3M Dental Products Division
Malcolm Baldrige National Quality Award Winner, 1997

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Introduction

Professional dental market
Dentistry is an old profession. It has been practiced for a very long time, and often in surprisingly sophisticated ways. But it's in the last 40 to 50 years that oral health care has made incredible breakthroughs with technologies like fluoridation and modern materials for preventive and restorative dentistry.

These new technologies have opened up significant business opportunities for serving the dental market. Population growth, emerging economies, and retention of our teeth to age 60 and beyond provided a few more opportunities for growth each year. The dental market is fully global in scope and it is highly competitive with over 100 companies competing in a relatively low growth market. To fully realize true growth opportunities, we were challenged by the need to call on over 600,000 dentists globally to introduce and explain technically complex products and procedures. In this slow growth, highly competitive, very customer intensive environment, we must employ the very best of world-class business skills not only to grow, but to survive.
Our leadership began with aligning the entire organization behind a single all encompassing vision: To become the supplier of choice to the global dental market. This vision was developed at the start of our journey in 1989, and has been consistently integrated throughout the organization and into all of our business strategies. Today, all 3M Dental employees worldwide know the competitive, strategic, and operational meaning of the word ‘THE’ in this vision.

People are the key to realizing the vision of world-class quality and reliability. The promise of quality and reliability—in a word trust—has become the business differentiator for 3M in the competitive dental market. Because people are the key to our success, our values focus on people, both individually and as an organization. These values define leadership’s primary responsibilities in our organization. Everything we do as leaders must be grounded in the vision and values of 3M Dental. Figure 1 lists our values.

**Figure 1. 3M Dental Values**

- Emphasize character values of all employees.
- Release the power of our people.
- Bring enthusiasm, joy, happiness, and fun to the workplace.
- Take personal responsibility for the success of the team.
- Be committed to greatness in our work.
- Delight each other by listening, understanding, and feeling.
- Practice trust, respect, and self-respect, honesty, and honor.

The Vice President and eight functional leaders comprise the Division Steering Committee. As a group this committee jointly establishes and maintains the vision, values, and quality policy of our operations. They set and manage the operational and financial goals. Division responsibilities take up at least half of each Steering Committee member’s time; their functional duties take the other half. Members personally sponsor and participate in 43 cross-functional teams that report directly to this committee and are the key elements of our strategic plan. The Steering Committee meets a full day monthly to assess the progress of all of our division performance objectives and to review our operational performance, key programs, team activities, and external assessments. There are 20 Steering Committee Quality Reviews held each year.

The 3M Dental leadership style is shared, hands-on, immersed, and passionate. The Steering Committee directly and personally manages the Division Strategic Planning Process, which is the key business management tool used by the division. Total immersion in all aspects of our business and functions is not only the role but also the passion of the 3M Dental leadership team.

Our number one measure of customer success in our business is customer loyalty.
Customer loyalty, continued

is absolutely critical to us to have satisfied customers who will be repeat purchasers and enthusiastically recommend 3M to their colleagues, since we cannot call on over 600,000 dentists globally often enough to retain their business with personal calls.

Teaming

Teaming, and the use of cross-functional teams is the only process we need to implement our strategic plan. Teaming is at the very foundation of our culture, and every one of our teams is sponsored by the Steering Committee. Every team has functional, geographical, and management participation and reports its progress and needs at least quarterly to the division Steering Committee.

Differentiation strategy

Quality, reliability, and innovation are strategies we use to differentiate ourselves from our competitors.

Partnership for success

We approach our business globally since two-thirds of our sales are outside of the U.S. where we operate through local sales and marketing subsidiaries using a process called the Partnership for Success. The U.S. based division has a number of responsibilities to this partnership including setting strategic direction, providing products, reliable supply and service of those products, and key business and marketing support tools.

Our local subsidiaries have specialized responsibilities in this partnership, including local sales, and marketing activities, and in-country logistics. This partnership process has resulted in meeting our global objectives of market share, market penetration and growth in nearly every region of the world where we operate.

Business Process Management Matrix

The 3M Dental Division uses process-based business approaches. Performance management tools have been used to manage the metrics of these processes for over 10 years. We use an aggregate process management matrix approach, which we call BPM M, which measures overall progress toward key division strategic goals. (See Figure 2.)

Figure 2. Business Process Management Matrix BPMM
The Steering Committee uses this tool to gauge progress and initiate actions as appropriate and as needed.

Strategic planning aligns and drives every activity

The 3M Dental strategic planning process (described in the next section of this article) is the defining business process of 3M Dental. This process continuously pulls together market data and information for analysis from every market globally. It determines the absolute priorities of our division, it defines the approaches we take to those priorities, assigns responsibilities across functions and individuals, allocates the division resources in an absolute allocation process, and it aligns all of our activities.

The strategic plan peers 10 years into the future and provides details for the coming five years. Each year's specific strategy, goals, and business plans are developed during this process. Fortune Magazine cited the 3M Dental Strategic planning process as best practice in its March 1995 issue.

Creation of a success culture

Following the Baldrige processes and principles, 3M Dental is well on the way to developing a success culture. Of the components of this culture, employee inclusion and continuous improvement are most critical. Leadership alone cannot carry this process on. Every employee of the enterprise must be included in the quest for business excellence. We all know that the Baldrige Criteria for Performance Excellence demand and call for full deployment, and they do that for a very good reason. It is the only way to have sustainable world-class business excellence. This is why 3M Dental's vision is always paired with our values, all of which are people based.

Continuous improvement

Continuous improvement is our most important process. Keeping a success culture alive requires continuous improvement of every process, every day. A few examples: our new product introduction process is now in its 42nd revision. Our product and process improvement committee meets monthly and reviews an average of 60 issues and opportunities each month. Our strategic planning process spends the final month of the year looking at what we've learned from the previous year. Every process in by our BPM M management matrix re-calibrates annually and sets the base line as the previous year's accomplishment level.

Growth, customer loyalty, employee satisfaction, and productivity

The processes are crucial, but results are how the world judges a business. The 3M Dental Division has doubled sales, outpaced our competition in the markets we serve by 30 to 50% globally, we've gained employee satisfaction levels that are 30 percentage points above comparable companies, produced a 55% productivity increase since 1992, and earned customer loyalty measures 80% above our competition.

This is 3M Dental's formula for success. It's been honed over eight years of market place trial, and it's guided by the Baldrige principles and the award application process.
We continuously define and redefine our future

Strategic Planning

Michele Perpich—At 3M Dental Products Division the future has a very powerful lobbying group, it's all of us. We continuously define and redefine our future through our Strategic Planning Process. Our process and our plan touches every individual in our organization. The process begins with our vision to become THE supplier of choice to the global dental professional markets, providing world-class quality and innovative products.

Our vision is acknowledged and embraced by everyone in our organization. It is the foundation of our strategic planning process and is reflected throughout our business units, cross-functional teams, functional teams, and other teams in our daily operations.

The 3M Dental journey is simple and straightforward: it starts with continuous customer contact, followed by strategic planning, and business process management. At 3M Dental we run our business in three strategic business committees defined by dental procedures. On a global business basis, the strategic business committees have responsibility for the global product portfolio management, as well as the strategic planning process.

The strategic business committees begin the strategic planning process by gathering input from many sources (See Figure 3). We are a customer-focused organization so we begin with market data from all regions of the world. This ensures that the resulting plan will include all relevant information and acceptance from all parts of the organization. This provides us with individual market assessments and need identification, so we will know what is necessary to achieve our global objectives. It is through continuous customer contact that we define our direction.

Figure 3. Strategic Business Committee
Strategic business committees, continued

Our customer contact with dental professionals comes to us in many ways: Focus groups, our sales organization, simulated operatories, technical and professional services groups, dentist study clubs, key influences, customer service, and other market research.

The business environment is reviewed

The Strategic Business Committee performs a thorough review of the business environment, including social and economic influences on the market. Examples of these are changing demographics, regulatory issues, health care reimbursement and reform, the number of dentists, the dental practice dynamics as in an individual practice, a group practice, an IPO.

We review our human resource needs. Not only by head count but also by skills development and core competency requirements. This review happens at headquarters, subsidiary levels and most importantly at functional levels for core competencies.

We do a channel partner (3M refers to its distributors as “channel partners”) distribution analysis in each market of the world. We look at consolidation, span of control, specific channel needs and wants by the region.

Next we take a look at our competitors: their product offerings, their product specifications, their competitive strategies, their growth, the trends, and their financial performance. We include global competitors as well as regional specific competitors.

Examine business processes

In the planning process we also identify opportunities to improve our business processes. We look at ways to improve our product development and marketing processes. We look at market differentiation product processes, customer-focus packaging processes, and the strategic planning process itself. We're now working on outsourcing.

Look for new opportunities

Last, we identify new product opportunities and new market segments to play in. Then all of these regional inputs are prioritized by each region or market of the world, and they're communicated to the business committee. The business committee prioritizes their regional inputs into a global prioritization list of new product opportunities as well as process improvements.

Process is continuous

Our strategic planning process is an ongoing process (See Figure 4). Some part of the process is active in 3M Dental almost all the time. The plan and the progress are reviewed by the division Steering Committee on a monthly basis.

Zero-based planning

We perform zero-based planning annually to make sure that we're continuously evaluating and aligning our course toward our vision. We begin the process each August with a call to plan. That's followed by regional market sessions in North America, Western Europe, Eastern Europe, Middle East, Asia, and Latin America. The regions present their plans to the business committee. The business committees roll the regional priorities into a global prioritization of products and processes.
Priorities finalized using “town meeting” type forum

Allocating resources to cover the three business needs

Each winter we hold a “town meeting” type forum in which the business committees present their respective prioritization of products and processes to the division for final prioritization. During this session special issues and specific geographical plans and needs are addressed and discussed. By the end of this meeting more than 250 of the division’s 700 employees have been touched by some phase of our strategic planning process. Employee involvement is a key to the communications of our plan throughout the division.

In March the division Steering Committee meets with the business committee chairs to determine the business’s absolute prioritization of products and process needs. Once this listing is completed, the functional heads are then asked to analyze their department resources in terms of existing business needs, new product development needs, and business process programs.

For example, in Figure 5, marketing allocated 40% of its resources to maintain the existing core business, 40% of their time for new product development programs, and 20% of their time to process improvement. Once the time allocation is determined, each function is asked to review the absolute priority list and indicate how many of the prioritized programs they can physically support throughout the year. The marketing function can support priority listing through number 37 for new product activity, and through number nine for process improvement activity (see bottom of Figure 5).
### Resource allocation, continued

#### Figure 5. Strategic Planning

<table>
<thead>
<tr>
<th>Resource</th>
<th>Pkg</th>
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<th>Sls</th>
<th>Mkt</th>
<th>Qlty</th>
<th>HR</th>
<th>Lab</th>
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<td>70</td>
<td>40</td>
<td>75</td>
<td>50</td>
</tr>
<tr>
<td>New Product Development (percent)</td>
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<td>15</td>
<td>10</td>
<td>40</td>
<td>15</td>
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<td>Business Process Improvement (percent)</td>
<td>10</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>10</td>
<td>50</td>
<td>20</td>
</tr>
</tbody>
</table>

**Existing Resources** (Project and Processes are by priority order #)

| Product Limit | 11 | 18 | All | 37 | 24 | All | 27 |
| Process Limit | 9  | 25 | None | 9 | 17 | All | 25 |

By following the prioritization process of resource deployment, the Steering Committee fully understands resource needs for completely identified programs. This practice acts as a mechanism for identifying and prioritizing head count changes by functions. Once prioritization is completed, each functional head is responsible for communicating the plan to his or her respective departments.

#### Figure 6. Strategic Plan Deployment

Strategic planning, continued
Plan deployment, continued

Departments then create annual operating plans, which support the strategic plan. Each employee's responsibility to the plan is outlined in his or her job expectations and performance appraisals, which we refer to as Employee Contribution and Development Plans, or EC and DP. (This will be discussed later, in the Human Resources section.)

What began as a global look at business needs is related to each employee’s job through the EC and DP process. Everyone is well aware of his or her contributions towards business excellence. Throughout this strategic planning process and its deployment, we use a Business Process Management Matrix, BPM M. This system measures the progress in achieving our goals. This measurement process is used at every level of the organization from teams, to committees to department, to Steering Committee (See Figure 7).

Figure 7. Linkage

Our journey has a clear map to business excellence. We listen to our customers so that we can create a strategic plan that is reflective of our customers needs and wants. We then measure ourselves on how well we meet those needs. By listening to the voice of the customer and empowering our employees, we deliver products of greater perceived value. This results in delighted customers, increased market share, and sales growth. By continuing to improve and refine our processes, we reduce our cycle time, we increase our productivity, and we lower our costs. This results in improved margins, greater asset utilization, higher profits, and delighted shareholders.

Summary

Linkage to every employee and measuring progress

By empowering employees, using the voice of the customer, quality links employees, customers, and shareholders.
Customer focus process

George Aalto—Customer focus has become a way of life throughout 3M Dental Products Division. It is a key business process that continues to mature. Highly customer-focused organizations are built on customer-focused leadership, processes, and relationships. Everyone at 3M Dental understands that our customers define the scope of our job responsibilities.

We decided in late 1995 to formalize our revolution from a product-focused organization to that of customer-focused one. During the strategic planning session in 1996, our Dental Products Steering Committee identified customer focus as the number one strategic process priority. However, we knew it was not going to be an easy job. We decided to utilize outside resources to help us jump-start the process. A cross-functional team of sales, marketing, technical, and laboratory personnel met with Hunter Business Direct, an outside resource whose expertise is customer focus and market segmentation.

Customer segmentation

Our goal was to establish blueprinted activities and tactics to help implement our customer-focus process. Hunter helped us align our priorities. Our customer segmentation and channel partner team was formed in early 1997. The 3M Dental Corporation has two segmented customer groups—dentists and channel partners. Both groups have been further segmented, based upon requirements, operating profiles, buying patterns, and geography.

U.S. dentists and channel partners are served by the 3M Dental U.S. sales force and by the U.S. marketing, sales, and services organization at 3M’s headquarters. Dentists outside the U.S. are served by the 3M subsidiaries with the support of the headquarters-based organization.

3M corporate provides competitive advantage

The 3M Dental Division has a distinct competitive advantage over other manufacturers because of our unique ability to leverage 3M Corporate resources, reputation, and presence. Our division can begin selling its products in new markets through established 3M sales and service offices around the world. We can piggyback off 3M Corporate marketing efforts such as our reliability and innovation advertising and promotions program.

Listening to the customer

Future customer requirements and expectations are gathered through Key Influencers (about 300 dentists 3M Dental considers “Visionaries”), industry experts, focus groups, simulated operatory settings and regulatory standards development.

We utilize different listening posts to gain an understanding of the needs and requirements of our customers and our channel partners globally. These global needs are fed into our ongoing evaluation and improvement process, and our annual strategic planning process. Although we are a global business, our U.S. relationships are primarily with our international subsidiaries, not our international dentists or customers. In addition, our U.S. based programs and processes serve as tests and models for future
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Listening to customers, continued

Deployment by our international subsidiaries. In essence, our U.S. subsidiary is a role model for international subsidiaries to help them penetrate global markets. We have many examples of customer and channel partner program enhancements that have evolved as a result of input from these numerous listening posts.

