Regional Winners and Finalists

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Regional Winners and Finalists

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The Journal of Innovative Management

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

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

The Journal of Innovative Management publishes articles that fall into the following matrix of categories:

- Case studies, applied research, tools, leadership perspective, and news & views
- Organizational transformation; participative planning, problem solving, and innovation; process design, management, and improvement
- Private sector; public sector; and non-profit organization settings
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Exemplary Organizations Have Created A Sense of Community

Organizations are communities that are created and evolved. They are conceived in thought, articulated in words, and proven in deeds. Effective organizations are those in which the people know that a sense of community is vital to their individual and collective success and sustainability. They know that their individual behavior and their interrelationships are the corporate culture. The leaders and members are, therefore, willing to commit to the hard work of creating this culture that they, and others, will see and recognize as their community— their organization.

A fascinating phenomena that characterizes leaders in exemplary organizations is that they use the idea of quality as a tool to inspire and create success. Fundamentally, these leaders create communities that are organized to achieve high quality in human interaction, economic interaction, and environmental interaction.

The late Anthony Nemetz, a professor of philosophy who taught the Contemporary Civilization module at the Academy of Organization Management sponsored by the U.S. Chamber of Commerce and the University of Notre Dame, would write the word “community” on the blackboard and say, “More and more, I am convinced of the centrality of this concept.” Nemetz went on to teach that anything that disrupted the formation and maintenance of a sense of community would result in the destruction of society.

A reason for this is that human beings are, by necessity, independent and interdependent. As Sandra Day O’Connor said, “We don’t accomplish anything in this world alone ... and whatever happens is the result of the whole tapestry of one’s life and all the weavings of individual threads from one to another that creates something.” There is a Chinese proverb that says a similar thing: “One generation plants the trees; another gathers the shade.”

The work of creating community is at times, difficult and can be dangerous. Community building can be controversial, risky and hazardous at times, and leaders are vulnerable. M. Scott Peck wrote: “There can be no vulnerability without risk; there can be no community without vulnerability; there can be no peace, and ultimately no life, without community.”

There is also a proverb that says: “Where there is no vision the people perish.” A bold vision of community was articulated a number of years ago by the United States President, Lyndon B. Johnson: “The American city should be a collection of communities where every member has a right to belong. It should be a place where every man feels safe on his streets and in the house of his friends. It should be a place where each individual’s dignity and self-respect is strengthened by the respect and affection of his neighbors. It should be a place where each of us can find the satisfaction and warmth which comes from being a member of the community of man. This is what man sought at the dawn of civilization. It is what we seek today.

President Johnson was speaking of the “the great society,” which attracted advocates and foes, often involving partisan politics, with the “silent majority” unengaged in the issues. It has been said that there are three major institutions in the world capable of achieving a critical mass necessary for global change: business, religion, and politics. Business has created leadership and management tools for developing a sense of community that is capable of achieving a high quality of human interaction, economic interaction, and environmental interaction. The question is: Will we engage?
When Leadership and Management Aren’t Just Grandiose Words and Titles

Saint Luke’s Hospital of Kansas City and Boeing Aerospace Support, both Baldrige National Quality Award winners, demonstrate effective leadership and management with their ideas, their commitment to getting the right things done, and their ability to create teamwork and effective process management.

Richard Hastings, CEO of Saint Luke’s Hospital of Kansas City, says he strives to establish a culture of cooperation, learning, and sharing. “Our vision is simply to be the best place to get care, the best place to give care,” he says. Hastings tells us that they have an empowered workforce and a fully aligned organization that manages by fact, with the necessary flexibility and responsiveness to quickly respond to changing customer and market needs. Here are some examples of their leadership approach:

Collaboration: Medical staff officers share responsibility with administration in their balanced scorecard measurement system.

Empowerment: Nursing shared governance is part of their work system design.

Information sharing: They all share information on a routine basis at all levels of the organization, and hold quarterly focused retreats with hospital and medical staff leaders as part of the strategic planning process.

Organizational alignment: A group of initiatives have produced an organization that is aligned from a strategy and core values perspective down to everyone who works in the organization.

Community: They are personally involved in the community in all activities that relate to community health, but also as these relate to the overall effect of our community on the people who live in it.

Boeing’s David Spong has led two of Boeing’s divisions to a Baldrige Award: Airlift & Tanker in 1998 and Aerospace Support in 2003. He tells us that one of the key models they developed along the performance excellence journey at Aerospace Support was a leadership system. They refined it early in 2003 to emphasize the type of culture they were trying to create, starting with their stakeholders. Stakeholders have requirements and expectations that Boeing aligns with their vision and values. Boeing leaders are then expected to set and communicate direction and be role models for the entire organization. From that base, they organize, plan, and align, perform to plan, reward and recognize people and, hopefully, learn from the experience both as an organization and as individuals, all of which helps drive continuous improvement.

Spong says their mission is to provide world-class sustainment solutions to their aerospace customers:

Our vision is people working together as the world’s number one provider of innovative sustainment solutions. Our values are essentially those of the Boeing Company: Leadership, Integrity, Quality, Customer satisfaction, People working together, A diverse and involved team, Good corporate citizenship, Enhancing shareholder value.

An essential part of setting direction is to have a set of operating principles. We insist on integrity, first and foremost. Another of our more important disciplined processes has to do with how we manage organizational governance.

Of course, we’re not all about business results. One of our key stakeholder groups are the communities in which we operate, and our team does a great job of supporting them. Our employees are extraordinarily generous with their time, talents, and treasure.

After reading these two case studies I’m sure you will be able to clearly see how good leadership and management goes well beyond grandiose words and titles to enable performance excellence.
Saint Luke’s Hospital of Kansas City
2003 Malcolm Baldrige National Quality Award Winner

Organization Overview

G. Richard Hastings, President and CEO—Saint Luke’s is a comprehensive teaching and referral hospital in the heart of Kansas City. It is a member of the Saint Luke’s Health System, a ten-hospital system with fourteen primary care facilities, five behavioral health clinics, seven employee assistance programs, five home health and hospice locations, three wellness fitness centers, and four affiliated healthcare facilities.

Saint Luke’s was founded 122 years ago by an Episcopal priest, the Reverend Henry David Jardine, who convened a meeting in a wooden building above a paint and varnish store on July 7, 1882 to discuss the need for more and better hospital accommodations in Kansas City. As a result of that meeting, Saint Luke’s Hospital was founded with an emphasis and basis in faith and a strong commitment to charity care that has been maintained throughout its entire history. The hospital was moved to its current location approximately 100 years ago.

Over the last few years Saint Luke’s has grown to be the largest hospital in the metropolitan area, with 582 beds, over 3,100 employees, and a staff of 500 physicians. We provide twenty-four hour coverage in every healthcare discipline. We remain closely affiliated with and attached to the Episcopal Church, and we are a private teaching hospital for the University of Missouri at Kansas City.

We also provide our own college of nursing and maintain a Level I trauma center, a Level III neonatal center, the Mid America Heart Institute, known throughout the world as an early adopter of many clinical techniques, and the Mid America Brain and Stroke Institute, which has the highest stroke reversal rate in the world. We are the healthcare location of choice for patients in Kansas City, and also physicians.

Leadership

Our mission is that we are all “committed to the highest levels of excellence in providing health services to all patients in a caring environment, dedicated to medical research and education.” This mission statement reflects our commitment to excellence, and our focus on healthcare delivery, research, and education. While our mission speaks to the physical, mental, and spiritual needs of the community, it is important to note that we view our employees as part of that community as well. Consequently, we align our employee benefits and services with our mission.
Our vision is simply to be “the best place to get care, the best place to give care.” This vision clearly drives us to be the best in delivering health care, and providing for the needs of the greater Kansas City community and our employees, who we recognize as the critical element in exceeding our patients’ expectations.

Our commitment to the pursuit of this vision and effective execution of our mission has enabled us to become the preferred place in Kansas City to get care for seven years running, as determined by the National Research Corporation. I believe that our commitment to excellence, together with our dedicated and empowered workforce that constantly strives to improve the quality of the services that we provide, has combined to enable us to become a great place to give care, as evidenced by our unusually high retention rate (less than 10% turnover), and an unusually high employee satisfaction rate (about 95%).

Another important factor in our ability to be a good organization is our core values: 
- Quality Excellence
- Customer Focus
- Resource Management
- Teamwork

Our commitment to these core values plays a significant role in our success and represents a way of life to Saint Luke’s that has allowed us to achieve our organizational excellence. These values are deeply ingrained in our culture and drive the daily behavior of every member of the Saint Luke’s team.

Saint Luke’s approach to leadership is to stay focused on the mission, and is characterized by an unwavering commitment to the Baldrige leadership philosophy. We also have strong collaboration between the administration and the medical staff. We strive to establish a culture of cooperation, learning, and sharing. We have an empowered workforce and a fully aligned organization that manages by fact, with the necessary flexibility and responsiveness to quickly respond to changing customer and market needs. Here are some examples of our leadership approach:

- Collaboration. Our commitment to administrative/physician collaboration is evidenced by our medical staff officers sharing responsibility as perspective leaders in our balanced scorecard measurement system.
- Empowerment. We implemented the concept of nursing shared governance as part of our work system design beginning in 1989.
- Information sharing. While we all share information on a routine basis at all levels of the organization, we also hold what we call focused retreats with our hospital and medical staff leaders as part of the strategic planning process. These quarterly retreats are designed to fully engage all of our customers and stakeholders and ensure that the maximum opportunity is afforded for knowledge and information sharing. The information gleaned from these quarterly retreats is then funneled back into our strategic planning process.
- Organizational alignment. Alignment is a critical factor for Saint Luke’s, and we have achieved great success in this area. Our strategic plan deployment process includes the balanced scorecard measurement system, our 90-Day Action Plan process, and our employee Performance Management Process (PMP). These initiatives have produced an organization that is aligned from a strategy and core values perspective all the way down to everyone who works in our organization.
Our leadership approach is operationalized through the Saint Luke’s Leadership for Performance Excellence (LPE). Our Very Important Principles (VIPs) create the top level of guidance for the organization. VIP components include the mission, vision, values, and strategy, which are deployed through the strategic focus areas (SFAs) in our process model. Alignment and performance expectations are addressed through the balanced scorecard, the process scorecards, and the PMP. The Saint Luke’s commitment to excellence assessment model is totally based on Baldrige Criteria and ensures a comprehensive assessment on a yearly basis, thereby providing a valuable insight into our strategic planning process, which begins the next annual cycle.

The Balanced Scorecard System (BSC) has been key to our ability to achieve alignment and fully integrate the VIP across the organization. Our five BSC perspectives of financial, customer satisfaction, growth and development, clinical and administrative quality, and people, are all aligned with the SFA.

The balanced scorecard shows, on a single sheet of paper, all performance in all five areas that we believe are key. All our employees can look at the BSC to see how we’re doing in the financial area, as well as in the clinical, and even in employee turnover. This has been very important because this is the way we have been able to commit our entire organization to knowing absolutely everything that is occurring. Everybody gets this, from the board of directors down to the employee.

It is important to note that our balanced scorecard initiative was a direct result of our feedback report from both the Missouri Quality Award program and the Baldrige application process. This initiative has since been deployed to all of the Saint Luke’s Health System entities.

At Saint Luke’s we’re extremely committed to our community, and focus heavily on community health. We meet frequently with community leaders to seek input on their needs and concerns. Our one-of-a-kind Quality in Action publication provides community leaders with educational information related to healthcare and services in the greater Kansas City area. This information includes data on volume, severity of illness, mortality, patient satisfaction, and consumer preference, thereby giving community leaders knowledge that lets them have better input in assisting us in becoming a better organization. Quality in Action shows, for example, Saint Luke’s performance in seventeen different clinical quality measures vs. the average of hospitals in our community.

Another example of Saint Luke’s commitment to the community is the amount of charity and uncompensated care that we provide. A significant portion of Saint Luke’s annual budget is dedicated to charity care. Another component of our budget is given to community health. It is an important factor in our strategic planning. The total cost of charity care we provided to our community in 2003 was $20.7 million. We also provided another $18 million in physician and nursing education. This does not include the rest of our community service budget.

We are personally involved in the community in all activities that relate to community health, but also as these relate to the overall effect of our community on
the people who live in it. A good example of our involvement in community education occurred in September 2003, when First Lady Laura Bush visited Saint Luke’s Hospital. She was there to raise awareness of women’s heart health. Her visit was designed to support the mission of the Mid America Heart Institute’s Women’s Cardiac Center, and the visual fashion-message associated with the National Lung and Blood Institutes, Heart Truth/Red Dress campaign. We were ecstatic that Saint Luke’s Hospital, which had the first women’s heart health program in the nation, was the first stop in this very important initiative.

Mrs. Bush’s presence turned out to be a life-saving event for a fifty-four-year-old woman in our community named Joyce Cullen. Prior to this visit, Joyce was ignoring the pain between her shoulder blades, thinking it was nothing significant. However, the day after Mrs. Bush was at Saint Luke’s, the pain returned with more intensity. Joyce heeded the important message she had heard from Mrs. Bush: that symptoms of heart disease are different for women than for men. Joyce and her husband said a quick prayer, then proceeded to the Mid America Heart Institute, where she underwent emergency angioplasty. Prior to this Saint Luke’s-sponsored community health event, Joyce would not have thought that her symptoms were anything to be concerned about, and certainly not life-threatening.

We are proud of the fact that through our community health education endeavors, we are passionately saving one life at a time.

Saint Luke’s has been very pleased to have enjoyed great success in our market for many years, but this did not happen by accident. We have worked hard, and we have no doubt that the reason for our success is our people. They are motivated, committed to excellence, and dedicated to serving patients. There is no question that members of the Saint Luke’s team provide us the greatest competitive advantage. We believe we are the best place to get care, and the best place to give care, not only in the greater Kansas City area, but in the entire country.

Strategic Planning

George Hayes, Chief Operating Officer—Saint Luke’s has long been focused on the future and has refined its strategic planning process a number of times over the years. We believe we now have a highly interactive and comprehensive method of capturing the critical information that will allow us to maintain our success and identify needed long-term strategies to meet the challenges we face. We’re confident that our process will effectively enable us to provide for the health-related needs of our community for years to come.

Our LPE model provides a framework for operating within all categories, and all of our strategic planning components and SFAs emerge from it. Our Level One process is to develop significant issues. We’re organized around five different perspectives: financial, customer satisfaction, growth and development, clinical and administrative quality, and people. These are the things we manage on a day-to-day basis.

Our strategic planning process is a three-phase, seven-step process. The three phases are: Develop, Deploy, and Manage. The seven steps are:

- Develop significant issues
A three-phase, seven-step, planning process, continued

- Develop Strategic Aim Statements (SASs) and Specific Action Plans (SAPs)
- Allocate resources
- Balance customer needs
- Finalize and approve
- Create alignment
- Review progress

During the three phases, we first develop our list of significant issues, or strategic challenges. The significant issues in our operating environment represent major threats to the achievement of our strategic plan and our future viability. One challenge, for example, might involve the malpractice environment and how it impacts our clinical work and our ability to recruit and retain physicians. Another might concern the way in which we compete with and cooperate with physicians as an explosion of free-standing niche providers threatens to take profitable business from the hospital. Those are concerns that might be part of a significant issues list.

After listing the significant issues we then identify our SASs for each perspective. The aims statements represent single, overarching objectives or goals we want to meet within each perspective. After determining the SASs for each perspective, we then develop SAPs consciously aligned to each focus areas, which are designed to address the aims statements identified for each perspective.

Resource allocation follows as the third step, and so on. The steps make sure that we can adequately support the identified action plans, and we try to carefully balance both the needs of the organization and of our customers prior to plan approval. We implement the plan to create alignment and then review progress regularly to make sure that we are effectively managing plan requirements. Figure 1 shows our SFAs, along with examples of SASs, SAPs, and measures as they relate to each of our five perspectives.

**Figure 1. Saint Luke’s Hospital Strategy Deployment.**

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leaders. The first is an administrative executive. This leader is then partnered with a second, who is a medical staff officer. Over time, the executives keep their positions as perspective leaders. However, the medical staff members move from one perspective to the next on an annual basis, as they cycle through their medical staff officer rotations. The logic is simple. By the time a medical officer moves through an entire rotation, the exposure to such a comprehensive strategic overview will give him or her a sense of where the hospital is headed and what will be necessary to sustain performance.

Key measures are aligned with SFAs in our strategic plan. Additionally, many of these measures have been selected at the hospital system level and are required to be on all hospital scorecards to ensure system-wide alignment. However, we allow each hospital the flexibility to add its BSC hospital-specific measures relevant to each strategic plan.

Once we've identified our strategic aims and action plans, we choose a full complement of BSC-level measures to track performance against strategy. Typically, under each strategic aims statement or focus area, we have three to five measures that we focus on. Of those, we select one to represent the overall “aims” statement—the overarching goal we're trying to accomplish within that individual perspective.

The next component of the balanced scorecard are the scoring criteria. These criteria are set by statistical methods and use comparative and benchmarked data. Performance targets are established for each measure using six quarters of historical performance data, or we use comparative benchmarks as a basis.

We use color codes with our BSC. Blue represents performance that is above the goal. Green represents performance at the goal. Yellow indicates performance slightly below the goal, and red symbolizes at-risk performance that is well below the goal and requires immediate intervention of some type. In general, we track overall performance across all five perspectives to a single quarterly score. That then allows us to track specific performance and compare it to our goals.

Departments are also responsible for aligning their measures with the BSC. And individual employees have measures aligned to the scorecard through our performance management process.

Step 1 of the strategic planning development process involves two retreats: the customer retreat and the people retreat. Both are typically held in June of each year. At these we develop our environmental assessment and review our mission, vision, and values. During the customer retreat, our hospital leadership group reviews customer segmentation and the needs and requirements for existing customers. The group also establishes needs and requirements for identified new customer groups, reviews customer performance data, and sifts out customer issues that will have to be addressed as strategy is developed. The hospital leadership group itself is basically composed of administrative and department leadership.

