Leaders Using the Discipline of Good Process and Cooperation to Win
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The Journal of Innovative Management

is a peer-reviewed quarterly journal for people who are interested in improving the way their organization runs. The purpose is to facilitate increased learning and innovation by providing people with cross-discipline stories of transformation through participative planning, problem solving, and innovation. It is written to help leaders, managers, and workers to:

- Cope with the growing need to integrate quality management, systems applications, and creativity and innovation into their organization dynamics
- Integrate academic thought with real-world applications
- Cope with learning time pressures by using an article format that enables faster reading and improved initial learning
- Facilitate a sense of community as readers see how people from various organizational settings and sectors face and solve what are essentially common leadership and managerial problems
- Achieve performance excellence throughout the organization.
A quality that many people want is the ability to give and get value

A growing awareness among organization leaders in the world is that interdependence is more than a nice concept. It is an essential attitude that leaders need to exhibit if they are to enable their organization to be successful. The whole idea of the popular value-stream mapping technique, for example, is rooted in the fact that organizations have to keep delivering value to their stakeholders (and not just shareholders), and that everyone needs to know exactly what that value is or somebody is going to be unhappy. And organizations can ill afford to be making lots of people unhappy.

History will probably show that there was a brief fling in the twentieth-century when business leaders got disoriented as to their purpose in the world and worked as though they believed that the real value in how they spent their lives was solely in the pursuit of money. Then they discovered that they had been focusing on the sizzle and not the steak, and the steak was being ruined in the process.

Today, as we become more aware of conditions in the world, at home and abroad, it is clear that people from all professions and occupations can see that we need to be asking ourselves questions about how to create the processes and systems that will enable us to produce the quality of life that we want. As president Abe Lincoln said in a speech before the Wisconsin State Agricultural Society, “Let us hope … that by the best cultivation of the physical world, beneath and around us, and the intellectual and moral world within us, we shall secure an individual, social and political prosperity and happiness, whose course shall be onward and upward, and which, while the earth endures, shall not pass away.” (September 30, 1859.)

The British economic historian, Arnold Toynbee, said that “civilization is a movement and not a condition, a voyage and not a harbor.” (Reader’s Digest October 1958.) I quote Lincoln and Toynbee because I have been hearing something very similar from business leaders as I have attended a wide variety of organizational management conferences in the past decade. The common message from conference speakers, from all sorts of private and public sector organizations who have chosen to adopt some form of data-based, customer-focused, management model, is that their management model is a journey and not a problem solving tool to be discarded when the immediate problem is solved. The management model is a way of life and a journey; it is not a destination.

Clearly it is a journey in which we can increasingly recognize the importance of our own interdependence in today’s crowded world and global economy. As the nineteenth century German philosopher, Georg Hegel, wrote: “In the course of the actual attainment of selfish ends—an attainment conditioned in this way by universality—there is formed a system of complete interdependence, wherein the livelihood, happiness, and legal status of one man is interwoven with the livelihood, happiness, and rights of all. On this system, individual happiness, etc. depend, and only in this connected system are they actualized and secured.” (Ethical Life, page 123.)

History may be useful, but we live in the present. Henry Ford said, “History is more or less bunk. It’s tradition. We don’t want tradition. We want to live in the present and the only history that is worth a tinker’s damn is the history we make today.” (Chicago Tribune interview, May 25, 1916.) And that is what the journey we are all on is about. The question of how we will make our history today is what we’re about in this business of organizational management.
Leaders using the discipline of good process and cooperation to win

Strategic thinking, for some executives, leads to seeking operational systems to facilitate the organization’s ability to respond well to the challenges and opportunities of the day in a global 24/7 economy. And some, when they find such a system, eagerly adopt it as their own and make it an integral part of their organization’s family.

Many executives and professionals have used (and still use) the traditional guild and craftsman model, or the function and hierarchical model, taught in a number of professional schools. In recent decades a few have experimented with alternative programs, such as Quality, Systems Thinking/Dynamics, Organizational Development, Business Process Reengineering, Lean Manufacturing, and Six Sigma to name some of the more popular ones. For some, that experiment didn’t work out for them. For others it worked well.

Starting in the early 1980s, a public/private sector partnership began in Washington, DC, under the auspices of the National Institute of Standards and Technology (NIST), a part of the U.S. Department of Commerce. They studied how a small number of corporations in the world consistently achieved a high degree of market penetration, customer satisfaction, high quality, performance excellence, low cost, and good profits. From their studies, they developed a set of seven categories, together with a group of performance criteria within each category, that needed to be optimized in achieving a high-quality organization. And then, with an act of Congress, they created an awards program around this criteria for performance excellence, called the Malcolm Baldrige National Quality Award Program. After that, they continually monitored the effectiveness of the criteria and made changes to improve the model.

As we begin our tenth-year of publication, we feature case studies from two 2003 winners, the sixteenth year of the Baldrige program. In the first article, James S. Beard, President of Caterpillar Financial Services, writes:

Since we began our journey to business excellence using the Baldrige Criteria in 1993, managed assets have almost tripled. At the same time that we were increasing our managed assets by over $10 billion, we increased customer satisfaction 24% and efficiency 43%. I am especially pleased to report that we didn’t do this by asking our employees to satisfy increasing demands from our customers by carrying bad processes on their backs, as evidenced by a 31% increase in employee satisfaction. Lastly, through this period of strong growth, we have maintained a consistent record of reporting higher profits, and I am very proud that over the last ten years, profits have increased 395%.

None of this would have been possible without the dedication of our employees. I also want to acknowledge and thank the Baldrige program and the examiners who have helped us over the years, and the past winners of the Baldrige Award who have been so gracious in sharing their best practices. We would not be where we are today if they hadn’t been there for us in our journey.

The second article is from a public school system. Robert A. McKanna, Supt. of Schools from Illinois’ Community Consolidated School District 15, says:

Our management improvement story started about eight years ago when District 15 leaders determined that our mission should be to produce “world-class learners by building a connected learning community.” We decided that to be world class we’d have to measure ourselves against other high performing organizations. It didn’t take us long to discover a best practice—that the Malcolm Baldrige National Quality Award Criteria was an effective leadership framework for an organization’s journey towards performance excellence.
Caterpillar Financial Services
2003 Malcolm Baldrige National Quality Award Winner

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Organization Overview and Leadership

Introduction
James S. Beard, President—Caterpillar Financial is a relatively young company, just over twenty-two years old. I have had the pleasure of working with the team of twelve people that brought this company to life. In this article, we will share some of the things we do well, and a lot about what we learned along the way.

To begin with, an unanticipated benefit of our move to Nashville, Tennessee, in 1991 was exposure to the performance excellence criteria for the Malcolm Baldrige National Quality Award through the Tennessee Quality Award. We thought the criteria provided a very good structure for running our growing company. As a result, we adopted the Baldrige framework as our leadership model shortly thereafter.

We also anticipated that the Baldrige Criteria would provide us with a good way to measure and benchmark our progress. In fact, the more we used the criteria, and gained familiarity with it, the more value we saw in it for our organization. There is absolutely no doubt that Baldrige helped us evolve, improve, and grow.

Caterpillar Financial Services is the financing subsidiary of Caterpillar Inc., the leading manufacturer of construction and mining equipment, as well as engines. Ours is a story of incredible growth and market success. Twenty-five years ago we didn’t exist. In 2004 we are the second largest captive-equipment lender behind IBM Credit. In our first year, we financed $7 million. Now we book $7 million in Caterpillar machines and engines every few hours, and we’ve grown our U.S. assets to more than $14 billion.

Caterpillar Financial’s primary customers are the users of Caterpillar equipment—the independent dealers and Caterpillar business units we serve. We finance what Caterpillar manufactures and what our dealers sell—think of us as GMAC for tractors. We provide loans and leases to help users buy Caterpillar equipment and engines, and provide wholesale loans to the independent Caterpillar dealers.
Like our fellow Baldrige winners, we strive to be very customer-focused. This is more complicated than it first sounds. Although we are captive to Caterpillar, none of our customers, including Caterpillar dealers, are required to use our services. They may acquire their financing from any competitive source. As a captive financing source, we are always driven to help make a sale happen through our financing abilities. On the other hand, our parent expects us to provide reliable returns, which means we must minimize our credit losses through good judgment. Our constant challenge is to keep the balance between making sales happen and the necessity of maintaining reliable, predictable returns for our parent company.

The other dynamic in our business is the long-term relationships we maintain. A commercial loan may run ten years. That’s 120 months—120 opportunities to validate a customer’s decision to use us, or negatively impact not only our relationship with the customer, but even worse, cause him or her never to buy Caterpillar products again because of the manner in which he or she was treated by us.

We serve three major markets: equipment (the traditional construction types you see along the highways, and also mining equipment), marine vessels, and power generation using Caterpillar engines. Most of what we finance are the familiar big yellow-painted machines, but not all of it is so visible—the Caterpillar engines that power ships, for example.

Our basic market may sound simple, but in actuality it is very complex. We finance equipment from a $20,000 skid steer loader for a small landscaper up to a $3 million mining truck for a multinational corporation. We finance engines that generate electricity, from back-up generators to multi-million-dollar turbines. And we finance the construction and purchase of ships powered by Caterpillar engines. These loans may exceed $50 million and take years to close. It’s all financing but, as you can imagine, the customer requirements and processes can be very different.

As we were preparing for our first Baldrige site visit in 2002, we began to practice beginning every sentence with “Our process for that is…” and end it by saying “and the results are….” It’s a simple and effective test of our work. As you can imagine, it would be impossible for our people to use that sentence if they didn’t have a solid process in place and didn’t know our results.

We have a few highly integrated approaches to leadership that we deploy extensively. Business Excellence is at the heart of them all. At Caterpillar Financial, business excellence is not a static model or a poster on the wall. It is alive, and it aligns and integrates with everything we do. Business excellence describes:

- What we will be
- What we will do
- What we must achieve
- How we improve
- What we believe
Our vision describes what we will be:
- We will be a significant reason customers select Caterpillar worldwide.
- We will leverage our intellectual capital to deliver customer-driven solutions and enhance shareholder value.
- We will grow on our strong foundation as a caring and learning organization.

Our mission describes what we will do: Help Caterpillar and our customers succeed through financial service excellence. If our customers succeed, we will succeed as well. In most cases, our financing has helped our customers to grow and buy more Caterpillar products. In some cases, helping a customer succeed requires us to say “no” to a financing deal and explain why. And in all instances, it means understanding our customers, their business, and the products they use so we can best meet their requirements and help them succeed in what they’re trying to do.

Our Critical Success Factors describe what we must achieve:
- Customer satisfaction
- Employee satisfaction
- Growth
- Leadership
- Reliable returns
- World-class core processes

These six Critical Success Factors (CSFs) are the “vital-few” things that we must do well to be successful. CSFs are the constant threads that create alignment among all aspects of our business—leadership, planning, employee development and performance, employee communications, and incentive compensation plans.

We align and integrate strategy with the critical success factors through a top-down strategy and goal setting process. Top management sets the corporate strategy and goals, which are passed down to each group vice president to establish specific strategies and goals for their group, which must be linked to the top-level corporate strategies. This cascade process continues down to each department, unit, and individual. The process ensures that all our efforts are aligned toward achievement of the same top-level strategies and goals.

Goal achievement occurs throughout the year and logically begins with successful completion of individual goals. If each of our people does his or her part by completing their individual goals, we will be assured that the top-level goals will be accomplished. Strategy and goal alignment, together with employees who know what they need to accomplish, and are empowered to achieve their goals, make our strategy process very powerful.

Our Business Excellence model originally included the generic term “continuous improvement.” In 2001, we began to use 6 Sigma methodology to improve our processes and to develop new processes to support our strategic goals and objectives.

Where does Baldrige fit in? We have used the Baldrige Criteria to assess our organization and guide our improvement efforts since 1993. It measures our overall
journey to business excellence. We’ve learned that Baldrige and 6 Sigma work very well together. We use Baldrige to assess our strengths and opportunities, then use 6 Sigma to bring improvement to specific processes.

Shared Values are perhaps the most unique aspect of our organization. In 1995, we knew we had a good culture, and we wanted to make sure we didn’t lose it as we grew. So we decided to codify it to remind ourselves as well as instruct new employees about that culture. We asked our employees what makes us special, then we distilled their sentiments into seven values in two sentences:

We are people of integrity, who respect and care for others in our workplace and our world. We are driven by the freedom and responsibility to exceed expectations of those we work with and serve.

There are some words you may not be used to seeing in a corporate values statement, such as care for others or freedom. We give our employees a lot of freedom to act, but we give with it the knowledge that they are accepting the responsibility and challenge to meet and try to exceed expectations.

We reinforce Shared Values from an employee’s first day. But our secret to deployment is that we strive to live those values all the time. Our Shared Values provide a common bond that helps us along our journey to excellence.

Measuring what we do is vital to our success, so each of the six CSFs has at least one metric:

- **Customer Satisfaction**—User, dealer, and Caterpillar business unit satisfaction indices.
- **Employee Satisfaction**—Employee satisfaction index.
- **Growth**—Percent of dealer deliveries; managed assets.
- **Leadership**—Leadership index.
- **Reliable Returns**—ROA/ROE; Profit.
- **World-Class Core processes**—operating expense ratio.

We feel strongly that if it is a critical success factor it must be measured—leadership included. If you’re not measuring it, you’re just practicing. People pay more attention to what is being measured. Many of the measures are included in our incentive compensation system and paid quarterly.

Our primary management process is led by the Business Excellence Council (BEC) at Caterpillar Financial. The BEC comprises my seven direct reports and myself. This is a cross-functional group that fully represents both the line and staff organization. We meet two days each month using a structured format.

Day 1 of each month’s BEC meeting focuses on the health of the organization (See Figure 1). We call this day’s agenda “Manage the Business.” Our process for measuring and reviewing the organization includes the six CSFs, the eleven top-tier measures, and the diagnostic indicators we call “health.” Combined, this process gives us a complete view of the business—our version of a “balanced scorecard.”
Communications are key to employee empowerment

Each health has a facilitator who typically makes a presentation each month to review performance and get real-time feedback. Therefore, this “health structure” a metrics review, as well as a process whereby we talk about the critical issues and truly manage the business. This structure is not static and it continues to evolve.

Day 2 of the BEC monthly meeting is dedicated to “Managing the Strategy.” We review progress toward achievement of our key strategic initiatives, and we look at the strategies of the individual divisions and departments as well as competitive updates. Departments and divisions make presentations in person, or by video, on a rotating schedule throughout the year. The second day typically ends with a dinner in our building. This gives BEC members a chance for informal dialogue with many of the presenters and affords an opportunity for all BEC members to get to know high-potential individuals on a more personal level.

Our shared value of freedom empowers employees. The only way we can have a truly empowered workforce is to share as much as we possibly can with employees. Our Baldrige application summary lists over thirty separate communications targeted to different stakeholders. Business excellence is reinforced in all these media.

Two examples of communications at Cat Financial are a monthly new employee/birthday breakfast and an annual all-employee meeting. The breakfast affords an opportunity for relaxed, two-way communication, during which employees typically ask five to ten questions of us each month.

At our annual all-employee meetings, we review the successes of the past year and highlight our strategies for the coming year. I personally lead these meetings, which include a Q&A session of unfiltered questions from employees, who’ve consistently given us high ratings for openness and honesty in our responses.

The Intranet has become our primary daily vehicle for communicating with employees and sharing knowledge. We also produce quarterly strategy update videos that report progress on the six CSFs. And we have TV monitors throughout the building showing progress updates. It is surprising how much one can learn in a few moments waiting for the elevator.
We believe leaders must set the example when it comes to caring. BEC members are active in the community and serve on several local boards. We encourage employees to take leadership positions in charitable organizations, both to serve the community and to develop their skills. We often make our conference facility available for nonprofit meetings.

As a company, we also provide financial support in the community, and we allow employees paid time off from work to serve the community. Our process includes a contributions committee, with a clear direction to target company-provided support in four areas: At-risk children, education, causes championed by our employees, and cultural organizations such as ballet, opera, and symphony that make Nashville a better place to live.

Ethics and governance seem to be hot topics in the news these days, but they have been important principles for Caterpillar since 1972, as evidenced by our Worldwide Code of Business Conduct. The code is reviewed with new employees on their first day along with our shared values. We verify understanding and compliance through three methods:

1. Our employee survey includes questions conveying their knowledge of their code of conduct and their belief that ethical business practices are being followed.
2. Mid- and upper-level employees are required to complete an annual survey verifying compliance.
3. The office of business practices provides employees a confidential opportunity to raise business practice concerns.

We believe leadership is a process that must be reviewed and measured. We have had consistent improvements in this critical area, and we have three tools for doing this:

1. We ask the employees their opinion. Eight questions on our employee survey are combined to create a leadership index. I am proud to say that employees have increasing confidence in the BEC, and our results exceed industry benchmarks.
2. Individually, the leaders conduct 360-degree reviews, asking each other and members of their workgroups about their leadership skills.
3. We use the Baldrige feedback to look at how well we are leading the entire organization. Our leadership category team meets to analyze the strengths and opportunities for improvement (OFIs), and we have to report our improvement progress just like every other team. (We have six category teams—one for each of the first six categories of the Baldrige Criteria).