Relationship building

The 3M Dental Corporation’s success depends on the critical growth and nurturing of all its relationships— with 3M Corporate, global 3M subsidiaries, channel partners and dentists, suppliers, its employees, and the communities it operates in. The company has invested extensively and wisely in a variety of consulting groups to assure that it remains focused on relationship building.

U.S. field sales representatives submit letters every two weeks that summarize their observations about the market. These letters, which provide a timely mosaic of customers’ activities and requirements, are circulated to over 100 employees.

Channel Partner Excellence

U.S. enhancements and processes are defined and evaluated for deployment by our international subsidiaries. Channel Partner Excellence has become a key program that shows all 3M dental products from an economic value standpoint. Sullivan-Schein Dental, which is our largest channel partner, and 3M Dental Products employees have worked together to drive supply chain excellence initiatives. In just a short period of time, we have reduced their cycle time by 50%, which has increased their inventory turns by two and half times. The net result is a $200,000 reduction in inventory and increased return on inventory investments. Incidentally, Sullivan-Schein Dental has advised us that we are the only dental manufacturer who has the depth of supply team expertise to be a guide to them, and they want our approval to take this as a best practice to other dental manufacturers.

Measure progress

It’s also important to measure our overall progress every two years to validate the success of our program enhancements. In 1995 as well as 1997, we commissioned Custom Research Inc. a 1996 Baldrige recipient to do a customer survey to compare our performance to a similar customer survey in 1995. And in one category, exceeding expectations, 3M ranked number one. Our percent score was almost double that of the combined ranking of all our competitors for meeting overall satisfaction.

In 1993, 1995, and 1997 we also commissioned another source—Anderson, Leibur, and Associates—to survey our channel partners, and the results were equally impressive. The 3M Dental Division ranked number one in overall satisfaction with a favorable score that was two and a half times greater than any of our competitors. We also ranked number one in 11 of 12 categories. And in 10 of the categories we had a top rating that was more than double that of our competitors. We have been ranked number one in every survey. Equally important is that since 1993 our percent favorable score has grown each year, and we have increased the difference between 3M and our nearest competitor.
Measure progress, continued

Quality is about delighting customers, and that’s why 3M Dental has spent so much time working on and continuously improving our customer focus process. Customer focus is a part of every single one of our jobs at 3M.

Information and Analysis

Ajay Myer—In today’s fast paced business environment the proper use of information is what keeps a company in a leadership position. With the vast amount of data and information available it is extremely important to carefully select what needs to be tracked and monitored.

Business performance indices are collected from all over the 3M Dental Products Division in a variety of areas including customer satisfaction, product performance and reliability, finance and operations, employee satisfaction and training, and value-added indices. While the indices themselves are important, they also help in tracking progress and identifying opportunities for improvement. Gap analysis and prioritization helps initiate and drive corrective action. Feedback is provided through the strategic planning process so that improvement and refinement can be made. Then the cycle begins again.

Need for new systems

As we looked at our information needs, we soon recognized the challenge we faced was moving out of our legacy environment where we used home built, batch feed type systems that were up to 20 years old to distributed state of the art systems. The driver was the global customer who wanted faster on-time service. With regulations quickly changing in various countries, there was a very strong need to provide customized, differentiated products to different parts of the world. We realized very early on that our existing systems would not allow us to meet this need.

We developed a solid foundation with the local area network system which pro-
CASE STUDY  

New systems, continued  
vided quick access of data within the facility. This system was designed to be compatible with the corporate Wide Area Network system. We also added the personal computers to give associates quick access to information.

Further progress was made when we implemented the client service system in this user-friendly, highly reliable environment. Users now have direct access to the server that controls the application; they can download information into a personal computer and work with the data.

Materials planning system  
We implemented a materials planning system that is capable of scheduling the facility on a daily basis, replacing the old weekly planning system. People are online now. Production reporting systems, electronic document control systems, and global forecasting systems are implemented. These are essential to meet the needs of our global customers while keeping our inventory under control.

Customer information systems  
In addition to the information systems that allow 3M Dental to supply products to customers, the company has developed systems that allow it to more efficiently gather information about customers. The Customer Information System (CIS) is a database containing over 30,000 dentists' names that tracks: 1) purchases of 3M Dental and competitive products, 2) contact activity, 3) complaints by market segment, and 4) complaints by dentist.

Customer data is then analyzed several different ways to sort and understand customer behavior. Buying patterns can be evaluated against the promotional activity that we offer. Opportunity for promoting and sellinggraded products are also visible from the analysis. The sales force uses the data to target users of competitive materials with samples and calls highlighting the features of our products. Most importantly, the sales representatives feel in control when they come into contact with our customers because they have remote access to the information and are up to date on all points of contact with the customers.

Business Process Management Matrix  
At 3M Dental Division, the Business Process Management Matrix (Figure 1) is a tool that aligns performance of activities and teams for strategic goals and objectives. We believe that it is this unique process that sets us apart from most businesses. We developed this matrix based upon performance management, an approach that fortifies an organization's activities and outcomes to support continuous improvement.

The BPM matrix is a series of cascading matrices that link to the goals and drivers of the business. The matrix measures the company's performance in all key areas such as business drivers, goals, functional group performance, and strategic business processes. For example, key matrices like reliability, value-added innovation, and employee satisfaction flow through the business driver index.

The Division Steering Committee reviews the matrix each month, and improve-
BPMM, continued

Product Improvement Matrix

A typical product improvement matrix consists of activities and results. Each is weighted to its level of importance to the success of the program. Each is then scored on a scale of one to ten. The team reviews progress regularly, usually monthly, and then as significant milestones are met, plenty of recognition is given.

A score of 1,000 points indicates all stretch objectives were achieved. A score of around 700 indicates major goals were accomplished. A score of 300 points equals the previous year’s performance.

Figure 9 shows the activities and results being monitored on one side, and the trend of performance charted on the other side. We have used this process for over 10 years in 3M Dental and found it to be a great way to measure progress and successfully complete projects.

Figure 9. Product Improvement Matrix

<table>
<thead>
<tr>
<th>Criteria</th>
<th>P</th>
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<th>9</th>
<th>8</th>
<th>7</th>
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Benchmarking and competitive comparisons

The purpose of benchmarking and competitive comparison is to strengthen our ability to learn from others. The primary objective is to understand those practices that will provide a competitive advantage. To us benchmarking is an intrinsic part of our planning and ongoing review process. It ensures focus on the external environment and the use of factual information in developing plans to improve performance.
**Figure 10. Benchmarking Process Steps**

1. Decide what to improve  
2. Understand your Process  
3. Understand “Best in Class” process  
4. Analyze and compare data  
5. Plan to meet and surpass the best  
6. Implement and monitor plans  
7. Strive for continuous improvement

Benchmarking, when done right, takes considerable time and effort. In several cases we have found competitive comparisons to be a good way to get started. But focusing on and understanding the business processes gives us the most benefits.

Some of the areas where we have effectively used benchmarking to get activities to world class levels are safety, product development time, training, and customer service. In the area of safety, for example, we have reduced our incidence rate by over 80% and were the first U.S. based company to earn the ISO 1401 certification. We have become one of the safest work sites in the country.

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**Summary**

As we continue our quality journey, we have plans in place to further improve our manufacturing systems as we strive for excellence in the supply chain area. Ongoing improvements in customer service and business matrices will help us maintain our leadership position in the dental industry.

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**Process Management**

Dr. John Horn—There are a number of people who are a part of process management at 3M Dental Products Division. That’s all of us at 3M Dental Products because every employee has responsibility in this area.

Without question, customers have the first and last word when it comes to defining quality. We learned that quality definition takes a lot of listening and hard work, but the job doesn’t end there. We then build to the customers’ definition of quality, creating the processes and products that will deliver that quality.
Quality, continued

new products that enhance their practice of dentistry. They are working to improve their quality and they want products from 3M that do just that for their patients.

Our channel partners also look for reliability and innovation in order to better serve dental customers. This demand for quality from dentists and channel partners drives 3M Dental to continuously improve reliability and innovation throughout the entire organization.

Four elements of process management

In general, effective management and improvement of processes at 3M Dental requires four essential elements: Task identification, organization, measurement, and process review. Task identification starts with identifying and understanding our customers’ needs, then putting that information through the strategic planning and prioritization process. When that is complete, we know what we have to do.

How do we accomplish those tasks? We go through a resource allocation and teaming process as we organize to complete those tasks. We measure the reliability and innovation processes using the business process matrix system. We use process reviews and team self-assessments to identify opportunities for continuous improvement.

Evaluation and improvement process

Let’s now look at an example of how these reviews and assessments supply reliability and innovation. We manage and improve reliability of products and services through our Product and Process Improvement Committee. This committee identifies tasks by continually prioritizing opportunities for product and process improvement in line with business needs.

The committee consists of people from many different functions, and assigns responsibility to people who can implement the improvement. Results are measured in the Business Process Management Matrix. Team performance is reviewed both during and after task completion.

Innovation

Simply put, but not simply achieved, innovation is the development and commercialization of new products and services that customers really want. New products and service projects are identified from the strategic plan. We use the teaming process to form commercialization teams and new process teams.

Each team has a specific mission statement defining the objective for completion of the mission. Progress is measured through the value-added matrices and the BPM system. Each team has a nourishment fund to use for building Esprit de Corps. Each team performs self-assessment upon the completion of the mission. For new products, the team monitors market success through the Business Process Management Matrix system during the post launch phase.

Product Capability Model

One example of process management improving reliability is the evolution of the product capability model, or CpK for short (See Figure 11). Product and process capabil-
Innovation, continued

ity is a comprehensive system of reliability management that uses many processes to ensure our customers receive products that consistently perform to their expectations.

Figure 11. CpK Model

This methodology was introduced in 1991 and used with a few key products to reduce manufacturing process variability and improve reliability from the customer's perspective. In 1993, more products and characteristics were added to the model, and in 1995 all products were in the system. Today, CpK teams are formed at the beginning of the new product project to ensure reliability from the initiation of the project.

One very key process for innovation is the new product introduction and commercialization process. New product introduction begins with identification of customer needs and ends with product launch at all targeted markets. This process has been recognized as the best practice by a number of groups both inside and outside 3M.

One specific evolution within the new product introduction process has been the use of a very special patient model affectionately known as Fletcher. “Fletchers” are mannequins with human-like mouth features and conditions. Dentists use these mannequins to evaluate variations of prototype material or hardware products. To demonstrate and evaluate new products, Fletcher has traveled the globe and been treated by more dentists than any person in the world. Fletcher provides the dentists a more realistic setting in order to evaluate prototypical materials early in the product development process. For each new product we develop simulated operatory exercises for dentists in which the entire cross-functional development team participates.

The new product introduction process itself is managed by a cross-functional team responsible for generating and monitoring improvements as well as training product teams in the use of the process. The new product introduction checklist used by all of
New product introduction process, continued

Our product teams has had more than 40 revisions. We've learned many good lessons over the years.

One recent important improvement has been the transition of the entire process from a functionally organized process, to a macro process driven system. Over the years, improvements in the new product introduction process have resulted in higher quality products, faster introductions, and increased commercialization successes.

Summary

This was a very brief snapshot of how 3M Dental Products manages processes. First we identify the task, next we organize the performance, then we measure our work, and finally we review our work, and look for improvement opportunities.

Human resources strategic planning

Suzanne Tutko—Our vision to become THE supplier of choice can only be accomplished with commitment of the employees. We believe that our employees are indeed our most valuable resource. We have a set of Human Resource Principles designed to foster the respect, the dignity, and worth of individuals by encouraging our highest level of performance in a fair, challenging, objective, and cooperative work environment. We encourage the initiative of each employee by providing both direction and freedom to work creatively. We challenge our employees’ capabilities through proper placement, orientation, and development; we provide equal opportunity for development and actively reward good performance.

We combined these principles with 3M Dental’s set of values (Figure 12).

Figure 12. 3M Dental’s Values

- Emphasize the character values of all employees.
- Release the power of our people.
- Bring enthusiasm and fun to the work place.
- Take personal responsibility for the success of the team.
- Know the problem and fix it.
- Be committed to greatness in our work.
- Delight each other by listening, understanding, and feeling.
- We practice trust, respect, honesty, and honor.

Together these principles and values are the foundation for developing employees and therefore growing the business.
Human resources strategic planning

Human Resource planning is an integral element of the division strategic planning process. Every function and region lists its Human Resources requirements. In addition, we have data gathered from employee satisfaction surveys, group analysis of division capabilities with respect to competitors in the industry, and benchmark data. All this data is aggregated and analyzed to evaluate how work is to be organized and accomplished, and to determine the employee skills needed to support business goals and objectives. Based on all this we developed Human Resource plans to support the strategies, work design, employee satisfaction, employee development, compensation and recognition, ethics, and values, and recruitment.

The effectiveness of the HR plan is evaluated through measurements such as productivity trends, customer satisfaction surveys, and employee performance assessments.

Teaming process

The 3M Dental Corporation's approach to promoting high performance through job and work design is centered around the concept of encouraging employees to participate in a wide variety of flexible and responsive cross-functional teams (currently about 50). This team approach is enabled by: 1) the comprehensive training and skill development program, 2) a judiciously designed recruiting program, 3) appropriate "nourishment" (a fund that team members use to treat themselves as they work), and 4) properly established recognition and compensation programs.

The team approach is aligned with company goals and strategies through the process of cascading from strategy to functional plans and then on to the Employee Contribution and Development Plan.

Responsibility for cost, quality, service and development is given to employees closest to the job being performed, allowing the greatest potential for improvement. The use of cross-functional teams enhances employee ability to make positive contributions. As with every process, we look for opportunities to refine the teaming process through employee surveys, focus groups, team participation feedback, and other feedback channels.

There's a lot of work to accomplish on new product introductions: problem solving, product and process improvement, supplier assessments and improvements.

Our teaming process begins with an identified need; this could be the outcome of the division strategic planning process or identified through various employee-input mechanisms. A sponsor and a team leader are appointed; team members are self-nominated (See Figure 13 on the following page).
Teaming process, continued

Each team makes periodic presentations for review and there are measurement systems in place to evaluate effective group process and progress. This team-based organizational approach augmented by pro-active training and skill development has promoted initiative, flexibility, and rapid response, while improving cross-functional cooperation.

Continuous employee training and development plans prepare employees to meet strategic business goals. To help employees create their development plans we use several systemic approaches. First is the employee contribution and development process (Figure 14). This process is designed to align the employee’s individual contributions and development plans with 3M Dental goals.

Built into the employee development process is a feedback element that gives employees several sources of development input for future planning. Employees receive feedback on several core competencies including both knowledge and skills. Based on this feedback plus additional input, an individual development plan is created to assist employees make future contributions that relate specifically to 3M Dental’s global business needs.
We have a process for identifying training and development needs by functional area. As in individual planning, this process is driven by the needs of the organization identified by the strategic planning process. Based on the business needs, we then determine what competencies and performance expectations are required. From there we address work environment issues, training, or development needs that will assist employees with both their professional growth and the growth of the organization. The 3M Dental Corporation has adopted the following core competencies, based upon such input as employee surveys, supervision, and benchmarking:

- Customer and strategic perspective.
- Achieving results.
- Leading and influencing
- Thinking and decision making
- Personal effectiveness
- Learning and improving.
- Supervising and coaching others.

