

# Achieving Performance Excellence

*Editor's Note: Mark Blazey's book, Insights to Performance Excellence 1997: An Inside Look at the 1997 Baldrige Award Criteria, published by ASQC Quality Press (item H0969), provides insight on analyzing an organization and helps one understand what each area of a high-performance management system means to the organization. The following are excerpts from the book.*

Organizations  
can optimize  
performance  
by adopting  
these values.

by  
Mark Blazey

**T**HE MALCOLM BALDRIGE NATIONAL Quality Award (MBNQA) criteria are used by approximately 40 states and a dozen countries to identify performance excellence in business, education, health care, and government. These organizations find that the performance excellence criteria help guide them through difficult management decisions. Their actions and policies are driven by a set of 10 core values that serve as a foundation for the criteria, bind an organization, and yield high performance.

High-performing organizations outrun their competition by delivering increasing value to stakeholders and improving organizational capabilities. These core values are critical for success in any size or type of organization. By adopting these values, organizations can optimize their performance. As competition gets tougher, nothing less than optimization will do. No organization will be immune from the ravages of poor quality, suboptimization, and failure to satisfy customers.

## *VALUE 1: Customer-driven quality*

The first value is a passion for customer-driven quality. Without this, little else matters. Customers are the final judge of how well the organization performs, and what they say counts. It is their perception of the product or service that will determine whether they remain loyal or seek better providers. Employees must systematically listen to customers and act quickly on what they say, and dissatisfied customers must be heeded closely, for they often deliver the most valuable information. If only satisfied and loyal customers (those who continue to do business with a company no matter what) are given attention, the organization will be led astray. The most successful organizations keep tabs on customers who are not satisfied and work to meet their demands.

## *VALUE 2: Continuous improvement and learning*

The most potent value is continuous improvement and learning. High-performing organizations create cultures that seek to evaluate and improve everything they do. A culture of continuous improvement is essential to maintaining and sustaining true competitive advantage. Without systematic improvement and ongoing learning, organizations will ultimately face extinction. With continuous improvement, however, time becomes an ally. As time passes, the organization grows stronger and smarter.

## *VALUE 3: Management by fact*

Management by fact is the cornerstone for effective planning, operational decision making, employee involvement, and leadership. People make decisions every day. Without data, however, the basis for decision making is intuition or gut feel. For instance, most drivers decide when to fill their fuel tanks based on data from the fuel gauge, and they get very uncomfortable if the gauge is broken. Yet people routinely make decisions of enormous consequence about customers, strategies, goals, and employees with little or no data. This is a recipe for disaster, not one designed to ensure optimization.

The failure to collect the right data and train people to use it for effective decision making often stands in the way of the next value.

## *VALUE 4: Employee participation and development*

In high-performing organizations, the people who do the work should make most of the decisions about how the work is done. A significant barrier exists, however, that limits employee decision making; access to data and poor data-based decision-making skills.

Leaders are unwilling to let subordinates

make decisions based on intuition; they reserve those types of decisions for themselves. Therefore, access to data and developing skills to manage by fact are prerequisites for optimizing employee contributions to the organization's success. Organizations cannot effectively move decision making to the level where most of the work is done unless those doing the work have access to the necessary data and are skilled at making fact-based decisions.

**VALUE 5:** *Fast response*

Fast response is usually driven by customer requirements and the desire to improve operating efficiency and lower costs. Except for a few pleasurable experiences, everyone wants things faster. Organizations that develop the capacity to respond faster by eliminating barriers, activities, and tasks that do not add value will often increase productivity, lower costs, and have more loyal customers. Analyzing and improving work processes enables organizations to perform better, faster, and cheaper. To improve work processes, organizations must focus on improving design quality and preventing problems. The cost of preventing problems and building quality into products and services is significantly less than the cost of taking corrective action later.

It is critical to emphasize capturing learning from other design projects. Use information concerning customer preference, competitors' products, cost and pricing, marketplace profiles, and research and development to optimize the process from the start. Also, public responsibility issues and factors, including environmental demands, must be included in the design stage.

