for the organisation's stakeholders; cooperation and collaboration; shared vision and shared goals; customer-driven organisation.

At first sight, it might appear that the model proposed by Detert *et al.* could form a basis for the pursuit of sustainable organisational excellence that is - at least for the majority of practising managers and management academics - relatively uncontentious. Indeed, in the *resource-based view* of the firm, an organisational culture of the type described in the Detert *et al.* model is often seen as a potential source of *sustainable competitive advantage* (cf. Barney, 1986). This is because such a culture represents a 'socially complex' resource that is costly to imitate by competitors, and that is comparatively rare (Barney, 1994). (Hewlett-Packard has often been presented as an example of a firm that has derived sustained competitive advantage from its distinctive organisational culture, the 'HP-way' (Yoder, 1991).) If we regard sustainable competitive advantage as at least a necessary consequence of - if not wholly synonymous with - sustainable organisational excellence (cf. Lawler's (2000) definition of excellence in terms of '*performance in the pursuit of the firm's strategic objectives*'), could not management's drive towards organisational excellence be based on the building of a Total Quality culture?

This idea is problematic for at least two reasons. First, as suggested by Thompson (1998), the pursuit of TQM is arguably based on a number of '*paradoxes*' - i.e. contradictory principles. Thompson lists the following seven '*paradoxes of Total Quality*': "seek diversity, *but* build a shared vision; encourage creativity, *but* be consistent in everything; focus on continuous process improvement, *but* make break-through improvement an

important part of the job; use autonomous work groups to enhance performance, *but* ensure careful and uniform control of product and service quality; build a cohesive work team, *but* welcome conflict when critically analysing ideas; set realistic, yet challenging goals for maximum performance, *but* use stretch targets to dramatically improve performance; reward team effort, *but* create a high-performance climate for individuals" (p.71; italics added). We would argue that, in practice, there is unlikely to be '*one best way*' for resolving such paradoxes. Instead, the (top) management of each specific organisation would have to make its own *interlinked* set of decisions regarding *trade-offs* between several desirable principles and goals. This naturally leads to the question: on what basis should such decisions be made?

Second, Hayes and Pisano (1994) contend that "... simply *improving* manufacturing - by, for example, adopting JIT, TQM, or some other three-letter acronym - is *not* a strategy for using manufacturing to achieve competitive advantage. Neither is aspiring to lean manufacturing, continuous improvement, or world-class status." (p.77; italics in original). (Note that '*world-class manufacturing*' is but a different way of denoting 'excellence in manufacturing'. Furthermore, note that there are no good reasons for believing that the same argument does not also apply to non-manufacturing organisations such as service businesses, or even public sector organisations!) One of the main arguments underlying Hayes and Pisano's contention was developed by Porter (1980; 1985) and may be summarised as follows: "Constant improvement in operational effectiveness is necessary to achieve superior profitability. However, it is not usually sufficient. ... Competitive strategy is about being *different*. It means deliberately choosing a *different* set of activities to deliver a *unique* mix of value." (Porter, 1996, pp.64-67; italics added). Whereas Porter stresses the need for management to make *trade-off* decisions throughout his writings, in his more recent work he also notes the importance of the '*fit*' between the organisations' activities and policies for the achievement and sustainability of competitive advantage (cf. Milgrom and Roberts (1990; 1992) as an important influence on Porter's thinking). (An example of recent empirical evidence for the importance of 'fit' between Quality Management policies and other dimensions of operations strategy such as Human Resource practices, is provided by Youndt *et al.* (1996).) Again, the question arises: if improving operations - through TQM or otherwise - does not form a sufficient basis for sustainable competitive advantage (and by implication for organisational excellence), on what basis should these difficult '*strategic*' decisions (regarding trade-offs, fit and the incorporation of '*best practice*') be made? In particular, how should these decisions be made when - as is currently the case in many, if not most industries - these decisions must be made in a competitive environment that is continually changing, sometimes very rapidly?