Since we began our journey to business excellence using the Baldrige Criteria in 1993, managed assets have almost tripled. At the same time that we were increasing our managed assets by over $10 billion, we increased customer satisfaction 24% and efficiency 43%. I am especially pleased to report that we didn’t do this by asking our employees to satisfy increasing demands from our customers by carrying bad processes on their backs, as evidenced by a 31% increase in employee satisfaction. Lastly, through this period of strong growth, we have maintained a consistent record of reporting higher profits, and I am very proud that over the last ten years, profits have increased 395%.
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**Strategic Planning**

Alice A. Choate, Black Belt—Strategy is our roadmap to business excellence. We use a six-step strategic planning process that looks at long-term strategies as well as shorter-term operational action plans. Each strategy and action plan is aligned to our six CSFs: Customer Satisfaction, Employee Satisfaction, Growth, Leadership, Reliable Returns, and World-Class Core Processes. This process is cascaded down to every employee. It includes development, deployment and a comprehensive monitoring and review process. We’re on a four-year planning cycle to align with our parent company’s process.

Our Business Excellence Review Team, or BERT, is a supporting subcommittee of the Business Excellence Council, or BEC. It consists of three executive vice presidents, the owner of Category 1 (Leadership), the business excellence manager (who manages 6 Sigma, strategic planning and continuous improvement), and the strategic planning consultant, who facilitates the team and the planning process. Strategic planning consultant was my role prior to becoming a Black Belt in January 2004.

The BERT works to improve our overall planning process each year based on feedback from the participants and quality programs. Members formulate proposed agendas for an annual strategic retreat and annual leadership conference, based on strategic issues or a changing environment, and provide recommendations to the BEC for final approval. They also take current issues offline from the BEC meetings, work through them, and return to the BEC with options and/or recommendations for final decision-making.

The Strategic Planning Process begins in January with the strategic retreat. (See Figure 2, on the next page.) The BEC goes off-site for three days to look at specific issues and opportunities that could change the overall strategic direction of the company. We bring in subject matter experts, either from Caterpillar Inc. or external resources, to facilitate the sessions. Other participants include the HR and IT managers and the controller, who provide input for resource planning.

This year we looked at strategic growth and managing change. Over the next two years we will implement a new system to process our leases and loans. The new system will improve our processing capabilities, but will also bring about major changes in managing those processes.

This year we also spent a full day looking at our employee system. We investigated four different areas: recruiting and hiring, compensation and benefits, training and development, and career management and succession planning. We brought in three experts from Caterpillar Inc. to facilitate that session. The experts ensured
alignment of our strategies with our parent company, and provided valuable input from human resources. The result of that session was the formulation of three teams, each owned by a vice president and facilitated by a 6 Sigma Black Belt. These teams are in the process of conducting deep dives to ensure that our employee system will provide us with the right workforce to support future needs. Results of those teams’ efforts will be compiled and ready to roll out to the top leaders in June at our annual leadership conference.

Another session included in this year’s retreat was on organizational development. We asked ourselves, “Are we organized to provide the most effective and efficient services to our customers and returns to our shareholders?” To facilitate this session, we brought in a professor and business consultant from Vanderbilt University’s Owen School of Management.

After this annual retreat, we move into the development phase and begin analyses of the information gathered there. We use 6 Sigma methodology to conduct these analyses to ensure that fact-based and data-driven decisions are made. We collect an economic forecast from the business intelligence group at Caterpillar, market forecasts, customer and employee satisfaction data, and Caterpillar Inc.’s strategy to ensure alignment with our parent company.

We end up with strategies, financial goals and slope charts, and human resource priorities. This takes us into the Annual Leadership Conference in June, where the revised strategies are communicated to the top forty-five leaders to begin the cascading process. The top leaders come into corporate headquarters for a rigorous week of planning. They receive updates on the revised strategy, financial forecasts, current strategic projects, and emerging technologies.

Then they go into breakout planning sessions where they receive group-specific customer, market, financial and employee data, and begin preliminary development of their group plans. Each session is facilitated by a 6 Sigma Black Belt to ensure consistency. Communication sessions are also held with the support departments to discuss associated resource requirements. We come out of this conference with preliminary group strategies, 6 Sigma projects, and support department resource requirements.

Next, department managers begin developing action plans aligned to their group strategies. At the same time, they are preparing their base operating plan (or budget), human resource plans, and also identifying potential 6 Sigma projects. The department action plans are then cascaded from the department managers to their unit managers to develop their unit action plans in alignment with their respective department plans. Once the unit plans are completed, unit managers meet with their employees to begin discussing their individual performance and development goals. As a result of this cascading process, all individual goals are aligned with
their respective unit plans, department plans, group plans, Caterpillar Financial Services plans and, ultimately, our critical success factors. Once the base operating plan or final budget is approved, we begin allocating resources based on priority. Once resources have been allocated, plans are finalized and ready for deployment.

Our strategy deployment process cascades the top-level strategies all the way down to the individual employee goals:

- Caterpillar Financial Services Goals
- Group Goals
- Department Goals
- Unit Goals
- Individual Goals

This process ensures line-of-sight for employees and lets them see how they contribute to the success of the company. Achievement of individual goals rolls back up through the organization to achieve the overall strategy.

Communication is an essential part of deployment. We have several communication vehicles. Each year, Jim Beard explains the top-level strategy both through an in-house video and during an all-employee meeting. A strategy update video is produced and delivered to each employee during quarterly department meetings.

We also distribute a group-specific foldout pocket card each year that displays our shared values, CSFs, top-level strategies, and that specific group's strategies. And we have a Web site on our Intranet that contains the top-level and group strategies, metrics for each group, and financial results, which are updated each quarter. TV monitors located throughout the building provide daily updates.

The BEC meets for two days each month. The format for the two-day monitoring process is “Managing the Business” on day one and “Managing the Strategy” on day two. The first day contains reporting on our seven healths: Customer, Employee, Leadership, Financial, Portfolio, Process, and Technology. In addition to the reports on the healths discussed at this meeting, we also have audit reporting on a quarterly basis. The audit manager for Caterpillar Financial is located in Nashville, but reports directly to the vice president for corporate auditing and compliance for Caterpillar Inc. to maintain independence. Each quarter, the BEC receives a report of audits completed, action items past due, and significant control weaknesses. This process ensures proper compliance and governance throughout the company.

On the second day of the monthly meeting, there is reporting on strategic projects on a quarterly basis and department strategic updates. Each department reports on a rotating basis, and the department manager and their direct reports give an update on progress of their action plans. This reporting also provides knowledge sharing opportunities among other parts of the organization. The next level is individual goal reporting and is done with department and unit managers at least semiannually.

Customer satisfaction with Cat Financial has held steadily in the nineties, with a world-class benchmark being eighty-seven. Eighty-eight percent of our employees
are highly satisfied against a benchmark of eighty-six. Our leadership index is at 84%. The financial services industry is at 63% and best practices at 73%. We’ve had a 54% increase in accountable profit since 1998 and a 34% increase in managed assets, while the industry growth index has shown a steady decline.

We’ve accomplished all this while maintaining our operating expenses below the industry top quartile and well below the industry average. One of the biggest challenges for most organizations is successful deployment. Our two key elements to successful deployment are the commitment of our leadership team and the teamwork of our employees. We’re very fortunate to have a leadership team and a workforce committed to excellence.

Customer and Market Focus

Peter G. Youngman, Marketing Manager, and Peter J. Tegg, Marketing Support Manager—Cat Financial provides loans and leasing alternatives to help end users acquire Cat equipment. We also offer wholesale and dealer financing. Our three customer groups are:

- End users who acquire Caterpillar equipment and finance or lease it from Cat Financial.
- Independently owned Caterpillar dealers who sell and service Cat equipment to our end users.
- Caterpillar business units that manufacture, distribute, and market the equipment through our Dealer organization.

We acknowledge other Cat business units as customers rather than just internal users. We think treating them as customers and understanding their requirements and needs has strengthened our partnership with Cat and our dealers.

At Cat Financial, the customers and markets we serve are important components of our business excellence model, figuring prominently in two of our six Critical Success Factors: Customer Satisfaction and Growth.

As a captive finance company, we are dedicated to helping Caterpillar and Cat dealers sell more equipment by providing flexible financial services to end users to help them acquire Cat equipment. These services include credit lines that allow end users to not only acquire the Cat equipment they need right now, but also equipment they may need within the next year. We do so while providing reliable returns to Caterpillar—so we’re not just giving money away.

As a captive vs. a general finance company or bank, we found it difficult to find comparable data with which to benchmark our services. We’ve made significant progress in this area and encourage other companies to seek benchmarking opportunities early on. They’re a good way to improve your process and services.

Our process with respect to understanding our customers and the markets they serve includes participating in cross functional, global Caterpillar Industry Councils that identify, study, and recommend strategies for dealing with the existing and new markets we serve. Agriculture used to be a market Cat served, for example, until it was decided it did not fit our long-term growth strategy.
Using
customer
and market
knowledge
to improve
our services

We've created dedicated organizations to deal with equipment, marine, power, and global customers. We consider customer size (number of units operated, and financial strength), location (year-round temperate climate in the Southeast vs. more severe Northeast temperatures) when structuring payment plans.

We also consider the industry the customer serves and the dealer's past experience. We use technology where possible to speed up the quote, approval, and documentation processes. For instance, smaller general construction transactions can be entered and completed in a matter of hours.

We know the application of the equipment—severe, average, or light—affects its resale, and we price lease transactions accordingly. We have a credit approval hierarchy to ensure we have the proper checks and balances when dealing with large transactions.

Our customer coverage is focused on understanding customer needs, requirements, and expectations. We have dedicated merchandising consultants located with Cat Business Units. Even though this is an internal customer, we don't just pay lip service in terms of coverage. We work daily with them to create financial merchandising programs, such as zero percent financing, to help end users lower their monthly payments.

In addition to daily personal contact with our customers, we have other approaches that assist us in gathering customer needs, requirements, and expectations—from focus groups, to using our complaint resolution process to proactively improve processes, to customer relationship management, which gives us a consistent view of the customer and real-time account status. The information is analyzed by key core process and industry segment and used in our product development process to improve processes and to develop our strategic planning.

In addition to personal contact and technology, we use a combination of formal and informal approaches to listen and learn from our customers. These integrated and process-aligned approaches allow us to aggregate information for use in process improvement, 6 Sigma, planning, product development, relationship building, and customer satisfaction measurement. For instance, both survey data and dealer feedback alerted us to a funding problem: This was addressed and the survey and dealer feedback used to measure the improvement in the process.

Listening processes incorporate customer feedback

Focus groups and surveys are cornerstones of our listening approaches. The only way to establish customers' requirements, preferences, and expectations is to ask them.

Our complaint handling process integrates mail and phone complaints into one database, allowing us to track overall dissatisfaction by key core process and attribute. The database also allows us to track and report resolution metrics. How many complaints were resolved? How long did we take?

Listening and learning approaches are kept current by the Category 3 team, the cross-divisional, cross-functional team responsible for maintaining and improving strengths and addressing opportunities for improvement (OFIs). This team reports to the Business Excellence Council regularly during the year to review results and provide updates on action plans associated with Category 3 strengths and OFIs. An example of this is the integration of customer satisfaction and loyalty results into
our Customer Relationship Management (CRM) application to allow workers to see the latest customer satisfaction scores online, including focus groups, surveys and complaint resolution.

With respect to building relationships and loyalty, we have:

- Daily customer interaction with formal reporting
- Dedicated coverage for our U.S. Caterpillar dealers
- Dedicated organizations to deal with the different market segments our customers serve
- Merchandising consultants co-located with Cat business units
- Region managers are located with Cat business unit offices in the field
- Division-specific complaint resolution processes to better address customer needs

We build relationships by consistently meeting or exceeding customer expectations, being flexible in our lending requirements, and providing customers with frequent opportunities and multiple channels for discussing our performance and their expectations and requirements, and allowing them to suggest areas for improvement.

The use of frequent interaction with customers at all levels of the organization and division-specific satisfaction surveys and complaint resolution processes enables us to tailor our approaches to each division’s own customers’ needs.

To continue improving our services and capture customer feedback on their needs and requirements, we’ve developed a suite of Web-enabled services:

- FinancExpress, our internal and dealer Web-based transaction processing tool that has reduced transaction processing times from days to hours.
- AccountExpress, an online service that gives end users 24/7 account information access.
- CustomerExpress, our customer relationship management tool that gives us a single view of the customer, including satisfaction and loyalty data.
- Interactive voice response.
- Web-based surveys are being added.

FinancExpress in particular has been well received by our dealers and customers, with one customer stating on his survey, “I couldn’t believe it happened so quickly. Financing was excellent. Much easier and more pleasant than buying a car.” As new products are introduced, we are careful to align our surveys with them to allow us to track satisfaction and performance.

So, how do we measure satisfaction? Our surveying process has been developed over ten years. The lead partner in our survey process is RDA. We measure satisfaction in many ways, one of which is through our key core processes, which were confirmed by sixteen focus groups. We survey customers when they originate loans or leases with us, when they modify their contracts, and when they terminate or pay off their contract.
We also survey competitors’ end users for satisfaction with results reported by key core process. And we survey our dealers and Cat business units to make sure we meet their requirements. All surveys are reviewed annually to ensure that they continue to meet the needs of key stakeholders, and are still aligned with current processes.

An example of this was the development of two dealer surveys: one high-level strategic survey for dealer principals, and an operational process-level survey for dealer staff. The competitive survey is vital in allowing us to obtain specific process information and comparisons with competitors’ satisfaction and performance. In 2004, to gather benchmarking data we conducted a survey of our competitors’ business practices, key core processes, deliverables, products, and services.

Our customer satisfaction index has risen every year and is at 93%. Highly satisfied compares favorably to competitors at 87% and 80% for the ACSI (American Customer Satisfaction Index) world-class benchmark.

In addition to overall satisfaction, we track loyalty with an index, and we especially track the percentage of respondents scoring us a 10 on a 10-point scale. We also pay attention to the bottom of the scale to make sure that bottom box scores are decreasing as well. We also report satisfaction by segment, dealer, region, customer size, number of machines owned, finance type, and net investment with us.

We measure exceeding customer expectations, repeat business, and loyalty. Our results for exceeding customer expectations are twice that of our competitors. Seventy-eight percent of customers state that they are very likely to do business with us again. In addition to the surveys, we measure repeat business internally to validate intent versus action.

We have combined satisfaction data with actual repeat business volume over the past three years to statistically validate that highly satisfied customers finance more equipment with us, thus creating a statistical link between satisfaction and profitability.

Because we have our surveys aligned with our processes, we can extrapolate the financial impact of improvement on overall satisfaction or of an improvement of x% in any one process or attribute. This allows us to quantify the financial impact of satisfaction, and, by extension, dissatisfaction, to our organization.

Our PODD (percentage of dealer deliveries) financed has grown 26% over five years. This result, combined with data on repeat business, loyalty, customer, and competitor satisfaction allows us to measure and compare the success of our processes to determine and meet customer requirements, expectations, and preferences, and to develop products for new markets while building relationships and improving loyalty.

### Information and Analysis

Steven R. Elsesser, Controller—Not surprisingly, our pursuit of business excellence has been very data-driven, and there are four aspects of our journey that are key themes:
1. The alignment of our metrics, from the highest-level CSFs to the lowest level of operational measures, has been very well thought out.

2. The overall governance of our business, through the BEC, provides a consistent framework for execution, review, alignment, and refinement. Senior management sets the tone for what’s important, and through the ongoing personal engagement of the BEC has done an excellent job of ensuring that everyone in the organization knows what’s important and focuses their efforts accordingly.

3. 6 Sigma. For any organization to be successful, it has to have a philosophy and structure in place to drive improvement. For Caterpillar, that philosophy and structure are embodied in 6 Sigma. This has given us a structured way to address problems and opportunities in a fact-based, data-driven way that has led to some impressive results.

4. Critical Success Factors. Our belief is that there needs to be a mindset of connecting with the big picture in all that we do. We’re continually linking activities to the big picture of why we’re doing it—and pointing back to which CSFs are impacted.

Now let’s look at how we’ve developed our measures in a bit more detail. The processes we use at Cat Financial include the alignment of our measurement system to ensure that the lowest level of activity connects with our Critical Success Factors. As you might expect, the measures are more detailed and greater in number as the cascade goes from left to right. We started with our six CSFs and then identified eleven top-tier measures that directly impact how well we’re doing against what we’ve deemed to be critical for our success (see Figure 3). The specific numbers for the top-tier measures are based on the six CSFs, annual goals and customer requirements.

“Health” measures go to the next level of the cascade and expand on the top-tier measures. For example, the employee satisfaction index is the top-tier metric for the employee satisfaction CSF. The employee health reviews also consider the things that influence satisfaction: e.g. retention rates, compensation competitiveness, diversity, and employee development. At the lowest level are the many process and operational measures across all areas of the company.

