Fit between Organizational Culture and Business Excellence: A Case Study of Heavy Electrical Equipment Plant, BHEL

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The Heavy Electrical Equipment Plant (HEEP) of Bharat Heavy Electricals Limited (BHEL) at Hardwar, is the manufacturer and exporter of power generation equipments for hydro, thermal, gas-based and nuclear power plants of the country. HEEP-Hardwar has been engaged in excellence efforts for quite some time, having bagged the ISO certification in 1993. TQM was launched in HEEP in 1995. The plant got OHSAS accreditation in 2002. Along with these quality efforts, HEEP embarked upon its journey to excellence by adopting the European Foundation for Quality in Management (EFQM) model for business excellence. It continuously went for CII-EXIM Bank excellence award evaluation which in turn used the EFQM model for evaluation. In 2006, HEEP was declared as the best manufacturing plant in the country in CII evaluation. While HEEP’s results so far have been commendable, it has to go some way before becoming a truly world class organization. And organizational culture has to play an important role in it.

This study basically is an attempt to assess whether HEEP has a strong excellence-oriented culture or not. The deciphered strength of culture shall indicate the strong areas as well as the areas which need improvement and thus help HEEP to inculcate a strong excellence oriented culture in its organization. The specific objectives of the study are to:

• identify a suitable culture for business excellence
• assess and measure the culture
• identify the gray areas in BHEL’s culture.

An exploratory study was done to determine the dimensions of culture required for achieving excellence. After literature survey and discussions with experts from BHEL and academia, Broadfoot and Ashkansay’s organizational culture profile (OCP) was found to be the best suited culture framework with certain modifications, keeping in mind the scope of the current study. A 16-dimension framework was thus formed, out of which 15 were selected for assessment of HEEP’s culture. The dimensional framework was then developed into a questionnaire/inventory and empirically tested. With the help of OC survey and in-depth interviews, HEEP’s culture was deciphered along the selected dimensional framework. The value of total OC was found to be just strong indicating scope of improvement in several areas.
There is not an iota of doubt that organizations have to respond as a whole when it comes to facing the challenges imposed by today’s highly dynamic and competitive business environment. Adopting business excellence principles is a veritable success mantra. Excellence is a philosophy that has to be embedded in the entire fabric of the organization. For this, what the organization requires is self-assessment to see whether it is ready for it. In its transformation from an ordinary to an excellent organization, culture is the key factor. Acceptably, one of the most important drivers of excellence is the culture of the organization. Research on organizational culture (OC) and organizational effectiveness/performance has established a conclusive link between the two. This relationship is enough to presume a link between organizational culture and excellence since excellence is the highest form of effectiveness and performance. Anecdotal evidence suggesting a link between organizational culture and effectiveness first came from Peters & Waterman (1982) who, in their classic study, *In search of Excellence*, had remarked, “Our strong belief was that the excellent companies had gotten to be the way they are because of a unique set of cultural attributes that distinguish them from the rest.”


Thus, establishing a culture of excellence is vital for success, and organizations must review and create a compatible culture for business excellence. In the journey of excellence, the most important facilitator is the people working in the organization. And people are directed by the culture of the organization. Organizational culture is a major challenge that companies face in their mission tracks. Incompatible and weak cultures have proved to be a major obstacle for companies aspiring to be excellent. Most organizations are actually cocooned in time warps. Merely adopting a new mantra won’t do. The older mindset has to be shaken up; otherwise it just turns out to be an encapsulated exercise. For transforming people, organization’s culture has to be first transformed. This study is an attempt to prepare the groundwork for such a transformation for BHEL, Haridwar.

BHEL, a Navratna Public Sector Undertaking, is one of the largest engineering and manufacturing enterprises in India engaged in design, manufacture and supply, erection and commissioning of power equipments. BHEL has two plants at Hardwar, namely Heavy Electrical Equipment Plant and Central Foundry Forge Plant. This study was done specifically for Heavy Electrical Equipment Plant (HEEP), which is the focus of all excellence-related efforts.