3. Dynamic capabilities and sustainable organisational excellence

Hayes and Pisano (*op. cit.*) point towards an answer to the questions raised in the previous section: “Thinking about TQM, JIT, and other manufacturing improvement programmes not as *ends* in themselves, but in terms of the capabilities [that] they both require and create, drives one to think differently about solutions. ... In a dynamic setting, ..., solutions are viewed as part of a longer term *path* of improvement. ... From this perspective, manufacturing strategy is not just about aligning operations to current competitive priorities, but also about selecting and creating the operating capabilities [that] a company will need in the future.” (p.84; italics in original). In a similar vein, Glynn *et al.* (2000) discuss the “tension between the need to *focus* on current knowledge and skills to increase competitive advantage and the need to support a *plurality* of knowledge and skills to increase *breadth, flexibility* and *innovation* in the future ...” (p.729; italics added). The capabilities that an organisation needs to resolve this tension successfully - that is, the capabilities mentioned by Hayes and Pisano in the above quotation - are termed ‘*dynamic capabilities*’ by Teece *et al.* (1997).

Teece *et al.* (*op. cit.*) define dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organisation’s ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions.” (p.516). A couple of comments are in order. First, the concept of dynamic capabilities is different from that of organisational culture, although there are similarities. Organisational culture - especially a ‘*cooperative*’ culture of the Total Quality type - may well be an important factor in developing a high level of coherence (or integration) among managerial and organisational processes. (Cf. Miller’s (1992) notion of a cooperative culture as ‘*mutually reinforcing expectations*’ between the managers and employees of an organisation.) Such coherence is recognised by Teece *et al.* as a necessary element of dynamic capabilities. But these authors contend that other elements are also, if not more, important; namely, *learning* and *reconfiguration / transformation*. This leads to our second comment on the definition of dynamic capabilities.

Learning and reconfiguration / transformation are vital organisational responses to ‘*dynamic*’ environments. (According to Teece *et al.* (*op. cit.*), dynamic environments are characterised by “rapid change in technology and market forces, and ‘feedback’ effects on firms” (p.512).) Learning - based on repetition and experimentation - leads to the generation of new organisational knowledge. According to the ‘*evolutionary theory*’ of organisational economics formulated by Nelson and Winter (1982), such knowledge is primarily embodied in organisational

‘*routines*’ - patterns of activities and interactions between organisational actors that represent lasting solutions to particular organisational problems. In Eisenhardt and Martin’s (2000) definition of dynamic capabilities, the concept of routines is given a central role: “Dynamic capabilities ... are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.” (p.1107). The latter authors contend that in ‘*moderately*’ dynamic environments, “dynamic capabilities resemble the traditional conception of routines. They are detailed, analytic, stable processes with predictable outcomes.” (p.1105). In contrast, in ‘*high-velocity*’ environments, learning processes lead to outcomes that are - at least to a considerable extent - unpredictable. In such environments, organisational survival will depend on management’s “ability to scan the environment, to evaluate markets and competitors, and to quickly accomplish *reconfiguration* [of the firm’s asset structure] and *transformation* ahead of the competition.” (Teece *et al.*, *op. cit.*, p.521; italics added).

As we have noted above, just making operational improvements is an insufficient basis for achieving organisational excellence - let alone sustaining it. Following Porter, Hayes and Pisano, Teece *et al.*, and many other authors in the field of strategic management, we would argue that to achieve excellence, an organisation will have to develop - from its current strategic position and the technological and market opportunities available - its own *distinctive* managerial and organisational processes and asset structure. But in dynamic environments, merely achieving excellence is not enough. To *sustain* excellence, the organisation would have to build and exploit the kind of dynamic capabilities for *organisational innovation* that we have discussed above.