During the people retreat, staff strengths and weaknesses are evaluated, and important staff-related issues are identified. Environmental Assessment (EA) is a key document for us. It provides a comprehensive data set pertaining to various external and internal factors important for strategy development. The EA includes a detailed analysis of emerging market trends, profiles of key customer groups, customer and stakeholder data, and a profile of Saint Luke’s competitors, among
Step 1, continued

other critical information. Administrative and medical staff leaders evaluate the EA, review the vision, mission, and values of the organization, then identify significant issues Saint Luke’s will most likely face in the future. Many of our key planning factors are addressed in this first step while others are addressed in subsequent steps of the planning model.

Step 2

In Step 2 we produce the SASs and SAPs. During this stage we also review the strategic plan for the entire health system, update the medical staff development plan, conduct risk assessments, and validate the SFAs.

In July, Saint Luke’s Health System produces its draft strategic plan for the coming year. Then our leadership team reviews the plan to make sure the appropriate linkages that will fully align the hospital with system requirements have been identified. Once this is done, the team then validates SFAs. Here, the perspective leaders are given the flexibility to refine their strategic aims statements. The aims statements are then provided to the hospital’s leadership team, which proceeds to develop a preliminary list of action plans that we hope to implement within the upcoming budget year.

At the same time, the medical leadership is reviewing and updating the medical staff development plan, which identifies needed future technology and medical staff manpower requirements. We brought the medical staff plan on-line about two years ago, which has proved helpful in allowing our medical staff and others to communicate more fully and discuss upcoming retirements, physician transfers and resignations, recruitment expectations and plans, foreseeable technology trends and their impact, current group memberships, and other matters. That plan is updated annually to ensure, from a technology and a physician manpower standpoint, that we have the physician resources we need. Finally, the leadership also addresses the risks associated with potential action plans during this step.

Step 3

The third step in the plan development stage addresses resource allocation. This stage includes a growth and financial retreat, at which the operating and capital budgets as well as human resource planning are discussed and developed. During this retreat, held annually in July or August, the hospital’s department and administrative leadership review market and financial performance data. The leadership also presents five-year financial projections. Market data from various sources, derived by our research and analysis department, is consolidated in the aforementioned environmental assessment. This information is also shared at the retreat. All that combined information is used to identify significant issues, major market trends, and projected market developments. Then we basically ask our leadership to identify the really significant issues and market factors mostly likely to affect the hospital and its future strategic plans.

We go through a very similar process at our medical staff leadership retreat. At that time we also determine significant issues through the use of the EA. We solicit input and advice on the nature of the existing issues as well as on the major factors that will most probably impact our planning cycle. During this period our medical staff plays an active role in providing input and feedback by developing a draft list of aims statements and action steps for each perspective.

We acquire similar feedback from our board of directors, sharing the EA with them.
and getting their perspective. We share the EA with representatives of the community as well, to get their perspective, and to determine their sense of significant issues. It’s important to note that by sharing all this information, we’re able to educate people about issues facing the hospital and the healthcare system in general.

During Step 3, target areas for growth are also identified along with estimated growth projections. We consider opportunities to redirect resources, as the need entails. During this stage, capital requests are solicited from departments and medical staff. The requests are aggregated and prioritized, which typically takes about six to eight weeks. Human resource action plans are then developed to support achievement of the strategic plan. Our finance division, with regard to the operating budget, calculates a top-down, bottom-up operating budget.

We challenge unit managers at this point to review budget calculations and also welcome any challenges they might hold toward budget assumptions. Very often they see items that were previously missed. For example, perhaps a new service wasn’t included, or a patient population was left unaccounted for, or an unforeseen event has transpired in the competitive environment that's going to affect volume rates. Any situation like that has to be woven into the budget.

The fourth step in plan development focuses on balancing the needs of various customer groups. This step includes a clinical and administrative quality retreat, a set of customer focus groups, and an “entity and product line” specific conference.

During the clinical and administrative retreat, typically held in September, healthcare service delivery and support process performance data are evaluated. In October, our research and analysis department runs a series of patient focus groups to validate and refine our understanding of customer needs and requirements. That data gets factored into our strategic plan. Following these activities, a planning conference is conducted with leadership from across the health system to review, refine, and integrate product lines and identity specific strategic plans. This also assures us that we haven’t left out some essential component, or duplicated efforts among various entities or product lines. At October’s end, the leadership team finalizes the strategic aims statements as well as the strategic action plans, which completes this phase of our strategic planning process.

Step 5 initiates the deploy phase of the process and includes the completion of our budget process, its presentation to our board of directors for review and approval, the resetting of the balanced scorecard, and a deployment retreat.

Both the capital and operating budgets are reviewed and finalized by the hospital’s senior leadership team to complete the budget process for the year. Then the strategic plan and budget are presented to our board of directors for approval, which usually happens in November or early December. Once the board has given its approval, the hospital’s quality resource department and leadership team then begin collaborative work to reset the scoring criteria for the balanced scorecard.

We develop targets for the card through the use of either six-quarter historical data or comparable benchmark data. This method provides the performance expectations for the plan year and forms the basis for our organizational alignment.

The hospital leadership group consisting of administrative and departmental leaders then convenes at our deployment retreat, usually in mid-December. The final
Step 5, continued

Measures in key SFAs show positive results

Step 6
Creating alignment, Step 6, is important because of the coordinated activity it engenders throughout the organization. This activity is accomplished through two critical elements; the 90-Day Action Plan and the Performance Management Process (PMP). The 90-Day Action Plan requires that each hospital department identify supporting action plans with a target of completion within the first ninety days of the plan year. The PMP is used to manage individual employee performance.

In December, departmental plans are refined and the hospital senior leadership then reviews them to make sure that they align appropriately with the hospital’s strategic plan. In January, strategic and ninety-day plans are incorporated into the PMP. Employees develop personal commitments that are also incorporated, and they are measured against those commitments throughout the year. This system ensures that the plan is not only deployed at the department but also at the individual level to produce full organizational alignment.

Resources are then allocated in accordance with approved budgets and previously developed human resource plans, which basically completes the deployment phase of the process. The 90-day Action Plan is valuable because it allows for cascading down to the individual PMP.

Step 7
The final phase involves a number of progress-to-plan reviews conducted throughout the year. These include both quarterly balanced scorecard and 90-Day Action Plan reviews. The BSC is used to determine progress against planned goals and is reviewed and distributed quarterly. The scorecard results are shared regularly with the board of directors, medical staff leadership, and management. As an outcome of the BSC reviews, improvement actions are identified when performance is below expected levels. This allows us to address ineffective performance immediately, which obviously enhances our ability to achieve established goals.

In addition, each department creates a quarterly 90-Day Action Plan consisting of “highlights” and “next actions” they hope to achieve. The “highlights” summarize the current progress made on the most recent plans. The “next actions” identify the anticipated steps for the upcoming 90-day cycle. Department results for key measures within each SFA are then displayed on the monthly BSC report form. This allows Saint Luke’s to continually assess progress-to-plan and ensures that each department is clearly focused on objectives.

An example of our strategy deployment plan with regard to the Financial SFA includes the strategic aim statement “achieve financial stability” and the related specific action plan to “improve processes related to payment denials” for managed care plans. We’ve committed many resources in order to establish a tight payment process that avoids denial from managed care plans, either for administrative or clinical reasons. “Total margin” would be the key measure for this SFA. In recent year, Saint Luke’s has improved its total margin, achieving financial performance in the top 5% of the healthcare industry in 2002.

In the Customer Satisfaction SFA, “improving customer satisfaction” is one of our
SASs, and “conducting customer focus groups” is an SAP used to help us accomplish that objective. For this area, customer satisfaction regarding “admitting wait time” is a measure. Our analysis has shown that wait times for patients are a key satisfier if the wait time is short, or a key dis-satisfier if the wait time is excessive. Saint Luke’s has made progress during the past three years with either maintaining or reducing wait times for both inpatients and outpatients.

In the Growth and Development SFA, “increasing positive margin business” was one of our aims. Our action plan to support this objective was to deploy targeted inpatient and surgery capacity enhancement strategies. One key measure was “profitable market share.” Several years ago, having conducted our research, we concluded that growing market share for its own sake just probably wasn’t the wisest of all possible goals. When examining market shares countrywide we noticed that some competitors with managed care contracts weren’t even covering fixed costs.

Between the third quarter of 2002 and the third quarter of 2003, we increased our profitable market share from 8.5% to about 8.7%. This may not seem remarkable, but if you recall recent cuts in healthcare in the U.S., particularly from Medicare, we think it speaks to our ability to sustain profitability. Changes in Medicare in 2003 produced a decline in reimbursement of $5 million. To sustain our profitable market share in that kind of environment is, we think, a real feat.

In the Clinical and Administrative Quality SFA, we have a number of measures, including a “patient safety index,” that allow us to track factors that affect our overall clinical performance. We’re working hard to exceed our benchmark expectations in this area. One of these measures, infection control, improved in 2003, bringing us nearly 2 percentage points lower than in 2002, and 2 percentage points lower than the National Nosocomial Infection Surveillance (NNIS) System average. Our infection control index comprises about ten different measures, including surgical wound infection, orthopedic infection, surgery infection, and the like.

In our People SFA, “achieving workforce availability” is a critically important aim, and the work of our diversity council in developing leaders is one action plan we’ve identified, out of many. Retention is a key measure we use to monitor performance in that category. Saint Luke’s has achieved extraordinary success in retention. Year to date through 2004, we’re running slightly below 10% in overall turnover. We have an almost 91% retention at this point in time, and we’re really proud of that.

Focus on Patients, Other Customers, and Markets

Kevin Thorpe, Vice President—Saint Luke’s has understood from the outset that it is in business to serve customers. For that reason, we have always placed a significant emphasis on customer needs and requirements. We believe we have established a comprehensive approach in this area. It’s important to understand how the organization determines expectations and preferences of patients, other customers, and markets. It’s also important to understand how we build relationships with patients and other customers and how we determine the key factors that lead to patient acquisition, customer acquisition, satisfaction, loyalty, and retention.

Customer satisfaction is one of five SFAs in our strategic planning process. Our customer SAS is to improve customer satisfaction in hospital departments and services...
collectively achieving an overall patient satisfaction score of 93.1%.

Several patients have volunteered to serve as ambassadors for Saint Luke’s, to share their stories with the general public and, most importantly, with potential patients. One such gentleman, who appears on some of our billboards, collapsed at work. His colleagues called 911, and EMS providers recognized that his left-sided paralysis indicated a stroke. He was rushed to our Mid America Brain and Stroke Institute, where he received several stroke intervention reversal therapies. Within three hours of stroke onset, he was able to move his left side again. The stroke was completely reversed; he headed to the ICU for monitoring, then returned home within five days. The patient summed up the experience best when he said, “If Saint Luke’s wasn’t there, I wouldn’t be either.” This is just one example of the amazing outcomes achieved by the talented and compassionate physicians and nurses at Saint Luke’s Hospital, and a great example of patient loyalty.

To more clearly understand customer needs, and how we can organize ourselves to satisfy those needs, we group our customers into three major segments:

- **Patients and families.** Patients, and their families, are our principal external customer group. Patients are segmented and tracked, based on site of care, inpatient or outpatient services received, and emergency department care received.

- **Residents and students.** Based on Saint Luke’s educational mission, individuals in training—residents, nurses, clinical lab scientists, chaplains, or radiology technicians—are also categorized as key internal customer groups.

- **Physicians are viewed as partners.** Although many healthcare systems identify physicians as customers, we have chosen to see them as key partners since they, like our nursing staff, participate in the delivery of our health services, and reciprocal requirements exist.

Saint Luke’s uses a formal market segmentation process that incorporates a robust listening and learning program developed by our senior director of Business Research and Development, in collaboration with our leadership team. The Saint Luke’s Listening and Learning Process (LLP) is carried out on an almost continual basis, and includes such methods as surveys, post hospitalization follow-up phone calls, focus groups, complaint management, and direct interface with customers by hospital leadership, patient advocates, and caregivers.

Many forms of customer data are reviewed and discussed in great detail as part of the annual customer retreat that kicks off our strategic planning process. Customer segments are also studied and revised during the retreat. The general review of customer data stems from collections made through our listening and learning methods. The research and analysis team compiles internal and external data and the final product is an environmental analysis (EA) document that catalogues a great deal of customer-related information, including emerging market trends, customer profiles with regard to demographics, insurance coverage, community health assessments, competitor profiles, and employer demographics. Data sources also feed into this process, and market segmentation information is reviewed in great detail at the Growth and Financial Retreat, which is also part of the strategic planning process. An in-depth analysis of the factors provided in the EA document forms the
basis of the process, although data from other sources are included as well.

Environmental assessment information is reviewed by both hospital and health system leaders as part of the planning process, and three questions are addressed:

1. Are needs emerging for a particular group of customers or market segments significantly different from the group or segment as a whole?
2. Are our satisfaction results indicating that there are different key satisfiers for a particular group or segment?
3. Are the services we provide different enough to legitimize the establishment of a separate segment?

Responses to the questions help us decide if additional segmentation is warranted.

We’ve determined from data obtained through our listening and learning methods that key patient requirements are simple. They are \textit{reliability, access, responsiveness, empathy, and competency}. Customer satisfaction survey questions are aligned with these five requirements.

Since those requirements are pretty general, we take the next step to further define these requirements and specify the performance level needed to meet customer expectations. For example, we determined that wait time, outcome of care, and responsiveness to complaints are specific key patient satisfiers that we need to track. Because of that, we’ve included them as measures on the balanced scorecard.

Saint Luke’s approach to building relationships is based on the premise that healthcare service delivery should be personalized to produce patient loyalty. All our employees adhere to our very important principles (VIPs; see below). And we have implemented three other methods to further develop strong patient relationships.

First, our multi-disciplinary care teams have developed a patient path, in addition to the normal care delivery pathway. This path explains how care is to be delivered in a patient-friendly format, which includes providing patients and families with clear explanations of care.

Second, a member of the senior leadership team is assigned as the Administrator on Call, whom we refer to as the AOC. The AOC is available to patients and families on a 24/7 basis.

Third, we’ve established a staff of patient advocates who visit all patients on their first, fifth, and tenth day, and more frequently if needed. In late 2002 we added patient advocates to our emergency department staff as well, in an effort to ensure that communication is optimal and that service delays are minimized. Throughout the hospital, the patient advocates serve as liaisons between patients and the hospital and respond to patient needs immediately.

A copy of our very important principles or VIPs is posted above every timeclock in the institution. The VIPs are also printed on mouse pads, which are strategically placed at workstations throughout the organization to serve as daily reminders of our philosophy. Last, a pocket version is supplied to each new employee. This version contains space for staff to record their own personal commitments, which are developed as part of the performance management strategic planning process.
The VIPs include our vision statement, our mission, the steps in our performance improvement model, our five SFAs, our four core values (quality and excellence, resource management, customer focus, and teamwork, and the following twelve customer contact requirements:

1. Greet patients/guests by introducing myself; address patients/guest by last name unless otherwise told.
2. Ask sincerely, “How may I help you?”
3. Knock, request permission to enter the room, and explain what I am going to do.
4. Complete initial assessment on all patients within eight hours.
5. Acknowledge all patients/guest requests and be accountable for follow-up.
6. Address all complaints within 24 hours or less.
7. Introduce any replacement caregiver.
8. Promote family-centered care, listen thoughtfully to all patients/guest.
9. Respect and acknowledge diversity, culture, and values of my patients, their family, visitors, and my co-workers.
10. Maintain confidentiality of all information.
11. Know, or have access to, legal and regulatory requirements and standards of care related to my specific responsibilities.

These requirements were developed by a group of selected high-performing staff members in 1995. The list was refined in 1999 by our twelve “employee of the month” recipients. Patient feedback, derived from surveys, has validated these requirements.

The customer contact requirements are followed by our employees in all their interactions with patients. They represent our commitment to our four core values, and ensure that all caregivers and employees understand how to treat patients and each other. Employees are assessed on their ability to live these values, and coached and trained in how to improve these skills, at least annually. Alignment of our customer requirements, our strategic plan, and our performance management process enables us to stay focused. The requirements are critical to our success—we never want to lose concentration in those areas.

Numerous methods are in place to allow patients and other customers to contact Saint Luke’s personnel to express views and concerns. We make every effort to be proactive in this regard and encourage frequent contact, since we see each interaction as an opportunity to learn and to improve our relationships with our customers. Patients can access the Saint Luke’s system via our twenty-four hour NurseLine program, and use this service to select a provider, ask medical questions, or register for a wellness class. Patients and their families also have immediate and direct access to either the administrator on call, or to a patient advocate.

The access mechanisms described above are our main source of complaint data. Since we value the receipt of such information as a learning opportunity, we have developed a well-defined process to manage complaints received. Key process elements include employee resolution of complaints at the point of contact, if possible. If resolutions can’t be reached there, employees forward complaints to patient advocates, who then initiate resolution. We require that all complaints be addressed within twenty-four hours. All complaint data is recorded in a specifically designed database, again, to allow for aggregation and analysis.
Complaint management was a process selected early-on for our process scorecard initiative. A process flow diagram was developed that details each step and involves care providers, staff, the administrator on call, and patient advocates. Customer requirements for this process were also developed, as well as a series of in-process and outcome measures that evaluate our ability to meet the defined customer requirements. Customer requirements include timeliness of response, satisfaction with agreed-to resolution plan, and again, resolution of the complaint within twenty-four hours.

Saint Luke’s established a formal customer satisfaction research program based on the importance we attach to customer perception. Years back, we found that we had too much data variability, so we decided to develop consistency among all research tools. A variety of methods were designed to carry out the program. The Press Ganey survey tool became our predominate data source for patient satisfaction. Press Ganey results are now reported weekly and distributed via email to managers and staff throughout the organization. We routinely survey patients, referring and admitting physicians, students, and employees, in addition to conducting patient focus groups and post discharge phone calls.