Continuous evaluation and improvement of employee training and development approaches is accomplished through employee feedback, management input, and Human Resource plan indicators.

Our focus is on the well being of our employees. Although 3M Dental Products Division compares its employee satisfaction results with other companies, the most important comparison is with our own results over time, and what we will do with those results. Because our goal is to have a satisfied work force, we conduct a formal employee opinion survey every year. Teams of employees help develop action plans to resolve critical issues. In addition to formal employee surveys, we offer various listening posts to...
employees, and encourage them to freely express any concerns or suggestions.

3M Dental also relates employee well being, satisfaction, and motivation to key business results and objectives. During employee survey feedback sessions, for example, employee concerns for the business are explored. Opportunities for improvement are prioritized for their impact on both employees and the business.

Day to day employee feedback and discussions with management are another connection between the state of the work force and that of the business. These inputs are complemented by work cause analysis, findings by team sponsors, and problems that relate to employee issues.

Employee feedback connects work force with management

Employee rewards and recognition

Rewards and recognition are critical to promote employee satisfaction and motivation. 3M Dental uses various rewards and award programs to recognize contributions by both teams and individuals. These awards range from direct compensation to indirect compensation such as health care and fringe benefits.

We include awards based on affiliation, work content, career opportunities, and recognition. Recognition of course, is both formal and informal. Our employees appreciate verbal and written recognition from their peers, clients, and management. They are also eligible for 3M awards including quality awards, circle of technical excellence awards, and patent awards.

Business Results

Paul Fitzenberger—In the real world, you are rarely asked about the elegance of your processes. What you are asked is, what does that add up to? What are the results? How did all that affect the bottom line?

The 3M Dental Products Division performance measurement systems provide an effective means to communicate short and long-term priorities, monitor actual results, and focus on continuous improvement initiatives.

The first indices that people usually look at in measuring a business is sales.

Figure 15. U.S. and Outside U.S. Sales
**CASE STUDY**

**Introduction, continued**

The 3M Dental has doubled its global sales in the last ten years. Our sales growth is twice the industry average. Since so much of our business is outside of the U.S., this demonstrates our ability to transfer knowledge and processes to our subsidiaries (See Figure 15).

**New product sales**

Innovation is a core value at 3M and it shows at 3M Dental results. We measure how well we innovate by monitoring the percentage of sales revenue that is derived from products introduced in the past four years (Figure 16).

![Figure 16. Global New Products Sales](image)

The corporate goal is for 30% of sales to come from new products. As our business improves, so has our innovation measurement. We’re now well past corporate goals and we have an impressive portfolio of future product introductions planned.

**Productivity measures**

Productivity is a measurement that demonstrates attention to process management, employee development, and alignment with the strategic plan. We’ve worked hard on all these success factors and it shows. Our sales value of production has shown an 80% cumulative increase from each of our manufacturing employees over the past five years. This strong productivity gain allows us to invest in new products and marketing campaigns, which fuel sustainable sales growth.

![Figure 17. Sales Value of Production](image)
Business Process Management Matrix

We use the Business Process Management Matrix (discussed earlier, see Figure 1) to measure progress toward our goals. The BPMM is based on quantifying activities and outcomes on an ongoing basis so that continuous improvement can be measured. The 3M Dental Products Division monitors more than 60 component matrices to identify areas for corrective action. The BPMM helps the division properly balance our commitment to our many stakeholders: our employees, our customers, our shareholders, and our environment.

Safety improvements

We use production efficiency measurements throughout 3M Dental Products Division. The most important internal measurement is safety. Safety is fully integrated into our culture. Since 1991, our OSHA reportable incident rate has decreased by 85%, resulting in reduced workers compensation premiums. A strong safety record also indicates efficient, well designed, manufacturing processes.

Waste reduction

In any manufacturing operation, waste can be a problem that reduces profits before the product gets out the door. By continuously improving process control and capability, we have reduced waste levels by 65% since 1990.

Customer satisfaction

We focus our efforts on customers and we measure the results of that focus. The 3M Dental Products Division surveys both channel partners and end user dentists. This chart compares channel partners satisfaction levels for the 3M Dental Products and our primary competitors. For the ten-year period ending in 1997, 3M Dental has improved its overall rating from being equal to its competitors to a strong leadership position.

Figure 18. Channel Partner Overall Satisfaction

Technical support

We sell very complex, state of the art products, so our customers demand high levels of technical support. The Dental Products Division has an excellence rating of 50%, well above the competition.

One of our corporate values at 3M is providing investors an attractive return.
CASE STUDY

Economic profit

through sustainable high quality growth. That means management has an obligation to create and add to shareholder value. Improving cash flow over time drives shareholder value. The tool we use to measure that value is known as economic profit. Economic profit measures business returns in excess of the cost of capital. The 3M Dental Products Division provides high quality returns on a growing sales base.

Summary

Does the Quest for Excellence work? Is it worth all the effort? Are the Baldrige Criteria good measures of a success culture? Our numbers definitely say yes!

Introduction

Lessons Learned

Duane Miller – In 1987, it became readily apparent that we not only had room to improve, but improvement was absolutely vital to our survival. After some good years during which we introduced several successful new products, we stumbled. We failed to meet our sales forecast due to a product problem in the field. We then instituted a big replacement program which took away sales times from our sales people, and tied up our manufacturing organization and our support people.

Our profits were cut in half. Employee morale was low. This led to poor teamwork and fault finding. In 1988 and 89, several changes were made. A new Vice President and Technical Director were named. We fixed our product problems in the field, and we began to repair our reputation as well. We also improved some of our business practices, such as our new product introduction process and our teaming process. We began to win back customers.

Although we had identified problem areas and were working on them, we still didn't have a systematic approach for improving our business. Then in 1990, Chuck Reich, Vice President of 3M Dental, saw the possibilities of the Baldrige Process, and we began an arduous, exciting, rewarding journey that continues to this day.

Why did we choose to pursue the Baldrige Award? First, we recognized from our early experience that we really didn't have a good understanding of how to reliability produce and our products or control our business processes. Second, we're in an extremely competitive business. We knew that if we wanted to survive, we had to improve our processes and our performance; not only in the opinion of our customers, but also other stakeholders, especially our shareholders. Third, we saw pursuing the award as a rallying point, a process that would measure improvement, and thereby improve employee morale. And fourth, we were fortunate to have an impassioned leader who believed from the beginning that improving our business processes would give our business a sound foundation, and a self-sustaining, inherently successful future. Without impassioned long-term committed leadership, we could not have made the journey.
We began the process in 1990, by writing an abbreviated first application. It was a simple bullet outline, put together by seven members of our executive committee. Although very crude compared to a full-fledged Baldrige application, it did provide valuable insight. We realized that we didn't have a very good understanding of our organization. We realized that there were lots of things were going on that we didn't even know about. We weren't even sure who our customers were. Some of us thought they were our dealers. Others thought they were the dentists.

We continued to refine our application of the Baldrige process, and we reached a significant milestone in 1994. That year, we submitted applications to both the Minnesota, and California State Quality Awards, as well as our first application for the Baldrige Award. We won a Gold Medal Best in Class Award in California in 1994, but we did not get the Baldrige visit in 1994 or 1995 when we applied again.

In 1997 we felt that our fourth application was strong, and that we stood a good chance of winning if we did a good job of presenting ourselves in the written application and at the site visit. We were obviously delighted to be selected as a winner of the 1997 Malcolm Baldrige Quality Award after four tries at national competition.

First, we learned it isn't easy! It takes full unequivocal commitment on the part of top management. We must walk our talk. It takes time. Don't look for results too fast. You need to believe intuitively and deeply that if you have excellent business processes you will have a great business. Work out a few major items. When you get a feedback report, you may get over 100 items to work on. We did! You need to look at every item carefully, and then select those that are really meaningful for your business and get those done. Prioritize, prioritize, prioritize. Don't be afraid of getting help. There's a lot of knowledge in this world and you don't have to reinvent it. Focus on the few important things. Write an application every year. We have for the past eight years and will again this year.

It's a powerful learning experience to sit down and actually write an application. One of the real advantages of the Baldrige process is that it examines all facets of your business. Before we used Baldrige we did look at and improve many of our business processes. However, we never looked at them in total and we never saw the system wide integration of the different processes.

The Baldrige looks at the total business, not just the core business processes such as sales, marketing, and manufacturing. It looks at all the support groups as well. The Baldrige helped us create the cultural change that we were looking for. Today, our people are totally dedicated to business process excellence and delighting our customers.
There is no quick fix, continued

Filled with ruts and potholes. We learned that it’s certainly is not a quick fix. It’s hard work, but worth it.

The Baldrige criteria are not directive

We also learned that the Baldrige criteria are not directive. By that, I mean we found that although there are several items and questions to address, there’s not a single right answer for everyone and for all businesses.

Let me explain. We found, for example, although our business suppliers are important to us, we are not important to many of our suppliers. We purchase basic raw materials, such as silicon and resin polymers to create filling materials. We purchase these materials in such small quantities, that our suppliers really don’t care if we buy it from them or not. Most of their customers buy in rail car or even trainload amounts; we purchase in 55-gallon drums. Therefore we don’t have as nearly an extensive supplier program as companies that buy thousands of component parts to make an electronic device or an automobile. To an automotive manufacturer, supplier management is probably one of the key processes; to us, it’s just an important process. The Baldrige allows for this difference in business and approach. It is not directed that you must have an extensive supplier management process, but rather it requires that you consider it and address it. If it is important, you need to have the measurements and plans to show its continuous improvement and effectiveness.

Another revelation to us early on, was that the Baldrige process is not prescriptive. Nowhere does it tell you what to do. The criteria constantly focus on the practitioner. How do you do it? Why is it important? How you measure it? How you improve upon it?

About performance excellence, not perfection

Finally, the Baldrige process is not about perfection. It’s about business excellence, being best in class, continuous improvement, and global competitiveness. When we won the Baldrige Award in 1997, we had a score of less than 700 points out of a possible 1000. Although we are honored to have won the Baldrige Award, we are very aware that we still have plenty of room for improvement.

In fact, we must continue to improve. It’s the essence of our survival in 1998, as well as it was in 1989. That’s why we’ll continue to write an application each year, and have it scored by outside experts. That’s why we’ll continue to use the application and the feedback report to help continuously drive our business improvement cycle, and to keep us on track in pursuit of our vision to become THE supplier of choice to the dental market.
3M Dental Products Division—Malcolm Baldrige National Quality Award Winner, 1997

Author information

Dr. Fred Palensky is Vice President of 3M Dental Products Corporation. As Vice-President he is the chief executive officer of 3M Dental. He received his bachelor of science degree in chemistry from Briar Cliff College and his Ph.D. from Purdue University. Fred is also a member of the board of directors for the St. Paul Regional Red Cross and the Council in International Education Exchange.

Michelle Perpich oversees global market development and U.S. market operations, including marketing communications and data base development in her position as Marketing Operations Manager. She earned her bachelor degree in political science and sociology from Hood College, Frederick M.D.

George Aalto is National Sales Manager of 3M Dental Products. He has held a number of sales and marketing positions in his career at 3M. George earned his bachelor of science degree in business from St. Cloud State University.

Ajay Myer was appointed Plant Manager of the Irvine facility in 1991. He is also active as a board member of the Orange County Red Cross, Junior Achievement of Southern California, and the Santa Ana Unified School District Foundation. Ajay received his bachelor's degree in chemical engineering in 1973.

Dr. John Horn is Technical Director of 3M Dental Products. In this position he is responsible for product development, technical and professional services, clinical research and regulatory affairs. John earned his bachelor of science degree from Stetson University and his masters and Ph.D. degrees from the University of Florida.

Suzanne Tutko was appointed Human Resources Manager for the Dental Products Division in 1996 after ten years of service at 3M. She earned her bachelor of science degree in business administration from the University of Minnesota.

Paul Fitzenberger became 3M Dental Financial Manager in 1996 after 19 years of service at 3M. He received his bachelor of science degree in public accounting from St. Cloud State University.

Duane Miller is the Quality Manager for the 3M Dental Products Division. Duane's responsibilities include leading the Quality Management Systems and Business Improvement Processes. Duane received his bachelor degree in science from the University of Wisconsin.
We are all in a constant state of becoming, which will happen either by design or by default. I believe that terms and management fads like change management, or corporate renewal, or reengineering often misdirect thinking and action on a principle reality of life—all life is change, and we are in a constant state of becoming. The reason I believe these management fads are misdirecting is that many of them present change as an event, a single or series of discrete projects each with its own finish line. On the contrary, I have found change to be a highly systemic and never-ending process. The good news is that we have the advantage today of being able to manage our becoming. Pity the dinosaurs who were victims of changes; and I'm not just talking about T-Rex. How about Studebaker, Packard, canal builders, railroads, and the A&P Grocery stores? We now have a much greater opportunity to control our own futures, to be actors not victims, to become by design not default.

This article is about how our company thinks and acts on our commitment to continuous growth and performance, and a most effective process for managing our becoming, what we call Management By Planning (MBP).

We see the management of our company as an operational partnership of five constituencies: customers, owners, employees, suppliers, and our communities (Figure 1).

To thrive into the 21st century we must bring forth greater contributions from all partners. This requires that we find better ways to understand each partner and techniques that cultivate ways for each of the partners to serve one another. Each time we find better ways to do this we may be tapping into a very powerful motivational force.
Since its beginning in 1905, Donnelly Corporation has been recognized by many sources as an exemplary business. This is particularly true of our efforts at innovative management practices that started with our exploration of the Scanlon Plan in 1952. Donnelly was the first company in the world to have all employees organized in work teams. We have an equity system to ensure fairness. In the early 1970s all employees were put on salary and time clocks were eliminated. This continuous exploration of innovative practices is the result of our belief that our competitive advantage is the commitment, creativity, intelligence, and energy of our people—in all our constituent groups. However, the last ten years have brought us incredible growth. This rapid expansion has placed our competitive advantage at risk by diluting our core understanding of the principles and practices that brought us success. Management by Planning is the countermeasure to this problem. MBP is based on the Japanese system known as Hoshin Kanri, which owes a debt of gratitude to Shewhart and Deming. I won’t kid you and tell you that we are doing it perfectly. This process is also in a state of becoming. However, as a process, it holds tremendous capacity to manage our growth, involve all our people, and produce results that exceed the expectations of all our constituents.

As I discuss MBP or Hoshin planning I want to be clear that I realize Hoshin planning is not new. This article will not break new ground in Hoshin thinking. But I am reminded that G. K. Chesterton once quipped that Christianity has not been tried and found lacking... it just hasn’t been tried. Many practices of management are like that. In this journal issue you will read about how we have tried many management practices over the last 50 years and most recently our efforts to implement Hoshin planning, our successes and failures in understanding, alignment, design, implementation, and management. For my part, I will tell this as a story of our constant state of becoming a better business in the pursuit of our core purpose.

Business Performance and History

Donnelly Corporation is based in Holland, Michigan. We are a global corporation developing and manufacturing innovative technology orientated products, utilizing core competencies, for the personal transportation industry. More specifically, we are the world’s leading supplier of automotive glass parts such as rear view mirrors, windows and specialty glass parts. We have been listed in all three editions of The 100 Best Companies to Work for in America. Several years ago we were voted one of the most admired companies in America by an association of human resource executives. We receive a steady stream of visitors, which over the years has included General Motors, Meade Corporation and Volvo, wanting to learn about our management and human resources systems. We have about 2% employee turnover. When we opened our new plant in Newaygo we offered 150 jobs and received 4,000 applications. Our total sales last year were close to...
$700 million and over the past 15 years our sales have grown in excess of an annual compounded rate of 15 percent. Recently, we were recognized by Michigan Governor Engler as one of the top ten companies in the state, based on 1997’s financial performance.