4. The role of top management in sustaining organisational excellence

If we accept the concept of dynamic capabilities as the basis for achieving and sustaining organisational excellence, there remains a question about the role that management in general, and top management in particular, should play in the development and exploitation of such capabilities. As we mentioned above, Thompson (*op. cit.*) noted the paradoxes inherent in the pursuit of TQM. But as discussed in various papers in the ‘*Special Topic Forum on Change and Development Journeys into a Pluralistic World*’ published in the October 2000 issue of the Academy of Management Review, paradoxes - such as between stability and change, a common culture (beliefs, goals, behaviours) and a collection of subcultures, efficiency and innovation, etc. - are at the root of the general problem of how to manage organisations effectively (cf. Eisenhardt, 2000). (Indeed, Kilduff and Dougherty (2000) demonstrate how much of the work of the

'classic' writers on organisations was concerned with such paradoxes.) It is up to top managers to manage the tension between the drivers for *change* (adaptability, cost containment, impatient capital markets, control, competitive advantage) and the drivers for *stability* (institutionalism, transaction costs, sustained advantage, organisational capital, predictability and uncertainty reduction) listed by Leana and Barry (2000). These paradoxes and tensions can only be resolved successfully by managerial decisions regarding trade-offs, fit and the incorporation of best practice that shape the organisation's distinctive strategic position. So how should top managers build the dynamic capabilities that would enable them to do this?

Nadler and Tushman (1999) discuss six '*strategic imperatives*' for organisations of the 21st century resulting from the changing business environment. To meet these imperatives, they provide a list of eight '*core competencies*' that top managers must build through the development of '*new and unconventional organisational architectures*'. For example, the environment in many (not just high-tech!) industries is characterised by increasing '*clock speed*'. This results in a strategic imperative for management of timely anticipation and speedy response to change. To meet this imperative, management must configure the organisation in ways that increase the '*organisational clock speed*'. Although the specific strategic imperatives and core competencies advocated by Nadler and Tushman are intuitively appealing, there appears to be a comparative lack of 'hard' empirical evidence to underpin them.

Knott (2001), on the other hand, does present empirical evidence to test a number of hypotheses related to the '*dual-routines view of the dynamic value of hierarchy*'. She explains that, according to this view, "hierarchical managers perform two roles that create value for firms in perpetuity – an administrative role of enforcing operational routine, and an entrepreneurial role of executing a metaroutine that continually revises operational routine to keep pace with changes in the environment." (p.430). (It is clear that this dual-routines view is closely related to the dynamic capabilities perspective that we discussed above.) Knott concludes that her empirical evidence - consisting of an in-depth examination of two firms in the quick-printing industry in the USA - supports the dual-routines view. But although Knott's research provides 'hard' evidence that top managers do indeed play a vital role in building dual-routines (or dynamic capabilities) and exploiting them, we would argue that further in-depth longitudinal studies should be carried out in different environments (with respect to market, technology, country etc.) to extend and enrich her work.

In the next section of this paper, we present a longitudinal study of strategic change in a clothing manufacturing plant in the UK (part of a large, multinational enterprise) in order to explore the role of top management in the pursuit of sustainable organisational excellence in an industry that has been

subject to rapid environmental change over the last decade.

II. Case study

1. General background

The clothing manufacturing plant under study was established in the UK some forty years ago. The company owning the plant experienced a decline in fortunes during the 1980s under the influence of both internal factors (loss of market share of the company's main brands) and external factors (lack of investment in new capital equipment). About ten years ago, it became part of a globally dispersed multinational enterprise (MNE) that manufactures a variety of types and styles of undergarments for women. The corporate headquarters of this MNE are based in the USA. Its European headquarters are in Italy, with product design and R&D functions based in France.

Over the last few decades women's undergarments have increasingly become fashion items, although obsolescence is still less rapid than for seasonal outer garments. As for all fashion items, product design is a key factor for competitive success. Garments must be reasonably priced and of acceptably high quality. The rate at which companies introduce new product lines is increasing; heavy advertising expenditure is used to support the brands. For new product launches to be successful, sufficient quantities of garments must be made available in the right locations, at the right time, and in the right mix of styles, colours and sizes. In Western Europe in general, and in the UK in particular, employment in the clothing industry as a whole has been in fast decline because of increasing competition from low-wage countries.

