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- 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.

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- Case studies, applied research, tools, leadership perspective, and news & views
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- Private sector; public sector; and nonprofit organization settings
- Leading-edge and experience-based information, generally 1–3 years old.

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Fragments of Our Imagination

Imagination produces ideas, and ideas lead to innovation. That’s good, of course, when we come up with the right ideas. In the world of business and industry, the kind of imagination that is thought to be most important is that which produces ideas for goods and services that are commercially viable, leading to greater market share and increasing levels of profit.

In the world of politics, imagination is often about effective and efficient ways of getting elected and serving special interests. We could continue this exercise, exploring the imagination of various people in myriad other fragments of our pluralistic world, such as education, health care, government, and nonprofits.

Each segment of society represents a fragment of our collective imagination. Do we ever concern ourselves about what all of these fragments create? In the United States, for example, we pride ourselves on our political rights—the right to life, liberty, and the pursuit of happiness. We even have, on our eastern shore, a Statue of Liberty, which serves as a constant reminder of these rights.

But are these rights purely individual rights, without regard for our common wealth and well-being, or are they also community rights? As we individually innovate, do the proliferating fragments of our imagination work together to make attractive and healthy wholes? Is there a sense of community? Is there a synergy, good or bad? Is the economic system designed to reward doing the right things? Do we care? And if we do care, then what? Do we seek to help? Do we pursue mutual accountability for ourselves and others? Or do we just bury ourselves in our work, or seek entertainment or escape, and hope everything will work out okay?

Do we think about how our political rights to innovate and profit are functioning? Do we think and act in terms of entitlement—that it is someone else’s job to provide and maintain these rights for us, and that we are free to use any means at our disposal to achieve our individual ends? What if they (whoever “they” are) don’t maintain these rights for us? How will liberty be achieved and preserved? Do we lobby intensely to maintain and enhance our individual rights, and seek political advantages, without regard for the common good?

In today’s business world of systems thinking, do we include the understanding of sociopolitical systems and their socioeconomic impacts? A number of years ago I participated in the U.S. Chamber of Commerce sponsored Academy of Organization Management, held annually at the University of Notre Dame during the summer. One of the five modules taught at the week-long event was Contemporary Civilization. The professor leading the seminar, the late Dr. Anthony Nemetz, taught that society is a system based on a sense of community. Community, in turn, is a system based on a shared perception of right and wrong. Notions of right and wrong, in this regard, are not a multitude of trivial ideas, but rather an essential few, such as not to lie and respect for parents. Community is achieved through systematic conversations that lead to programs, and the conversations have to include people with competence, jurisdiction, and interest in the common good.

Coming back to the idea of rights and liberty, so cherished in America and throughout the free world, do we believe that our liberty and rights have an annual cost, and that the price is personal and collective responsibility, and a reduction of fragmentation? Perhaps Viktor Frankl, psychiatrist, neurologist, best-selling author of *Man’s Search for Meaning* and *The Will To Meaning*, and Holocaust survivor, expressed it well in the 1960s when he suggested building a statue on our west coast to complement the east coast’s Statue of Liberty—this one being a Statue of Responsibility.
We regularly run stories of Baldrige National Quality Award winners because they demonstrate a corporate ability to create a sense of community and transform fragments into wholes. No winner is anywhere near perfect, and each is continually learning to work together and serve all of its stakeholders well.

The Bama Companies supplies bakery products to some of the largest and best-known restaurant chains in the world. Bama won a Baldrige Award in 2004, and we have a follow-up story that, in this issue, discusses use of Six Sigma. In his article, “Six Sigma and Baldrige,” Mike Frihart, a Six Sigma Black Belt, says:

Six Sigma is about focus. Some of you may know that Baldrige is about focus, too. The good thing for us is that Six Sigma has made us focus on using data for better decisions so that we can achieve happier customers, and better business results. Six Sigma also includes some tools that help us think better. We assume we’re pretty good at thinking at our company. I imagine people at other companies tend to believe that as well. But using Six Sigma, we have proven to ourselves over the years that we can always be a little better about how we think.

The notion of corporate governance is a topic that is gaining increasing attention in the world of business. In addition to being a frequent news item and subject of political discussion (often when something bad happens), governance is now a prominent part of the Baldrige Criteria for Performance Excellence. But where does governance start? In his article, “The Governor of Your State,” GOAL/QPC’s Laurence Smith suggests that our ability to have good governance begins with our ability to govern ourselves, beginning with governing our states of mind:

In the context of leading and managing, the issue of governance has more than a corporate, legal, political, or academic dimension. Governance has a personal aspect, too. This personal component is where each of us builds our own foundation for leading and managing. This foundation becomes what we may call the leading edge, or fuzzy-front-end, of corporate thinking and behavior as people engage in corporate life as agents of the corporation.

While many are complaining about the quality of education in the U.S., and educators often get defensive, the leaders of the Baldrige program have paid careful attention to developing solid criteria for running a good educational system, and some educators are trying it out and achieving good results. In New York, the Pearl River School District won a Baldrige Award in 2001. Sixteen years earlier, in 1985, Pearl River began to systematically improve its management, leadership, and education systems. Addressing one of education’s “hot buttons” in a follow-up story, “Baldrige and No Child Left Behind (NCLB),” the superintendent, Dr. Frank Auriemma, tells us:

The key to both Baldrige and NCLB is the arena of student performance. We truly believe that whether we are talking about teacher evaluation, best practice, or professional development, the bottom line is the resulting increase in student performance.

When we first started our initiative, about a third of the area students were out of the district and in private schools. As you improve, you start to capture that market share and you can do it at a relatively quick rate—much more quickly than you think. As a result, we have been able to increase our market share from 70% to 90%.

Park Place Lexus is a 2005 Baldrige winner. In a case-study article, Park Place founder and chairman Ken Schnitzer informs us that:

There are 23,000 automobile dealerships in the United States. Park Place Lexus is the first and only automobile dealership to receive the Malcolm Baldrige National Quality Award. We had an exciting twelve-year journey toward our selection for the award.

Progress requires buy-in by leaders at every level. Sometimes we must make a decision that is painful in the short term but is necessary for long-term success. In such times, managers show their commitment not by what they say, but by what they do. We believe in the member-driven culture. It has great benefits but carries heavy responsibility. We must listen to our members and we must address their issues, no matter what they are.
Six Sigma and Baldrige

Author
Mike Frihart, Six Sigma Black Belt, The Bama Companies, Tulsa, Oklahoma

About The Bama Companies, Inc.
The Bama Companies, Inc. supplies bakery products to some of the largest and best-known restaurant chains in the world. In 2004, Bama received the Malcolm Baldrige National Quality Award.

What is Six Sigma?
Most experts define Six Sigma as a project-oriented improvement process. It’s really a comprehensive system that helps you fix what’s broken. It also helps you keep the good results you already have, and make them even better.

There are three different aspects of Six Sigma that are important to touch on, if briefly:

- It is a philosophy.
- It’s a methodology.
- It is also a goal.

Sometimes if you read a book about Six Sigma, the book will say it’s only one of the above. At Bama, we think it’s all three.

Six Sigma as a philosophy, and its relationship to Baldrige
In terms of philosophy, Six Sigma is about focus. Some of you may know that Baldrige is about focus too. The good thing for us is that Six Sigma has made us focus on using data for better decisions so that we can achieve happier customers, and better business results. Does that sound like something Baldrige might also intend? Data-based decision making, customer focus, and focus on results are all part of the Baldrige package, and part of Six Sigma too.

Methodology
Six Sigma also includes some tools that help you think better. We assume we’re pretty good at thinking, at our company. I imagine people at other companies tend to believe that as well. But using Six Sigma, we have proven to ourselves over the years that we can always be a little bit better about how we think.

Six Sigma is about using the scientific method, which relies on data—on forming a hypothesis, a theory about how things work—and then using data to figure out if the hypothesis is true or not. Sound complicated? You might think you don’t know anything about statistics, but you use them every day. For example, you know that if you press on the gas pedal, your car’s going to go. If it doesn’t go, you’ve indicated a problem that needs to be fixed.

This scientific method stuff is all about either fixing things that are broken or creating new things—inventions, products, and processes. The point is that the Six Sigma method helps you get the results you’re after.

Six Sigma as a goal
Six Sigma as defined by the Six Sigma practitioners is a lofty goal of 3.4 defects per million. I prefer to think of it as just really darned good—performance that’s so
good it shocks everyone, including you. We've been working with Six Sigma in our
company for five years, and there is one part of one process that I know of that per-
forms at the Six Sigma level. And we have a lot of processes at Bama.

So are we a Six Sigma company? We're becoming one. We're probably never going
to hit this goal, though we're going to keep working at it. We're making headway. At
a 2 Sigma level, you're somewhere around 300,000 per million defects. Ontime air-
line departures, for example, are below 3 Sigma levels. Most organizations, includ-
ing Bama, are between a 3 and a 4 level. And if you go from a 3 Sigma to a 4 Sigma,
you've got about a tenfold improvement, which is pretty neat.

Based on data, we know we've actually gotten the following out of Six Sigma:

- Improved customer satisfaction.
- Reduced cost of goods sold.
- Reduced operating costs
- Improved product reliability
- Inventory reductions
- Increased productivity/yield/capacity
- More successful products
- Profitability and growth

Our customers are happy because we've been able to address product issues that
they were concerned about. In fact, from one project concerning a particular prod-
uct, we were able to salvage a large chunk of business. We also have a stable-to-de-
clining pricing philosophy at Bama. We tell our customers this and then we have to
make it happen!

Six Sigma is a good application for making things better fast. It's helped us reduce
the costs of our various operations. One of our green belts recently completed
a project designed to stop us from paying our bills too early. In this way, we put
$900,000 in the bank in an instant.

We definitely have made improvements in reliability. We had reliability problems
with a certain product, and that became a very large customer's number one dissat-
sisfier. But we made improvements and they're very happy now and so are we.

We've been able to reduce inventory and make our production lines go faster. We
were able to avoid spending $20 million to expand a building and put in a new pro-
duction line because we used Six Sigma to make an existing production line more
efficient. Overall, Six Sigma has simply helped us become more successful.

We spent the first several years of our implementation of Six Sigma down at the
bottom of the triangle in Figure 1 on the next page, working on Six Sigma projects.
Six Sigma for us is a way to achieve, sustain, and maximize organizational success,
and we focused on that down in the bottom of the triangle.

But there was a problem. These efforts weren't very connected to our strategy. We
had spent several years searching for projects for our black belts and green belts.
We had a lot of projects going on at the same time. But we finally woke up to the fact that not everybody was working on things that were really important. What we’re trying to do these days is to move the level of Six Sigma thinking up that triangle into more of a strategic deployment. We have a strategic planning process that kicks out priorities. We use our strategic planning tools up in the top piece of the triangle. But we also blend strategic planning and Six Sigma tools and try to make one tool box for all of them, in the center two sections of the triangle. This way, we can work on the high-level strategic campaign priorities, which spin off more localized centers of gravity.

Define what you’re trying to do as an organization, and then measure it. Analyze your measurements, decide what to improve, and put the control system in place. When you get to the improve stage of this five-step process—which is DMAIC: Define, Measure, Analyze, Improve, Control, then you have to decide whether you need to fix something that is broken, or to redesign and innovate instead. Using this process, we’re making headway in places we never made headway before.

Six Sigma is literally a method of thinking that we are trying to integrate throughout the company. This includes getting our senior leaders to think more in this way than they ever have in the past. They’re trainable. They really are! My personal goal is that we will eventually use Six Sigma thinking before we even open our mouths.

At the enterprise level, senior leaders at Bama set direction in the Define phase. In the Measure stage, we put performance measures in place so we can find out how we’re doing. Then we Analyze those business results so that we can identify where projects need to be pulled out of instead of pushed into. In other words, we let the condition of our business tell us where we need to focus our Six Sigma resources to Improve. Champions are assigned to those priorities, along with black belts, or green belts, and they go to work. Our tracking system (Control) quantifies results, progress, and resource use. This involves ongoing monitoring that shows how the organization is doing, how well those priorities are being worked on, and so forth.
At the campaign level, we focus on priorities, remembering that they are a direct link to the strategic planning process. Resources are assigned, and senior management team members champion these projects. A black belt is assigned to the campaign’s team leaders to help ensure that Six Sigma thinking is being used.

We also put a traffic system in place so that anybody at the click of a mouse can determine the progress of these activities.

At the project level, we have a couple of choices. We can either fix things that are broken, with DMAIC, or invent a new solution, with DMADV (Define, Measure, Analyze, Design, Verify).

The only difference is that if we’re fixing something that’s broken, we call it problem solving and the intent is you’re going to focus on fixing something specific. If you’re trying to invent something new, or redesign something, you have a much broader scope and will need some additional tools.

Here’s what you’re going to need if you decide that Six Sigma is for you: You have to believe that you can do better, that things aren’t perfect in your company. If you don’t believe that, it may not work. You need to believe that Six Sigma is a methodology that can work for you, that if you define what you’re going to work on, put a measure in place that will let you know if you’re successful in fixing it, analyze the data so that you can improve the right things, and then make sure that you maintain them through repeatable processes, it will work. If you believe all these things, give Six Sigma a try.

If you don’t have the ability to change things in your organization, you’re going to have a tough time implementing Six Sigma. Even if you do have that ability, you’re going to have to start using some different tools, and start talking differently. I walked into a senior management team meeting the other day to hear managers discussing the value of a particular test in determining if a statistically significant shift had occurred. Two years before they would have been saying: “You know, I think we ought to do this,” instead of using data to help them make decisions.

Should your company do both? Neither? If you’re my competitor, I’d rather you did neither! What it really comes down to is that the Baldrige Criteria help you identify what you ought to consider working on, what the opportunities for improvement are in your particular organization. The Baldrige Criteria are absolutely great about that if you’re honest with yourselves, or are seeking help from a third party to help you analyze your business.

If you need help in how to fix what’s wrong, try Six Sigma. It’s worked for us. We have a common language in our organization that did not exist six years ago in terms of problem solving. Six Sigma is like an operating system on your computer. It’s a way that things get done. It’s not the only way. But it’s a really good way. If you need to fix broken stuff, and need to come up with new things, and ways to answer the Baldrige questions, we think Six Sigma is what you should use.
About the author

Mike Frihart, Six Sigma Black Belt at The Bama Companies, Inc., has been involved with Bama's business improvement efforts since joining the company in 1991 as manager of quality systems. Four years ago, he joined Bama's Six Sigma efforts. He has been trained as a Black Belt in Design for Six Sigma and is currently pursuing his Master Black Belt. Frihart’s Black Belt role currently includes training, managing projects to either fix processes that are broken or to invent new processes, and working at the strategic level to help Bama integrate Six Sigma thinking with how it does business.
Can you name the governor of your state—of mind? First, let me say that this is not a cute or frivolous question. We are living in a world where the notion of governance has gained increased attention in corporate life, and not only in various national and local governments. That’s because the world appears to have become a place where a lot of things seem to be dangerously out of control. There are frequent collisions as people, institutions, organizations, and governments jump around and bump into each other and the environment. Economic, political, social, and environmental conditions seem to be deteriorating rapidly for many people, while for a very few, monetary rewards are increasing significantly. But why are people now thinking in terms of “governance” and not in terms of the usually mentioned matters of “leadership” and “management”?

What does governance mean in today’s world? Perhaps there’s a clue in language. If we seek root-cause, we find that the English word “govern” is derived from the Latin, *gubernare*, which means to steer, to pilot. So if we’re thinking about governance, we may ask these kinds of questions: Who’s the pilot? What direction are we being steered in? What’s the destination? Where will we be when we get there? What will life be like when we arrive at wherever “there” is? Is that what we want? Are we being steered in the right direction? Do we have the right pilot?

To begin to effectively ask those kinds of questions of ourselves, as well as opinion and organization leaders and followers, we need to go back even further in the continuum of root-cause analysis. The beginning point is that all human organizations are governed and operated by people. So we need to be focusing on what individuals are thinking and feeling and wanting to do, and how they want to translate all of that thought and emotion into action in the world. And since all of that thinking and feeling and speaking and doing is being planned in the mind, we can usefully ask: Who is governing the mind?

