

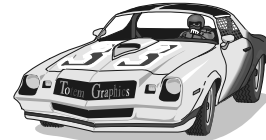
Best Practices from Baldrige

The Power of Systems Improvement

Kevin McManus
Performance Improvement Coach – Great Systems!
www.greatsystems.com



Why Can't We Go Faster?



Faulty work systems are similar to restrictor plates on NASCAR vehicles

We ask our people to drive faster, but we leave the restrictor plates on at the same time.

If we want to go faster (higher levels of performance), we have to take the plates off.



What is the fastest and
easiest way to change
human behavior?

Change the system!



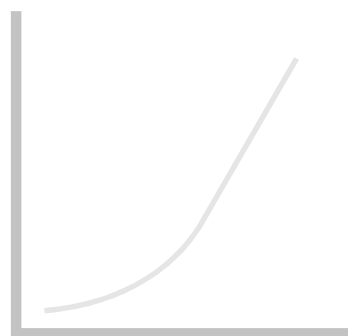
Why I Believe in Baldrige

- Results account for 45% of the total possible points
- The beauty of the scoring guidelines
- You determine what is important - measures, strategies, markets, and stakeholders
- The criteria are based on 11 powerful core values
- The National Baldrige Quality Program practices what it preaches!
- The stock performance of past National Baldrige winners



The Key Question!

Is a high Baldrige score an indicator of performance excellence?



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2007 Baldrige Category Points

1	Leadership	120
2	Strategic Planning	85
3	Customer & Market Focus	85
4	Measurement & Analysis	90
5	Workforce Focus	85
6	Process Management	85
7	Business Performance Results	450



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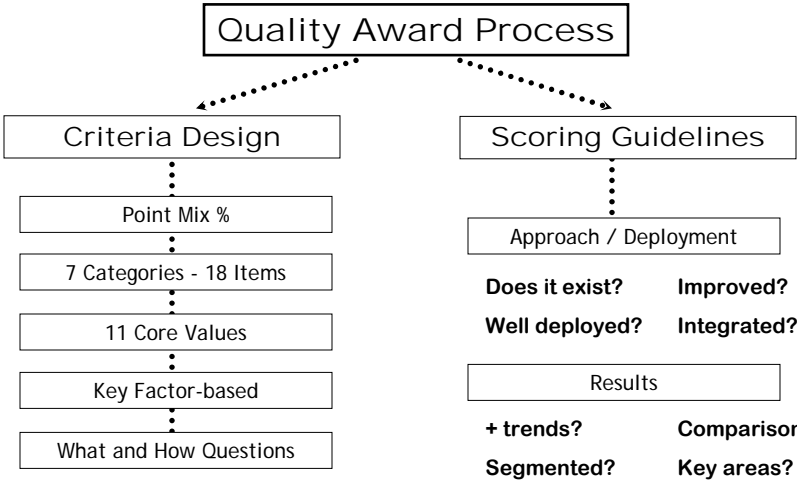
Baldrige Core Values

- Visionary leadership
- Customer-driven excellence
- Organizational and personal learning
- Valuing employees and partners
- Agility
- Focus on the future
- Managing for innovation
- Management by fact
- Social responsibility
- Focus on results and creating value
- Systems perspective



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A Closer Look at Baldrige



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A Perspective Shift

With Baldrige, a
50% score is a
sign of success,
not failure!



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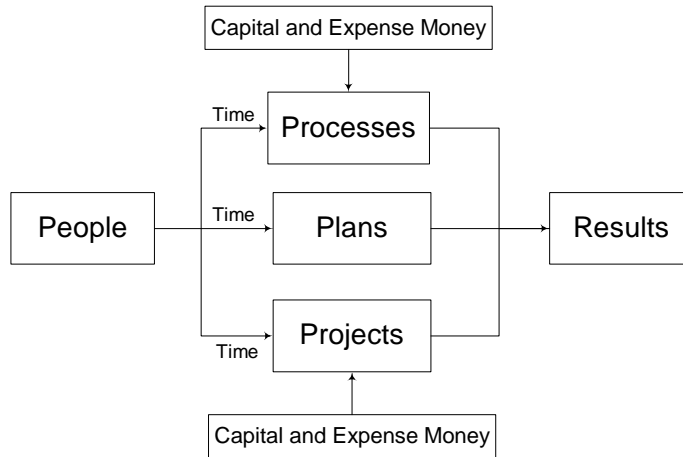
Five Key Concepts