The production process for women's underwear is not very complex, and consists of the following stages: *new product development* (design and R&D); *acquisition of raw materials* (fabrics) of various kinds; *cutting* of the materials into the required shapes and sizes; *sewing* of the cut parts into finished garments; and *distribution* of the finished garments. Lead times have tended to be relatively long, particularly in new product development and material acquisition. However, throughout the 1990s clothing manufacturers have been trying very hard to reduce lead times as part of their development of '*quick-response*' strategies. *Quality control* is critical in all stages of production. Economies of scale in production are relatively low, and the need for *manufacturing flexibility* very high. There is little automation except on the cutting stage. The sewing stage is highly labour-intensive (using mainly semi-skilled labour). Production batches have tended to be relatively large but are becoming smaller. Manufacturing is undergoing a process of *globalisation*: the successive stages of the production process (or value

chain) are being separated and globally dispersed to reduce labour costs.

2. Developments between 1990 and 1995

By about 1990, the plant's survival was at issue; it was the only remaining plant in the UK and one of three (soon to be two) production locations in Western Europe. At that time, a new UK Manufacturing Director arrived who began making strenuous efforts to turn around the deteriorating situation. Operational strategy was reviewed with a view to achieving radical improvements in production efficiency and customer service. Two issues, in particular, were addressed with respect to the UK plant: *internally*, the organisation of production in the plant itself; and *externally*, the development of an international manufacturing network (IMN), and the changing role of the plant within this network. We first visited the plant in 1994. Our initial research focus was on the changes that were being made to shop floor working practices within the plant, especially with regard to the ongoing reorganisation of the sewing stage of manufacturing (Van der Meer and Gudim, 1996). Subsequently we also investigated how the plant's role in the company's IMN was changing (Van der Meer *et al.*, 1996). More recently (2000-2001) we have been revisiting the plant, and have interviewed top management and others about the latest developments.

In common with the rest of the clothing industry, the plant had traditionally operated a '*progressive bundle*' (that is, progressive assembly in batches) system. This tended to result in large build-ups of buffer stock, slow feedback on quality problems and a correspondingly high level of rework. By 1993 the new Manufacturing Director, as part of a strategic move towards '*quick-response*' manufacturing, began to replace conventional sewing lines with group working cells (so that by May 1995, a quarter of sewing machine operators were in group working cells). Such cells gave workers greater control over how activities were coordinated, a somewhat longer task cycle and lower level of task specialisation (but no significant reduction in the level of task standardisation). Importantly, whereas on the conventional lines product quality was 'inspected-in', members of the group working cells were given direct responsibility for improving product quality and reducing rework. Early results (1994-1995) from the cells showed that work-in-process inventory levels were significantly reduced and that, in consequence, product throughput times were much shorter. Quality problems tended to be picked up much more quickly (by the worker themselves rather than by quality inspectors), and the level of rework was, as a result, much reduced. The level of product flexibility (especially the ability to cope with the increasingly rapid introduction of new garments and styles) was also raised significantly in the cells. Finally, it appeared that the level of job satisfaction among sewing machine operators had been

raised, with absenteeism and labour turnover both reduced (Van der Meer and Gudim, *op. cit.*).

3. Issues and problems in 1995

Although by 1995 the introduction of group working cells was considered a success by the Manufacturing Directors and the senior managers reporting to him (and had won plaudits from the company's European headquarters in Italy), significant issues and problems still remained for the plant. First, most of the sewing was still done on the remaining conventional sewing lines. The setting up of additional group working cells proved to be a slow process, involving a significant investment of additional sewing machinery and, perhaps even more importantly, of management time. Also, resistance was becoming apparent from at least some of the employees on the conventional lines who were not necessarily keen to adjust to the different working conditions in the group working cells. In response, the Manufacturing Director initiated a reorganisation of the conventional lines in the form of 'SQC lines' (SQC: Statistical Quality Control). The SQC lines were based on the implementation of appropriate statistical principles and procedures for quality improvement, including in-process - instead of end-of-line - quality control, quality improvement workshops etc. Although sewing machine operators on the SQC lines continued to work on an individual basis rather than in groups, these lines proved to be effective in raising quality standards, and were much cheaper to set up than the group working cells. As a result, by the end of 1995, group working cells and SQC lines were working side by side, and there seemed to be some doubt whether the previously-intended full conversion of the sewing floor to group working principles would actually take place.