Some people in the world are actively trying to champion the public interest in political societies that charter and legalize corporations through actions of the state; people want to know who is responsible for governing the actions of a corporation when the behavior of its agents negatively affects humanity, the Earth, and economic conditions. Organization management—business, government, education, healthcare, and other nonprofits—may try to hide from public view the identity and actions of its agents who are responsible for creating its state of being, which may be causing damage to individual and public interest. This public openness is, of course, a legitimate right in a democracy, where corporations are technically and legally answerable to the state and the state is answerable to the people. That is what the U.S. Constitution means by a government of the people, for the people, and by the people. It is part of what Thomas Jefferson meant when he said that an informed electorate was necessary for the survival of a democracy.

In the context of leading and managing, the issue of governance has more than a corporate, legal, political, or academic dimension. Governance has a personal aspect, too. This personal component is where each of us builds our own foundation for
leading and managing: How am I thinking? How am I speaking? How am I behaving?

This foundation becomes what we may call the leading-edge, or fuzzy-front-end, of corporate thinking and behavior as people engage in corporate life as agents of the corporation. It is in this regard that our thinking, and state of mind (a topic that we will get to shortly), play a causal role in our personal behavior and, collectively, corporate culture. Who governs that? How is your state of mind governed? What is the result of that governance?

The former Mayor of Lawrence, Massachusetts, and an originator of GOAL/QPC, Lawrence LeFebre, used to talk about how business was sometimes conducted in the city. He would say that some people were playing ping-pong on the table while bowling underneath. In life we may encounter people who have hidden agendas and multiple agendas, and all of that stuff flows from peoples’ state of mind, which they may consciously or sub-consciously keep hidden. In a socioeconomic system that touts and requires competition, gamesmanship will develop, which usually includes trying to deduce someone else’s state of mind from observing their behavior and then developing strategies and tactics to block the adversary and win our own advantage.

Within this whole environment of organization life with its incessant competition and gamesmanship, the idea of recognizing our state of mind and governing our state of mind rarely, if ever, becomes an issue of either awareness or interest. So instead of learning to understand what’s going on and respond from a grounded and centered sense of mindfulness, we tend to react in the moment with some form of individual or joint activity that is intended to produce a win. This may cause unhealthy stress and leave us in a state of not being very happy.

In a disciplined organizational environment, management may encourage using the familiar PCDA Cycle as a tool, thinking that by starting with a planning effort they’re starting at the proper beginning point to develop a winning strategy. But are we aware that our minds already have a lot of things “running in the background” before planning even begins, which keep on running in the background during planning and the whole PDCA Cycle? (See Figure 1.) While our brain is not a machine, there are computer-like processes running in the brain that keep us alive, and a lot is happening that’s below consciousness. There are, in effect, two cycles:

1. We tend to be most aware of our Planning, Doing, Checking-in, and Acting/Reacting (PDCA Cycle) processes, because we’re been taught to do this in school or at work.
2. A second cycle is simultaneously running (for most of us this is in the background), which includes what and how we’re thinking, per-

Figure 1. Direction Involves More than a Simple PDCA Cycle.

There is a “fuzzy front end” cycle to the familiar PDCA Cycle. It includes thought, mind, consciousness, feelings, and behavior. We think of it as “fuzzy” because it is an area of our lives that we haven’t learned to pay attention to, understand, and work with. Since we’re not really consciously aware of it, there’s a kind of fuzziness when we look in that direction, and we minimize its relevance to corporate life.
receiving, and feeling, and how we’re behaving. This cycle shows up as attitude and corporate culture, and influences what we do (and don’t do) in the PDCA Cycles. This background activity can usefully be brought under productive conscious control—self-governance—and it is helpful to develop this skill.

One place to begin this kind of inquiry is with a discussion of health—what is healthy in personal and corporate life? What is healthy thought? What is healthy thinking? What are healthy attitudes? What is healthy behavior? So much of what bombards our minds in society in recent decades—what we repeatedly see and hear and read today—is about illness and treating illness. It’s as though illness has become an all-encompassing obsession in human life—at least in some widespread and influential circles—and we have to fight endless battles and endless wars to keep endless illnesses in check by using increasingly potent chemical and mechanical interventions to kill an “enemy” that keeps adapting to our attempts to kill it. We design weapons and conduct wars against all sorts of illness “enemies.” And if we injure and kill innocent and healthy cells in the process of bombarding and killing the invading evil or malignant cells, the collateral damage, we’re told, is unavoidable and acceptable. All of that, of course, is someone’s mind-set, their state of mind. It might be an individual’s state of mind, and it might be group-think. And it might not be true. History shows that there are many instances of things declared to be true by experts and authorities that are later found to be false.

This obsession with illness is carried over into organization life. We speak of deadly diseases in organizations. We speak of emotional viruses. Then, with that mind-set, the desired solution is to research and discover a “silver bullet,” to use a war-like metaphor, or a “magic pill,” to use a pharmaceutical metaphor. The desired goal is to create some chemical or mechanical intervention tool or regimen that we can buy and use to destroy the organization’s perceived or real attacker and keep illness away. We organize ourselves into military-like campaigns, sometimes designating a room in the organization to be a “war” room to plot strategies and tactics, and track plans for defeating the enemy and winning.

This sort of mind-set leads us to think of other people who are organized into different corporations or nations or religions as competitors or enemies to be overcome, taken-over, or defeated. The way the “games” are set up is that we can only win if we defeat our neighbor. And being “number one” is what is most desirable.

Now in the midst of this mind-set—this state of mind—with its resulting turbulence and complexity and stress, would it hurt to pause and ask ourselves how healthy that state of mind, that attitude, and the environment that we’ve created can be in a world where there are now over six billion people living on the same “spaceship” who are all expected to follow that same kind of script? What sort of quality of life does this lead us to create and experience—and leave as our legacy? What if we could look at it from a different perspective? What if we asked the question: How could health and healthy cooperation become the norm and not illness and unhealthy competition?

There is, at the University of West Virginia Medical School, an Initiative for Innate Health. The Initiative defines innate health as “the unrealized psychological aspect of our immune system. It is resiliency. It is as natural to us as the physical immune system that we count on to heal our cuts and bruises and fight off the flu.” The Initiative’s leaders explain, on their website, what innate health is in easily understand-
stood terms so we can readily see how it applies to healthy personal and organiza-
tional governance:

No matter what we are doing, we are the thinkers creating our own experience of life as it hap-
pens. Although it is now widely understood that people’s thinking creates their perception of
reality, it is not widely understood that recognizing the creative process that generates thinking
holds the key to mental health and stability. There is a prevailing view that we live in an outside-
in world in which people’s thinking “happens” because of circumstances.

Innate Health suggests an entirely different explanation of the relationship between thinking
and experience, an inside-out view. Understanding how we think and that we think changes our
relationship to what we think (the contents of our thoughts). Our experience of circumstances
varies according to how we are holding and using our thinking, not according to the circum-
stances. As that understanding grows, it opens increasingly sustained access to innate health.

Three universal principles explain the thinking process: Mind, Consciousness, and Thought.
Simply put, Mind is the energy of life, the fact that we are alive. Thought is our ability to create
forms or ideas from that energy. Consciousness is our ability to experience what we think as
real. In other words, we are born thinking. We think our way through life. We see life through our
thoughts as we go, and the quality of our thinking determines the quality of our lives (how we
see things moment-to-moment).

Awakening to those principles sets people free from attachment to the contents of any particu-
lar thinking with the knowledge that thoughts naturally come and go. It frees people to see their
state of mind, their felt response to perceived reality, as an indicator of the moment-to-moment
quality of their thinking. A stressed or negative feeling state or state of mind produces a low
mood and increasing tension, a feeling of insecurity, or dis-ease. That feeling warns us to allow
our thinking to quiet. As people learn to trust their state of mind as a guide through life, they
catch themselves earlier and earlier in the process of insecure thinking that can lead to chronic
stressful states of mind and worse. Recognizing the signal to quiet down, people can leave
negative thoughts alone and allow them to pass. As our minds quiet, our feeling changes and
our perceived reality changes. We naturally regain our ability to address life circumstances and
challenges from a wiser, more optimistic and hopeful perspective.

Once people recognize that innate health is constant and always accessible, they are able to
navigate the ups and downs of their thinking without frightening themselves with their most
negative thinking or deceiving themselves with their most positive thinking. We are able to be
grateful in moments of exhilaration and graceful in moments of distress, and to experience the
rich landscape of all our thinking as the gift of life. (www.hsc.wvu.edu/wviih/aboutWVIIH/innateHealth.asp.)

While each of us is a complex, dynamic, and interdependent human being that
defies any simplistic and fixed label, facing the concept that we are self-governable
beings can be liberating. It can also be frightening if we think that we don’t know
how and are thus unable to do it. An alternative might be to let someone else do
it, to go through life as we began—a dependent—and not develop a healthy sense
of independence and interdependence.

Being self-governable suggests that to be effective human beings in community
with others, we must come to know who we are, what we are, where we are, and
then decide what we want to be, where we want to be, with whom we want to be,
how to become that, and then lead and manage ourselves in a manner that moves
us toward achieving it while enjoying the trip—life along the way.

We can begin this process by paying more attention to ourselves, although not in
a narcissistic way. We can pay attention to ourselves in such a way that we become
more mindful of our thinking, how we feel, and how that affects our decision-mak-
ing and behavior. We can be more aware of how our behavior affects others and the
world around us. One tool in this effort is that we can categorize ourselves in terms
of our states of mind and states of being at any point in time.

A state can be defined as a condition or mode of being, and a state of mind is a
kind of a snapshot of our thinking and being at the present time. It’s sort of like
looking in a mirror to see what we see in ourselves, or having someone else exam-
ine us and let us know what they see. And with that awareness, we can choose to continue the way we’re being, or change the way we’re thinking. This process is not likely to be 100% accurate, however. As psychologist Donald Snygg said, there are three selves: the self that I perceive myself to be, the self that you perceive me to be, and the real self, which is neither of the first two. But the process of paying attention to knowing, understanding, and caring for one’s self, and one’s neighbor, can guide things toward the betterment of everyone.

A good place to begin leadership and management development is by thinking about a unique corporation that needs the leadership and management that only you can provide. You might call it “You, Inc.” or “Me, Inc.”

Look at yourself in a mirror and think, for a moment, about what you already know at least something about: an incredibly vast network of elements and parts are wondrously organized into numerous organs and processes and systems that are more complex and perfectly running than any corporation, city, or nation, on earth. And it’s operational right now, twenty-four hours a day, seven days a week, 365 days a year. Experts would call You, Inc. a marvel in engineering, systems design and continuous operation.

We are self-contained one-of-a-kind organizations of trillions of tiny elements that all have to constantly work together in a myriad of interconnected and interdependent processes and systems to keep us alive and well. Of course, most of the staying alive part happens “automatically,” without the need for us to consciously think about it or direct it. Basically, most of us simply have trust in these processes.

The English word “corporation” comes from the Latin word, corpor, meaning body. And while you may never have thought of yourself as a “corporation,” it is useful to realize that the word “corporate” means to unite into one body. We have become alive, in a physical sense, incorporated as a human being.

From a business-of-living viewpoint, the conscious leading and managing aspects of making a living involve our ongoing thinking about, and our daily choices about, the kind of person we will be and what we will do in life. Here is where we experience the pleasantries and difficulties about how to make and implement wise decisions for our own growth, development, comfort, well-being, and happiness. That requires good leadership and management.

Then, having learned to lead and manage ourselves—a body of one—we can begin to understand that in the larger, worldly or socioeconomic sense, a legal corporation is just a body of many people who agree to work together, sometimes cooperatively, for a stated purpose.

How do we think of ourselves, and the place where we live? While each of us is an individual, we all are also, in a macro sense, physically incorporated into one huge body of more than six billion people in what could be called, Earth, Inc. Astronauts report a very different thinking about the Earth when they travel a couple of hundred miles “straight up.” When they look back, they see the whole Earth surrounded by an immense blackness of outer space. Suddenly, from a perspective that very few have seen, they now see that what they previously thought was a huge and almost endless planet isn’t all that big anymore.

Moreover, for those who made it to the moon, about 1.2 light-seconds away, (the nearest star is about 2.5 light-years away) the Earth looks quite small, as the 1968
NASA photograph shown here demonstrates. Clearly, a major part of our thinking—as we make decisions about how we treat our life-giving planet—has to be about how healthy a planet we are creating and leaving behind for our children and grandchildren. In short, we need our thinking to include a healthy 360-degree, inside and out, perspective.

In the 1960s, Buckminster Fuller and Barbara Ward wrote about our common home in terms of “spaceship earth.” To be healthy and well, individually as well as globally, we all need to share—to literally be shareholders—in leading and managing our collective way in life. In fact, some states have recognized this in a legal way, incorporating themselves as a “commonwealth.”

This form of cooperation with others is possible, even desirable, for the creation of improved qualities of life. The choice is ours. The foundations of leading and managing are basic and we can and need to learn them; then there are just varying types, sizes, and complexities of structure that are built on top of the foundation. So let’s start with the foundation.

Because we are rarely taught how to lead and manage as we grow up, the tendency is to just let ourselves be led by others more or less mindlessly. We just go along. We’re even taught to “go along to get along.” We just do. This is basically leadership by whim—sometimes by our own whim and sometimes by someone else’s whim.

We may also behave spontaneously, “just doing our own thing.” Sometimes we bump into others and we think, in our competitive culture, along the lines of Senator William Marcy’s statement, “to the victor belongs the spoils.” We may believe that if we’re stronger, more cunning, more convincing, or faster than others, we can win and get our way, and that getting our way is what life is all about. What happens to others in the process is, of course, “their problem.” Of course, everyone else is doing the same thing and our families, schools, workplaces, communities, states, and nations are full of others behaving that way, too.

We behave this way because we think and believe that’s the way things are, or that’s the way it has to be. It all becomes “real,” however, not because of some natural law, but because the thinking of people has created this vast network of social and economic systems we live by. We generally don’t even see, much less think about, the fact that we’re individually and collectively manufacturing our lives and our society. We don’t see that our environments, thoughts, beliefs, feelings, and behaviors fit perfectly together to produce exactly what we are getting.

The solution to solving our individual, workplace, and even world problems, and to creating better ways of life, is to become more mindful of what our individual and collective thoughts, feelings, and behaviors are creating, and then lead and manage our lives more mindfully and cooperatively. When everybody does this, society will “miraculously” create a better place to live.
We begin our own leadership development with questions that ask us to make our thinking explicit and more visible to ourselves and to those who are close to us. Our choices will undoubtedly change over time, as we grow, and also as our circumstances, interests, and abilities change, so we will need to check in with ourselves periodically and ask these questions again:

- What is my vision? Who am I? What is my purpose? What do I want to be? If I became what I say I want to be, what would that look like? If I “stepped aside” to “look out at” my newly created self, what would I see, and how am I feeling when I see, in my mind’s eye, that “new me”?
- What is my mission? If I became what I think I want to be, what would I be doing? How do I feel about that? What are my competencies? What am I really good at and feel good about doing? What do I want to contribute to life?
- What’s happening in my life when I lose all sense of time and really feel good about myself? How do I want to spend my time? What do I want from life?
- What do I want others to see in me, and think about me?
- How much money does Me, Inc. need? How will I get the money I need?
- What help do I need? Who will work with me? Who do I want to work with?
- Do I need a partner? Do I need a company?
- What will I spend my money on?
- Whom do I trust? Do I trust myself? Do I trust others?

These are all leadership questions that we need to deal with in leading and managing our lives. Leaders are people who deal with these kinds of questions, regardless of their position or title.

Now let’s look at management, which involves the discipline of choosing and using the day-to-day implementation process needed to achieve your goals. Who manages your corporation? How well is your corporation managed? Do you believe that the quality of management affects your happiness and the happiness of others that you deal with?

All of life involves leadership and management choices that each of us is required to make. Even when we think we’re afraid to make a choice, or when we try to avoid choosing, or when we opt to let others make the choices (e.g., parents, government officials, bosses, courts, consultants, clergy, doctors, etc.) that in itself is a choice.

Do you think about such things? Do you think you don’t have to know anything about management? Do you think you don’t have to be a manager? After all, you’re just an “average” or “low level” person, right? Well then, do you think someone else should manage your life? (Does that thought make you happy?)

For most of us, living well is a product of our choices, but we probably don’t think of it that way. The quality of that product—our self and the result of the choices we make—is actually developed and produced by how well we lead and manage our way in life. If we do not manage our own lives, then our lives will be dependent on how well others do the managing for us.