**VALUE 6:** *Long-range view of the future*

To remain competitive, every organization must be guided by a set of measurable goals and a long-range view of the future. These measurable goals, which emerge from the strategic planning process, serve to align the work of everyone in the organization. Measurable goals allow everyone to know where they are going and when they deviate from their path. Without measurable goals, people still work hard, but they go in different directions—suboptimizing the success of the organization.

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**VALUE 7:** *Internal and external partnership development*

Achieving long-range goals is increasingly difficult without internal and external partnership development. Internal partnership agreements with workers, including labor unions and other units as appropriate, need to be created and strengthened. External alliances and strategic partnerships are key to enhancing overall capabilities quickly. Such partnerships characterize high-performing organizations that think strategically about maximizing performance for their customers.

**VALUE 8:** *Corporate responsibility and citizenship*

Every high-performing organization practices good corporate responsibility and citizenship. Organizations must determine and anticipate any adverse effects to the public of its products, services, or facilities. Failure to do so not only undermines public trust and distracts workers, but can negatively impact the bottom line. This is true of both private and public organizations. Additionally, safety and legal requirements must be met beyond mere compliance.

**VALUE 9:** *Results focus*

Focusing on results helps organizations communicate requirements, monitor actual performance, make adjustments in priorities, and reallocate resources. Without a results focus, organizations can become fixated on processes and lose sight of the important factors for success.

**VALUE 10:** *Effective leadership*

Finally, every system, strategy, and method for achieving excellence must be guided by effective leadership. Good leaders convey a sense of urgency to reduce the resistance to change that prevents the organization from taking the steps that these values demand. They serve as role models by reinforcing and communicating the core values by their words and actions; words alone are not enough.

**Lessons learned**

Twenty years ago the global competition that inspired the quality movement was felt primarily by major manufacturers. Today, all sectors are under pressure to be the best or be history. The demand for performance excellence reaches all corners of the economy. All of these segments have contributed valuable lessons to the quality movement and have played an important part in recovering from the economic slump caused by poor-quality service and products in the 1970s. What follows are insights and lessons learned from leaders of high-performing organizations that rely on the Baldrige Award model.

