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

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

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Value Ability
for Leaders and Managers

It’s pretty well accepted that a good way to please customers is to deliver what they think is valuable to them. In business-to-business discussions this is sometimes expressed as the value proposition. The theory, however, holds true on a 360-degree basis, too. When trying to get new customers, or keeping the ones you have, the ongoing question they will always have in mind is knowing what your value proposition is: What are you proposing and how will that be valuable to me? Employees, shareholders, and governments, for example, also want to know the value proposition: How valuable will it be for them to have a personal, professional, or business relationship with you and your organization? It holds true for cities and towns, states and nations, religions and schools, too. Everyone wants to receive something of value in life. The value proposition is always about how my relationship with you—or your organization—will add value to my life?

The other side of the coin—the producer side—is, of course, about creating, selling, and delivering something of value to someone else. That requires value-ability. Value-ability has an incredibly wide-ranging scope. It can be simple one-on-one services like mowing a lawn or bagging groceries; or it can be highly complex services by highly educated and skilled professionals. It can be about groups of people designing, producing, and delivering a range of goods and services, from mom and pop businesses to huge multi-national industries. It can be about people designing jobs that people want to spend their valuable time working in. It can be groups of people designing and managing complex social systems like governments, money and banking, health care, education, and religion.

It also has to include everyone’s attention to the stewardship of our can’t-live-without-it common-wealth planetary resources. The value of humanity to the Earth is a factor of the ability of human beings to achieve a quality of relationships that enable them to lead and manage their activities in a way that continuously improves the value proposition for life on the planet.

In recent centuries considerable attention has been devoted to the design and management of business and other social systems that enable continuously improving qualities of life. There is a lot of noise in these systems, and there is a lot of competition and deal-making negotiations going on throughout the world, some of which are narrowly self-centered and self-serving while others are balanced with an interest in the common good.

A recently emerging phenomenon is the establishment and growth of public-private sector partnerships for quality and performance excellence throughout the world. The good news is that these entities are providing a framework for the people involved to see more clearly what their organizations are producing, determine the value (or harm), and then identify what needs to be improved and how to do it. One of the leading partnerships is the Baldrige National Quality Program in the United States. A milestone in the evolution of the Baldrige Program was reached this year. It was the first year that all sectors of the economy—governments and other nonprofits, business and industry, education, and healthcare organizations can systematically learn and improve their value propositions.
Value Propositions for Profitable and Sustainable Organizations

In today’s congested and competitive world of theories, programs, methods, and tools for managing organizations, there is one value proposition that a number of CEOs, managers, and employees have found to be a good, robust, and continually improving framework for running their businesses. It’s the Criteria for Performance Excellence from the Baldrige National Quality Program.

The full value of the Baldrige Program is achieved by taking advantage of its two main features: 1. Using the criteria as a comprehensive framework for running your organization effectively and efficiently. 2. Applying for the award to get feedback on how well the organization is running and finding out where, specifically, opportunities for improvement still exist. And, should you receive a Baldrige Award because your evaluation scores were very high, that’s just icing on the cake and bragging rights. The real value, all award recipients state, is a better organization that comes from using the criteria and getting the feedback reports that enables them to better focus their attention and achieve the most effective continuous improvement results.

A recent Baldrige Award recipient is MESA Products, Inc., a small business with headquarters in Tulsa, Oklahoma. The president, Terry May, describes the start-up and growth of the business and talks about the development of their management system:

From our first rollout of Total Quality Management in 1993 to becoming a Baldrige recipient in 2006, performance improvement has been a key business strategy of MESA’s. Before all of these fit so neatly under the Baldrige umbrella, they were part of what we call the MESA way. In some cases we were practicing them before we knew they had names.

MESA’s quality policy is both a word and an acronym: ACT, which stands for accurate, continuously improving, and timely.

ISO 9000 was the discipline that helped us actually start working toward quality. And the key word there is discipline. This was the event that transformed us from just talking about quality to actually doing something about it. ISO was key to embedding quality in our organization.

Of all the improvement methodologies, Lean is the one that best fits MESA’s culture. It appeals to our small-company common sense, particularly as we don’t have full-time quality professionals on staff.

As for PDCA—Plan Do Check Act—that’s something we’ve always done. It wasn’t until we started submitting quality award applications that we realized what the initials stood for.

The Baldrige Program celebrated its twentieth anniversary this year and we decided to interview the program’s director, Harry Hertz, to talk about the value of the Baldrige Criteria for Performance Excellence. Hertz responds to questions about the program’s value in the article, The Malcolm Baldrige National Quality Program: A lot of work just to win a prize or a real value proposition?

The basic value proposition of the Baldrige Criteria is embodied in our definition of performance excellence. It has three goals:

1. First of all, it’s about an external view of meeting marketplace and customer needs, and expectations, leading to marketplace success.

2. The second part of the value proposition is improving organizational effectiveness and efficiency, which is an internal view of improving the organization.

3. The third part of the value proposition is organizational and personal learning, which is about (a) learning as an organization so that you become and remain a high-performing organization, and (b) personal learning for the people of the organization because we’ve learned over time that one of the main attributes of an engaged workforce is a workforce that knows they can continue to learn. That is the employee engagement piece, and it is a key piece.
MESA Products
Malcolm Baldrige National Quality Award Winner

Organizational Profile

About MESA
Terry May, CEO and President—MESA is a small company in the cathodic protection business. Cathodic protection is a process used to prevent metal structures from corroding—we’re specifically concerned with the underground corrosion of steel. This is a 60-year-old technology that is now mandatory for most underground hydrocarbon pipelines and tanks. We’ve been in business twenty-eight years, and currently provide technical services, installation, and materials related to cathodic protection.

Mesa is headquartered in Tulsa, Oklahoma, with branch offices in Tallahassee, Houston, and Los Angeles. Our products and materials are sold nationally and to selected international locations. Our technical and installation services are performed mostly in the mid-continent, southeast, and southwest United States. When we started MESA, we focused on engineering and technical services, and as we grew we added installation and materials to the mix. Our current technologies and expertise include engineering design, excavation, and manufacturing, all focused on cathodic protection applications.

The average length of service for our employees is greater than seven years, which is pretty remarkable considering our annual 20% growth rate. Approximately 10% of our people have been with MESA for more than twenty years. Our voluntary turnover is at 7%, or roughly six people per year, most of these occurring within the first two years of employment. We think longevity is a sign of happy, satisfied employees. One of the reasons they might be happy is we’ve never had a layoff, nor do we make seasonal adjustments in our workforce.

What’s also unusual about these statistics is that we don’t have much upward mobility. There just aren’t that many departments or positions in a small organization. But we do give people the opportunity to grow and develop within their positions, increasing their value personally, and to the company. We’re a very close-knit group.

The customer is at the top of the org chart
Our organization chart is pretty simple. At the top is our customer. Next comes a list of six operating groups. At the bottom is the president. And it’s always been this way, at least as long as we’ve had a chart. It’s a reminder of how we want our organization to function. I don’t have daily contact with our external customers, but our people do. Leadership’s role is to support front-line people. These are the ones with the primary contact. Of course, we all have customers, I consider the operating groups my primary customers.
One of the most interesting things we’ve learned in our Baldrige journey is that when a company has a vision, a mission, and well-defined values, it has a foundation that can function in any environment.

Our vision: **Leading the cathodic protection industry with world class performance and integrity.**

Our mission: **Provide superior value through our people, processes, and products.**

Probably nothing is as essential in driving our company as our key values:

- Integrity
- Friendly
- Accountable
- People first
- Community

These five words, not by themselves, but in total, guide everything we do.

In our business we serve two kinds of customers: material customers and service customers. Each group has its own expectations for MESA. We used to be pretty sure we knew what those expectations were. But to make sure, we incorporated expectations into our customer satisfaction survey process. The answers to those surveys confirmed and validated what we thought they wanted. Our material customers want, in this order: quality, service, and price. And our service customers want, in this order: safety, quality, and service. Armed with that information, we built our strategic plan and continue to make daily decisions to make sure we meet those requirements.

Our primary market is the underground pipeline infrastructure in the United States. This market includes major hydrocarbon transmission pipelines, as well as natural gas distribution companies. Associated markets include underground and above-ground tanks. The best descriptors for our markets are “mature,” “slow-growing,” and “regulated.” Cathodic protection is mandated for most underground hydrocarbon metallic pipelines, creating a relatively stable but not significantly growing market.

The US market is relatively small—we estimate it at about $300 million a year. We’re number two nationally in core markets and number one regionally in mid-continent. Material sales count for about 70% of our revenue, while 30% is service. We have a broad and balanced client base, with our largest customer constituting approximately 6% of revenue. Our success does not hinge on one or two customers.

Our list of key success factors, which we also refer to as our strategic objectives, are what drive our business:

- **Customer service.** MESA delivers industry-leading customer service and focuses on those performance attributes that drive customer satisfaction. Results from a third-party customer survey confirm that MESA consistently outperforms its best competitor in seventeen of seventeen performance attributes surveyed.

- **Relationships.** We emphasize the development of long-term relationships with our customers and our suppliers. The strength of those relationships means that MESA can concentrate on the delivery of value rather than price. We strive
to be the preferred supplier to our customers. And our relationships with our suppliers position MESA as a preferred customer of our suppliers. We enjoy the highest customer retention rate in the industry.

- Performance excellence. The road to long-term success and sustainability is based on our commitment to continuous improvement.
- Work environment. MESA has created a culture of empowerment and continuous learning for its employees. We believe in training and invest almost twice what the average company invests in training every year.
- Opportunistic growth. Our philosophy of positioning the company to take advantage of growth opportunities in a profitable manner started as a result of capital constraints. But over twenty-eight years, MESA has successfully capitalized on many of those opportunities, and virtually all our growth has come at the expense of competitors.

As an ongoing part of our strategic planning process, we identify key challenges. Although we occasionally see additions and changes, there are five major challenges that never seem to go away. We’ve been very successful in managing them, but we understand that we can never become complacent about them.