This framework of alignment provides us with a balanced scorecard encompassing all the CSFs, with each department and work unit having its own measures and goals. As a result, every employee has a line-of-sight back to the overall company goals. The process we use ensures that the top-tier measures provide the high-level linkage between the CSFs and operational activity. As a result, the top-tier measures give a good overall indication of how well the company is doing.

One of the keys to this structure is to develop appropriate measures for all the CSFs—some are easier and maybe more obvious, but it is critical that all CSFs get adequate coverage. Remember that the operational measures are linked to the top-tier measures. If a CSF isn’t supported by a top-tier measure, it’s possible (maybe even likely) that it’s not supported by operational measures. That means there could be something critical to the business that isn’t getting measured—and possibly not being worked on.
Another big benefit of this process is that it results in ownership. Each one of our seven healths has a designated “owner.” For example, as controller, I am the financial health owner. In the case of customer satisfaction, for example, we’ve identified three top-tier measures that are customer satisfaction indexes for each of the three primary customer groups: end-user customers, dealers, and other Caterpillar business units.

The Customer Health measures cover volume trends, merchandising results, competitive updates, and so on. These are measures that, if improved, will favorably impact the customer satisfaction indexes. Operational measures in this example include factors like quote turnaround, document preparation time, first-call resolution, and so on.

We use a 6 Sigma concept we call Y=F(X). ‘Y’ is the high level goal we’re trying to achieve—our CSF. The ‘X’s’ represent the lower level processes and activities that need to be managed and improved in order to influence those high-level goals. We spend considerable effort in improving the underlying drivers of customer satisfaction. As a result, our customer satisfaction has gone up. Said another way, the big picture is a composite of our collective individual activities. Improve the effectiveness of those individual activities and the big picture improves. Every time.

I should note here that not all health measures are quantitative. For example, our participation in the Caterpillar Industry Council updates provides good qualitative information that we can use in our efforts to continually improve.

One of the processes we’ve spent a fair amount of time developing is that of systematically using comparative data. It really is a great way to identify areas for improvement—and to validate when processes are working well.

With so much information potentially available, it could be all too easy to lose perspective on which comparative data is important and which areas should receive focused attention. To solve that problem, we’ve prioritized what we look at so that our efforts support our strategy and goals. In order of importance, we’d expect comparative data to be used in efforts to improve our:

• Top-Tier Measures
• Healths
• Key Core Processes
• Support processes

Depending on a company’s particular circumstance, comparative data can be tough to get—at least that’s what we found as a captive finance company. There is good news, though. When we look carefully and are a bit creative, we find a variety of sources.

For example, we use a competitive survey for the customers of our competitors. RDA, a survey specialist located in Michigan, does it on our behalf. The survey includes data, for example, from John Deere customers who have financed with John Deere, Caterpillar Financial Services customers who have financed Caterpillar equipment, and Cat equipment owners who have financed with companies other than Cat Financial.
We also use vendor research to get comparative employee survey data. Many industries have powerful associations that collect member data—the Equipment Leasing Association in our case. Of course, comparability varies depending on the industry and the strength of the particular association. And syndicated research organizations have a variety of data available for purchase.

Another great source of comparison has been our 6 Sigma teams. A team working on training, for example, couldn’t find comparative data for its project, so members called eleven other companies to gather the data they needed. Sometimes you just have to pick up the phone.

Finally, the contacts you’ll encounter in gatherings like this can provide a good source of data. When it’s all said and done, if you look hard enough—and get creative as needed, you will be able to find comparative data that you’ll find useful.

Thomas J. DePauw, CIO—We consider technology to be critical to our infrastructure. It enhances service to our customers, improves efficiency, and reduces costs. Technology health is reviewed at Business Excellence Council meetings, and technology planning is integrated into the strategic planning process and 6 Sigma.

One example of our technology processes is our FinancExpress Web-based loan origination system. Automated credit decisions now represent 60% of our business, which is unprecedented in the commercial lending sector. We took 90% of the physical work out of the credit decision process. FinancExpress has taken millions of dollars out of inventory costs in the extended Caterpillar enterprise. It has transformed the way we do business.

Another technology process is our knowledge subway system, which links existing information resources for increased employee knowledge. The system includes these areas of knowledge:
- Intranet
- Up-Front communications
- The 6 Sigma E-tracker (project tracking software that locates projects or solutions so they can be replicated rather than re-created)
- Rotational/cross-functional job designs
- Training
- Enterprise Knowledge Network (an enterprise-wide chat room where employees can seek out information or help by others throughout the company)

**Human Resources Focus**

Ron R. Rossmann, HR Manager—Employee satisfaction is one of our six critical success factors: *We must develop a more diverse, global environment that encourages personal growth, rewards achievement, and values the individual.*

How we do this is the hard part, but our shared values—integrity, respect, care for others, drive, freedom, responsibility, and exceeding expectations—lead us as a visible statement of how we will work and act. We have an empowered culture by design. There are no time clocks. We value open doors, a flat organizational struc-
Employee development and assessment are priorities. We also carefully design and organize jobs to serve both customers and employees. Customer contact jobs, for example, are process-focused, whereas staff positions are expertise-focused. Compensation is performance-based, and jobs and salaries are systematically benchmarked.

Most employers know that a good benefits package is an expectation of employees. Our benefits have been recognized by *Money* magazine as world class. Some unique aspects of our program include:

- **Healthy Balance**—a corporate program of health assessment and information. (Participation reduces employee portion of premium for health care.)
- **On-site fitness center**—available all day.
- **On-site moderate cost dining, dry cleaning, and convenience store.**

Joseph S. Page, Employee Development Manager—At Cat Financial we devote a great deal of time and financial resources to assess and develop our employees. In order to develop, we necessarily must assess. On the assessment side we have a career management system that includes a performance review, consideration of potential jobs both current and future, competency reviews, and our 360-degree feedback. This last assessment tool is in essence a review from all around the employee: his- or herself, managers, staff, customers, etc.

Training is provided by many sources. At Cat Financial we have a diversified approach to training. We offer many general skills, as well as management, leadership, and industry-specific training and development opportunities. We also offer support in assessment, identification, design/development, evaluation, and tracking/metrics. Departments provide specific and on-the-job training.

Virtually every 6 Sigma project yields training either as a product or by-product. By their very nature, 6 Sigma projects bring about change, and where there’s change, you must train people for the new process, system, and so forth.

We also have a tuition reimbursement program with a $5250 annual cap and a $25,000 lifetime cap with a 90/10 percent co-pay system.

For goal planning, employees select links to corporate goals they will directly support with each individual goal. Doing this provides employees with a road map that shows them how their individual goals connect to each entity within the company up to our critical success factors.

Cat Financial facilitates two employee surveys annually: a Prospect survey and a Caterpillar survey that compares us to Caterpillar Inc. Prospect provides an apples-to-apples comparison, giving us comparative data to the financial services industry and to best practices nationwide. Caterpillar Inc.’s employee opinion survey is a true employee opinion survey that compares us to the other business units within the Caterpillar enterprise.
We also have a well-established employee recognition program at Cat Financial. Recognition rewards and reinforces desired behavior. These recognition tools include a birthday card from the president to each employee, hand-signed and with a personal note when possible. CAT Bucks, which are \( \$1 \) rewards that employees can give to each other for good service, anniversaries, and more.

Outside recognition also helps reinforce employees’ understanding of excellence in various parts of the company. One example is *Training Magazine*, which named us to their list of Top 100 Training Companies for the third year in a row.

The cost of employee recognition is rising over time, with a higher proportion of payments coming from 6 Sigma gain sharing. We are pleased about this, as the returns to the company are much greater than the cost!

Other results include high loyalty and high employee retention. We believe both are highly desirable outcomes that reflect a culture that values people.

There are no silver bullets in creating a culture to recruit, retain, develop, engage, and reward people. It requires constant monitoring and adjustments to reflect business dynamics. It also requires that the human resource focus be much bigger than one department with a similar name.

**Process Management**

Ed A. Goodrich, Vice President, Diversified Services—Delivering superior service as perceived by our stakeholders, professionally, consistently, and efficiently, is at the center of our Critical Success Factor, world-class core processes.

We are committed to the utilization of 6 Sigma to establish Cat Financial as a world-class provider of financial solutions and to achieve operating efficiencies. We have directed our focus toward two general categories of processes. These processes are aligned with our Critical Success Factors and support customer and stakeholder requirements.

The first, *Key Core Processes*, reflect the key components of a transaction’s life cycle that directly impact Caterpillar users and dealers. We refer to the second category as *Support Processes*. These are business processes that are critical to enabling our key core processes and that are critical to business efficiency, growth, and stakeholder success. Both permit data-driven, fact-based decision making, with these decisions based upon their impact on stakeholder satisfaction.

Our management system permits us to manage by data, focusing on key metrics. Ownership rests with the specific unit manager. He or she, by consequence, is the unit manager, the process manager, and the process owner. This structure results in complete control and responsibility for costs, turnaround times, accuracy, efficiency, productivity, customer satisfaction, and employee satisfaction metrics associated with their respective process.

Our customers establish our performance standards. Through the use of focus groups and continuous validation through surveys and daily employee-customer-
dealer contact, we have a clear understanding of customer expectations. And these expectations continually evolve. What was highly satisfactory performance yesterday may be only marginally acceptable to the customer today. In addition, as our mission is to support Caterpillar and all of its customers, we have developed market-segment specific metrics to meet the varied needs of the markets that we serve.

Metrics are evaluated individually as well as by unit and used as part of employees’ personal development plans, with unit results, including analysis provided by the unit manager, posted each month on divisional intranet sites.

Our business and support processes act as enablers for the line divisions, helping them meet customer needs and providing the infrastructure necessary for the accomplishment of business excellence. Performance metrics are established for all of our support processes. For example, the accounting department has a metric related to the timeliness and accuracy of monthly closure. The information technology department has a metric that measures first-call resolution of its help desk inquiries.

Process owners are responsible for determining internal customer requirements and process delivery, and meeting those standards. These owners present the progress of their processes several times each year to department managers to confirm and validate expectations. Within this management system, a formal certification process has been established using a numerical rating system that enables the monitoring of the evolution of each process from its identification through the consistent achievement of its performance standards.

As a result of our process organization, our process improvements, using 6 Sigma, and the use of process-enabling technology, our customer satisfaction levels are at historically high levels and consistently exceed those of our best competitors. A significant majority of Cat Financial users are likely to finance with us again, most all of them considering that eventuality to be very likely. An impressive number of all of our customers have financed with us more than once, many having used us four or more times. Our process design not only improves our customers’ experience, it increases our efficiency as noted by the level of our managed assets per employee. Increased productivity, ownership, and process-specific focus contribute significantly.

Our capacity is dramatically enhanced through the use of FinancExpress, our Web-based business transaction tool, AccountExpress, our Web-based customer service tool, and CustomerExpress, our Customer Relationship Management tool. The convergence of these elements, to the achievement of these results, has largely been made possible by 6 Sigma.

Art DeVooght, Business Excellence Department Manager—We use 6 Sigma to identify processes that can be improved, to coordinate our overall approach in improving our processes, and to actually bring the necessary tools to bear to improve a given process. We have learned over the last three years that 6 Sigma can also be an effective...
tool for completely redoing or creating a new process. We believe that what sets our program apart is that we look on the inclusion of 6 Sigma within the organization as a process that needs to be nurtured and grown with skill and care.

We all concur that you need good projects on an ongoing basis, but we have learned that project generation must be interwoven with the strategic planning process. This ensures that the projects are meaningful, and that they close the gaps that exist within your strategic plan. There is only so much low hanging fruit to be had at any organization!

We use both the DMAIC (Define Measure Analyze Improve Control) or improvement process and the DMEDI (Define Measure Explore Develop Implement) or new process design. We balance our program with a ratio of four to five DMAIC projects to one DMEDI project. This allows us to both improve our current processes and to plant the seeds for the future.

But whichever project improvement type we pursue, there are things we make sure we don’t forget about:

• Business Risk Management—with project change, you need to identify how you are affecting the up- and downstream users of the process.
• Training must be continuous and ongoing—otherwise the organization becomes stale.
• There are different levels of support—The Master Black Belt is a technical support person and the deployment champion is the engineer who keeps the program on time and moving along.

We also constantly review project status with the Business Excellence Council (BEC), and we have the standard project closure, but we also check the progress at the two- and six-month stages within the twelve-month reporting/financial control period. We make the rewards payment one week after the six-month review, and we also recognize any successful use of 6 Sigma within the organization. That’s the overall process flow for 6 Sigma.

The things that we work on every day to make the program a success include constant training—We have Yellow Belt training for two hours and Green Belt training for twenty-five hours every month. There is also one day of project sponsor training every quarter, and four-week Black Belt training and additional Master Black Belt training every six months.

We also have daily support from Black Belts and Master Black Belts, and by that I mean that the Master Black Belts support the Black Belts, and the Black Belts support their teams, but also that these technical experts are available to the organization on a daily basis to help with problem solving and in using the various 6 Sigma tools as needed.

We are constantly looking for projects, and we actually have a quarterly project nomination process. However, we are more and more looking for projects that fit a department’s strategic plan, closing any gaps that may exist in it.
We use Work-Out sessions for immediate and quick needs. We developed a Tapestry methodology (distilled DMAIC) for smaller/more narrowly focused projects, as well as the standard DMAIC (four- to six month-) and DMEDI (six- to eighteen-month) procedures.

Last, we are constantly looking to acknowledge the proper use of 6 Sigma and to make sure it is rewarded.

When we talk about our results, we first point out that we are running a marathon, not a sprint.

As we introduce new waves of Black Belts twice a year, they go through a first month of learning about the life of a Black Belt—including the shadowing of an experienced Black Belt. As we have made our 6 Sigma processes better and improved the training of our Black Belts, we have increased the Black Belt project load from one to two projects in 2001, to two to three projects in 2002 and are now in the range of four to five projects per Black Belt. Increasing a project load is measured and determined appropriate for the type of project.

Along with this, we have measured our results on a net basis, minus expenses and on an-after tax basis. This allows a more direct comparison as to the 6 Sigma contribution with other sections of the company. With this said, our net results in 2001 were in the six digits, in 2002 in the seven digits, and in 2003 in the eight digits—a geometric increase over time.

6 Sigma is not a cure-all, and 6 Sigma's implementation within an organization is a process that must be nurtured and pruned to reach its potential. Part of what makes 6 Sigma so vibrant in that it is flexible and that it can change.

**Journey to Business Excellence: Lessons Learned**

Paul Gaeto, Vice President—Our story begins in 1981, when Caterpillar Leasing Company was formed in Peoria, Illinois—or what we affectionately call the center of the universe—for the express purpose of leasing Caterpillar lift trucks.

Soon after our inception, Cat marketing groups began to understand the benefits of having financing available to their customers. To meet their needs, we began financing construction equipment along with lift trucks. In addition to commercial leasing, we offered additional financial products, such as installment sales contracts, dealer loans and government leases.

At this time, we also began to develop in our role as a captive limited to financing Cat construction equipment and engines for Cat customers and dealers. We had to serve less desirable markets to support the parent—forestry, for example. As you’ve already read, even though we are a captive, Cat dealers and business units have no obligation to use us. We had to, and still do, earn dealer and end-user business.

Rapid growth has been the norm at Caterpillar Financial since its inception, and we’ve had to find ways of dealing with it. With respect to our current volume of busi-
ness, if we operated at the same efficiency level as we did in 1982, we would need 9,000 employees today instead of the 1,400 we have worldwide. We found we had to become more efficient.

In 1991 we left the center of the universe and our parent company and relocated to Nashville. The city provided several advantages, including a larger pool of financial service employees, better transportation, and better access to our customers.

Soon after our arrival in Nashville, we applied for the Tennessee Quality Award. The TQA program has four levels of recognition, with the top one, Level 4, being the Tennessee Quality Excellence Award or Governor’s Award. Our goal was that top award. In 1993 and 1994 we were recognized with Level 3 Quality Achievement Awards, and we were encouraged to continue on our journey. In the mid-nineties, we memorialized our Shared Values, the foundation of our business excellence model. In 1996 our business excellence and leadership models were introduced to the organization. These were deployed as the foundation for how we ran our business.

That same year, the Tennessee Quality Program provided a real eye opener. We were convinced we would win the top award. But in fact, we earned a Level 2, which was very humbling. At this point, Jim Beard said to the BEC, “We don’t have to do this [use Baldrige]. We’re not in a crisis. Peoria is not asking for it. Get serious, or stop.” It was unanimous: We got serious. Our focus became much sharper.

In 1998, we earned the Level 3 Quality Achievement Award. In 1999 we received the top honor—the Tennessee Quality Excellence Award. We formed category teams—one for each Baldrige category—to review feedback reports, identify gaps, and report progress to the BEC on regular basis.

We improved our customer listening and enhanced our techniques for gathering feedback. We identified key core processes and assigned owners to each one.

We formed the Marine Division in order to focus on an important industry to Cat—boats with Cat engines. These range from ferries to pleasure craft (yachts).