HEEP-BHEL has adopted the European Foundation for Quality in Management (EFQM) model of business excellence and has gone for annual assessment by the Confederation of Indian Industry (CII) under the CII-EXIM Bank Award scheme in which the most excellent organizations of the country receive awards for their business excellence efforts. CII also uses the EFQM Model as its criteria for assessment.

**OBJECTIVES OF THE STUDY**

The study aims to:

- Identify a suitable culture for Business Excellence – particularly the key dimensions of culture, which must be strongly present in HEEP in order to accelerate its movement towards business excellence
- Assess and measure HEEP’s culture quantitatively to determine whether it is strong or weak along the key dimensions
• Identify the gray areas in HEEP’s culture and suggest recommendations for change
• Validate the link between organizational culture and business excellence.

RESEARCH METHODOLOGY

The very first methodological issue concerning the study was the selection of an instrument for assessment of HEEP’s OC. A lot of exploratory research was done in this regard with the help of literature survey. Though many standard frameworks of culture such as Pareek’s OCTAPACE were available, discussions with experts from academia and BHEL revealed that Broadfoot & Ashkansay’s (1994) Organizational Culture Profile (OCP) with some modifications was best suited in this case, where the culture of excellence had to be measured. OCP has ten dimensions – Leadership, Structure, Innovation, Job performance, Planning, Communication, Environment, Humanistic workplace, Development of individual, and Socialization on entry. Five more dimensions – Systems, Conflict tolerance, Commitment, Inter-department cooperation, and Result orientation – that are relevant for OC assessment were added.

This framework was empirically tested with the help of an instrument in which respondents were asked to what extent they agreed on the relevance of the dimension for business excellence in BHEL. The Likert 5-point scale was used for scaling including the standard responses – Strongly Agree, Agree, Can’t Say, Disagree, and Strongly Disagree. This instrument was administered to the total quality management (TQM) matrix of HEEP, Hardwar which included executives who were actively involved with its total quality (TQM) activities and hence had a fair idea of business excellence and OC by virtue of their training and experience.

Further, the study compared the results of executives and non-executives. This was required because employees of BHEL were divided into these two distinct cadres. Culture, being a psychological construct, indicates what people feel, perceive, and assume; the comparison would thus help illustrate the level of convergence or divergence of perceptions between them and also give an idea as to which sub-culture is weaker or stronger. Going by the theory of culture in an organization, various sub-cultures can exist apart from the dominant central culture. And it is as important to study the sub-cultures as it is to understand the dominant culture.

The next step was the development of a detailed instrument for assessment and measurement of OC. Likert 5-point scale was used. Once the instrument was developed, it was tested for reliability and validity. Though OCP already had prior validity and reliability, this exercise was necessary for the modified instrument. Reliability was tested through a pilot survey of a sample of 100 employees both at executive and non-executive levels. Split-half reliability in this case was 0.8561. The same sample was administered the instrument after some gap to establish test-retest reliability which came out to be 0.8069. Reliability coefficients were high enough for the instruments to be used.

A sample of 33 per cent of the total population – 400 executives out of a total of about 1,200 and 1,900 non-executives out of a total of about 5,800 – were surveyed. From each department, a 33 per cent sample of executives and non-executives was taken randomly to ensure proportionate representation.

Data collection involved lot of personal effort and prior scheduling. Questionnaires were distributed personally in phases among a small group of employees in a planned manner in coordination with the department/section heads. The employees were given clear instructions regarding the purpose of the survey and guidelines for filling it up and were motivated to respond honestly. In-depth interviews were conducted with a prepared interview schedule to gain critical insights into HEEP’s culture. The sampling here was judgmental, including members of quality circles, shop committees, and TQM matrix, training coordinators and a certain number of executives from each department who had undergone middle management and senior management development programmes. The ratio of non-executives and executives was kept equal. Moreover, the ratio of executives with 10-25 years of experience and more than that was kept equal. This was done to ensure proportionate representation of opinion regarding OC from all sections of employees. The basis of judgmental sampling was that such employees, whether at executive or non-executive level, had better exposure, experience, and training to give insights regarding HEEP’s OC.