- Identifying growth opportunities. Although MESA’s major approach to growth has been opportunistic growth, we’ve become more active in identifying and creating opportunities such as the propane tank industry, and the exploration and production market.
- Risk of major accidents. Every day our employees drive large trucks with trailers and equipment hundreds of miles to job locations. Every day, our employees excavate high-pressure petroleum or gas pipelines. And every day, our employees are performing services in refineries, terminals, and production fields.
- Customer retention. From 2000 to 2005, our key customer retention increased from 93% to 100%. In a small, mature market like ours, we cannot afford to lose customers.
- Availability of human resources. MESA employees, for a variety of reasons, stay with us. Maybe it’s our approach to professional growth, maybe it’s our family-like environment, or maybe it’s our 35% pre-tax profit sharing, which since 2000 has ranged from 7% to 15% of annual salary. All this may explain how in 2006, 69% of our employees classified themselves as highly satisfied. But our challenge is finding new people in a competitive job market. With few people having the required technical skills, we’ve had to come up with some creative ways to attract quality people.
- Branch office support. We have lots of people in different places, in environments ranging from office settings, to manufacturing, to project locations wherever they may be. Maintaining open communication lines is an ongoing challenge.

From our first rollout of Total Quality Management in 1993 to becoming a Baldrige recipient in 2006, performance improvement has been a key business strategy of MESA’s. Before all of these fit so neatly under the Baldrige umbrella, they were part of what we call the MESA way. In some cases we were practicing them before we knew they had names.

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Leadership

Terry May, CEO and President—It’s no coincidence that the first Baldrige category is leadership. Leaders set direction and guide an organization. Unless the leadership of an organization is solid, stable, and committed, it’s difficult for that organization to enjoy long-term success.

John Maxwell made this observation: “True leadership cannot be awarded, appointed, or assigned. It comes only from influence, and that can’t be mandated. It must be earned.” The only thing a title can buy is a little time, either to increase your level of influence with others, or to erase it.

So are leaders born or made? I can’t answer that question. But I know that leaders are human. They make mistakes, and sometimes they get lazy, full of themselves, and don’t pay attention. About a month ago I traveled from Tulsa to Albuquerque to address the Quality New Mexico conference. My route was from Tulsa to Houston, connecting to Albuquerque. As I walked up to the gate for my early morning flight, the plane was boarding. Without slowing down, I walked onto the plane, sat down, and immediately immersed myself in my newspaper, oblivious to everyone and everything around me. We took off to the east and the sun was directly in my eyes, but I squinted and continued reading. About ten minutes into the flight, I became aware that the sun was still in my eyes. At that point, I realized it was not going to be a good day. My plane was obviously not going to Houston, and I was too embarrassed to ask my seatmate where we were going. But I still had some hope of making my 2:00 pm presentation in Albuquerque, because most flights out of Tulsa connect to nearby hub cities. Unfortunately, Continental had just added a non-stop flight from Tulsa to Newark, New Jersey.

Now there are a lot of lessons to be learned here and I’ve heard every one of them. But senior leaders should take to heart that they’re not infallible. They should surround themselves with smart people, and create a culture where it’s okay to make mistakes and question decisions. Mistakes are part of learning and improving.

At MESA, leadership is not a one-man show. We have a seven-person senior leadership team, five of whom have been with MESA for more than twenty years. That’s...
unusual, especially in a small organization, but we’ve created an environment where people can be successful on a long-term basis.

Once we established what kind of company we wanted to be, we answered the fundamental questions of who, what, when, where, and how? Then we built the infrastructure to nurture that vision. Next came deployment—putting those ideas into action. Our strategic plan, along with our policies and practices, make it easy for everyone—employees, suppliers, and customers—to know what’s expected of them and what they can expect from the company. As far as getting those ideas across to employees, we use one simple concept, and that’s to overcommunicate.

Senior leaders created our first vision and mission statements as an outcome of our first formal strategic planning process. Our values and our culture were already established. We simply had to articulate the qualities and attributes that existed. But about two years ago we decided we needed to include more people in that process, and during a series of lunch and learn sessions, a group of about two dozen volunteer employees redid our mission and vision statements. The benefits of this were twofold: They came up with much better language to put a voice to our vision and mission, and these employees became part of the process.

Our strategic plan is not just a piece of paper. It is literally what drives us. It’s our compass, our map to the future. Before we start any new project or change of policy, we make sure that the outcome is aligned with our strategic plan, and the ultimate success of the company.

Back in the ‘80s, it wasn’t unusual in our industry for a company to acquire business through relationships with clients that bordered on unethical and maybe even illegal. I made the decision that MESA wouldn’t do that. Early on, an inspector was causing us grief on a job. He suggested, not very subtly, that a $100 pair of cowboy boots would make the job go a lot more smoothly. It was a $100,000 project—that $100 was pretty insignificant. But I told him, “no.” The job didn’t go more smoothly. But we made it through. And then it was understood in our company and in the industry that we don’t operate that way. This stance did cost us some jobs and some pretty big projects. But over the years, our reputation has earned us a lot more work than we lost in those early years.

For many small companies, especially in the early years, the focus is on daily survival: the next project, the next payroll. Planning for sustainability seems like a luxury. But to grow, and to thrive, and for us to continue to support our employees and families over the long term, we realized we needed to take a longer view. Part of that came from following our strategic plan. As I mentioned, our strategic plan is the focus of everything we do. We don’t make a move in business if it’s not directed at satisfying some aspect of that strategy. It’s been through our continuous improvement efforts that we discovered a direct correlation between improvement and growth. If we don’t get better, we won’t be able to get bigger.
One of the most significant outcomes of our Baldrige journey was the creation of a business continuity plan, which included identifying and prioritizing risk, developing risk response plans, and creating succession plans. The single biggest risk that we identified was what we called the airplane plan: I’m in a plane, it goes down. What happens to MESA? Without going into detail, we do have a plan. And each manager in an identified key position now has a succession plan in place. We’re developing succession plans for every position within our company.

At MESA we understand our roles and responsibilities and take them seriously. I attribute that to the culture we’ve developed. The words friendly and enjoyable are key attributes of our work environment. We support family. As an example, on any given day, there might be one or two children running around the offices because of childcare challenges. We’d rather have an employee show up on those days with their child than stay home.

We need 100% effort from everyone. Our employees perform because the expectations are clear and achievable. And they deliver. Surveys tell us that motivation isn’t just about money. It’s also about employees operating in an enjoyable environment where they have a purpose and can contribute to organizational success. We try to create that environment at MESA.

One form of motivation at MESA is sharing success. We’ve always shared profits, but sometimes it was done subjectively. We’ve now formalized that process and we tell everyone the number. Thirty-five percent of net pre-tax profits is shared by all employees. For an owner, that might sound like a lot. But the actual numbers over the last five years prove that my current 65% is a lot more than my 100% used to be.

MESA’s approach to communication is to overcommunicate. I’m always amazed at how many times something has to be said, written, posted, and repeated before the idea kicks in. That’s why our communication plan includes a series of cascading messages, conveyed numerous times through multiple channels. At our regular Monday morning meeting, everyone in the company is made aware of what’s happening that week. We gather together, record minutes of the meeting, post them, and then email them to every employee. At MESA, we’ve adopted a policy of sharing virtually all information short of confidential personnel data. That means that our numbers and financials are available to anyone in the company, which is unusual in a small, privately held organization. But we think it’s important.

Betting that whatever can go wrong will go wrong, we began to plan for how to make what goes wrong go right again. Ours can be a dangerous business: The combination of driving, excavating, and hazardous materials can be a recipe for disaster. But our “no surprises” approach means having a solid plan in place so that if something does happen, it will be handled in a timely, professional fashion.

We also consider ethical risk reduction. What if an employee does something improper? What if a supplier acts unethically? What if one of our customers defaults? And what if, as a corporation, we don’t fulfill our responsibilities? Before our Baldrige experience we didn’t even know these questions. Now we have answers.
At MESA we’re members of a number of different communities, each bringing with it its own set of responsibilities. We encourage and support employees who want to be involved in community activities. For us to support a cause as an organization, we require that our employees be personally involved, contributing either time or money before we consider corporate support. We’ve become a recognized community leader in those selected communities and are helping to make them better. Last year we contributed almost 3% of our net, pre-tax profits to community causes. And for the last four years we’ve led the Tulsa area in support of the community food bank. We are the largest financial supporter of the NACE foundation, which is an educational outreach of our industry’s technical society.

As Stephen Covey said, “Management is efficiency in climbing the ladder of success. Leadership is determining whether the ladder is leaning against the right wall.”

Our leaders are confident that our ladder is leaning against the right wall. But we didn’t get here overnight. There were no lighting bolts, no bombshells, no signs from above, just a slow, steady evolution of good ideas and great people. With every project, with every client, with each year, we got better. And although we’re still working toward being the best we can be, today we’re in a good place.

Strategic Planning

Terry May, CEO and President—When I started the business, we were pretty much in survival mode day to day. Our strategy at that time, though I didn’t know what strategy meant, was to do any job, anywhere, at any price. It’s taken a long time for me to understand that there are customers out there that we don’t want. And there are jobs that we don’t want. And there are places we won’t go. As we learned these things, our company became much more effective.

There are defining moments in every organization’s history. A lot are based on timing and luck. Many come out of crisis. I can’t remember exactly why we decided to go through strategic planning but I can tell you it is one of the defining moments for our organization. Figure 1 shows our current strategic planning process.
Our first formal process occurred in 1997/1998. It’s evolved over the past ten years with several improvements. We review and update our plan twice a year, and strategic planning is now a habit for MESA. Basically any strategic planning process requires that you answer two simple questions. Who are you going to be? That’s your vision. And how are you going to get there? That’s your mission. You should come up with a few attributes for what that vision should say or look like. It should be inspiring, it should be something to strive for, and it should be something that positions your organization for success. But it needs to be grounded in reality. I’ve seen some vision statements that are unrealistic.

The second question, how are you going to get there, is your map to the future. What are the things that we either excel at or need to excel at in order to be successful? How will we be different from our competitors? And what value do you provide that your customers want? Because if your customers don’t want what you have to offer, you’re not going to be successful.

Here are six elements that I think are critical to a successful strategic outcome. Some of them could be moved around a bit in terms of priority, but leadership is always going to be on top. Category One is category one for a reason.

- Leadership
- Vision and mission
- Strategy
- Communication
- Execution/Discipline
- Commitment/Passion

Leadership is responsible for the picture of the future you’ve drawn. It has to be communicated throughout the organization and accepted throughout the organization—actually not just accepted, but bought into and committed to.

Once you’ve developed your mission, your vision, and your values, your work has only begun. But these provide the foundation for the rest of the strategic planning process. You can’t bypass this step.

We do SWOT as a habit, on six-month cycles. There are a lot of ways to do this analysis. You can do it in corporate retreats, or in mixed stakeholder groups. You can even do it with one person. It’s a trial and error process to find the one that best fits your organization. But it does need to include a situational analysis in which you understand the environment, your position, your capabilities, and what makes you different. You also need to consider the voice of the customer and hear what they have to say.