The reality is that, for most of us, our happiness depends on our ability and willingness to be both leader and manager of our lives. Because of that, it is important to learn how to manage well. This requires knowledge and skill. It takes time, even years, or a lifetime. It’s a journey, not a destination.

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At times, however, it may look like a destination, when it's a question of going somewhere as opposed to just traveling.

Mistakes will be made. Learning is essential. Experience will be a great teacher—unless we make decisions not to learn. And that will affect our happiness, as well as the happiness and well being of those around us.

We can live well in this world of extraordinary complexity. We can lead ourselves in life with only a small number of guiding principles:

- Seek to know what is true and be truthful.
- Seek to expand and deepen your understanding of how you use your mind, consciousness, and thought to create your sense of reality.
- Always choose to love.
- Try to do no harm—to yourself, to others, and the earth.
- Help others as the opportunity presents itself.

If you're not able to accept the responsibility of managing your life right now, that's okay. When you are ready to move on to greater levels of intellectual, emotional, or spiritual maturity, you will. There is a popular saying: “When the student is ready, the teacher will appear.” Normally in life there are many people willing to work cooperatively with others. We just need to be open to learn from the many different experiences and people that life places in our path.

The secret of success is to do common things uncommonly well. —John D. Rockefeller, Jr.

We are what we repeatedly do. Excellence, then, is not an act, but a habit. —Aristotle

We hear a lot today about the importance of excellence, often followed by an encouragement to pursue it. But is excellence that simple? Is excellence simply about anything that one becomes good at from force of habit? Is that what Aristotle and Rockefeller meant? In other words, is excellence value-neutral? If someone becomes especially proficient at enslaving or abusing people, for example, could that person qualify for excellence? Could someone be an excellent politician, manager, or lawyer by lying or cheating or defending injustice to achieve situational success in terms of money, position, or accumulating property?

The answer is no. Excellence is about the rightness of one’s repeated acts, the goodness of one’s habits. Aristotle also said: “We become just by doing just acts, temperate by doing temperate acts, brave by doing brave acts.” Excellence, therefore, is about doing right things exceedingly well.

The English word, excellence, comes from the Latin, excellentia, which the Oxford Universal Dictionary informs us means “the possession of chiefly good qualities in an unusual degree, surpassing merit, virtue, etc.; dignity, eminence.” So the honest pursuit of excellence, and the realization of true performance excellence, will always be in the direction of a morally good life.

If excellence is what one is trying to achieve, how does one go about it? The answer to that question is that the pursuit of excellence is specifically a matter of discipline.

It doesn’t matter what you’re trying to accomplish. It’s all a matter of discipline. I was determined to discover what life held for me beyond the inner-city streets. —Wilma Rudolph

Some people regard discipline as a chore. For me, it is a kind of order that sets me free to fly. —Julie Andrews
From the three quotes above, we can see that people come to know discipline as a tool for achieving not only degrees of personal performance excellence but a greater sense of freedom as well. But before going any further, let’s be clear as to exactly what is meant by discipline.

What is discipline? Again let’s start with a definition. The root of the English word discipline is found in the Latin word, *discipilus*, meaning: “Instruction imparted to disciples or scholars. The training of scholars and subordinates to proper conduct and action by instructing and exercising them in the same; mental and moral training.” (*Oxford Universal Dictionary*).

Clearly one can see that leading and managing involves discipline, and that discipline is a process journey that enables one to mature into ever-greater realms of freedom. This freedom evolves from becoming more independent and interdependent, and more professional and competent, rather than remaining dependent and amateurish in life.

This journey involves a process of growth and development. It is a process of continuous flow amidst paradoxes of holding on and letting go, of keeping things constant while creating new things and new ways of maintaining who we are while innovating new relationships and new realities.

Thinking of oneself as an entrepreneur is a useful concept. The word is from the French, *entreprendre*, to “undertake.” Its meaning is expressed nicely in Webster’s Dictionary: “One who organizes, manages, and assumes the risks of a business or enterprise.” And “enterprise” is defined as “a project or undertaking that is especially difficult, complicated, or risky,” and “readiness to engage in daring action.” Clearly we all can think of ourselves as an enterprise engaged in living, and that we can be an entrepreneur in organizing, managing, and living our lives.

One aspect of our thinking that affects the results of our work, and our lives, is the concept of planning, both corporate planning and life planning. How do we think about planning? Do we think about how we’re thinking about planning or do we just jump in and start planning according to some already learned process operating under the (unexamined) assumption that it’s the right way, or the only way, to plan?

Even though we all have minds and thoughts, and we all engage in thinking and planning, we seem to differ in consciousness. Most of us probably do not realize that what we are conscious of, and our patterns of thought, are strongly influenced by what we are taught and what we learn, and all of that is strongly influenced by the culture in which we are born and raised. This may include truth, but it may also include partial truths, distortions, lies, and propaganda that are designed to influence our beliefs and behavior. Some of it can lead to stereotypical thinking, which can become beliefs and affect our own sense of what we can and can’t do, and what certain others can and can’t do. We can get a glimpse of culture-induced development from the work of Richard E. Nisbett, professor of psychology at the University of Michigan and author of *The Geography of Thought*.

Beginning in the late eighteenth and early nineteenth century, the West, and especially America, began to atomize, that is to say, modularize the worlds of manufacture and commerce. The production of everything from muskets to furniture was broken down into the most standardized parts possible and the simplest replicable actions.
Starting around the late nineteenth century, retail stores became modular “chains.” It was possible to go into a Sears and, a half century or so later, a McDonald’s, anywhere in the country—and eventually the world—and see the same rows of merchandise, or the same booths and burgers, in any of them.

The atomistic attitude of Westerners extends to their understanding of the nature of social institutions. In their survey of the values of middle managers, Hampden-Turner and Trompenaars asked whether their respondents thought of a company as a system to organize tasks or an organism coordinating people working together:

(a) A company is a system designed to perform functions and tasks in an efficient way. People are hired to fulfill these functions with the help of machines and other equipment. They are paid for the tasks they perform.

(b) A company is a group of people working together. The people have social relations with other people and with the organization. The functioning is dependent on these relations.

About 75% of Americans chose the first definition, more than 50% of Canadians, Australians, British, Dutch, and Swedes chose that definition, and about a third of Japanese and Singaporean chose it. Germans, French, and Italians as a group were intermediate between the Asians and the people of British and northern European culture. Thus for the Westerners, especially the Americans and the other people of primarily northern European culture, a company is an atomistic, modular place where people perform their distinctive functions. For the Easterners, and to a lesser extent the eastern and southern Europeans, a company is an organism where the social relations are an integral part of what holds things together. (The Geography of Thought, 2003, The Free Press, Pages 83-84.)

One of the planning issues that is worth paying attention to is this: Who has the right to plan, and how will planning and decision-making be done? During our early childhood years the planning and decision-making is done by others—notably parents, school systems, and teachers. As we grow into later childhood, we are given some freedom to make plans and choices for ourselves. Thus we begin to learn something about freedom, including the acceptance of responsibility and accountability for what we think and say and do.

Then we go to work and may find that the system is more like childhood and school in that the planning and decision-making is being done by others, and we’re expected to just do what we’re told. We may think that this is a form of arrogance, especially in situations where we are expected to plan and manage our own retirement system, along with health planning and costs, and aren’t taught how to do it, but then we aren’t allowed to plan what we will do, and how we will do it, at work.

Corporate leaders may justify this by saying that they are the officers of the corporation and have the right and duty to plan for the corporation, and make corporate decisions. Legally that is true but there is another truth. The corporation is only a “thing” on paper, and there is no “it” that the officers are planning for except on paper. Physically a corporation is a social and psychological community of individual human beings who have voluntarily joined (incorporated themselves) to work cooperatively together to fulfill a purpose. From that viewpoint they have a right to participate in the planning, and a right to be responsible and accountable. Systems expert and professor emeritus at the Wharton School, Russell Ackoff, speaks to the issue of planning in his book, Creating the Corporate Future:

The key to development and improved quality of life is not planning for or measurement of others; but enabling them to plan and measure for themselves.

Most conventional planning is carried out by professional planners for others. To such planners, participative planning means taking into account the desires, hopes, and expectations of others as they, the experts, see them, these are taken to be subject to economic, legal, moral, and practical constraints, again as the experts see them. The one thing that most professional planners feel they cannot do is allow those who are affected by their planning to “meddle” (i.e., participate) in it. To do so, they believe, is to vulgarize the process and to diminish the appreciation by others of the special competence they have.
Most planners consider a plan to be an aggregation of the solutions to each of a set of problems (threats and opportunities) that are dealt with independently. Therefore a corporate plan is seen as a collection of the plans separately prepared for each of the parts of the whole. In contrast, the type of planning proposed here proceeds from a treatment of the whole to the interaction of the parts, and then finally to the parts themselves. (Creating the Corporate Future, Wiley) Pages 50-52.

There is a hole that we can easily dig ourselves into, and when that happens it is wise to consider the adage that when you’re in a hole that’s over your head, stop digging. A hole that we can dig ourselves into comes from any tendency to focus on—to immediately zero-in on and obsess about—what we don’t want and don’t like, and wallow in the mud-pit of boredom or victimization. We may even “beat ourselves up” over these thoughts, complaining about all of the little and big things that we don’t like, or don’t want to do, or don’t want to have in our lives, and complain to ourselves (and sometimes others) that we’re not getting what we want, and that we’re not happy with ourselves and our jobs and our lives. We may even be asking, What’s wrong with me? Why is this happening to me? And in the spirit of misery loves comfort, we may seek comfort inside this “invisible” hole, this self-made prison, by trying to console ourselves and find others who will sympathize with us in this unhappy predicament. Of course, we rarely see that we’re in a hole, that we’ve dug it ourselves, that we have the ability to stop digging the hole deeper, and that only we can get ourselves out of the hole we’re in.

How do we get out? There are three steps: 1. Stop digging the hole deeper by suspending the all-encompassing and exhausting focus on the don’t wants. 2. Start building a ladder by thinking about what we do want, and how to achieve it. 3. Start climbing the ladder by working to achieve what we do want.

In general most of us enjoy change in our lives when it’s something that we choose, or at least willingly accept. We tend to dislike change that is imposed on us. And we all probably have a wish list of change that we want to see happen, both in ourselves and in others. Another generalization is that human beings are inherently creative and innovative, and with over six billion creative and innovative people on a single planet, millions of people are communicating, planning, organizing, producing, marketing, selling and transporting anything and everything, virtually instantly, to anybody, anywhere, 24/7. That means there’s a lot of change being pushed into our environment all the time. Some change is exciting—when we’re able to do what we want and get what we want when we want it. Some change makes us unhappy—when we’re thinking that we can’t do what we want and we’re not getting what we want when we want it. Some change can be frightening—when our thought-process includes wondering if we can keep up and compete and remain financially viable under the rules of the economy games. Some change can be exhausting—when we’re thinking that we have to work harder and harder and longer and longer to be successful. So change is a fact of life that we need to learn to pay careful attention to.

We need to learn to recognize what we are conscious of and how we are thinking about it, and then be aware of how we are deciding to live with it and what that’s creating. In short, we need to become more mindful of how we are seeing and thinking about the changes that are occurring in and around us, and then how we are choosing to lead and manage our way in this kind of climate and environment.

The macro environment. How do we think about leading and managing our way
in the world? Have we, for example, thought about such macro issues as civilization and socialization? We may think about civilization, and about being civil and civilized. We may also think about being social—that human beings are social creatures. Do we think that being civil and social is the same thing? Are they two sides of the same coin, so to speak? Do we need to be socialized in order to be civilized?

Webster’s Dictionary describes civilization as “an ideal state of human culture characterized by complete absence of barbarism and nonrational behavior, optimum utilization of physical, cultural, spiritual, and human resources, and perfect adjustment of the individual within the social framework.” Learning how to do this, University of Georgia philosophy professor Anthony Nemetz, used to say, was the purpose of education, but the purpose of education changed to be one of socialization. Is that bad? What, really, is socialization? Webster’s Dictionary describes socialization as “the process by which a human being beginning at infancy acquires the habits, beliefs, and accumulated knowledge of his society through his education and training for adult status.” It is clear from this definition that people can be socialized in ways that are profoundly uncivil and can lead to the end of civilization. And it all is created by how people are thinking and speaking and acting on that thinking, on whether all the results are being measured and monitored, on who is paying attention to and responding to the results, and then on how change is allowed and made.

Example

I will try to illustrate how we can be required to participate in—without really being told about—what are fundamentally socialization activities rather than civilization-building environments. In his book, On Creativity, the late David Bohm, considered to be one of the greatest physicists and thinkers of the twentieth century, wrote about how our educational environment both informs and forms us:

The artist, the musical composer, the architect, the scientist all feel a fundamental need to discover and create something that is whole and total, harmonious and beautiful. Few ever get a chance to try to do this, and even fewer actually manage to do it. Yet, deep down, it is probably what very large numbers of people in all walks of life are seeking when they attempt to escape the daily humdrum routine by engaging in every kind of entertainment, excitement, stimulation, change of occupation, and so forth, through which they ineffectively try to compensate for the unsatisfying narrowness and mechanicalness of their lives.

It is well known that a child learns to walk, to talk, and to know his way around the world just by trying something out and seeing what happens, then modifying what he does (or thinks) in accordance with what has actually happened. In this way, he spends his first few years in a wonderful creative way, discovering all sorts of things that are new to him, and this leads people to look back on childhood as a kind of lost paradise. As the child grows older, however, learning takes on a narrower meaning. In school, he learns by repetition to accumulate knowledge, so as to please the teacher and pass examinations. At work, he learns in a similar way, so as to make a living, or for some other utilitarian purpose, and not mainly for the love of the action of learning itself. So his ability to see something new and original gradually dies away. And without it there is evidently no ground from which anything can grow.

It is impossible to overemphasize the significance of this kind of learning in every phase of life, and the importance of giving the action of learning itself top priority, ahead of the specific content of what is to be learned, in the sense that without it a person is unable to see, in any new situation, what is a fact and what is not.

Of course, there is a routine and mechanical kind of perception that we can carry out habitually, in dealing with what is familiar. But real perception that is capable of seeing something new and unfamiliar requires that one be attentive, alert, aware, and sensitive. In this frame of mind, one does something (perhaps only to move the body or handle an object), and then one notes the difference between what actually happens and what is inferred from previous knowledge. From this difference, one is led to a new perception or a new idea that accounts for the difference. And this process can go on indefinitely without beginning or end, in any field whatever.

One thing that prevents us from thus giving primary emphasis to the perception of what is new and different is that we are afraid to make mistakes. If one will not try anything until he is assured that he will not make a mistake in whatever he does, he will never be able to learn...
anything new at all. And this is is more or less the state in which most people are. Such a fear of making a mistake is added to one’s habits of mechanical perception in terms of preconceived ideas and learning only for specific utilitarian purposes. All of these combine to make a person who cannot perceive what is new and who is therefore mediocre rather than original. Evidently, then, the ability to learn something new is based on the general state of mind of a human being. (David Bohm, On Creativity, pages 2-5. Routledge 1998. Originally published in Leonardo, vol. 1, 1968, MIT Press.)

When we think about our own past experiences, we all can probably relate to what Bohm is pointing out. What I suggest needs to be added to Bohm’s observation is a broadened perspective of the context—the large and complex systems environment—in which we have learned (been taught) to deal with life and work and mistake making. It is also important to be aware that almost everything we deal with involves interactions of individuals in systems within other manmade and natural systems. It is also important to recognize that we tend to find ourselves caught-up in certain “acceptable” thought patterns and patterns of behavior. Such environments are sometimes known as paradigms, and they can become a kind of invisible thought-prison that keeps people from making needed changes. If we can keep an open mind and better understand the various truths involved, we can be more able to dismantle the prisons we’ve built for ourselves and become free.

In the excerpt above, Bohm pointed out the damage caused by the way we tend to think about and deal with mistakes. If, for the purposes of discussion, we exclude injury-prone or potentially life-threatening situations, why are we so adverse to making mistakes? We have psychologists telling us that we only learn by making mistakes and that if we don’t make mistakes we haven’t learned anything—we have only applied what we already know (or think we know, right or wrong). So why do we punish mistake-making if learning is dependent on it? The short answer is that a paradigm has been created where our lives are based on money making, and mistakes are considered an unacceptable cost. And so a mind-set has evolved that is aimed at cutting and avoiding costs, including mistakes, so that profits can be continually increased.