The methodology employed to analyze and share the data involves strict statistical sampling techniques and segmentation by customer and market components, as well as by the key patient requirements discussed above. Results are trended and regression analysis is conducted to draw greater meaning from the data. We distribute this information weekly and develop formal reports again on a quarterly basis. Results are also compared to results achieved by other health system entities. We compare ourselves to Saint Luke’s Northland Hospital, for instance. We also compare ourselves to other metro hospitals that utilize the Press Ganey survey tool in our marketplace. We benchmark our data against the results of the top fifteen performing Press Ganey hospitals as well. Three core question are always included in the surveys:

1. What is your overall satisfaction?
2. Would you recommend Saint Luke’s to our friends and family?
3. Do you have any suggestions for improvement?

Saint Luke’s has been extremely fortunate in its ability to generate positive customer satisfaction. Patient satisfaction across three patient segments has remained very high for a number of years, and most important, continues to improve. In-patient (IP) satisfaction results are at a 93% satisfaction rate, with a score of 4 or 5 on a 5-point Likert Scale. Out-patient (OP) results dipped in 2001, due to a new service designed without a performance improvement cycle. We quickly engaged the program in an improvement cycle; currently, over 95% of patients again rate us with a 4 or 5. Emergency department (ED) satisfaction results are at about 86%.

Responses to the “would recommend” question show that Saint Luke’s enjoys an excellent reputation among its patients, and out performs its peer group hospitals as measured by Press Ganey. Almost 95% of our in-patients would recommend Saint Luke’s. Similarly, more than 94% of out-patients would recommend Saint Luke’s.

Perspective leaders also summarize quarterly activity related to their areas of oversight. Information incorporated into the summary comes directly from the data.
Patient satisfaction is high, continued

Employee retention is critical to patient satisfaction

Conclusion

At Saint Luke's our focus on patients and other customers has enabled us to achieve great success in the first of our objectives: to be a great place to get care. We exist, after all, to improve the health of our patients, and indeed to preserve their lives. We love what we do and we approach it with great passion and dedication each and every day. We believe we do it well but know that we can always find ways to improve further.

Measurement, Analysis, and Knowledge Management

Jama Johnson, Chief Financial Officer—There's no question that we took a major step forward at Saint Luke's when we became able to instill organization-wide alignment. Adopting the balanced scorecard measurement system was key to this achievement. We had developed a strong analysis system long before, but it wasn't until we integrated our analysis methods with our organization-wide measurement approach that we were able to realize the significant gains we had hoped for.

The Saint Luke's Performance Improvement (PI) model is the basis for the development of our process level measures. We use a five-phase approach:

1. The Plan phase includes concept design and design team establishment.
2. The Design phase requires that measures be established with the creation of process designs.
3. The Measurement phase requires that data be collected against measures to monitor performance. Outcome and in-process measures are established hospital-wide, in both healthcare delivery and support areas, to monitor process performance. These are typically linked to the key requirements of the process. Customer feedback toward the process is normally included as part of the measurement approach. Department leaders work to ensure that process-level measurement is a routine activity throughout the hospital.
4. In the Assess phase of our model, we identify and analyze special cost conditions, then identify and select best solutions.
5. In the Improve phase, we implement solutions and monitor results. Additionally, we evaluate best practices and review technological advances, to promote discovery of additional improvement opportunities.
In all aspects of our performance, we collect comparative data from a variety of sources to ensure more than one comparison for each main data type. If a measure is selected for inclusion on our balanced scorecard, it automatically becomes a priority for collection of comparative data. We use this data to set performance targets, to support our efforts at maintaining market leader performance, and to sustain membership in the nationwide group of top 25% performing hospitals.

To meet those objectives then, we feel driven to compare ourselves against our direct competitors and similar hospitals in other markets. We do that partly by researching third party-providers to identify those with a demonstrated ability to provide the data we need. Maryland Quality Indicator Project, for example, supplies various clinical indicators; Standard & Poor’s yields various financial figures; and Saratoga Institute offers a variety of human resources data.

As I mentioned, the key to achieving organizational alignment for us was the adoption of our balanced scorecard measurement system. The BSC, with its five perspectives—financial, customer satisfaction, growth and development, clinical and administrative quality, and people—is the primary measurement tool for our organization.

The key measures on our balanced scorecard are aligned with SFAs and our strategic plan. Once we have identified our strategic aims and action plans, the full complement of our BSC organization level measures are chosen to track performance against strategy. Examples of some of our key measures include: operating margin as a financial measure; overall satisfaction as a customer satisfaction measure; and profitable market share as a growth and development measure.

Scoring criteria are set by statistical methods and incorporate various comparative and benchmark data. Performance targets are established for each measure using a three-year historical performance or a competitive benchmark as a basis.

Because Saint Luke’s process model is also aligned with the five perspectives, all the work accomplished throughout the hospital falls under one of these perspective areas; this permits us to link measures at every level back to the scorecard. In addition to having current quarterly performance on that quarter’s scorecard, we also maintain trend charts that depict our performance over time for each of the measures reported. This provides a basis for examining historical trends.

As part of our quarterly scorecard process, each perspective leader also prepares a narrative description of recent highlights and next-action steps that will be completed within their perspective over the next ninety days relative to BSC measures. This summary provides senior leaders and department heads with knowledge about recent activities and upcoming actions relative to the areas measured.

We utilize the 90-Day Action Plan to deploy activities down through the organization and into our department level. Departments develop specific actions to support and improve key balanced scorecard measures.

Annually, perspective leaders identify one key respective measure, then departments identify action plans to be completed over each ninety-day cycle. The results are reported monthly to departments. This process accomplishes three objectives:

1. It permits senior leaders to drill down into a selected measure and gain knowledge about what activities are impacting performance levels.
2. It provides senior leaders with knowledge about two areas: the actions departments have undertaken to drive performance during the past quarter, and what each department is preparing for the upcoming quarter.

3. It further strengthens alignment by ensuring that departments are focused on balanced scorecard measured areas. Finally, this approach provides perspective leaders with an opportunity to identify best practices at a department level and spread those across all departments in the organization. This approach has benefited us enormously since we deployed it a few years ago.

The performance management process is the method we use to align individual employee performance with our strategy, core values, and measurement system. Here is an example of how we’ve accomplished this in our organization: For our finance focus area, we wrote a hospital aims statement to ensure financial stability by achieving the overall hospital operating margin goal. At the department level, through the 90-Day Action planning process, the nursing director established the goal of meeting revenue and expense targets, and provided a measure to track that performance. Then, at the individual employee level, goals were set for each nurse to support this objective. The individual goals were measured against the overall objective. Each nurse had a goal of achieving a targeted accuracy rate for charge entry and documentation that was measured by quarterly unit audits.

Our information and knowledge management systems, along with our information technology architecture, are another important part of our organization. We break down our architecture into four broad categories:

Our clinical information systems, which comprise automated solutions that include patient demographics, clinical protocols, orders and results, histories and physicals, transcribed reports, electronic signatures, nursing care, discharge summaries, charged capture for services rendered, incident reporting, and cardiac and radiology electronic imaging. Patient information has been automated so that physicians have computer access to it from either our campus or their offices. They can also access this information from their homes, with the proper security. This capacity spans our entire 120-mile service area.

The next category are our administrative and financial systems, which include our accounts receivable management system, incident reporting, our quality management database, and more traditional systems like HR, payroll, materials management, accounts payable, and general ledger and financial reporting.

Last, our executive information system and our decision support system are automated solutions that translate a great deal of clinical, administrative, and financial data into information that supports key business decisions and strategic planning functions.

In the area of knowledge management, we use multiple methods to encourage and support the exchange of knowledge at all levels of our organization. Saint Luke’s has identified a wide variety of knowledge holders, including staff members, teams and councils, leadership, patients, physicians, suppliers, students, and residents. The knowledge held by these individuals and groups is collected and transferred by means of staff reports, leadership retreats, creation of storyboards, education programs, certain publications, e-mail (used extensively), various committees, and
process improvement and design team activities. In addition, we place an emphasis on best-practice sharing days throughout the hospital.

Our measurement and knowledge management systems all contribute to serving our patients, other customers, physicians, and employees well. The collection of key data, the analysis of that data, and the dissemination of that knowledge are all critical to sound decision making and the ability to provide outstanding service.

Staff Focus

Dawn Murphy, Vice President of Human Resources, and Susan Yeager, Chief Learning Officer—Without our employee’s commitment to our patients and their families, we could not have achieved our current level of success; we feel that our employees are what set us apart and made us a Baldrige winner. We are unique in that our balanced scorecard has a separate perspective devoted solely to our people. We think this shows how important employees truly are to us.

Healthcare and hospitals in general are complex organizations. However, our work system is straightforward. We identify employees by two groups: those who touch patients, our caregivers; and those who support the people who touch patients.

The people who touch patients are organized into care teams. In turn, departments that support caregivers are organized by function. For example, the HR department is a unique structure with no specialists, only generalists. Teams of HR representatives and technicians are devoted to particular departments, product lines, or business units. Within the HR department, our representatives provide support to their individual product line or business unit. For example, one team supports our heart institute and our women’s and children’s services. The representatives really get to know the people in their departments, the leadership there, and the cultures of those units. From that deep understanding, they are then better able to service those departments, so it’s an effective structure.

Multi-disciplinary care teams each have a physician, a medical resident (since we’re a teaching hospital), and an RN. The team might also include a multi-skilled person, called the patient-care technician, who works with the nurse. Each team has an information associate. Students from Saint Luke’s nursing school and lab program are included on care teams as well, and pharmacy residents are also involved. Each care team is accountable for all the care that’s provided to each particular patient.

Our primary reward system is based on those four core values that drive everything we do: quality/excellence, resource management, customer focus, and team work. We have combined our job description with our performance review form, so the job description is written around those values. We bring employees into the organization using behavior based interviewing, with reference to these values.

Each of our balanced scorecard perspectives is tied to and supports at least one or two of the core values. And each of our strategic aims statements and our strategic plans is integrated back into our four core values. So, our values really drive everything we do, and as mentioned, we align individual personal commitments with the
Employee reward system is based on core values, continued

Performance management process is continuous cycle

Personal commitments and retention rates

Performance management cycle.

Our performance management process is a cycle of improvement. Employees set and plan for their personal goals near the beginning of the year. They are coached throughout the year and reviewed at year’s end. We have a common anniversary date for reviews, which are due during the first quarter of the year. We process reviews in April and employees receive them with their first May paycheck.

Employees spend April and May setting new goals or personal commitments for the coming year. Then they are again coached through that year and reviewed in the first quarter of the following year. Merit increases depend on the results of the reviews and the overall salary range of the employee. This cycle seems to maintain employee community; we have an average tenure of over nine years for nurses.

Case Study • Saint Luke’s Hospital of Kansas City

Our performance management process is also organized around our four core values. To each value we link shared behaviors or expectations. These answer the question, “What is expected of me as an employee of Saint Luke’s health system?” Each core value also has job-specific accountabilities. Those answer the question, “What am I accountable for, what must I do, because of the job I hold?” Each year, employees set personal commitments. An individual might ask, “What goals will I commit to for the next year, based on my own individual talents, and how I can support the strategic plan?”

Shared behaviors don’t change unless something changes at the system level. Updates are made occasionally at the system level, since we’ve had the process since 1995. For example, when we implemented our diversity initiative, we added a shared behavior on diversity. When we implemented our corporate compliance plan we introduced a shared behavior for the compliance plan. But if the job doesn’t change, the job-specific accountabilities don’t either. However, each year the personal commitments change based on aligning goals to the strategic plan.

A key to retention are the career ladders offered in most of our departments, both for direct caregivers and for those who support the direct caregivers. Nursing implemented a behavior-based career ladder two years ago as part of our shared governance. The nurses themselves designed, developed, presented, and implemented that ladder. And nurses climb the ladder through four levels based on their behaviors. We assume they have the rudimentary technical skills they need, but they move up the rungs of the ladder based on peer feedback regarding the behaviors identified as key in the nursing department. This has been a very popular program with a lot of participation. When other clinical departments saw how effective it was, some wanted similar programs for themselves. We now have a behavior-based ladder for patient care technicians. Last year, respiratory therapy designed its own behavior-based career ladder.

How does an individual use personal commitment to contribute to employee retention? In 2003, the respiratory therapy manager decided, as a personal commitment, to help the department team create a career ladder designed solely by the employees themselves. So, the department manager worked with the department team to design a new behavior-based recognition system for that team. A group of six therapists designed the system, identified key behaviors, and developed the PMP for each level.
The key here is that the whole approach was based on the understanding we brought to the situation. We know that if we keep respiratory therapists, we keep a stable respiratory department. And, if we keep a stable department, we influence our retention positively. That's one example of how individual personal commitments can align with strategic aims statements.

Recognition obviously is also an important element of retention. So we've moved beyond the balanced scorecard and implemented process-level scorecards. One process card we developed relevant to the People perspective specifically concerns recognition. An early warning signal concerning recognition is retention; if people don't feel like they're recognized, they're going to leave. So we have a specific question on our employee satisfaction survey: "I am recognized for my work."

We also do "stay interviews," in which we speak candidly with employees who've been with us between five and fifteen years, which are the opposite of exit interviews. We use this tool to determine what is important to the satisfaction of long-term employees. We also use a variety of recognition questions in this interview, to help discover whether staff members are being recognized. And for every one of our recognition programs, we survey those recognized by their peers and ask them whether that recognition is supporting our core values, whether they understand the nature of their recognition or nomination, and whether they have any programmatic suggestions for next year.

To ensure a good fit between potential employees and our organization, we use behavior-based interviewing with regard to our core values. In this approach, we ask applicants questions about specific work-related situations, about actions taken in the situations, and what they learned from those. The questions reflect our core values. So, for instance, we might ask a question related to customer focus, such as: "Tell me about a time you had to deal with an upset patient." Or we might ask a teamwork related question, like: "Tell me about a time when you had to get cooperation from other departments to accomplish a certain task." Behavior-based interviewing is used both by HR reps and hiring managers. Because the interviewers are using a common set of questions, they can more easily compare responses after interviews are conducted.

Behavior-based interviewing has also helped us focus our selection process. The HR department received almost 19,000 applications last year for positions at Saint Luke's. Behavior-based interviewing has helped us move beyond looking at only the fit between positions and job skills. We have been increasingly able to look at the fit between an applicant and our entire culture.

Educational training is aligned with our organizational mission, vision, and values. It is a tool that helps us achieve our strategic objectives. The training itself is divided into four critical areas. The first area is administrative, which includes leadership development. The second critical area involves clinical education for non-physician staff, including include nurses, pharmacists, and dieticians. The third critical area is continuing medical education, which is specifically geared to medical staff educational priorities and continuing education requirements. The fourth is the residency and medical student training critical area. This area addresses the defined training...
Learning and education training strategies, continued

Adding a chief learning officer has aided knowledge management

Historically, Saint Luke’s has identified and delivered training at either the Saint Luke’s Health System level or at the departmental level. In 2003, we established a Chief Learning Officer in response to Baldrige feedback that suggested we develop a more centralized organizational approach to our staff learning and knowledge management. This new role enhances an already strong educational program. The CLO conducts analyses on a regular basis and performs periodic organizational, educational, and training assessments. From this information action plans are developed to further meet identified needs.

We have established an administrative training team made up of educators across the organization. This team operates under the auspices of the CLO, and supports the global education program. Educational needs are specified through our strategic planning process. The administrative training team also supports alignment of measures in the learning arena. Finally, the team identifies and provides high-value tools that enhance learning at both the hospital and department levels.

Monitoring training effectiveness is key

To ensure that our learning opportunities are developing expertise and benefiting the organization, we have placed emphasis on training effectiveness determinations. For our approach to measuring training effectiveness, we use the Kirkpatrick model, which contains the following questions:

1. Has this been a positive experience for the student?
2. Has learning occurred as a result of attendance?
3. Has behavior changed as a result of the learning?
4. Has organizational improvement resulted from the learning?

Consider employees’ emotional and spiritual needs

While our mission statement speaks to our commitment to meet the physical, mental, and spiritual needs of the communities we serve, we have become aware that we need to meet the physical, emotional, and spiritual needs of our employees. We’ve redesigned benefits communication to offer employees ways we can meet those needs, and we are in the process of implementing an integrated benefit strategy.

New employees are surveyed twice

As new employees arrive for “new hire” paper work, we provide a survey. We question them on how they heard about their position, how they felt about the selection process, and whether they had received needed information up front. We do this to gain some sense of the quality of the selection process itself.

We also celebrate the first ninety days of employment, which constitutes the introductory period for new employees. At that time we survey new employees again and ask them how their actual job compares to initial job descriptions, that way we discover whether we are describing positions clearly, and determine if the new staff members are satisfied with their work.

Surveys and interviews

We implemented an annual employee opinion survey aligned with the Baldrige model within the past two years and it has provided actionable information regard-
ing employee satisfaction.

One of our best practices are “stay interviews.” We have a critical mass of employees who have worked for us between five and sixteen years. With them, we started stay interviews—the opposite of exit interviews—about three years ago.

When we started this, we did stage it though, because what we didn’t want to cause anxiety for employees. So we first informed our leaders about the new process. We randomly selected about 100 employees and sent letters to their homes, introducing the idea, and the rationale behind it. Following that we called them, and virtually everybody we called came over and spent about an hour with us, and gave us incredibly candid information. The next year, when we sent out new letters of invitation, we indicated the changes we implemented from the previous year’s feedback, so employees saw that we were actually paying attention to what they said to us.

The stay interview process, as a whole, has turned into a wonderful recognition component as well. Our employees see this as something that’s different in a positive way, as they are being acknowledged for their years of service.