However your planning process works, when you’re finished, you should wind up with five things.

- Strategic excellence positions. What are the three to five things that you need to excel at in order to be successful? These should be balanced with an external and an internal view of your organization. We have three external objectives and three internal objectives.
Case Study • MESA Products, Inc.

- Short-term plan.
- Long-term plan. Once you identify your positions, you need to develop a short-term and long-term outlook.
- Setting targets. A key part of a successful strategic outcome is measuring the results. Identify the things and then the measures that align to those things. Identify those activities that are going to allow you to move forward along the road to achieve those strategic objectives. For us these are the one-year initiatives.
- Responsibility and schedule. We assign responsibility for each of those targets.

It’s worthwhile reiterating our strategic objectives, or key success factors, because they’re important. This is what we’re good at and what we feel will make us successful:

- Customer service
- Relationships
- Performance excellence
- Work environment
- Opportunistic growth

We try to have three to five performance measures for each of the five strategic objectives. The targets consist of one-year and five-year goals, based on agreed-upon performance measures. The five-year target was the result of an OFI on a Baldrige feedback report that mentioned we just had a short-term plan.

Our strategic initiatives are related activities, the projects that we’re going to invest money and time in, and the resources we’re going to allocate in order to move forward on achieving these five strategic objectives.

We update our plan on a regular basis, distribute a copy to every employee, and talk about it at our regular meetings. After the corporate plan is developed in December, each of the departments develops its own strategic plan using the corporate plan as the basis. Departmental activities and actions must support one or more of the five strategic objectives.

Strategic visions and plans aren’t very effective when they are kept secret. If you want people to know where you’re going, you need to talk about it. We discuss our strategic plan regularly, at meetings, at events, in hallway conversations. Everyone in our organization and even partners outside our organization know the basics of our plan and what their role is. The strategic plan needs to be the roadmap for the company.

It must be very easily understandable. Use language that your people understand. One of the challenges we faced initially was communicating the plan clearly and simply to our employees. I found myself having to define some of the terms I was using: goals, objectives, measures, targets, initiatives, actions. After a while, these words tend to lose meaning. So we developed our own to help us communicate. We redefined our strategic excellence positions as what we do. These are the five things that we do that are going to make us successful. The targets were how we measure success. And our initiatives we now refer to as how we achieve success.

So, say it simply. And say it often.
Three to five initiatives are associated with each of our five objectives every year. This system helps ensure balance. If we’ve got all our initiatives grouped under the customer service category and none in work environment, we’ll go back and rework the plan so that we have three to five for every single one of the five.

The Baldrige examiners spent a lot of time asking us how we selected our strategic initiatives. This was a difficult question for us to answer because our strategic planning process includes lots of input. We use customer satisfaction surveys, NCRs, feedback reports. It’s sort of like making sausage. You like the result but the process isn’t very pretty!

Our planning process also includes our operating groups, and once our plan is finalized, then the operating groups create their departmental plans using the corporate plan as a guide. The groups show linkage for their activities to the five strategic objectives. Not every department is going to have objectives or initiatives associated with every one of the five. We’ve got support processes and value creation processes, but each department is going to show linkage. It will have a balanced set of initiatives as well.

We flow these initiatives to the individual through quarterly performance reviews, so that the individuals could see how they fit into the company, and what their specific roles are. We create little MAP (Managed Approach to Performance) cards for each employee that summarize our corporate strategic plan on the left-hand side and the individual plan on the right-hand side. This shows linkage and alignment all the way across, from departmental level to the individual level.

Robert Kaplan, who with David Norton wrote The Balanced Scorecard, says, “Fewer than 10% of effective strategies are successfully implemented.” Any plan brilliantly executed is better than a brilliant plan poorly executed. Larry Bossidy, who along with Ram Charan and Charles Burck, wrote Execution: The Discipline of Getting Things Done, said these three things: Execution is a discipline and integral to strategy, execution is the major job of business leaders, and execution must be a core element of an organization’s culture.

We had a strategic plan in 1998, and we tried to execute. But for us, execution didn’t start to happen until we became ISO certified. Fortunately, we had identified ISO certification in our first strategic plan.

The discipline of execution is critical:

- Systematic approach
- Self control
- Requires effort
- Practice, practice, practice
- Becomes a habit

It’s hard to break bad habits. I’ll use MESA as an example. We’re a small company and very action-oriented. We’ve always been very customer focused, and as we grew we became proficient at solving problems and correcting mistakes. But what we weren’t good at was maintaining our performance, and being able to avoid having
to respond to those same problems again. We were reactive rather than proactive.

Leaders do have a purpose. This process requires leadership involvement and resources. It is no place for instant gratification. Once you’ve developed your strategy, start plugging away. You can compare this to the Plan Do Check Act cycle. You work with a series of good decisions diligently executed and accumulating on top of each other. Our basic strategy remains what it was in 1997, although we do make changes in our tactics. Without continuous improvement and commitment from leadership with regard to that continuous improvement, you’re not going to be successful in your journey. It can’t be overstated.

How do you measure the effectiveness of strategic planning? One way is whether the organization is growing. Using 2002 as a base year, we’ve grown over 60%, exceeding our closest competitor by somewhere in the 20% to 30% range. I’d love to develop a leading indicator that would help measure effectiveness, but the reality is that your results over time will prove the effectiveness of your strategic planning.

Although we’ve experienced some pretty wild swings, generally I’m pleased with an average 35% return on equity over the past five years.

Another source of results is our annual employee satisfaction survey. We ask our employees how they feel about planning at MESA. Ninety percent are highly satisfied with both the planning and the direction of the company.

Ultimately, what may be the true test of strategic planning is long-term sustainability. We’ve been in business twenty-eight years. Our strategic planning process has only been formalized for ten years, although as I think back, we were doing strategic planning long before that. We weren’t doing it the way we are now, but we were executing a strategy that a few of our leaders had. Formalizing it in 1997 and 1998 had huge value and benefit to MESA.

**Customer and Market Focus**

**Terry May, President and CEO—**Our industry is small, mature, and slow-growing. Business is cyclical. The technology we work with is 60 years old. Our industry is government regulated and we deal with commodity products and services. In this type of environment, the only chance we have for success is to provide what our customers want in the highest value package. This means we have to listen better and work harder than our competitors.

As a small company, we also have to first identify what type of customers and in what markets we can be effective. Then we have to identify what the customer requirements are in these markets, and decide what our value package is going to be. We do this through our strategic planning process. It’s a steady evolution, not a one-time event.

Product and service planning focuses around specific customer requirements balanced against our capabilities. And in a small industry like ours, particularly one dependent on repeat business, building relationships is critical. For us these relation-
ships hinge on the quality of the service we provide, along with the manner in which we provide it. That’s where the words friendly and personal work for us.

We’ve always had a pretty effective contact process. But in the last seven years we’ve added a systematic satisfaction survey process, as well as a complaint system. And both of these have become integral in managing our customer relationships.

We know a lot about our customers. We segment them in seven different ways, in addition to pure sales volume:

- Industry
- Geographical region
- Type of customer (end user, contractor, reseller)
- Type of buyer (operations, technical, purchasing)
- Material/Services
- Sales division
- Product mix

Through this segmentation we’re able to identify not only our high-value customers, but those we think may be high value in the future. This helps in analyzing and monitoring trends, and measures our progress in selected segments. We primarily review these segment statistics on an annual basis as part of our regular strategic planning process.

As an example, one of the trends we identified early on in our market was a shift toward turnkey service requirements rather than direct materials sales. With that information, we identified the need for additional service capability. Our Houston operation was handling just sales at the time, but about three years ago we added service capability. That is now a full-service operation with a 50% plus growth rate.

Our origin, experience, and core market are all in the underground pipeline industry. This market includes underground transmission and natural gas distribution companies. Cathodic protection is a federally mandated requirement on most of this infrastructure. Additionally, over 90% of the market is maintenance related, not new construction, meaning that for us, repeat business is key to success.

Our two primary customer groups are direct material sales and service customers. We further segment each of these into three subgroups: contractors, end users, and resellers.

As we’ve grown and gained market share within our industry we’ve become more active in pursuing new market opportunities. Primarily through strategic planning processes and market research we’ve identified a number of other markets in which to grow our business. We now maintain an opportunity log, and use that to help track and develop these new opportunities. Slowly and deliberately, we’re moving into those markets that best match our capabilities and our resources. The following five markets are ones we are either actively pursuing or considering:

- Oil and gas production
Building customer relationships has always come pretty naturally to MESA. Yet through our strategic planning process, we’ve grown to understand more clearly the drivers of relationships. We identified early on that service and quality were primary customer requirements. And as much of a friend as you’d like to be to your customers, if you can’t deliver what they want, it’s going to be difficult. We’ve added relationships as one of our key strategic objectives.

The following are some of the things we do to help develop strong relationships.

- **Account management.** Each of our key accounts has an assigned salesperson. That salesperson is responsible for monitoring, communicating, responding, and assisting those key customers to which they’re assigned. They’re not the only ones who provide service to those customers; all of our salespeople are prepared to respond to any customer. Yet having an assigned salesperson to key accounts has helped us manage those relationships much better.

- **MVP.** That’s our MESA Value Promise, a guarantee program that we rolled out about three years ago. The bottom line is we’re going to satisfy our customers, even when we screw up. There are no hidden clauses, no small print, just a statement that we’re going to take care of our customer.

- **Alliance relationship.** Within our industry over the last ten years, there have been a number of larger operators and customers who have been involved in what they call alliance relationships. Although I try not to be cynical about it, for the most part, these relationships are based on lower prices. The alliance relationships I’m talking about are the real kind, built long term, where we can add value that customers appreciate.

- **Response time.** We are fast at MESA. We try to get quotations back within an hour. We lead the industry in getting the job done or shipping the product in a quick timeframe.

- **Personal and friendly.** We want our customers to be friends. Again we understand that we have to meet their needs, but if we can meet their needs in that friendly and personal manner we can develop some long-lasting friendships as well.

We use a number of technology-based tools to help us manage key customer relationships.

- **Currently we employ Microsoft CRM to document and track customer information.** We synchronize CRM with our Microsoft accounting package to help extract data for our salespeople.

- **We implemented Microsoft Sharepoint in 2006 as our intranet platform.** It is our primary tool to help manage customer information and ultimately to provide our customers with information.

- **Visual performance boards were an outcome of Lean implementation in many**
areas of our business but we’ve found them especially effective in sales, for monitoring, sharing, and tracking information regarding our customers.