A second remaining problem in 1995 concerned the logistics linking the sewing stage with both the preceding and succeeding stages of production - and, in general, the difficulties in moving materials and products quickly through the supply chain. The plant had benefited from recent heavy capital investment in new cutting machinery, transforming the performance of the cutting process. In a sense, the cutting process was becoming a source of excellence for the plant. But the material flow from cutting to sewing suffered from frequent disruption and delay. Similarly, the benefits of reducing work-in-progress in the sewing stage were significantly reduced by the high level of finished good stocks in the distribution centres. In other words, although the new operational strategy was proving successful in radically improving the performance of the cutting and sewing stages in the UK plant, its overall effectiveness was diminished because other elements of the strategy were taking longer to change. In particular, the Manufacturing Director recognised that managerial roles had to be re-examined, both in terms of their hierarchical position and with regard to the integration - or lack of it - among the various functional areas of the plant. Addressing such structural issues was more

difficult because some of the functional managers involved had spent the greater part of their working lives at the plant, and tended to be highly traditional in approach. (Perhaps not surprisingly, there was also a high turnover of newer managers.) Thus, although there had been an apparent culture change among shop floor employees - based on a new emphasis on quality improvement, cooperation and collaboration etc. - the prevailing culture among the senior managers reporting to the Manufacturing Director could still be characterised by a 'command and control' style whereby information was only slowly passed on between the various functions and there was little in the way of delegation. (The current Manufacturing Director - who came to the plant as Quality Manager in 1991 - describes the managerial culture of the time as based on a 'blame' philosophy.)

The third remaining issue in 1995 related to the changing role of the UK plant in the company's developing IMN. Until the end of the 1980s the orientation of the company's IMN was largely '*multidomestic*'. (A network with a multidomestic orientation consists of "more or less autonomous manufacturing units geographically located close to target markets." (Shi and Gregory, 1995, p.426).) In response to increasing competitive pressures, the structure of the company's IMN began to change from the start of the 1990s by assuming a '*global*' orientation. New product development activities for the West-European markets were moved from the USA to Europe to improve the effectiveness of the design-manufacturing interface, and an extensive programme of factory closures was initiated to improve manufacturing efficiency. By 1995 there were only two main manufacturing plants left in Western Europe: the UK plant under study (with both cutting and sewing facilities) and a plant in France (with cutting facilities only). To offset the sewing capacity closed down in Western Europe, '*off-shore*' sewing plants had been started up in various low-wage countries. The French plant had become the 'mother plant' - or '*lead plant*' (Ferdows, 1989) - to a number of sewing plants in North Africa; and the UK plant was developing into the lead plant for a number of sewing plants in Eastern Europe (and also a new plant being established in India). But whereas the French plant tended towards a command-and-control style in its relations with its off-shore sewing plants, the Manufacturing Director of the UK plant favoured giving greater autonomy to the local managers of its off-shore sewing plants. In all this, there was a key problem for the Manufacturing Director. Given his perception that '*the requirement to learn how to operate effectively under completely different parameters*' was the company's most basic challenge in manufacturing terms, how could more flexible and adaptive organisational structures be developed to improve the learning ability generated by the IMN? And how could the individual plants (including the UK plant) develop their respective strategic roles in the IMN in order to enable the company to find its own - unique - solution to its managerial challenges? (Cf. Van der Meer *et al.*, 1996).