You’ve read about FinanceExpress and our customer relationship management. FinanceExpress was true leading-edge technology that dramatically increased our efficiency and reduced our costs.

In 2000, we moved into our new building, the Cat Financial Center. Before doing so, we benchmarked with the best designs in both business and education facilities. We built a facility that had state-of-the-art ergonomics for our employees. At the same time, we consolidated our regional offices into the customer business center in Nashville. The Customer Business Center was organized by customer process.

Three years ago, 6 Sigma was introduced throughout Caterpillar, and identified as the number one CSF. In 2003, we applied for the National Quality Award and received a site visit. In 2003, we were the recipient of the award.

Through it all, we remained a learning organization with a culture that allowed employees to make mistakes. It’s the nature of the finance business to learn from our mistakes. Our twenty-year journey to business excellence was a steady evolution.
We did not have a burning platform that required us to adopt the Baldrige Criteria to run our business—we just had a burning desire to get better. Our improvement was deliberate and steady. It became easier once the building blocks were in place.

If your CEO does not buy in to the journey, you can’t succeed. There’s no chance of getting buy-in from the rest of the organization.

In any event, accept that not everyone will buy in. On the journey, you will have employees who do not embrace the Baldrige process. There are a few things you can do to minimize this. Realize there’s a danger that the National Quality Award will be seen as the flavor of the month. To counteract that, we employed the “three Cs”—Clarity, Consistency and Commitment. Also, Communicate, communicate, communicate. It also helps to get employees to focus on processes. Everything is a process, once identified. What are the results? How do you measure them?

The feedback report is invaluable. It gives you an objective evaluation of your business, but it’s hard not to get defensive. No one wants to be told that they have an ugly baby! But address the gaps. Be candid with your employees and trust them. Share your weaknesses with them. They are the folks who are going to resolve the opportunities for improvement. We put our feedback report on the Intranet so all employees can see it.

Leadership is a process like any other. It is a CSF for us. Measure it, which is a challenge. Our performance is measured by the Baldrige Criteria, and we conduct regular internal assessments. If we are doing well in all the Baldrige categories including results, then the leadership team is on the right track.

The leadership index is based on questions from our employee survey. In our view, every employee has a responsibility to step up and be a leader. If they don’t find an opportunity inside the company, we encourage them to search for a leadership role in the community.

The most important message is get in the game. Don’t wait until you get better. Don’t wait for your baby to get cuter. The application process makes you better—it measures your progress, establishes a goal, disciplines assessments, and provides invaluable third-party feedback.

We learned something every time we put our application together at both the state and national level—it forced us to focus on and document our processes each time.

John F. Kennedy once said this in relation to our space program: “We chose to do these things, not because they are easy, but because they are hard. Because this challenge organizes and measures the best of our skills and abilities.”

We “chose” to pursue Baldrige. This was something we at Cat Financial chose to do independently. It was not mandated by our parent company, Cat Inc., and we were free to walk away at any time. It was indeed hard. We chose the most comprehensive and critical approach we could find—and that approach was Baldrige. Finally, Baldrige did indeed require the best of our skills and abilities. It pushed our people and our organization to the limit.
Applying for the Baldrige Award

Ed J. Scott, Executive Vice President—Perhaps some of you reading this are thinking, why should we apply for the Baldrige Award? For any of you who have doubts, I strongly encourage you. In the words of Nike: “Just do it.” It’s worth it, and it’s a great process.

First, to create the application, you’ll need to critically consider your approach to countless processes, quantify your results, and assess the level of deployment throughout your organization. Along the way, you’ll learn much about your strengths and opportunities for improvement, and most important, you’ll become a better company and a better organization. It really is a great process and it’s worthwhile to just jump into it.

Cat Financial began using the Baldrige Criteria by way of the Tennessee Quality Award in 1993. The first couple of feedback reports strongly suggested we develop a leadership model. I was on the team that helped develop it.

Frankly our first question was what is a leadership model? After we figured that out, we introduced the model, which we call business excellence, in 1996. One of the questions that quickly came up was, well, we have this model, how are we going to measure our progress toward our journey to business excellence? We considered a lot of alternatives and different metrics, but in the end, we thought the Baldrige Criteria were the most encompassing way to measure ourselves—comparing against the best of the best.

Beginning our journey in 1993 with the Tennessee program was really a great way to start. I encourage everyone to support and utilize their state programs. Because the people are there locally, you can work with them very closely. We achieved Level 3 in 1993 and 1994.

We took a year off in 1995, quite frankly to get ready to receive the top award. Guess what happened? Not only did we not receive the top award, we actually went back down to Level 2. That was a huge wake-up call for us. Leadership openly considered whether we should forget about Baldrige and move on. But we decided we didn’t want to quit. Instead we were going to quit practicing, as Jim Beard put it, and we were going to pursue quality improvement. As a result of this commitment, and the buy-in that was achieved throughout the organization, we achieved Level 3 in 1998; the Tennessee Performance Excellence Award in 1999 (the top award in the state).

We launched 6 Sigma in 2000; and ultimately achieved the Baldrige National Quality Award. In retrospect, the real value came when we fell to Level 2, because it really caused us to think about what we were doing, and I am sure that we probably would not be standing here as a Baldrige recipient if it hadn’t been for that wakeup call.

As is the case for other categories, we have a process for everything. For continuous improvement, our process centers around the Baldrige category teams. The category teams begin by assessing processes, the level of deployment of each process within
the category, and of course, the results. Using this information, each team provides input to write and edit the application, assess the feedback report for their category, and look at the overall results. Now, using the strengths and OFIs provided by the examiners, each team develops action plans to improve the process and deployment, and results. Progress toward achieving the action plans is reviewed with the BEC every month.

For the past ten years, this process loop has begun with writing that application. We won’t write an application this year, obviously, but we will develop a means to conduct self-assessment. We know the continuous cycle described here is the key and we are committed to use of the criteria to continue to make us a better company.

Unfortunately, we didn’t use the category teams when we began our journey. We relied on a continuous improvement manager to write the application. And the reality is that no one person in a company our size can possibly articulate every aspect of our business. As a result, the initial applications really didn’t describe our company very well. Furthermore by assigning this effort to one person, we made deployment a lot more difficult. Trust me, if you have six category teams and about four to eight team members on each team, all out there spreading the gospel, deployment comes a lot easier and faster.

So in 1998 we established six category teams—one for each of the first six categories. Each team was a led by a vice president, and as I’ve said generally included four to eight team members. These people were the process owners for the processes within that category. Each team also took responsibility for preparing the results—information relating to their particular category, for category seven. We did try early on having a category seven team, and it just didn’t work. It was much better to have category seven integrated within the other six categories.

I want to emphasize that the goal of each category team was not to write the application. The teams were heavily utilized to provide input in the application process, but as we’ve said the team’s focus is always to improve our processes, raise the level of improvement, and drive for improved results. There’s no doubt in my mind that the leadership the category teams provided made us a better company. Without them, we just wouldn’t be here right now.

Dan P. Walsh, Continuous Improvement Manager—It’s hard to say where our process begins and ends when it comes to evaluating the feedback report, because we’ve done it seven times over the last ten years.

Our application writing process was basically that in January 2002, once we started getting the words down on paper, we identified fourteen what we called macro processes, or main strengths that we knew cut across all the categories and were really the items that we wanted featured in our site visits. Those fourteen macro processes were things like Business Excellence, how we segment our customer information, how we do our employee satisfaction measurement, the measurement architecture, the Shared Values. Using that list of fourteen, we kept checking ourselves throughout the process—did we articulate these strengths well?
We did use one central resource, writing the first draft of the application, and then I went back and forth with the category teams for four months to try to take this monster down to that magical fifty-five pages. The last four or five are the hardest ones to cut. But what that did was let us get the information out in one rough draft. We didn’t have to deal with seven different novellas to put together, and we were able to emphasize the particular points in whatever category they most logically belonged.

People have often asked us if we used external resources during the application process. We used a lot of them. I remember sitting in the airport a year ago and I saw a friend who’s an examiner and I pulled out my draft and said “Mike, does this graph make sense to you?” The Baldrige application is so complicated—explaining a full business in fifty-five pages—that we found it exceedingly valuable to have outsiders go through it to make sure we were being clear.

We hired a local freelancer to help us do some of the charts and graphs. That took some of the stress away from the application preparation. And we knew that we were going to be distributing the application to our employees, so any investment in clarity upfront would pay off down the road, and it certainly has.

We also have had people attend Quest conferences for the last ten years. We have had excellent participation at the Tennessee State program from past Baldrige winners who have come to visit, and we've sent folks to hear those stories. And several Baldrige winners have come on site to speak to us. This adds credibility to the journey, for people to hear the benefits that other organizations have discovered, and it’s also a great way to pick up some lessons learned, and best practices as well.

Throughout the process, we never put out a Baldrige newsletter or similar type of communication to our employees. Our focus was on Business Excellence. We made every effort to integrate how Baldrige fit into serving the business excellence model. Baldrige was part of the model along with 6 Sigma, continuous improvement, planning, and benchmarking. Now of course we talked about Baldrige in the years we were applying and in the years we weren’t applying. But we made sure to talk about it in the greater context of Business Excellence.

The Category 4 presentation talks about knowledge management. We think the Baldrige application itself is one of the best tools for sharing knowledge around the organization. We printed 250 copies of the full $40-apiece color applications, complete with all the confidential data. We gave one to each of the managers, all the 6 Sigma Black Belts, and all the category teams. We made it widely available across the organization, as a learning tool, because it’s just a lot of information that you don’t see every day. In fact, we made it available to any employee who wanted to see it. We also knew that it was overkill for a lot of employees, so we prepared a twelve-page summary, and gave that out to even more people. This wasn’t anything having to do with the site visit per se—we offered this information to employees in July and August before we even heard that we were getting a site visit.
One of the real advantages we didn’t consider when we put this application together was the value it would have on helping new employees understand what Caterpillar’s about. It’s a great way to get them up to speed quickly. We also didn’t keep our feedback report under wraps. We actually put it out on the Intranet, let any employees see it, and presented it at our annual meeting. We talked about the strengths as well as the opportunities for improvement in the things we were doing.

Employees asked all the time: What can I do to help? And the answer was the same we gave in ’93, ’94, and ’95, in the years we applied and the years we didn’t apply. “Do your job very well. Know what your customers want, know how that’s measured, and take advantage of the processes that the company has in place to support you as an employee.” We kept reinforcing that very simple message to the employees—that it’s not about winning the award; it’s about improving the business and improving yourself relationship as an employee.

So we prepared a written application that described our company very well and then distributed it. We had our employees well-engaged in the processes—and then we got the phone call: It was time for a site visit. You have some interesting emotions: You’re excited and scared, worried, nervous. It’s like taking a drink of water out of a fire hose. How did we prepare our organization for that?

Well, we did put together a list of practice questions for the employees, but we did not give them the answers. The one-page list of questions was basic: What’s your job? What is business excellence?

We did prepare a couple of customized versions for the category teams that were a bit more detailed: How do you segment your customer satisfaction data? How do you segment your employee satisfaction data? In general, it’s helpful just to have employees comfortable with receiving questions, because that’s all a site visit’s about—people asking lots of questions and looking at lots of documents. Our message to the employees was, “This is good stuff regardless of whether we get a site visit or not.”

Then we had a mock site visit that was very helpful. We knew our employees understood their jobs and understood Cat Financial but that they might get a little anxious in articulating that back to the examiners. The mock site visit and practice sessions really helped with all that.

A site visit is a pretty interesting experience. Eight examiners arrive and spend three and a half days looking in every dark, dusty corner of the organization. In our case they talked to 347 employees. How did we handle it? We used good Baldrige logic and benchmarks. And we talked to other organizations. Every organization is a bit different, though. The manufacturing companies I talked to found a lot of value in using escorts to walk the examiners through the premises. Our environment is physically pretty safe, and easy to figure out: Conference room 601 is right on top of conference room 501, and so on, so we told the examiners to find their own way around and they enjoyed that.

We did not have any sort of formal review or debriefing setup on-site. I heard a Baldrige recipient say one day that a visit is kind of like playing cops and robbers with the examiners: You think about what they’re going to ask, and who they’re going to
ask—but we didn’t do any of that. What we did was arrange an inviting room, with coffee and snacks, to be available for employees if they were nervous about what they had said, or if they had questions, or any logistical issues, such as “I promised Joe I’d bring him these documents: What do I do?” “Just bring them to Baldrige Central, we’ll take care of them,” we’d say. It was very effective. But it’s a tribute to our Shared Values—freedom and empowerment—that only about 10% of the employees ever dropped by. We thought this showed they were comfortable with the site visit.

The one process we did maintain was that every night about 6 pm, we got the category team leaders and the BEC together to talk about the day. Probably about half of that was spent relieving the anxiety of the executives about what was going on, and the other half in discussing some of the issues that the examiners may have. And there were some. Mostly in the form of who gave whom which documents, and that sort of thing.

We also began to prepare, right from the first day, what our closing comments might be. In a site visit, the applicant is given an hour at the beginning for the opening ceremony, and also a little time at the end. For our opening site visit, we wanted to show what Caterpillar Financial is all about, but in a services environment, that’s kind of hard to demonstrate, so we pulled out a five-minute video from the marketing department that showed tractors pushing dirt and what a Caterpillar dealer looked like. This really set the stage for the kind of business the examiners were going to have to understand.

We also had a cross-range of employees present those critical items that we thought were our big strengths. Throughout the week as the interviews went on, we sent the examiners out to go find the things we could improve on, and they did. When it came time for the closing session, we wanted to keep it even simpler. We had just Jim Beard speak about those primary strengths that we felt we were the best at. And he talked about the business results. We knew that for the last three-and-a-half days they were looking for opportunities for improvement, and I know they found them. But we also wanted to reinforce—before they walked out of the building—that overall, our system worked pretty darned well.

Documentation is a huge part of an application. In our case I think we had sixteen boxes of it. All you can do is predict what you think an examiner’s going to look for. Get it ready and you’ll probably be about half right. They’ll be asking for more. Make a copy of everything you hand out. Examiner A always wants what you’ve just given to Examiner B.

Even this aspect of the visit is positive in its way. We started preparing the documents several weeks before the site visit, and it was a great way of checking our deployment—Are we actually prepared? It’s an excellent reminder of what we have to show to the examiners quickly, and an important part of the process.

Our goal in 2002 was to get a site visit, so that we would get a more detailed and accurate reflective feedback report, and we certainly did. In 2003 we had the exact same success, the exact same benefits, but that year we got the crystal to go along with it, so it was a double-win situation.
Our number one recommendation is: Do it. Apply. Most of the state programs let you apply with some shorter version than a fifty-five page Baldrige application, but when you’re at all ready, take the step, and do it. There’s an excellent book: *Good to Great* by Jim Collins, which describes why good is the enemy of great. Companies that are very good become complacent with their success. Certainly Cat Financial has had a great deal of success over the past twenty years. It would have been very easy to become complacent. If we didn’t put ourselves through this process, we wouldn’t have become great. This process disciplined us to do that.

James S. Beard is a vice president of Caterpillar Inc. and president of Caterpillar Financial Services Corporation. He joined Caterpillar Inc. in 1965 and has been in a leadership position at Cat Financial since its formation in 1981. Beard holds a bachelor’s degree from Baylor University and an MBA from Harvard University.

Alice A. Choate is a 6 Sigma Black Belt at Cat Financial. Previously, she was a strategic planning consultant and worked with the company’s Business Excellence Council to develop goals aligning to its overall strategy. She has a certificate in strategic management from the American Management Association and is currently working on her MBA with Heriot-Watt University, Edinburgh School of Business.

Thomas J. DePauw is core system global program director. Prior to this recent assignment, he was chief information officer for the Nashville-based Cat Financial operations. After joining Caterpillar Inc. in 1973, DePauw held positions in information technology and marketing before becoming part of Cat Financial during its formation in 1981. He has a bachelor’s degree in computer science from the University of Missouri-Rolls.

Art DeVooght is business excellence manager and has served as a 6 Sigma Deployment Champion for Cat Financial since its inception in 2001. He is a 30-year veteran of Caterpillar Inc. and Cat Financial. DeVooght has a bachelor’s degree in economics and a double master’s degree in finance and economics from the University of Iowa.

Steven R. Elsesser is controller of Cat Financial, with responsibility for all aspects of financial planning, reporting, and analysis, as well as providing coordination for accounting-related activities throughout the company worldwide. Since joining Caterpillar Inc. in 1979, he has held a variety of accounting, financial, and strategic positions. He has a bachelor’s degree in accounting from Penn State University.

Paul J. Gaeto, vice president of Cat Financial, has had responsibility for Cat Power Capital since January 2003. Since beginning his career in 1989, he has held various attorney assignments at Caterpillar Inc. and Cat Financial, most recently serving as general counsel. He holds a bachelor’s degree in accounting from the University of New Mexico and a Juris Doctorate from DePaul University. In addition to being licensed as an attorney, he is a CPA.