- Our web site is one of our primary tools for providing information to our customers, including technical, product, and commercial information. We’ve got a design tool on our web site that is free to any customer (or frankly any competitor) to use to help them design and apply the products that we manufacture.

Prior to ISO 9000 registration, our customer complaint system was informal, inconsistent, and ineffective. With the development of our non-conformance process, we quickly adopted NCR as our formal customer complaint process. Customer complaints are external NCRs originated by the customer. When the customer calls in with a problem, the receiver fills out an NCR form, and it is then resolved, documented, and tracked through resolution.

We classify these, as we do all NCRs, into major or minor NCRs. External NCRs, or external customer complaints, are generally followed up with a telephone call from me to the customer. Without exception, I get a positive response on those dial-out telephone calls. We use complaints as an opportunity for us to further enhance our relationships and further develop the customer account.

Since 2001 our total rate of complaints has been reduced from 2.5% of total orders to 2% of orders. There was an increase from 2000 to 2004, primarily caused by our expansion of the definition of NCR during this period. When we first started documenting NCRs, we fairly narrowly defined them, but we learned that our definition needed to expand. So we’ve now expanded that definition to include virtually anything. For example, we did not use to include invoicing errors. Now we do. Probably the best indication of our improvement is the reduction of major NCRs. Since 2002 major NCRs have dropped from .75% of orders to .25% of orders.

Another key leading customer performance indicator is on-time shipping. We started tracking this in 1999 and thought we were pretty good. We now realize that 94% isn’t that good, and certainly doesn’t even come close to world-class performance. It’s taken us seven years to improve to 97% and we’re not satisfied. We have a five-year target of 99%.

In 1999, we contracted with a third-party survey company to do our first-ever formal customer satisfaction survey. We were very pleased with the survey, and with the results. In fact we were so pleased we decided we didn’t need to spend that money every year! Three years later, in 2002, we decided it was time to update the results. We were surprised and concerned when we found out that our clear advantage over our competitors had significantly narrowed. As a cycle of improvement, in 2003 we implemented the survey as a quarterly process. We’ve continued since that time, and we’ve added significant segmentation to the results over the years to increase its value to us.

Annually we update and review our survey respondent list and our questions. Our survey list consists of seventeen performance attributes and correlates very closely with the American Customer Satisfaction Index, which we use as a comparative.
benchmark. Our outside research firm contacts thirty-five to forty of our key customers per quarter for a fifteen-minute telephone interview. The results are compiled into a quarterly report, also containing actionable information. These quarterly reports are compiled and analyzed in an annual report, which is used as a primary input to our strategic planning process.

Customer satisfaction survey results are rolled up into a measure that we identify as our customer satisfaction index. Along with benchmarking to our closest competitor, we also compare this result to the American Customer Satisfaction Index and to two ACSI benchmarks. MESA scores well above them all.

Measurement, Analysis, and Knowledge Management

Cary Hill, Controller—This is a category that’s always been a bit of a challenge for us. We don’t have anybody in the company devoted to just measurement, analysis, and knowledge measurement. We don’t use any complex systems for it. If I were to sum up how we do this I would say most of what we do is based on common sense and simplicity.

Up until the late 1990s, when we started getting into quality, Baldrige, and all of that, the concept of organized knowledge management was foreign to us. We were focused on survival and growth, so a lot of our resources were devoted to those value creation activities that were critical to us, like making sure our customers were receiving the best service possible, or that the products we shipped out were of the highest quality. Hopefully, along the way, we were making enough money to keep going. Trial and error best describes the way we approached improvement.

Although the Plan Do Check Act cycle is integrated into just about everything we do at MESA these days, it certainly wasn’t back then. I think the only part of that we used were the Do and the Act portions! But we learned, and improved continuously.

In 1998, we implemented our first strategic planning process, our first systematic approach to planning. Here we had the chance to define and verbalize those things that were most important to our customers and most important to our company’s success in the marketplace. As our planning process has evolved over the years, we’ve become more effective at using it to address some of the challenges we faced in the knowledge management area. Planning gave us focus. It gave us goals and targets to work toward on a daily basis. And though we were still somewhat reactive when things didn’t go as we’d planned, the planning process was definitely helping us to get better. So the final aspect of our improvement in this area was the addition of a measurement system. Even this didn’t happen overnight, but has evolved over time.

The first step for us was our monthly report card, developed by our president follow-
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ing that first strategic planning session. This was basically the origin of our performance measurement system and was intended to be a key management tool that we would use to monitor basic short-term measures.

It is a one-page, 11- by 17-inch document that presents a balanced set of measures across the area of financial results, customer focus concerns, employee-related metrics, and process performance.

Examples of financial measures include sales and net income. Customer focus measures include customer retention and customer satisfaction. We track employee turnover and accident rates in our employee related measures. Process measures are those that include error rates and cycle times.

Our monthly report card has become a key management tool for monitoring monthly, short-term performance. It's created as part of our monthly financial close process and is available to our managers by the fifth workday of the month. One of the great things about our report card is that since we've been using it for such a long time, we've got a lot of history recorded. We can look back through the report cards to see trends and make comparisons over time.

The next step for us was the development of measures that supported the key strategic objectives that came out of our strategic plan. In that planning session we had developed five areas that we felt were critical to our success. Then we developed measures to let us know how well we were performing in those areas. Through our planning process we set one-year targets for each of these measures to drive our progress and our improvements, and then in 2004, through an opportunity for improvement that came from a Baldrige feedback report, we added five-year targets to match up with those one-year goals. Now, as part of our strategic measures, we have a set of thirty-four measures with both short-term and long-term targets that are balanced across our five key strategic objectives.

Originally we measured because our president said we had to, but after we started with a few key measures, the value of doing this became quickly apparent. Often when you start to measure, two things happen. You either find out you’re not performing at the level that you expected, that you’re not shipping everything out on time, for example. Or, you affirm the expectations that you had with some concrete data. That was the case with us. Measuring affirmed some aspects of our performance but also definitely let us see where and how we needed to improve.

We basically measure for three reasons. One is to keep score. We want to know how we’re doing in those areas that are important to us. Second, we track our progress. We want to see how we’re doing relative to our plans and goals. Third, we measure to identify trends, to view progress, or maybe the lack thereof, over a period of time.

We’re still challenged by coming up with the right measures. Some we recognized intuitively through customer relationships. Others have gone through cycles of improvement. We are always refining how we measure.

First measure was monthly report card, continued

More measures were developed

Why measure?

Developing measures is a challenge
At MESA our performance measurement system has evolved into several levels of measurement. We have our corporate measurement system, our monthly report card, and our strategic measures. Each department has identified key measures that drive its performance on a daily basis, and that support the overall success of the company. Examples of those types of measures include error rates and cycle times.

Our process measures can be ongoing or they can be temporary. Examples of temporary measures might be those that we use in a Lean Kaizen event to analyze and improve a process. Measurement at the individual level essentially consists of our quarterly performance review process.

As we designed our performance measurement system, we knew we wanted to have leading and lagging measures; leading measures being those that are future-oriented or predictive, lagging being more outcome-oriented. An example of a leading indicator for us are customer complaints, while a lagging indicator might be customer satisfaction.

We also wanted our measures to be balanced. Originally the concept of balanced measures was identified to us through the book *The Balanced Scorecard*. We took that concept and applied it to our strategic plan, which is a combination of both externally and internally focused objectives. It helps us to pay as much attention to customer outcomes as we do to financial results. And third, we wanted our measures to be organized and aligned. Alignment for us occurs by linking our measures to our strategic objectives at the corporate level, and then doing the same thing at the departmental and individual levels as well.

As we developed our measurement system in the late 1990s and early 2000s, we determined that we needed some way to gauge our progress against our strategic objectives. Our planning process had resulted in identifying those five areas that we deemed critical to our success: customer service, relationships, performance excellence, work environment, and finally, opportunistic growth. Consequently we went through a process to identify three to five key measures for each of these strategic objectives, measures that would let us know how well we were performing in those areas.

Each strategic measure has an associated set of targets. We start out with short-term or one-year targets that we develop during our biannual planning sessions. These planning sessions occur in June and December. We set those targets in our December session, then check up on them and review and adjust in June.

Analysis has to include some type of comparative data. Benchmarking is one of those areas that’s difficult for anyone, and it surely is for us, a small company in an industry that’s dominated by privately held companies. Finding good, competitive data is tough. But it’s out there, and we use what we have available. We have one competitor that is publicly traded, so we can glean some information from it. We get information through D&B reports. We also have industry-specific data that we can use for benchmarking purposes as well as general industry data. And one of the great things about going through the Baldrige process is that you have other Baldrige winners to benchmark against.
We use trend analysis to highlight areas for improvement and results for improvement efforts. A recent example resulted in our making an investment to increase the capacity of part of our manufacturing facility. This opportunity was identified to us through a trend in one of our key measures of three-day shipping.

Much of the data that we collect has underlying segmentation so that we can drill down as needed in our analysis process. Our customer satisfaction and employee satisfaction surveys are pretty rich with segmentation data, so we can pinpoint those areas where we really need to put some improvement efforts in place.

We know that the term knowledge management goes far beyond just measuring and analyzing some numbers. Our measurement system is just a piece of our whole organizational performance review system. That review system is a repetitive process for us, and it requires not only information, but positive action taken as a result of that information.

When we look at knowledge management as a system, it generally falls into three categories. The first is gathering information, which we do from a variety of sources, including our quality system, our measures and our scorecards, and the various surveys we conduct. Second, we process information at various times of the year, but we do it more formally on a biannual basis. We have a monthly manager's meeting that requires data and analysis to be performed at the time. And then in our biannual planning sessions we get into a much broader set of data analysis and decision-making. The third element is making sure we have communicated to everyone, and we use a variety of different tools and venues that are all incorporated into our formal communication plan.

Our communication plan is an important part of our knowledge management system. To help us ensure that information is provided at all levels in the organization, we've created a one-page communication plan. It is designed very similarly to our strategic plan. The responsibility for the messages and the tools that we use is assigned within our management team.

- **Messages.** We define the messages that we want or we need to communicate—for example that we're an industry leader in service and quality
- **Audiences.** From there we determine the various audiences that need to receive that information, whether our customers, our employees, or our suppliers.
- **Tools.** We use a multitude of tools to get that message out. These might include our website, conferences and trade shows, or printed materials.