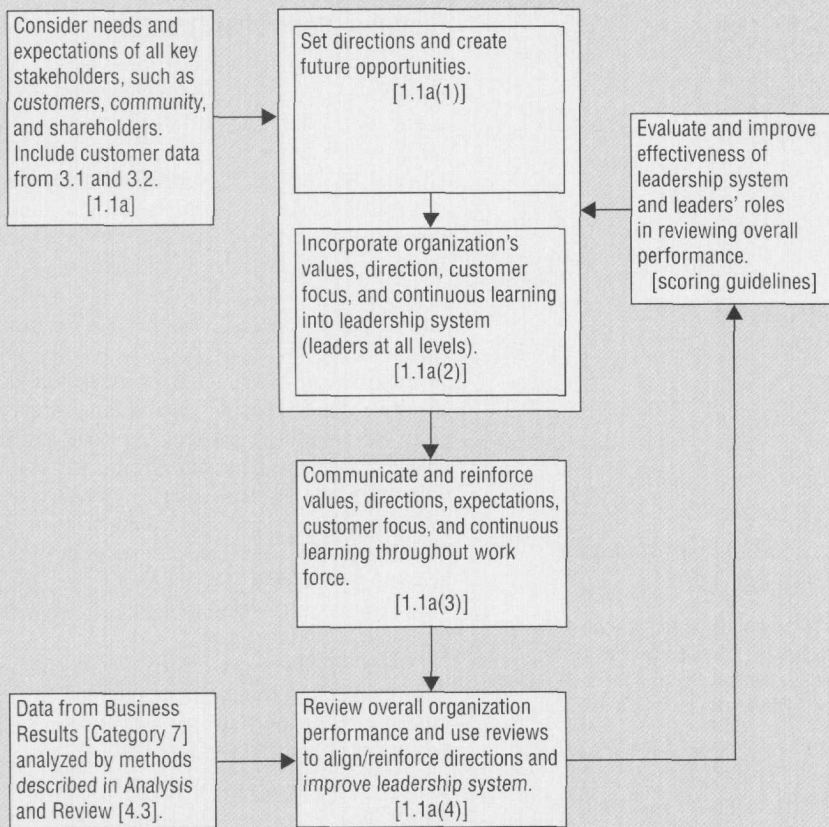
**Leading by example**

One characteristic of a high-performance organization is outstanding results. How does an organization achieve such results? How does it become world class? While no studies have been able to document a single path to success, there is unanimous agreement on the critical and fundamental role of leadership. There is not one example of an organization or organizational unit achieving profound improvement without the personal and active involvement of top leadership. Top leaders in these organizations create a powerful vision that focuses and energizes the work force. Everyone must pull together toward the same goals. Frequently, an inspired vision is the catalyst that overcomes the organizational status quo.

Great leaders are great communicators. They identify clear objectives and a game plan for organizational success. They assign accountability, ensure employees have the necessary tools and skills, and create an environment that rewards teamwork and data-driven improvement. They also practice what

**Figure 1. Leadership System**

How senior leaders set direction and develop and sustain a leadership system for performance



they preach, serving as role models for continuous improvement, consensus building, and fact-based decision making. They push authority and accountability to the lowest possible levels.

The following lessons can be learned from great leaders:

*Minimize the use of the word "quality."* Too often, when skilled, hard-working, employees are told, "We are going to start a quality effort," they assume that their leaders think they aren't working hard enough. The work force misinterprets the message as, "We have to do this because we are not good." They frequently retort with, "We already do quality work!" The quality professional often exacerbates the communication problem by arguing that they, not customers, define quality. These messages confuse employees. Unfortunately, using the word quality can unintentionally create a barrier of mistrust and negativism that leaders must overcome before starting on the road to performance excellence.

As an alternative, leaders should create an environment that inspires employees to continually improve the way they work—to seek higher performance levels and reduce nonvalue-added work. Most people agree that there is always room for improvement.

The use of the word quality can also open leadership to challenges concerning how the organization defines quality. This leads to the second lesson.

*Leaders will have to overcome two organizational tendencies: to reject any quality model or theory that isn't their own and to think that there are many equally valid models.* Quality differs from a decision tree or problem-solving model where there are many acceptable alternatives. The Baldrige Award model—and the many national, state, and organization assessment systems that are based on it—is widely accepted as the standard for defining organizational excellence. Its criteria provide validated, leading-edge practices for managing an

organization. Nearly a decade of extraordinary results shown by winners of the Baldrige Award and similar state award winners have helped convince those willing to learn and listen.

To be effective, leaders must understand the Baldrige Award model and communicate to the work force and leadership system their intention to use that model for assessment and improvement. Without clear leadership commitment, resources may be spent chasing facts, narrow focuses, and isolated strategies, such as reengineering, quality circles, and ISO 9000 certification. Without clear leadership there will be many hikers but no marked trails for them to follow. Once leaders understand the system and realize it is their responsibility to share the knowledge and mark the trails, performance optimization is attainable. This leads to the third leadership lesson.

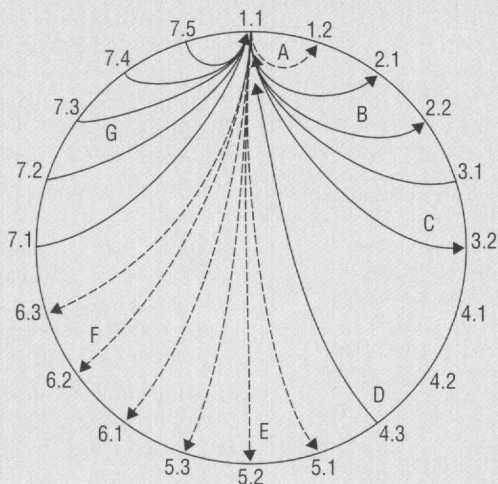
*A significant portion of senior leaders' time, as much as 60% to 80%, should be spent in visible Baldrige Award-related leadership activities, such as goal setting, planning, reviewing performance, recognizing and rewarding high performance, and spending time understanding and communicating with customers and suppliers.* Senior leaders must look from the outside in when goal setting, planning, and reviewing performance. Looking at the organization through the eyes of customers, suppliers, and other stakeholders is a vital perspective.