To answer to this last question, the Manufacturing Director started building the UK plant's competence in acting as the main bridge between the company's new product development and order fulfilment processes. By 1995 new product lines in the company's most successful product families were sewn at the UK plant, where there was close control over the production process. When quality problems had been resolved, and the manufacturing process rationalised, sewing operations were moved to the off-shore plants. In this, the latter received technical support and training from a team at the UK plant. But in 1996 there were two events that had a significant impact on this development. First, the Manufacturing Director left to take up a more senior position in another company, and was replaced from within the company. Second, the company was hit by a temporary downturn at the end of 1996. As it was obvious that labour - and, therefore, sewing - costs at the UK plant were substantially higher (by a factor of between four and five!) than at the offshore plants, the company's European headquarters decided to close down a substantial amount of sewing capacity at the UK plant. The number of sewing machine operators was cut (by natural wastage) by one-third. The new Manufacturing Director decided to do this by closing down a large number of conventional sewing lines, but leaving the number of group working cells unchanged. As a result, by the end of 1996 roughly the same number of sewing machine operators worked in cells as on the SQC lines (i.e. the redesigned conventional lines). In other words, although the new Manufacturing Director had to accept that new product lines could now, in principle, be moved straight to the off-shore plants for sewing, he put even greater emphasis on the UK plant's competences in group working with its attendant benefits of quality, responsiveness and flexibility. (Note that sewing at the off-shore plants has always been, and still is, organised on the basis of conventional sewing lines.)

4. Developments between 1996 and 1999

There was thus a re-evaluation of the operational strategy at this time (end of 1996). Although the group working cells were perceived to be successful, both manufacturing costs and product quality had to be improved further. The former was to be done by further expansion of sewing volumes at the off-shore plants; the latter by targeting any reduction in sewing volumes in the UK plant at the conventional / SQC sewing lines but maintaining volumes in the group working cells. The changing nature of the company's product markets provided added urgency. Marketing was increasingly focusing on high quality but relatively low cost garments with drastically reduced product life cycles of between three and six months. As a result, ever greater demands were being made on the shopfloor in terms of on-time delivery and high levels of product flexibility. The new Manufacturing Director decided, therefore, to

alter radically the organisational structure and culture at the upper managerial levels of the UK plant - not just to improve the performance of the UK plant but also to be able to give more effective support to its off-shore plants.

From 1996, the managerial structure at the plant was changed through the retiral of most of the (male) 'old guard' management, and their replacement by a new senior management team of just three relatively young managers (two of them female - reflecting the gender of the vast majority of shopfloor workers!) reporting directly to the Manufacturing Director. Functional areas that had traditionally been separated were now combined into three main lines of authority: Production, Quality and Logistics; thereby achieving much greater integration between functional areas - and therefore much greater managerial flexibility - than had been the case so far. Although the members of this senior management team had been promoted from within the plant, and there were also other internal promotions of promising younger managers, a number of new graduate management trainees were recruited from local Universities to increase the amount of 'new blood' in the management structure. From interviews with the current Manufacturing Director (who, at the time, was one of the members of the new senior management team) we may conclude that the managerial culture in the plant was undergoing a gradual but significant change towards greater openness and knowledge-sharing - the new key word becoming 'visibility' (of information, results etc.)

The managerial structure and culture in the UK plant also favourably affected the support that it could give to its off-shore sewing plants. As mentioned above, it had been decided by the previous Manufacturing Director not to impose a conventional command-and-control style on relations with the off-shore locations (not least because the geographical distances obscured 'product visibility' and, therefore, appeared to make such a management style relatively ineffective). Instead, these plants were supported by their UK 'mother' plant in developing their own, local managerial skills in order to improve cost efficiency and quality. For example, when in 1996 the greenfield plant in India was being developed, it was expected that this plant could be operational quickly given the local skill base in clothing manufacturing. But the new Manufacturing Director felt that there had to be managerial representation from the UK plant so that the Indian managers would quickly become knowledgeable about the company's products and production standards. Accordingly, it was decided that two managerial teams would be set up from the UK plant: they would rotate with regard to visiting the Indian site with the purpose of sharing manufacturing know-how etc. It can thus be seen that the key strategic issues of increasing competitiveness by establishing low-cost off-shore plants able to produce to a similar standard as the UK plant and the reform of management structure, culture and practices were, in practice, interdependent.

