

## **Eight Ingredients to Creating a World Class Organization**

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The term world class is used frequently to describe everything from athletes to chefs to businesses. Typically, the term is used within an industry or field, such as world class cycling, world class university, or even world class purchasing skills (Altbach, 2015; Giunipero & Pearcy, 2000; Jeukendrup et al., 2000).

Can an organization be world class across industries? The answer, based on this study, is yes. There are attributes exhibited and actions taken by industry-leading organizations that cross industries. This study explores what these companies have in common.

### **Defining world class**

A distinction is made here between best in class, which is a subjective title given to organizations within an industry when compared to its peers, and world class, which is the recognition of excellence regardless of industry. A world class organization exhibits attributes consistent with organizations that have distinguished themselves as leaders within their industries. A world class organization can be any size, produce any product or service, and fulfill any purpose. The distinction of world class is not what the organization does but how it does it.

So, what makes these companies world class? There are eight ingredients, all of which are required to produce a world class organization: resiliency, credibility, human capital management, innovation, attention to details, fiscal responsibility, future focus, and partnerships. Like baking a cake, each ingredient is important and when blended something special happens. And just like cake batter, once the ingredients are blended, they cannot be separated. They all work seamlessly together to make the cake. They are interrelated and the cake isn't the cake without any one of them.

This study defines world class organization as:

*Any organization, regardless of size or purpose, recognized as demonstrating exemplary resiliency, credibility, human capital management, innovation, attention to details, fiscal responsibility, future focus, and effectiveness teaming with other organizations to further its mission.*

### **Methodology**

To determine what makes companies world class, this study examines companies across industries that have gained the admiration of their peers while becoming market leaders. To truly be illustrative of the word *world* in *world class*, this study explores both U.S. based companies and those headquartered outside the U.S. In addition, all companies in the study have global operations outside of their headquarter country. They truly encompass the world.

Starting with the latest list of Fortune World's Most Admired Companies ("World's Most Admired Companies," 2023) , the top U.S. and non-U.S. companies for each of 11 sectors were identified. Two sectors did not have any non-U.S. companies in their rankings. Those sectors were not included in this study.

Sector	U.S. Company	Overall Rank	Non-U.S. Company	Overall Rank
Computers & Communication	Apple	1	Accenture	32
Consumer Products	Coca-Cola	15	Nestlé	41
Contracted Services	CVS Health	33	Compass Group	115*
Financials	Berkshire Hathaway	4	Chubb	107*
Media & Entertainment	Walt Disney Company	6	Nintendo	216*
Natural Resources	Pfizer	8	ArcelorMittal	69*
Precision	Danaher	43	Samsung	42
Stores & Distributors	Costco	7	H&M Hennes & Mauritz	155*
Transport	Delta Airlines	12	BMW Group	28

\*Only the top 50 are ranked by Fortune. Numbers above 50 are used to sort the remaining companies alphabetically (“World’s Most Admired Companies,” 2023).

Companies that were not ranked in the top 50 overall were also not included in this study. That left 13 companies for consideration, and only four that were non-U.S.: BMW Group, Accenture, Nestlé, and Samsung. Desiring to balance consideration of U.S. companies with non-U.S. companies, only the top four overall U.S. companies were included in the study: Apple, Berkshire Hathaway, The Walt Disney Company, and Costco. Those eight became the cases studied. Next, the business literature relating to each company was explored. Specifically, an analysis of Harvard Business Review (HBR) articles relating to each of the eight companies was conducted. HBR was chosen because of its longevity--founded in 1922--and its reputation within the general business community (Business Talk, 2022).

The Fortune World’s Most Admired Companies list comes from a survey of business leaders and analyst who rate companies in their own industry on nine criteria (“Methodology for World’s Most Admired Companies (2023),” 2023). Six hundred firms in 25 countries across 52 industries were analyzed based on responses from 3,700 executive and directors. These firms came from the Fortune 1000 list of companies and Fortune Global 500 Companies, representing the largest companies in 52 industries (Korn Ferry, 2023).

Industry leaders evaluated nine attributes of the companies they ranked: ability to attract and retain talented people, quality of management, social responsibility to the community and environment, innovativeness, quality of products or services, financial soundness, long-term investment value, and effectiveness of doing business globally (Korn Ferry, 2023).