The company was founded in 1905 as a supplier of high-quality mirrors for western Michigan’s bustling home furniture industry. The mirrors were engraved with ornate patterns, and beveled to create what were literally works of art in glass. From those early days, Donnelly began learning the complex skills of cutting, grinding, coating and polishing glass.

Today, no matter what make or model of car you drive, chances are that it has a Donnelly product built into it. We produce four lines of automotive components and component systems.

Frequently we are thought of as being a mirror company, and there’s good reason for that. Donnelly is the world’s largest supplier of automotive mirrors, and our customer list includes every major automobile manufacturer in the world. We are the only company in the world that provides “one-stop shopping” for every mirror or mirror system that you might want on a car.

Over the years we’ve introduced items like the ubiquitous day/night flip mirror, the convex exterior mirror— the “Objects in mirror are closer than they appear” mirrors— which gave drivers a much wider field of view. Another was the “caseless” interior safety mirror, which replaced the heavy, metal mirror housing with a lighter, safer plastic one.

Our largest product family, in sales volumes, is the molded window. It was an idea from a Donnelly production employee that started this business. We developed the abilities to do single sided encapsulation that results in the flush glass look that you see on Chrysler mini-vans. We have also developed core competencies in injection molding and painting allowing us to enter product families like painted door handles. We also have taken our competencies in optics and molding and combined them to produce excellent overhead lighting systems.

The company has increased its leadership over the past four decades by introducing one important new technology after another into the global automobile industry. We believe that if something is going to come along and make our products obsolete, we want to make sure we’re the ones who are making it! Here again, we choose to be actors not victims.

Donnelly has grown to become a truly international company, with operations in
five US states, as well as Mexico, Germany, Spain, Ireland, France, Sweden, Portugal, and the Czech Republic. We also have a sales and engineering office in Tokyo, and two joint ventures in the People’s Republic of China.

Vision Evolution

The Donnelly story of becoming requires we acknowledge Bernard and John Donnelly. We owe a great debt of gratitude to them for their vision and leadership. Bernard was the founder of the company and a very bright and compassionate man. He was awarded the first patent for Donnelly Corporation in 1922 for a modular window.

His son John attended Notre Dame in the late 1920s and early 30s, where he studied engineering, and was introduced and highly influenced by the philosophy of Saint Thomas Aquinas. He subsequently entered Catholic seminary in Baltimore, Maryland to prepare for the priesthood. But his father suddenly and unexpectedly died, and John quickly returned to Holland to manage the family business. He spent his entire adult life as the President and CEO of the Donnelly Corporation. His unusual combination of vocations played a critical role in his 55-year career.

Thomas Aquinas had a passion for truth and he believed that truth was as much a matter of reason as it was of faith. John was also influenced by Bernard Lonergan, who wrote that the future of mankind depends on having a sound basis for our knowing. Lonergan has what he calls the transcendental imperatives: be attentive, be intelligent, be reasonable, be responsible, be loving, develop, and if necessary, change. These imperatives he says are the way to truth.

At Donnelly we think broadly about ourselves as a business. We are not just a collection of products, buildings, and the employees who work in them. Donnelly is a partnership among our shareholders, customers, employees, communities, and suppliers. We believe that our purpose is to build a business that steadily increases in value such that it continuously supports the needs of each constituent group to contribute, excel, and make a difference through the investment they make of their careers, talents, creativity, and financial resources. Each of these partners contributes to the success of our company. Each of these partners has unique needs they wish to satisfy, and reasons for joining the partnership. No single group is preeminent over the others. It is primarily through MBP that we manage the partnership. If management tips the balance to any one partner, the other partners suffer.

In 1997 we faced some challenges that brought us into a new experience of becoming. This experience was something like the story of Nicholas Copernicus. Based on the best information available at Copernicus’s time, people figured the earth was at the center of the universe. Everything in the sky seemed to be moving so we must be still.
An applicable story about Copernicus, continued

With that vision in mind, people set out to collect more data to support that view. When contrary data started to come in, people persisted in fitting it into the original model. Things got pretty absurd until Copernicus thought that instead of forcing data to fit an existing position, efforts should be made to understand the real question: what is our relationship to the cosmos? By opening his mind and focusing on the real purpose, a deeper and truer understanding of the question emerged. This is an example that demonstrates Lonergan's imperatives and it teaches key lessons about managing the constant state of becoming—be attentive, reasonable, responsible, loving, develop, and when necessary, change.

In 1997 we were receiving lots of data and experience indicating that our vision was becoming less clear and effective than we need it to be. However, rather than force this reality to fit our present direction, we chose to reexamine our vision, and make hard decisions. We refocused our business, clarified our values, confirmed our purpose, and began the process of spreading our new ideology to our global operations. In fact, it required that the senior management team, like Copernicus, go back and reexamine our core purpose. We are convinced that a clear and motivating vision is the headwaters of any planning activity. We didn't make huge changes, but we did focus and align the most senior management team. This will result in greater efficiencies and more effective service.

The Scanlon Plan was an early foundation

Our purpose is to build a business that steadily increases in value such that it continuously supports the needs of each person. We began to institutionalize this direction, as I mentioned earlier, in 1952 when we adopted the Scanlon Plan, a cutting-edge program with three key components: a highly participative management system, a formal employee involvement process, and an equitable bonus program to share increases in productivity and profit with all of the company's employees (see Figure 2).

The Scanlon plan was refined even further into four essential principles: identity, participation, equity, and competence. More than a simple gainsharing program, the Scanlon Plan at Donnelly evolved into a broad fundamental philosophy for running the business. We have endeavored for 45 years to inculcate the Scanlon principles into the daily work of all employees.
The Seven Donnelly Values

Today, the four Scanlon principles have evolved into the Seven Donnelly Values. These are the essential and enduring tenets of our organization. A small set of timeless guiding principles. They have no external justification; they have intrinsic value and importance to Donnelly employees. They define what we stand for:

1. Integrity — consistency between what we say and what we do
2. Creating products that add value for the customer
3. Belief in and respect for the power of individuals and teams
4. Identity — building literacy to do the right job, right
5. Participation — appropriate involvement in decisions
6. Equity — We vs. Me
7. Competence — learning is a lifestyle to continuously improve.

Overview

Integrity and trust

Our first value is integrity. People of integrity are trusted. They demonstrate high consistency between what they say and do, they focus on people's strengths not their weaknesses, and they are more interested in what is right than in who is right. People who lack integrity destroy spirit and that destroys performance.

Create valuable products

Our second value is to create products that add value for the customer. Value is the “want” our customer satisfies when they buy a Donnelly product. Value can only be understood from the point of view of the customer and the market. We are committed to efforts to know and provide what the customer values — not just what we want to make and sell.

Believe in and respect people and teams

The third Donnelly value is our belief in and respect for the power of individuals and teams. Every person at Donnelly is a member of a work team. Teams serve two important objectives for our company. The first is performance. Work today is too complex and interrelated to be accomplished by individuals working alone. The combined energy, intelligence, and creativity of teams is required to meet the often competing demands of all constituents. The second is social. People are social beings and as we have become an organization of 5,000 employees we expect that people will have their primary social relationship with the company met through their membership on their work team.

Identity and one’s relationship to the whole

The fourth value of identity means understanding your relationship to the organization. How do I fit into this team, company, industry, or economy? Am I doing the right thing? Am I doing it right? The answers to these questions are essential, because
everyone needs to have relevant, useful knowledge about where they fit into the grand scheme of things. Without understanding where the organization is heading and what is expected of you, you cannot participate in a meaningful way.

Participation as a way to discover truth, and improve

The Fifth, participation, has been a long-time value at Donnelly. Employees have the right to the appropriate opportunities to influence decisions and outcomes within their areas of competence. Countless stories, both dramatic and routine, can be told of Donnelly people who have taken extraordinary steps in participation. Participation is both an opportunity and a responsibility to be involved and accept the consequences of the decisions that we make.

Participation is neither a democracy nor a search for a popular decision. This is one legacy of John Donnelly and here we see the influence of the truth-seeking Thomas Aquinas. Participation at Donnelly is a search for truth, justice and excellence—popular or not. If you hadn’t done your homework, you could be in trouble participating with John. Once an employee challenged John, asking, “How much more improvement do you want? Aren’t you ever satisfied?” John responded, “I won’t ask for more improvement if you promise not to ask for more pay.” On the other hand, if your position was sound, John would gladly support it. Participation is not a game to make people feel good. It is a way to discover truth and better ways of doing things.

Equity

The sixth Donnelly value is that of equity, is probably the most frequently misunderstood. People often think it means equality—doing the exact same thing for everyone—although that’s not the case. Equity at Donnelly means that, among all the company’s constituents, there is a fair return for their investment. Equity is a question of balance, and the responsibility for managing that balance is shared by all stakeholders.

At Donnelly, that means we try not to invest authority in position. Decisions should be based upon “what’s right” and not “who’s right.” As John Donnelly once said, “I would be the last person to say we don’t use authority in this organization, but to the extent to which you rely on that, you are a questionable manager.” True authority is not derived from your title or job responsibilities. It comes from your ability to reach equitable decisions that lead to exceptional products and services for our customers; a positive, rewarding work environment for employees; a fair return on investment for shareholders; a fair turn at opportunity for suppliers; and a mutually growth producing relationship with our community.
Competence

The final Donnelly Value, competence, simply means that everyone in the organization needs to be qualified to do their job, and also needs to continuously increase their skills to meet the demands of tomorrow. No company can survive in a static state. Ever increasing competency is the basis for continuous improvement.

A goal to be the first choice of our five constituent groups

We want to be the first choice of every constituent group. As we pursue our goal we recognize that people are our fundamental source of talent, energy, and competitive advantage. We will be the first choice of all people involved as contributors or constituents at Donnelly including:

- Owners, because they receive consistent strong sales and profit growth supporting outstanding increases in shareholders value
- Customers, who will always have us among their most valued supplier list because they receive unique systems and we exceed their expectations
- Employees, who will receive the benefit of secure employment, strong career growth opportunities, great pride in the company, and the opportunity to make a difference
- Suppliers, who will receive the benefit of established, growth producing, long-term relationships
- Community, every community in which we do business will receive the value of our leadership as a model of corporate citizenship

Management by Planning

We are taking this vision and purpose and turning it into work, achievement, and excellent results. Over the last three years we have been learning about MBP primarily through leadership of Donn Viola, our COO for our North American Automotive Operations. We are just beginning to explore its application into the corporate structure and our European operations. A separate article by Donn’s team appears on page 43, which will go into depth on our MBP. For the purposes of this article, I will present an overview of the system.

The image in Figure 3 is our conceptual model for Management by Planning. MBP is intended to ensure vision, alignment, focus, priority, and achievement. As you can see there are five major steps in our process. The first step is to ensure that a strong vision exists.

An overview

Conceptual model
Collect value-added data about each constituent group

Example of using data to set a goal

We begin the work process by collecting data about the extent to which we are providing a compelling value for all the constituents that encourages their commitment to our business. If our business is going to grow, it must meet the needs of all partners. If we fail to meet the needs of one partner we risk the withdrawal of that partner's contribution and ultimately risk the survival of our business. For instance, if we fail to meet the legitimate needs of our employees we will, and have, seen a decline in performance and customer service, followed by a decline in sales and profit. This then reduces our ability to serve our shareholders, suppliers, and the community. But when we satisfy all partners we will be able to attract a greater contribution from them, which causes our business to grow. With this in mind, we begin with efforts to understand the needs of each group in qualitative and quantitative terms. We have identified indicators for each of the constituents and can quickly report our strengths and weaknesses, which focuses the attention of all Donnelly employees on the critical areas of concern.

Reports are backed up with substantial situational analysis that is enriched with experiential data, hard data, and benchmark data. For example, we have learned from our customers that they expect innovative products, high quality, and on-time deliveries at a fair price. In the North American Automotive Operations we have decided to focus on efforts to achieve a defect rate of no more than 10 Parts Per Million (PPM) with 0 Short Shipments.
CASE STUDY

A Constant State of Becoming

Tracking the goal on a matrix

This translation is recorded and communicated on a Goals and Actions matrix, which shows the translation and alignment between the two levels of management. The matrix contains a list of the elements of our corporate vision. Then the leadership team reads the list and determines the key targets that they believe must be achieved to meet our customers’ expectations. Finally, there are the Target Actions—the means by which the team will reach their target. The matrix visually displays the linkage between the corporate vision, targets, and the means for accomplishing those targets.

Cascading priorities through the organization

We ask each lower level to give priority attention to linking their work with the targets of the team above theirs. This inevitably involves argument, debate, and negotiation. We are a highly participative company, but the goal is that Thomistic search for truth and the enthusiastic commitment of each person touched by these targets and means. This is not a time when people vote on the goals and targets. People in the organization give input about their situation, leading to the identification of the critical targets, and are informed about the selection of targets, and participate in a evaluation process of the efficacy of the targets. We call this “catchball,” and the purpose of this step is to ensure nothing has been overlooked, the proper targets are selected, and everyone can commit, not just comply with the communicated targets. We have learned that this process truly teaches delegation and empowerment. As the targets and means cascade through the organization it becomes more and more clear who’s work is what. The only work that ends up on a Goals and Actions matrix is that team’s work and the work that they are expected to achieve. Once they accept the targets, with the identified resources, they are accountable for the results.

Supportive reviews

The MBP process has value in terms of alignment, focus, and priority. These steps are necessary, but insufficient. The fifth step in the MBP process is the one that moves us into achievement. This step is called supportive reviews.

Every human resource survey on performance appraisal processes reports that people clamor that they want regular feedback about their progress. Our COO holds meetings each quarter where the members of the team must come in and report to each other the progress they are making in their areas of responsibility. These meetings are, as the name implies, supportive. Our goal is not to find fault and place blame. We want to have regular reviews so that we get early data that can help us make certain we achieve our commitments.

Two models of MBP

In Figure 4, you can see how the MBP cycles with the Plan-Do-Check-Act cycle. We are using the MBP process as the discipline to ensure that our “becoming” is by design, not default. In fact, the leadership team deployed its new policy for the next fiscal year in February. Figure 5 shows the basic MBP calendar and its four phases.
CASE STUDY

A Constant State of Becoming

Two models of MBP, continued

It has been my experience at Donnelly, and yours as well I am sure, that we are all in a constant state of becoming, personally, professionally, and organizationally. Unlike the dinosaurs, we have a choice to be actors or victims, to become either by design or by default. At Donnelly, we believe that growth and performance is our responsibility to all the people who make up our constituent groups. We try to be attentive, reasonable, responsible, loving, develop and when necessary change. The logic of this is good planning; it requires a vision, a sound strategy, aligned structures, and competent people.

Conclusion
Conclusion, continued

At Donnelly we pursue this through our MBP process. I am excited about the MBP process because it holds tremendous capacity to manage our growth, capture the spirit and energy of all our people, and produce results that exceed expectations.