Our information has to be reliable and accessible. We make sure of this in a number of ways. One is a decision we made to commit to Microsoft products throughout our company, from basic Office products such as Word and Excel, to our business system, which is Microsoft Great Plains, through our CRM software that our sales group uses. Sharepoint is a Microsoft tool we use for our intranet. With it, the ability to integrate with other Microsoft products becomes a tool that we use to manage and deploy information across the company.

We have a written disaster recovery plan that addresses data recovery and we test that plan regularly to ensure that it’s relevant and operational.
Knowledge management is so much broader than just measures and scorecards. Think about all the knowledge that you might need to capture and share, the knowledge that exists in employees' heads, or with customers and suppliers. Collecting that knowledge can sometimes be a challenge. We have a number of ways that we do that. Our process and our work knowledge is collected and incorporated into our ISO quality program. Through the use of process control documents, work instructions, and our standardized forms, written procedures exist throughout our company for the various jobs in different departments.

Transfer of knowledge at MESA happens in a number of different ways and times throughout the year. Our formal training plan facilitates the acquisition of job and industry-specific knowledge based on the needs defined for a particular position. Cross-training allows our employees to gain knowledge outside of our current job responsibilities. Our mentoring process succession planning helps to transfer knowledge stored in the heads of older employees to those of our newer folks, and knowledge and information is shared and transferred during our various customer, supplier, and employee meetings throughout the year.

**Human Resources**

*Greg Thomas, Plant Manager*—Creating a culture is in many respects easier than changing a culture that already exists. When you work to change a culture, you're certain to run into negative attitudes, perceptions that can often be hurdles to convincing your people as to the benefits of change.

From the beginning at MESA, we've worked hard to build and maintain a positive work environment, and our unique culture is based on our core values, which include the philosophical belief that we should treat people fairly and with respect. We also believe that management should provide a safe, stable, and enjoyable place to work. It's more commonplace than ever for companies to say that employees are their most important asset, but at MESA we really believe that's true.

MESA’s work is organized by function and value stream. We use a team-based approach to plan and accomplish our work, train and develop our people, and improve our processes. At MESA, our employees are empowered to take ownership of their jobs, and required to show initiative when it comes to achieving goals.

Our business volume is seasonal, and we experience twice as much work in the second half of the year as we do in the first half. We take pride in the fact that we’ve never experienced a layoff or planned workforce reduction for the sake of short-term profitability. We use this strategy to help ensure that we keep our capable and trained employees.

Finally, a key part of our work management system is sharing of skills. This is accomplished through a variety of means, such as creation of formalized process control documents, cross training that allows our employees to gain skills in more than one area, lunch and learn sessions, and periodic meetings.
We support and assess employee performance by conducting an annual training review, and through quarterly performance reviews. We benchmark our benefits and compensation systems each year and have a defined profit-sharing program that rewards each employee for the company’s financial success. We analyze information from several sources, including results from our annual employee satisfaction survey. Quarterly performance review scores and employee turnover rate are used as indicators to determine how well our management team is doing.

When it comes to recruiting and hiring at MESA, we’ve always believed that not only is it important to find people with the right job skills, but it is equally if not more important to find people who are a good fit to our culture. Today’s competitive job market has made finding the right people one of our key challenges. Identifying needs is an ongoing activity. We analyze each job opening and create an outline of specific tasks and duties, as well as the requirements necessary to perform the job.

As has been mentioned, one of the disadvantages of being a small company is that there are limited opportunities for advancement, which makes promoting from within all the more important. Although we have a long history of promoting from within, it was only recently that we formalized that process for internal job postings to help identify those employees who are qualified to fill open or newly created positions. In the past year, several internal candidates have assumed positions that were created due to our recent growth. We also use external methods to fill jobs. In our manufacturing operation, we use a temp-to-hire arrangement that helps ensure that both the employee and the company are satisfied with the relationship before we make a long-term commitment.

Once we’ve found the right person to join our team, we want to make sure we give them reasons to stay with us for a long time. MESA conducts an annual compensation survey in order to remain competitive with market salaries. We benchmark our benefits to ensure that we’re providing our employees with the best package possible. All employees participate in our profit-sharing plan, which distributes 35% of pre-tax profits annually. We have a tuition reimbursement plan that pays 100% of tuition upon successful completion of college courses, as well as other training and development opportunities.

The opportunity to give back to the community through different activities is important to our employees, and we support those efforts by giving paid time off for participation, and by offering financial support to those causes in which they’re personally involved.

Voluntary turnover is a key indicator of employee satisfaction. Our turnover rate has historically been relatively low. We’ve seen that rate increase to 7% in the last two years and among the reasons for this is that we’ve experienced significant growth in a tight job market. Changing our culture was not easy, and we’ve lost some people along the way who were either unable or unwilling to change with us. We realized that most of these losses occurred during the first year of employment, so we have improved our new employee orientation sessions and our communication in general. Our overall turnover rate is still lower than our benchmark comparison.
Key needs differ among the various workgroups at MESA. The construction and technical service side of our business requires not only basic safety training, but additional safety training due to customer and regulatory demands. Annually, through our employee performance review process, each employee is involved in creating a training plan for the upcoming year. Employees can request training that is not currently required to perform their job, in order to further develop skills and abilities. Many times, an employee’s development is tied directly to opportunities identified in planning sessions, which helps us to prepare for anticipated growth. These opportunities can include technical training, safety training, and quality training, to mention only a few.

In 2005, we improved our performance review process by increasing the number of times we met with each employee from once a year to four times a year. Each employee receives a score that’s based on seventeen attributes that are specific to his or her job and department. During these quarterly reviews, training and development needs are discussed and set.

Each employee also receives what we call a MAP card, which stands for Managed Approach to Performance. This wallet-sized card outlines the important information about the company, including our vision and mission statement, our core values, our code of conduct, and a condensed version of the company’s strategic plan. Each card also outlines key performance measures and department goals. Employees sit down with a supervisor to identify personal roles and goals, which are in turn added to the MAP card.

At MESA we’re committed to continual improvement of not only our processes, but also our people. One of the ways we do that is by investing in training. On average, we spend $1700 per employee annually on training. According to the American Society for Training and Development, the norm is around $900 per employee, while the ASTD best is approximately $1500. On average each employee at MESA receives thirty-seven hours of training per year. The ASTD best is thirty-six hours, and Industry Weekly reports that companies in the seventy-fifth percentile average only thirty hours of training per year. These statistics represent only the training at MESA that’s documented. Employees continue their training and education in many other ways that are not tracked, such as on-the-job training, seminars, and conferences.

Our investment in training provides MESA with certified, skilled, qualified employees that typically stay with us for a long time. In today’s competitive work environment, having highly satisfied employees that are cooperative, supportive, and results-oriented is a key factor when it comes to outperforming the competition.

We verify training results through the use of internal qualification statements, industry-specific certifications, individual performance reviews, and overall organizational success. The effectiveness of training has always been tough for us to measure. Many times the benefits from training are not realized for quite some time. We do know that as our training investment has increased from 2001 to 2006, so have our growth, our productivity per employee, and our gross profit per employee.
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Until 2005 we had a relatively stable employee base with steady growth. In 2006, we experienced above-average growth, which resulted in the addition of many new employees. Our 2006 survey results consequently showed a decline in overall satisfaction related to career development. Although almost 69% of our employees report being highly satisfied, we realize that we have work to do in the area of career development.

As with everything else at MESA, we are continually trying to find new ways to improve our work environment. Our employees participate in this effort by providing input through satisfaction survey responses, participation on Lean teams, and through our AR process. AR stands for Action Request, which is how our employees suggest ideas for improvement. Suggestions submitted through the AR process have resulted in changes to our annual training plan and our various safety programs, as well as to our compensation and benefits packages.

Employee safety is a major priority at MESA. Our last reportable accident was in 2004. We put a lot of effort into developing effective emergency response and security plans. MESA has never experienced a serious injury or fatality in its twenty-eight-year history. Nonetheless, our focus on safety has increased significantly in recent years. First and foremost, we care about the overall health and welfare of our employees, and feel a personal responsibility to ensure that MESA’s work environment not only meets but exceeds federal, state, and local requirements. Second, we are responding to demand for increased safety from our customers.

Process Management

Greg Thomas, Plant Manager—Virtually all companies use some form of process management to help plan and monitor business activities. In the early years at MESA, our approach to process management was very simple and often revolved around our day-to-day struggle just to find enough work to keep everyone busy. To say that our focus was short term would be a huge understatement.

Early on, however, we identified our key processes, determined the requirements for each, and designed each one with quality and performance in mind. Despite our best intentions, we found that we often made the same mistakes over and over when we were extremely busy or whenever we added new people. Looking back, we were actually pretty good at fixing those mistakes, and keeping our customers happy. But we spent way too much time putting out fires.

As we learned more about strategic planning and ISO 9000 certification, we realized that we were missing some essential steps. We lacked the tools and understanding to measure our process performance. We rarely gave any thought to minimizing or eliminating inspection testing costs. Our approach to process improvement was also very simple. We made changes whenever somebody had a good idea, or we stumbled across something in trial and error. There was a lot of trial and error in the...
Cycles of improvement key to success, continued

Value creation and support processes

At MESA process management falls under the umbrella of our quality management system, which originated with ISO 9000 certification in 2000. Using the Baldrige Criteria as our guide, we’ve separated our processes into one of two categories: value creation or support. Simply put, value creation activities are those activities that our customers are willing to pay for. We have many support processes that do not necessarily add value to the product but are equally important.

MESA’s quality management system has five different aspects: ISO 9001, Act, Lean, Baldrige, and our PDCA process. We introduced our quality policy, ACT, in 2000, as part of our implementation of ISO 9000. Initially the letters stood for Accurate, Complete, and Timely. Then we revised the acronym, replacing the word Complete with Continuous Improvement to more accurately reflect our commitment to improving our business results. This simple acronym, ACT, helps us to communicate our strategy for success, customer service, and performance excellence to our employees, customers, and suppliers.

ISO 9000 is a set of standards for a quality management system that is recognized and accepted around the world. In 2000, based primarily on input from our customers, and the potential for marketing value, we took our first step toward formalized process management by becoming certified to the 1994 edition of ISO 9000. Making this transition was no easy task. None of the procedures that we used, or processes we had, had been documented at that time. We resisted the temptation to hire consultants to come in and create an off-the-shelf or canned quality system. Instead we used internal resources to document those processes and procedures.