The primacy of avoiding mistakes, including punishing those who make mistakes, even though it reduces learning and innovation, is considered acceptable because leaders think money making is more important than learning and innovation. The paradox is that we want all three—learning, innovation, and making money, and we think it all has to happen within existing theories and practices of economic and monetary policy. So there is, in practice, a good deal of conflict, negotiation, and compromise, rather than searching for innovative solutions—for example, creating a system that fosters all three at the same time. I have continually encountered examples in my professional life where intelligent people in senior positions would fight over dividing up the pie while refusing to even discuss baking a bigger pie. Perhaps the thinking is along the lines of the proverbial “a bird in the hand is worth two in the bush.” Unfortunately for all, the situation in real life can look as though that bird in our hand is not just any old bird, but a golden goose, which we kill in the fighting over who gets it and then go our separate ways with a “ho hum” attitude.

In recognition of the complex nature of life we must also keep in mind that all of this thinking and behaving that we’re engaged in is formed and informed within an encompassing social system—the monetary system, which, in turn, operates within a yet larger social system—the economy. And within these systems there are many man-made laws and regulations and processes that have been created over the years and are being implemented and enforced. They, too, are paradigms but because of their very large size and scope, our familiarity over time with them, and the intellectual and emotional investment in them by our leaders, are highly resis-
A subtle shift from developing people for creating, improving, and maintaining a civilized world to developing people to be a part of the economy has been taking place over the last century. All of it is related to the fundamental purpose of teaching people to live and serve in a system called the economy. And when we step back from the trees to see the forest of education, as Dr. Bohm has done, it is possible to see that the process of education has become primarily one of beginning the process of socializing children and adults to function in an existing socioeconomic system that multitudes of people increasingly find oppressive and limiting. Our education system is not intended to nurture creativity and the development of an innovative and improved civilization, one in which each person is able to search for and create personal meaning in a way that is profoundly civilized and, if not good for all, at least not harmful to any.

To begin to better understand how we can pay more attention to our thinking, particularly in terms of learning and change, it is useful to simplify the complexity a bit, and offer a sense of structure. Robert Dilts, a leadership and organizational development consultant and coach, created a learning and change model that he finds useful in his work. A student of anthropologist Gregory Bateson, Dilts built his model on Bateson’s concept of logical levels of learning and change, which Bateson based on the work of Bertrand Russell in logic and mathematics.

The basic idea of the model, Dilts says, is that there is a hierarchy of levels of learning and change in our lives—each level transcending but including processes and relationships on the level beneath it. The range of levels in this hierarchy includes our environment, behavior, capabilities, beliefs, values, identity, and purpose with respect to the larger system or “field” of which we are a part. Dilts calls his model the NeuroLogical Levels Model, and says that its premise is that:

Each level in this hierarchy has a different structure and function in our lives. Consequently, different types of support are needed in order to effectively produce or manage change at the various levels. We guide people to learn about new environments, for instance, coach them to improve specific behavioral competencies, teach them new cognitive capabilities, mentor empowering beliefs and values, sponsor growth at the identity level, and awaken people’s awareness of the larger system or “field.” (From Coach to Awakener, Meta Publications, 2003, page xi.)

Dilts calls this kind of work “large ‘C’ Coaching,” while the traditional idea of coach and coaching is at just the behavior level—improving skill and performance excellence in sports and other performing arts, for example. Coaching only in the behavior level of learning and change is what Dilts calls “small ‘c’ coaching,” because the context is small when compared to working on all of the levels of learning and change as the need and opportunity arise.

Although the terms “levels” and “hierarchy” are used, we should not think of any individual level as something to grow out of and leave behind, or of one level as superior or inferior to another. It’s more like when we think of ourselves, we know that our head is at a different level from our feet, and we are a whole that has parts and systems that function at different levels, and we are interested in the proper functioning of the parts and the whole at all levels simultaneously. We know enough to keep our feet on the ground even if our head is sometimes in the clouds.

Dilts points out that the function of each level is to synthesize, organize, and direct
the interactions on the level below it.

Changing something on an upper level would necessarily “radiate” downward, precipitating change on the lower levels. Changing something on a lower level could, but would not necessarily, affect the upper levels. These levels include (in order from highest to lowest): (1) identity, (2) beliefs and values, (3) capabilities, (4) behavior and (5) environment. A sixth level, referred to as “spiritual,” can be defined as a type of “relational field” which encompasses multiple identities, forming a sense of being a member of a larger system beyond one’s individual identity. (From Coach to Awakener, page 300.)

Living our lives calls for constant decision-making. What are we going to do? What are we not going to do? How are we going to do it? What do we like? What do we dislike? As we pay attention to our decision-making activities, we will notice that as we are contemplating a decision we are using some form of selection or avoidance criteria. The thoughts that we are aware of, and the thinking process we are using to explore and evaluate those thoughts, are influenced by our internal sense of rightness and wrongness, goodness and badness, love and fear. These thoughts may evoke emotions and feelings, such as peace or anxiety, joy or sadness, happiness or anger. These thoughts and feelings, in turn, produce physical effects. Our autonomic nervous system regulates over 90% of the body’s functions automatically. The heart, brain, immune, hormonal, respiration, and digestive systems are all connected by this network of nerves. According to the Institute of HeartMath, “Recent research has confirmed that at least 1,400 biochemical changes begin to occur as soon as our mind/body system perceives stress, whether or not the danger is real.” When we feel threatened or angry, our sympathetic nervous system jumps into action, secreting cortisol (“the stress hormone”), speeding up the heartbeat, getting the body ready to fight or flee. When we feel peace, joy, or happiness, our parasympathetic nervous system kicks in, secreting DHEA (“the anti-aging hormone”), slowing us down and enabling us to think more creatively.

We can turn off this stress response (when fight-flight isn’t appropriate) by changing our thoughts. Remember the idea about taking a few deep breaths before going on when we’re nervous, or counting to ten before acting when we’re angry? That can be good advice. When we become aware of our fear- or anger-evoking emotion, we can mentally call a time-out, take a couple of deep breaths, and shift our thinking toward finding something to appreciate, or recalling a pleasant memory. When we do that our body responds to the new mental attitude, the stress response is turned off, and we become more able to find innovative solutions to what we want.

It is a popular exercise in goal setting and planning to spend time articulating the values one has. We might also move on to declaring the values of the organization we are working with. When brainstorming about values, it is generally stated that values are the things that are important to you, the things that you “value” in life. It is also popular to carry out that exercise a bit further, asking people to state their core values, which are said to be those values that are most important.

Viktor Frankl, however, provides an important structure around values, which is more useful than just asking people to think about what’s important or most important. Frankl organized values into three main groups: creative, experiential, and attitudinal, which he said “reflects the three principal ways in which man can find meaning in life.”

1. Creative values are what one gives to the world in terms of his or her creations.
2. Experiential values are what one takes from the world in terms of encounters and experiences.
3. Attitudinal values are seen in the stand one takes to the predicaments one faces in life. These are not ethical or moral principles, but simply the factual descriptions of what goes on in a person whenever one values one's own behavior or the behavior of another person.

Frankl also wrote about “the tragic triad” of human existence—pain, guilt, and death: “There is no human being who may say that he has not failed, that he does not suffer, and that he will not die.” The first triad includes freedom of will, will to meaning, and meaning of life. Meaning of life is composed of the second triad—creative, experiential, and attitudinal values. And attitudinal values are subdivided into the third triad—meaningful attitudes to pain, guilt, and death.

While Frankl termed it the tragic triad, he said his view was optimistic, not pessimistic. He said there are “no tragic and negative aspects which could not be by the stand one takes to them transmuted into positive accomplishments.” He explains:

There is a difference between the attitudes one chooses to pain and guilt, respectively. In the case of pain, one really takes a stand to one's fate. Otherwise suffering would not yield meaning. In the case of guilt, however, the stand one takes is a stand to one's self. What is even more important, fate cannot be changed; otherwise it would not be fate. Man, however, may well change himself, otherwise he would not be man. It is a prerogative of being human, and a constituent of human existence, to be capable of shaping and reshaping oneself. In other words, it is a privilege of man to become guilty, and his responsibility to overcome guilt. (*The Will to Meaning*, Page 70-73.)

In those cases in which the will to meaning is frustrated, the will to pleasure is not only a derivative of the will to meaning but also a substitute for it. The will to power serves an analogous and parallel purpose. Only if one's original concern with meaning fulfillment is frustrated is one either intent on pleasure, or content with power.

One of the forms the will to power takes is what I call the will to money. The will to money accounts for much of that professional overactivity which, along with sexual overactivity, functions as an escape from the awareness of an existential vacuum.

Once the will to money takes over, the pursuit of meaning is replaced by the pursuit of means. Money, instead of remaining a means, becomes an end. It ceases to serve a purpose.

What then is the meaning of money, or for that matter the meaning of possessing money? Most of those people who possess it are really possessed by it, obsessed by the urge to multiply it, and thus they nullify its meaning, for the possession of money should mean that one is in a fortunate position. One can afford to pay no attention to money, the means, but rather, to pursue the ends themselves—those ends that money should serve. (*The Will to Meaning*, Page 96.)

It is also helpful to touch on the idea of conscience, and Frankl's ideas in this regard are useful. Frankl said that meaning cannot be given arbitrarily but must be found responsibly and sought for conscientiously. He says that human beings are guided in their search for meaning by conscience, which he defines as “the intuitive capacity of man to find out the meaning of a situation.” He believed that conscience is creative and also “has the power to discover unique meanings that contradict accepted values.” This is what enables people to be innovative and break out of old, dysfunctional paradigms, and replace them with new and better frameworks and systems.

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**Push and pull**

In the world of organization management, leaders have the option of selecting a variety of processes and tools for planning, organizing, measuring, and doing work. Some leaders will decide what will be used in their organization and then push that decision on the workforce. Many who have taken that “push” approach have not gotten consistently good results. Other leaders have enabled their people to learn a variety of methods and tools and then allowed them to select and use that which they believe will work well in their situation. This philosophy is generally known as “pull,” which is allowing employees to pull what they need into their environment, and this seems to produce better results.

Interestingly, Frankl talked about humans being pushed by drives but pulled by meaning. When workers are able to make the decision to pull into their workplace
those tools and methods that make their work more meaningful, they will do that and use them to the best of their ability. But when they are driven, pushed, by others to do things in ways decided by others, it can frustrate meaning in their lives and produce poor results and poor attitudes.

In his popular book, *The Fifth Discipline*, Peter Senge advocates an attitude of being committed to the truth as a strategy for better living. This commitment, he points out, “does not mean seeking the ‘truth,’ the absolute final word or ultimate cause”:

Rather, it means a relentless willingness to root out the ways we limit or deceive ourselves from seeing what is, and to continually challenge our theories of why things are the way they are. It means continually broadening our awareness, just as the great athlete with extraordinary peripheral vision keeps trying to “see more of the playing field.” It also means continually deepening our understanding of the structures underlying current events.

[Discovering] the power of the truth, seeing reality more and more as it is, cleansing the lens of perception, awakening from self-imposed distortions of reality—different expressions of a common principle in almost all the world’s great philosophic and religious systems. Buddhists strive to achieve the state of “pure observation,” of seeing reality directly. Hindus speak of “witnessing,” observing themselves and their lives with an attitude of spiritual detachment. The Koran ends with the phrase, “What a tragedy that man must die before he wakes up.” The power of truth was no less central to early Christian thinking, although it has lost its place in Christian practice over the last two thousand years. (*The Fifth Discipline*, Page 159-161; Doubleday/Currency, 1990.)

The bottom line in all of this discussion is that the things we are doing in the world, individually and corporately, are a direct result of what and how we are thinking, and how we are governing our minds. The things that are happening in the world—and the things that are not happening—are a direct result of how people and groups of people are thinking, and then behaving. A significant part of that thinking is happening up-front, in an individual and collective fuzzy-front-end. This front end includes things like unexamined beliefs, stereotype-thinking, things that we believe are true but are not, obsolete paradigms and systems that encourage dysfunctional and dangerous behavior, beliefs about other people and groups of people, and beliefs about the world and how to live and survive in it, to name a few. These ways of thinking become habits that work to create current events and to prevent us from using our innate creativity to design and build a new way to relate to others and the world. Once we can recognize this, we will become able to do things individually that collectively result in a world that people want to belong to. We will, in short, have decided to be good governors of our mind and our world.

Laurence R. Smith is the Editor of the *Journal of Innovative Management*, published by GOAL/QPC. Before being Editor of the Journal, Smith did management coaching and training for nonprofits and local government. Before joining GOAL/QPC, Smith was CEO of the Merrimack Valley Chamber of Commerce, where he led it to be one of 10% of chambers of commerce to be accredited, and to win a top award in *The President’s Citation Program for Private Sector Initiatives*, in a competition with over 1,000 corporations and associations in the nation. The award was presented by the President.

Smith is one of fifty-six chamber of commerce or association executives to have been admitted to the Academy of Organization Management by the University of Notre Dame and the United States Chamber of Commerce. He was chairman of the Merrimack Valley Private Industry Council, president of the Massachusetts and the New England Association of Chambers of Commerce, a member of the Governor’s Working Group on Youth Violence, a member of the Massachusetts School-Business Partnership Committee. He is listed in *Who’s Who in America* and *Who’s Who in Finance & Industry*.

A certified teacher, Smith has an AAS in Electrical Technology from the City University of New York–Staten Island, a BS in Education from SUNY–Oswego, and an MBA in Executive Management from St. John’s University. He has completed numerous professional development programs, including training at the Harvard Mind/Body Medical Institute, GOAL/QPC, the Institute of HeartMath, and the NLP & Coaching Institute of California. He is a certified one-on-one coach for HeartMath tools for Inner Quality Management, and a certified executive and life coach by the NLP & Coaching Institute of California.
Baldrige and No Child Left Behind

at Pearl River School District

Dr. Frank V. Auriemma, Superintendent, Pearl River School District

This article is based on a presentation delivered by Dr. Auriemma at the Malcolm Baldrige National Quality Award Quest for Excellence Conference in April 2006, in Washington, DC. Pearl River School District won the Baldrige award in 2001.

Introduction

Simply mention “No Child Left Behind” to a group of educators and you are guaranteed an immediate variety of responses. This federal education reform act has no precedent in terms of the constraints it places on elementary and secondary education, and has affected all educators at all levels. At Pearl River, we have used Baldrige to address the needs of No Child Left Behind, and noted the parallels and disconnects along the way.

About Pearl River

Pearl River is located about twenty-five miles from New York City, the stereotypical bedroom community. We have 365 employees, including 207 teachers, and 2650 terrific kids. That last number sometimes surprises people when we talk about our district in different parts of the country; in fact, 2650 is just slightly greater than the mean of New York State school districts. There are many smaller districts in the state, so even when considering the big five cities, the average school district is about 2600 students. Pearl River has five schools: three elementary schools for K-4, a middle school for 5-7, and a high school for grades 8-12.

Only 5% of our students are on a free and reduced lunch program. Our racial breakdown is 89% Caucasian, 1% black, 5% Hispanic, and 5% other. We have very little poverty and very little wealth, and by that, I mean exorbitant wealth—the kind one might associate with certain other communities in the tristate New York area. Pearl River is a solid middle class community, a good place to raise your family.

Having said that, I would be less than honest if I did not admit that in 1977, when my wife and I were looking for a home in Rockland County, we were not all that enamored of the school district, and we chose not to buy a house there.

History of quality at Pearl River Schools

Fast-forwarding a number of years, I am now the superintendent at Pearl River. We started our quality journey in 1985, through the work of Dr. Larry Lazotte, who helped us gain an appreciation for data and research. From there, we adopted the concept of quality. Long before we even knew who Malcolm Baldrige was, we were well into quality practices.

In 1995, we piloted the education version of Baldrige and were summarily humbled by our results. School districts do not like being humbled! Ask people in school dis-
istricts how things are going and no matter what the situation, the answer is always one word: “great.” The kids are great, the parents are great, the scores are great, and the schools are great. Well, the “great” part about Baldrige is that you do not always come away thinking everything is great. So we were humbled, and appropriately so. Eventually, in 2001, we did win the Baldrige award.