Ed A. Goodrich is vice president of Cat Financial, with administrative responsibility for Marine, Global Accounts, and Latin American operations. Prior to becoming vice president in 2004, he was manager of the Customer Business Center with responsibility for overseeing financing activities with dealers and customers. Goodrich received his bachelor’s degree in finance from the University of Illinois.

Joseph S. Page is manager of employee development with responsibility for training and development, the employee survey, and needs-assessment functions. He joined Cat Financial in 1997 after spending five years as human resource development manager and senior trainer at Avco Financial Services, a division of Textron Corporation. He earned both his bachelor’s and master’s degrees from Vanderbilt University.
Ron R. Rossmann, human resources manager for Cat Financial, has responsibility for compensation and benefits, employment, employee relations, training, development, facilities, and office services. He is a twenty-nine year Caterpillar employee who joined Cat Financial at its inception in 1981. He has a bachelor’s degree in business administration from the University of Iowa, and has also graduated from the National Association of Credit Management’s credit executive program.

Ed J. Scott is executive vice president and CFO with responsibility for accounting, business excellence, risk management and marketing, and treasury operations at Cat Financial. He holds a bachelor’s degree in business administration from Marquette University and a master’s degree in business administration from the University of Illinois.

Peter J. Tegg is sales manager for the Customer Business Center at Cat Financial with responsibility for pricing, quoting, and document-generation processes. He previously managed Cat Financial’s worldwide customer listening activities, market reporting, and business intelligence functions. He served as a Baldrige examiner in 2003.

Dan P. Walsh is continuous improvement manager responsible for measuring, assessing, benchmarking, and improving Cat Financial processes. He led Cat Financial’s participation in the Baldrige National Quality Program and has served four times on the Baldrige Board of Examiners. He holds a BSBA from the University of Missouri and an MBA from Belmont University.

Peter G. Youngman has been risk management and marketing manager for the past two years, with responsibility for overseeing corporate credit and portfolio administration, business systems, marketing support, and communications. He began his career with Cat Financial in 1982. Youngman has a bachelor’s degree in finance from the University of Illinois.

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Community Consolidated
School District 15
2003 Malcolm Baldrige National Quality Award Winner

Introduction

Robert A. McKanna, Ed.D., Superintendent of Schools—We are located in a northwest Chicago suburb. Our nineteen schools serve a region with 115,000 residents in seven communities stretched over thirty-six square miles. Residential incomes vary considerably and housing in the district ranges from government subsidized complexes and rental properties to multi-million dollar homes.

Our management improvement story started about eight years ago when District 15 leaders determined that our mission should be to produce “world-class learners by building a connected learning community.” We decided that to be world class we’d have to measure ourselves against other high performing organizations. It didn’t us take long to discover a best practice—that the Malcolm Baldrige National Quality Award Criteria was an effective leadership framework for an organization’s journey towards performance excellence.

Student population

With nearly 13,000 students and fifteen elementary, four junior high, and one alternative school, District 15 is a fairly large educational entity. We’re the second largest elementary school district in Illinois.

District 15 is extremely diverse, with students from dozens of different nationalities and ethnic backgrounds. In fact, 37.5% of our students are minorities speaking seventy-two different native tongues, 24% are low income, and 32% have limited English proficiency.

So, we have a challenging student population to educate. And yet we are proud to be able to report that seven of our schools have won the prestigious U.S. Department of Education Blue Ribbon Award.

In general, our student population is sorted into three groups, and we create educational practices that fit each group’s specific needs. The first group is what we call our benchmark students, the approximately 80% of the student body able to proceed straight through the standard curriculum.
The second group, 10–15% of the student body, are those that we consider strategic learners. This group simply needs more practice, exposure, and time to complete required course work.

The third group is the 5–10% of the student body that we consider to be intensive students. These are at-risk youth that need something different, and their progress is monitored closely. If these children make adequate progress in the classroom, the principal receives a monthly notice. If the kids aren’t making good progress we intervene further and submit weekly progress notes to the principal.

One of our district’s biggest assets is our high-performing staff of 2,290. We are fortunate to have 970 certified and experienced teachers, and 330 certified substitutes, who are among the most dedicated around. These professionals truly care and they demonstrate that daily through their face-to-face interactions with students, parents, and other staff members. We are exceptionally proud that fifty-four of our teachers have earned their certification from the National Board of Professional Teaching Standards—the highest teaching credential available.

Our teachers are supported in their efforts by 990 hard working classified staff members who do everything needed to keep a large organization running smoothly.

We also have a great volunteer department. During this past school year, volunteers, predominantly parents but many others, donated more than 180,000 hours of service to our schools and our students.

When we began our Baldrige journey in 1996 we focused on four overriding priorities—direction, alignment, deployment, and measurements/results—that overlap and interlock with each other. In 1998 we took the first steps towards the development of a future-oriented long-term, strategic plan.

We decided to use a constituent-driven strategic visioning process to determine what district community members expected of the district itself. We embarked with a group called DACEE (District Advisory Committee for Educational Excellence). This group of sixty members, representing a broad cross-section of the community, had been in existence since 1986. DACEE’s mission was to provide the superintendent with information about community perceptions and needs, and we thought it appropriate to start there. DACEE members helped identify key constituent groups to be part of the planning process. These groups included district staff, community members, and regional and state organizations. Members of the Board of Education and senior leaders spent many evenings conducting community planning meetings and informational focus groups with these and other constituents. Eventually more than 2,000 people became involved in the strategic planning process.

From the input received, DACEE members and the Board of Education senior administrators evolved a five-year plan called Strategic Vision 2005, which was aligned with our mission. Because we were aiming at organizational effectiveness, we knew we could use the Baldrige approach to help us get there.
This whole cycle begins with leadership as the nucleus, and the strategic plan included the following values, goals, and targets:

Core Values
- Student- and constituent-driven quality
- Public responsibility and citizenship
- Management by fact
- Continuous improvement and learning
- Results focus

Key Goals
- Students and the community acquire twenty-first century skills
- World-class achievement
- Connected learning community
- Caring, safe, and orderly learning environment
- High-performing staff
- Aligned and integrated management system

Board of Education Goals 2000-2005
- Integrate technology across the curriculum, increasing student and staff access and use of technology in task-appropriate ways.
- Ensure that District 15 students meet or exceed state and world-class performance standards.
- Excel as an organization, continually raising the benchmark in all categories of the Malcolm Baldrige National Quality Award.
- Build a connected learning community, broadening productive partnerships and services to meet the needs of all students.
- Become a world-class educational system that maintains fiscal integrity and reserves, and pursues outside funding opportunities.

Student Performance Targets 2000-2005
- Students acquire twenty-first century skills of:
  - Accessing and understanding information
  - Oral and written communication
  - Comprehensive reading and understanding
  - Reasoning, problem solving, and critical thinking
  - Human relations
  - Life skills
- Every student entering kindergarten at District 15 reads at or above grade level when completing second grade.
- At least 90% of the student population who have been in the district for one year meets or exceeds all Illinois Learning Standards.
- There is no significant difference between student groups in meeting or exceeding all Illinois Learning Standards for students who have been in the district one year.
- Student satisfaction is at or above “best-in-class” benchmark standards.
- Student enthusiasm is at or above “best-in-class” benchmark standards.
It is critical that everyone in the educational organization understands what the overall mission is. That's one area where leadership is important. Leaders must help create and communicate clear unified goals, and methods for reaching them. In striving for performance improvement, all efforts must be focused on the mission, and aligned with the work of others, so that everybody is reinforcing, supporting, enhancing, and expanding on the successes of everybody else.

If the Board of Education and the superintendent are on one path, and DACEE and PTA presidents are on another, the separate groups aren't going to meet very often. So our leadership knew that alignment was important—it would keep everyone moving in the same direction and towards the same objective. It's true that systems alignment isn't easy, but there's also good news: the Baldrige criteria can supply the tools and information needed to unify the various elements. That, then, is a step in the right direction.

We then take the initially created goal, develop it further, and deploy it across the entire district. The process is driven by senior leaders who integrate every department and building into the goal-driven process. In turn, every employee will contribute to the accomplishment of the district's mission.

The superintendent and members of his cabinet use a tool we call the one-page plan to make it easier to track the implementation of these integrated improvement goals. This single-page document contains the vision, mission, objective, strategies, and the action plans (with dates) thought necessary to achieve the desired result.

The one-page plan gives cabinet members an easy-to-see summary of the improvement goal they are working on at any given time. It basically provides a restatement of the problem, an analysis of the root cause, an improvement theory, and the data gathering steps needed to test the adequacy of the improvement theory. From another viewpoint, each one-page plan gives a brief overview of an objective, the articulated strategies to achieve it, specific action plans, and required deadlines.

These one-page plans do require us to continually monitor results data, but that is a plus because regular feedback alerts us to any problems quickly, and focuses our attention on opportunities to modify an approach when necessary.

An important aspect of leadership is having a specific and consistent process for doing work that people are comfortable with, one that produces desired results. The District 15 School Improvement Plan Model is one such process, and it is based on the Plan Do Study Act (PDSA) cycle (see Figure 1, on the next page).

We feel that using the same model across the organization strengthens a district-wide commonality of language and effort. That's especially important where functions overlap or integrate with others. To cite one example, using the School Improvement Plan model has resulted in a reduction of cycle time for implementing our reading intervention program in every school across the district.

The school improvement plan is a strategic betterment plan for each school. School leaders use a standardized flow chart that follows a PDSA cycle for the school
improvement planning process, which must be in accord with the district’s mission. School improvement plans address internal and external customer needs and expectations, and focus on student performance targets as well. All school improvement decision-making takes place at the building level. This is vital because each of our nineteen schools has a unique “customer” base and requires individualized planning.

Each school selects its own School Improvement Planning steering committee of teachers and staff members. Empowering staff to make key decisions about building goals and resources helps create a team-based culture. The decision-makers are peers, chosen by the teachers, who have been given the power to implement the school’s improvement plan. In this way the teachers recognize that their concerns are represented in the final analysis. This results in almost universal buy-in.

**Quality tools**

Our parents have high expectations. This, however, is not daunting. We know that high expectations can be clearly understood and met through the application of a variety of planning and management tools that have been developed throughout the world during the past fifty years. These are commonly called “quality tools.”

In deploying the Baldrige process district wide, we have witnessed the value of educating both teachers and students in the use of quality tools. Now, because of this staff education, you can walk into a class and ask a teacher for her personal mission statement. She’ll take out a folder and show it to you. The folder will also contain at least two curriculum plans that incorporate PDSA cycles. The teacher could also show you the math, vocabulary, and reading scores for her class, tracked weekly, on a tool known as a “run chart.” She can also show her student enthusiasm and satisfaction scores, because we gather and track those too. The purpose, as with testing children, is not to punish people but to continually help guide improvement. And this is done in all 537 classrooms throughout our district. Furthermore, to lend additional strength to class instruction, we train our teachers in specific quality teaching and programmatic approaches. With a few short years of experience, these

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**Figure 1. District 15 School Improvement Plan Model.**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Do</th>
<th>Study</th>
<th>Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess current situation.</td>
<td>Gather and align information/data needed.</td>
<td>Evaluate SIP process.</td>
<td>Communicate results to all customers.</td>
</tr>
<tr>
<td>Determine opportunities for improvement. Write outcome statements.</td>
<td>Analyze data • Benchmark • Research best practices.</td>
<td>Analyze data • if needed, based on progress toward improvement indicators. • Standardize if improvement meets or exceeds outcome statement.</td>
<td>Check for internal and external customer satisfaction.</td>
</tr>
<tr>
<td>Write operational definitions for assessing improvements.</td>
<td>Implement action plans.</td>
<td>Measure impact of change and compare new data to previous data frequently.</td>
<td>• Standardize improvements • Redefine current best practices.</td>
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<td>Revise</td>
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teachers then come back and train new faculty; this teaching process becomes a positive cycle in itself. Such approaches allow us to deploy quality methods across the entire district, and again, meet the high expectations of our constituents.

Strategic Planning

Robert Ewy, Director of Planning, Staff Development, and Quality Programming, and Louis A. Sands, President of the Board of Education—Strategic planning addresses how District 15 develops and deploys strategic objectives and action plans. It also examines how the district measures the progress of those actuated operations. In this section we want to give a sense of how to move from vision (stemming from the hopes of your community), to goal realization (accomplished with the help of a united work force).

We believe that setting strategic goals very early in the Baldrige process partially led to our success. Generally speaking, to set goals you need to know where you’re at as an organization. How else can you proceed? If you’re trying to get to Chicago, it makes sense to know whether you’re starting from New York City or Buenos Aires. That’s going to partly determine your course of action and the “tools” or vehicles you use to get there. In our case, we found out where we were and then created an action plan, as the major steps required to arrive at our destination.

To be very candid there was push-back from our staff when we started all this—and not just with the Baldrige process, but with our quality initiative in general. As mentioned, our school district was pretty well functioning to begin with and we weren’t in crisis; so some staff thought, “Why change?” Yet, we didn’t necessarily know why we were any good. And we knew that we had to get better, but we didn’t necessarily know how to do that, we didn’t have a road map in place. And that’s where the Baldrige Criteria helped.

We were fortunate in our leadership. Our superintendent, along with many others, built a road map and helped develop improvement processes and install a new quality organizational culture. It was amazing to see how this actually grew. In retrospect, it’s imperative to have a strong leadership determinedly encouraging positive growth and change.

In education, there’s been a fairly traditional approach to strategic planning. You bring a leadership group together to design a plan. You afterwards reveal that plan to the larger team who, in turn, is expected to simply implement the pre-conceptualized procedures. Well, we decided not to follow that traditional approach. After looking at various strategic models, we sensed that the traditional approach would most likely backfire for us because of our idea of service. We wanted to serve our constituency and to do that we needed their input. So we launched our strategic planning by identifying our key stakeholders and asking them to articulate their educational visions. Action then sprung from that acquired knowledge.
Case Study • Community Consolidated School District 15

Here are the key phases to our strategic plan:

1. Identify key stakeholders.
2. Identify stakeholder requirements.
4. Identify goals and strategies.
5. Deploy plan.
6. Superintendent and Cabinet develop/modify district scorecard.
7. Departments and schools develop/modify operational plans, school improvement plans, and PDSA improvement cycles.
8. Leadership team monitors deployment.
9. DACCE reviews plan assumptions, external risks, and the planning process.

In the initial phases, we tried to involve as many people as possible. We left the planning process open enough to include participation from any interested party. From all that input we were able to identify stakeholder requirements. In Phase 3 we did a district-level self-assessment and in Phase 4 we clarified strategy and goals based on our analysis of all inputted data.

So, as you can see, this style of management absolutely stresses the need to obtain relevant information from the community at large. Then, once the community’s expectations have been identified, it’s up to the people in the organization to make it happen—to implement total plan deployment aimed at realizing the community’s wishes and the state’s requirements.

To be honest, we understood fairly well the concerns and interests of our community. But, on the other hand, we weren’t so clear about method—how to achieve it all. Those issues—about how to do it—have to be specifically addressed because having the best of intentions without a clear and consistent deployment strategy leads nowhere. And so, even with the best written strategic plan, you’ve got to create a culture that is willing and able to “live it,” or the plan’s as good as useless.

We also want to draw attention once again to our strong focus on measurement. We believe that if you don’t measure something, you don’t really value it. Additionally, if you don’t measure a process, you can’t improve it: you’ve got no “trial times/outcomes” to strive against. So the issue is this: How do you take the flowery wording of your strategic plan and transform your goal statements into quality methods and measures?

We started by studying deployment at the district level. But, of course, we had to get that strategy down into and through the various departments. But how? Well, we weren’t quite sure how to get our processes into the individual schools and then monitor that progress over time. And so Phases 7-9 were focused on figuring that out—so our strategic planning process didn’t focus solely on our destination but on our method of approach to that destination. And that’s important.

After that, the Board of Education took all the information, and with the superintendent and cabinet, developed one-page plans to help focus attention on the right things. Every department was then able to easily focus on their specific goals.
Each department also generated operational definitions, which explicitly described the steps required to accomplish the district’s mission—to make our students into world-class learners. That was critical, because it informed all organizational staff about their exact role in the larger paradigm.

It was extremely important to have that linkage between mission and employee understanding. The Board of Education goals that emerged in strategic planning were again focused on creating world-class learners. The Board also asked us to define world-class learner, which led us to develop student performance targets. Those performance targets basically encapsulated our view of world-class learning.

The third Board of Education goal was to excel at Baldrige. Notice that the goal wasn’t to win the award. The Board wanted us to use the Baldrige Criteria as a quality method, and to get better through its use. And the Board stated that it wanted reports from the senior leadership on the extent of the progress made. So, from all this, we basically instituted a two-year cycle. First, we started with applications at the state level and then later, at the national level, with Baldrige. Both were used as ways to obtain rich feedback and to improve our performance.

In general, senior leaders have to monitor an ongoing improvement effort, which means that each department needs its own vision and goals that are linked to and aligned with the global mission. Each department leader and crew must create a set of objectives, and that’s key. The objectives channel energy for that department. The faculty within it then knows where they’re headed and how to get there. The senior leaders then know as well.