Author information

Dwane Baumgardner joined Donnelly Corporation in 1967 as Manager of Research and Development, and later became Vice President of Technology. He served as President and COO (1980-1983) and CEO (1983-1986) before being named Chairman and CEO in 1986. He received his bachelor's degree in physics from the Missouri School of Mines and Metallurgy, his Ph.D. in Engineering Optics from the University of Rochester, and has taken coursework toward an MBA at the Seidman Graduate School of Business.
Management by Planning at Donnelly Corporation
Successes and Lessons Learned

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Patrick Cole, MBP Hoshin Champion for North American Operations
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Abstract

This article is a companion to Dwane Baumgardner’s article, also in this issue of the journal, entitled “A Constant State of Becoming” (page 31). The authors from Donnelly and Dr. Montgomery have worked together on this effort with the objective of realizing a truly effective Hoshin Planning based effort in the company. They call their strategic planning approach Management by Planning and it has recently been adopted as the planning approach for Donnelly worldwide. This article shares elements of the company’s success to date, and lessons learned. Each author provides their functional portion of the implementation of MBP, beginning with an overview by Bill Montgomery.

Defining “strategic planning”

Bill Montgomery—Coach and Educator: Of all the disciplines and practices used by corporations to secure progress both internally and externally, strategic planning may well be the most complex. It entwines and encompasses many other disciplines and practices in corporations, such as benchmarking, project management, process improvement, financial analysis, creative thinking, and cross-functional teamwork. The benefits are that it acts not only to bind together and create a unity across corporate activities and disciplines, but it also acts to create a focus and business progress.

To understand the broad, encompassing, and inclusive nature of strategic planning, it is first necessary to define the term. Basic “planning” has two basic dimensions: (1) Development planning, which addresses what to generate or produce, be it a service or product, and; (2) Deployment planning, which addresses how to generate the product or service. In addition, “strategic planning” includes tracking the implementation of the plan.
Time frame is also a consideration in the definition of strategic planning. Some insist that a strategic plan extend at least five years. Japanese utilities and industries often have a strategic plan extending 40 years, updated yearly. Other industries with more rapid marketplace changes develop strategic plans that extend six months to one year. For those companies, a broader horizon has not proven useful and in some cases has caused misdirection of resources. In this paper the horizon of the strategic plan is determined by the needs of the organization. Nothing in the methods and tools dictates a certain length for the planning process. Instead, use of the strategic planning tools facilitates identification of a needed horizon for a particular organization during a particular phase of a planning process. At some later phase a longer or shorter horizon may be beneficial. For example, as an organization becomes more proficient with a planning process and as initiatives and projects are more completely understood, the planning horizon for the next cycle can often be increased.

Donnelly Corporation has developed a form of strategic planning that is based on Hoshin Planning tools and approaches, called Management by Planning (MBP). The effort began several years ago with Paul Doyle and Ron Winowiecki, as an approach to transition the company from a financial and product orientation to a vision and coordinated-activities based organization. The desired emphasis would be on both products and customers, with a clear understanding of shared goals. Under the recent leadership of Donn Viola, the objectives of the Donnelly MBP design team has been to bring their initial efforts to a higher level of effectiveness throughout the organization.

The challenge is something that most of us have encountered at some point: How to achieve a higher level of operation while having a compatible transition. The analogy might be transferring from a slow vehicle to a fast one while both are moving and losing nobody in the process. More specifically, the objectives of this transition are outlined in Figure 1 below.

Figure 1. Client Requirements

1. Clarify, simplify and expand the Management by Planning process with Hoshin techniques.
2. Create a seamless connection of Hoshin techniques into the MBP process.
3. Link the expanded effort to financial goals.
4. Form a widespread knowledge and engagement of managers with the expanded approach.
5. Assure an ongoing, active, and effective expanded MBP process.
An overview of Donnelly’s Management by Planning (MBP), continued

Satisfying the first requirement began with a review of previous work, models, and vocabulary. We then worked with strengths. Plant Operations had been most involved in implementing the MBP tools and approaches. Training material was developed using the Plant Operations MBP tools and terms, and expanding those with Hoshin-like tools and approaches. The value and need for supportive reviews and of tracking mechanisms was demonstrated and initial formats developed. The result of this training for plant managers was generally regarded as highly successful. Enthusiasm was high, and the participants felt they had learned improved ways to achieve their goals while simultaneously having visible support from their upper management.

While the first requirement carried the initial MBP expansion to the shop floor and to plant managers, the second requirement involved augmenting the generation stage with upper management. Likewise, the third requirement, linking the expansion to the financial plans while simultaneously introducing the value of customer-oriented goals, and various other nonfinancial objectives, would allow Donnelly to demonstrate its fundamental interest in customers, employees, owners, the community, and suppliers.

The fourth requirement of engaging managers on a company-wide basis involved the formation of cross-functional teams through workshop training, the learning of the steps and tools of the expanded MBP by those managers, and the formation of a new full-time position called the MBP champion. The fifth requirement for an ongoing, active, and effective MBP expansion has meant the appointment of twenty-one other champions, each representing their areas and working directly with Pat Cole. Perhaps the most vital approach to assuring an ongoing effort lies in the supportive review process and tracking forms that help everyone understand the interrelationships of projects.

Finally, in my strategic planning work with organizations, I have found about 12 “Pillars of Success” that provide structure and hold up the system. These pillars can indicate the degree of success a company will have in implementing any participative, company-wide plan (see Figure 2). For each of the 12 pillars, there are four levels of effectiveness (only the first two levels are shown in the figure; levels three and four get down to specific operational details and wouldn’t be helpful in this article). For example, an organization that is achieving level 1 effectiveness in each of the 12 pillars has an awareness of strategic planning and knows what they should be doing. An organization that is achieving level 2 effectiveness in all 12 pillars is really doing it. They are engaging in strategic planning and although they might not have complete success, they are on the right path. By the time an organization is at level 4 effectiveness, they have become very good at sharing information, and could be considered masters in participative strategic planning.
### Figure 2. Pillars of Success for Participative Strategic Planning

<table>
<thead>
<tr>
<th>LEVEL 1</th>
<th>LEVEL 2</th>
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<tbody>
<tr>
<td>2. Shared Information and Data</td>
<td>2. Environmental Analysis Internal Analysis</td>
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<tr>
<td>3. Strategic Areas</td>
<td>3. Linked to Overarching Goals</td>
</tr>
<tr>
<td>(Also called Hoshin Initiatives)</td>
<td>Linked to Environmental Scan Data</td>
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<td></td>
<td>Linked to Financial Plan</td>
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<td></td>
<td>Supported by Entire Team</td>
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<td>4. Common Goals / Initiatives</td>
<td>4. Linked to Overarching Goals</td>
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<td></td>
<td>Linked to Environmental Scan Data</td>
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<td>Linked to Financial Plan</td>
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<td>Supported by Entire Team</td>
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<td>5. Common Motivation</td>
<td>5. Specific Strategic Areas Selected for Functional Areas</td>
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<td>Proportion of Financial Goals Selected for Functional Areas</td>
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<td>Recognition</td>
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<td>7. Means to Select Projects</td>
<td>7. Means and Choice to Prioritize</td>
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<td>8. Common Approach in Functional Areas</td>
<td>8. Full Information Dissemination in Functional Areas:</td>
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<td>• Vision</td>
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<td>• Strategic Areas</td>
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<td>• Goals</td>
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<td>11. Supportive Reviews</td>
<td>11. Relate to the Measures Periodic Reviews</td>
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<td>12. Training for Organization</td>
<td>12. Purpose of the Effort</td>
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<td>Hoshin Methods and Tools</td>
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The Birth of Hoshin Planning at Donnelly

Donn Viola—Chief Operating Officer, North American Operations: My first encounter with Hoshin Planning, which is really the basis of our MBP approach, was as chief operating officer at Mack Trucks. My first reaction was one of reservation. The CEO and our Human Resources VP at Mack had asked Bill Montgomery to initiate a Hoshin effort company-wide. I expected to find old approaches wrapped in new packages, and a general lack of response by the organization. Yet I was amazed as we moved forward with Hoshin Planning at Mack with the way the organization was attracted to, and how everyone responded to, this planning approach. I eventually came to understand that in many cases, this was the first time people had understood a common set of objectives and felt a direct part of an overall effort to achieve the goals and vision of the organization. I had not recognized it because I was involved with company goals every day; it was not obvious to me at first that others had not had the same opportunity.

I joined Donnelly in the middle of 1996 and found an organization strong on financial goals and objectives and less oriented towards a coordinated set of action plans to support those financial goals. There was a strong emphasis, as there is today, on continuous improvement, but there was less understanding of how to tie the problem-solving teamwork to the financial goals. One result of this loose linkage was the general opinion of review meetings as negative experiences. Today, because of our use of Hoshin or Management by Planning efforts, we regard the review process as a positive means to support various projects and efforts.

What is Management by Planning at Donnelly today? Dwane Baumgardner in his article on page 31, explained our five constituents (Owners, Suppliers, Employees, Customers, and the Community in which we operate). We try to serve all of our constituents at all times and balance their needs, and our MBP process must be such as to support that balance. Dwane also presented our seven values (Integrity, Creating, Belief, Identity, Participation, Equity, and Competence). Again, our MBP process must be integral with our values. The values and attention to the five constituents underlie the operation of the whole system.

MBP does not stand alone. It is integrated with the various tools that are: The Donnelly Production System, a lean manufacturing system, the Donnelly Quality System, the Program Management Process that we use to manage our various programs, and our Leadership Development Process for training new leaders. These tools are applications running on top of the operating system. Then there is MBP, which creates the environment that allows us to select, coordinate, and use the various applications and tools available to achieve our goals and vision in line with our underlying values. An
A complex system, continued

Leadership from senior management is required

Senior management has to be involved in Hoshin Planning. There are five steps to the planning process, as shown in Figure 3. Step 1 is the visioning, which senior management must lead. Step 2 is the mission, objectives and strategy, which again senior management must lead. Step 3 is setting fiscal year objectives, which the senior management must steer. Step 4 is development of the targets and action plans. Senior management must support and encourage others to contribute their ideas to achieve the overall goals. Step 5 is the supportive reviews, which are conducted quarterly and must involve senior management.

Three helpful guidelines

1. Expect resistance to change. Resistance is like gravity; it is always present. Sometimes there is fear that new skills are required, which may be difficult to master. Counter this fear by regarding all efforts as learning and growing experiences, not as failures.

2. The organization may be so busy fighting fires that fire-fighting becomes the skill. New skills of planning and preventing fires can be a change that is not initially welcome.

3. Develop “to do” and “to don’t” lists. Hoshin efforts will lead to a large number of creative ideas. Deployment of those ideas in a practical way needs to address resource
CASE STUDY

Management by Planning at Donnelly Corporation: Successes and Lessons Learned

Three helpful guidelines, continued

Every team participates and understands the goals

A successful deployment of MBP in the organization leads to every work team understanding the goals and direction of the organization and all teams will be focused on action plans in support of the organization. No one can say they do not understand the goals, or that they do not have a chance to participate. Our MBP process is now at a new level and is exciting for us. We have more to do and more to learn, but I believe we are on the right path.

Financially successful but processes not linked well to goals and vision

Assessing Donnelly's Environment before MBP

Ron Winowiecki—Comptroller for North American Operations: Before MBP, Donnelly had been a highly successful company over many decades with a strong emphasis on the seven values discussed earlier. In terms of corporate goals and targets, Donnelly was primarily financially driven, which means that we did not have leading indicators of performance; we could only know performance after the fact by seeing financial results.

As a start toward MBP, we asked people in the organization what they might mean by strategic planning. We received many ideas and concepts. There was no clear picture of the process. Likewise, we explored the financial measures and targets in various functional groups, expecting to find commonality. I would talk to different groups about financial goals and found different types of goals and different vocabularies. The targets were different, but also the measurements were different. There was no one financial measurement process. We found different financial measures in different departments, and we had no way to link across the departments. We understood that business is sets of processes. We also understood that those processes had to have performance targets. Yet we found that we often had no linkage between the targets and goals of the various business processes. Before MBP, we did not link our processes well to the overall corporate goals and vision.

MBP helped eliminate goals without a plan

Our financial planning process looked out six months, and the concept was appropriate. But we had what came to be termed GWAPs: Goals Without A Plan. The result was a process of negotiation, where business units and departments would be given a financial goal and then negotiate how much of that target they would deliver. The result was a process not of maximization but of minimization as organizations worked to limit their obligations. With MBP we are working together better in order to maximize the effect.
We first examined the gaps for our constituents. For example, we set a target to improve our performance in quality of a product by 50% the first year, and are measuring the gaps in reaching that level. The data on gaps is a driver in our strategic planning in that it influences what modifications may be needed for future years, not in the target levels, but in how we plan to achieve them. I have been delighted with our commitment to hold onto our targets and explore how to improve the processes to achieve them.

Next we developed the strategy around our customers and our products. We listened to the managers and their issues. We scanned the environment on competitors, changing customer demands, community concerns, changing regulatory issues, and other external factors. Then we explored the internal strengths and weaknesses. This included examining the various systems that Donn mentioned, such as the Donnelly Production System. We held discussions on resources, business fundamentals, and our financial perspectives. All of these points were shared with the organization as part of the generation of a strategic plan.

In our financial group we are focusing on the financial measures of success and the linkage to the operational measures and capabilities. The various initiatives of our MBP facilitate that linkage. For example, reducing cost of poor quality by reducing errors, measured in parts per million, relates to our financial goals of cost reduction and profitability. Those linkages need to be clearly established if we expect to have teamwork in the plants result in improved corporate performance. We are now creating those linkages with MBP.

We have found, as Bill Montgomery said earlier, that vocabulary and terms are critical. People can only understand the linkage of actions and goals if they are able to visibly see the relationships, and that requires the use of terms and drawings that everyone can understand. Our software tools were not the same throughout the company. We have learned that common vocabulary and common tools, computer tools, team tools, and MBP tools are vital to success of this effort.

As a result of MBP, plant workers understand the corporate goals and understand their role in achieving those goals. That was not true three years ago. This has made a difference in our employee involvement and their participation, which has always been a Donnelly value. Through MBP we have found a way to expand participation and to greatly improve our planning.

This is truly a 90-day plan generation process, from the sales forecast and policy deployment of March 19th, to approval by the Board of Directors of the overall goals on June 23rd. We gather our data, conduct the external and internal scans, and involve
employees throughout the organization in developing the goals and the time frames. We believe we can achieve the goals and have a set of initiatives that will lead to achieving those goals. This commitment is a great motivator for the whole process.

Another benefit is that there are no more GWAPs. Instead, we have goals with action plans to support them. We have supportive reviews. The MBP process in working and still growing. We are still learning.

**M BP Champion: A New, Unique Position**

Patrick Cole—MBP Champion: I hold a full-time position at Donnelly, to assure support of the MBP process throughout our North American Operations. As I came into the position from another job within the company, people asked me if I had a sword and shield. Today, I believe people understand that MBP is truly about company-wide teamwork and that my role is to be a coach for that teamwork, not a royal knight. I am the one full-time person committed to the process. The 21 other functional champions that I support do the work as part of their jobs.

During my first weeks on the job, I heard from various people in the company that this MBP effort was not going to last. That reflected the same initial viewpoint, I suppose, that Donn explained he had when he first encountered this planning approach at Mack Truck. Today, I believe those same people very much realize the integral nature of MBP to our business.