### Findings

The eight companies selected for this study are all massive companies. For example, Apple’s previous year’s revenue was \$394 Billion (Macrotrends, 2023b), while Accenture saw \$64.1 Billion in revenue (Macrotrends, 2023a). Yet how these companies conduct business is not based on size but on key

decisions and approaches to their work. An argument could be made that the reason they are so big is because they have made strategic decisions over many years based on operating philosophies. Organizations of all sizes can learn from these behemoths. You do not have to be a multi-billion-dollar organization to be world class. You do, however, have to exhibit the ingredients that comprise world class, multi-billion-dollar companies. There are eight of them.

***Resiliency: World class organizations thrive through challenges.***

The oldest company, Berkshire Hathaway, traces its origins to 1839 (O'Connell, 2020). The youngest, Accenture, was founded in 1989 (SuccessStory, 2021). The average age for these eight companies is 94 years. Flexibility and the ability to adapt to a changing world has been critical to these companies' success. Apple, for example, flexed its organizational structure to follow its strategy rather than letting strategy be stifled by structure. Apple bucked business theory of organizing around multiple divisions to organize around functions. For example, designers all work in one unit, regardless of the product they are designing. Whereas other companies might organize around product lines, such as phones or computers, with designers scattered across the lines (Pedolny & Hansen, 2020).

Flexibility is also something that companies extend to their customers. The current trend among automobile makers is to transition all of their production to making battery electrical vehicles—whether or not the public actually wants it (Kenny & Lu, 2023). BMW, on the other hand, is focused on having a flexible powertrain strategy so that customers will have a choice between an internal combustion engine or an electrical battery.

Resiliency requires overcoming problems and obstacles. These companies demonstrated that over their histories. Samsung, for example, decided to make a fundamental change in its business model. Up until 1996, Samsung manufactured inexpensive electronics for other companies. It did not give much attention to design—the company's focus was on churning out reliable products quickly based on the specs provided to it by these companies. In 1996, Samsung's chairman Lee Kun-Hee decided that he wanted the company to be a top brand, not just a purveyor of other brands. That decision meant that Samsung had to shift to a focus on design, when management was centered on solely on efficiency practices (Yoo & Kim, 2015). Not an easy task!

Samsung overcame its challenged by visualizing the future and reframing the problem. “Managers are trained to draw on the past and the present to project the future—that's what budget planning is all about. Designers, by contrast, are trained to break from the past. But if they want to persuade decision makers to take a chance on their radical visions of the future, they need to adopt a managerial mindset. Visualization is a powerful tool for bridging the two ways of thinking and getting skeptics to support new ideas” (Yoo & Kim, 2015).

Today, Samsung is a top brand loved by consumers for its designs—something unimaginable in its first 58 years of existence. In the Fortune World's Most Admired Companies list, Samsung was the only non-U.S. company to be most admired in its sector. Samsung also ranked top in its industry, electronics.

Like Samsung, other resilient companies make necessary changes over time. BMW started out building airplane engines and Berkshire Hathaway started as a textile company before moving into insurance and investments (Kenny & Lu, 2023; O'Connell, 2020).

***Credibility: World class organizations consistently do what they say they will do.***

The companies in this study accomplish what they set out to accomplish. They produce quality products and services that are in-demand. They stay relevant to the current society. Their accomplishments are done with excellence and garner the recognition of their peers.

Executive mentor and author Bobb Biehl likes to say, “Work on your ability so that you gain credibility, then you will get visibility. But if you focus on visibility before you have ability, then you will lose your credibility” (personal communications).

These companies are now enormously visible because they honed their abilities so they could earn credibility. It is one thing to talk about all that you will do, it is another thing to show that you have done it. BMW employees believe it is better to under promise and over deliver. “So, whenever they [BMW employees] make a promise, they’ll make sure they deliver it, and if not, they’d rather not make the promise. And for example, when you look at EV [electric vehicles], they talk about their driving range. So, when BMW releases a driving range and then someone independent goes in and tests it, it’s actually probably longer than the one they listed” (Kenny & Lu, 2023).