5. Developments since 1999

The current Manufacturing Director took over in 1999. (Her predecessor was promoted to a more senior position in another company owned by the MNE.) In early 1999 the number of sewing machine operators in the UK plant was further reduced by some 35-40% (through relatively generous payoffs agreed with European headquarters, and no compulsory redundancies), again by closing conventional sewing lines. Only two conventional lines now remain, comprising only about 20% of the operators, with the remainder in the group working cells. As a result, the UK plant is now responsible for only about 13% of total sewing volumes in its geographical area (Northern Europe), with its off-shore plants taking the remaining 87%. All employees in the UK plant are on permanent contracts. Despite these moves towards greater cost competitiveness, there is still a very substantial difference in labour costs (measured in cost per standard sewing hour) between the UK lead plant and its off-shore plants. Therefore, to safeguard the UK plant's longer-term future, the current Manufacturing Director must continuously look for ways of building on the plant's existing competences and, if necessary, develop new ones.

Over the last five years, and driven by the changes in the managerial structure and culture discussed above, the plant has become recognised within the company as a 'centre for managerial excellence'. All three members of the senior management team formed in 1996, have now been promoted to Directorships within the company (one, as already noted, to the position of Manufacturing Director; the other two to other important positions), opening up vacancies for new managerial talent. (In consequence, the plant's organisational structure has had to be changed again by narrowing the managerial responsibilities of the newly-promoted managers, since none of them have the experience yet to take on the wide-ranging roles of the previous incumbents. However, the Manufacturing Director intends to re-establish a small, but flexible, senior management team as soon as practicable.) Also, the plant has developed a reputation for being able and willing to provide quick and helpful advice on managerial problems raised by other plants in the company.

The culture of 'visibility' actively promoted by the current Manufacturing Director, extends to the issue of performance measurement. Targets and business results achieved are discussed at monthly meetings between the Manufacturing Director and the various managers reporting to her. The latter can earn modest performance-related bonuses based on five main measures (including various financial measures, quality, on-time delivery, and health & safety). Should targets not be met, such openness - according to the current Manufacturing Director - would in the early 1990s have resulted in defensiveness among managers. Whereas

now, the fact that the new management team has ‘grown up’ together has facilitated a more natural culture of teamworking (which is also encouraged by the greater openness of the managerial office layout). The spirit of openness also extends to the shop floor, where operators now have a much better understanding of how well or otherwise customer service targets are being met. In line with this policy, the Manufacturing Director places a high value on training at all levels, and budgets for this accordingly. (The plant has the UK ‘Investors In People’ standard). Training ‘away weekends’ occur regularly, and include those working at all levels who may have managerial potential. Finally, the Manufacturing Director emphasises the importance of personality, in terms of recruitment of those who will ‘fit in’ with the openness of the culture, and who will thus have a positive, ‘knock-on’ effect on colleagues. This can be particularly important for successful cooperation with managers of the off-shore plants.

III. Discussion

What light can the academic literature on organisational excellence shed on our understanding of the case study? And what new insights can the case study provide in relation to the literature on organisational excellence?

Our first observation relates to the multi-faceted nature of organisational excellence in the case study plant. There can be little doubt that the plant has developed a degree of excellence over the last decade. Not just because the plant still survives, whereas many similar clothing manufacturing plants in Western Europe in general, and the UK in particular, have been closed. But more particularly because the plant appears to have contributed significantly to the competitive success of the company, and is consequently held in high esteem by the European headquarters of the company (as is clear from various pointers in the case study). There appears to be no single dominant factor - such as organisational culture, quality performance, technical know-how, managerial style, etc. - that this excellence can be readily ascribed to. Quite simply, the plant has, over time, build specific competences in all of these areas – and others, too. And management has achieved this without any formal implementation of a specific improvement program such as TQM or BPR. We may regard this as an indication that simply equating organisational excellence with TQM or any other specific management approach, may involve taking far too narrow a view.