**The 51/49 rule: managers must be leaders**

We probably all know the Pareto 80/20 rule. I have developed what I call the 51/49 rule. This means that when managers ask me, as the full-time MBP champion, to generate a presentation, or to gather some data, my response is 51/49. This means that I will assist, and I will do 49% of the work, but the manager has to understand that their name will be on the product. They will present it. I will work to assist and to be a catalyst, but I do not do all the work for a manager. That would defeat the purpose of involvement and participation that the MBP approach invites. I find that I usually have to enforce this rule once. After that, the manager or team leader is much more comfortable about doing the work themselves. I am a coach, but they are the leaders within their organizations.

**Resistance to focus**

Do not be surprised if teams resist focus. They are exuberant during generation of ideas and action items. They will generate 50 actions, when you may only have expected 10 or 20 would be needed. Generation is generally not the difficulty. Focus is more difficult. Discovering ways to create a clear, focused, aligned, and effective set of action that will lead to achievement of the goals is the challenge. Generation of ideas that are
Resistance to focus, continued

Teams may exaggerate their progress. This may be because they do not see the various ways they can improve their efforts, or can not yet see the data or information they may be missing. Likewise, the really successful teams may want to be on their own rather than attending review sessions that they believe are for the others. In both cases I encourage the teams to look further, and to stay with the whole process. Even if we think we are doing well, there is usually a lot more to learn.

Finally, this process will probably take longer than you think it should. This is not about perfection, but rather there are successive approximations. We need to celebrate and recognize every bit of progress and success, and to learn from every bump in the road.

Training

We focus our training on the process and the tools. When I first came on board, I would ask, “How is MBP working?” and would receive the response “Great. Just look at our Affinity Diagram!” I would point out that those are just cards or Post-It® Notes; an Affinity Diagram is a tool, not all of MBP! The MBP process uses tools but is in fact much more than that. It is the interaction among projects and people, and it is measuring outcomes and progress, and it is creating a pathway to achieve the goals. We have trained and reminded people on the steps of MBP as well as the tools.

Continuous development

The 22 champions meet once each month to discuss learning points and to practice a new tool or idea. Benchmarking has been extremely helpful. We constructed a book of knowledge on benchmarking to guide us through company visits. We have a local computer network within Donnelly that all champions and any team leader or manager can access to gain ideas and to read the latest information on MBP plans or schedules or suggestions. People can use it to teach themselves about MBP. The MBP process is working well for us, and yet we know we have more to learn.

Visibility of ideas

Using Models and Tools to Accomplish Deployment

Paul Doyle—Global Director of Organizational Development: The five step model of Figure 3 shows that plans need to be deployed. The primary vehicle for deployment planning is the Goals and Actions Matrix. We want to make things visible. MBP is really
Visibility of ideas, continued

about Focus, Alignment, Priority, Choice, and Action and each of those areas is facilitated through visibility of ideas.

First comes the generation and the essential items that need to be addressed. The long term objectives are identified. These are Growth in Sales, Return on Assets, Quality from suppliers, Quality to customers, and others. These are the five-year targets. From those come the goals and objectives at, for example, Donn Viola's level for North American Operations, and from those come the action plans to achieve those goals and objectives. The question is what do we need to accomplish this year? What actions will allow us to achieve these goals? MBP has provided a visibility and connection among our efforts and taken them deeper into the organization.

Our Goals and Actions Matrix gives us a visual relationship among the various targets, goals, and actions. This is our fundamental tool showing relations— this is where it starts. The deployment takes place through the goals and actions form. The Vice President of Manufacturing can use this same format to generate one more level of activity within the organization. The goals of the COO are shown on the matrix, along with the VP action plans, and then the activities of the plant managers can be shown as the next level. Displaying those activities allows the plants and the teams within each plant site to better see their role, and it allows goals to cascade throughout the organization.

The matrix begins with top management entering their goals. Then the next level of managers enter their action plans and goals to support those of top management. Finally, the team leaders and workers enter their action plans. For example, top management may have “Reduce defects per million to less than 161” as one goal. The supervisors would see this on the matrix and add “Reduce scrap materials,” and “Reduce overspray of paint,” in support of the first goal. Finally, team leaders and workers would see these cascading goals and enter “Improve the drilling process,” and “Create a new painting apparatus,” which support the previous levels’ goals.

Catchball

We are transitioning from a financially driven organization to one that is driven by linked activities with a common understanding of the various goals, some of which are financial. As we deploy into the organization, we use Catchball, meaning we engage the organization in developing and planning the deployment of strategic initiatives in the whole strategic plan. It is a way of determining what we are going to do and how we are going to do it. The managers and teams at various levels determine their activities in support of the overall goals, and the resources needed to support those activities. Those resources then drive the budget. Constraints are understood before Catchball begins through guidelines and information from the financial team early in the process.
CASE STUDY

Supportive review process

We recognize that there will always be variances in activities and projects. The objective of the review process is to understand the variances as they occur, and to either modify the activities, or the resources, or the schedules in order to counteract or to accept the variance that is occurring. A quick and simple way to use the process is to begin with a radar chart that shows current performance and progress on activities. This provides a visible and clear means for people to understand. We also use a three-page spreadsheet to display results and provide updates.

We use color codes to show actions that are on track and those that are not. There is also a place for comments on problems, barriers to achieving the objectives, solutions or countermeasures. If those solutions to counteract barriers can be achieved by the team leader, they are on their own. If not, they can receive support in the way of resources or other actions to assist the effort. The whole context here is that we are all in this together: Managing to the Plan. The reviews are quarterly at the COO level, and are more frequent at project team levels.

Global initiative

Upper management at Donnelly has endorsed this system as the global approach to use throughout the company. We have subsidiaries in the United States, and manufacturing facilities in several countries. The MBP process has been judged as the system of choice for providing not only planning at each location, but for providing an overall, coordinated and global effort. We are excited to have expanded the MBP method, to see its potential in our company, and to have managers at all levels understanding the value. We also realize that this early success is simply one milestone of a continuous journey of learning and of applying Management by Planning.

Author information

William Montgomery is a quality consultant and trainer specializing in all aspects of organizational effectiveness related to quality initiatives. After four patents and several management positions at AT&T, he designed and implemented AT&T quality management programs starting in 1985, which included forming a training organization, leading seminars, and facilitating councils. He has conducted internal Baldrige Award assessments, formulated hoshin planning initiatives, and trained company facilitators and project teams. Bill has written and presented papers on broad-scale process improvement initiatives, and on the application of hoshin planning. He completed a master's degree in management at Pace University, and a Ph.D. in engineering at the University of Pittsburgh.

Donn Viola joined Donnelly Corporation in August 1996 as chief operating officer for North America. His responsibilities include overseeing the customer business units, manufacturing operations, quality, product development, finance, strategic purchasing, and human resources administration. He has over 30 years of experience in the automotive industry.

Prior to Donnelly, Mr. Viola worked as senior executive vice president, chief operating officer, and member of the board of directors for Mack Trucks, Inc. During his five and a half years with the company, he had responsibility for manufacturing, quality, purchasing,
Ronald Winowiecki joined Donnelly in 1987 and has ten years of finance and accounting experience as a financial analyst, accounting supervisor, accounting manager, assistant corporate controller, and his current position of controller for North American operations. He obtained his bachelor’s degree in accounting at Hope College in 1988, and his MBA with a finance concentration at Western Michigan University in 1992. He is a Certified Managerial Accountant (CMA) and is a member of the Institute of Management Accountants, Consortium for Advanced Manufacturing International, and is also a member of GOAL/QPC.

Patrick Cole is the Management by Planning (MBP) Champion for North American Automotive Operations at Donnelly. He has many years of experience with human resources and manufacturing management. He obtained his bachelor’s degree in behavioral science at Grand Valley State University and has done graduate work toward a master’s degree in industrial psychology. He is currently working on an executive management certificate through the University of Notre Dame.

Paul Doyle is the Global Director of Organizational Development at Donnelly, and has been with the company since 1992. Prior to that, he was Vice President at Delta Management Group. He received his bachelor’s degree from the University of Notre Dame, his master’s degree from the University of West Virginia, and has a Certificate in Executive Management from the University of Notre Dame.
Creative Team Problem Solving in a Virtual Workplace

Terri Dittmann, Director, Training and Development, Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut

Established in 1866, the Hartford Steam Boiler Inspection and Insurance Company (HSB) is an engineering management consulting company, specializing in the safety of equipment for business and industry. HSB’s domestic staff numbers in excess of 1500 employees. Our international operations, the Engineering Insurance Company Ltd. (EIL) in London, and the Boiler Inspection and Insurance Company of Canada (BI&I), employ hundreds of additional staff worldwide.

HSB offers engineering services and property insurance that help protect people, property, and the environment. The company’s core business is equipment breakdown and property insurance for commercial and industrial facilities. HSB applies engineering and advanced technology to help manage risk and solve the operational problems of businesses worldwide—because customers would rather avoid losses than be paid for them. Other member companies include:

- The Boiler Inspection and Insurance Company of Canada (BI&I), Canadian affiliate
- HSB Engineering Insurance Limited (HSB EIL), provider of equipment insurance and specialized engineering services to locations outside the United States and Canada
- HSB Professional Loss Control (HSB PLC), a fire protection engineering consulting firm
- HSB Reliability Technologies (HSB RT), a reliability improvement consulting and services firm.

Our definition of a virtual workplace

Since the company’s founding in 1866, a significant portion of the company’s engineering, inspection, and insurance professionals have worked from their homes, covering vast territories distant from a region or branch office. HSB prides itself on the capability of the field staff and the constant effort to improve productivity and customer service in an virtual environment. While most other U.S. corporations have been able to explore and implement new visions of management and leadership within the comfort of a traditional office environment, HSB has continually been challenged to apply innovations in management and leadership in an virtual environment. This challenge has
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Our definition of a virtual workplace, continued

played an active role in demanding innovation and creative approaches to what may be more traditional and practical efforts for other companies.

Reassessing the operating environment

In the fall of 1995, the senior vice president of engineering for HSB announced his retirement. Hired to replace him was a venerable vice president from a defense industry giant. The new senior vice president of engineering embarked on an extensive “tour” of the workforce, immersing himself in the culture of the organization in order to understand his operational challenges.

Upon completion of his first tour (one of his findings was a need to continually “tour” and stay in touch with field operations) he identified a number of major challenges, including:

1. Productivity improvement opportunities to enable increased inspection workload due to client company strategies;
2. Update and improvement of supervisory skills, particularly in regard to managing change and communication strategies;
3. Organization restructuring to meet the challenges of a virtual workforce while maximizing the technology available.

Focus on one challenge

This case study is the result of the efforts developed to address the first challenge, productivity improvement opportunities to enable increased inspection workload due to client company strategies.

The Client Company strategy is part of the commercial insurance division’s effort to distribute basic equipment breakdown coverage bundled into other property insurance companies’ commercial package policies. The potential market for equipment breakdown coverage is significantly larger than the existing level of coverage written.

The challenge for HSB Inspection Services, a division of the engineering department, is to significantly increase the number of inspections, either for new locations to be covered or for jurisdictional inspections, without increasing the number of inspectors needed to do the work. Current statistics indicate that approximately 40 percent of an inspector’s available work hours are spent in the car, driving from one location to another. In most cases, it is a requirement that the equipment be inspected on site.

Defining the challenge

The corporate strategy for significantly penetrating the Client Company market had already been launched. Therefore, the Inspection Services Division of the Engineering Department had to respond to the challenge. The Senior Vice President of Engineering wanted to respond in a way that involved the remote workforce; the same staff that would ultimately be responsible for implementation of any and all changes. He felt that field involvement would both improve the quality of the actions as well as assure the “buy-in” of the field force.
The intent to utilize members of the virtual staff to address the needed productivity improvements was challenging from a number of viewpoints. First, the remote inspector works independently, and in most cases, he or she has had little need or opportunity to work in a team-based environment. Therefore, training and a “breaking in” period would be needed, asking the inspectors to build skills not already part of their skill base.

Secondly, each inspector has a distinct territory, often hundreds of square miles in size. It is extremely difficult to have one inspector “cover” for another inspector both in terms of the proximity of the territory as well as the impact of time. Inspectors’ territories are intended to be handled by one person, full time, based on the anticipated number of inspections needed. Taking a field inspector “out of the field,” even for a short period of time, is very difficult on both the inspector as well as the person who needs to “fill-in” for him/her. Therefore, time away from the inspector’s territory had to be held to a minimum.

Finally, costs incurred for such an endeavor were likely to be very high. The amount of time away from the territory and the expense of incurred travel needed to be managed carefully in order not to spend the potential savings in additional costs incurred!

The Engineering organization had previously used cross-functional teams to address departmental challenges. The approach to cross-functional teams had generally included Home Office staff working on field problems, calling or visiting the field to gather their input from the remote staff using focus groups. This allowed the “team” to work together (physically) while considering the input of the field staff. It also enabled the field force to be uninterrupted in their regular activities.

So the idea of a cross-functional team was not new, what was new was a requirement that field staff serve as full time team members. The vision was a cross-functional team that would work together in a virtual environment.

In order to accomplish this, the senior vice-president worked with his management staff to identify qualified people from their staff and put together diversified teams to work on a number of major challenges. The teams included both experienced and new staff, people from all regions of the U.S., a variety of titles and different responsibilities (individual contributors, experts, supervisors and managers) as well as representatives from a variety of internal customer groups (people who were not part of the engineering organization but used the services of the department).

Some team members were designated as “full-time” for a specified period, often up to six months. The plan included a process to “rotate” full-time members of the team and allow the staff to return to their territory. Some members were designated “part-time,” adding value for input and ideas without taking on activities that would require their full time involvement.
The team members were brought together for a planning meeting in Home Office, primarily due to the fact that the senior vice-president of engineering wanted access to the other senior officers to help set the tone and the importance for the program. The team was named PRIDE (Process Redesign for Inspection Differentiation and Efficiency) and the charge was clear—drive breakthrough enhancements in Inspection Services’ delivery by implementing radically new processes to improve throughput, quality and costs. Steve Laskey, Vice President, Inspection Services, was named Project Manager, and Derick Prelle was named PRIDE’s Team Leader.

The large team was divided into subteams, given the charge to look at improvement opportunities in very specific areas:

- improving the scheduling of inspections through greater use of automation
- creative use of untapped resources for doing inspections
- improvements in report writing
- higher productivity through better skill identification, training and development
- customer service improvement opportunities
- production systems and other automation enhancements.

The entire team spent the first week in training sessions learning team skills, group process, handling conflict and creative problem solving. Once the training was completed the group was broken into the teams and asked to build a model of the possibilities for change. The teams were given complete latitude in identifying how to proceed with their efforts.

Most teams chose to begin with research— to further understand both the problems and the opportunities. The research, in most cases, also provided a basis on which to measure results. In many cases the teams chose to do focus groups of diverse populations (external customers, internal customers, management, individual contributors and senior officers) to get a broad view of the situation and to encourage creative ideas for addressing the issues.

At the end of the first meeting it became apparent that a great deal of the work would need to be accomplished with team members remote from each other. Since most team members were from the field and headed “home,” the last day of the meeting was spent, in teams, determining the best way to get the research done in the virtual office environment.