We conduct exit interviews, too. Obviously it’s too late to save our relationship with those employees, but we gather information, spot trends, and try to address concerns as they become noticeable.

What do we do with the information obtained in surveys? If a want, need, or issue surfaces in two or three different areas, we address it and develop action steps as appropriate. Our employees are remarkably consistent in their opinions. So if something comes up in the employee opinion survey, we know it will surface in the stay interviews as well, and may emerge in other venues. We act on what we learn and make sure employees have assurances that we respond to their concerns.

Our Balanced Scorecard People Perspective measures include:

- **Human Capital Value Added.** This is a productivity measure of employee contribution per FTE.
- **Retention.** We would rather focus on the percentage of people who stay with us than the percentage of people who leave.
- **Diversity.** We are about 24% minority at Saint Luke’s Hospital, but the percentage is smaller at the professional staff and manager level. We have a Diversity Council that has been in existence since 1996, and so we put a diversity measure on our balanced scorecard, and use affirmative action data from the local metro area to set targets. We have improved over time because of our focus on our diversity initiative and the work of our diversity council.

We’ve also added an employee satisfaction measure to our People perspective. We use “overall satisfaction with my job” scores from our Baldrige aligned survey. Our people strategy is captured in one essential sentence reflected on our balanced scorecard: “We are committed to retain productive employees, particularly in key clinical roles, who have a voice in improving their work environment and who are mentored by diverse leaders.” The mission question “I understand the mission of my organization” was not on our previous survey tools. To the question, “I am proud to work at Saint Luke’s Hospital,” we are well into the 90% range. “My work gives me a feeling of accomplishment” is the next question on the survey, followed by, “Overall, I am satisfied with my job.” All-in-all, the trends are positive or at least stable, solidly in the high 80s/low 90s as far as percentages of scores of 4s (agree) or 5s (strongly agree).
Process Management

Mary Ellen Doyle, Chief Nursing Officer—As with many organizations, Saint Luke’s found it very challenging to become process focused. While we recognized relatively early that there is value in viewing all work as a process, and we applied statistical process control techniques in tracking many of our high-level outcome measures, it took time to understand how to manage processes at the point of service delivery.

As you have read, our Saint Luke’s Leadership for Performance Excellence model provides the framework in which we operate. The model depicts the alignment of our mission, vision, values, strategies, high-level organizational processes, and lower-level process measures with Saint Luke’s Balanced Scorecard Measurement architecture. Incorporated in the Performance Excellence Model are process scorecards. The process scorecard initiative refined our approach to measuring and tracking processes, and built on our prior efforts to monitor process improvement and performance through the use of both in-process and outcome measures.

Saint Luke’s created its service, design, management, and improvement model some years ago to provide a guide for effective process management. The model consists of five major phases: plan, design, measure, assess, and improve and it is fully deployed across the hospital.

1. Plan. The plan phase of the model provides employees with a guide to developing a proposal for a new or revised program of service. A new program or service or a major revision to a program or service is typically generated as the result of our strategic planning process. Sponsors may be physicians, members of our leadership team, board members, employees, students, and even volunteers. Sponsors are responsible for defining the program or the service concept, developing a business plan with the appropriate operational and financial considerations, then submitting the proposal to our Executive Council for consideration.

2. Design. The Executive Council evaluates the concept and business plan, verifies that it aligns with the hospital mission, vision, values, and strategies, and then decides if a design effort should be initiated. If so, a design team is established. This team is composed of the stakeholders of the program or service, including physicians, employees, customers, and suppliers as appropriate. Initially, the team identifies the requirements of the program or service, then validates that the program or project should move forward. (This entails having an in-depth understanding of market, consumer, customer, and organizational requirements, and establishing service features that can adequately address them.) Once the team has validated that requirements can be met, they proceed with the creation of the program or service design, and the delivery process that is needed to support it.

3. Measure. When a decision is made to proceed, the team next develops key success measures for the program or service and the delivery process. These include both in-process and outcome measures, and are linked to the key requirements of the process to ensure the ability to monitor effectiveness against the factors that are most important to the customers and the organization. Once the measurement plan is in place, the team is then responsible for identifying a pilot or test procedure to ensure the program or service delivery will work effectively prior to full implementation. If the pilot or test is successful, then implementation becomes a reality. At Saint Luke’s we are masters of pilots—we do a lot of them.
Once implemented, the program or service and the delivery process is monitored to ensure it fulfills the requirements of the measure phase of the model. Process owners must measure performance and are enabled to carry out this responsibility through training programs we offer through the hospital or our Saint Luke’s system, this includes training on the PI model and training in collecting and analyzing data to effectively monitor process performance.

4. Asses. When process owners identify excess variability in their process performance, they move to the assess phase of the model. In this phase, process owners strive to identify the root cause of the variability they have observed. They use any number of process analysis tools to understand the problem, identify potential solutions, and ultimately choose the best solution to solve the problem and generate improvement in their process’s performance.

5. Improve. The final phase is improve, which guides process owners in implementing the process improvement action. Process owners are required to monitor the impact of the change, and once it has been determined that the change is effective, to anchor that change so that the impact will be sustained. Process owners also disseminate information about the improvement so that employees and other process owners can benefit from the work that has been done.

From a broader perspective, the PI model directs process owners to review overall program and service outcomes on a regular basis and evaluate best practices and technological changes even if their process is performing well. This is done in an effort to identify additional improvement opportunities. The Balanced Scorecard perspective leaders evaluate and prioritize all requests to establish organizational performance improvement teams based upon PI team charters submitted to them. The PI steering committee ultimately approves all official PI team charters.

Saint Luke’s has identified its key healthcare delivery processes based upon the needs of the patients and the activities that directly impact the patient as care is delivered. We selected the following as key healthcare processes:

• Admitting
• Multidisciplinary care
• Care support services

Scheduling, pre-certification, and registration are subprocesses within the admitting process, and similarly initial assessment, planning, intervention, evaluation, modification, and resolution are subprocesses within the multidisciplinary care process. Laboratory, radiology, pharmacy, and nutrition are components of our care support processes.

The PI model is used to design, manage, and improve all processes. Key requirements are driven primarily by customer and operational needs determined by the organization, and key measures are linked directly to the key requirements, and include in-process and outcome measures.

For the admitting process, for example, Saint Luke’s has determined that based on customer feedback, timeliness and accuracy are key requirements. Key measures are wait times and admission audit results. Wait times are a direct reflection of the timeliness requirement, and admission audits focus on the accuracy of patient information obtained at the time of admission.
Managing key healthcare processes, continued

Saint Luke’s has established multiple measures for the *multidisciplinary care process*, as well as multiple key requirements, and that is because care delivery is our core business. Key requirements include accuracy, timeliness, reliability, access, responsiveness, empathy, and competence. A sample of key measures includes infection rates, cost per day, medication errors, medical staff clinical indicators, JCAHO Core Measures, and length of stay, to name only a few.

Timeliness, accuracy, competency, and appropriateness are key requirements for *care support services*. Some key measures include turnaround time for radiology, stockout rates for pharmacy, nutritional assessment, and discrepancy rates for pharmacy. All departments have numerous quality assessment measures.

Carrying out key healthcare processes

Approaches used to carry out these healthcare processes include:

- *Multidisciplinary care teams* composed of a registered nurse, patient care technicians, and information associates (and other disciplines as warranted by patient needs) partner with the physician to deliver care.
- *Clinical pathways* are utilized to manage care delivery. The pathway serves as an interdisciplinary plan of care and is a nursing documentation tool.
- *Patient pathways* provide information in a patient-friendly format. This includes who is responsible for care, and what goals have been established. The patient pathway provides the patient with a daily guide for expected care, tests and procedures, and identifies roles and goals during hospitalization. We have found this approach to care delivery to be highly effective.

Business and support processes

Our business and support processes include:

- Education
- Research
- Supplier Management
- Revenue Cycle Management
- Physician Partnering
- Human Resource Management
- Facilities Management
- Health Information Management
- Hotel Services Management

The PI model is used to design, measure, and improve key business and support processes. Requirements are driven by the customers of the processes and the operational needs of the organization. Key measures are selected based on the key requirement. Figure 2, on the next page, shows the key requirements and key measures for the physician partnering process. We recognized that the nature of any partnership includes reciprocal requirements.

Another example is revenue cycle management. Key requirements for this process include efficiency and timeliness in order to produce higher performance in collecting payments for services rendered. Examples of key measures are cash collections to target, net days in accounts receivable, accounts per collector, calls received vs. statements sent, and customer satisfaction.

Improving process measurements was the subsequent objective of Saint Luke’s process scorecards. It has been a challenge to get all staff to understand the im-
importance and the techniques of process management. As a result, we developed a process scorecard initiative to create a stronger focus on process and provide staff additional knowledge and tools for managing their work.

We felt this approach would also create a strong alignment between our balanced scorecard measures and our process-level measures, and allow us to improve the integration of our processes across the hospital. The process scorecard provides a measurement tool to monitor process performance and produce horizontal alignment. It complements the vertical alignment within Saint Luke’s organizational structure, and our balanced scorecard approach.

Our senior leaders took ownership of this initiative. We built the process scorecard model that we now use and developed an implementation plan to ensure that maximum leverage would be gained early in implementation.

Journey to Performance Excellence

George Hayes, Chief Operating Officer—We trace the routes of our Baldrige effort back to 1989. Saint Luke’s was like many organizations at that time, operating with strong management in control at the top, an intuitive approach to decision-making, and a culture that focused more on individual than on team performance.

Our first step began with the implementation of a broad organizational quality assurance approach, in which we moved from a limited-focus patient care committee to a broader quality assurance concept.

Soon thereafter, we began to focus on process management. Initially this came with the recognition that all work performed at the hospital was in fact a process and that when problems occurred it was generally a result of the way people were doing their work rather than a lack of competency or a lack of desire. As people demonstrated more and more skill around developing process improvements, it became readily apparent to us that the people actually doing the work were in the best position to identify problematic processes, and to make improvements. As a result, Saint Luke’s leadership began to foster and promote an empowered workforce.

Next in our evolution came the recognition of the value of multidisciplinary teams. As we sought to make process improvements, we began to recognize that groups of diverse people had more knowledge than an individual and could add significant value by working together to generate improvements.

In 1992, we began to see the value of customer-related data, and established a formal customer satisfaction research program. The next step in the evolution of process management was to begin development of clinical care pathways to stan-
History of our Baldrige journey, continued

dardize the delivery of care based on best practices and established protocols. By 1993 the total quality management concept was receiving a great deal of attention nationally and we saw value in its application to our organization. The focus on total quality management resulted in a number of initiatives in 1994. Among those was the application of statistical process control techniques to our process management efforts.

During that year we also began exploring the Baldrige Criteria, and participated in an effort to design healthcare criteria for the Missouri Quality Award program. Those activities culminated in a corporate decision to embrace the Baldrige management model in that year. In 1995, the first year that we applied, we become the first healthcare organization in Missouri to win the Missouri Quality Award.

In 1999 we won a second Missouri Quality Award. We also submitted our first Malcolm Baldrige application that year, the first year that healthcare organizations were eligible to apply. A most significant event in our quality evolution was the implementation of our balanced scorecard process, based on feedback we received both from Baldrige and MQA reports.

In 2002 we received our third Missouri Quality Award, the first organization of any kind in the state of Missouri to accomplish this. Of greater significance to our Baldrige journey is that we received our first Baldrige site visit. During that same time we further refined the balanced scorecard process and developed our 90-Day Action Plan process to enhance our strategy deployment and alignment capabilities.

Finally last year we implemented process-level scorecards and created the Chief Learning Officer role. In addition we began to prepare an application to achieve nursing magnet designation and as we continue our efforts to improve, we will be submitting that application in the next few weeks.

Baldrige journey is still ongoing

It’s been a long journey, and we still have a long way to go, despite having won the Baldrige award. Our journey is one that has produced positive change and great success. For example, our patient satisfaction has been sustained at high levels across all of our patient segments. Our employee satisfaction is high and continues to climb. Our margins are among the nation’s leaders, despite continuing payment cuts from Medicare and Medicaid, and an increasing percentage of uninsured and underinsured patients that will undoubtedly challenge us, like many healthcare organizations, well into the future.

Lessons learned

The journey has been exciting and continuous, and we have learned much. The most important lessons we have learned are the following:

1. Leadership is key. It takes a total team effort to achieve the success that we’ve achieved, but leadership is critical.

2. Leadership at all levels is vital; not just senior leadership. There are informal and formal leaders in the organization, and everybody has to play an active role in that success.

3. A willingness or need to change must be generated within the organization.

4. The Baldrige process has really proven to be an invaluable team-building experience around which our entire organization has rallied.

5. You must be willing to trust people to make it happen, and know that most times people will make the right choices for the right reasons.
6. There are no quick fixes. Patience, perseverance, and consistency are essential. Of course, customer focus, continuous improvement, management by fact, and employee focus are also critical factors for performance excellence. It is great to reap these awards for our efforts, but what is more important is the satisfaction that comes with positively impacting the people we serve.

As President Bush said at our awards ceremony, it really does make us feel good to work in an industry in which we save somebody’s life. At Saint Luke’s Hospital we strive every day to be the best place to get care, and the best place to give care. That’s why we can serve patients so well.

**Applying for the Baldrige award**

*Sherry Marshall, Vice President of Quality*— The most important aspects of the application process are the consistency and the persistence of the organization—not giving up, letting down, giving out. It’s critical. There were years when we said we’d really like to take a year off, just to shore up the place. There were years when we said, “It’s too soon,” “It’s too early,” “We’re not ready.” But you’re never ready, or you never think you’re ready. The point is, you’ve got to keep moving forward, even with all those doubts.

What was the original rationale at Saint Luke’s for using the Baldrige model? First of all, it made so much sense to us. We decided, before we even looked at it, that we needed a systematic approach. We wanted a model that would help us look at processes, and that could be repeated. Before Baldrige, we might have handled patient complaints, for example, in a different manner all over the organization. After Baldrige, and learning that consistency and repeatability are keys to good results, we moved to a higher level of performance. We wanted to align our organizational components for consistency in plans, processes, measures, and actions. And we knew that there needed to be one thread that shot ran straight through those four aspects: the plans, processes, measures, and actions.

Before Baldrige, we had lots of good people doing lots of good things, but we weren’t always moving in the same direction. After Baldrige, we became a fully aligned organization. We learned about best practices and deployed best practices. We began to benchmark against the very best, and not just within our market, but within the country. We aimed to achieve high performance. Most important, we wanted to sustain improvements. We found we could get all of that if we adopted the Baldrige management model.

It doesn’t matter if you’re in healthcare, education, or manufacturing. If you address all six Baldrige categories very well, then your performance is going to give you the results you want to achieve.

The beauty of the Baldrige model is not only the criteria that serve as a framework, but also the eleven core values, such as visionary leadership, and for us, patient-focused excellence and a systems perspective. Those also help lay the framework that allows you to work effectively within your organization.
Baldrige Criteria are universal, continued

And the criteria work well because they’re non-prescriptive. They don’t tell you how to go about your business of strategic planning, for example. The criteria just expect you to have a very systematic approach to strategic planning. You can really individualize the criteria to your culture and to what makes sense in terms of your unique business factors. The criteria are constantly driving toward organizational improvement.

Senior leaders must walk the talk

For us, senior commitment was essential. If you want to get the top results, realize sustained improvements, and see your organization soar, change has to start at the top. You also have to walk the talk. Senior leaders must be engaged. A work force can tell very quickly if you’re committed, dedicated, and honest.

We felt that the best way to deploy the Baldrige Criteria throughout our entire company was to assign a senior leader to each of the category leadership positions. So, our Category One effort was led by our CEO, Category Two by our Chief Operating Officer, and so forth. Category Seven was a bit tricky to assign a leader to. In 1995, when we wrote our first state quality award application, we assigned a single person to gather all the results. In an evaluation and improvement cycle, we concluded that that hadn’t worked very well, because each category seemed naturally aligned with its respective results. So the leader responsible for Customer Focus became responsible for customer results, and so on.

Those senior category leaders then embraced the criteria. And that began with study. Some of them became examiners within the Missouri Quality Award process. In general, we think there is no better way to learn than by involving yourself in the state quality award system. If you have a state quality process, begin there.

Feedback is an invaluable resource

Use the state quality award program as a resource, because the people involved with it are there to help you. The Missouri program provided us with invaluable input and assistance. Through this, our senior leaders studied the criteria. They embraced it, talked it, walked it.

Alignment—our organizational epiphany

We began writing applications to gain knowledge, not just to win a trophy. We wrote applications because we knew that the feedback reports would provide us with invaluable recommendations for improvement. We took our feedback report and dissected it. We read about our strengths, and celebrated them. But we studied the opportunities for improvement as well, and we have prioritized those opportunities and used them in our strategic planning process.

In 1999, feedback from the Missouri Quality Award touched on the topic of alignment. The examiners stated that we needed to strengthen the alignment between our measures and strategy. We had heard the same message in prior feedback reports and we embraced this opportunity for improvement. We knew we were not going to maximize organizational alignment if we had measures that didn’t reflect strategy. So with that insight, we went to work. We realized that we had to start with the strategy, and evolve from there. So we developed our strategic plan, and drove it down to the individual staff member level to ensure total alignment infusion. We completely restructured our measurement system, which is now a direct reflection of hospital strategy. I suppose you could consider this an organizational epiphany.
As we continued through the state award process, and received site visits, we learned about the importance of being as well prepared as you can be. So we organized as much as we could up front. Because many of us had become state examiners, we knew that the purpose of the site visit is to verify and validate your application. So we knew the examiners would ask us to show them how we went about doing various tasks.