We have developed the concept of a K-12 line of sight at Pearl River. We often say, “Kids do not get smart in high school.” School improvement needs to take place along the entire K-12 continuum. Each year is important, and each grade is important. Each experience that the child has in school adds to the mosaic in terms of a successful school experience.

We have also learned to manage our data well. We have become proficient with data management, and give a number of workshops nationally on data warehousing and data analysis. We have also become sophisticated in how we share data, and how we use it for its number one purpose: improving student performance. Everything else takes a distant, second seat. We have learned to benchmark as well, and through our first feedback from Baldrige, we learned to benchmark from the best in class. One small criticism of No Child Left Behind is that NCLB does not give you the option to compare to best in class districts.

We have a very simple mission statement:

Every Pearl River student can and will learn.

We live that every day and it is the primary aspect of our belief system.

We have three simple district goals, which have not changed in seventeen years. Our targeted goals change annually but these larger, district goals have not:

- Improve academic performance
- Improve the public’s perception of the district by incorporating quality principles in all areas
- Improve cost efficiency and maintain fiscal stability

The second goal suggests that Barbara and Frank Auriemma were not the only two people who thought that there might be a quality issue in terms of academics at Pearl River in the late 1970s. That situation has since significantly changed.

When you talk about education, you cannot do it in a vacuum. Cost is always a factor. We never forget that 75% of the people in our district pay taxes but do not have children in school. They are either too young, or their children are older and have already moved out of the district. You have to be respectful of those people as you plan the finances of a school district. Figure 1, on the next page, shows some metrics we think are important.
The per-pupil expenditures in this figure for the period of 1990 through 2005 may seem high, but we could easily report those expenditures at $3,000 less by deleting items such as debt service and transportation. Instead, we include every expenditure we make, and divide by our total number of students. This approach seems more direct and inclusive. I would say if all districts did their calculations the way we do, we would probably wind up in the bottom third of most districts in the region.

Figure 1 also shows growth in per-pupil expenditures from 1991 to 2005, along with a measure called the Regents Diploma rate. A Regents diploma is a high-end diploma, and long before the state indicated that Regents Diploma would be the standard, Pearl River knew, without a doubt, that we wanted our students to reach that benchmark. If you juxtapose the PPE percentage and Regents diploma rates, it is clear that our per-pupil expenditure has increased about 9.4%, while the Regents Diploma rate has increased 135%... not a bad bang for the buck.

Why do Regents Diplomas matter? We have done our research and it shows that you are four times more likely to be successful in college if you go there with a Regents rather than a local diploma. The national freshman success rate has not moved much in recent years: It is at about 75%. Our freshman success rate, however, is well over 90%. We do not consider that rocket science. It is a very simple premise. You take a more rigorous program in high school; you do better in college.

School districts across the country are facing the ramifications of No Child Left Behind, and Pearl River is no exception. It is a major education reform act, signed by President Bush in 2002. No Child Left Behind represents the first time that the federal government has placed regulations on education, which had been exclusively a state function.

There are four aspects of NCLB, which come directly from the law:

- Stronger accountability for results
- More freedom for states and communities
- Encouraging proven education methods
- More choices for parents

The second aspect might cause some of us in education to smile, but that is how it appears in the law, which is, by the way, voluminous. The regulation books that are derived from the law are well over nine large volumes.
The first issue is accountability. With NCLB, you are always concerned about the
dreaded annual yearly progress matrix. By 2014, all children in America are sup-
pposed to be able to read and apply mathematics proficiently. There is a parallel
between Baldrige and NCLB, in that Baldrige talks about student learning outcomes
and in particular about the concept of benchmarking. However, as I mentioned
earlier, there is also a disconnect between Baldrige and No Child Left Behind in that
the latter does not address the concept of best in class.

In Pearl River, we pay particular attention to the state exams, which are now part of
No Child Left Behind, in addition to the high school Regents exams, which exist in
all academic areas. Our scores have improved a great deal over the years, and we
have a lot to be proud of.

But in those scores, there is no differentiation, no way to look at what we call subur-
ban norms. There is no refining phase in which you can look at the best in class and
then learn from “the best.”

Another area of No Child Left Behind is the performance of subgroups. In Baldrige,
we talk about student segment groups. These are basically the same concepts, so
they represent a parallel. Like other educators, at Pearl River we worry about sub-
groups rolling from one year to the next and not improving. I am already preparing
our community, because no matter how well we do, we are going to be cited eventu-
ally as one of our subgroups falls just short of the annual yearly progress.

We are immensely proud of our special education students. We have very high expec-
tations for them and they deliver each time. For 2005/2006, their Regents Diploma
rate at Pearl River was projected at 75%, a number we’d already achieved in earlier
years. That 75% rate, in fact, is higher than the Regents Diploma rate of regular
education students in a number of districts across the state. We are very pleased in
terms of the overall performance of that subgroup. (Our special education students
ended up surpassing that projection and over 85% received a Regents diploma.)

In Pearl River, each day we use the concept of line of sight. If you look at our scores
from 2000 to 2005 on a continuum from the 4th grade, to the 8th grade, to high
school, you will see a solid progression in terms of the top scores, but you’ll also
notice a dip or a V in the middle for the 8th-grade scores. The high school scores
and the fourth grade scores are more in line with each other.

For those of us who regularly “crunch the numbers,” it is clear there is not a predic-
tive quality to the 8th grade assessment. In fact, there has to be some disconnect.
The disconnect is compounded by the cut point, the passing point, which keeps
moving from year to year. Staff members feel that it’s like trying to hit a moving
target. You are never quite sure what it means.

We would like to flatten the V that exists in our 8th grade assessments, even though
it is consistent throughout many districts across the state. Are there some bench-
mark districts that have flattened out that middle V? Absolutely, But few where it is
a straight line going across 4 to 8 and on to the high school Regents exams.
Let us go to another area of NCLB and look at proven educational methods. NCLB talks about providing financial support for these methods, Baldrige has the process of Plan Do Study Act. We have melded these together for two key areas.

The first is called the A+ approach. It comes from Analyze, Align, Act, and Assess, as shown in Figure 2.

We like to say this is where Baldrige meets the classroom. It is what our teachers do every day. Most important is the left-hand side that refers to standardize, which is what we do as we try to lift the bar over time.

Another concept we use is that of best practice, and I will be honest enough to say that for a long time, we did not know what best practice was. We now know clearly: It is an approach or methodology that results in an increase in student performance—it is not a “best pageant.”

Another, equally important concept is that of a curriculum map, which serves as a living document that should have a Plan Do Study Act component. We are posting our curriculum maps on our web site so we can make it very clear to our parents and community where we are going in terms of instruction. The key is maintaining the curriculum map as a dynamic and living document.

Another area of NCLB is the concept of highly qualified teachers. No Child Left Behind addresses that area with regard to the minimum of a bachelor’s degree, full state license, and so forth.

Baldrige, on the other hand, addresses faculty and staff focus, work systems, and how they integrate. Conceptually, we have also merged the two concepts of professional development and staff evaluation, and operationally linked them. Professional development can have a profoundly positive effect on careers for both teachers and administrators alike.
The key to both Baldrige and NCLB is the arena of student performance data. We truly believe that whether we are talking about teacher evaluation, best practice, or professional development, the bottom line is the resulting increase in student performance.

No Child Left Behind addresses options for parents in low-performing districts, including the possibility of transfer. Baldrige discusses market focus and retaining families within a community. We carefully examine the issue of perception, because we have significantly shifted the community’s perception of the district over the years.

When we first started our initiative, about a third of the area students were out of the district and in private schools. As you improve, you start to capture that market share and you can do it at a relatively quick rate—much more quickly than you think. If the parents had the perception of things getting better, families actually changed mid-stride. While the older child might be in private school, the younger one was enrolled in the district.

As a result, we have been able to increase our market share from 70% to about 90%. Today, the majority of our private school students attend parochial schools for religious reasons, and we certainly respect those decisions.

When you consider local freedoms, the accountability at the state level that NCLB requires is more or less the aggregate of all the regulations, including annual yearly progress, performance of sub groups, and teacher certification. All that comes together in one mix. Baldrige addresses organizational challenges, and in Pearl River, we talk about our accountability to students, and all stakeholders.

I wish I could say that every decision we make is independent of cost and considers only the student’s needs, but that is not the case. I say honestly and unapologetically that we have to educate our kids the best we possibly can in a fiscally responsible manner.

The bottom line is that whether the vehicle is Baldrige or NCLB, we need to prepare our students for the world described in Thomas Friedman’s book *The World is Flat: A Brief History of the Twenty-First Century*. We need to give them every possible opportunity to sharpen their skills and be competitive in that type of world.

Frank Auriemma is superintendent of the Pearl River School District. He joined the district as a middle school principal twenty years ago, when Pearl River took its initial steps toward improvement and quality. As assistant superintendent, he supervised human resources, instruction, and assessment, as well as the data management and warehouse process. As superintendent since July 2003, he continues to lead the district in its path of continuous improvement.

Dr. Auriemma holds Bachelor of Science and Master of Science degrees in chemistry and a doctorate in school administration. He presents workshops nationally on the continuous improvement model for education and the use and management of data to improve instruction and student performance.
Park Place Lexus

2005 Malcolm Baldrige National Quality Award Winner

Organizational Profile

About Park Place Lexus
Jordan Case, President, Park Place Lexus Grapevine and Plano—Park Place Lexus is a luxury automobile dealership with facilities in Plano and Grapevine, Texas. We are part of Park Place Dealerships, which employs nearly 1,000 people at 10 luxury automobile dealerships in Dallas/Fort Worth and Houston.

Park Place Lexus was founded in 1991. We have just over 400 employees, whom we call members, because they are all part of our team. Our two stores are located twenty-three miles apart in the Dallas/Fort Worth area. Each of our stores operates as a separate business unit, but also receives corporate support for strategic planning, information technology, marketing, and organizational excellence. Each of our dealerships has five major divisions: new car sales, pre-owned Lexus, automotive service, wholesale and retail parts, and accounting (finance and leasing).

Client focus is a key strength
Among our key strengths is our focus on current and prospective clients. We receive a constant flow of information about clients and their expectations. Lexus conducts extensive research and analysis of buyers and their requirements, and at Park Place Lexus, we go even further with some focus groups and surveys of our own.

We understand that our clients want a long-term personal relationship with a knowledgeable and competent professional. We were one of the first dealerships in the United States to provide personal computers to every member, which gives our sales consultants the ability to manage the sales process as well as maintain information to help them identify client preferences.

Today, we are taking client service up a notch through the use of new technology. When you pull into our service drive, our valets are now able to identify you by name. They know the entire service history of your car, why you are there, and any other preferences that you might have that day, including a need for a loaner car.
While we consider all the dealerships in the Dallas/Fort Worth area to be competitors, our primary competition is from two nearby Lexus dealerships, as well as from any other luxury brand dealership in the neighborhood. Our main service competition is from the same two Lexus stores, as well as from a number of independent automotive repair facilities located in our area.

With each year's new car models and the related changes, we face ongoing strategic challenges. The products that we sell incorporate more technology all the time. We meet these challenges, and get better every year. But while we get better, so does our competition. At the same time, growing consumer expectations require continuous redefining of the client experience. And we face greater competition for talent. All this competition will intensify, and the demographics of our market will continue to evolve. So in short, nothing about our business is fixed or settled. In everything we do, every day is a new day.

In this competitive environment, we must have a sound structure to our approach. The foundation of that approach is our mission: To provide an extraordinary automotive purchase and ownership experience.

We build further with our four convictions: Integrity, Commitment, Winning, and Outstanding Client Experience.

We believe that if we do these things well and consistently, we will achieve our BHAG or Big, Hairy, Audacious Goal of becoming the unparalleled retail automotive group in the United States.

Our convictions are designed to support our positive culture. The first and most important of these is integrity. Our managers and leaders are all expected to lead by example in order to promote integrity. The managers, and every member of management, are required to attend ethics training when they are hired and annually thereafter. If an issue arises, we’ll refer to our code of ethics, which can be found in our member handbook. If necessary, we can turn to our progressive discipline process to handle any unethical behavior. This may include discipline or termination.

Among the 212 Lexus dealerships nationwide, our Plano location has ranked among the top ten for sales for a number of years, and our Grapevine store, which is only six years old, recently moved into the top ten. Our service operations are ranked number two in the nation, and the Grapevine store is at thirteen.

Our Park Place Lexus division is governed by a management team that consists of myself and two general managers, as well as our department heads. This management team is responsible for setting direction and providing strong governance and visibility into leadership operations through systems and controls.

The executive leadership team uses strategic planning to develop organization-wide plans and goals that will support our short- and long-term direction. I participate on the executive leadership team to ensure that the corporate strategies consider...
Management team sets direction, continued

Communication is vital

Valuing and empowering members

Internal and external oversight controls are in place

Being a good neighbor

Case Study • Park Place Lexus

Lexus’s needs and that they are addressed at the dealership level. This information is then cascaded down to our members to provide information to them. We also gather feedback from members about our direction. Our members then develop action plans and measures to address plans and goals.

We ensure that two-way communication continues from each member, all the way up to the executive leadership team. Our culture rests on frank, two-way communication. It’s not just about in-house communication amongst ourselves, but also member to client, and client to member. It’s basically a 360-degree communication approach.

Once management sets direction, it’s imperative that we create a positive environment that allows our members to work toward that direction. We have programs designed to value and empower members, such as our client concern resolution (CCR) process, which allows any member of our organization to take care of any client concern that might arise at a given time. We supply members with the tools and the structure that they need to manage their work. This includes the aforementioned personal computers, and structures such as defined processes that give members the ability to do more and to work more efficiently.

We also train and develop members. Our Park Place University allows each one to sign up online for training.

And we understand the importance of motivation, recognition, and celebration. Just walking around and giving a member a simple thank you goes a long way and is very much appreciated. We hold monthly team Park Place meetings as well as an annual awards dinner to provide recognition for top performers.

Our formal leadership system provides oversight controls at every level. The performance evaluations are cascaded down throughout our organization, to provide accountability for actions and progress. Various dotted-line reporting relationships provide for independent procedures. During the year we will have nine independent audits, internal audits, external audits by a national CPA firm and banks and agencies such as OSHA, and a comprehensive review by Lexus.

Our key communities are those in which our stores are located and in which our members live. By participating in community activities, we become a good neighbor and a good citizen. Our marketing director tracks the impact of our community support. We establish criteria for the organizations that we select, including their location, status, and mission.

Many of our members participate in our Circle of Excellence, which is a member-driven community-relations committee that allows our members to donate personal time to the groups that they select. Many of our members are highly involved in community activities chosen by the Circle of Excellence Committee.
Case Study • Park Place Lexus

At times it’s hard for me to believe how very far we’ve come. I look back and it’s been fifteen years since we started with our chairman’s vision: He felt there was a better way to run a car dealership, and I shared that vision with him.

We developed a competitive edge by creating close, lasting relationships with our clients as well as our members. Now, by sticking with our mission, we have been honored with a national award for excellence, becoming the first and the only automobile dealership ever to receive the Baldrige award.

Strategic Planning

Steve James, Controller, Park Place Lexus, and Chip Cottingame, Finance Director, Park Place Lexus Grapevine—Strategic planning is still relatively new in our business. At most car dealerships, a strategic plan involves how many cars they’re planning to sell that afternoon. That’s about as forward-thinking as they get. But at Park Place we have a very systematic approach to strategic planning—it is a big issue for us.

The strategic planning process starts with our leadership team, which meets offsite each year to help determine overall organization and direction. The leaders set our corporate vision, which includes our BHAG, our mission, and convictions, which are reviewed every year and updated only as necessary.

During deployment, the leadership team is responsible for coaching and ensuring alignment of all the groups within the organization. Our president is on the leadership team. He makes sure that the Lexus dealerships have input into the corporate strategic planning process, and also ensures continuity of information from the strategic planning process back into our Lexus dealerships.

We have three main inputs into the strategic planning process. The first is corporate direction, as described above. The second is direction from Lexus. The third input is market environment analysis.