It is also quite clear that it would be wrong to dismiss the concept of organisational excellence immediately as just another management ‘fad’. In their pursuit of excellence, we could not find any evidence of ‘fad’-type thinking on the part of management. On the contrary, the successive Manufacturing Directors have all tended to take a very level-headed view of the plant’s strategic position. This resulted in them, at times, having to make painful decisions in terms of laying off employees to

safeguard the continuing survival of the plant as a whole. In general, the building of specific manufacturing competences in the plant has involved numerous choices, including difficult trade-off decisions, by its top management.

Our second observation is concerned with the importance of quality improvement and the development of a cooperative quality culture in the achievement of excellence in the case study plant. Although, as mentioned above, there was no formal implementation of a TQM programme, the ‘language’ of TQM came into wide use – for instance, the ‘SQC lines’. And most, if not all, of the eight dimension of Detert *et al.*’s (*op. cit.*) model of ‘TQM values and beliefs’ were in evidence in the plant. In other words, from the early 1990s onward there appeared to be a growing (Total) Quality culture in the plant. However, the ‘paradoxes of Total Quality’ suggested by Thompson (*op. cit.*) were also obvious. For instance, continuous process improvement was not always enough; break-through improvement was also needed from time to time - and the latter might involve laying off employees to improve the cost competitiveness of the UK plant.

Most importantly, from an early stage it was clear that quality improvement on its own was not going to give the plant a lasting advantage relative to its competitors both within and outside the company. Other plants were improving quality, too. And quality improvement could not, in practice, solve the fundamental problem of the UK plant’s high labour costs relative to the off-shore locations: other actions were also needed. Therefore, in building and sustaining organisational excellence, the plant did indeed - as suggested by Porter, Hayes and Pisano, and others - have to develop its own, unique blend of specific competences (including a cooperative culture, quality improvement, group working cells, technical know-how in the cutting process, growing skills throughout the managerial hierarchy) as well as its specific strategic role in the company’s manufacturing network.

Our third observation relates to the path taken by the plant on its journey to organisational excellence. Although the benefit of hindsight may enable us to detect a certain logic in the development of the plant’s organisational excellence, the path was by no means clear in the early 1990s. The plant has been subject to rapid environmental change over the last decade. This change was driven by two main factors. First, the changing nature of the company’s target market segments – in particular, the substantial reduction in product life cycles, resulting in an ever-increasing industry ‘clock speed’ (Nadler and Tushman, *op. cit.*). Second, the increasingly strong move towards globalisation of production networks in the clothing industry – in particular, the relocation of sewing facilities to low-wage countries. As argued by Teece *et al.* (*op. cit.*), the rapidity of the environmental change makes it impractical simply to leverage existing (core) competences. Instead, existing competences must be

further developed and, if necessary, reconfigured or transformed; and new competences must also be sought. In short, sustainable organisational excellence depends on dynamic capabilities for organisational innovation. The case study demonstrates the process of learning and experimentation followed by the plant in its continuing pursuit of organisational excellence, and provides clear indications of the building of these dynamic capabilities. For instance, whereas by the mid 1990s a degree of excellence had developed on the shop floor (based on a certain amount of experimentation with different types of work organisation), much of the managerial structure and culture was still unreformed. However, the learning gained through the shop floor changes provided a powerful stimulus towards the subsequent changes in the managerial hierarchy and the building of managerial excellence.

Our final observation is concerned with the role of top management in achieving and sustaining organisational excellence in the plant. It is clear from the case study that the three successive Manufacturing Directors have played a vital role in building the plant's dynamic capabilities. In accordance with the 'dual-routines view of the dynamic value of hierarchy' (Knott, *op. cit.*), they not only ensured the plant's survival in the short term (by delivering consistent business results to the European headquarters of the company), but also provided the main impetus towards the organisational innovations necessary for its long-term success. It should be noted that both of the previous two Manufacturing Directors, and the current incumbent, are strong personalities; but also, that all three of them have put enormous effort into developing the managerial talents of their younger subordinates. In short, the successive Manufacturing Directors have been the ones mainly responsible for increasing the 'organisational clock speed' so that it matches that of the environment, while simultaneously maintaining - and even significantly strengthening - the organisational coherence of the plant.

IV. References

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