In the last several years, we prepared by assigning a quality resource analyst (and we’re blessed to have seven of them) to each category leader. Those quality specialists became helpmates to the category leaders. Basically, we had the analysts carefully study the applications. For example, if we talked about “patient complaints” or “trends noted over time” in the applications, we then tasked those quality analysts to gather all the related data, sample reports, trends, results, and so forth. That way we were then prepared for the examiners, should they ask for similar material. All of this information was carefully organized and catalogued and proved to be a helpful approach for us.

After all our preparation efforts, we simply told our staff to relax and tell their story. “Just tell the examiners what you do,” we said. The staff had a great time sharing their stories regarding the care they provide at the hospital. Their dedication and enthusiasm for taking care of patients and serving others really came through in the interviews with the Baldrige examiners.

Throughout the process, we faced some particular challenges:

- **Communicating real intent.** We had to learn to communicate the value of the Baldrige program as a business model and not just as an award process. This is key. It cannot be viewed as a trophy chase! The staff won’t rally around you if they think all you want is some big trophy sitting in a case in the front lobby. You need to communicate the program as a way of life—this is how we’re going to do business because this is going to bring us the results we need. That’s exactly what we did.

- **Understanding the criteria.** For us, this was a challenge as well, because back in 1995 when we had our first set of healthcare criteria from the state level, the criteria weren’t worded in easy to understand language like they are today. Ultimately, understanding the criteria and the linkages between the criteria, and how they needed to be integrated wasn’t easy for us. But it was necessary. This whole concept of alignment took us several years to fully understand and deploy.

- **Making it real to employees.** You have to make employees understand that the use of the Baldrige criteria is not something that is just done at the executive level. It is a model that has to be understood and embraced by staff at all levels of the organization in order to get the desired results.

- **Writing the application.** This was always a challenge because none of us professed to be great writers, but of course the more you do it, the easier it gets. We started out in 1995 with just two people trying to write the application, as if they had knowledge of the entire organization. It wasn’t effective. We got smart after that. We branched out, using the category leaders, and everybody helped write a section of the application, and then we did the editing at the end.

- **Organizing for site visits.** You never have enough time to get everything done that you think needs to be done.

- **Staying the course.** This is probably the toughest because other things are going to come up and you just have to be vigilant.

- **As a way of life.** The program has to be communicated as “the way we do...
business,” as a way of life that requires full and active participation. This is not something you can do by yourself. You need a team of committed people and the impetus needs to permeate through the entire organization. Overall, this was a valuable team building experience. It rallied the entire organization around this effort.

- **The application process.** We discovered that simply trying to describe your work processes in writing begins to reveal some real gaps in your organization. So by virtue of the fact that you’re assessing as you write, the whole activity leads to performance improvement.

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**Next steps for St. Luke’s**

We are in the process of studying our Baldrige feedback report. We plan to celebrate our strengths. We know we’ve got to prioritize the opportunities for improvement. We will use our feedback to improve, and then to improve even more. We also want to continue to share what we’ve been learning. And just as important, we want to continue to learn from others. We often feel, when we make presentations, that we get back as much as we give to others.

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**Conclusion**

One of the biggest values of Baldrige is the feedback. It really is your blueprint to success. It’s your road map that tells you what you need to do to get better. The criteria are the best way to get better faster. This experience has enhanced the internal pride felt by our employees, medical staff, board members, and volunteers. Being named a Baldrige recipient has positioned us ahead of the competition. And we are now recognized as an industry leader!

Here is a serious takeaway point. Any time your organization achieves something of significance, you become a role model. You set the bar for everybody else who follows. So, by virtue of the fact that we’ve embraced the Baldrige business model and actively use it to improve our organization, we believe that we’ve raised the entire healthcare industry to even higher standards of performance.

And last, but certainly not least, if not for our outstanding employees and medical staff, we would not have been able to achieve this level of performance. Simply put, they are the reason for our success.

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**About this article**

This article is based on presentations given at the *Quest for Excellence Conference*, Washington, DC. Editorial assistance was provided by Jenny Donelan.
Boeing Aerospace Support
2003 Malcolm Baldrige National Quality Award Winner

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David Spong, President of Boeing Aerospace Support
Jim Walden, Integrated Defense Systems Business Excellence

Organizational Profile

David Spong, President—Boeing Aerospace Support is part of the Boeing Company, headquartered in Chicago. Almost everyone has heard of Boeing, but not many people know we’ve been in existence since 1916. We in Boeing Aerospace Support are proud to be part of this great organization that has been a pioneer in the field of aviation and space, as well as a key player in the technological revolution we are seeing that is unlike any other in the history of mankind.


Within Aerospace Support we have a total of six separate businesses:

- Customer Logistics Support and Services provides support and engineering services, contractor logistics and maintenance, integration and support services, and aircrew training support services to meet onsite customer requirements. For example, Customer Logistics Support and Services provides support for F-18, F-5, F-14, and SH-60 aircraft at the naval strike and air warfare center in Nevada, which includes the Navy’s Top Gun and Strike schools.

- Our Maintenance and Modification business provides support that includes aircraft modification engineering, fleet support, component and structure upgrades, depot and intermediate-level maintenance, corrosion control, and other services for tactical fighters, transports, support aircraft, and rotorcraft at our five aerospace support maintenance and modification centers.

- Our Modernization and Upgrades business has the systems integration expertise that has completed some of the most complex avionics challenges, from the F-22 to the E3 Awacs to the AH-64D Apache Longbow to the state-of-the-art Boeing commercial airliners like the 737 next-generation series. Modernization and Upgrades has developed a digital cockpit for the T-38 Talon and is integrating digital cockpits into more than 500 of the airforce trainers. This organization is also leading a multinational team that has developed and is integrating advanced avionics and weapons delivery systems for the L-159 advanced lightweight compact aircraft produced in the Czech Republic, and is providing a digital avionics and weapons systems upgrade to the Royal Australian Airforce fleet of F-111 aircraft.

Case Study

Boeing Aerospace Support

Authors

Organizational overview
• Our Training Systems and Services business provides a full range of military training systems and services for domestic and international customers. This organization produces aircraft simulators, maintenance trainers, and aircraft support equipment, and also develops and delivers classroom training. Our fixed-wing and rotorcraft training products include complete integrated systems such as the T-45TS advanced flight training system for the Navy, and the Airforce T-1A tanker transport training system. We are leaders in the development and production of aircrew and maintenance training devices, including the integration of high-fidelity cockpits, visual systems, instructor operating systems, and software that provides the highest level of realism to prepare the operators and maintainers of tomorrow.

Our award-winning instructional systems include computer-based training and innovative courseware. Training Systems and Services also provides classroom and simulator instructors, in addition to the logistics and maintenance support. In fact, our more than 1000 instructors, courseware developers, and training support specialists deployed at customer locations across the United States and in Europe provide aircrew training for more than 70% of the frontline airforce combat and combat support aircraft, as well as a significant portion of the services for tanker transport and training aircraft.

• The Supply Chain Services business manages the supply chains of our aerospace support customers to provide the right spares and technical data, products, and services at the right place, right price, right time, and under the right conditions. This organization provides reliability and demand forecasting, total asset visibility, and maintenance information and field data to maintain and improve aircraft performance. SCS products include award-winning interactive electronic technical manuals, sustainment engineering, and other critical information for fleet management and optimization.

Reliability based logistics and trigger-based asset management are integral to our supply chain management programs. They allow the affordable insertion of reliability improvements, as well as the identification of lifecycle cost-reduction opportunities for the fleets of the aircraft we serve. Supply chain services has built a supply network that is focused on the repair process. This means minimum part-turnaround times. We are also driving a number of new e-commerce business initiatives. For example, our parts catalog, which includes more than 12,000 part numbers, has shortened spares procurement lead times an average of five months.

• Our Life Cycle Customer Support organization’s goal is to reduce customer total ownership costs while maximizing readiness and mission effectiveness. Lifecycle Customer Support represents an integrated, through-life approach to supporting aircraft and weapons systems. LCCS solutions are based on long-term packages of support products and services tailored to our customers’ needs. A key benefit of LCCS is single point of accountability, where one organization has the accountability and responsibility to put in the hands of the war fighter what is needed, when it is needed, at an affordable price.

These businesses are performing very well—more than $4 billion in sales in 2003, with double-digit margins.

Who and where are Boeing Aerospace Support’s customers? Although our largest customer is the US military, we literally have customers across the globe, from the United Kingdom to Saudi Arabia, to Australia. We truly have a global presence. We have more than 100 sites around the world where we provide ongoing support to our customers, although most of the work is concentrated at nine major sites.
Because of our wide variety of businesses, sites, products, services, and customers, we use a matrix organization of business, sites, and functions to organize our business for growth and execution. Businesses, sites, and functions each have a specific set of responsibilities. Our businesses are mainly responsible for growth in our organization. They are responsible for profit and loss, because they have the revenue stream from external customers. And they are responsible for customer interface and knowledge, contract administration and execution, product performance, and delivery to meet contract, as well as for providing technical requirements on systems, processes, and tools.

Sites are responsible for day-to-day direction of programs as delegated by the businesses. Programs include business excellence, site resource allocation and integration, infrastructure requirements and maintenance, overhead bulk labor costs or headcount, community and government relations, local policies, and affirmative action plans.

Our functions, such as engineering or human resources, develop, improve, and integrate processes, tools, and systems and are responsible for execution excellence for processes and technical excellence. They are the “homeroom” for each of our employees in a specific function, and are responsible for employee career management and staffing to meet programs and site requirements. They also determine equity pay adjustments, service guides for employee training and development, and serve as a customer interface in knowledge assets for functional counterparts.

We are a really diverse group, located literally across the globe. The question is, how do we all work together on this journey to performance excellence? The story really begins decades ago. The Boeing Company and our other heritage organizations such as McDonnell Douglas and North-American Rockwell were all producing aircraft in a highly regulated industry. The adherence-to-discipline process was literally a requirement for doing business. We can thank our government customers for leading us in that direction and making it part of our culture.

We all did business like this successfully for decades, but in the early 1980s, American industry was struggling against foreign competition the likes of which we had never seen. The aerospace industry was not immune to this phenomenon. About this time our heritage companies embraced various tools to improve quality, including the use of statistical process control and quality circles. Various other tools followed, including Lean manufacturing initiatives and process management, that were focused on helping one aspect of the business or another.

At the same time, the industry was consolidating; first North-American Rockwell and then McDonnell Douglas joined Boeing to become the largest aerospace company in the world. Aerospace Support was formed in 1993 as a business unit focused on servicing rather than building aircraft. With a heritage of discipline processes and quality improvement tools, we moved to the next level in 2000. This is when we formed our business excellence organization, and we formed it literally to take ourselves to the next level of performance.

In 2001 we formally adopted Baldrige as our overarching business model and began to align ourselves to the criteria. We analyzed what approaches we had with regard to the Baldrige Criteria, and though our culture of disciplined processes served us well, we were sorely lacking in a lot of areas. This realization caused us to refine some existing approaches, as well as to develop and deploy some new ones. This
effort included assigning people to lead as well as assigning executive sponsors. In 2002, we really turned up the heat. Not only did we do another internal assessment across Aerospace Support, we tasked each major site to submit an application for their respective state quality award. Talk about forcing people to work together. The combination of teamwork and competition generated by these efforts produced some great results. Approaches we developed got deployed and the learning and sharing that went on were phenomenal. It was also a lot of hard work. We were fortunate along the way to receive various site quality awards, and the Australian Quality Award. This further reinforced our efforts and helped assure us that we were on the right track.

We implemented the feedback from the state award process and from our internal assessment and decided in late 2002 to submit a Baldrige application in 2003. Throughout the year we focused on opportunities for improvement that were identified as we wrote our application. Now we are working to implement the feedback that our Baldrige examination team has provided us.

Why did we think that using Baldrige as our business model would help our performance? Frankly, it was because we’d seen it work before. The interesting thing about the Baldrige model is that it seems to get results in a variety of organizations. It worked in 1998 for the Boeing Airlift and Tanker organization, one much different from Aerospace Support. Whereas Airlift and Tanker is a manufacturing organization, for example, Aerospace Support is a service organization. Airlift and Tanker is, and was, essentially one program; Aerospace Support has six businesses, each with many programs and many different customers. The differences go on and on and yet I feel the use of the model in both cases achieved great results. Invariably I run into the nay-sayers who tell me I can’t prove that Baldrige has been the reason for our success. My standard reply to those folks is, “I can’t prove Baldrige did this, but you can’t prove it didn’t.”

**Leadership**

One of the key models we developed along the performance excellence journey was the leadership system. We refined it early in 2003 to emphasize the type of culture we were trying to create. We start with our stakeholders. They have requirements and expectations that we align with our vision and values. Our leaders are then expected to set and communicate direction and be role models for the entire organization. From there we organize, plan, and align, perform to plan, reward and recognize our team, and, hopefully, learn from the experience both as an organization and as individuals, all of which helps drive continuous improvement.

Our mission is to provide world-class sustainment solutions to our aerospace customers. Our vision is people working together as the world’s number one provider of innovative sustainment solutions. Our values are essentially those of the Boeing Company:

- Leadership
- Integrity
- Quality
• Customer satisfaction
• People working together
• A diverse and involved team
• Good corporate citizenship
• Enhancing shareholder value

We credit our parent organization for laying the foundation for our performance excellence journey.

An essential part of setting direction is to have a set of operating principles, as shown in Figure 1. We insist on integrity, first and foremost. This operating principle demonstrates the company-wide effort to focus on ethical behavior. We reinforce our operating principles daily.

We adopted the Baldrige Criteria as our business model in 2001. All the various aspects of the criteria lead to business results, and everything starts with leadership. Strategic planning follows closely behind, as does focusing on your customer, managing data, focusing on your employees, and using disciplined processes to run your business.

One of our more important disciplined processes has to do with how we manage organizational governance. Because of the types of services that we deliver, we must manage a host of requirements. From the FAA to the EPA to international law, each carries rules that must be followed. The way we do this is with our governance process. Our process-based management methodology has helped us to define the specific steps and actions that we must take to manage requirements, establish appropriate measures to monitor the health of the system, and determine the methods for improving it.

Of course, we’re not all about business results. One of our key stakeholder groups are the communities in which we operate, and our team does a great job of supporting them. Our employees are extraordinarily generous with their time, talents, and treasure. Boeing’s worldwide charitable contributions totaled more than $96 million in 2003, with $34 million contributed by our employees. We are also active in community activities such as Habitat for Humanity, Red Cross, Big Brothers and Big Sisters, and many other worthy causes.
The performance excellence journey starts with leadership. We’re very proud of our leadership team and how they have supported our journey. But it can only start with leadership. It takes great people to keep it going. I’m even more proud of our entire team and how they continue to meet the day-to-day challenges of running our business with enthusiasm, dedication, and a passion for excellence. Our journey continues. We are very happy to receive this award, but realize that this journey, our excellent adventure, is really not about the award. It is about creating a culture of continuous improvement and striving for excellence every day.

Strategic Planning

Introduction
Fred Mickel, Director of Supply Chain Operations for Supply Chain Services—You hear a lot about cultural change. That’s what happened at Boeing Aerospace Support. With iterative improvement, we have developed and deployed the Boeing Aerospace Support Enterprise Planning Process across all our stakeholders, including seven businesses, fourteen functions, nine major sites, 100+ total sites, and more than 12,000 people. We looked at the way world-class organizations performed strategic planning, then developed a comprehensive strategic planning process for Aerospace Support based on a Baldrige recipient’s approach.

Integrated planning
We call our strategy action plans BIPs and FIPs. These are Business Implementation Plans and Functional Implementation Plans. In 1999, our team couldn’t even spell BIPs and FIPs. Three years later, non-management people are doing integrated strategic planning. We’re doing business integrated planning, functional integrated planning, site integrated planning. Businesses and functions are integrating, businesses and sites are integrating, and business functions and sites are integrating.

Enterprise planning process has helped us succeed
As part of the feedback from our Baldrige site visit, our Enterprise Planning Process was recognized as a process that has been key to our success. In addition, corporate Boeing has decided to use our Enterprise Planning Process as the model for future strategic planning for integrated defense systems, a 77,000 person organization. The Enterprise Planning Process has several components: four elements, the process players, and ten detailed enterprise process planning steps. Simply put, our Aerospace Support Enterprise Planning Process is our annual, closed-loop, systematic planning process for strategic planning across our business functions and our sites. It’s the way we do strategic planning across the enterprise for the short and long term. It’s a process that goes through the entire year, and we repeat it annually.

Short- and long-term planning is essential
It’s important to explain short-term and long-term planning horizons. In the short term, our customer, the US Department of Defense, budgets on a yearly cycle. So we need to plan on a yearly cycle. In addition, we owe corporate plans to Boeing on a yearly cycle, so we have to plan on a yearly cycle. The B-52 Bomber. This weapons system has been a part of our nation’s defense for over fifty years. In order to support our customers, we have to look forward, toward the future. So our planning horizons, and our plans, have to be far-term.
We also systematically ensure that all our key stakeholders are considered throughout the enterprise planning process. Those key stakeholders are defined by our leadership system and include our customers, our workforce, suppliers, community, and shareholders.

There are four basic elements to our enterprise planning process: data, strategies, plans, and execution. On a yearly basis we look at key data factors. We look at where we are, and where we want to be, and we develop strategies. We then develop plans to implement and execute the strategies, and we execute. These elements each include three textbook strategic planning elements: analysis, formulation of strategy, and implementation.

How do we execute enterprise strategic planning across 12,000 people? We do it through three tiers. The first is the Aerospace Support Strategic Business Council. It has overall responsibility for strategic planning for Aerospace Support. The Strategic Business Council comprises business leads, and several functional leads. The team meets weekly to discuss strategic issues. We also convene off sites to discuss planning data, look at our strategic challenges, review our mission, vision, objectives, gaps in strategies, review and monitor our strategy action plans, approve our budgets and our investments, and also administer our goal flow-down process.