The score of each dimension as evaluated by each respondent and the total score of Organizational Culture
(OC) was expressed as percentage of maximum score of that dimension and maximum score of OC. This was done in order to be able to compare and combine the scores of executive and non-executive groups. Also, percentage scores are easier to understand. The mean, median, and mode were calculated for each dimension and in all cases, the median and mode were found to be higher than the mean value. This shows that the mean has been slightly skewed to the lower side because of some extreme values, as is always the case for opinion surveys. Assuming each dimension to be of equal importance, this would give a clear picture of which dimension is actually low and thus which areas need improvement in each group.

For a comparison of the means of the various dimensions of executives and non-executives, hypothesis testing was done assuming:

Null Hypothesis
Ho: Mean of executives <= Mean of non-executives and

Alternate Hypothesis
Ha: Mean of executives > Mean of non-executives

For estimating the population means of OC and all its dimensions from the sample means, i.e., means of the total organization of which the sample survey is a part, 95 per cent and 99 per cent Confidence Intervals for all the dimensions, and Total OC, were calculated. The standard error is found to be less than 1 in all cases and confidence intervals very tight at both levels.

Norms for OC - Since the Likert scale was chosen for the measurement of OC and mean scores were converted into percentages, keeping in view that mean was skewed to the lower side, if the mean value of a particular dimension is ≥ 75 per cent, it is considered as strong. If the mean value is between 50-75 per cent, the dimension is rated as moderate, and if the mean value is less than 50 per cent, the dimension is rated as weak. The ratings of each dimension for the total sample as per above norms, are shown in Table 1.

HEEP’S CULTURE –THE STRENGTH/WEAKNESS PROFILE

The value of total OC as calculated by the modified OCP comes out to be 73.03 per cent for executives, 76.84 per cent for non-executives, and 76.18 per cent for the combined group of executives and non-executives. Thus the organization culture of HEEP, Haridwar on the whole, as estimated from the sample, can be considered to be strong, but it is just above moderate, with scope of improvement in several areas.

The findings of the survey reveal an interesting fact. The sub-culture of non-executives is a little stronger than that of executives. All dimensions have been rated higher by non-executives than by executives, except for leadership, which has been rated higher by executives. This may be due to a bias in their perception favouring themselves or a bias against executives in non-executives’ perception. The results of hypotheses testing show that the null hypothesis is accepted for all dimensions except ‘leadership’ at 1 per cent and 5 per cent levels of significance.

On the basis of the survey, in-depth interviews, and ethnographic assessment, HEEP’s culture was measured. As seen in Table 1, out of the 15 dimensions along which assessment was done, BHEL lies in the strong region in only 7 dimensions. On the remaining eight dimensions, HEEP scores moderately.

Leadership: This is an area where HEEP needs to do a lot of work because only a very strong leadership can build a strong organization. The weakest area here is the ability of executives to motivate their people to give their best to the organization. Even participative or democratic style of leadership, which is necessary in contemporary setups, is moderate.

Structure: A structure of empowerment has to be built up in the organization which HEEP presently lacks.

Innovation: HEEP is on the course of becoming a learning organization. But as per the in-depth interviews, openness of employees towards learning has to still pick up. There are indications that innovations are encouraged and rewarded.

Job performance and appraisal: This is the weakest link in the chain. A strong culture for a justified performance appraisal has to be built up if performance has to be driven through people.

Planning: Active participation in planning is necessary to make it more effective and acceptable. Drucker’s (1954) MBO is still very relevant. However, in HEEP, neither is planning proactive, nor is the implementation strong, though most of the work is done with a plan.
Communication: Communication is generally free and open but in-depth interviews reveal one interesting facet about bottom-up communication among executives—that many executives themselves do not want to say unfavourable things in order to maintain a pleasant image. This tendency needs to be removed from the psyche of non-executives as it prevents the creation of a perfect open environment.

Environment: HEEP’s responsiveness to changes in technology or competitive environment has been effective. Its track record clearly substantiates this.

Humanistic: Although employees in general help each other with personal as well as on-the-job problems, interviews reveal that overall welfare orientation of the organization has weakened over the years.

Development of the individual: HEEP has to develop a strong orientation for development of both executives and non-executives. Self-efficacy of executives has to be increased for handling present as well as future roles. However, training of executives in advanced skills is one area in which HEEP has severely failed. HR activities are largely generalist in nature and do not aid specialists.