Each of these companies take continual improvement seriously so that their abilities meet the world’s changing needs and maintain their credibility. Citing research on job skills, Accenture CEO Julie Sweet says 40% of the skills that were around in the Fortune 500 just five years earlier are no longer relevant. “We know that while we may hire you for a certain set of skills, the rate of change and the need for skills is quite rapid,” she said (Ignatius, 2022). Sweet explained that Accenture spends \$1 billion a year and an average of 40 hours per employee on training so that Accenture can stay current with its abilities to meet customer needs.

***Human capital management: World class organizations know how to best engage people.***

The Fortune rankings recognized these companies for the quality of management (leaders) and the talented people they attract and keep (Korn Ferry, 2023). But they were also recognized for their social responsibilities. People—leaders, employees, customers, and the public at large—are key considerations for these organizations.

*Leaders.* Quality of management is one of the criteria for making it on the Fortune World’s Most Admired Companies list. At Apple, leaders adapt to changing environments; they recognize and seize opportunities created by a particular moment (Nohria, 2022). Apple expects its leaders to be highly effective collaborators, and they also expect them to be steeped in the details. If they present numbers to their colleagues or superiors, then they better know what comprises those numbers. Leaders are chosen for their subject matter expertise, not because of their management experience. This is because Apple believes world class talent want to work with other world class talent in a specialty (Pedolny & Hansen, 2020).

*Employees.* The world class organizations in this study highly value employee care and support. Their actions are rewarded with high employee loyalty. Costco, for example, has long been known for providing wages and benefits that are above industry averages. This has resulted in lower costs in the long-term, less employee turnover, and the lowest employee theft rate in the industry (Cascio, 2006). Employee care and support comes not just from the tangible employee benefits offered, but from how

the companies encourage communication, clarify roles in projects, exhibit trust, empower decision making, train, and resource their employees.

*Customers.* World class organizations seek deep understanding of their customers and stay abreast of changing needs. Nestlé has analysts that monitor social media chatter related to the acceptance of its products. That data is then used to make product and marketing decisions and evaluate if they are meeting their customer needs. As a global food provider, Nestlé recognizes the importance of customizing products to local tastes and desires. So, it resources local managers to be able to customize the offerings it provides. Nestlé recognizes that a customer in Brazil has different interests than a customer in India. The company structures around the best way to provide for its customer's preferences (Simons, 2014).

*Society.* Companies like Nestlé look at global challenges and ask how they can help solve some of those challenges using their expertise. When done effectively, this not only meets societal needs but creates opportunities for an expanded customer base. Nestlé was concerned about the health of rural agricultural communities that sourced commodities in its products and began exploring what it could do about malnutrition. It visited 1,500 households in India before it came up with a nutrient-rich spice product that could be priced for low-income families. Nestlé sold 138 million servings of the spice in the first three years (Pfitzer et al., 2013).

***Innovation: World class organizations intentionally and continuously innovate.***

Fortune recognized innovation as an important attribute for good reasons (Korn Ferry, 2023). Innovation is key to both the resiliency of these organizations and their ability to remain relevant.

When Walt Disney took his daughters to a merry-go-round at a park in Los Angeles, he asked himself, "Is this all there is? There has to be a better place to take my children" (Pallotta, 2010). That merry-go-round question birthed the Disney theme parks and it is that type of question that world class organizations constantly ask themselves. Their answer is a resounding, "No! There is more. There is something better." But to get to the *more*, innovation is required. World class organizations know that, so they make innovation a cornerstone of all they do.

Innovation is not just developing new technologies for consumer products and services, however. It is also developing new ways to think, solve problems, and create strategy. At BMW, innovation extends beyond auto making—it is taking innovative approaches to project management (Christopher Loch & Si, 2023) and human resource management (Christoph Loch et al., 2010). Accenture uses creativity in onboarding its employees—they encourage them to spend time in the Accenture metaverse virtually meeting other employees from around the world and visiting virtual replicas of Accenture offices (Ignatius, 2022). The Walt Disney Company sees the importance of innovation in solving conflicts (Wetlaufer, 2000).

Innovation starts with creativity. Disney found that creativity has to be worked at and it comes from having a diversity of ideas and experiences (Wetlaufer, 2000). BMW not only has a team of creatives, but works hard to protect the creatives and the creative process from those who don't understand them—like engineers (Bangle, 2001).