Strategic planning is a cascading process. Each level gets refined a bit more. At the Park Place Lexus level, we ensure that the alignment of the corporate strategic plan meets with the needs of the Lexus stakeholders—the clients and members. And we make sure that the goals and action plans we develop at that level fit in with the strategic plan. At the next level, the store, the strategic plan is further refined, and we align and develop store-level goals and action plans. Further down at the department level, we continue to refine, and team members translate the overall plan to specific action plans with specific measures and improvement goals.

Operational targets and measures are modified as necessary throughout the process, and we track performance and conduct regular and ongoing reviews.

A strategic planning process is only as good as the inputs you use for it. Garbage in, garbage out—it works the same way for strategic planning. We make quite an effort to make sure we get a variety of inputs into the strategic planning process. We make
Eleven inputs for informed strategic planning, continued

1. **Client and market needs.** Lexus surveys and comparative reports are a major source of this type of information. We also get data from industry groups such as NADA (the National Automobile Dealers’ Association), the Texas Automobile Dealers’ Association, JD Powers, and other third-party research. We’re a member of Twenty Groups, groups of twenty Lexus dealers from across the country that get together and share best practices. We also have internal feedback—client reports, our client concern resolution (CCR) process, and our listening and learning process.

2. **Competitive environment.** We use all the above resources, and also our key suppliers and key vendors.

3. **Industry trends and product life cycles.** In addition to the prior sources, we employ magazines and industry publications for information on trends.

4. **Technological shifts and opportunities.** We’re a member of a number of industry IT associations and general IT associations. ADP is our dealer management system provider, and it provides a lot of input in this area.

5. **Product and service innovations.** The technology being added to cars now is incredible. At Lexus, we have new hybrid cars, a new engine, and three new models this year. Lexus is obviously the primary source of data for what’s happening now and what’s coming down the road.

6. **Human resource needs and capabilities.** Gallup Q12 is a poll we use to survey our members. We have a number of member committees and communications. Listening and learning are very important to this process.

7. **Organizational capabilities.** Add to the above our Baldrige feedback report, third-party assessments, and internal audits that we perform. We also have outside consultants who do third-party audits for us.

8. **Financial capabilities and needs.** We use financial reports from Lexus corporate as well as internal reports. We also rely on reports from Lexus and other industry experts regarding economic conditions and trends.

9. **Societal and regulatory issues.** We are a very regulated business. At a federal level, we address OSHA, the EPA, Highway Transportation Safety, the Federal Trade Commission, and the IRS. We also answer to state and local agencies. If the laws change, we change. We are alert to early indicators of changing requirements and we also monitor publications from Lexus and industry associations.

10. **Economy.** The economy is important to all businesses, but especially to the automotive industry. We keep abreast with news and industry publications.

11. **Partner directions and capabilities.** We get a lot of information from Lexus with regard to these inputs. We also review supplier and vendor reports.

Meeting key challenges

Our mission, vision, convictions, thrust, and strategies help us meet the key challenges that are unique to us. This allows us to create specific initiatives that meet our objectives, and the needs of our stakeholders.

Key challenge: Meeting growing demand

As our geographic areas have experienced explosive growth, especially in the higher educated, higher income bracket, we face a key challenge of growing demand in the area. The average income in the county where our Grapevine store is located is over $100,000, with 75% being college educated.
The corporate thrust to redefine the client experience addresses this challenge. Our initiatives to increase client retention at Park Place Lexus, such as using the client’s last name and expanding our facilities, are designed to meet this challenge. The Grapevine location recently completed a major service and sales expansion, adding twenty service bays and eleven new car sales offices. The Plano location is currently undergoing a similar expansion.

The key challenge of strong competitors in our area is addressed through the corporate thrust of building strong client touchpoints. These touchpoints occur every time and place a member comes in contact with a client, such as at the front door, on the telephone, at the cashier, or in the showroom.

Action plans for this thrust are focused on improvement of service at these points and promoting a strong image of customer service. One way we have addressed this is through our preferred client package, which is given to our clients when they purchase a car, and includes gift certificates to hotels, upscale restaurants, and a personal client number. This client number is actually attached to the car, so we can recognize who they are when they return to the dealership for service and what they’re actually there for.

Once we have our strategic plan, we’ve got to deploy it. At Park Place we handle the roll-out at many different levels.

At the corporate level, we deploy it through a series of fun events and activities. A great example was our “On Board 2005” roll-out, which was particularly important because after much consideration, the leadership team had made significant changes to our mission and convictions for the first time in many years. We had a new mission statement, convictions, and also our BHAG. There were a lot of big changes that needed to be rolled out to our members.

We had a movie theme for our roll-out, which we did at a series of off-site meetings, at a movie-themed restaurant. Every member, no matter what their position, was bussed out there in a series of eight meetings over two days. We had a lot of fun. We had music, videos, leadership presentations, popcorn, soda. Everybody had a good time, but more important, everybody learned. The excitement this created was contagious. Everybody brought it back to the dealership. To keep it up, we repeated the theme throughout the year, at our Team Park Place meetings, at corporate events, all the way through the Baldrige process. If you asked someone what “On Board” was, they knew.

A part of the new roll-out was “Park Place: Experts in Excellence,” an advertising brand that we developed as part of the process, but that we also used, and continue to use, internally. It belonged to the strategic planning process, and was a guideline for actions throughout the organization.

Once strategy is done at the corporate level, it is next deployed at the Park Place Lexus level, then at the dealership level and down to the department level, which is where the action plans are created to attain the goals.
In some cases, where an activity involves improving a process, we may use the Drive process. Figure 1 spells out our structured approach to process improvement.

Here is how we created a Drive process to deal with a problem:

**D** We had a problem with DQI, which is Delivery Quality Index. This is a measure of how clean a vehicle is upon delivery. It’s the last touchpoint before the client leaves the dealership, so it’s critical to our success.

**R** Our root cause in this case was a mess-up in getting the cars ready for clients. We were noticing scuffs, and water spots on the darker vehicles.

**I** The solution that we identified was twofold: One was to use an eraser board for our internal make-ready team so they could actually track what was going on from the Lexus survey. Second, we had a delivery checklist that our make-ready department got ready for us. Both the sales manager and the sales consultant had to sign off on it before the client took delivery.

**V** We measured results through surveys that we got back from Lexus, and after about four months, DQI improved dramatically.

**E** We evaluated and were able to see that our solution worked: Our scores went up over area and national levels, and have continued to do so.

### Summary

Changes that come about through action plans or Drive processes are sustained by making the change a permanent part of the required process and by conducting action plan audits to make sure that improvements have been completed and maintained. Action plan progress is reported at quarterly Driving Excellence (DX) meetings, to ensure that everything is on track.

### Measurement, Analysis, and Knowledge Management

Suzie Magee, Assistant Controller, Park Place Lexus Plano—With all the data that’s available these days, it can be hard to know which data to utilize. We employ a selection of daily operations measures known as Pace reports, which are completed daily by the management team. These reports track eight to ten measures that monitor a department’s current position in relation to the strategic plan and the previous year’s performance, as well as targets for the month, and include information such as new car units sold, client satisfaction, and available inventory of our vehicles. Our computer systems are designed to gather all this data in a real-time process, and the data is available to us almost instantly.
At our quarterly DX meetings, or Driving Excellence reviews, results from each department are reviewed individually, and if the results don’t meet the goal for that department, then an owner is assigned who has to develop an action plan to correct that issue. Existing action plans are also monitored in these meetings to ensure that any unfavorable trends are disclosed.

There’s a wide variety of comparative data available to us for evaluating our performance in the context of our environment. Lexus is a primary source of our comparative data for financial and client satisfaction. We also get data from the Lexus Twenty Groups.

Each department gets pertinent comparative data that it uses in its day-to-day operations. For example, the Kelley Blue Book is used for vehicle pricing in our preowned department. HR uses data from the Hay Group.

Outside the Lexus community, we use NCM, which is a benchmark for Mercedes-Benz and other high line dealerships, so that we’re comparing our performance to other dealerships that sell luxury vehicles.

To identify an area to improve a process, we look at other luxury automobile dealers that are known for best-in-class processes, and we look at data provided by Lexus as well as information from the quality award program applicants and recipients. The criteria for selecting a metric or a benchmark are that the source must be relevant to our performance at Park Place, must be reliable, and must provide readily available information now as well as into the future so it can offer us continuous ongoing comparisons.

Our data analysis includes comparisons to historical trends. We compare to targets and to competitor performance. Trend analysis used by senior leaders includes market research, client satisfaction compared to client retention, member satisfaction compared to turnover, and net profit to gross profit. We make correlation analyses in some areas, such as the development of client profiles and their effect on client satisfaction levels.

We’ve designed a system of reviews that happen annually, quarterly, monthly, and weekly at all levels of the organization. This system helps ensure that we monitor measures and react quickly to changing needs within the company. If issues are identified in a review, appropriate action is taken to address them. If we find that the issue is caused by an existing process not being followed, and the problem seems to be ongoing, then the appropriate process owner is assigned to it, and a corrective action has to be in place before the next meeting.

If our findings show that a process improvement or innovation opportunity exists, the department manager will implement our Drive process, which is used to improve upon what we already have in place. For systemic issues, if the measure doesn’t meet our target for two months in a row, then the department manager has to develop an action plan. If the downward trend continues for the third month,
then that action plan is implemented to correct the issue. We prioritize our resources to assign them to each action plan based on how much that project is going to impact our overall ability to meet our mission.

To communicate the results of reviews throughout the organization, we use our Meeting Agenda Process, which we developed because members wanted to have more information about the outcomes of the team and DX meetings. During the meeting a database of minutes is kept. Each manager is able to input information that’s ongoing in his or her department, then take that information back down to department levels, to be presented at the staff meetings that we hold on a weekly basis in each department.

This process was designed to help decision-making at all levels of the organization by giving enough information to the members to allow them to be involved and help with our improvements. We refine this process when needed to achieve a goal of 100% communication and deployment to our members.

Information management and communication are key to the success of our business and our processes. We use several processes to make information available to each stakeholder group. Members use both electronic and manual means of communication. The most common means of communication include email, meetings, and our ADP system. Most people know ADP as a payroll processing application. In the automotive industry it is one of thirty dealer management systems. That’s the dealer management system we use to handle all our dealership functions, from vehicle inventory to financials, parts, inventory, etc., and service management.

With our suppliers and partners, we use Internet, email, different meetings, focus groups, and in-person visits. We’re very upfront and try to meet as much as possible. With regard to our clients, we’ve provided them with web site access through our Internet so they can see their service and vehicle information, make requests for vehicles, and so forth.

Additionally we do focus groups with our clients. We regularly poll them to find out whether we’re doing a good job. How can we better improve our experience with you? We’ve implemented call centers to support our clients so that we can treat each one individually and ensure that they don’t have to leave a message but can get instant information within several minutes of making a call into our dealership.

The quality and reliability of our systems are evaluated and accomplished through many different approaches. First, we continually conduct reviews of our application systems to ensure that they meet needed business functionality and efficiencies. We go through strategic planning annually to review what the business initiatives are so we can select appropriate IT and technology applications that will meet those business goals. Additionally, we engage IT consultants to review our network infrastructure, phone systems, and other applications to ensure that we’re putting the right money into our technologies to help our business.

Our helpdesk process measures reliability and accuracy through reported issues. Members can submit requests through our corporate intranet or email, and those issues are prioritized based upon severity.
We utilize network management systems to proactively manage our network and to alert us of any type of system failure that may occur. We are notified of failures through text paging or emails so that we can respond immediately to fix issues. We built our infrastructure to provide data redundancy in our network servers and applications to ensure that critical systems are kept available in the event of a failure.

We also configured a hub and spoke network so that we can manage all of our dealerships through one facility as opposed to having multiple applications in all our locations. All systems are based on our main data center, which is located in Dallas. To ensure redundancy of our data center, we’ve implemented a natural gas generator, which will allow us to process and work during any type of power outage. So if we have an outage at one facility, it doesn’t affect all of our locations.

We’ve also implemented a channelized voice solution, which enables us to have a portion of our circuits for backup and redundancy. Additionally, all our servers are using RAID technology to prevent server failure.

Nightly backups are conducted of all files on our servers, to ensure that we can recover in a timely manner. In order to keep operating systems current and reliable, we use software push from our servers to keep our PCs up to date. Databases aren’t exposed to the Internet, which keeps them safe from outside attack.

We have implemented firewalls as well and intrusion protection devices (IPSs) to prevent any type of malicious activity, either internally on the network or from the Internet. Additionally, we use password protection and procedures that help lock PCs after a period of inactivity. In the automobile industry we’re heavily regulated, and in order to ensure that our customer data is protected, we always lock up PCs before leaving them, or they’re automatically locked.

You can never predict when an emergency or disaster might occur in your business. But you can be ready. Our formal disaster preparedness plan outlines the procedures for recovering all of our IT systems, in addition to other recovery procedures. Data and systems are both backed up and stored off site in case of such an emergency. Business operations are tested routinely, to ensure that we can work without computer systems, which would require our members to start processing again on paper.

Organizational knowledge is collected and managed through our organizational excellence department and the meeting agenda process described earlier. We manage best practices through our organizational excellence department using a central knowledge sharing database. During various meetings and reviews, members describe best practices, which are entered into this database on the intranet for sharing with other departments. Processes are documented to provide a standard way to communicate knowledge through the central knowledge sharing database.

Lexus also provides organizational knowledge to our members through the Lexus certification program that every member in our dealerships is required to attend. The program provides information on methods, practices, and products. Lexus representatives also meet with our key management team every quarter to talk about updated processes and practices, provide best practices from other dealerships, and examine opportunities for improvement. Our clients, suppliers, and partners also
have a lot of great ideas that they pass onto us through comments on our web site, using the listening and learning process, and our vendor management system. We also routinely get together for cross-dealership meetings.

We manage the quality of data information and knowledge by proactively addressing errors at the point of entry. We have moved significantly away from manual data entry, and the manual entry that is in place has multiple checks and balances to ensure that it is entered correctly. We also have field level integrity checking in our software to make sure people are entering the correct information. Each step of our process has an integrity check. For example in the sales process in our client relationship management database, a salesperson enters all the client information, then pushes it into our dealer management system. Once that information is gathered, it goes to the sales manager and the sales manager then verifies it. Data is verified once again and then we rely on our accounting department to get it all straight, and that’s where our billing is done, and which is the final integrity check of the process.

Everyone who has ever purchased or serviced a car understands the amount of information you provide during that process: your social security number for credit checks, a copy of your driver’s license, your VIN. You can imagine the opportunity for identity theft in a car dealership. We’re in a highly regulated industry and required to follow stiff rules regarding customer privacy. It may cost us at least $11,000 and upward of $500,000 per incident, so customer privacy is key, especially with the clientele that we’re catering to.

We routinely conduct audits of ourselves to ensure that all members are aware of the legal requirements, and we walk through the dealership just as a client might, looking for anything that might have a potential security impact.

Computer hardware rooms are for authorized members only and are kept locked with either numeric keypad or badge access. Accounting offices have locked file storage areas and members who manage client information are required to lock their files, desks, and offices when they’re away. All paper documents are thrown in shredding bins that are secured and locked. A shredding company comes on-site and performs the shredding at our dealership, as opposed to taking away the paperwork and then shredding and discarding it.

Information is very important to our success and to the growth of our organization. Our continued review of our systems and processes ensures our success and our opportunity to improve.

Customer and Market Focus

Tripp Steele, New Car Sales Manager, Park Place Lexus Grapevine, and Troy Tucker, New Car Sales Manager, Park Place Lexus Plano—To act on our passion for our Big Hairy Audacious Goal, to be the unparalleled retail automotive group in the United States, we have to first understand who our clients are. Lexus Corporation provides us with a lot of information about who buys our products. New Lexus car sales come primarily from people who are forty-six to fifty-two years old and make more than $111,000. They are mostly married and male, are very highly educated, and are work-
ing in a variety of professional positions. Our preowned car sales come primarily from people who are around forty-five years old, with an average income of more than $100,000. There are more males than females, but just barely. They are mostly married, and with a very high level of education as well.

In addition to these demographics we also consider the profile of the geographic areas we serve. These areas are experiencing explosive growth, particularly in terms of the well-educated, high-income families who are our target clients.

We listen to our clients to discover their needs and expectations through a formal process we call listening and learning. When new or changing needs are found, we evaluate alignment of these needs with core convictions and our organizational profile. Whenever a new need is aligned to our direction, we create an action plan to meet it, modify processes as required, deploy the change, and evaluate our effectiveness in fulfilling these requirements.