Commitment: This is one dimension where HEEP is quite strong (D11=84.26%) (Table 1). Employees across the length and breadth of the organization feel proud to be a part of it. There is a sense of emotional bonding among employees, which is a little stronger in the case of non-executives. Even inspirationally, HEEP is strong.

Socialization of new entrants: In-depth interviews clearly reveal that employees are not fully indoctrinated in the value system of the organization, which is at the root of many cultural problems.

Inter-departmental cooperation: This is another area which needs lot of improvement since most of the work in HEEP is interlinked.

Conflict tolerance: Discussions during meetings are not very open and tolerance of divergent opinions is low. An interesting revelation in the course of fieldwork was that the executives’ reluctance in taking conflicting positions was due to extraneous reasons such as being tagged as noisemakers, which in their perception could affect performance appraisal and promotion. This definitely needs to change and for this a culture for open deliberation has to be built up.

Systems orientation is strong.

Result orientation is also strong with a strong focus on quality.

Table 1: Rating of Dimensions

<table>
<thead>
<tr>
<th>Dim.Code</th>
<th>Dimension</th>
<th>Mean (%)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1</td>
<td>Leadership</td>
<td>71.40</td>
<td>Moderate</td>
</tr>
<tr>
<td>D2</td>
<td>Structure</td>
<td>66.47</td>
<td>Moderate</td>
</tr>
<tr>
<td>D3</td>
<td>Innovation</td>
<td>77.98</td>
<td>Strong</td>
</tr>
<tr>
<td>D4</td>
<td>Job performance &amp; Appraisal</td>
<td>66.27</td>
<td>Moderate</td>
</tr>
<tr>
<td>D5</td>
<td>Planning</td>
<td>66.89</td>
<td>Moderate</td>
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<tr>
<td>D6</td>
<td>Communication</td>
<td>75.65</td>
<td>Strong</td>
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<tr>
<td>D7</td>
<td>Environment</td>
<td>80.77</td>
<td>Strong</td>
</tr>
<tr>
<td>D8</td>
<td>Humanistic approach</td>
<td>77.47</td>
<td>Strong</td>
</tr>
<tr>
<td>D9</td>
<td>Development of individual</td>
<td>70.18</td>
<td>Moderate</td>
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<tr>
<td>D10</td>
<td>Socialization of new entrants</td>
<td>74.69</td>
<td>Moderate</td>
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<tr>
<td>D11</td>
<td>Commitment</td>
<td>84.26</td>
<td>Strong</td>
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<tr>
<td>D12</td>
<td>Inter-dept. coop.</td>
<td>73.85</td>
<td>Moderate</td>
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<tr>
<td>D13</td>
<td>Conflict tolerance</td>
<td>65.00</td>
<td>Moderate</td>
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<tr>
<td>D14</td>
<td>Systems</td>
<td>80.05</td>
<td>Strong</td>
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<tr>
<td>D15</td>
<td>Result orientation</td>
<td>81.69</td>
<td>Strong</td>
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<td>OC</td>
<td>Organization culture</td>
<td>76.18</td>
<td>Strong</td>
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CII EVALUATION OF HEEP-BHEL

As mentioned earlier, HEEP has been rigorously pursuing its goal of attaining business excellence. Every year CII carries out quantitative and qualitative assessment of HEEP’s progress in its movement towards business excellence as a part of CII-Exim Bank Award for Business Excellence. CII Exim Bank gives various levels of recognition based on the overall score achieved by an organization in the assessment using the European Foundation for Quality Management (EFQM) Model (Box 1).