Processes are built-in to measure actual departmental performance, relative to our objectives, over time. So, if you previewed a one-page plan on our internal web site and clicked the bullet for its “action plan,” you’d access the specific steps created for that plan. Above that bullet, you’d find the percent of the plan that had been accomplished to date. Through this set up, anybody who’s interested can quickly access the goals for a department and thus remain informed as to that department’s direction and progress. Moreover, the on-line program helps department heads maintain focus. For example, if departmental data isn’t updated monthly on the plan, a certain computerized signal arises; so even the alarm serves leaders, alerting them to the inadequacy of their database. So the on-line design continually helps inform the community about department goals. It also helps leaders monitor and measure performance over time.

Strategic plan deployment requires—from each department—a thorough understanding of its tasks in alignment with the district’s global mission. In turn, the people, to complete their tasks, must understand which quality tools will measure which objectives. The methods and tools used must be clearly stated to ensure that various data is collected in common ways, so that there’s no garbage collection, no collection of conflicting or non-uniform data types. Without a common language then, operationalized data analysis will collapse into confusion.

Furthermore, genuine data gathering demands more than a common language. It also requires the inclusion of unfashionable or unflattering information. You can’t dismiss or hide data, even if it rocks the boat, because true improvements are im-
possible through a commitment to unreality. You have to face your situation square-
ly and that means that your methods of measurement and data publication are
clean. It’s critical; it’s how you face the square deal. And those methods, once more,
must be linked to your target. And then you can see how your work looks over time.
In our schools, you’ll find this fundamental approach in operation everywhere. We
have measurements and targets for just about everything. Perhaps we sometimes go
to excess. In fact, a board member often says, “If it moves, measure it.” Well, you get
the sense from that. If you can’t find a measure for it, you won’t find a method in our
organization. It’s just that simple. It’s just that important.

**Student, Stakeholder, and Market Focus**

Carol Ann Rush, School Improvement Facilitator, and Robert Tenczar, Director of
Communications—Student, Stakeholder, and Market Focus is an important category
for educators to work with. That’s because if you don’t find out what your constitu-
ents want and need, you can’t have a proper vision, and you can’t set your organiza-
tion’s strategic plan—at least not if you want to serve your community.

To understand stakeholder needs, we developed a formal process for asking our
constituents what they wanted from their school district. We ask them a series of
six formulated questions, translated into several formats. Another format involves
the entire administrative team and district principals who are members of various
organizations, such as chambers of commerce, Rotary, and Kiwanis.

At the various meetings, the leaders talk to the constituents and gather data on the six
questions. In addition, principals meet with parent groups, attend town hall sessions,
and ask for feedback (using a standardized process to ensure feedback collection).

We ask our community members several questions:

- What challenges will the district have to address to provide the highest quality
education to our students?
- What are the five most important skills District 15 students will need to be
  successful adults?
- What evidence would convince you that District 15 is providing the highest
  quality education? (For example, test scores, information reports, things of that
  nature, or other.)
- What priorities should District 15 focus on in the development of financial
  plans and budgets?
- What would District 15 have to do to delight you?
- What other feedback would you like to give us?

The answers to these questions were nothing really phenomenal. The parents and
others wanted a place where their children could feel safe and secure. They wanted
well-qualified teachers. They wanted a world-class education. (“World-class” might
seem to be unusual feedback from the community, but it just shows how much the
community members value their children and education.)

Well, we took this all a step further and decided to qualify and quantify what “world-
class” meant. We defined the concept through the formation of student performance
targets. So when somebody in our district asks what world-class is, our staff mem-
bers and teachers talk about the student performance targets.
Our sense of world-class is important because it helps to drive the organization forward, vitalizing the development of strategic plans and mission statements. And since our mission is to serve our children and community as best we can, that focus sometimes leads to unusual practices. For instance, we have a 90% market share within our boundaries, but still can work closely with competitors. In one situation, we serve five church schools by busing their students for them. We also help the parochial schools by inviting them in on our computer buys. We're such a large district that we can get good prices on computer purchases, and by including other schools in the region, we have an even bigger purchasing power. We all benefit with good deals and getting the technology for a lower cost. It’s a win-win situation where we can be good to the competition and still be successful. Additionally, this approach aligns to our mission. We’re trying to ensure the best education for our community’s children. Working with others, and not against them, helps ensure that we’re pursuing that greatest good for the community and the taxpayer.

Here’s an example (although not involving competitors) that shows how we try to serve the larger community through our school work. The district has a senior exchange program that helps build a connected learning community. In this program senior citizens serve students in our schools and they receive a property tax reduction (i.e., the District 15 portion of their real estate tax). On one hand, seniors clearly benefit through tax savings and through contact with young people. On the other hand the kids also benefit tremendously. It’s pretty amazing when seniors join classrooms and resource centers. It opens the door for rich cultural and experiential exchange. It’s where a seventh-grader, for example, gains the opportunity to talk with somebody who had been in a war and can hear about that experience firsthand. It’s a win-win situation and has been a real godsend for us.

We utilize a variety of methods for gathering information from parents and the community. This includes focus groups, surveys, the superintendent’s hotline, and the feedback forum.

The superintendent’s hotline is a well publicized phone number that anybody can call at any time to leave a question, complaint, comment, or compliment. It’s like the “bat-phone”—when the light goes on, indicating a registered call, we have twenty-four hours to respond to that issue, concern, or question. The hotline is a great way to gain community-based information.

Parents can also express their ideas, concerns, and issues through the Feedback Forum on our web site. Through that, anybody can e-mail an issue, whether about a late bus or a school bully. The feedback forum typically receives one or two messages a day. These are immediately conveyed to the Director of Communications, who then usually contacts the principal of the school involved, together they begin issue resolution. (When possible, the issues are solved at the building level.)

There is also an automatic follow-up process: after eight days we send the concerned party a three-question survey so he or she can give us feedback on our forum’s effectiveness. We ask:
We also obtain quality information from our parents at our open houses and Fall “meet the teacher” nights. At the latter, we have our teachers ask every parent three “expectation questions.” They are:

1. What are your expectations for this class?
2. What are your expectations for me, the teacher?
3. What are your expectations for yourself, as a parent? (That is, how will you provide a supportive home learning environment for your child?)

In addition to gaining useful information about results and expectations, meet the teacher nights serve to strengthen our bond with the community. The meetings let parents and teachers collaborate on classroom goals and missions, and enable everyone to be “on the same page” right from the start. They also let parents know that their views are important and will be used to construct classroom instruction.

We monitor the parental perception of our special-education programs as well. We do this by asking involved parents to grade their child’s school. The parents respond with, “I would give my child’s school a grade of “A,” or “B,” and so forth. Bilingual parents are also surveyed and asked to rate the quality of their children’s academic programs.

Occasionally, even though our own expectations for students are high, we will find a parent that will have still higher expectations for us. For example, we aren’t quite sure how to address one parent’s expectations for her child’s kindergarten teacher. When the parent wrote her expectations, she concluded by saying that the teacher should “create future superheroes to save planet Earth.”

To gather faculty data we use various surveys. We have a Conditions of Teaching Survey that each teacher fills out, and two shared decision-making surveys—one at the building level and one at the district level. We ask about their feelings, wants, and needs. We ask our faculty exactly how they feel about the decision-making processes in their building and in the district.

We also survey our support staff, and ask about their satisfaction with staff development, shared decision-making policies, and safety and security.

Our students have a number of opportunities to express their sense of satisfaction with their education. For example, we hold various student focus groups. One group concerns ninth graders. Although we are a K-8 district, we organize ninth-grade student focus groups to gain new perspectives on our programs and determine whether we’ve effectively prepared students for high school. We basically ask the kids, and the high school principals, “How’d we do?” We do likewise with elementary principals and first-year middle-school students. Again, we want the junior kids to tell their elementary principals how well the early programs prepared them for the next big step.
And we do make changes based on student responses. For instance, we discovered that we weren’t preparing eighth graders well enough for high-school writing. Our approach prepared them for state tests, but not for the expository work required in the secondary schools. So, we went to work on remodeling our eighth-grade Language Arts curriculum. Thus, with feedback, we know where to make our programs better for the people we serve.

We also measure student satisfaction and enthusiasm levels for each grade and subject area through surveys. Students are asked to evaluate the effectiveness of their educational instructions and their enthusiasm levels for classes. Student responses help us measure our teaching effectiveness and assist us in restructuring practices as needed. For instance, when analyzed, certain trend data revealed that our district goal of “enthusiastic learning” wasn’t in itself inspiring students to new enthusiastic heights. Actually, students wanted to participate more in the determination of school and class practices and their unintentional exclusion was leading to waning enthusiasm. Responsively, we included a district-wide student enthusiasm and respect goal for the next academic year.

We additionally decided to involve students more in decision-making practices. In time, these responses led to attitude changes, even at the eighth-grade level, where student enthusiasm levels doubled from the previous year. And this happened merely by asking students to explain themselves, followed by our responsiveness to what they said.

Can the kids be involved in improvement? Of course! We have the kids help. They have answers. But in our typical education culture, you know, we want to have all the answers, darn it, and just impose enthusiasm on the kids by our will power! Well, that sort of backfired, and it wasn’t until we asked for and used student input that things really improved.

Principals fill out surveys as well. Every month, each principal receives a form to track all issues and complaints. Issues might concern student discipline, bullying, gifted students, special education, and so on. Principals also track resolution responses. This is all tallied monthly on a trend/issue form and funneled to the Director of Communications. In turn, the communications director combines all data—district wide—and promptly sends a consolidated report to the principals so they will have a broad perspective on what’s happening throughout the district. This organized data is important because it allows the leadership to spot specific emerging trends. With such insight, we can then initiate appropriate responses.

To gather business and community data, we meet with our chambers of commerce and our village boards. We conduct interviews and ask the boards, as with the student focus groups, whether district students are prepared to enter the larger community and work force.

We also collect information on the actual effectiveness of the surveys themselves. This is carried out through our Listening and Learning Committee, composed of several principals, various teachers, a PTA member, a support staff member, and a
Improving the surveys

few others. The committee members take the various surveys back to their buildings and respective departments and ask for feedback.

This committee is lively and spirited, to say the least. As an example, take a committee member who says, “Shouldn’t we ask the parents whether they feel their child’s teachers are well qualified?” Well, that can bring about some spirited discussion, especially from teachers, who might initially feel a bit taken back by the thought, which is understandable. But, in this case, the question wouldn’t really be about the worth of the teachers at all. Rather, it would be about gaining insight into public perception. That’s because when we originally asked parents about their hopes for the community’s educational program, they specified “well-qualified teachers” as a factor. So including that question in a survey would serve to monitor parent perception on an important matter.

We know that our teachers are well qualified because of our hiring process, and we try to publicly recognize their work and competence. But we also want to know if parents are holding positive perceptions or not. If they aren’t, we can’t ignore the perceptual disparity. We need to address the misunderstanding to improve the community climate.

So the discussions in our committee can be lively. Questions may be presented for survey acceptance, and the ideas behind any proposed questions must be explained and understood. In that way progress can be made. It’s work, and yet, in general, it’s all very productive.

The committee’s work has led to survey improvements. For example, we were using a Kindergarten Enthusiasm Survey, in a Likert Scale format (1 = “always,” through, 5 = “never”). The committee’s research led to the discovery that young children didn’t grasp the rating system. So we just made some easy changes to accommodate the youngsters’ developmental level. We changed the word “always” to a picture of a smiley face and the word “never” to a frowny face. By doing that the kindergarten survey became understandable to the children and we were more able to reliably assess their sense of things. Thus, the committee has been productive and allowed us to tune our surveys and better ensure that we’re asking questions that constituent groups can relate to.

Faculty and Staff Focus

Jean H. Sophie, Assistant Superintendent for Personnel and Human Services, and Karen Hindman, Principal, Frank C. Whiteley School—This section addresses the ways in which work systems and staff development programs facilitate the development of employee potential in a manner that serves the district’s mission. It examines the district’s efforts to build and maintain a work climate conducive to performance excellence and personal and organizational growth.

In District 15 we employ approximately 2,290 employees, of which 970 are certified staff. We have a teaching staff that averages seventeen years of experience; 67% of our teaching staff has a Master’s degree.

We all know that it takes the entire crew, working together, to produce world-class learners and to do what’s best for our students. In Faculty and Staff Focus we
concentrate our efforts on understanding the contribution that each person makes towards the accomplishment of our mission.

One service we provide for our staff is our Teacher Induction Mentoring Program. This year we have seventy-eight lead-teachers mentoring eighty-five new teachers. Initially, we first train the mentors to work effectively in their role with new teachers. Then those mentors begin to meet once a week with their protégés. In this structured program, the mentors counsel both personally and professionally. Due to its quality, the program has really helped us maintain a high-performing staff.

Our mentoring program includes a five-day staff development opportunity for all newly hired professional staff. We have three new-teacher workshops throughout the school year along with voluntary new-teacher meetings. All of these new-teacher activities are designed to aid the new educators in meeting the Illinois Professional Teaching Standards. But, in general, the program simply provides lots of professional and personal support for newly hired teachers.

Our National Board Initiative is also very exciting. In District 15 we have fifty-four Board-certified teachers on staff, more than any other school district in our state, exempting Chicago. We encourage, support, and provide incentives for teachers who want to participate in the National Professional Teaching Standards program. Teachers working their way through the program are offered support through monthly meetings, an assigned mentor, and three days of release time to develop their portfolios. Teachers who achieve this certification are also rewarded with a yearly stipend for the duration of their contract.

Since we want to empower our faculty and staff, and encourage their innovation, we structure our work systems accordingly. At the district level we use shared decision-making to promote cooperation and initiative, and to capitalize on the diverse ideas, cultures, and thinking of each school community. At the building level we use site-based management to form decisions related to budget allocations, school and class organization, improvement plans and goals, and staff development needs. We also keep in mind that all decisions have to align with our key goals and student performance targets.

It's difficult to foster world-class learning if our work systems lack alignment and impair the development of our particular mission. Thus, the starting point for district alignment is the school department, where mission descriptions are designed. Department staffs answer a series of audit questions:

- Who are your customers? What do they want?
- What are your short- and long-term goals?
- How is leadership defined?
- Do you have the right information?
- Is your staff skilled and motivated?
- Are your processes efficient and effective?
- Are your results matching or exceeding expectations?
These audit questions are used at both the district and school level. The questions help staff develop very specific methods to accomplish goals and contribute to District 15’s mission. Their answers drive the development of department and operational definitions and school improvement plans. The plans also help form the basis for job descriptions and evaluations.

What characteristics are we looking for in our employees? Well, that depends on the nature of the job. The qualities must match the work to be done, so key employee traits are determined by job descriptions. In turn, job descriptions are continually updated to reflect our growing knowledge of the skills and responsibilities required for positions.

Teacher employment descriptions are determined by the Illinois Professional Teacher Standards, which have been incorporated into the criteria for effective teaching. We expect new teachers to master the necessary skills by the end of their second year. These behavior descriptions are aligned with our hiring practices, with our Teacher Induction Program, and with staff development opportunities.

Crucially, our teacher evaluations emphasize growth and inspire improvement. Our approach links instruction, supervision, and evaluation to staff development opportunities. This planned process allows for teacher choice, beginning with the type of teacher assessment plan, which is self-selected. Teachers have options for multiple-year growth plans and can use individual, peer, or team approaches. Teachers can also opt for a more traditional plan, where a principal evaluates their performance on a regular basis throughout the academic year.

An example of an effective teacher appraisal and improvement plan comes from our Whiteley School. At the Whiteley School, third-grade students are tested annually in the areas of reading, writing, and mathematics. Three years ago we received results in the writing area showing that only 69% of our students were meeting or exceeding state standards. And yet, at the same time, our student performance target stated that 90% should meet or exceed standards. So, we had a wonderful opportunity for improvement!

We did two things about this at the Whiteley School. First, our school improvement team said, “We’d better set up a PDSA cycle and see what we’re doing, why this is happening, and how we can improve it.” At that time, the third-grade teacher team said, “We want to use this for professional growth. We see it as an opportunity to improve our writing instruction. And if we improve that, we’re going to improve student achievement.”

Well, the third-grade team then got to work. They talked to the primary teachers at the school and asked, “What’s happening down here?” They talked to the intermediate teachers and asked, “What are you doing?” They benchmarked both inside and outside the district for writing programs. As they went along, they noted a few interesting observations. For one thing, the team discovered that, within their very school, writing was being taught differently! Teachers weren’t even using the same conceptual language, and were scoring student writing differently, even with the
same state rubrics. So, they had more work to do. But, by the end of the first year, the Whitely students were re-tested, and student writing scores increased to 84%. So, strides were being made.

During this period, faculty meetings became a focused place for staff development. The third-grade team arrived at the meetings and shared everything they were learning from their professional study, research, and practice. And finally, during the second year of the plan, 92% of the Whitely students were able to meet state standards in the area of writing. This was phenomenal, and it’s what can happen when you combine a terrific professional growth plan with highly motivated teachers. This really impressed the Whiteley School principal as well, who said she could just sit back and watch this all happen because the teachers were the ones driving the process forward, looking at options, and basing new decisions on data.