At the second tier are our strategic planning councils and our functional councils. They’re responsible for planning among the businesses and functions. They’re also required for developing the content of their strategy action plans, the BIPs and the FIPs. These groups ensure that the businesses, functions, and sites are totally aligned to the overall Aerospace Support plan. The makeup of the strategic planning councils is primarily key business program managers and functional and site representatives. For the functional councils, the primary makeup is business representatives, sites, and core functional representatives.

Finally, at the third tier is the working-level enterprise planning team chartered by the Aerospace Support strategic business council to execute enterprise planning. The team is led by the enterprise planning manager. Membership includes business reps, the functionals, business excellence, and analysis and integration. The role of each enterprise planning team member includes representing the business or function they reside in, integrating and coordinating it across the business functions and sites, and being a recognized member of either the strategic planning council for the business they represent, or from the functional council for the function they represent. This is the team that really makes enterprise planning happen within aerospace support. They meet weekly.

1. The first step of our process involves guidelines and constraints. They provide the baseline assumptions for our enterprise planning. They are the parameters at the Boeing, corporate, and IDS and AS—Aerospace Support—levels that set the boundaries for enterprise planning and ensure Aerospace Support alignment. Guidelines and constraints can include our US Department of Defense customer’s top priorities. They can also include constraints that are handed down to us by corporate Boeing and Integrated Defense Systems.

2. Our yearly assessments represent Step 2. These are comprehensive analyses of key business data factors that provide the foundation for our strategic plan-
ning. Year assessments are developed and analyzed by a subject matter expert in the appropriate area under the guidance of the executive he or she represents within our organization. Once the research and analysis is complete, it is then reviewed by our enterprise planning team, by the strategic planning councils and functional councils, and by our Aerospace Support Strategic Business Council. We then use this data in terms of looking at our overall strategies and strategic challenges. Those yearly assessments comprise overall performance, financials, facilities and infrastructure, human resources, suppliers, information technology, customer satisfaction, culture, and risk. We also look at our Business Environment Assessment, a compilation of comprehensive data from multiple inputs on our customers, customer need, competitors, customers of competitors, and potential customers. This assessment provides a robust analysis of all our markets, including our U.S. Department of Defense and international markets. It includes competitor data and evaluates our opportunities within our customers’ budgets. The Business Environment Assessment captures and evaluates our position relative to our key competitors, their market position, their overarching strategies, key areas to watch, and key areas for Boeing. It provides an analysis of the major threats to us in our marketplace from our competitors.

3. The third step of our process is when we review and refine our strategies. Again, we do this at the Aerospace Support, business, and functional levels. We perform an annual analysis of our mission, what we do; our vision, what we aspire to be; and we do a detailed analysis of our internal strengths and weaknesses and our external opportunities and threats. We look at the specific end states over time that lead to the vision, which we define as our objectives. We then look at the gaps that we have—the difference between where we are and where we want to be, and then we look at our strategies—that purposeful action and reaction needed to meet the objectives of our vision.

4. In step four of our process, we develop measureable strategy action plans. This is done at the Aerospace Support level, and at the business and functional levels. In the business implementation plans, we have a business description. This includes what the organization does, the customers for each of our businesses, competitors, and market share. We look at our vision in terms of one-, five-, ten-, and twenty-year objectives. We also look at the assumptions from the guidelines and constraints at the aerospace support level, and we do a business assessment, including a list of campaigns that we’re trying to pursue, and gaps across our business. We look at formal benchmarking requirements and do benchmarking plans. We identify the gaps that we have for our business and strategies to close those gaps. Then we perform a risk assessment. We look at financial, societal, ethical, and other potential risks. If you know the criteria for Category Two, that sounds pretty familiar. In addition, we also look at business training requirements, and we look at our site plans. If we don’t have site plans by business, we won’t be able to execute or measure our execution. In addition, we have investment plans, and we have schedules and detailed action deliverables.

In the functional implementation plans, we also look at our vision and objectives in the short and long term. We identify the guidelines and constraints affecting each of the functions, and we also look at the conclusions of our yearly assessments. We do a functional assessment, specifically in the near-term and the far-term, look at gap assessments, and aggregate at the Aerospace Support level. We again do formal benchmarking and benchmarking plans, and we look at the investment levels we have by each function. We also have actions and schedules, risk assessments, and then we have specific content by each function.

One of the things that’s included in both the business and functional implementation plans is a set of stoplight charts. These are the execution metrics that we use to (1) look at the health of the implementation plan, and (2) look at the
execution of the plan itself.

5. In step five of our process we allocate our resources. Resource requirements to support our strategies are defined in the business and functional implementation plans. Our strategic business council, strategic planning councils, or functional councils prioritize and allocate the resources through iterative processes. Once we define the baseline and calendar year, we then redirect resources as necessary by need, throughout the year. Resources include our human resources and staffing, the business pursuit resources that we have, capital, and information technology.

6. In step six of our process, we create our financial plan. Initial financial assumptions are derived from business capture estimates in the business implementation plans, which, it so happens, tie into the business development functional plan that identifies all the opportunities we’re pursuing. Businesses make ten-year financial commitments that are documented in the long-range business plan—long-range business plan being the name of our financial plan. This is also an iterative process culminating in financial commitments, by business, at the end of each year’s planning cycle.

7. Goal flow-down is step seven of the enterprise planning process. Performance expectations are communicated to the enterprise using the goal flow-down process. This includes business and functional one-, five-, and ten-year goals and targets, and includes our vision support plans, which every manager in Aerospace Support has. We also look at team and individual action plans and goals. We align the entire organization through this step seven. Goals, measures, and targets are flowed down from corporate, Boeing, Integrated Defense Systems, Aerospace Support, the businesses and functions, the sites, the programs, and all levels of managements, down to the workforce goals, which also include our performance evaluation, and performance development process. In addition, we have individual goals.

Last year, we benchmarked SSM Healthcare and looked at their Passport, a little document that each employee has to see how they do what they do, and what their goals are with regard to corporate mission, vision, and values. This is not a process that is just top-down; it’s an iterative process that exists within each area of the organization, and performance results and reviews are flowed back up through the process.

8. Once goals have been flowed through the organization, step eight, which is execute the plan, begins and continues throughout the year. On a monthly basis we track both the content and execution of our plans and performance-to-strategy execution.

9. In step nine we evaluate the progress of our action plans. Business and functional health and strategy execution are measured, and are reviewed quarterly in our business performance review. The progress of our detailed action plans is tracked using our key performance measures and indicators, along with periodic reviews. These reviews can include our strategic business council that’s conducted on a weekly basis, our business performance review, which is done monthly, during which we review our vision support plans, senior leadership team meetings, program management meetings, and at the lowest level, between manager and employees when we’re reviewing our performance evaluations.

10. The final step of the enterprise planning process is where we perform our lessons learned and process improvements. These lead us to the next planning cycle. Key enterprise planning players review the previous year’s process and products, make recommendation, and go into improvements in next year’s enterprise planning cycle.
Here are a few of the lessons we've learned over the last few years throughout this process:

• In step two, which involves annual assessments, we've added risk assessments and we've also looked at cultural assessments as additions to our process.

• In step three, where we're looking at our strategies, we've looked at our ten-year objectives, and identified for those attributes the specifics that we need to be doing now to meet those attributes ten years from now.

• In step five, in which we develop our business and functional implementation plans, we've added employee satisfaction survey data, and also customer satisfaction survey data, and we've added plans to address that data, all in the way of trying to integrate our plans against our strategies.

• When we build our financial plan, we have detailed reviews at the working level and within management to put together a financial plan that makes sense for us. In our execution steps we've added the health and integration metrics, as I mentioned previously. At Aerospace Support, what gets measured gets done. We've added web sites for enterprise planning, and we've developed a comparative mindset initiative that looks at leadership, communication, informal and formal benchmarking, and the way we do business assessment intelligence analysis.

We really have a come a long way in the manner in which we do enterprise planning at Boeing Aerospace Support. We have an annual closed-loop systematic process for strategic planning across our businesses, functions, and sites. We are all-inclusive within Aerospace Support, and work on a three-tier basis of our strategic business council, our strategic planning councils and functional councils, and our working enterprise planning team.

Customer and Market Focus

Ben Park, General Manager of Modifications and Upgrades—Boeing Aerospace Support is a complex organization, and the reason why is we've got a complex business and a very complex customer. Our men and women in uniform deserve the best weapons, the best equipment, and the best training.

The good news for us is that we are aligned all the way through to the top of the Boeing Corporation in Chicago regarding customer satisfaction and what that means, starting with Boeing Vision 2016. In 2016, Boeing will be 100 years old; that's where that number comes from. Within that vision, which helps us align throughout the company, one of those core competencies is detailed customer knowledge and focus. And within that vision we also go into the detail of defining what customer satisfaction is. It's the customer's perception, which is, I think, the key part of the definition. It's not our perception, but the customer's perception of how well their expectations and requirements are being met or exceeded.

We have a robust process that we use to capture new business called the Integrated Business Acquisition Process. There are three phases: Create, where we identify opportunities; Acquire, where we pursue that business and create proposals to win business; Maintain and Grow, where we work to keep the current product line and service sold, receiving feedback from our customer that we can use to continuously improve our product or service offering. And of course, through each one of these phases, we have continuous two-way communication with our customers.
With a complex customer comes the need for a complex segmentation of that customer, and ours is in three dimensions:

- Tier one segments the customer by U.S. or international. It’s based on cultural aspects of the customer, which can be significantly different for U.S. customers, for example, than for some of our international customers.
- Tier two is by specific government agency. We’ve segmented this tier because of requirements. Each one of these customers has different ones.
- Tier three involves decision-makers at specific customers. Who owns the relevant decisions? And then there are gatekeepers, the ones who provide information to the decision maker, and last are the users, the ones who actually use the products. What we’ve found is that both the gatekeepers and the users are influencing the decision maker. You need to keep that in mind as you’re attempting to win new business.

We also listen and learn from our customers using what we call the Customer Requirements Determination Process. It starts out with us determining on day one what future business is out there from a customer. We use our enterprise planning process to do that. Next we determine specific solutions that we can offer to the customer, using the integrated business acquisition process described earlier. After we have won that business, we go through a series of program and design reviews with the customer, in which we get detailed feedback on our offering. Sometimes we end up changing that offering, based on what we hear in those meetings. Last, we get detailed customer feedback, which we review and use to improve our offering as we go forward. It’s a comprehensive process, a continuous feedback loop, and we are continuously listening for our customer’s requirements and expectations throughout each phase.

We use a detailed customer satisfaction model to help us understand what customer satisfaction is. In most cases, people think of customer satisfaction merely as performance excellence, but we believe it’s even more—it’s also relationship excellence. In fact, based on the feedback that we receive from customer, we need to spend more time focusing on relationships than we do on performance.

Of course, being an engineering company, we needed to put together a formula to describe how we get to customer satisfaction: (Quality x Cost x Schedule) x Relationship = Satisfaction. The multiplier signs here are important because if any of those elements are zero, guess what customer satisfaction is? Zero.

Process is key to our efforts, and we have a process for managing customer satisfaction approach and deployment. It helps keep our standards common across the entire organization. One of the key elements of this is the Aerospace CSC, which stands for Customer Satisfaction Council. They’re the ones who really create our processes and then deploy them. It’s through this council that we identify what our processes are going to be. We then train our people in these processes, and we provide oversight to make sure we’re adhering to those processes. We measure how we’re doing, and then we take that information and continuously improve our processes.

The Customer Satisfaction Council is a key part of this, and again, that’s driven by the complexity of our business with its nine major sites across the United States and in Australia, and our people in 130 different locations. The only way that we
could roll it out, deploy it, oversee it, and continuously improve it, was to identify each one of our nine major sites as the headquarters for a region. There are several smaller sites with perhaps only two or three people, and we have to provide the customer satisfaction process, oversight and training there too, and we do that through those nine major sites.

We’re also aligned and integrated with each of the Malcolm Baldrige categories, which we have used as our business model in Aerospace Support. First, from the leadership team we get our responsibility, accountability, and authority; and second, from the strategy section, we’re part of the enterprise planning process, and on an annual basis we provide data that is used to impact the strategy of Aerospace Support. The Customer Satisfaction Council is the deployment body for the third category, customer. With regard to category four, information, we have our customer satisfaction management system. Through the people team, number five, we get training for our people, not only on how to contact customers but also training on our systems. We are deeply involved in the process-based management approach, and as part of the process team, number six, and we measure results (category seven) on an ongoing basis. These results are measured and reported on at the leadership team meeting on a monthly basis.

We think of our Customer Satisfaction Management System as a toolbox with four different tool sets:

- Top Issues Database. We can roll issues up from the bottom level of Aerospace Support all the way to the president of our Aerospace Support organization level. It helps the president maintain awareness of any customer issues.
- Customer Contact Person Database. We identify who our customers are, their counterparts, we track the training, and we do a significant amount of customer contact training across the organization.
- Action Item Management System. The integrated product teams primarily use this tool. They can use this system to manage the action items they get from the customer. It’s a robust system that provides emails back to people as the time approaches when an action is due. It also helps to prioritize action items.
- Customer Relationship Management System. With a complex company like Boeing and its complex customer base, it’s impossible to show one face to the customer, but it’s not impossible to show one voice to the customer, and that’s the purpose of this system, to get us all speaking with the same voice.

Another cycle of improvement that we’ve created is something called the Customer Satisfaction Index, a way of normalizing and aggregating a very complex set of measures that we take from our customer, including factors such as loyalty, award fee, and process assessment. From these we obtain an average of customer satisfaction, but we also show the lowest score from the index because we’ve found that average scores don’t usually tell the whole story. There may be a low score that’s hidden within the average, and if we don’t identify it, we might miss a customer out there who is really upset because we’re off on one of our measures.

We have comprehensive methods for looking at results. We use a variety of metrics, including formal, informal, open-ended, and process-based, and in addition, we
segment the information we get by customer using the three-tier approach described earlier. We look at both performance and relationship feedback. We’re doing great in performance, but not as well in relationship. And of course, we look at leading and lagging results for all our activities.

An example of one of our formal measures is CPAR, the Contractor Performance Assessment Report. The U.S. Airforce and the Navy are the only services that provide us with this feedback. CPAR looks at the decision maker, it is a performance indicator, and it tracks lagging. We’ve had a 23% improvement in this area since 1998.

Another key indicator we use for customer satisfaction is our annual survey. We hire a company that specializes in this to conduct the survey. It’s an open-ended survey that measures both the U.S. and the international customer, decision makers, gatekeepers, and users; performance and relationship both, and leading and lagging indicators. We spend a lot of time on this survey information, identifying hotspots from the customer, pinpointing the gaps, and deploying improvement plans so we will do better in the next survey.

**Measurement, Analysis, and Knowledge Management**

Jay Kappmeier, General Manager of Life-Cycle Customer Support—People talk a lot about managing by fact as if it’s something you ought to have, and the question is why should you? In our little slice of the world, it connects to our vision and values, all of which starts with our stakeholders. For us, those are customers, employees, shareholders, community, and suppliers. You need to know what those stakeholders want. What are they concerned about? They all have very different wants and needs, and one of the things you need to do in your measurement and analysis is to capture all of that.

Before we began our journey, we were fairly good with facts, but we also had a lot of surprises. We would have an enraged customer, or we would miss a key delivery date, or we begin losing money suddenly, and then we would run up and down the halls waving our arms and declaring in all sincerity, “I didn’t know that!” Life without measurement and analysis is exciting in a negative way, and that’s why you’ve got to have management by fact.

Facts must speak for themselves. They must cross cultural lines, state lines, international lines, time zones, and everywhere be interpreted the same way. Data can’t be in question for long; sooner or later we have to agree on what it means, and then it helps you be proactive instead of reactive, and last but not least, it is the substrate that allows organizational alignment, especially in a geographically dispersed organization like ours.

Category four, measurement and analysis, does not live on its own. In our company, we start with the leadership system and from that go to the enterprise planning process. It’s from that process that we take our strategies and start asking, ‘What kind of data do I need?’ We look at our strategies and try to find out where our gaps are. Where do I need information? Do I need information about a competitor? Who do I benchmark and why do I benchmark?

When you’re finished with part of your enterprise planning process, you’ve developed some strategies. And in many, many cases, companies fail not because they
don’t have a strategy, but because they can’t execute it or they implement it poorly. So from strategy you align through the organization and you go down through the organization with goals. Yes, there’s some negotiation back and forth as you set the goals, but basically, goal setting comes from the strategic process. In our organization, we have businesses, sites, and functions as organizational groups. A level beneath that are programs such as a service program or the T-38 aircraft training program. And it goes right down to individuals. Everybody’s doing something that relates to the strategies. And that’s not only how you align the organization, but how you allocate resources: What gets measured gets done.

Analysis is done many ways—through our processes, or through Lean—and as each organization looks at its goals and analyzes why it is where it is, it passes that data up, and the information gets summarized into a top-level leadership review.

As you summarize information, you lose detail, and you’ve got to be very careful about that. The GDP will tell you the overall health of the economy, but it will never tell you who bought what from whom. For example, we can have large programs and financial results that might overshadow a seriously disenchanted customer in a much smaller program. So we have to take care as we summarize this information up through the organization that we don’t lose some vital facts.

We’ve had some iterations and cycles of improvement in our performance measurement system. We started with a balanced scorecard. That’s a pretty good thing if you don’t have one. All your measurements are in one place and they’re balanced. The scorecard includes not just financial metrics, but people, and customer satisfaction. It has goals that are trackable and actionable. You can project how you’re going to do for the rest of the year, and overall, it’s a pretty good system.

But the next iteration we had was called the Vision Support Plan, which our parent organization, Integrated Defense Systems, started in 2003. What that did was add automation to the scorecard. It also linked the goals and the metrics we had on the scorecard to strategies. We started from IDS strategy and took it all the way through our organization. It included flow-down to all managers and drill-down and roll-up. For the first year or so, it took some fine-tuning, but because it was automated and it was online, people could get to it, we could drill down to the lowest organizations or they could see how the overall organization was doing. The automated process was helpful because data was entered once and not bothered with again, and you could see it.