***Attention to details: World class organizations pay attention to everything.***

Companies producing electronics or automobiles (like Apple, Samsung, or BMW) would be expected to have a certain level of detail in their operations, but so do companies like the consulting firm Accenture. Accenture gathers and manages detailed data on their employees' skills then uses computer algorithms to match employees to company projects, identify future skills needs, and upskill the right employees with the right new skills to meet anticipated needs (Ignatius, 2022). Disney's level of detail in its amusement parks, for example, is well documented. Everything is done with purpose—right down to the manhole covers used across the theme parks (look for the Mickey ears!) (Gans, 2012).

***Fiscal responsibility: World class organizations manage their financial affairs well.***

Fiscal responsibility does not mean that world class organizations don't take risks that involve capital, they all do. But those risks are well-thought-through and mitigated by other factors. In other words, they don't put all their eggs in one basket, but they also aren't afraid if some eggs break along the way.

One way that these organizations mitigate risks is through pilot projects. They experiment on small-scale ideas that if, successful, could be scaled across the company. BMW, for example, made some inexpensive ergonomic changes to an existing 38-person production line so work would be easier for older employees. Within three months, line productivity improved by 7%, absentee rate was halved, and defects dropped to zero (Champion, 2009).

Fiscal responsibility also means finding new ways to create value by using existing products or resources (Kavadias et al., 2016). Companies like Apple will ask how it can take something from one product line and combine it with another to either make a new product or significantly enhance an existing product to create greater value. Look at what Apple has done bringing together digital music (iTunes) with digital music players (iPods), then combining those with cameras, microphones, speakers, and small-but-powerful computers to create the iPhone.

***Future focus: World class organizations live for tomorrow but execute well now.***

In the investments world, which clamors for immediate performance within a year, Berkshire Hathaway's typical focus is five years out (Larcker & Tayan, 2015). But future focused is not just looking five or 10 years down the road. It also includes near-term planning. Samsung has different design teams focused on different definitions of the future: line-up designers working 12 months out, archetype designers looking 18-24 months out, next-generation designers with a two to five year focus, and finally the future designers who develop new business concepts that will be realized five to 10 years down the road (Yoo & Kim, 2015).

Being future focused is as much about a company's attitude toward itself as it is anything else. If there is any company that exemplifies the phrase *slow and steady wins the race*, it is 157-year-old Nestlé. The company does not focus on what other companies do or what analyst think they should be doing. Nestlé simply runs the course it sets out for itself, operating under clear, unchanging principles considered untouchables (Wetlaufer, 2001).

This is a consistent theme across world class organizations—focus on being the best company possible over the long haul regardless of what others do. This is why world class organizations never settle for the status quo—they don't even know what status quo looks like because they are focused on themselves

and the future. In other words, they don't compete against other companies, they compete against themselves. That is why they excel at all the ingredients that make organizations world class. They are not limited by the examples of their peers. This is also why they are not afraid to work alongside other organizations, even if those organizations would be considered competitors.

**Partnerships: World class organizations don't try to do it all alone.**

Apparent rivals Apple and Samsung have partnered together on projects (Brandenburger & Nalebuff, 2021), as have BMW and Mercedes-Benz (Cottrill, 2008). Why would apparent rivals work together? Because together, the organizations realize more than they could on their own. For BMW and Mercedes-Benz, teamwork allows both to cut costs and create efficiencies (Cottrill, 2008). For Apple and Samsung, Apple needed a part that Samsung manufactures and Samsung wanted the substantial revenue and quality improvement help that Apple's business would provide (Brandenburger & Nalebuff, 2021).

Traditional types of partnerships with non-rivals are also common among world class organizations. As noted earlier, Nestlé teamed with a non-profit organization to distribute its nutritional spice. Berkshire Hathaway teamed with Amazon and JP Morgan Chase to reduce employee health care spending for all three companies (Huckman, 2018).

The ability to team with other organizations stems from possessing the other world class ingredients: being future focused means you're not worried about how this might help a competitor today; being fiscally responsible means exploring all means to cut costs and increase revenues; and innovation is needed to think outside the box on meaningful ways to work with others on solving mutual problems.

**Conclusion**

World class organizations are not world class because they are the biggest in their field or offer products or services that can't be found elsewhere. They are world class because they incorporate a mixture of eight key ingredients. This means that any organization has the potential to be world class if it can master these ingredients and blend them properly.

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