So that’s one example of how we run our evaluation systems. And notice that the evaluation process focuses on staff growth and development, not on punishment.

We use a web-based system for potential employees who want to submit job applications. Candidates complete computer-based applications that principals can quickly access. Principals can easily review applicants and find those with the right skills for a position. We also use this program to post our own internal comments. Then, if a principal interviewed an applicant, she or he could write reflections about the interview. Perhaps that applicant could fill a specific need in another building!

In District 15, we have multiple opportunities for career succession. A comprehensive staff development plan is available for all staff members. For building assistants and assistant principals aiming at higher leadership positions, we’ve previously offered a New Leaders Program, which exposed the aspirants to effective leadership models and practices in high performing organizations. The superintendent’s cabinet, along with principals, helped facilitate this training. This year we opened the class to all aspiring administrators. Due to this, we now have many teachers enrolled who are looking at building assistant positions. We currently call this our Aspiring Administrators program.

District 15 also provides other opportunities for career advancement as well. We give our night custodians the opportunity to work during the day. That’s when our head custodians work, so those on later shifts are able to learn head custodian responsibilities. We also feel that our assistant and support-staff training programs give them a competitive edge when applying for secretarial and teacher positions.

District 15 has placed a greater emphasis on teacher induction, on readjusting to new Illinois teaching certification laws, and on attracting and retaining high performing work teams. We have a full-time teacher induction facilitator who runs the program and who works closely with the personnel department on curriculum development. The curriculum itself is designed to aid teachers in securing tenure in the fourth year. It’s also designed to prepare teachers for the National Board for Professional Teaching Standards process, if they decide to pursue that certification.
Demonstration classrooms and ethics seminars

Professional development needs are identified through four primary methods:
- Yearly reviews of progress on key goals and student performance targets
- Opportunities found in SIPs
- Quarterly reviews of progress
- Superintendent’s Communication Council (SCC)

We align professional development with our key goals, student performance targets, and school improvement plans. For example, to address our second-grade reading goal, we initiated staff development in the areas of reading and differentiated instruction to enhance second-grade ESL instruction. This last year we adopted a new language arts curriculum for grades K-6, so the corresponding staff development focused solely on implementing the new reading curriculum. We link staff development closely to our major goals.

One challenge we face with professional development involves reinforcement. How does one reinforce the knowledge and skills that faculty learn during workshops and activities? The process we currently use is that after a workshop the attendees will choose one of three follow-through tracks: independent study, whole faculty study groups, or reading groups. We will also hold “sharing sessions” where people from all three tracks come together to share their learning. Department managers, content coordinators, certain principals, and others facilitate.

Example: Development process

Here’s an example of the process a faculty might use. At one school, an improvement goal focused on reading. A teacher group decided to read Mosaic of Thought as part of their professional development. They presented this to the larger faculty, who took off with it. They ordered books for just about everybody. And twice a month, the teams met with a reading coordinator, during lunch, and discussed the book. The teachers described their own use of various strategies—what was working, how it aligned to the reading curriculum, and so forth.

The school then took this idea of collaborative discussion a step further. The building’s quality coordinator, at each faculty meeting, presented one specific process improvement tool for classroom instruction. This kind of tool exposure wasn’t very nerve-racking to the teachers, since they weren’t inundated with new techniques. The facilitator would also model a lesson plan, showing the tool in action. After presentation, the coordinator then challenged the faculty to use that one instructional tool sometime during the month.

Following that, staff started pinning up student work in the faculty lounge so teachers could see what was happening in other classrooms—new ideas were now constantly being shared.
The facilitator also made herself available for independent study during the month to answer questions, talk about what was working, and discuss struggles, and so on. So this approach worked well, and allowed teachers to actually practice and share what they were learning. And it was successful for us because it was on-going. We kept talking, and talking about techniques, and then kept seeing them put to action. That kind of approach has served as a very effective model for us.

Safety is of utmost importance, and a safety committee evaluates this priority on a continuous basis. This results in constant attention to the well-being of our staff. For instance, most of our preventive maintenance is completed over the summer, which eliminates interruption of the student learning environment.

Preventive safety is often a matter of common sense but it can’t be left to chance. Administrators and staff annually set goals and priorities for work environment improvement. Examples of training programs include First Aid, CPR, self-defense, and correct lifting and climbing procedures. To further address safety issues, District 15 has purchased equipment, such as lifting belts for our maintenance employees, step-ladders for each classroom, and walkie-talkies for monitoring large areas, like playgrounds. We also now have standard policies and procedures designed to safeguard our schools and their occupants. We have installed a security system in each building that allows entrance only through identification. Building crisis teams monitor the environments themselves. In general, the results of this work, again based on data, are noticeable: 97% of our teachers rated their environment as “safe and secure” and 91% of our staff members rated their environments as “clean and well maintained.”

If one’s goal is to develop a high performing and satisfied workforce, then one must understand what it takes to retain quality faculty and staff in the first place. Retention often implies satisfaction, and we measure attrition—the percentage of teachers who leave the district—to gauge satisfaction. Our data shows a six-year continuous decrease in first-year teacher attrition, from 19.5% to 6.2%; the national average is 20%. This decrease, we believe, stems from our increasing ability to satisfy our employees. We partially attribute our success to the mentor training refinements constructed from the results of five PDSA cycles. But other actions have led to increased faculty satisfaction as well.

We annually survey all staff to determine how well District 15 is meeting their needs and expectations. One strong indicator of faculty and staff well-being is job satisfaction. All of our staff-groups showed an increase in satisfaction from the 2001-2002 school year. Certified-staff satisfaction levels exceeded the American Customer Satisfaction Index in a comparable district.

We also use other methods to gauge staff satisfaction. Generally speaking, trend data for certified staff are gathered from two surveys each spring—Conditions of Teaching and Shared Decision Making. Results are shared with faculty and staff at each building. Building leaders analyze this data and look for opportunities to improve processes. Based on the data, some teams may develop PDSA cycles, say, to continually improve job satisfaction, teacher conditions, shared decision-making processes, or the like. Last year we implemented fast-feedback forms, as a way
to quickly identify needs and problems emerging through the academic year. In the past we surveyed staff at each year’s end, but we realized that too much dissatisfaction could accumulate by then. Now, with the fast forms, we can gather feedback from each faculty meeting. This allows us to make mid-stream adjustments and rapidly improve work conditions. This newer approach better meets the needs of our teachers and staff, and the data on employee satisfaction supports that conclusion.

It’s important to note that we also survey employees who decide to leave the district. We ask them to fill out an exit survey because we want to know why they’re leaving. During the last three years we’ve received 143 exit questionnaires from such staff; twenty-nine expressed dissatisfaction. The Personnel Office reviews that exit information and scans for trends or patterns. Again, we adjust our operations when we discover that we can make improvements.

Measurement, Analysis, and Knowledge Management

Robert Ewy, Director of Planning, Staff Development, and Quality Programming, and Carol Ann Rush, School Improvement Facilitator—We have to be honest: Until we understood how to manage data analysis, we had difficulty moving forward as an organization. One of our phrases is: “Without losing focus on its mission, District 15 has become a data driven organization, measuring progress in all aspects of its operation.” And that’s really what we want to drive home—that measurements and data make a difference in the daily functioning of our organization. We also want to explain how we’ve evolved in data collection and analytic procedures over time.

We’ve come to see that as we engage in data analysis, we’re practicing certain methodological principles. For instance, we think that analysis cannot derive from simple single data points. If there’s no trend data over time, we don’t discuss it because we feel it just shows too little—it’s sort of invalid as far as conclusions are concerned. So one principle is this: You need to sustain data collection over time. Data gathered from a single school day won’t prove curriculum efficacy, for example, one way or the other. Only data gathered throughout a semester, or two, or more, is going to transmit reliable information on that target. So the principle here is to crunch data accumulated over an extended period of time. Then you can more accurately register achievement rates.

This principle also enables us to determine the stability of our processes. We are interested in seeing whether results can be predicted, given whatever procedures, and extended data collection allow us to quantify that stability. So the sustained data collection principle is a strong element of our work.

Another key principle we’ve learned involves a reduced reliance on lagging indicators and an increased reliance on leading indicators. We’ve constantly worked with lagging indicators, such as state and other standardized tests—all good information...
that gives a sense of your program’s educational proficiency. But once we focused more on leading indicators, we began to notice more their importance in the improvement process.

For each key objective we include lagging and leading indicators that are crucial for the measurement of achievement. To give you an example, in the category, “leadership effectiveness,” a lagging indicator is our annual systems check for district leadership teams, and a leading indicator is the teacher/support staff focus group that gets together two or three times during the year.

We use data for decision-making, as well as for various discussions on program effectiveness and weakness, and we integrate various groups of people in the organization so that the communication of important data flows through the organization in a cross-functional way.

In terms of data analysis, we first try to determine whether we’re meeting our customer expectations, and whether previous results or expectations have changed over time. If anything has changed, we then make sure that we’ve grasped the nature of that change. In the process, we will have conversations around questions like these: “How well are we doing in relation to present customer requirements?” “What are our results?” “Are we meeting or exceeding expectations?” These conversations arise whenever we scrutinize student performance, or transportation, or food service. It doesn’t matter what part of the organization we’re talking about because we talk about all of it.

Let’s assume that there are some gaps in a process. The question we will ask is, “What in the culture is causing those gaps?” Now a gap could be linked to understanding, knowledge, motivation, or attitude; those might be major drivers. But we realize that there’s obviously something in our staff culture causing the gaps. And here’s where the Baldrige process provides a better approach. With Baldrige, you don’t blame the culture for a lack of results. You blame the process and figure out why the process is not delivering the desired result. From that focal point you develop an improvement theory for the processes. In the leadership team, for example, we use such information in discussions—animated discussions we might add—to identify exactly what isn’t working in the process, why it isn’t, and how it can be improved. We do this on a semi-annual basis.

One core value for District 15 is management by fact. With a rigorous data gathering process one can ascertain the factual impact of one’s improvement plans. We know that without measurable goals, along with related lagging and leading indicators, we can’t make informed data-based decisions on school improvement programs. In fact, we demand measurable goals, not generalities such as “students will improve” or “students will increase,” but specific numeric targets (e.g., 90% of the student population will meet or exceed state standards.) What’s more, we expect the goals to say how progress will be measured. With quantifiable data, we can then keep tabs on our progress and make necessary in-process adjustments.
To help organize all the data we have collected, our district developed a central online data storage and analysis system called the Educational Data Warehouse. This has proved to be a tremendous resource for senior leaders and principals. The system allows users to work with approximately 300 variables, including such factors as socio-economic status, nationality, grade level, subject, and attendance. These can all be combined or disaggregated to arrive at certain data-driven insights.

In general, a wealth of data-driven material can be accessed from the system. There's data on attendance and enrollment, early intervention reading programs (i.e., KIP and FLIP), results from state and nationally normed tests, six years of state results, special education, second-language learner performances, district curriculums, and PDSAs. Moreover, people can look at various department projects and see what each is currently working on. Information from student, teacher, and parent surveys can also be accessed from the warehouse.

Survey data is excellent to post because many people never get to see the outcomes of surveys they've completed. Well, here they can see outcomes. We've also included templates for every school improvement plan the district supports (pre-designed for staff use) and various evaluation forms. We also store data on current ESL students, which allows us to monitor their progress. So with this data and with the right software and micro-strategies found in the warehouse, we can make use of many statistics and generate many useful reports.

And again, without this data, how could we establish the effectiveness of our programs? Well, now we can establish that effectiveness. So, this factual information is itself invaluable. Generally speaking, these facts can help spot trends. The facts can also help spot student groups that are not meeting certain requirements, such as state standards or the federal No Child Left Behind Act.

The data can easily be used to inform and support improvement plans. Information can also help determine what the district benchmarks are. Additionally, leaders can use information to glean best practices found even within the district itself. That's especially helpful because it leads to the free exchange of ideas among our teachers and staff. If a school faculty, for instance, is having trouble with a certain student subgroup, the principal can locate, through the warehouse, another district school that perhaps has solved a similar problem. The principal might then meet with that school's solution team and discuss the problem. From that, she might gain thoughtful insight into her own school's difficulty and the steps needed to effect corrective change. So, the warehouse is also great in that it opens up clear channels for free internal communication.

Leaders can save documents on their computers under a “my reports” section of the data warehouse. Features like this make it easier for administrators to save and access knowledge they need to guide meetings and planning.

Additionally, we have a Quality-Tool site. The site contains information on the nature of each quality tool, on the situations in which each is useful, on the analytic powers of each, and the like. It's important to provide tool descriptions and explanations for our staff because it makes tool selection that much easier. All staff can access the site and use the tools that fit their specific needs.
Now, obviously, if you are relying on an electronic data-based system, you need to ensure the integrity and safety of that system. We have addressed these issues and made sure that data recovery systems are in place.

The warehouse, although invaluable, ultimately can not replace humanity. In the final analysis you still need human beings with heart to make final decisions. And it's important to keep that in mind. Whatever computer system you build into your organization, there will nevertheless be things that it can't figure out. Just to take a simple example, a few years ago the state sent us a disc containing various student data. We drove that information into the warehouse and immediately began receiving outputs purporting that our kids were failing in science. Well, it just didn't seem right at all. As it turned out, the state had divided student science data into five areas, rather than six (as we were doing). This totally threw off the tabulated results in the conclusive analysis. The computer couldn't figure out for itself that different categories were being used by different agencies. It just read what we gave it, and churned out conclusions, but couldn't recognize the mismatch and the errors that were emerging from it. Humans, on the other hand, can not only recognize errors, but can fix them.

**Process Management**

W. Christine Rauscher, Ph.D., Assistant Superintendent for Instructional and Special Services, and Robert J. Strande, Assistant Superintendent for Business and Auxiliary Services—This section presents some key aspects of District 15’s process management, including services that provide value to students, stakeholders, and the organization.

Our school board members not only devised a mission to develop world-class learners, they carefully defined that learning by devising student performance targets. The targets were ambitious, and we knew that success would depend on careful attention to three key learning processes: curriculum, instruction, and assessment. We also knew that we had to be very clear about student expectations and what teaching strategies would most effectively help students. Only then could we measure the extent of our success.

Some school districts have a curriculum development cycle, in which program assessments are conducted only once every fifth or sixth year. We knew that that kind of plan wouldn’t be helpful for us. We would need continuous feedback to register whether or not we were actually improving, not feedback once every five years! So we designed a cross-functional process map with which we developed a new curriculum that dramatically reduced cycle-time (See Figure 2, on the next page). We designed it to respond to our system requirements and our curriculum practice. At the same time, we made sure that key practices were set by the best models in the field, informed by research, benchmarking, data analysis, and federal and state guidelines.
We designed a cross-functional process map as a short-term data gathering tool. This was effective because it allowed us to collect and respond quickly to data. And we didn’t rely solely on any single data category but used various sources to formulate responses. We made use of our educational data warehouse. We used state and normed tests. We also used programmatic assessments and student portfolios.

There is certainly a business side to education and hopefully that doesn’t surprise anybody. We identify our customers and their specific needs. Vendors, for example, represent one of our customer bases. Vendors may not care overly much about student on-time delivery but they do care about on-time delivery of payment for supplies received. So we make sure the vendors get what they expect—on-time payments. And this goes on for each customer. We recognize the specific needs of each customer and respond promptly and accordingly. We know that each customer plays an important role in our work and we strive to maintain positive relationships.

Furthermore, since we serve our community, we do not outsource any major function. We are in-house for transportation, food service, custodial and maintenance, accounts payable, purchasing, and so on. It all stays at home. We see this as another way to serve our community. Because we value the community, and we honor the workers within it, we thus help build strength into the neighborhoods themselves.

The state school code sets a lot of our standards, but so do our customers. Standards are also set through benchmarks we do with local and regional districts of comparable size. We benchmark with contracted districts and even with outside transportation agencies that aren’t busing students.

When we first started our improvement process, we found rather quickly that exceptional and appropriate benchmarks weren’t so easy to find. We heard our staff say,
“Other districts just don’t gather data like we do.” And that was true to an extent. But we also learned that if you are willing to look hard enough, you can find the high-quality benchmarks you need. There are both exceptional regional and national standards. We eventually found a national benchmark that was excellent for custodial work. We also discovered a great national benchmarking service for food service. And so we began to compare our appropriate operations to those.

One result we pay attention to is fifth-grade math, measured by the Illinois Standard Achievement Test (ISAT), a mandatory state exam. Our achievement rates are stronger than comparable systems in the state. Between 1998 and 2000, 80% of our students met or exceeded the state standard. From 2000 to 2002, we improved that to nearly 88%. Our goal is 90%, which is where the top 3% of schools are. (The top 25 schools in the state make up the best 3%, and our constituents quite clearly told us to reach that 3% mark.)

Our reading intervention programs add value to student academic experience. Research shows that second grade reading levels correlate with high school dropout rates, teenage pregnancy, and involvement with the juvenile justice system: the lower the reading ability, the lower the student chances for later life successes. In fact, the state of Indiana uses end-of-year second-grade reading levels to project future prison cell needs. Furthermore, students who aren’t reading at grade level by the end of the second grade tend more towards later academic troubles. Finally, reading level is also somewhat correlated with economic success: the higher the levels, the somewhat higher the chance for monetary strength. Thus, reading ability is a significant skill for young students to acquire and master.