Contribution of Heep’s OC to Business Excellence

The CII evaluation results reveal what the organization has achieved. The Enablers score determines how the organization achieves the desired results, and it is here that the organizational culture dynamics come into play. The success or failure of the EFQM model depends more on the underlying cultural dynamics than the principles of the model. How to develop the Enablers and what are the gaps in culture that will have to be overcome, are the main aims of this study.
**Box 1: Scores Obtained through EFQM Model**

The EFQM Model is a framework based on nine criteria – five Enablers and four Results. It is based on the approach that Results are caused by Enablers and Enablers are improved using feedback from Results. The maximum score for Enablers and Results as propounded in the EFQM model are as follows:

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Results</th>
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<tbody>
<tr>
<td>Leadership</td>
<td>People results</td>
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<tr>
<td>People</td>
<td>Customer result</td>
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<tr>
<td>Policy &amp; Strategies</td>
<td>Society results</td>
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<td>Partnership &amp; Resources</td>
<td>Key performances</td>
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<td>Processes</td>
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<td><strong>Total</strong></td>
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<tr>
<td>100 points</td>
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<td>90 points</td>
<td>200 points</td>
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<td>80 points</td>
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<td>90 points</td>
<td>150 points</td>
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<td>140 points</td>
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The maximum score of enablers and results is 1,000 points. There are two different criteria of evaluation: One is the criteria for recognition and another is the criteria for classifying companies.

Companies with 501 to 600 points – Commendation for significant achievement
Companies with 401 to 500 points – Commendation for strong commitment to excel

The criteria for classification of companies is:

- Score on a particular enabler/ result
  - 0–10%—anecdotal
  - 15%–35%—basic
  - 65%–85%—advanced
  - 90%–100%—world class
  - 40%–60%—competitive

  (Score on the 5% differential between categories is rounded off as for e.g. 12% – 10%, 13% – 15%)

The overall scores achieved by HEEP, BHEL during 2005 and 2006 are 551-600 points and 601-650 points respectively. HEEP-BHEL was adjudged as the winner in its category for 2006.

**Exhibit 1: CII Score Sheet – 2006**

<table>
<thead>
<tr>
<th>Criterion</th>
<th>% Score</th>
<th>0-10</th>
<th>11-20</th>
<th>21-30</th>
<th>31-40</th>
<th>41-50</th>
<th>51-60</th>
<th>61-70</th>
<th>71-80</th>
<th>81-90</th>
<th>91-100</th>
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<td>Leadership</td>
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<td>People Management</td>
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<td>Customer Results</td>
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<td>Society Results</td>
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<td>Key Performance Results</td>
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**Legend:** Score awarded to HEEP

* Highest score awarded to any applicant so far

**Source:** CII-EXIM Bank Award for Business Excellence Feedback Report 2006.

**Exhibit 2: Overall Score of HEEP-BHEL**

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HEEP-BHEL has been adjudged as the winner in its category for year 2006.

**Source:** Same as Exhibit 1.
Comparing HEEP-BHEL’s culture assessment results and CII evaluation for the year 2006 and the subsequent Deming evaluation, it can be seen that leadership with M=71.6 per cent is nearly the same as found in the CII evaluation which has classified leadership in the advanced category, still short of world-class standards, which is absolutely necessary for achieving excellence.

From HEEP-BHEL’s culture assessment, while systems and innovation orientation are strong, structure and planning are not. Comparing the policy and strategy findings of CII evaluation, whose items relate most strongly with structure, planning, systems and innovation dimensions, CII score is advanced but not world class. These dimensions again are extremely important for business excellence.

Job performance and appraisal, communication, humanistic approach, development of individual, socialization of new entrants, commitment, inter-departmental cooperation, and conflict tolerance are all either moderate or just strong. The strongest relation of these dimensions is with people management whose CII score both as an enabler and result is advanced, just short of being world class.

In terms of the environment dimension, which measured customer focus, the customer result as per 2006 CII evaluation is competitive. The mean of this dimension is 80.77 per cent, which is strong (Table 1). But the specific items which measured customer focus had a combined mean of 73.56 per cent (Sinha, 2008). But for becoming a world-class customer-centric organization, HEEP requires an even stronger score.

Process score in CII 2006 evaluation is competitive. If result orientation is seen from OC assessment which has an item focusing on processes, the focus on processes has a mean of 72.18 per cent.

These results in fact re-validate the link between OC and business excellence.

Mutual effects between OC and business excellence also became evident in the course of fieldwork, ethnographic assessment, and in-depth interviews. While earlier it used to take several days for engineers from HEEP to reach the NTPC and other power plants, to rectify snags, this time has been significantly reduced. ‘Grahak Safal Hum Safal’ is the new motto of HEEP. This is largely due to the emphasis which EFQM model and Deming evaluation lay on customer focus. The customer orientation of HEEP stands at 73.56 per cent (Sinha, 2008).