A great example of an action plan based on listening and learning is the client satisfaction survey that the company sends out for every Lexus we sell. The Grapevine store was ranked number one in client satisfaction in 2004, but that said, we still noticed that a lot of the surveys referred to some issues surrounding the delivery of the car. The survey was not specific enough to let us know what these issues were, and we were concerned, even though we were still getting very high scores.

So we created a Drive process, and an action plan. Over the next ninety days, for every car we sold whose owner returned a survey with a less than satisfactory score, a manager called the client to determine exactly what the problem was. Through those phone calls we realized that 90% to 95% of our problems were detail issues and paint defects. So we designed a process that we thought would be more effective for delivery. We got together with our detail and make-ready departments and our managers and we determined that once we had a car detailed and ready for delivery to the client, the detail manager would drive it up to the new car manager, and the new car manager would physically inspect the car, walk around it, sign off that it was to our standards, and then ask the salesperson responsible for delivering the car to do the same as well. Our DOI shot up significantly and was no longer a problem.

Input to the listening and learning processes comes from a number of sources. The most frequent and widespread way is through direct contact with our members. But we also conduct more formal activities such as focus groups, fireside chats, suggestion boxes, and bulletin boards. Additional sources include the client relationship management system, the business development center, feedback from the web site, Lexus research, and follow up calls that we make as a result of client surveys. From these listening and learning methods, we have identified key requirements, and established measures for each to let us track how we are doing.

The new car sales department has specific requirements and measures. For example, during the sales experience, clients require that sales consultants be knowl-
edgeable about their product and very professional. They want an overall good experience, and this drives their likelihood of recommending to others. In the delivery process, they want information on the warranty, parts, and on how the car operates, and they also want a very clean and scratch-free car.

Requirements for preowned cars are the same, except that clients also want the preowned certification, as well as the books and records.

Requirements for the service department are also very well-defined. Clients want qualified auto service mechanics. They want estimates in writing, as well as explanations, and they want their car ready when it is promised.

This attention to client needs is at the heart of building relationships with our clients. In the auto industry, it is all about relationships, for the sale today, but also for the sale on the client’s next car, their spouse’s car, and their neighbor’s car.

Lexus has a covenant that is held closely by all Park Place Lexus members, part of which reads that each client will be treated like a guest in our own home. This covenant drives our actions toward making the client experience more memorable, actions such as having a receptionist at the front of each of our stores who greets each client to make them feel at home. Members who have direct contact with clients are also required to attend mandatory client service training.

We conduct regular research on specific client and market segments to design marketing activities. For example, our radio marketing campaign for our service department came about as a result of feedback from lost service clients who told us why they left. To go to independent service shops in the area because they thought they would be cheaper. After we provided them with the correct information, they found out the other shops weren’t any cheaper.

The listening and learning process is designed to build a relationship development tool, because it allows us to respond to clients’ needs in ways that will make a difference to them. We use a database system called Customer Relationship Management, CRM for short, to maintain information about clients, which allows us to track their changing needs and build personal relationships.

For example, sales members may send birthday cards and use the client database to remember names of family members and pets, send a note on the anniversary of the client’s car purchase, and document the client’s hobbies and interests to further their relationship.

Client followup also provides an opportunity to build relationships. This is a followup call from our phone center to identify any problems or concerns. It is a process that results in dramatic increases in repeat business and positive referrals from our clients.

A pilot customer engagement survey by Lexus asks clients about their plans for repurchase, referral, and their sense of loyalty to our dealership. Results for these questions show significant improvement in these responses since the original pilot and we have performance at both locations that outranks the upper 75th percentile of all Lexus dealerships.
Clients have a wide variety of access methods to interface with us at Park Place Lexus. Information is made available through Internet marketing and direct contact approaches. They’re able to conduct business with us online or through traditional direct contract. They can express concerns through our focus groups, surveys, our client concern resolution process, or through personal contact with our staff. In each of those methods for contact we’ve established standards to ensure a positive client experience. One of the most important is that we always escort a guest to their destination rather than just giving them directions.

The performance standards that we have to facilitate client access are communicated to members when they first begin their jobs at Park Place during the new member orientation class we’ve named Foundations. They practice the standards during their on-the-job training. Ongoing communication of service standards happens during department communications, and during training for specific jobs.

We firmly believe that every business will occasionally drop the ball, and the integrity of the store and the company determines what they do afterward. We have a formal process for addressing client concerns called the client concern resolution process, or CCR for short. All members are responsible for identifying or resolving issues that clients might have. Members complete a short CCR form that ensures that clients are satisfied. A document called the Steps to Empowerment outlines specific dollar amounts that members are allowed to use to satisfy their clients. Without any further questions from managers, they can handle the concern right off the bat. Once the issue is resolved, members enter the CCR into the database and an email is sent to the department manager, who ensures that the issue is handled as well. Information from the database is aggregated, and used for longterm prevention activities.

About three or four years ago, Park Place sent all our corporate leaders to Disney for training, and there we found out some pretty remarkable things, among them that Disney believes that the people it needs to train the most in customer relations are the ones you would least expect. They are the ones who are actually sweeping the floors and the lots around Disney because they are the people Disney clients will typically approach with questions such as which way is the rest room, which way are these rides. We’ve adopted that methodology and that’s also why we’ve used the CCR process.

The CCR process is used to track concerns that our clients have. We actively pursue this input, because the more issues we can log and track, the more information we have to use to prevent future problems and the better we understand our client requirements. The survey conducted after every client transaction, the client satisfaction indicators, or CSI by Lexus, are often the best indicators and predictors of whether a client will return to Park Place Lexus and/or refer someone else to our dealership. The survey allows clients to make suggestions and comments as well. Suggestion boxes are placed throughout the dealership to let us track constructive ideas from not only our clients but our members as well, to make Park Place a more pleasurable experience. Focus groups capture actual information about client
Case Study • Park Place Lexus

Determining client satisfaction, continued

Results of surveys

impressions and lifestyles, which help us understand client requirements and the potential for future business.

We get a survey back from Lexus about the satisfaction of our clients with our leadership, specifically with regard to delivering on promises, satisfactory resolutions, being treated with respect, and overall satisfaction with the dealership. In all these areas we outperform the top 25% of all Lexus dealerships.

Our new car sales department has a high level of performance that has earned us the Elite of Lexus status. In fact the Grapevine store was number one last year. The Plano store is very close to an almost perfect performance level, best in the southern region.

The preowned department has also been meeting Elite of Lexus status and outperforming it.

In the Lexus service survey, we’ve exceeded the corporate goal of 95.1 every year since 1998, which exceeds the performance of all of our direct competitors.

Human Resources

Elisa Johnson, HR Manager, Park Place Lexus Grapevine, and Kari Mitchell, Training Coordinator, Park Place Dealerships—Our work system is designed with a focus on three areas: alignment of every member to the strategic direction, growth of every member, and performance of the organization. To support these areas, we use our DX quarterly review of key measures to monitor the work system and create improvement activities if needed.

Alignment is built into the system through leadership, direction, deployment, accountability, use of work teams with common goals, requirements for each position in the dealership that are linked to the directions of the organization, and the hiring process, which ensures an appropriate fit for the new member.

Growth is built into the work system through development methods. The training plan and member achievement plan are mapped and used to give members information about the training they need. The on the job training process is used to ensure that members understand their jobs. Park Place University provides members with ongoing training to develop their skills. Through documented processes, members are able to gain skills and understand their processes better. The performance review and the use of action plans also contribute to the personal development of every new member.

Performance is built into the work system through functional teams like our safety and 50/50 committees, which are used to provide guidance and input from those who perform the work most effectively.

We support our members with many different services, benefits, and policies, including medical, dental, disability, and life insurance, a 401(k), sick leave, and more. It isn’t common in our industry to have these kinds of benefits. In addition to these formal varieties, we provide other services and benefits that are rare for the indus-
try: for example, large rooms for training events and meetings, break rooms with vending and beverages, and air-conditioned service shop areas.

Our use of teams allows the opportunity for all members to contribute to the organization’s success, especially in cross-department improvement teams. These teams are used for dealershipwide issues and for getting input from people in different functions and backgrounds. We provide training and work instruction in both English and Spanish and have translators at meetings and other direct communications. This helps ensure that everybody has the opportunity to contribute. We provide diversity training at new member orientation as well as at other points throughout the member’s career.

In our member-driven culture, communication is very important to our success. We ensure that all members are receiving communications about their job and become involved about the business of the dealership. We have a standing group called the communication and recognition group, or CRG, which holds activities for remote communication between groups and ensures that members have appropriate recognition for contributions. During strategic planning, we have meetings to share best practices between dealerships. These meetings give each department the chance to share their innovative approach for others to use and adapt. As best practices are found, they are submitted to our best practices database for sharing across departments and dealerships.

Skill sharing is primarily done through coaching sessions, training, and OJT. These activities provide opportunities for job improvement and cross training.

We’ve worked very hard at improving our hiring approaches at Park Place Lexus. We know we can provide outstanding services for clients by having the right members perform them. When we have an open position, the department manager makes a request to HR to search for candidates with skills needed for that job. We create internal postings first so that members can apply for the position or refer someone who might be qualified. After that we post positions for external applicants through the Park Place employment web site or pull applications from previous job fairs and college visits. HR conducts the first screening interview. Potential members are then given an aptitude test, as well as behavioral and emotional intelligence profiles. Once the applicant has taken these tests he or she is interviewed by the HR department, hiring supervisors, and peers from the department.

We have a commitment to developing our members for future jobs through work experience and learning opportunities. For succession planning, we have identified critical positions and the workers who potentially fit those positions. The approach is confidential and members themselves are not usually informed about their selection. Through mentoring and coaching, they are developed in specific skills.

Our education development process enables us to develop the right training for members. This process is used to identify the training needs of our members, define
the requirements and parameters for that training, develop the courses and deliver the training, and then evaluate its effectiveness. We get input from members, managers, and corporate on the design and delivery of our training.

Out of the education development process comes training that is specific to our industry, and particular to its jobs and positions. This includes formal training plans for members and annual required and elective training.

Every new member at Park Place Lexus goes through a three-day orientation that we call Foundations. It is their first day on the job. Day one focuses on the history of Park Place, along with our culture, the directions of the company, the mission statement and core convictions, and safety issues and sexual harassment. Day Two is a full-day customer service class. And we don’t just want to provide a service. We want to delight our clients. We want to go the extra mile every time, so you spend your second full day on the job at Park Place going to a client delight class. It is a customer service class that focuses on automotive service industry issues. We do activities in class that actually might happen in our industry. We also train in the client concern resolution process.

Day Three is also a full day. In the morning we have an effective communication course, and it focuses on behavior, attitude, and we also go over verbal, nonverbal, listening, telephone and written skills. In the afternoon, we have ethics training, along with cash reporting, and vendor management. We have an entire vendor management system, and we train most of our key positions in how to use that.

Ongoing training includes our on the job training program, which is a four-week tour of our dealership. Of course, OJT can go on a lot longer than that, but we have a formal OJT program that is four weeks long, where members can go to every department, meet key members and contacts there, and learn the processes for each department so that they can better understand the organization as a whole, and how their own department fits in.

We also have annual manufacturer recertification, including product and process recertification, as well as annual OSHA and sexual harassment classes and other process training as needed.

We have a lot of training that is provided for our members in a number of different areas: diversity, ethics, safety, environmental, job-related and certification. Under diversity training, we have the DISC training, which is a personality profile that shows you how to work with other personality types, as well as ESL and SLL classes, if you want to learn Spanish, which does help in our workplace and in our state.

Manufacturer’s certification is very important in our industry. We have 100% of our members certified at the basic Lexus level. We’re nearing 60% of master and senior level certification. So we’re among the highest in the country when it comes to numbers of master and senior level certified members, which is huge, because we gain a lot of credibility with our clients when we have this type of certification level and it also helps us maintain a great relationship with our partner, Lexus.

The effectiveness of training is evaluated by the organizational excellence department. On an individual level, we obtain this information in many ways. We provide
a survey after each class. We also use a thirty-day feedback report. Performance reviews give us a lot of information. We also do coaching and one-on-ones in the assessments at the end of each week of an on-the-job training program. At an organizational level, we get feedback from the DX performance reviews as well as the option on our intranet for members to provide feedback.

An example of our training evaluations would be sales volume as an indicator of whether our training for our sales staff has been effective. The Gallup Q12 engagement survey lets us know if members are receiving the training that they need to excel in their position. Members provide feedback through our intranet about the effectiveness of the training that they’ve received, so we hear a lot about the training that we provide.

Many health, safety, and ergonomic factors affect members, and we have specific measures and targets that we use to determine how we’re doing in these areas, through reportable injuries and accident-free days, which we post in the shop area. The management team reevaluates goals for safety each year, to make sure that we meet or exceed the OSHA safety requirements. We have a safety committee that reviews safety and regulatory issues, and tracks how well we are doing with our current internal programs. This team recommends improvements in safety policies, and conducts internal audits using the safety improvement process. Issues that this team finds are addressed immediately.

Our results in safety showed significant improvement in 2004 and even greater results for 2005 are shown in our summary application. The safety team and management team are responsible for emergency and disaster planning and training, as well as training in and discussion of procedures and drills, which provide members with an understanding of tornados, fires, floods, and other disasters. Evacuation plans are posted throughout the building and drills are conducted every quarter. Business continuity plans related to getting members back to work after an emergency include instructions that are passed on through an emergency number they can call to see if we are open for business, which is also used to provide special status and instructions. We carry a comprehensive insurance plan that protects the assets of the company in case of disaster, which will provide funds to recover.

Member satisfaction is evaluated through a few key human resource measures, but primarily through the Gallup Q12 survey, which measures member engagement. Member engagement scores from 2003 to 2005 have shown a significant improvement. In fact, we now score in the upper ninetieth percentile, which means we are in the top 10% of the Gallup Q12 database.

The most current survey shows that our strengths lie in areas such as members feeling they can do what they do best. They understand and support the mission of the organization and believe that their supervisor encourages their development. Our high levels of member engagement correlate strongly with retention. The standard auto industry member retention rate is about 45%. Our rate is 75% for Grapevine and 74% for Plano.
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Process Management

Cam Mayfield, Service Manager, Park Place Lexus Grapevine, and Greg Duerr, Parts Manager, Park Place Lexus Plano—As a retail environment, we’ve obviously put a lot of thought into our key value creation processes. They are represented by any process that involves a direct interface with our clients, that significantly contributes to the delivery of a service, or provides an opportunity for growth. Here are some examples:

**Key value creation processes**

**New car sales process**

This process covers every aspect of the sale, including preparing for the sale, engaging the client in the sales process, finalizing the sale, and sustaining the relationship afterward. The clients and our process tell us the requirements for sales are courteous, knowledgeable consultants, who respect the time of, and honor commitments to, our clients. Performance to these requirements is measured through our client satisfaction index, our client concern resolution, our volume of sales, and also our defects, or policy adjustments—any money that we may have to pay out for mistakes that we make along the way.

**Pre-owned car sales**

Another important key value creation process is our pre-owned car sales process. It’s similar to our new car sales process, but takes into account different types of clients, and also procedures for regulatory purposes. Clients tell us requirements for this process are courteous, knowledgeable consults who respect the time of our clients and honor the commitments they make. Performance to these requirements is measured by the same indicators as our new car process, which are our client satisfaction index, and our client concern resolution process, volume of sales, and policy adjustments.

**Gross per member processs**

Gross per member shows the effect of business decisions that we make over time. It also shows that having stable systems allows us to weather economic downturns, and any changes that we may make in focus. Another important metric is units sold per member. 2002 held a few surprises for us, as it did for many people, but the strength of our systems allowed us to weather this downturn and bounce back to where we’re now outperforming the top benchmarks as established by Lexus.

**Service process**

The service process consists of setting appointments, providing service for vehicles, and doing followup with our clients. Key requirements here are courteous members who give appropriate explanations of all work done, keep our clients informed of additional work, and review any service work that was done at the end of the sales process. Ease of doing business with us is just as important as good communication. Performance to these requirements is measured through CSI, the client concern resolution process, number of rechecks (defects), volume measured by revenue, and customer pay as a percent of total revenue.