Because reading ability has such a tremendous impact on later student learning and life, we make a special effort to emphasize the joy of reading and reading instruction. Our student performance target for reading aims to make every student a grade-level reader by the end of the second grade, when enrolled since kindergarten. In February 2003, 84% of our second graders were reading at grade level. By the end of the year, 92% were at grade level, a surprising achievement. That result happened because our staff focused on developing and implementing specific, grade-level, intervention programs.

Initially, 18% of our kindergarten students were at risk for reading below grade level by the end of second grade. After trained reading specialists began intensive one-on-one interventions, in a Kindergarten Intervention Program (KIP), 12% exited our KIP in the first year. Those who didn’t were picked up the next year in FLIP, a similar first-grade intervention program; 4% of the first-graders exited FLIP, so that only 2% of the original cohort went on to SAIL, a second-grade acceleration program in literacy. After the second grade, we continue intervention programs for those students who need them, straight through the eighth grade. In addition, we continue to benchmark and improve our programs. We feel good with the results we’ve obtained. It’s good to know that we’ve come close to meeting our reading proficiency objective.
Basic skills

Our students have also performed well when measured by the Iowa Test of Basic Skills. Students in District 15’s instructional programs for five years, from second through sixth grades, met or exceeded the district’s 90% performance target. Such results put District 15 students in the top ranks for both state and national achievement. It’s clear that our students have been able to perform at a quality level.

Support services

Initially we looked at transportation to see whether any gaps in services were noticeable. Were we getting students to school on time? Were students behaving on the buses? Were buses arriving safely at the schools? We measured these through daily tracking of on-time delivery, student conduct reports, safety records, employee satisfaction levels, and so forth.

While we serve 13,000 students, we actually transport 20,200 children each school day: 10,100 students to school and 10,100 students from school. We manage that with 138 buses, cooperatively running 819 daily routes, organized to work on a four-tier system, each tier marked by a different start time.

Several years ago we identified a problem. Our on-time delivery was below standards in some respects, but we weren’t quite sure how to fix the situation, or even what the exact nature of the situation was. We even thought about changing the starting times for schools. But that’s when one principal asked, “What difference will that make? If we start later, won’t the buses just pick the kids up later? That is, won’t the busing problem itself continue, but simply at a later time?”

We then realized that we probably had to work with the transportation system itself, which seemed to be the real problem. Changing time structures probably wouldn’t impact very much because timing probably wasn’t at the heart of the issue. So we conducted a root cause analysis to see just what the issue was. This led to a few simple but important discoveries: Drivers were putting in vast amounts of overtime. We were short on buses. We were short on drivers.

And so, with the causes known, the solution wasn’t complicated. We simply added a number of vehicles and personnel to the routes, and we immediately began to see improvements. Overtime plummeted and we became much more efficient.

We also discovered another interesting thing. The bus drivers were not aware that a problem existed. They thought that things were simply proceeding smoothly. So we obviously had a perceptual mismatch there. But once we talked more with the bus drivers, monitored their on-time delivery rates and provided drivers with their results, things improved. The drivers clearly took ownership of the situation once we communicated expected performance and provided factual feedback.

To give you an idea of the change in performance, special education/kindergarten routes for February/April 2000 had an on-time delivery rate of 77%. At that time regular education routes had an on-time delivery rate of 88%. Over the next three years we were able to bring both routes up to a 98% on-time delivery rate—and that’s with all the traffic we have in our metropolitan area. To be able to hit those delivery targets is remarkable. To our delight, we were able to turn ourselves around. As stated so often, we are a data driven district. In this circumstance, we obtained data and used it to improve our transportation department. The transportation staff responded to the feedback and really revitalized their work.
The district is composed of nineteen school buildings, a central office building, a 
warehouse/maintenance facility, and a technology center. So, we have twenty-two 
buildings, with 1.7 million sq. ft. of area, and 200 acres of land, to maintain. We 
employ 120 custodial and maintenance personnel to get the job done.

A few years ago, we wanted to determine the faculty satisfaction levels for the 
custodial maintenance of the district’s schools and surrounding areas. We therefore 
completed a root cause analysis to determine custodial satisfaction rates for our 
system. We were told, basically, that some room for improvement existed.

We started a simple, six-question semi-annual survey for faculty and staff to deter 
mine their level of satisfaction. Answers were recorded with a rating system of 1-5, 
from 1 = poor, to 5 = excellent. The questions are presented below, with 5 and 6 
being especially germane:

1. How do you rate the cleanliness of your room?
2. How do you rate the cleanliness of your school?
3. How do you rate the maintenance of your room?
4. How do you rate the maintenance of your school?
5. How do you rate our friendliness and courtesy?
6. How do you rate the overall quality of our service?

After scoring the survey, we took two steps. First, we shared the results with the cus 
todial staff for each building. We also developed a weekly monitoring cycle to gain 
regular feedback from schools about the quality of custodial care they were receiv 
ing. It wasn’t a full weekly report for every faculty in every building, but by the end 
of each month every teacher received at least one set of varied questions, such as: 
Has your trash been removed? Has your desk been cleaned? In this way we started 
to gather a lot more feedback. We were also better prepared for the results of our 
semi-annual feedback forms because the weekly cycles let us know beforehand how 
people were feeling. Armed with this knowledge, we were able to move our overall 
custodial satisfaction rate from roughly 88% to 96%. And again, the key to it, other 
than sharing the data, was the ownership the staff took for the improvement cycle 
Once we made clear what was expected, and that results would be measured and 
feedback shared in an effort to improve, not punish.

We celebrate every one of these victories with a pizza party or something similar; 
and you know, we found that, morning, noon, or night, nobody argues with pizza. 
Small celebrations are just part of our improvement culture.

In support services, we followed the same cycle that other departments followed as 
we identified gaps in services and worked to improve them through the continuous 
 improvement process. Our staff is motivated and our processes work. It’s a great 
combination.

Direction, alignment, deployment, and measurement are key to developing a con 
tinuous improvement culture. We’re very proud of our success, but we know that 
more work lies ahead. The Baldrige examiners pointed out areas in our processes 
that still need to be improved. And we’re already working on those now. Members 
of the Board of Education and our senior leaders are firmly committed to keeping 
the Baldrige process active and vital. We know that the drive for continuous qual-
Applying for the Baldrige Award

Robert Ewy, Director of Planning, Staff Development and Quality Programming, and Carol Ann Rush, School Improvement Facilitator—Even if you’re not interested in a Baldrige award, or you are thinking that you’re far from being ready to apply for a Baldrige award, I recommend that you consider writing an application anyway—just for the learning benefit you and the people in your organization will receive. Even if you don’t submit the completed application it will still do you a ton of good, because the process of writing so much down will inform you more about your organization than any other single act you could perform.

It wasn’t until we really committed ourselves to a process of actually wording our global actions that we gained substantial clarity on what the organization was and wasn’t doing, and with that we discovered that we might be our own worst critics. But we realized the importance, as Dr. W. Edwards Deming would say, of knowing your own organization. Writing everything down helped reveal to us many things that we just weren’t initially aware of. But above that, if you do submit the application, you’ve then committed to inviting external feedback, which we absolutely felt would be a vital discovery phase for us. We knew that that kind of information would give us a fresh, expert, objective perspective.

We started our quality award journey with the Lincoln Award, Illinois’ state award process. If you have the option, use your state application as a springboard to Baldrige. It’s a bit more comfortable and a great way to start that ball rolling.

In 1997 we finished our first Illinois application. At that time we were, interestingly enough, quite pleased with ourselves and thought that no serious need for educational improvement specifically existed in District 15. And so, we were more than taken back when we received our 1997 feedback report. We had applied for Level 2, but we ended up getting Level 1, which is kind of like saying, “nice try, you know, thanks for participating.” Our point total was somewhere in the neighborhood of 200 and we had eighty-one “OFIs” (opportunities for improvement).

We recommend that you make use of “category teams” as early in the Baldrige process as you can (i.e., a team for each of the seven Baldrige categories: leadership, strategic planning, student, stakeholder, and market focus, measurement, analysis, and knowledge management, faculty and staff focus, process management, organizational performance results). We unfortunately came upon this strategy late in
the process. We did use them for our last written Baldrige application, but again, we totally recommend that you use them early. When you get a jump-start with the teams, you just have a better sense of what each category requires and what you want to look at.

We also suggest that you pay careful attention to any OFIs you get in feedback reports. Pay attention to them as if they were an obsession. We did. We took the “OFIs’” to heart; when they suggested we do something, we did it. It was obvious to us, as we read the feedback report, that Baldrige examiners clearly understood us in terms of our strengths and weaknesses. Honestly, that external feedback was invaluable. And because we recognized how positive their objective view was—to help us learn how to improve what we do and how we do it—we wasted little time taking their advice to heart.

So where does one start in the process? We found it helpful to begin by looking at Category 7 in the Baldrige criteria—performance results. One’s actual results can inform one’s organization as much as anything. So as soon as we gathered our results data, we were able to begin to study the quality of our performance.

As an organization, we were looking for effectiveness, and by understanding our performance results we quickly realized where we were and weren’t achieving the effectiveness we wanted. And on a side note, when tabulating information for applications, don’t be embarrassed with simplicity. Maybe the way you organize information looks elementary. The important question to ask yourself is this: Is the material presented in a way that is crystal-clear and effective? If it is, then please, by all means, stick to that approach.

If you can, use people who have a broad organizational perspective to write applications. In fact, try to use people who are in positions that give them access to every nook and cranny of the system. In our case, we did just that. One of our two main writers held a position that required communication with all schools and their support departments. A good writer with that experience is unique and can infuse real insight into the written reports.

In writing the application it’s also useful to use only a few authors. That way the “voice” of the writing remains internally consistent. Really, you want a single theme or chord to carry straight through. Otherwise, the writing can seem confused, choppy, or discordant. On the other hand, we suggest that you use lots of people to critique and edit the application. And so, two selected staff members wrote and then passed their writing around to others, asking: “Is this accurate?” “Is this the truth?” “Do you have additional data?” “Is there another perspective you’re in touch with?” After that, the writers just continued to question and revise until it was agreed that the essence of the organization had indeed been captured. And since they were writing factually to standards, the steps really helped us develop a deeper organizational perspective.

Additionally, if you’re genuinely serious about writing a good application, it’s a great help to read others. We read as many applications in both the public and private sectors as we could get our hands on. And that was a tremendous help to us.
Feedback could be seen as an embarrassment to be avoided, but it’s helpful to see it as an opportunity.

Baldrige feedback is quite different from more subjective feedback. A great deal of feedback that we typically encounter as human beings is perception, which is often based only on subjective evaluations (i.e., “Here’s where we think we’re at.”). That kind of stuff is so often based totally on opinion. There’s nothing scientific about it.

The Baldrige feedback report, on the other hand, gives an evaluation based on data. It’s empirical, and that’s important because we need to have management that is based—as much as possible—on fact, not opinion.

The Baldrige feedback report discusses one’s weaknesses and problems—that’s what it gives you. We needed to recognize that our weaknesses, our problems, are opportunities in disguise. We viewed the feedback as a serious chance to improve.

Of course inviting feedback, to begin with, implies that one is willing to submit to scrutiny from a strong external center of guidance. The Baldrige examiners were a rich source of guidance that made visible certain things we were oblivious to. By getting to a point where we could actually see our “warts,” we became enabled to profit from our increased awareness and, ultimately, to transform the quality of our work systems.

Initially we felt pretty good about ourselves. We felt we were a well-performing district, and the first feedback report was a bit shocking. We stammered, “You mean, people from the outside, looking at us objectively, really see all these problems? We don’t see them!”

So the value in the feedback is twofold: 1. You gain an increased awareness of how things really are. 2. You discover some specific places where you’ve got to do some work. And, moreover, you discover feedback “opportunities” that you just never dreamed of. For instance, our first Baldrige feedback report revealed not only certain systemic problems, but also actual problems in the written application itself. We were, as a system, actually completing certain processes that the report indicated (by omission) as being systemically absent. But we had to write our application in just fifty pages, and so we missed including some relevant points! And without including those points in the application, how could the Baldrige people credit us with doing it? So, the feedback also showed us how to write more effective applications. Thus, there was just tremendous all-around value in the effort.

After looking at the Baldrige feedback report, we made a crucial decision. We decided to show our constituents the system weaknesses. We publicized the feedback, distributing it to our constituents: to our parents, our DACCEE members, and other concerned citizens. And believe it or not, sharing all the “warts” with the public got us lots and lots of kudos. Even the press was surprised with this open approach.

But we wanted to come clean with the community. Still, if you take that step, just be...
prepared to account for the problems. People are going to say, “Okay, so you have these issues. We appreciate the honesty, but still, what are you going to do about them now?” But even there, with creating solutions, we believed in the community’s input. So, we convened a community meeting, asking everybody’s attendance, and then circulated the feedback report. From there, we let the conversation flow. We asked, “You see the identified areas. Now, what do you suggest we do?” And having conversations like those were absolutely valuable.

And even on the last Baldrige report—upon winning the Baldrige award—we still received improvement feedback; nobody hits a perfect score of 1000. So there’s always room for improvement. We learned to accept that as being okay. The important thing is to use that information to get even better. We used it. The feedback was a very, very important tool for our growth. So please don’t overlook its significance. And look at it this way: It’s a tool that helps you get better. And you feel better about yourself when you get better.

Robert Ewy, recently retired as Director of Planning, Staff Development, and Quality Programming for Community Consolidated School District 15. He is a consultant to school districts and other educational organizations across the nation in the areas of strategic planning, data systems analysis and alignment, and the application of the principles and practices of continuous improvement. Ewy is co-author of Charting Your Course, a recently published book on District 15’s Baldrige journey.

Karen Hindman became Executive Director for School Improvement in July, 2004. For four years prior to that she was principal of the Frank C. Whiteley School. She had been a learning and behavior disorders teacher, a teacher leader helping integrate technology into the curriculum, and a building assistant before becoming principal of Whiteley, one of the district’s Blue Ribbon Award schools. Karen graduated from the University of Vermont and earned two master’s degrees in education from Northern Illinois University.

Robert A. McKanna, Ed.D., has been Superintendent of Schools for District 15 since July 2003. Before joining District 15, he served as superintendent at school districts in New York, Massachusetts, and Illinois. Dr. McKanna is a certified trainer for the American Society for Quality (ASQ) Koalaty Kid program, and has served on the board of directors of ASQ’s Koalaty Kid Alliance. He is an accomplished presenter and author of numerous articles on quality.

Jean H. Sophie has been Assistant Superintendent for Personnel and Human Services for District 15 since mid-2003. Prior to that, she was principal at Jane Addams School and assistant principal at Plum Grove Junior High School. Jean is a Lincoln Foundation for Business Excellence examiner. She is currently serving as category champion for Baldrige Category 5, Faculty and Staff Focus, at the District.

Robert J. Strande has been Assistant Superintendent for Business and Auxiliary Service for District 15 since 2000. He has more than thirty years of experience in the field of school finance. Previously, he was executive director of business services for the Glenview, IL, school district and business manager at school districts in Richland Center and Janesville, WI. He serves as category champion for Baldrige Category 6, Process Management, at District 15.

Robert Tenczar has been Director of Communications for District 15 for the past four years. He is a member of the superintendent’s cabinet and serves as category champion for Baldrige Category 3, Student, Stakeholder, and Market Focus, at the district.

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He has nearly twenty years of professional experience in the field of communications, including sixteen years in the field of higher education, newspaper reporting, and working with a top-rated Chicago public relations agency.

W. Christine Rauscher has been Assistant Superintendent for Instructional and Special Services for District 15 since 1999. She previously served as an assistant superintendent in the Hinsdale and Naperville, IL, school districts. She is a recognized leader in the fields of curriculum development and reading and has presented both nationally and internationally. She serves as category champion for Baldrige Category 6, Process Management, at District 15.

Carol Ann Rush recently retired as school improvement facilitator for Community Consolidated School District 15, where she did data analysis for the District, assisted in designing school improvement plans, trained staff in using the PSDA cycle of continuous improvement, and helped with measurement and charting progress. She also helped develop the District’s Educational Data Warehouse. Carol Ann is a Koalaty Kid trainer and a member of the writing team for District 15’s Malcolm Baldrige application.

Louis A. Sands is serving as President of the Community Consolidated School District 15 Board of Education for the second time. First elected to the board in 1993, he was president from 1998-2000 and was re-elected in 2002. Mr. Sands holds a bachelor’s and master’s degree in psychology from the University of California–Riverside as well as an MBA in marketing. A commercial insurance broker, he has more than twenty-five years of business operations and management experience.

About this article

This article was developed from presentations at the Quest for Excellence XVI Conference in Washington, D.C. Editorial assistance was provided by Erik L. Smith, a teacher at North Andover (MA) High School, and Laurence Smith, GOAL/QPC.
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