Although this was a difficult transition, certification to the 1994 edition of ISO 9000 ultimately resulted in an improvement in discipline, which we sometimes lacked, and a renewed focus on improving the way we do business. The benefits of ISO were huge. But much to our surprise, they were more internal than external. Experience and lessons learned from our initial implementation helped pave the way for our upgrade to the revised standard in 2003, which is less focused on procedure, and more on results and customer satisfaction. We consider ISO 9000 certification to be the foundation of our quality system and process management in general.

When asked by a Baldrige examiner to explain our process improvement process during an early site visit, there was a brief period of awkward silence. It took us a while to connect the dots and realize that what they were actually asking us about was our Plan Do Check Act process improvement process. After we did make the connection, it became much easier for us to talk about how we had used PDCA at MESA in some form or fashion, long before we realized what it was called or recognized the need for a formal process improvement process.

Documenting NCRs, also known as customer complaints, originated with ISO certification in 2000. NCRs were initially viewed by our employees in a negative light and it didn’t take us long to figure out that no one really likes to admit it when they...
make a mistake. We thought that we were pretty good, and were shocked to learn in that first year that we had 300 reportable mistakes.

We started with a very narrow definition of an NCR, which was gradually expanded over time and now includes virtually any type of mistake that we make. As this process has matured and been deployed throughout the organization, we’ve come to rely on the NCR report as an important source of information, and process performance measurement. We use it to collect and share information as well as implement corrective and preventive action on everything from raw material defects to internal processing mistakes and customer complaints. NCRs are segmented into one of two categories, either internal or external, and are analyzed to determine the origin and cause of each problem. Classifying NCRs as either major or minor helps us to identify and prioritize those problems or mistakes that have a major impact on our customer and the organization overall.

Quality and customer service have always been important to us at MESA, but as the company grew, we realized that we were not necessarily doing a good job of measuring or improving process performance. In 2003, we adopted Lean as our primary improvement methodology because of its commonsense approach to measuring process performance, and its emphasis on employee involvement at all levels. As much as I hate to admit it, I was one of those in the company who didn’t believe that Lean was a good fit for MESA. But although it didn’t happen overnight, as we received more training and gained a better understanding of what Lean was all about, we were able to gradually learn how to see the different types of waste in our organization, and to use Lean tools and methods to identify and eliminate that waste. Since 2003, more than sixty-five employees have participated in formalized improvement events at MESA, targeting everything from 5S events in our storage areas to elimination of order-entry errors and reduction of product cycle times. Moving forward, one of our biggest challenges will be to deploy Lean to the service side of our business, which consists of construction crews on short-term jobs, usually in remote locations around the country.

We identified on-time shipping as a key performance measure on our first corporate scorecard in 1998, and it specifically addresses our objective of customer service. Our on-time shipping results are an indicator of both value creation and supply chain performance at MESA. We’ve made steady improvement, from 93% of orders shipping on time in 2002 to 97% of orders in 2006. As we become more efficient, we fully expect to see incremental improvement over time in this area.

We also measure our value-creation process performance by documenting external NCRs. Overall, our NCR rate has declined from just over 2.5% of orders in 2001, to 2% in 2006. Although this may not seem like a huge improvement, the numbers are somewhat misleading when you consider the fact that we significantly expanded our definition of an NCR during that time frame.

A more telling result is the reduction in our number of major external NCRs. Major NCRs are those product or service problems that have a large impact on our customers, are widespread or recurring, or exceed a predetermined dollar amount.
Since 2002, we’ve observed nearly a 100% decline in our total number of major external NCRs.

We view productivity as a lagging measure of how our value creation processes are performing. At MESA we use revenue per employee and have seen dramatic improvements since 2003. By comparison we’ve consistently outperformed all of our competitors except one, which has a much higher percentage of sales associated with product distribution.

Achieving Excellence

Terry May, CEO/President—Our journey began in 1979 when MESA was founded. I was working for an engineering company and assigned to a long-term pipeline construction project. Near the end of this project, the client wanted to continue working with me in an operational capacity but did not want to continue working with my employer, and didn’t really want me on its payroll. So the solution was to start my own business and submit a proposal for the company’s ongoing operational work. I did this, was awarded the work for two years, and that two years bought me the time to develop some other client relationships. With $10,000 in savings and a 1973 Toyota pickup, I was in business.

My experience of starting a business wasn’t exactly the way I’d envisioned it. For the first two years, I traveled and worked out of a nineteen-foot motor home. And banking was out of the back pocket, with five credit cards maxed out on a rolling basis. As a start-up company, we struggled for many years. I found out you could not borrow money unless you had money. And when you’re growing, all your money’s tied up in inventory, equipment, and people, so there’s never any money. But even then, we had this idea of delivering a quality product at a fair price. So we focused on that idea. As we were awarded projects we hired more people, and we grew in stops and starts. Many of the people we hired then are still with us today. But the best description of those early years is that they were a mess, focused on day-to-day survival.

I really can’t overemphasize luck and timing. I remember one time when payday was coming up and I had no way to make payroll. In the mail that day was an offer from a bank for a $15,000 line of credit with three checks. I had no idea why I received it but I didn’t ask—I ran to the bank. I made payroll that day (and it only took five years to pay it off!)

We continued to grow through the eighties, buying construction services, and then beginning a manufacturing operation. But we still led a hand-to-mouth existence. We financed our growth without much help until around the mid-eighties when our bank finally decided to lend us some money. Key turning points for us were two large projects in the late eighties that were over $1 million each. At that time we had annual revenues of only $3 million, so these were huge projects for us. In 1989 not only did the bank take note of us but also Inc. magazine, which named us to its top 500 list of fastest growing private companies.

As the projects got bigger, so did the challenges. We were taking on more people, bigger projects, greater risks. With all that going on, we started experiencing recur-
Case Study • MESA Products, Inc.

ring problems. These were not big blunders, but we didn’t seem to be able to learn how to stop making them over and over again. And the cost of those mistakes was becoming greater, with more impact.

In the early 1990s, I took my family on a cruise, along with several books on quality that I’d picked up in a book store. By the time the vacation was over, I’d read Philip Crosby’s Quality Is Free, a book on Deming, and several others. When I got back, the seeds had been planted. I thought I knew what we needed to do, and initiated a series of steps that eventually led to our winning the Malcolm Baldrige award.

It wasn’t a smooth journey, however. We made a run at TQM twice, in 1993 and 1995. We did training, steering teams, improvement teams, celebrations, low-hanging fruit. By the time I’d finished organizing one of these efforts I had every single person in the company on a team. Both times were a total, absolute failure, because six months later, after each one, there was no evidence of any TQM system in place.

Strategic planning in 1997 was our first lasting success. This was a watershed event for MESA, in that every subsequent step of our journey originated with the strategic planning process. ISO certification was another key event for us. And although we didn’t become ISO certified for the right reasons, it did give us the discipline that we so badly needed. Subsequent implementation of Lean just seemed like the obvious next step for us.

Early in 2002 I was called to jury duty. The process in Tulsa is to show up on Monday morning and wait in a large room, waiting for a trial. In most cases you’re never called, so you sit there waiting until Thursday or Friday, when you get released. I was aware of the Baldrige Criteria by then, and was curious. So with some time on my hands, a laptop, and a criteria book, I started answering questions. By the time jury duty ended I had fifteen typewritten pages. At that point I figured it wouldn’t be too hard. About 200 hours, some sleepless nights, and long weeks later, I had a much better understanding of how much harder it could be.

But what was so appealing about the Baldrige Criteria was that they described many things that MESA was already doing or discussing: strategy, customer satisfaction, employee satisfaction, vision, values. Baldrige just seemed to wrap that up in a neat little package. I didn’t tell anyone at work what I was doing. I enlisted the help of a talented editor to help me and in thirty-five pages, I created an application that I was sure was a masterpiece. A month afterward, I told my managers what I had done. Their response? What’s Baldrige?

The Baldrige examination team didn’t quite appreciate how good that first application was! As one might guess, we only reached the individual review stage that time. And to make it worse, the team sent us a feedback report full of what they called our opportunities for improvement. I interpreted this as the examiners’ take on why our application was no good.

I was angry and I was confused. I didn’t understand the questions, didn’t understand the feedback, and didn’t even finish reading the feedback report. But about a month later, after I’d cooled down, I read through the whole feedback report. And although I still didn’t like it, I began to think that maybe there was some value there.
We discarded most of the OFIs from that first report, but addressed some of the major ones in our strategic planning process. Additionally, I met with an experienced examiner, who gave me his private, personal interpretation of our application, and the feedback report, and with his encouragement and a fresh perspective, I decided to submit application number two.

We got some of our leaders involved in the process this time, and wrote a much better application. This time we advanced to the site visit stage. That was the good news. The bad news is that we actually put on a pretty good show. Without much preparation, or prior experience, we felt comfortable and confident, and pretty much had the attitude of how hard can this be? We didn’t do that badly, and unfortunately, developed a false sense of where we were in our journey.

That first site visit experience didn’t come without some lasting memories that would come back to haunt us in later years.

In 2004, we addressed more OFIs and wrote another application. This time we involved everyone in the process. I began putting pressure on our leadership team and our key people. Two of our managers volunteered to sign up as Oklahoma Quality Award Examiners. And we earned our second site visit. This was a disaster. Remembering the experience of the year before, everyone was dreading the visit. It was our worst site visit, and our worst score. Everyone, including myself, did a bad job. We just weren’t into it. And to top it off, Bama won the Baldrige award that year, becoming the first Tulsa company to receive the honor. This was a first that we had hoped to claim.

The pushback from our management team reached its peak following our 2004 experience. “Why don’t we sit this year out?” “We need to work on some of our stuff before we apply again.” “We have a lot of projects and I don’t have the time.” “Are you sure this is worth all the hassle?” But we wrote another application. By this time, we had the drill down. Address OFIs. Prepare a great application and get ready for a site visit. We pulled in outside training, did group training, and approached this site visit with more optimism and confidence. We could still be the second organization in Tulsa to win the award. That year Jenks Public Schools of Tulsa won, and in the first year they applied. (Our hat is off to Jenks, by the way.)

The feedback was that we’d improved, but just weren’t there yet. In our next management review, we had a lot of discussion about this. We talked about how much work it was to apply, and how tired we were of site visits. But it was clearly apparent that the process was producing improved results. At this management review we made a list of the top ten reasons why we had not received the award. The number one reason, in the consensus of my managers, was lack of commitment on the part of senior management. How could we expect employees to model Baldrige if company leadership did not?