**Percent client paid of service revenue**

Percent client paid of service revenue is an important indicator because it shows that the service department is properly allocating resources between internal and
external clients. It is reviewed by service managers on a regular basis to determine if additional technicians are needed. Lexus has a comprehensive warranty, and as a result, a very high percentage of our work is paid for by the manufacturer. The remaining service work is customer pay, and the make-ready of sold new units, and the reconditioning of the pre-owned units. This internal work, as we refer to it, is critical, because it impacts our ontime delivery of sold units and of course the quality of our pre-owned units to our clients. Percent client-paid revenue for 2004 was 57% for Plano, and 49% for Grapevine.

Our service technicians are paid 100% by commission. They have established guidelines that are set by Lexus as to how they're paid for a job. If they complete the job faster than the guidelines set by Lexus, then they complete the job faster. If they take longer, they take longer, but are still paid at the same rate, so it's a motivational tool for them.

We measure technician productivity by the number of hours worked in a day divided by the number of hours flagged, so if they work nine hours and they flag nine hours, they're 100% productive. Obviously, if they're at 100% commission and they don't do the job right the first time, and the vehicle does come back for a recheck, they do the work at no charge, so there's another motivational tool built in to make sure they get it right the first time. In 2004, our tech productivity did fall slightly because we had technicians who were sharing lifts while we were going through an expansion at the Grapevine location.

Our parts process is responsible for managing our inventories, selling, and receiving parts. The requirements are courteous service, cost-effective inventory control, and addressing client concerns. Among the measures are CSI, which is parts availability, expenses, parts revenue, parts productivity, day's supply, and client concerns.

Key support processes have specific measures and requirements, just like the key value processes. The first is accounting. Requirements are timely and accurate postings of all of our monies, and a three-day close. The measures are accounts-receivable aging, accounting score card, and account deal cycle time. The scorecard measures performance of the accounting process. Monthly, the accounting department produces a package with financial statements, reports, and analyses, for the general manager and our officers. This is a visual of our financial management system. A 100% on the scorecard indicates deadlines and goals were met.

Another extremely important key support process is organizational excellence. Processes here involve following standards, which include certifying members on processes, and providing tools for ongoing feedback. An example of that ongoing feedback would be the online 50/50 forum that was established for all of our members to be able to go in to an online folder and put in any ideas or comments they may want to have addressed at the next 50/50 meeting, regardless of whether they are a member of the 50/50 committee.
Since we are a for-profit company, we often have to look at new ways of providing new services for our clients or new ways of adding value in the client process. The process management process is a formal design process that we use whenever we create a new service to our clients or a new process within the dealership. It has three phases, which include planning, organizing, and monitoring, and each phase has a series of steps to guide a team through defining, developing, and implementing that process. They’ll also use a design worksheet that provides detailed explanations of each step and guidelines for the documentation of the new process. Using the process management process, a team can ensure that operational and client requirements are built into the design of the new process from the outset.

The design team is also responsible for implementing the new process. So they’re well-motivated to design the process correctly from the outset in order to have a smooth rollout. The implementation plan will consist of action plans that list tasks, assignments, timeframes to acquire equipment, any supplies, or new vendors that may be necessary for the new process or service. Then they’ll make changes to documentation, hire and train any additional staff that may be necessary, and develop contingency plans for any problems that may develop upon rollout.

The processes are then updated and issued with written procedures, best practices, and of course, the requirements and measures for the new process.

We had to create a new process because clients were coming in with nicks and scratches on their vehicles, and wanted to have those repaired with us. We didn’t have the capacity to paint vehicles. But we knew that this was something that would be important to our clients, so we followed a process management process, and created a team that established standards we knew to be very high, because our clients have great expectations for us, and they keep us constantly on our toes to make sure we stay that way. We also knew that we had to acquire equipment, a new vendor to supply the paint for us—many new tools were necessary.

We also had to write the new process. How were we going to deal with a completely new service within our internal organization? Obviously we didn’t know how to paint cars, so we had to hire painters, and we had to train them into our culture and into all of our other processes, and then we developed our contingency plans for rollout. What would we do if we had a problem with this new service to our client? And then we monitored and refined on an ongoing basis to ensure that we maintained the requirements and standards for that process.

Process improvement is what we do when we don’t get it right the first time. It’s not too often that we need new services to be designed. Most everything that we do is going to be modified. We have our Drive process for that.

An example of this kind of process occurred when we noticed we needed to increase productivity in our service area without any more bricks and mortar. We recognized that the root cause of the problem was that technicians were spending too much time out of their stalls, which lowered their productivity. So we identified the solution and designed a process to deliver parts to them so they never had to leave their stalls and could be more productive. We verified this through the productivity
measure that was measured earlier. When we started this measure we were at 123% productivity. Currently we’re averaging 137% productivity. We evaluated the results and found that technicians were working the same amount of hours daily but were actually getting more cars out of our repair shop and they were flagging more time on themselves. Getting cars out more quickly helped us to improve our CSI.

We don’t have a lot of audits or inspections because our processes ensure that we are compliant. Reporting is built into our processes, which helps reduce inspections and audits. For example, the sales process makes sure that inventory is tracked closely, so that we would always be prepared if there were to be a Lexus floorplan audit. Regular, internal audits help make sure that we are compliant. An example of this would be a third-party inspection and OSHA training. These inspections and our monthly safety meetings are proactively used to address any issues. Our vendor management coordinator also audits for proof of insurance and correct billing of the vendors we use. Audits identify issues and potential defects so we can correct a problem before it impacts our clients or causes rework. By including a checklist and regular checkpoints we minimize defects, rework, warranty, and policy adjustment costs.

Still being proactive, we have a disaster preparedness plan. Data and information systems are backed up daily and stored off-site for our security. A plan is in place to bring systems back up quickly if we were to go off line. The safety of our members is planned and practiced for various kinds of emergencies. And also so our members can return back to work safely. We have a financial and operational contingency as well. It is designed for us to manage so that we can start our business up and resume operations after any type of emergency. It includes business continuity insurance, which ensures we have financial resources to recover quickly. All processes can be run manually if we have a longterm power outage, and the members are trained in these methods. We can also work from additional locations if needed. Vendors and procedures are in place to bring mobile buildings in as well. We have plans for our supply chain through Lexus for any interruptions from our manufacturer. With high absorption rates within our service area, we can operate at a break-even level without selling a single vehicle.

**Journey to Excellence and Lessons Learned**

*Ken Schnitzer, Founder, Chairman*—There are 23,000 automobile dealerships in the United States. Park Place Lexus is the first and only automobile dealership to receive the Malcolm Baldrige National Quality Award. We had an exciting twelve-year journey toward our selection for the award.

The journey for Park Place began before the Lexus dealership was even started. I founded Park Place Motor Cars, now Park Place Dealerships, in 1987 with the purchase of a Mercedes-Benz dealership. I came from outside the industry, and brought a different perspective. I did not understand how a business could be run with just a day-to-day focus. From the first day, we set out to prove that a car dealer—and I think readers know what I mean—can be run just as well, and be just as great a place to work, as any other corporation in America.
In 1991, we received the franchise for the Plano Lexus store, and we found ourselves in the right place at the right time. We were a new company, and Lexus was a new and different kind of car, and it made sense to have a new and different kind of dealership. We seized the opportunity. We were committed to building a business for the long term, with a single mission that never changes: To provide the best possible client experience. I began with measures that told a bigger story than daily volume and actions that would drive improvement and standardize processes.

In those beginning stages, the managers described these tasks as “Ken’s little projects.” It was stuff they had to in addition to their “real work.” I continued to drive improvements through regular meetings where the managers had to describe what caused the measures to move and how they were going to fix them. First one manager and then another began using the strategic planning process to run their part of the business. It worked. Before long, in meetings, they were talking about their plans and their goals against targets.

The period from 1993 to 1995 was a time of significant growth and maturing for our organization. We began to differentiate ourselves from our competitors in many processes and business approaches. In 1993, we formalized our approach to strategic planning, and formalized our mission and convictions. It was a big deal then for a car dealer to do strategic planning.

The planning process played a key role in our journey. We moved from creating ten or more action plans or items for each department down to selecting one to three action items that would have an impact on departmental goals. I was so convinced that having effective action plans was a key to our success that I taught an action plan class for all managers.

Right along with the strategic and action planning, we developed a focused measurement system. This was difficult, because we had to get people to look at a different type of measure—different from the day-to-day measures that were common in our type of business. These measures were more appropriate for measuring and analyzing performance.

The president created the Pace Report about eleven years ago. It shows the department’s current position vs. plan and last year’s performance. The report tracks eight to ten key measures for each department.

Now despite this focus on measures and controls, we still had a problem. We were not always hiring and retaining the best people. We decided we needed to do a better job of recruiting for our special culture. In 1995, we created a human resources department to help move us forward toward empowering our members. We hired an officer-level person in charge of human resources to revamp our hiring policies. We developed a mandatory training program for every position, established a code of ethics, and most of all, a member-driven culture. In our culture, we listen, we act on suggestions, we train, and we maintain an environment where mutual respect is the norm.

An important key to being able to empower members is that we have standardized processes and provide the methods and tools for them to improve their own work.

From the first, we focused on improving the quality of our processes as the avenue to improvement in our business. We formalized the documentation of our processes, and we copyrighted all documented processes in 1997.
As a pulse check of our status in 1998, we conducted an internal Baldrige assessment that caused us to believe we were doing a pretty good job based on how well we scored ourselves. You can imagine how that came out. But we needed to do work in some areas. Out of that assessment came our first tape application in 1999, which earned us a site visit—a real eye opener for us about a lot of things we still needed to accomplish.

In 2000, we hired our organizational excellence director, who took feedback from the tape application and started working on our improvements. We decided we needed someone inside to spearhead the changes recommended by tape. About this same time, we began to rely more heavily on technology. Every member in the showroom had a personal computer to manage the sales process, and keep track of client preferences. In service, members used a handheld device that told why the client was there, the history of the car, and special services required, such as a loan car.

During this period, we were installing a lot of new technology. And with it came the issue of training our members to use the new systems. In 1999, we hired an IT manager and created an IT department. To coordinate our many training programs, including technology, orientation, and Lexus certification courses, we created Park Place University.

The next big event in our journey was the opening of our Grapevine store, a true success story, due in large part to our well-defined processes, HR policies, and technology to help manage processes. With the new store under construction, we hired members, provided training for their positions, and then assigned them to members at the Plano store who were doing the same jobs. They learned their new jobs so well that opening day in Grapevine was close to perfect.

The years 2001 to 2003 were a time of refinement of all the changes from the previous years. The training we used to open the new store, for example, was formalized for use in member training. We call this approach OJT, and it’s based directly on the skills assessment of the job and the member.

To help us listen to clients, we implemented the CCR process, based on feedback that we had received in our 1999 tape assessment. To listen to our members, we changed from the long employee opinion profile to the shorter and more effective Gallup Q12 survey. Gallup measures employee attitudes at thousands of companies. Our scores are now in Gallup’s ninety-plus percentile. The significance of our accomplishments and improvements became obvious to us in 2003, when Park Place Lexus became the first auto dealership to receive the Texas award for performance excellence.

Our pursuit of excellence continues both inside our stores and out in the communities where we have facilities and where our members live. We hired a marketing director in 2004 to coordinate our community activities, many of them supported by our members as well. The director began by establishing our strong corporate partnerships that have brought greater depth to our external involvement.

That same year, we applied for the Baldrige award. We went to consensus but did not receive a site visit. Last year, with our second application, we were named a recipient. While we have come a long way, our site visit found forty-three opportunities for improvement. So now we’re working harder than ever. No one ever told me this thing never ended!
What’s next? By now, the Baldrige Criteria are a way of life at Park Place Lexus. Here’s one example. A client told a member that service check-in took too long. The member talked to his manager and they quickly devised express check-in, to save time for our clients and the company as well.

The strategic planning process drives improvement throughout the company. Each department follows the direction set in the corporate plan, and creates its own plan, which sets the goals, strategies, and tactics for the year.

Our strategic direction is moving us beyond just client focus to consider the total package of an outstanding client experience. For example, one element of our strategic plan required attention to every time and place where a member comes in personal contact with a client, such as the front door, on the telephone, at the cashier, and in the showroom.

We believe we’re having an impact on our industry too. As our reputation has grown, we’re able to serve as a role model for auto manufacturers and dealers who study our system and use Park Place Lexus as a benchmark.

Lessons Learned

What lessons have we learned on our journey?

1. We proved to ourselves that we must use a systematic approach to improvement. Using the Baldrige model identifies issues that are important in our business.

2. Progress requires buy-in by leaders at every level. Sometimes we must make a decision that is painful in the short term but is necessary for long-term success. In such times, managers show their commitment not by what they say, but by what they do.

3. We believe in the member-driven culture. It has great benefits but carries heavy responsibility. We must listen to our members and we must address their issues, no matter what they are.

4. We’ve developed a structured approach to performance excellence, with our defined method to implement improvement that we call Drive. If you get feedback, or find issues during a review of key indicators but don’t have a way to put that information to work, then you don’t have a structured approach to move you forward.

5. You must commit resources to the journey. The word resources takes in time, technology, information, money, and all the tools necessary for success. The most important resource is people. Success demands having the right people in the right jobs.

6. Build on a series of small successes. Use one success to lead to another. Reward and recognize people for those successes to motivate them toward even greater successes.

7. This took us a while to learn: Keep it simple. People can only focus on a few high-priority projects at any one time.

Conclusion

The journey has been really fun. Yes, we work hard, but we have a good time. When I leave for the office, I’m headed for a place I enjoy. I’ll be surrounded by people who like their jobs, who smile a lot, and who work well together. I know that today
someone will solve a problem, someone will find a better way to do something, and
someone will throw out a bright new idea that no one has ever thought of before.
These are the small successes that added together, can change your world.

I will see clients walk in the front door, and drive up to service reception, knowing
that almost every one of them—we’re not perfect yet—will be treated the way we
treat people in our homes, and I say to myself, I’ve got the best job in the world.

Jordan Case, President, Park Place Lexus Grapevine and Plano, joined Park Place
Dealerships in 1991. He has been named an “Elite of Lexus” award winner ten times.
Case has a bachelor of arts degree from North Texas State University (now the Uni-
versity of North Texas).

Chip Cottingame is the Finance Director for Park Place Lexus Grapevine. He joined
Park Place in 2001. He has a business degree from the University of North Texas.

Greg Duerr, Parts Manager, Park Place Lexus Plano, started in the automotive busi-
ness in 1988 and joined Park Place in 1995 as a Parts Manager at the Jeep/VW loca-
tion. He has an associate’s degree in arts and science.

Stephen M. James is the Controller for the Park Place Lexus Dealerships. He joined
Park Place in 2000. He is a CPA licensed in the State of Texas and a graduate of
Texas A&M University with a bachelor of science degree in computer science and a
bachelor of business administration degree in accounting.

Elisa Johnson, Human Resource Manager, Park Place Lexus Grapevine, came to Park
Place in 2003 with nine years of human resource management experience. She is a
graduate of Texas Women’s University.

Suzie Magee, Assistant Controller, Park Place Lexus Plano, joined Park Place in 2000
with sixteen years of corporate accounting experience. She is a graduate of Union
University in Jackson, Tennessee.

Cam Mayfield is the Service Manager for Park Place Lexus Grapevine. He started in
the automotive business in 1992 while earning his bachelor’s degree from the Uni-
versity of Texas at Dallas. He joined Park Place in 2003.

Kari Mitchell is Training Development Coordinator for Park Place Dealerships. She
In 2002, she received her bachelor’s degree and then later completed certification
requirements for the Texas Education Agency.

Kenneth L. Schnitzer, Founder and Chairman, started Park Place Motorcars in 1987.
Four years later, he added Park Place Lexus and went on to add several other dealers-
ships. Today Park Place Dealerships consists of ten luxury automobile dealerships.
Prior to founding Park Place, Schnitzer spent ten years as president ad COO of Leas-
ing Associates. He holds a bachelor’s degree in business administration from the
University of Virginia.

Tripp Steele, Lead New Car Sales Manager, Park Place Lexus Grapevine, joined Park
Place in 1994 after graduating from the University of Dallas.

Troy Tucker, Lead New Car Sales Manager, Park Place Lexus Plano, joined Park Place
in May 2000. He is a graduate of the University of Arkansas.

This article is based on presentations made by the authors at the Quest for Excellence