While some teams determined their research needed to be done in real time, physically present to focus groups, other teams decided to try an electronic environment, using telephone conference calls, video conferences and e-mail. It was agreed by all that a second “on-site” meeting would be scheduled for a month later, when each team would present their findings, present their recommendations for projects and, in some cases, present their project plans. It was further agreed to meet outside of the “Home Office” environment.
When the teams started their efforts there was a tremendous amount of enthusiasm. Members were energized by the involvement of the senior staff and the latitude given them in addressing the issues for their teams. The team building activities and training sessions clearly helped prepare the team members to work effectively together. Most teams had completed their research and had fully developed project plans to present at the second team meeting.

The second team meeting was an exciting event, with each subteam presenting ideas and project plans, fully thought out and based on their research. Time was spent at the second team meeting, in subteams, planning out the work to be done.

There were several areas that the teams decided to work on. We had a group of people brainstorm to come up with the key categories. One group wanted to work on improving the scheduling of inspections. Another was looking at creative uses of untapped resources, such as going to some of our retirees and getting them back in, fully trained, at a reasonable price to handle some of the gaps.

There was one group that wanted to find a better way of creating reports other than manually writing them, that would be efficient and effective.

The training and development issue came up at the first meeting, and we decided to include it.

Customer service improvement was another area. We had many complaints from our commercial area about our customer service and production systems enhancements. We looked at using existing production systems to enhance the way we worked, including using technology in new ways.

Finally, there were production systems enhancements, with the teams wanting to look beyond the existing systems.

The project teams that were after “low hanging fruit” were extremely successful in a short period of time (see Results on page 63). The project teams with the longer term efforts began to experience some difficulty. For the longer term efforts, being “full-time” became a problem, as most members with the “full-time” designation found themselves drawn back into problems in their territories. In some cases, full-time team members were pulled off the team, due to corporate priorities, and new members were substituted. For the teams dealing with longer term issues, the initial excitement began to wane as results were not seen as quickly as desired, and as the membership of the teams changed.

When the teams were ready to meet as a full group again, the Project Manager decided to invest additional time in training. A module on Managing Change, Facilitation and Meeting Skills, and Project Management techniques were added. The effect was
very positive for the teams that had had new members added, and not as successful for the teams that had not had changes in membership—they wanted to “get going” on their projects and not “waste time” in other activities.

After we had started with those initial teams, they broke up and went back to where they work on a daily basis with an action plan for what they would start to do, which included research, discussion, and pulling together information.

A few teams felt they needed to get together again in two weeks. Other teams felt that they were just fine working remotely, and they didn’t need to do all this traveling, so they chose to do their research and team meetings in a technology based format. This is where telephone conference calling was particularly useful.

Conference calling worked because the teams that were meeting in person found they spent too much time worrying about where to stay, where to eat, and how to get there. Those teams said that they had to meet in person, because there was no other effective way to work. The teams that chose the electronic means of communicating did it more for personal reasons—they really didn’t want to be out of their territory, and in some cases felt they could probably do the teamwork and their territory management at the same time.

The teams discovered on their own what worked well for them and what got in the way. The issues that arose are probably not very surprising. Some team members had the feeling of becoming isolated. The team of five people who were working on the productivity enhancement were in contact with each other through e-mail and conference calling. They were keeping in touch with each other, but they had no idea what was going on in the other teams. One project manager called all the teams together and said they needed to figure out one format for more effective communication with each other. We developed a communication strategy in sharing the plans and made a person responsible for doing that, which really helped.

Another issue that the team members came up against was a sense of being the only one doing the work. There were numerous cases where one person would be writing like crazy and producing volumes of documents, and someone else wasn’t producing volumes of documents. Even though they all worked in a virtual environment for years, they were measuring their productivity by the pages produced.

We need other ways to measure team effectiveness and productivity. We could have used some additional training sessions to understand different styles and roles. We needed to be clearer before the teams went to do their work, about who was doing what pieces and what it would really take to get that done.
We had a number of cases where a full-time member was pulled off a team, midway through the project, to do other work. It became extremely disruptive because teams were measured by the number of people on them—if a five-person team lost one member, another person was simply added to the team. One of the learnings for us was that we need to think hard about whether or not that makes sense and probably ask the team before moving people around. Anyone who's worked in a team environment has seen this happen. You add a new team member and you're back to the forming stages, and the new person needs to be brought up to date. In our situation, people from the field would call in to give the team some important ideas, share what they had done and get feedback, but it took too much time to bring the new team members up to speed.

It is very important to include other ideas and other points of view. You really need to design the system so that it doesn't get in the way. That doesn't negate the productivity you've already gained. We started to bring a person in for a full meeting, as opposed to having them simply report feedback on one piece of an idea.

We utilized technology to enhance communication. We received a huge number of requests for use of video conference facilities. We have 19 of them around the country, and many people didn't even realize they existed. They discovered that they liked to see each other as opposed to just hearing each other, or just seeing the written word via e-mail. They also discovered how terribly inept we could be in our e-mail communications. Emotions get bungled by the way we write. Some people write pages and pages when they just want to ask a simple question. Therefore, we started establishing rules for how to use technology. If you have a question, pick up the phone. Somebody will type for 20 minutes in response to one question, even if it's just a quick piece of information. E-mail was reserved only for times when you didn't want to interrupt somebody with a telephone call.

We started establishing some criteria that were comfortable for all of the team members. This low hanging fruit created a tremendous amount of energy after the very first planning meeting. For example, the teams discussed using cell phones and hand-held computers, improving documentation, and setting up a phone help line for inspectors. The teams left with a lot of ideas on things that could happen immediately, and they charged off to do it. However, anything that wasn't low hanging fruit was going to take more time, dedication and perseverance to keep the energy level up.

The task itself was very tempting, but the process can be unnerving; as a result process was not one of our positive strengths. We needed to learn how to facilitate meetings, go through a problem-solving process and go through a decision making process before leaping in.
Teamwork becomes successful

As the teams began to complete their work, and implement their improvements, the length of time between team meetings became longer. For some subteams, it drove them to schedule their own team meetings. In all cases, a schedule of at least weekly, or more frequent, telephone conference calls and/or video conference calls was followed.

The teams, on average, were so successful that the decision was made to “institutionalize” the concept, applying the learning from the experience, to ensure an ongoing continuous improvement process. A steering committee was implemented to oversee the efforts of the teams and team membership has remained fluid, combining both the interest of the individual with the needs of the organization. In addition, the experience has significantly broadened the skill levels of dozens of individuals who participated, thus expanding the capability of the entire organization.

Results to date

More than 50% of the original initiatives have been implemented and have resulted in both expense savings and significant improvements in process flow and systems design. The workload for inspectors continues to grow at a rate of approximately 20% per year, and not only has the inspection staff not increased, in many jurisdictions it has been reduced. The introduction of cell phones and hand-held computers has improved the throughput and accuracy of the inspections. The measurement and documentation systems have been significantly improved without having to redesign the systems. The addition of a “hot-line” for inspectors has resulted in immediate problem resolution, freeing the inspector’s time to be more productive. These are just a few of the low hanging fruits that have been harvested.

In addition, many of the longer range initiatives have begun to be implemented, including a 12 week basic training program for all new inspectors, assuring the quality of the new inspection force as well as bringing new inspectors to a higher level of productivity, faster.

One of the most inspiring results of the approach was the increased interest on the part of the entire field staff on the progress of the teams, thus improving the effectiveness of the communication and the quality of the implementation of each initiative.

Lessons learned

For individual members of the subteams, the results have varied from euphoria in terms of the contribution they were able to make to sincere gratitude for the opportunity to expand and apply newly developed skills. While some team members were anxious to get back to their territories, none were happy about their team membership coming to an end. The camaraderie and improved/expanded internal networking were also unanticipated and exceptional benefits.

Exciting results can make it difficult to assess what could have been done better. But, as almost always is the case, there were some areas that could benefit from improvement in future endeavors of this type.
Lessons learned, continued

There are many things we learned from this experience that we would try to replicate the next time:

• Provide training in team skills, group problem solving, conflict resolution and meeting facilitation

• Provide a variety of easy-to-use communication technologies

• Meet in person regularly. Every team benefits from a physical presence, even when most work will be accomplished in a virtual environment

• Benchmark and understand the measurement criteria to assure a sense of completion and accomplishment

• Provide periodic checkpoints on progress, in a public forum, coupled with celebrations for milestones met

• Develop a comprehensive communication plan up front. When the task is clear and the significance is clearly communicated, the results will match and support the needs

• Demonstrate that senior management supports the team, both with their physical presence as well as necessary monetary and staff resources

• Build trust. Trust is a crucial ingredient to success of teams in a virtual environment

• Provide training in creative thinking. Creativity exists in everyone, but sometimes needs to be prodded out, in a structured, safe environment, to ensure confidence in its use and applicability

• Create teams with a diverse membership. Diversity in the makeup of the team provides significant improvement in the quality of the ideas generated.

We also learned that there are several things that we would try to do differently for the next time.

• Make team membership contingent on the completion of the team project—rotating membership during the project causes significant disruption

• Provide more, deeper training at the outset and provide regular practice and coaching sessions throughout the program

• Start each team with their own facilitator, weaning them off the support as they learn to apply the processes themselves

• Find more and creative ways to “meet,” outside of the physical environment.

Author information

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Author information, continued

meeting skills, group dynamics, team leadership and teaming, listening, career development, consulting, coaching and facilitation.

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Managing by Teams at Rush Home Care Network: It’s not the Function, it’s the Process

Author

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Introduction

Most people within the health care industry, and particularly with home health care, tend to believe that we are facing the toughest problems and everybody else has it easy. However, the reality is that anyone in business, regardless of size, location or industry, is experiencing similar problems. This article will describe how my particular organization, Rush Home Care Network, has dealt with the issues of moving an organization forward in a turbulent health care environment.

Background & Environment

Rush Home Care Network (RHCN) is a hospital-based agency within the organizational structure of Rush-Presbyterian-St. Luke’s Medical Center. The hospital, a large tertiary referral center with associated colleges of medicine, nursing and health sciences (Rush University), is located in the Chicago loop area. Rush Home Care Network, originally initiated as a training site for Rush College of Nursing students, has been in business for over 22 years. RHCN provides intermittent nursing, physical therapy, occupational therapy, speech pathology, medical social work, and home health aide services to patients who are home-bound. During the last fiscal year, RHCN provided nearly 150,000 visits to nearly 4,500 patients. At any given time RHCN has around 1,000 patients in service. Home care services must be medically necessary, related to a primary diagnosis and authorized by the patient’s physician. Since the enactment of Medicare in 1966, home care has become more widely known and used. Literally all insurances provide home care coverage. The largest home care payor, by far, is Medicare (70 - 90% nationwide) followed by indemnity plans, Medicaid, HMOs, PPOs, workers’ compensation, and private pay.

With the advent of Medicare reform in 1984 and prospective payment, hospitals began using diagnostic related groups (DRGs) to reduce lengths of stay and allow patients to safely continue their treatment regime at home. Home care was the obvious solution to provide a seamless transition from hospital to home. Post-acute treatment in the home was preferred by most patients and assured physicians that observation and...
Reacting to changes in the health care industry, continued

treatment would continue until the patient had recovered or stabilized. Home care use and expenditures began to grow as a result of several factors: the needs of an aging population; a response to “quicker and sicker” hospital discharges; the demand from managed care organizations to treat patients as outpatients whenever possible; and changes in technology allowing more complicated procedures and treatments to be done in homes. The Health Care Financing Administration (HCFA), now viewing home care as an “industry out of control,” began testing a prospective payment methodology as a way to reduce or stabilize expenditures. In addition, managed care organizations aggressively negotiated discounted, per visit, and capitated rates far lower than Medicare’s caps. Home care agencies started to consider their current cost of doing business as a weakness and a threat. Rush Home Care Network, like most other home care agencies, looked for ways to simultaneously reduce cost, improve quality and improve access to care.

Care Teams

The idea of clinical teams was proposed after two nurse directors attended a two-day conference on “Ideal Care Teams” offered by Larry Campbell, author of The Ideal Care Team Model for Home Care, in 1993. Several home care agencies discussed their experiences with teams that were largely composed of nurses, led by nurses, and focused on nursing issues. The attending directors were favorably impressed, believed the concept could be expanded to include all disciplines, and presented the idea at a Directors’ Meeting. There was initial interest and support of the idea as a strategy to streamline work and reduce cost. However, that enthusiasm was soon followed by hesitation and doubt that care teams could work for the multiple disciplines employed at RHCN.

Interdisciplinary care teams

Our agency administrator had marveled at the efficiency of small, simple home care organizations of about 50 to 100 patients. Employees in these agencies were intimately involved with all aspects of the operation and were familiar with the needs and treatments of every patient. Five years earlier, the idea of breaking the large agency into a series of small ones had been presented to RHCN staff. At the time, we were going through an organizational change, and the idea was summarily dismissed. Instead, we implemented the existing organizational structure, with multiple clinical directors each responsible for a single discipline and managing a cost center.

The implementation of interdisciplinary care teams was debated for more than six months. The questions were numerous—people raised concerns over potential problems, and were worried about changing a structure that they thought was working. However, our costs of business were too high for us to survive in a managed care environment.
State and JCAHO (Joint Commission on Accreditation of Healthcare Organizations) surveys consistently showed a lack of documented interdisciplinary communication and care coordination. Numerous attempts to encourage timely submission of paperwork, enhance the content of documentation, and improve billing processes only resulted in marginal improvements. We realized that we had developed our systems in response to regulation, adding non-value added steps to our processes. We had too many hand-offs, checks and balances, and redundancy.

Communication with our staff was poor. They were located throughout Chicago delivering care to patients in their homes, and had difficulty contacting us or other staff members in the field.

The team model we were considering as a solution consisted of small groups of people delivering care, which was primarily nursing driven. In our model, quality would be defined by the customer.

Some reasons for rethinking processes

After managers talked through all their concerns, only two major, unresolved issues remained: 1) Does the team leader need to be a nurse?; and 2) Can billing be done at the team level? The decision was made to pilot the model for about four months with two interdisciplinary care teams; one in the Chicago office and one in the North Shore office. At the end of that time, if results were favorable, we would implement the teams throughout the whole organization. They would be designed to serve the average home care needs of 120 to 150 patients in a specified geographic area. The makeup of the pilot teams is described in Figure 1 below.

A decision to charter two pilot teams

- One team leader—expected to spend half time with patients and half time as a facilitator of team processes. A nurse served as the team leader for the pilot.
- Three medical-surgical nurses.
- Two psychiatric nurses with the ability to see uncomplicated medical-surgical patients.
- Two physical therapists plus a physical therapy assistant (P.T.A.).
- Two home health aides.
- One occupational therapist.
- One social worker.
- Speech pathologist as needed.
- Part-time clinical staff, as needed for high volume.
- Two team assistants (one clerical support, one biller).

Figure 1. A Description of the Pilot Team
Defining director responsibilities

We identified geographic boundaries that the teams would work within, so that they would be closer to their patients. We solicited clinical volunteers and clerical support staff, and the study questions were narrowed down to a reasonable number. Director involvement was designated as follows:

- One director served as coach in the Chicago office.
- One director served as coach in the North Shore office.
- Two directors agreed to plan and implement the educational and training modules.
- One director worked with the team assistants.
- One director sorted out team-specific data and generated reports.
- Three remaining directors helped out as needed.