Same is the case with the processes critical to manufacturing and quality. While process orientation was weak before HEEP adopted EFQM model or Deming Award, the after-effects are evident in the process orientation as measured in HEEP’s OC. The Process score stands at 72.18 per cent.

Systems orientation is another area where most of the employees feel strengthened due to the adoption of EFQM Model and Deming Award both of which lay a lot of emphasis on systems. The systems orientation of HEEP is 80.05 per cent which is fairly strong.

These conclusions are largely ethnographic.

HEEP’s OC has been appreciated to some extent in all assessments which must be contributing to HEEP being rated highly among the competitive organizations. It, however, falls much short of becoming a fully world-class organization as per the CII evaluation. For this, HEEP would require a much stronger culture and so, it has to assess its culture, identify the gray areas, and set the culture change dynamics in motion. This precisely is the purpose of this study. Even on the dimensions on which HEEP is strong, there is a lot of scope for improvement, because culture along these dimensions is just above the high mark and achieving excellence requires a culture of the highest order. HEEP has to recognize this in order to become a truly world-class organization. The writing on the wall is very clear.

CONCLUSIONS: LESSONS FOR MANAGEMENT PRACTICE

As far as lessons from this study are concerned, there is little doubt that the dimensional framework used for assessment of BHEL’s culture is a veritable framework which can be used by organizations that are on their journey to excellence. Organizations with similar opera-

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1 Mentioned in the Preamble of CII Exim Bank Business Excellence Award report which covers the salient features of the model.
2 Specific items are: (a) There is strong emphasis on meeting customer requirements (M=77.04); (b) Employees take due care to meet customer requirements during production (M=70.08).
3 The item is: The emphasis is on processes that are critical to quality (Sinha, 2008).
tional conditions such as organizations in the capital goods industry, shall especially benefit from the results of this study since both excellence and OC can be conceptualized in the same way. They could get a direction as to what kind of culture fits their excellence efforts. Also, from the findings of the study, organizations can take a clue as to what contributes to culture and what hinders the development of a strong culture, besides gaining clarity about the role of culture.

Any organization pursuing business excellence and aspiring for world-class status would require the following cultural attributes:

- Leadership should be of the highest order and highly transformational.
- It is the culture of empowerment which keeps the structure of the organization in healthy shape.
- Organizations must become learning organizations if they are to succeed in their mission tracks.
- Innovation incubators for workers/supervisors and improvement projects for managers would be necessary if a culture for innovation has to be built up in the organization. Moreover, innovations should be recognized and rewarded.
- Performance appraisal should be transparent and justified if satisfaction of employees has to be maintained at the highest level.
- Participation in planning is highly important. Drucker’s MBO is still relevant in contemporary set ups.
- Open communication should not come with riders where people do not express themselves for the reason of being tagged as noisemakers or for any other extraneous reason.
- Customer focus is central to the success of any organization. As per the CII evaluation, it is customer focus which has the least score and that definitely has an impact on the organization.
- *Espirit de corps* must exist for organizations striving to become excellent.
- A very high welfare orientation is required if the organization is to extract commitment from the employees.
- Development needs should be judiciously ascertained. A mere hog wash of generalist development programmes land the organization nowhere. Specific and specialist development programmes catering to the actual needs of the organization and its people are the requirement.
- Socialization of new entrants must be given due priority; else new entrants become alien to the organization and are unable to perform.
- Once the organizational values are set, the indoctrination must be chiseled through the length and breadth of the organization; else the values become a mere document and are unable to contribute to OC and subsequently excellence.
- Conflict tolerance is something which needs to be viewed from the interactionist view. Divergent opinions in any organization bring forth the best of the ideas.
- Systems once adopted need to be implemented vigorously and with full commitment; else they become mere fancies. Employees need to be fully committed to the systems in order to make the systems fully functional.
- Processes critical to any organization must be identified and then due emphasis laid on them. Here due emphasis does not only imply management commitment but also the commitment of employees towards these processes.

**REFERENCES**


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