The primary role of the effective leader is not to manage internal operations, but to be visionary and focus the organization on satisfying customers. Leaders must role model the tools of consensus building and decision making as the organization focuses on its vision, mission, and strategic direction.

Falling back on command-and-control behavior will be self-defeating. Commandments such as, "I want this mission rolled out by the end of the second quarter," fall into the self-defeating and major-mistake category.

Using the consensus approach to focus the organization on its mission and vision will take longer, of course. This is similar, however, to taking more time during the product design phase to prevent problems later. The additional time is necessary for organizational learning, support, and buy-in, particularly in two areas: integrating global marketplace realities and better understanding the

**Figure 2. Leadership System Item Linkages**



**Nature of Relationship**

- A Leaders at all levels [1.1] must role model and support corporate responsibility and practice good citizenship [1.2].
- B Leaders at all levels [1.1] participate in the strategic planning process and ensure plans are deployed throughout the organization and used to align work [2.1]. Leaders [1.1] also approve the goals and measurements set forth in the plan [2.2c]. They are responsible for using comparative data to set stretch goals.
- C Leaders [1.1] use information from customers [3.1 and 3.2] to set direction and create opportunity for the organization. Leaders [1.1] also have a responsibility for personally building relationships with key customers [3.2a] (creating a bidirectional relationship).
- D Leaders [1.1] use analyses of data [4.3] to monitor organizational performance and understand relationships among performance, customers, markets, and financial success. These analyses are also used for decision making at all levels to set priorities for action and allocate resources for maximum advantage.
- E Leaders [1.1] at all levels work to improve the organization's work and job design [5.1a] and ensure the compensation and recognition system [5.1b] encourages employees at all levels to achieve the organization's performance objectives. Leaders [1.1] are also responsible for supporting appropriate skill development of all employees through training and development systems [5.2] as well as creating effective systems to enhance employee satisfaction, well-being, and motivation [5.3]. Leaders are also responsible for evaluating and refining all of these processes.
- F Leaders [1.1] at all levels are responsible for creating an environment that supports high performance, including monitoring processes for design and delivery [6.1], support services [6.2], and better supplier and partner performance [6.3]. Leaders must ensure design, production/delivery, support, and supplier performance processes are consistently evaluated and refined.
- G Leaders [1.1] at all levels use performance results data [Category 7] for many activities, including strategic planning [2.1], and for setting goals and priorities, allocating resources [3.2], and reinforcing or rewarding employee performances [5.1b].

competitive environment. The resulting vision will have more depth. Finally, the deployment of the vision and focus will take less time because of the support created during the process.

**Complex leadership systems**

The Baldrige Award criteria have been regarded as a complicated and detailed document. The MBNQA office, however, has made significant strides to simplify and clarify the 1997 criteria. Nevertheless, many people find it easier to understand the requirements of the criteria if they can visualize them in the form of a flowchart (see Figure 1).

Figure 2 demonstrates the major linkages among the leadership system and the other items of the Baldrige Award criteria. The arrows indicate the direction of the action. For example, the leadership system has responsibility for monitoring organizational performance based on the results from category 7. Therefore, the arrows indicate information is entering item 1.1 and originating from items 7.1 through 7.5. Each arrow or set of arrows is labeled with a letter. The letter corresponds to the narrative description in the table below the diagram.

There are always better ways to do things. The challenge is to find them, but they are not likely to be found alone. An environment must be created where better ways will be sought out, recognized, and put in place by everyone.

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*Insights to Performance Excellence 1997: An Inside Look at the 1997 Baldrige Award Criteria* (item H0969) is available through ASQC Quality Press for \$33.50 (ASQC member price) or \$37 (list price). To place an order, call ASQC's Customer Service Department, 800-248-1946 or (414) 272-8575.

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