In 2006, with the solid commitment of senior management, we applied again. We addressed the OFIs and we trained hard. We engaged all our employees and in the
site visit stage, there was a totally different feeling than we'd had in previous years. We were positive, we were confident, and I think the examiners' team could feel that. The enthusiasm and excitement created a great, wonderful experience. One of the ladies in our office is very outgoing. She wears her emotions on her sleeves. And we call her "The Debbie Meter." When I returned to the office after dropping off the examiner team at their hotel, Debbie was dancing and singing. That’s when I knew we had nailed it.

There are so many lessons to learn, though the reality is everyone needs to do things their own way, and there’s no magic formula for this. Organizations aren’t alike and consequently their solutions probably aren’t alike. Our method was trial and error and it took us five years.

**Control expectations.** One of our major lessons is to keep your expectations realistic. Ours were very unrealistic, which resulted in a recipe for discouragement, disappointment, and failure. But even in loss, there is victory. In every year we didn’t win, we still improved. Focus on the positives, address the OFIs, and never lose sight of the fact that you’re improving.

**Commitment and patience.** Those are tough virtues to maintain. In 2006 we stopped calling what we were doing Baldrige. There’s a tendency to think that this Baldrige stuff is just dumped on top of your regular job. We needed to look at it as part of our daily job. So we called what we were doing part of the MESA way. I know that made a difference for us.

**No one is perfect.** Finally, remember that no one’s perfect. Along with the announcement that we had won, the award came with another fifty OFIs. So we’re addressing those and we’ll continue to improve and to use Baldrige as part of our MESA way.

Cary Hill, Administrative Manager and Controller, joined the company in 2005. Prior to joining MESA, Cary held Chief Financial Officer (CFO) and Controller positions in various small company environments throughout his 16-year career. He graduated from Southwestern Oklahoma State University with a bachelor of science degree in accounting.

Terry May, President and Owner, formed MESA in 1979 and has managed its growth from a one-man service company to a manufacturing/construction company with more than 75 employees. Terry graduated from the University of Texas at El Paso with a bachelor of science degree in mechanical engineering.

Greg Thomas, Plant Manager, began working for MESA after graduating from Will Rogers High School in 1986. He has worked in all production areas of MESA, advancing to the position of Plant Manager in 1992.

This article is based on presentations given at the Quest for Excellence Conference in Washington, DC. The Malcolm Baldrige National Quality Program:
The Malcolm Baldrige National Quality Program:
A Lot of Work Just to Win a Prize or a Real Value Proposition?

Laurence R. Smith, CKO, GOAL/QPC, and Editor, Journal of Innovative Management

Some 20-year milestones of the Baldrige Program

Washington, DC, April 25, 2008—The Malcolm Baldrige National Quality Award celebrated its twentieth anniversary this year, and five more organizations were presented with a coveted Baldrige Award. In addition to the major accomplishment of promoting organizational quality and performance excellence in the nation for twenty years, there were some other especially significant Baldrige milestones this year:

1. A new category—nonprofit organizations (includes government)—was up and running this year. This is the first time that every sector of society, including cities and towns and state and federal agencies are eligible to seek out this performance excellence evaluation and feedback, and to receive an award when its performance gets high enough. There were two recipients—one military, the other, a municipality.

2. An entire city government—the City of Coral Springs, Florida—received a Malcolm Baldrige National Quality Award. By this accomplishment, city officials and employees have demonstrated that the Baldrige Criteria for Performance Excellence provide a proven leadership and management framework for the achievement of good government, and that following this disciplined approach to managing for excellence can be good politics, too. This is not an easy thing to do, especially for an organization as dynamic and socioeconomically complex as a city. Coral Springs’ political leaders and professional staff had been systematically learning how to do this for fourteen years, beginning with the state quality program. The result is that the city government is getting A’s on its report card from citizens, businesses, and employees.

About the Baldrige Awards

Named after Malcolm Baldrige, the 26th Secretary of Commerce, the Malcolm Baldrige National Quality Award was established by Congress in 1987 to enhance the competitiveness and performance of U.S. businesses. At that time, many industry and government leaders saw that a disciplined approach to the quality of processes and products was a necessity (not an option) for doing business in an ever-expanding, more demanding, global marketplace. But, as Baldrige leaders stated: “Many American businesses either did not believe quality mattered for them or did not know where to begin.” So the Baldrige Award was envisioned as a standard of excellence that would help U.S. organizations achieve world-class quality. The program is managed by the National Institute of Standards and Technology (NIST) in conjunction with the private sector.

Originally, only for-profit organizations were eligible: manufacturers, service companies, and small businesses. This was expanded in 1999 to include education and healthcare organizations, and again in 2007 to include nonprofit organizations (including charities, trade and professional associations, and government agencies). Since 1988, seventy-two organizations have received Baldrige Awards. (See list of recipients at the end of this article.)
An interview with the director of the Baldrige program about the Criteria’s value proposition

After the Baldrige Awards presentation I interviewed the director of the Baldrige National Quality Program, Harry S. Hertz, Ph.D., about the value of the Criteria, and their evolution, over the past twenty years.

L.S. In today’s highly competitive and fast-paced world, leaders say they have little time and money to waste, and they want to know up front how any program they consider would be valuable to them and their organization. Now that there’s twenty years of experience with people using the Baldrige Criteria for Performance Excellence in their organizations, how would you describe the value of the Baldrige Criteria? To ask a common question that’s often heard today, what’s the value proposition?

Hertz. The basic value proposition of the Baldrige Criteria is embodied in our definition of performance excellence. It has three goals:

1. First of all, it’s about an external view of meeting marketplace and customer needs, and expectations, leading to marketplace success.
2. The second part of the value proposition is improving organizational effectiveness and efficiency, which is an internal view of improving the organization.
3. The third part of the value proposition is organizational and personal learning, which is about (a) learning as an organization so that you become and remain a high-performing organization, and (b) personal learning for the people of the organization because we’ve learned over time that one of the main attributes of an engaged workforce is a workforce that knows they can continue to learn. That is the employee engagement piece, and it is a key piece.

Those are basically the three components of the value proposition. And with those three components, the value proposition is also about two aspects. One is an approach to those three goals. And the other is the results. We’ve learned over time that there are many organizations that develop approaches and then go astray because they never look at outcomes, and never use the outcomes to drive improvement and process innovation to make sure they are achieving those three goals.

L.S. Ever more frequently we are seeing demands expressed in the media for business and government to pay serious attention to environmental and social issues like sustainability, jobs, and economic justice. Can using the Baldrige Criteria facilitate the development of total-quality communities?

Hertz. A growing aspect of a global society includes a focus on social responsibility. If one looks at the customer and stakeholder outcomes that the Baldrige Criteria are now focused on, there is a significant aspect there of community. How well you serve your community. How ethically you operate within your community. That’s in the Criteria because these have become key aspects of being a sustainable organization—not in the “green” sense alone, but in terms of assuring the longevity of the organization and ensuring that you get engagement of your customers and employees for the long-term. They want you to be a good corporate citizen. So we have one whole item in the process area (1.2) that basically deals with ethics and responsibility to your community—social responsibility—and a “results” item (7.6) that specifically asks how do you measure it? What are the outcomes?
LS. So are you thinking that the Criteria are serving to integrate a sense of community with a sense of social responsibility, and that this applies to all organizations as well as cities and towns and, perhaps, nations?

Hertz. I believe that in terms of serving your customers and marketplace one key aspect these days is social responsibility. And if our businesses see that, if our healthcare organizations see that, if we bring it into the education system—and into cities using the Baldrige Criteria—I think we begin to develop the synergy to look at healthy communities and a healthy nation from the aspect of global citizenship and a competitive, global economy.

LS. I think it’s a great achievement that we now have all sectors included in Baldrige. As you move forward, now that all the sectors can participate fully, do you have a hope that the leaders in all of the sectors: education, business, health care, nonprofits, and governments, will collaborate together in how to build better quality all around?

Hertz. Certainly. If you look at the criteria, they talk about social responsibility being achieved in conjunction with partners in the community, whether that community is a geographic community or a professional community or a trade community. We want to build bridges that are both local and national. That’s what we’re hoping to see.

LS. How do the Baldrige Criteria facilitate this bridge-building between sectors?

Hertz. It’s easier to build bridges when you have a common language. One of the big benefits of the program’s evolution, we believe, is that it isn’t anymore (it was at the beginning) just a business set of criteria or a business recognition program. Nor is it just a health care, or an education program. A major benefit of today’s Baldrige is that it offers a common language to foster and encourage cross-sector learning. When people within your community, the government, key healthcare providers, the K-12 school district, and businesses are using the same performance excellence language found in the Baldrige Criteria, that alone begins to foster, a sense of commonality and sharing. And sharing leads to learning on a larger scale.

LS. You’ve mentioned that the Baldrige Program has evolved over the last two decades. Can you say a bit more about the evolution of the Criteria?

Hertz. The philosophy behind the evolution of the Baldrige Criteria is that the change, year on year, should be evolutionary. No breaks. No discontinuities. Certainly, there were years where the changes were more significant than others—2007 having been one of those years—and where it does take a bit of time for users to adjust. But that’s when we feel that there are some concepts that organizations just aren’t getting that are vital to long-term sustainability.

While year-to-year change is evolutionary, if you take any five-year period, or if you look over the twenty-year length of the Baldrige Program, you would say the changes have been revolutionary. If you look at the 1988 Criteria, for example, and you look at the 2008 Criteria, they are very, very different. In 1998 there were forty-two items. Today there are eighteen, because we’ve really honed down what we think is vital to every organization. In 1988, the Criteria largely were a set of criteria for improving the
quality of manufactured goods. They were quality control, statistical process control, they were very much quality planning and quality assurance on a product-driven set of criteria. Today they are about organizational excellence and how you manage an enterprise—not solely how you manage your product cycle. So it’s a very different criteria set today—that respond to the needs that we see for the nation today.

LS. How do the Baldrige Criteria change? What is the process for change?

Hertz. We have a rigorous process that we go through every year. It starts with just reading and going to meetings and hearing what people are talking about, and seeing what leading organizations are doing; learning from our award recipients; learning from the role-model practices. We gather that sort of information all year. Then, at examiner training, we solicit from the examiners their input on changes in the criteria and we put out, in each training room, a master copy of the criteria and ask them—mark it up, put any notes you want into that copy, and we gather all of those. That becomes our second source of input.

Based on the input we’ve gained throughout the year, the input we’ve gained from the examiners, we then put a questionnaire out on our website and we invite the community-at-large to give us input. We ask questions that are broad, and we will ask more narrowly-targeted questions, based on areas where we are already thinking that some change might be appropriate based on what we have seen already.