Components of team focus

The model for team focus and educational programming as designated in the Joiner Triangle (1996) consisted of: Education to quality and customer value; A scientific approach to continuous improvement, and; An environment of teamwork and cooperation. Quality would be defined by customers, both internal and external. Internal customers were other members of the team and the agency as a whole. External customers were defined as patients and families, physicians and discharge planners, and regulatory bodies such as the State of Illinois licensing criteria, Medicare standards of participation and JCAHO (Joint Commission on Accreditation of Healthcare Organizations) accreditation standards. All One Team was defined as team-building and the spirit of cooperation and teamwork that would occur throughout the pilot process. Scientific Approach was defined as the process improvement activities, using data to make decisions about patient care, and the evaluation of the pilot.

Asking questions of ourselves

We asked some questions of ourselves to try to understand how we were doing:

1. What is the right size and composition for interdisciplinary care teams?
2. Does the team leader need to be a nurse?
3. How much initial and ongoing team education is needed?
4. How frequently should the teams meet?
5. What does “self-directed” really mean?
6. What functions need to remain centralized?
7. How will managers function?
8. How should we measure success or failure?
9. How can incentives be team focused?
10. Do we have improved systems?
11. Do our customers like the change?
12. Do we have better business results?
Measurements of improvement and data collection

We set different measures of process improvement and methods of data collection:
1. Fewer average visits per patient (statistics)
2. Shorter average lengths of stay (statistics)
3. Easier and better communication among disciplines (documentation, observed interaction, and reports by discipline)
4. More interdisciplinary referrals and better mix of services per patient (statistics and observation)
5. Better compliance with standards of timeliness (quality monitoring)
6. Reduced cellular phone and credit card usage (check phone bills)
7. Lower cost per visit (cost/visit reports)
8. Better charge capturing (suspense report, and billing personnel report)
9. Same or better patient satisfaction (satisfaction surveys)
10. Increased staff satisfaction (opinion surveys, pilot team interviews).

Two pilot teams at the forming, storming, and norming stages

The Chicago Pioneer Care Team was formed in May, 1995, and the North Shore Pioneer Care Team formed mid-June, 1995. The forming stage varied with the two teams.

The Chicago Pioneer Care Team formed quickly and moved right into the Storming phase, which lasted throughout the summer. The team leader described one experience in the following way:

"Nothing made the therapists happy. We started out by meeting every day. Physical and occupational therapists complained that they didn't want to come into the office that often. We decided to meet in the community so team members didn't have to come into the office. That didn't make them happy. We altered the time of day. That didn't make them happy. We finally cut back to three times a week. That still didn't make them happy. Finally, after dealing with this unhappiness all summer, I came to a team meeting and said, 'I am not enjoying this experience! It's too hard! I'm not having a good time!' Everyone at the meeting said, 'We're not enjoying this either. It is too hard.' Then someone on the team said, "What are we going to do about it?" At that point we started to move into the norming phase."

The North Shore Pioneer Care Team spent most of the summer forming. They did a lot of group processing but not very much care coordination. As a result, team members liked each other and rarely disagreed. Patient care was not often discussed during team meetings. The team decided early on to meet three times a week, and later reduced it to twice a week. While patient care occurred, it differed very little from the more functional approach to care in the office. This team didn't storm throughout the first four months of the pilot. Later, the team leader left the organization during an organizational consolidation. That's when the team began to storm and shortly thereafter moved into a norming phase.
Everything was moving along more or less as we had anticipated. After four months, we collected data on length of stay, visits per patient, and standards of timeliness (see Figure 2). Length of stay is used to describe the average number of days from a patient's admission until discharge. This is a good measure of our effectiveness in achieving outpatient-specific outcomes. The process followed by the Pioneer Care Teams was to discuss the plan of care, agree on the role each discipline would play, evaluate ongoing progress toward goals, and discuss the outcomes prior to discharge. The remainder of the organization continued to approach care from an individual discipline perspective. Interdisciplinary case conferences were not consistently done, the plan of care was not unified, and the patient was discharged when individual objectives were achieved. The result was usually a longer average length of stay.

Standards of timeliness are used to describe the amount of time it takes for clinicians to turn in their paperwork. Some examples of paperwork are admission information, physician orders, visit notes, paraprofessional supervision, and discharge paperwork. The standard for the agency is 3.5 days, and enforcement of that standard has been an ongoing challenge.

Figure 2. Data Collected after Four Months

<table>
<thead>
<tr>
<th></th>
<th>Pioneer Care Teams</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Stay¹</td>
<td>95 days</td>
<td>122 days</td>
</tr>
<tr>
<td>Visits per Patient</td>
<td>31.87</td>
<td>43.62</td>
</tr>
<tr>
<td>Standards of Timeliness²</td>
<td>4.1 days</td>
<td>4.6 days</td>
</tr>
</tbody>
</table>

1. Length of Stay refers to the average number of days from the patient's admission to the home care agency until discharge from the agency.
2. Standards of Timeliness refers to the amount of time it takes for clinicians to turn in their paperwork.

With minimal coaching, the Chicago Pioneer Care Team appeared to be making 80% of the day-to-day patient care decisions. Directors were encouraged by the results. It was time to make a decision to continue or stop. No decision was forthcoming. Directors resumed their earlier hesitation and doubt. Old questions, like whether the team leader should be a nurse, resurfaced and were debated. The question of cost was raised: Was this really a less costly model? How many team assistants could we afford to have? Wouldn't we actually need more people? We decided to reduce team assistants to one per team, to determine if the work could be done by one person. This new test would require at least two months.
We evaluated the data after 10 months:

- Average standards of timeliness continued to be lower for the Pioneer Care Teams
- Charge capturing was better, as reported by payor relations; fewer bills from the Pioneer Care Teams were in suspense
- Documentation reflected better coordination of care among disciplines on Pioneer Care Teams.
- Discipline mix for patients on Pioneer Care Teams was more balanced than for the agency as a whole
- Cellular phone use and credit card calls showed no discernible difference from the rest of the agency
- It was impossible to determine cost per visit by team because of the way we captured for the agency as a whole—after considerable effort, attempts to provide this measure were abandoned
- Some patients called to say they liked the way we were delivering care. They commented on how clinical staff informed them about the visits that would be made by other members of the team. One patient said, “I used to think that your staff never spoke to one another, only to me. I was asked by the nurse when the physical therapist and social worker were coming to visit me and I was expected to keep track of notes that one person would leave for another. It seemed like I was the only one who knew what was going on.” The wife of another patient complimented our coordination of care and sent a $500 check for a team party
- Feedback from the Pioneer Care Team members was positive. They liked the model and thought the agency should move forward to full implementation.

Some lingering problems still existed

In spite of compelling evidence that the model was working as expected, the directors continued to debate. Some directors were meeting among themselves to discuss the negative aspects of the model. It was becoming obvious that no progress was going to be made under the current organizational structure. Several authors of organizational redesign have warned against changing only part of an organization. Hammer (1993), in his book *Reengineering the Corporation*, states that everything within the company is linked together: business processes, jobs and structure, management and measurement systems, values and beliefs which, in turn influence business processes (p. 80). Champy (1995) in *Reengineering Management*, indicates that changes in an organization must be accompanied or even preceded by changes in management. Our inability to move forward was because we were trying to change business processes without changing jobs and structures, management and measurement systems, and culture. We went back to the drawing board.
CASE STUDY

Managing by Teams at Rush Home Care Network: It’s not the Function, it’s the Process

Leadership made the decision to examine the 1996 Malcolm Baldrige National Quality Award Criteria framework. The framework has three basic elements that form the dynamic relationship among the categories. The “driver” is leadership as the organization defines it. The “system” is made up of process management, human resource development and management, strategic planning and information and evaluation. The “goals” are: (1) customer and marketplace performance, and; (2) business performance. The directors were asked to review the Baldrige criteria and redesign Rush Home Care Network to meet the specifications of the model.

Three groups of directors worked on three designs and presented them. After much discussion, we decided to designate three process areas:

1. Customer Access, or entry into the system,
2. Service Delivery & Service Support, or service to our customers, and
3. Information & Evaluation, or the gathering and analysis of information.

All existing functions would be redesigned and assigned to the process area that captured most of the functional activities. All functions were identified by the director’s group, typed onto yellow sticky notes and placed on a large piece of flipchart paper. Functions could be moved around on the paper until the new design made the most sense. After a tentative agreement about the design, which included full implementation of the interdisciplinary care teams across the network, the directors voted on implementation of the model. The vote was seven for implementation and two against, and majority ruled. The administrator, although in favor, did not vote. The two against didn’t feel that this design was the right thing to do. Of the seven directors who voted in favor of redesign, most spoke against it in private sessions with one another and word got out that the directors were not in agreement about this model. One director from the work group that designed the model and voted for the change, submitted her resignation within the week. Another director who believed in the interdisciplinary care team model but saw no place for herself in the new design, decided to transfer to a college faculty position. We didn’t drop anybody out of the organization, but we changed their jobs and asked them then to interview for those jobs.

The administrator assumed responsibility for appointing three directors to design the three process areas. No assumptions were made that these individuals would assume the leadership positions, however, that is what eventually happened. Having agreed to a new model, the next steps were to work on the implementation plan. New and revised positions were identified and job descriptions were written and/or rewritten. Figure 3 on the next page shows the major differences between a functional organization and a process organization.
The three process areas that were identified were:

**Partnership Development and Customer Access** (Knowing the Right Thing to Do). Includes everything that happens before a patient is admitted into service:
- Marketing
- Hospital and Community Liaisons
- Referral intake, benefit verification and visit authorization
- Reception
- Contract negotiation and management
- New business planning and development
- Strategic planning
- Budget planning.

**Service Delivery and Service Support** (Doing the Right Thing). Includes everything that happens from admission to discharge including services that support service:
- Nine interdisciplinary care teams
- Clinical resource team (advanced practice clinicians, all disciplines)
- District management (three districts)
- Human resources
- Payroll and payables
- Billing and collections.

**Information and Evaluation** (Knowing We’ve Done the Right Things Right). Includes process improvement activities and the resources to support data capture, report generation, analysis, and education:
- Process improvement team
- Medical records team
- Educational and training support
- Financial systems (reporting, analysis, costing, activity based management)
- Information systems (Maintenance of hardware, software).
As each of these areas were designed and jobs were reconfigured, the remaining four directors evaluated their willingness to assume new jobs. Three decided to leave the organization but willingly helped out with the interviewing, selection, education and training of team members. One director of a new process area also elected to leave the organization after realizing that his philosophy was inconsistent with the new structure.

Team leaders and team assistants applied for the seven new teams. Applicants were interviewed by three directors and the administrator. Part of the interview was used to reinforce the new culture, specifically: customer focus, all-one-team, and process improvement. Successful applicants were notified and training began. Very few of the new jobs were filled with people outside of the organization.

In May, 1996, full day workshops on team building were required for every employee of RHCN. The workshops were facilitated by an individual from hospital human resources. The Team Memory Jogger™ was distributed to all attendees and used to reinforce key components of team behavior. During the workshops members of the Pioneer Care Teams described their experiences, both good and bad and responded to questions. A process director or the administrator was present at each of the four workshops to respond to questions, concerns or complaints.

On June 3, 1996 four interdisciplinary care teams were initiated. On July 1, 1996 the remaining three teams formed. On July 1, 1996 (beginning of a new fiscal year) the complete reorganization was fully operational. Ongoing educational programming included: team skills; stages of team growth; working as all-one-team; running successful meetings; conflict management; customer focused behavior. Scientific approach education was scheduled for later in the educational schedule so as not to overwhelm staff with too much, too soon. Process improvement discussions, however, were a part of most discussions with team leaders and team assistants. Team assistants, in an effort to improve their work flow, decided among themselves to break their work up into functional components—“Mary is good at data entry so she can do all the data entry, Jan understands scheduling, so she can do it all, and Sue is good on the phone, so she can take all the phone calls, etc.” After our initial surprise that we could so quickly revert back to a functional design, we realized that we needed additional education to reinforce the fundamental philosophy of the model with everyone.

We also set about revising all the job descriptions to include core behaviors: customer focus; team skills; and improving processes and core skills: interpersonal skills; problem solving; and self-evaluation in addition to the job components. Staff were informed that a review of core behaviors and skills would count heavily on the merit review. However, in the first year of implementation, staff would rate themselves on the core skills and behaviors, and use the assessment as an educational tool or a plan for
A current status report, continued

Improvement during the evaluation process.

A simulated work evaluation was designed for the team assistants to test their skill and accuracy at interpretation and entry of physician orders. While certain weaknesses were found, all team assistants passed.

Most team leaders are transitioning well. One team leader is having problems but that team isn’t helping. The team has asked for outside assistance to help them through some of the storming, and human resources has agreed to help. It has been hard to determine where the problems stem from. The district clinical manager has been working with them as a coach, providing feedback to the team leader on approach and style.

The leadership group has also been storming on occasion. We don’t always see eye-to-eye. We have received feedback from staff that we would benefit from attending the conflict management series. “Put your money where you mouth is!” We are scheduled to follow their suggestion. The administrator has, throughout the year, and continues to hold monthly Town Hall meetings for any staff that want to come. Because of the size, three meetings are held. Attendance has been good. Questions have also been good. The grapevine is alive and well and the most outlandish rumors circulate. Unfortunately, rumors are rarely brought up at Town Hall meetings so it is hard to respond. Overall, three months into the new design, transition is pretty much on schedule.

Looking ahead

Rush Home Care Network is on the brink of a culture change. We are not there yet and may not be for some time but the worst thing that can happen is getting “stuck in the middle.” I believe that the key contributor to changing our culture is a fervent reinforcement of the components of the model we have chosen to use—we must be customer focused. Everyone must know and understand that everything they do affects someone else (internal or external to the organization) and contributes to our success or lack of success. The all-one-team concept is more than words. It really means that teams are more successful than individuals alone. It also means that one team cannot become insular in their outlook. We must improve our processes. We have to strive to do everything right the first time and not accept second best. We must also remember to blame the process and not the people. That is particularly hard to do. Staff are looking to me and the rest of leadership to set the example, to see if we practice what we preach.

Conclusion

Of all these challenges, the greatest one is to encourage the interdisciplinary care teams and other work teams (e.g. payor relations, referral intake, process improvement) to bond and perform but not to the extent that they become fiefdoms in the process. I hear things like: “We don’t do things that way in my area.” “No one understands the unique aspects of what we do but us.” “I can’t allow my people to attend (agency sponsored) programs because we’re too busy.” I begin to worry when comments like those come from a leader. This is the “make or break” point and I am convinced that a successful future rests on our ability to actualize our team model.
References

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Author information

Kathryn Christiansen has 32 years of experience in home and community care as a staff nurse, educator of undergraduate and graduate nursing students, and 16 years as Executive Director and Administrator of Rush Home Care Network. She is currently associate chairperson for the Department of Community Health Nursing, and has authored several articles including “A Paradigm Shift for the Home Care Provider” in Home Care & Managed Care Strategies for the Future, “Home Care” in Gerontologic Nursing, and “Change and our Home Care Paradigms” in Home Healthcare Nurse. She received her B.S.N. and M.A. in nursing of children from the University of Iowa, and her D.N.Sc. in nursing from Rush University.