This year we had some enhancements. There were a few items that were being tracked separately from the VSP in 2003; personal goals, for example. This year goals are included in the VSP, and all of this is pushed down to the lowest level manager. Everyone sees their part. It makes for a much stronger link to the strategy, goals, and metrics that we use.

In the defense industry for decades, and perhaps for centuries, the culture surrounding information was, and to a large extent, is, that you must have a need to know in order to get information. The reasons for that are obvious. When you are at war, you don’t want to give out too much information—people could lose their lives as a result.
So how do you develop an open, information-sharing culture when you’re in the defense industry and you’ve been embedded in that for many years? What we’ve had to determine is what our customers want, what our suppliers want, and what the employees want, and that’s all part of the strategy.

Next there’s governance. What can be provided? There’s information that our government employees want to see, but not all of us can see it. There are practices in place, and password-protected databases. We have federal acquisition regulations to say what we can pass around and what we can’t.

So we have to look at what people want, consider the governance, and then decide how it gets provided. We have two basic means. One is via external web, and one is password-protected. One of the things we’re very proud of is that in our employee survey index, we have a very high rating for the category: “I have enough information to do my job.” We also have to determine what kind of infrastructure we need, how much money we’re going to spend on it, how much updating, how much refreshing, how we’re handling the software, what we do to prevent email attacks—everything that affects this data and its availability.

We handle knowledge management in three major blocks. First there’s Organizational Knowledge Assets. In that category, consider people—not just our people. Customers, for example, have knowledge that we want: They know what they think of us, and we want to know that. The second block concerns Knowledge Transfer Vehicles. If process is not a transfer vehicle, then nothing is. That’s where you document how you work. This is critical, because if someone new comes in, they need to know how to do the work. So we use knowledge transfer to do that, and we use processes to do that, we use improvements methods like Lean manufacturing. And the job itself: What training is given whom, what certification do they need? How do we develop people—those things are all transfer vehicles.

Then, what do we transfer into? Into something that gets done, and in our organization, we do that with workgroups and process councils, which are part of our third block, Organizational Structure and Work Systems.

Customer satisfaction is one area where we use our knowledge management system. We’re trying to get the knowledge that our customers have out of their heads and into our system. Do they like us? Do they not like us? We do a great deal of surveys. We pull that information through a process, and put it into a database, and give it to people who can then act on it, and we have accountability for the actions and we feed it right back. That’s an example process-wise, that we consider a fairly good one of how we use knowledge management and how we transfer information out of someone’s head into a place where we can actually do something about it.

Everything we do is aligned with all the other categories, and I’ll cite an example from human resources and data management. Some companies do what they call morale surveys, we call them employee surveys. For analysis and information we start by deciding what questions we want to ask. Never ask a question if you can’t handle the answer, that is, if you can have no effect on the answer. Why ask them about it? An example are health plans. The Boeing Company sets health plans and those kinds of benefits for Boeing Aerospace, we do not. So if we asked our employ-
ees about health plans, we couldn’t take any action on the answers. (The Boeing
Company does in fact do that.) Our subset of questions has to do with things that
we can act on. Then we decide that we’re going to spend the money to get the
information related to the lowest manager with five people or more working for
him or her. That means it’s actionable at the lowest level. We spend something like
$253,000 a year making sure that that happens.

Last, we get the feedback, we have our managers share it with people, and then
they take actions to improve it. We found that there’s a strong correlation between
groups that work on just one issue and employee satisfaction, if they work together.

So there’s one area where the analysis and information are pulled all the way
through the process from trying to understand what we want to know, to getting the
information from our folks, to acting on it and going back through the next cycle.

Category four doesn’t have its own section of business results, but it literally drives
everything else. You understand where you are, and where you are in comparison
to others. I’ve heard some people say that their industry doesn’t provide an aw-
ful lot of metrics; well, the defense industry is the same way. It’s very difficult, the
U.S. Government doesn’t normally give out a great deal of data, though we have
some. Other companies like ourselves don’t divulge much information either, so
comparisons don’t come easily. But to change the mindset and change the culture,
we’ve got to be challenging ourselves constantly, because our tendency is simply to
compare ourselves to what we did last year. But we keep challenging ourselves, and
slowly but surely that mindset’s beginning to take place, and people are beginning
to answer the question in our company. Good compared to what? That’s our next
iteration in measurement and analysis, to be able to answer on a consistent basis,
good compared to what? We’re still on that journey.

Once all employees have the knowledge to do their jobs—not just 83% of employ-
ees—once everybody understands that, and we share the information, and they
understand that it comes from our strategies, we think that we’ll be there.

**Human Resources**

Ken Mraz, Director, Human Resources—We’ve created a people model, based on our
leadership model, that aligns with our leadership model in each of the key areas:
Set and Communicate Direction; Organize, Plan, and Align.

We’ve also organized our processes to be consistent with the various categories of
the people system. Some of the company processes are particularly important to
our deployment of processes. One of those is the enterprise planning process. We
put a great deal of effort and time into the planning that we do. Human resources
planning is integral to our overall processes. In addition, we place a great deal of
importance on recognition. We have a variety of recognition options in addition to
the normal Boeing options, and we have a major event each year, our Atlas Awards,
that is very important to us as well. Additionally, we place importance on getting
input from our employees, and feedback from the employees on what we’re doing.
And finally, we try very hard to work in an employee-involvement type of environ-
ment, and we truly respect the diversity that we have in our workforce. Those are
some of the values that wrap around all the processes that we have.
As you know, we have three different types of entities in Aerospace Support: businesses, sites, and functions, each with a slightly different role:

- Businesses are responsible for growing the business and being our “face” to our various customers.
- Our sites are responsible for executing the work that the businesses bring in.
- Functional organizations provide the people, tools, and processes necessary for us to perform that work.

Each of our employees are aligned with a business, a site, and also with a function.

We lead through councils: We’ve got a strategic business council, an enterprise planning council, an employee involvement council, and many others. We structure these councils in such a way that we include involvement from all our various sites. The fact that we have our processes managed by all these councils is very important to our organization.

We also work through a team-based culture, and we strive very hard to achieve a heavy involvement by our employees in all of the work that we do, so that we have employee involvement teams in all of our workplaces. We also have a council that helps us get these in place and provides training for our employees who are working in that type of a situation.

Respect for diversity of employees is very important to us. We look at diversity in four ways: Personality, Internal Dimensions, External Dimensions, and Organizational Dimensions. Each employee brings a different personality to the workplace. And each employee brings some internal dimensions with respect to age, gender, and so forth. Each employee has a different external dimension having to do with home and family. And everyone has different dimensions with respect to the organization; that is, what function does an employee belong to, what programs has he or she worked on? Each employee is unique with respect to this set of four dimensions, and that uniqueness is valued within the company; we respect it, and keep it in mind in terms of our decision-making and our solutions.

One of the ways we support diversity is through affinity groups. These are gatherings of employees from different sites who have a common background, problem, or interest. Management encourages these groups. Some examples are the Women of Boeing Network, the Boeing Black Employees Association, and the Boeing Employees Hispanic Network. We use these organizations to help recruit, to help build an understanding of issues, and work toward solutions at various sites. The company provides some financial support to help these organizations meet their goals. Additionally, these groups are generally championed by an executive leader.

We assess and develop our people through a systematic performance management system. Each year we have goals and objectives that flow to us from our planning group. These goals and objectives flow to individual managers who in turn meet with employees. Early in the year, in our one-on-one sessions with employees and management, we have our performance goals set for the given year. Later on in the year, we have a similar discussion, but it’s focused on career development needs and we call that our personal development process. At that point in time, the individual employee and the manager get together and talk about long-term career...
development, interests, needs, and goals. So we have one process that’s short-term, looking at performance evaluation and goals for the year, and another process that looks at development goals for career purposes over the long term.

Throughout the year we encourage one-on-one discussions in both of these areas. And we have a multi-viewpoint radar process that assesses our managers. This is a 360-degree process that includes input from subordinates and senior management and we use that to provide feedback for our management improvement. As the year concludes, we use a year-end performance evaluation process to provide feedback into our salary review process. This year we’re rolling out a new, automated performance appraisal process.

We believe strongly in a culture that supports continuous learning. One of the vehicles we have is something we call our Learning Together program, which provides financial support to employees for tuition and books for any accredited course, and this support does not have to apply to any specific job or occupation. On the completion of a degree program, we reward the employee with 100 shares of stock, so there’s really an incentive for employees to use that external education to improve themselves, and the company is trying to support that philosophy of continuous learning.

Internally, we have numerous online and classroom courses that are available to employees, and we also make a point of encouraging our employees to make use of those opportunities. One internal practice of note is our community of practice for the HR organization. In human resources we’ve got a group of people that we bring together from different sites who each month identify a topic that’s of particular interest to them at that point in time. They invite an external or an internal speaker to come in and educate us on that and so we spend an hour and a half on a monthly basis, with our folks tied in either by phone or web, to get that education. It doesn’t cost anything, and it’s a good way to keep everything tied together and to continue that learning process for us.

We also work on improving our leadership through a set of focus groups called the Leadership 2000 series. In the groups, we have senior managers working together with supervisors in a focus-group format to basically just sit down and discuss topics that are important to the group. We use this format on an annual basis and it performs a couple of services. It gets a topic out there so it can be discussed, and it also provides that greater understanding, familiarity, and networking that is important for our managers.

We also have the benefit of a Boeing Leadership Center that has been evaluated as one of the top five in the country. It’s a facility with 210 dorm rooms that’s located in St. Louis County. Programs take place there every week, and there are programs for first- and second-level management, programs for mid-management, and programs for executives. Throughout the career course of someone going through those various management stages, they’ll visit the center repeatedly to take advantage of that training. It’s not only an educational boon for the organization, but also a networking opportunity.

We’re especially excited about integrated training, because it’s something that came right from our effort to deploy the Malcolm Baldrige process. About a year and a
half ago, we were going through category 5.2 and all those “how to” process questions, and recognized that we didn’t have any good answers. We realized that by taking those how-to questions and putting them in the form of a charter, we actually could create a way to get to what we needed—an integrated training plan.

We identified a leader for that process and gave that person a charter, and now we have an integrated training plan that has linkage between the needs of the organization and the needs of the individual in that we have input from the larger Boeing organizations from our functions, from our Aerospace Support group, and from conversations between individuals and their managers, be it performance objectives or career objectives. All this comes together and the output is an automated personal training plan for each individual, and is also the opportunity to have management reports that convey to the manager of the organization all of the training needs that have accumulated for the next one- or two-year period. No longer are we more or less guessing about what training we need—we know exactly how much training we’re committed to, and what type of effect that will have on the organization.

Communications, as I’ve mentioned, have been a challenge for us, and one of the ways we’ve addressed this is through face-to-face opportunities with our leadership team on a weekly and monthly basis, and also at off-sites where we pull everybody together. We also utilize walk-arounds and all-hands briefings, and with respect to our managers, we present a monthly report in which we outline key financial information as well as information on any of the initiatives that are particularly active at that point in time. These reports go to our managers, who then sit down with their employees and share that information with them.

We supplement the face-to-face processes with technology. We use email, for example, and web pages. We have a weekly web magazine called Continuum, and we also have an electronic web meeting center.

With respect to listening to our people, we take advantage of the Boeing employee survey, and over the last two years we’ve achieved 97% participation. That’s rather remarkable considering how widely employees are dispersed. The way we get that level of feedback is by telling people the survey is important. It includes an employee satisfaction index, a means for benchmarking, and an individualized feedback report for every manager with five or more reports, and there is a commitment that that manager will address at least one issue of feedback from the employee survey.

We complement that process six months after the Boeing survey with a random Pulse survey that goes out to a smaller number of people. The importance of this second survey is that it gives us an indication of what we’re going to see in the next Boeing survey.

We also use employee feedback focus groups to help us dig deeper with respect to particular issues.

From the time we started our Malcolm Baldrige journey in 2000, employee satisfaction has gone from 53 to 64 in terms of our ratings system. It’s been a steady increase consistent with our efforts to deploy the Baldrige process.

There are twelve questions that make up our employee satisfaction index. These, in
order of their relevance to employee satisfaction, are:

- Satisfied with involvement in decisions
- Encouraged to come up with new and better ways
- Satisfied with recognition for doing a good job
- Job makes good use of skills
- Given opportunity to improve skills
- Overall job done by your manager
- Conditions allow me to be productive
- Enough information to do job well
- Job security
- Boeing making changes to compete
- People cooperate to get the job done
- Satisfaction with pay

There's a common thread in those first five traits, and that common thread is leadership, because our leaders have the ability to strongly influence all of those. As HR professionals, we know that pay isn't necessarily the greatest motivator, and I think these results demonstrate that—pay is at the bottom of the list.

Those things that are influenced by our leaders are motivators, so it's very important that we have the right leaders in place. We've focused on leadership especially over the last two years, and what we've done is create a leadership effectiveness index, which relates to the employee satisfaction index. We've seen a strong correlation between effective leaders and employee satisfaction.

We've placed a lot of focus on improving leader effectiveness, and in the last year we've created quite a few initiatives to address that, and across the board our leadership effectiveness has gone up about 10% according to our index. When you focus on leadership, you do see improvements.

We've also found that there's a correlation between employees believing that you're working on the information they've given you, and their satisfaction. Our most recent data shows that 14% of our people don't really believe that we use these surveys as a means of providing them with feedback opportunities and then working on their issues. Their employee satisfaction index is 34. But the 58% who believe that management is listening to their feedback and working on the issues show an employee satisfaction index of 79.

A partial list of the categories shown in our employee survey lists the top five:

- Customer Focus
- Managing Diversity
- Quality
- Ethics
- Leadership Effectiveness

And the bottom two:

- Agility/Speed/Flexibility
- Alignment

The two lowest rated items by employees speak to the complexity and the difficulty of the work we have yet to do. We're actively working on that.
The top five reflect what we’ve been working on, and also reflect the culture of our organization, and our values. One of the things that we’ve learned is that you really do need to work to strengthen the things that you do well. So while ethics and leadership effectiveness are already in that top category, we’ve made some effort to create initiatives just for those—ethics in particular, because we always look at that as a potential fatal flaw. We don’t want to ease off on the concern that we have for ethics. And we want to keep improving in the area of leadership effectiveness because it affects so many things that we do.

**Process Management**

Jeffrey D. Deckelbaum, Director, International Support Programs—Process management is very important to us at Boeing. We’re an airplane company, and while Aerospace Support is in the service sector, we provide parts and information, support equipment, we provide trainers and training, and we also maintain, modify, and upgrade aircraft. If we don’t follow processes, bad things can happen.

As a government contractor, we’ve had processes in place for over sixty years. For the first thirty years, those processes were really nothing more than procedures, how-tos that were functionally siloed. There really wasn’t any alignment and integration. Over the last twenty to thirty years, we have evolved processes that are much more aligned and integrated. Examples that have led us in that direction are things like quality circles, variability reduction, SPC, Lean, and eventually, process management. It’s important to understand that using the Baldrige Criteria as a business model will lead you to a process-based organization.

So we’ve had processes in place for over sixty years. Some people might ask why we don’t have it down yet when we’ve been doing it for that long! One of the reasons we’re continuing to evolve is that our products are performing for decades longer than our customers ever really intended them to.

If you look into the cockpit of an F-15 fighter, you’d see some very modern digital displays. When a student pilot starts to fly, he’s not going to go right into an F-15, however, he or she will take preliminary steps, and the first one is in a single-engine aircraft called a T-6. If you look at the cockpit of a T-6, you’ll see the same kind of digital displays as you do in the F-15. But if you looked into the cockpit of a T-38, which was built in the 1960s, you would see analog displays that look nothing like those of the T-6, the jet that the student would first train in, or the F-15 that he would eventually fly in. The airforce has just recently put Boeing under contract to upgrade the cockpits of their fleet of more than 500 T-38s to make them look more like the cockpits of the T-6 and the F-15. The relevant point here is that retrofit and modification to this extent is new process for us at Boeing.

We define a process simply as a way of doing business. We define our processes, measure them, improve them, then repeat the cycle. Our methodology for process-based management methodology consists of seven steps:

1. Define the process (documenting it with flowcharts)
2. Establish measures
3. Determine performance (take measures)
4. Stabilize the process (important to do before you set goals)
A process is the way we do business, continued

5. Set goals
6. Develop improvement plan
7. Implement improvement

Baldrige categorizes processes in a couple different ways—value creation processes and support processes. Value creation processes are aligned with business strategies. They have a product and service focus, and they support internal and external customer requirements, and the support processes enable the infrastructure with the internal customer, and they do support the value creation processes.

One of the tools we use to organize all of our processes is a process model. We have eight families of processes and fifty-one level-one processes. As a cycle of improvement, we’ve started to drill down to the next level, and we now have twenty-four subprocesses. The point here is that the farther you can drill down your processes, the more leading indicators you will have, which is important for business results, and letting you if you’re about to be surprised or not.

Some examples of value creation processes are strategy development and deployment. To return to the T-38 example, the U.S. Government is putting more and more money into upgrading existing aircraft, so one of our strategies is to win more of that kind of business. Managing those programs is also very important once you’ve won it, as is growing that business. Defining the product and service requirements is vital—what is the service required of that product? What is the mission that it has to fulfill?

We buy a lot of our components through suppliers. Then we assemble, deliver, retrofit, and modify. Those are just examples of value creation processes.

Some support process examples include financial services, human resources, safety—a huge issue in aircraft work.

One of the things that makes process-based management such a powerful tool is that we use four balanced measures for each of these processes: quality, timeliness, efficiency, and cycle time. The key is to understand the relationships between these four elements. Quality and timeliness are seen as very important to our customer. They’re important to us too, but they are really seen by the external customer. Efficiency and cycle time are more operational-type measures.