We then have an annual improvement day where we conduct focus groups. We will share all of the comments we have received and also ask some targeted questions to try to get some consensus on opportunities for change, innovation, improvement in the Criteria. Improvement Day is open to everybody. It happens each year at the end of July. It’s published on our website. In 2008, for the first time, it will be a mixed-mode improvement day. We will still have the one-day on-site meeting, but we will also be conducting a couple of sessions virtually, on the web. Our intent is, starting next year, to have a totally virtual process with participation from anybody who wants to come in to the conversation that we will have at scheduled times.

We take the input from Improvement Day—which is intended to try to summarize what we have seen and try to get some evaluation of what we’ve seen, what we’ve heard—and using that, along with the other information we’ve gathered, we draft the criteria for the next year. That draft goes out to our judges and overseers (advisory body) for comment. Based on their comments, and we get rich comments from them, we then write the final criteria for the following year. So that’s the process we go through each year.

LS. How do you integrate and align the Criteria for the different sectors (i.e., business/nonprofits, education, and health care)?

Hertz. The Criteria for Performance Excellence—the criteria used by business and nonprofit organizations—are written first. That’s what’s written first as a result of all these improvement efforts. We then take those modified criteria for performance excellence and have a separate writing team for education and health care, who base their revisions on the revised business/nonprofit criteria. In that way we continue to achieve alignment.
LS. Are there any issues that you see emerging in the near future?

Hertz. In terms of what’s coming up, I think there are two challenges that we may have right now with the criteria. One would be to take another look at Category 3, the Customer and Market Focus Category. We really have not done much with Category 3 for a while, and we should look to see if there is some fine-tuning needed for the global marketplace that we’re in today, being sensitive to the fact that some organizations don’t serve a global market.

The other place that’s always a challenge, and that we will continue to be concerned about, is the “white space.” What I mean by that is that in the early days, if you were rated “outstanding” in the individual categories of the Baldrige Criteria you were a role-model organization. Today, to be a role-model organization, it’s almost more important to be a role model in the arrows that connect the categories than in the categories themselves. It’s the alignment and the integration that is so critical to a successful organization today. That’s what we’re currently hearing from the speakers in all the organizations that are presenting in the Quest for Excellence Conference. So the challenge is around how well organizations integrate plans, processes, and results. And how do we continue to enhance the opportunity to have an innovative management system to address these challenges and sustain your organization, your community, and the economy. That is a big challenge as we move into the future.

The Baldrige Criteria for Performance Excellence in Brief

The Baldrige Performance Excellence Criteria are a framework that any organization can use to improve overall performance. Seven categories make up the criteria:

- **Leadership**—How senior executives guide the organization and how the organization addresses its responsibilities to the public and practices good citizenship.
- **Strategic Planning**—How the organization sets strategic directions and how it determines key action plans.
- **Customer and Market Focus**—How the organization determines requirements and expectations of customers and markets; builds relationships with customers, and acquires, satisfies, and retains customers.
- **Measurement, Analysis, and Knowledge Management**—The management, effective use, analysis, and improvement of data, information, and knowledge assets to support key organizational processes and the organization's performance management system.
- **Workforce Focus**—How the organization enables its workforce to develop its full potential and how the workforce is aligned with the organization’s objectives.
- **Process Management**—How your organization determines its core competencies and work systems and how it designs, manages, and improves its key work processes.
- **Results**—The organization’s performance and improvement in all business areas: customer outcomes, financial and marketplace performance, workforce focus process performance, operational performance, and leadership, governance, and social responsibility. The category also examines how the organization performs relative to competitors.

For more information: http://www.quality.nist.gov
The Malcolm Baldrige National Quality Award Recipients


2006—Premier, Inc. MESA Products Inc., and North Mississippi Medical Center

2005—Sunny Fresh Foods Inc., DynMcDermott Petroleum Operations, Park Place Lexus, Jenks Public Schools, Richland College, and Bronson Methodist Hospital

2004—The Bama Companies, Texas Nameplate Company Inc., Kenneth W. Monfort College of Business, and Robert Wood Johnson University Hospital Hamilton


2002—Motorola Inc. Commercial, Government and Industrial Solutions Sector, Branch Smith Printing Division, and SSM Health Care

2001—Clarke American Checks Inc., Pal’s Sudden Service, Chugach School District, Pearl River School District, and University of Wisconsin-Stout


1999—STMicroelectronics Inc.-Region Americas, Bl, The Ritz-Carlton Hotel Co. L. L. C., and Sunny Fresh Foods

1998—Boeing Airlift and Tanker Programs, Solar Turbines Inc., and Texas Nameplate Co. Inc.

1997—3M Dental Products Division, Solectron Corp., Merrill Lynch Credit Corp., and Xerox Business Services

1996—ADAC Laboratories, Dana Commercial Credit Corp., Custom Research Inc., and Trident Precision Manufacturing Inc.

1995—Armstrong World Industries Building Products Operation and Corning Telecommunications Products Division

1994—AT&T Consumer Communications Services, GTE Directories Corp., and Wainwright Industries Inc.

1993—Eastman Chemical Co. and Ames Rubber Corp.


1991—Solectron Corp., Zytec Corp., and Marlow Industries


1989—Milliken & Co. and Xerox Corp. Business Products and Systems

Twenty-First Century’s Grand Engineering Challenges Unveiled

Washington, DC -- The U.S. National Academy of Engineering (NAE) has announced grand challenges for engineering in the twenty-first century. A diverse committee of experts from around the world, convened at the request of the U.S. National Science Foundation, revealed fourteen challenges that, if met, would improve how we live.

“Tremendous advances in quality of life have come from improved technology in areas such as farming and manufacturing,” said committee member and Google co-founder Larry Page. “If we focus our effort on the important grand challenges of our age, we can hugely improve the future.”

The panel, which included some of the most accomplished engineers and scientists of their generation, was established in 2006 and met several times to discuss and develop the list of challenges. Through an interactive Web site, the effort received worldwide input from prominent engineers and scientists, as well as from the general public, over a one-year period. The panel’s conclusions were reviewed by more than fifty subject-matter experts.

The final choices fall into four themes that are essential for humanity to flourish—sustainability, health, reducing vulnerability, and joy of living. The committee did not attempt to include every important challenge, nor did it endorse particular approaches to meeting those selected. Rather than focusing on predictions or gee-whiz gadgets, the goal was to identify what needs to be done to help people and the planet thrive.

“We chose engineering challenges that we feel can, through creativity and commitment, be realistically met, most of them early in this century,” said committee chair and former U.S. Secretary of Defense William J. Perry. “Some can be, and should be, achieved as soon as possible.”

The committee decided not to rank the challenges. NAE is offering the public an opportunity to vote on which one they think is most important and to provide comments at the project Web site — http://www.engineeringchallenges.org.

The Grand Challenges site features a five-minute video overview of the project along with committee member interview excerpts. A podcast of the news conference announcing the challenges is also available on the site. “Meeting these challenges would be ‘game changing,’” said NAE president Charles M. Vest. “Success with any one of them could dramatically improve life for everyone.”

The Challenges

- Make solar energy affordable
- Provide energy from fusion
- Develop carbon sequestration methods
- Manage the nitrogen cycle
- Provide access to clean water
Case Study

- Restore and improve urban infrastructure
- Advance health informatics
- Engineer better medicines
- Reverse-engineer the brain
- Prevent nuclear terror
- Secure cyberspace
- Enhance virtual reality
- Advance personalized learning
- Engineer the tools for scientific discovery

The Committee

William Perry (committee chair), former secretary of defense, U.S. Department of Defense, and Michael and Barbara Berberian Professor and professor of engineering, Stanford University
Alec Broers, chairman, Science and Technology Select Committee, United Kingdom House of Lords
Farouk El-Baz, research professor and director, Center for Remote Sensing, Boston University
Wesley Harris, department head and Charles Stark Draper Professor of Aeronautics and Astronautics, Massachusetts Institute of Technology
Bernadine Healy, former director, U.S. National Institutes of Health, and health editor and columnist, U.S. News & World Report
W. Daniel Hillis, chairman and co-founder, Applied Minds Inc.
Calestous Juma, professor of the practice of international development, Harvard University
Dean Kamen, founder and president, DEKA Research and Development Corp.
Raymond Kurzweil, chairman and chief executive officer, Kurzweil Technologies Inc.
Robert Langer, Institute Professor, Massachusetts Institute of Technology
Jaime Lerner, architect and urban planner, Instituto Jaime Lerner
Bindu Lohani, director general and chief compliance officer, Asian Development Bank
Jane Lubchenco, Wayne and Gladys Valley Professor of Marine Biology and Distinguished Professor of Zoology, Oregon State University
Mario Molina, Nobel laureate and professor of chemistry and biochemistry, University of California, San Diego
Larry Page, co-founder and president of products, Google Inc.
Robert Socolow, professor of mechanical and aerospace engineering, Princeton University Environmental Institute
J. Craig Venter, president, The J. Craig Venter Institute
Jackie Ying, executive director, Institute of Bioengineering and Nanotechnology

The National Academy of Sciences, National Academy of Engineering, Institute of Medicine, and National Research Council make up the U.S. National Academies. They are private, nonprofit institutions that provide science, technology, and health policy advice under a congressional charter.

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Physicians Identify New Ways to Reduce Overuse and Increase Efficiency

Global measures commonly used to measure the efficiency of physician practices may actually hinder efforts to reduce the overuse of health care services, according to a Commonwealth Fund-supported study published as a Health Affairs Web Exclusive.

Finding that “much variation in clinical practice is attributable to physician preference, habit, and training, rather than patient preference, severity, or outcomes,” authors Robert A. Greene, M.D., Howard B. Beckman, M.D., and Thomas Mahoney, M.D., suggest an alternative approach to measuring efficiency that aims to identify wasteful practices and engage physicians to change their behaviors. Rather than relying on the “efficiency index”—a measure of provider cost efficiency that fails to identify “action items” for evaluated physicians and often includes high-cost events not under their control—the researchers instead asked the question, ‘What are lower-cost and higher-cost physicians doing differently from each other?’

Drs. Greene, Beckman, and Mahoney developed their approach based on their experience with the 3,400-physician Rochester Individual Practice Association. In applying the new method to hypertension care, the researchers found that pharmacy costs varied more than five times as much as lab test or office visit costs, signaling that medication choice was the major driver of cost variation.

“Given inevitable limits of time and energy, it is important to focus quality improvement efforts on the true drivers of unnecessary cost and variations and to generate preferred practice patterns for entire specialties rather than individual physicians,” the authors conclude.
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