An important point here and the reason why we call them balanced measures, is that we never want to sub-optimize one for the other. In other words, we don’t want to shrink cycle time to the point where the product or the process is not affordable.

We have automated our process-management tool in order to keep our arms around what’s going on relative to process health across our large and complex organization. Currently, 79% of our key processes—and we do have a process to select those key processes—have comparative information available. Forty-seven percent of individual customer processes exceeded their customer goals.

One of the points I always like to make when I talk about Baldrige is the power of the interrelationships between the different category elements. Our processes align across our business in areas including the leadership system, enterprise planning, performance measurement, and much more.
One of the things we struggle with and that I think other companies struggle with is how does process-based management work with Lean? How does it work with Six Sigma and all those kinds of things? We put together a team to research this last year, and I think a real breakthrough occurred in that team when we said, “Process-based management is the management tool for our organization. We then took the rest of the tools and we categorized them into either assessment tools or improvement tools. And so ISO, CMMI, Six Sigma, Lean, are excellent tools if you want to improve your process. We have put together a web site that talks about each tool, what it does, and which job it’s best suited for. This is basically our toolbox; if teams have a problem, it tells them which tool is right for the job.

In terms of our next cycle of improvement, we’re going to further deploy process definitions and measures. That gets back to driving down processes to the next level. The farther you drive down those processes, the more indicators you have, the more you’ll have proactive visibility of how your business is running, and you’ll have fewer surprises. It also improves visibility and reporting.

### Journey to Performance Excellence and Lessons Learned

**Debbie Collard, Director, Business Excellence, IDS**—While it’s conceptually correct to say that the Boeing Aerospace Support journey started in the year 2000, it’s not technically accurate. David Spong, our CEO, and I have been through the quality journey with the Boeing Airlift and Tanker program. The journey began there with an organization that was in trouble, with its primary program threatened with cancellation, so it was in a recognized crisis state. Airlift and Tanker used the Baldrige Criteria as a way to tie together all the things that needed to be done to improve the organization’s performance. A&T was successful in that endeavor, and was a manufacturing recipient of the Baldrige Award in 1998.

In 2000, David Spong was asked to lead another Boeing company, Aerospace Support. I tagged along for the ride, and what a ride it’s been. When we arrived, Boeing Aerospace Support was a service organization only a few years old. It had been formed as a combination of the service aspect of various Boeing manufacturers. The company was performing well and making its numbers. They certainly didn’t feel they were in a crisis.

Although David Spong and I weren’t sure that Baldrige would “take” in Aerospace Support, the way it had in Airlift and Tanker, or would have the same transformational effect that we had seen, we definitely felt that organizations can always improve. It occurred to us that the size of the company could lead to some deployment challenges. So we began applying the Baldrige principles.

The first thing we did was create what we called a business excellence organization, to establish a focus on the Baldrige principles within Aerospace Support. That organization conducted a macro assessment to determine where to focus first, and then we assigned executive champions to lead the deployment approaches across the organization.
By mid-2001, we had firmly established Baldrige as our business model, and had tasked each of our major sites to apply for their state or local quality awards; in the case of our Australia site, their national award. This was to address our geographically dispersed organization. We saw it as a way to systematically gather information across the organization on how well we were performing with regard to the criteria.

We conducted an internal assessment again in 2002 using Baldrige examiners, and scored well enough that we figured we might as well apply for the award in 2003. Our goal was to get a site visit. Obviously we exceeded that goal.

In the macro assessment that we conducted in 2000, we found several areas that we believed needed focus:

- Leadership System
- Enterprise Planning
- Customer Satisfaction
- Management by Fact
- Employee Involvement
- Process Management

We assigned an executive champion to each area, and assigned a Plan, Do, Check, Act cycle of improvement across the organization. The overall idea was to focus on each initiative and to institutionalize it as a way of doing business across the organization. Our feedback report is going to keep us progressing along that path.

Another way that we addressed the deployment challenges across such a large, geographically dispersed organization was with an organizational structure of businesses, sites, and functions. Our businesses focus on business—winning new business and increasing profitability. Our sites focus on efficient execution to plan on behalf of our business units. And our functions focus on providing people, processes, and tools to enable efficient execution to plan in support of our business units. All of these entities work together to make Aerospace Support process.

In addition to the initiative areas described earlier, we needed an approach to address the Baldrige Criteria across the breadth of the organization, one that fit well within our organizational structure. We assigned leadership team members an area of the criteria, either a category or an item, and made them responsible for the approach and results. The site leaders were then made responsible for deployment of those approaches, and they worked together with the respective category and item champions.

Each of these champions were also paired with a focal point within the organization. These focal points were not leadership team members, but the people involved with the day-to-day activities within the businesses, sites, and functions. These focal points make up the Business Excellence Support Team.

A detailed responsibility matrix exists for each approach, deployment, and results area, and is updated as needed to remain current with our changing organization. Everyone on these matrices has this responsibility in addition to their day job. The primary advantage of this approach was the alignment and integration that it forced across our entire organization.
The seven Baldrige categories are represented in Figure 2 to depict Baldrige as our business model—the way we do business. It begins with a foundation of leadership, has integrated, aligned, and well-deployed approaches along each category, and builds to business results. You could view us as athletes in the sport of continuous improvement. We’re constantly running these stairs to stay in shape.

When our major sites applied for their state, regional, or national (Australia) quality award, they were reasonably successful in that endeavor, winning several state quality awards, and the Australian Award for Business Excellence. From 2000 to 2003, our overall Aerospace Support Baldrige scoring increased from band 2 to band 6, a strong indicator of continuous improvement. An interesting side note concerns the Philadelphia site, where they were upset because there was no state quality award. So we conducted an assessment for them, including a site visit. Since that time, our site leader and business excellence focal point have been working closely with a team of other folks to establish the Pennsylvania State Quality Award program, and they’re making great progress. It should be up and running in 2005.

To make Baldrige our business model, we as a leadership team had to understand that that meant using Baldrige as the way we do business every day. But our employees still felt largely that Baldrige was just another initiative, a flavor of the day—“something extra” that we did. And there was also confusion about how doing Baldrige fit in with everything else. So the leadership decided that just as with any campaign, communication and branding were important. We decided that we needed to “brand” Baldrige as our business model. So we did. We created the logo “Excellence Everyday.” It’s all about working in a place where excellence happens every day and is everyday—routine, mundane. We thought: How cool would it be to work someplace where excellence is the norm? And we set out to make that happen.

Here are the lessons we’ve learned so far along the journey:
• The Baldrige criteria are very adaptable to different organizations and to different situations.
• You can make more rapid advancement and improvement by sharing approaches and adapting them to fit the culture.
• The state quality award programs are a great way to address deployment challenges and to get started, so use them and support them.
• Using Baldrige as a business model rather than an “extra” initiative helps institu-
tionalize continuous improvement.  
• It’s important to brand and communicate the business model, because if everyone understands where you’re trying to go, they can help you get there.  
• Perhaps the most important lesson is that committed leadership is required.

This is not easy, and not for the faint of heart. There will be resistance, and it must be met with persistence. We challenge everyone who wants to improve to start the journey, stick with it, and most of all, to have fun.

Applying for the Baldrige Award

Debbie Collard, Director, Business Excellence, IDS, and Jim Walden, IDS Business Excellence—There were several reasons why we selected the application process for our organization. Now, it’s true that we constantly monitor and internally assess ourselves. But we recognized the value of bringing in externalized and trained third-party examiners to give us a new perspective on who we are and where we can improve. We’ve also learned that the very act of going through an application cycle has a catalytic effect on our culture that is already process and continuous improvement oriented. So things that were already moving well seemed to start moving faster and with greater focus. Now it’s true that the possibility of receiving national and presidential recognition for an award is a great motivator and incentive. But the real value to us in this process is getting actionable feedback in the form of a report that every applicant receives no matter what level they rise to in the application process.

Early on, our leadership recognized and committed to this, because they understood that taking that feedback and converting the opportunities for improvement into action plans would help us drive to the next level in our journey to excellence.

The 2003 application process

We wanted it to be clear to the leadership team and the whole organization that this wasn’t just about this application in this given year. This was about the process. At the same time, we wanted them to understand the steps that were necessary to get us through the application process for the entire year. Our application writing effort took place January through May. This included our eligibility certification, attending the Quest for Excellence Conference, which we recommended that people throughout the organization do. We sponsor this because we feel it’s such an important learning experience to hear from all types of companies about what they went through in applying for this award.

We then had an executive review and application sign-off, and this was important for the leadership team to keep in front of them. We wanted the entire leadership team to buy into this application and to make it their own. We didn’t want just a handful of people in the organization to put together the applications. They needed to be able to tell the story in their own words. We submitted our application on the 21st of May.

Team building

When we undertook this project, we realized we had to assemble a team to make it happen. And in the process of assembling a team, we realized that we had to consider several factors:

1. Geographic challenges
2. Our size and complexity as an organization
3. Personal development through this exercise.
4. Time spent away from families. This project would be in addition to people’s regular jobs.

One thing we did at the beginning of this project was rather surprising. We already had the writing team coming to its first meeting in Long Beach, California, so we kicked everything off by going to Disneyland for a day. That day was divided into three parts. First everyone had a behind-the-scenes tour that provided some insight into a business visionary, Walt Disney. Then we split into three teams that basically acted as though they were examiners during a site visit. Those teams went around and randomly interviewed Disney employees at the park. They asked the kind of questions that an examiner might ask at a site visit to a service organization, such as, “What kind of training have you had recently? What kind of recognition do you get? How do you know if you’re doing a good job?” By putting our application writers in the examiners’ shoes at the outset we set the stage for what was to come. And at the end of the day we had a scavenger hunt to help the application writers bond, because we realized that we had a team come together for the first time from many different locations, and they had a lot of experiences ahead of them.

We also developed and documented a detailed project plan. Our previous experience with state awards and the Boeing A&T award helped us properly identify schedules, milestones, gates, and also enabled us to assign the proper resources so that we could hit milestones like application drafts and review cycles.

We recognized early on that communication was going to be essential if we were going to have a shot at success with this. To address that, the writing team had a scheduled weekly teleconference. We used this to check the status of our progress against the plan, and to bring up any new challenges or surprises. It was also a chance for people to ask for help if they wanted it. Also, despite the geographic dispersion of the team, we did physically convene about four times during the application cycle.

You’ve heard everyone say how this process has to start from the top. Here’s a list of responsibilities we laid out early on for our leadership and item champions:

- Know the criteria and the Aerospace approach for assigned elements
- Drive integration and alignment across the organization
- Champion approaches, drive improvements, and lead by example
- Communicate throughout the Aerospace Support organizations

Of these responsibilities, two are extra-important. The first is communication. These champions are the face of the organization inside and out about what we’re doing and why it’s important. But the most important responsibility these champions had was to lead by example. If the leaders are saying that it’s important but they’re not showing it’s important, it will fail. They had to walk the talk.

We relied on our element focals to know their applicable elements and sections within the criteria, and be familiar with our approaches and our deployment that address that part of the criteria. We also looked to them to be the conduit between...
the champions at the leadership level and the writer team. They were also expected to lead organization-wide communication of their respective elements.

We had to make sure our writing team represented our large, complex, geographically disperse organization. We wanted experienced examiners on the team, but even we didn’t expect that amount of experience that we ended up with. We ended up with a ten-person writing team with a total of ten years of state quality award experience and eight years of national experience.

At first, because our team was so high-powered and energized, there was a temptation to pressure themselves to write “the perfect application.” And we realized they had assumed responsibility for the content of our story. So we lifted some of burden by telling them they were designated as investigative reporters. “You are responsible for the accuracy and clarity of the story, and for making sure it addresses the criteria. Our leadership champions are responsible for the goodness of the story.” Once we redefined that role, it freed up our writers to go about their job of writing a clear, concise, accurate story across the criteria.

To ensure integration across our application, as part of our periodic reviews we used a matrix approach to verify and validate integration. The source of information for this were the notes at the end of each item in the criteria book. That gives clear instructions as to which section should link with other sections in the application.

We also had a backup system where every writer had a counterpart who reviewed and shared feedback at the first review stage. At that point we also identified someone as our criteria cop. It just so happens that this person had a law degree, so they were a very good person to use to read the criteria, interpret it, and verify that every element in our application was addressing every element within the criteria.

A common practice at Boeing, and I think at many organizations in the military contracting business, is that whenever a large proposal effort is undertaken, a room is set aside and the walls are pasted with draft copies of the proposal, figures, diagrams, and data. Given our team’s dispersion, that method wouldn’t work well, so what we did was analogous to having a room like that. We set aside shared server space where we posted files and versions of drafts in that virtual environment.

While we worked through our application, and it was making its way through the various stages, we weren’t resting. Our executive champions and focal points were working to keep the focus on continuing improvement across the organization and in all categories. After the application’s submittal, we held a focal point deployment offsite meeting to focus on the extent of deployment across Boeing Aerospace, and to deal with any issues or concerns that our business excellence team had. One major key to our continuous concurrent improvement during the application process was addressing the feedback from our previous state and other assessments.

Along the way, we employed people who had Baldrige expertise. In addition to those people with that knowledge inside Aerospace Support, we also used people outside our organization but within Boeing, and we also used some resources external to Boeing altogether. You might ask yourself, given all that experience we have
as a team, why would we go outside the organization? Number one, an external set of eyes gives you a perspective that it’s hard to get on your own. Two, the people we brought in had extensive expertise successfully working with other organizations pursuing the Baldrige award.

Our internal and external advisors also spent time coaching our leadership champions and our subject-matter experts along the way. They were also a key part of our periodic meetings and our review cycles.

**Assign and enforce page counts.** When we began the application process we thought fifty pages was a lot of information. After a month, we thought there was no way we were going to get everything into fifty pages. We realized that we were going to have to set a page-count allocation by category and pretty much stick to that.

**Create a pull-out glossary or reference.** We were sensitive to the needs of examiners, so something we did to make life easier for them was to create a pull-out page of our numerous Aerospace acronyms and some of our technical terms. This was configured so you could pull the page out and hold it next to any page in the application without having to flip back and forth.

**Use an outside editor.** We also had the benefit of an external editor who had previous experience editing the Airlift and Tanker application. She ensured that we had good grammar, continuity, and one voice throughout the entire document.

**Dedicate graphics resources.** For graphics, layout, and printing we utilized internal Boeing resources. We were fortunate in that they had previous experience with Baldrige application cycles. And we were fortunate that they were dedicated because toward the final end of the project, the revisions start coming at warp speed.

**Schedule a final “page turn.”** At the final stages, we sent a few people over to where they were doing the printing and the binding, when the applications had been printed but were still in loose-leaf form, and they went everything page by page, and made sure all the pages were there, and in the proper order and orientation, and that there were no printing anomalies and so forth.

In September, after we were notified that we were getting a site visit, we did several things. First, we recognized the achievement of getting a site visit across the organization. Then we held several mock site visits so that people would know what to expect. We had weekly or even more frequent focal-point teleconferences because people had quite a few concerns and issues, and these kept everyone informed. We also had our leadership team conduct what we called a road show across the entire organization, so that everyone would understand what to expect, what kinds of questions they might get, that the examiners aren’t as scary as they appear … that it’s really going to be okay if they’ll just be themselves. We created badge extenders to uniquely identify Aerospace Support employees from the rest of the Boeing employees so the examiners would know who to talk to. We gave out quite a few motivational items to keep people aware of the visit and pumped about it. These include “Baldrige bars,” key rings, and excellence everyday lanyards, just to name a few.

Finally, we held a series of site-visit preparation off-site meetings. At one meeting, just a couple of months before the site visit, we brought in a couple of CEOs to talk about what it meant to lead this journey, and what it meant to lead this journey
through a site visit and even through a win. At the final meeting before the site visit, David Spong gave a particularly compelling talk to the leadership and business excellence team, telling them that this may be their one opportunity to participate in something this important in their lifetime. His heartfelt speech resulted in getting everyone pumped up and ready to show the examiners just what we could do.

Prior to the visit, excitement was high. Day one involved briefings and informational videos. We think the examiners also realized that yes, our organization really is as complex as they said in their application. We had a control room where we had the idea that we were going to track the examiners, collect key themes, and fulfill data requests in real time. We did some of that, but we also used the room to share the “wow” stories and keeping everybody excited as we went through the week.

And finally, the key ingredient of the site visit for us was the care and feeding of the examiners. Since Jim and I have both been examiners ourselves, we knew just how important it was to keep them well-fed and happy.

We learned a few things along Baldrige journey that are important to share.

- **Baldrige as a way of life.** It is our passionate belief that you can't just flip a switch one year and jump into Baldrige. You have to use the Baldrige framework as the day-to-day way you do business, and the criteria to continuously assess and improve your entire organization.

- **Plan, plan early, and in detail.** Continuously review and modify the plan as necessary. If we had to do this again, we would start earlier on category seven and put more resources into it. By its very nature, category seven is data-driven. Data is dynamic and it keeps coming in all the while you working on this, and it's a lot of work at the very end, but it's a key driver; it's almost 50% of the score.

- **Communicate, communicate, communicate.** It can’t be done enough. It’s paramount in an effort like this.

- **Examiners are real people, too.** They are the hardest-working volunteers that you will ever encounter. So it pays to take steps to make their lives a little easier whenever you can, wherever you can.

- **Recognize achievement early and often.** We based recognition for this product not on outcome but on effort. As soon as the application was delivered, we recognized the writing team. As soon as we found out we were getting a site visit, we recognized everybody in the organization with the trinkets that we described earlier. We didn’t wait to learn results and then decide whether to recognize, and to what degree. This worked very well for us.

This article is based on presentations given at the Quest for Excellence Conference, Washington, DC. Editorial assistance was provided by Jenny Donelan.
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Introduction

The first three years of Lean Enterprise