- All work is a process
- All processes produce results
- Systems shape culture
- Systems give you what they are designed to give you
- People make the difference



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What is Work?



Work = People spending time and money to make money



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The Ten Power Systems

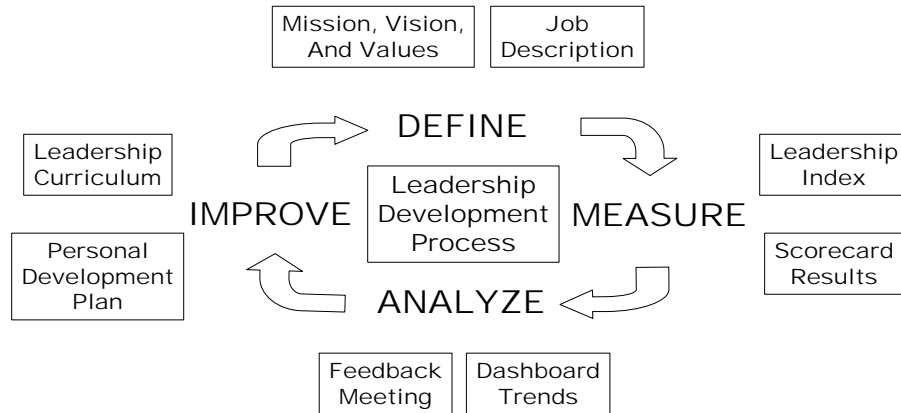
Old Systems	Waste Systems	Weak Systems
Leadership	Communication	Process Improvement
Job Design	Technology	Measurement
Compensation	Planning	Customer Satisfaction
	Training	

How do we use them to optimize how we spend our time and money each day?



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Development Process



- What does your leadership development process look like?
- How much time and money do you invest in development?
- How do you determine if your LD process is effective?



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Leadership Index

My manager or supervisor ...

1. Works with me to define the expectations of my job	SA (A) AD D SD
2. Helps us find ways to do our jobs better	SA A (AD) D SD
3. Is willing to spend time listening to my concerns	(SA) A AD D SD
4. Lets me know when I have done a good job	SA A AD (D) SD
5. Asks for my ideas about things affecting our work	SA A (AD) D SD
6. Treats me with respect and dignity	SA (A) AD D SD
7. Keeps me informed about things I need to know	(SA) A AD D SD
8. Lets me do my job without interfering	SA (A) AD D SD
9. Makes an effort to understand my point of view	SA A (AD) D SD
10. Keeps favoritism from being a problem in our workgroup	SA A AD (D) SD
11. Makes sure that continuous improvement is part of my daily job	SA A (AD) D SD

LI = 45%

- Which leaders should be measured with an index?
- What minimum score should be considered acceptable?
- How long should we tolerate 'poor performance'?



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Decision Matrix

2005 Possible Plant Projects - Decision Matrix

Indicate degree of impact (1 = low to 5 = high)

#	Objective Description	Personal Safety	Food Safety	Employee Satisfaction	Product Quality	Process Costs	Process Efficiency	Process Waste	Knowledge Levels	Total Points
1	Install bulk sugar handling and dispensing system	5	3	4	2	3	3	1	1	22
2	Purchase and install wet washing system for main bottling line	1	5	2	4	2	2	2	1	19
3	Send all leadership team members to an external training course	3	3	5	2	3	2	3	5	26
4	Purchase and install flow racking for high volume finished goods	5	2	3	3	2	3	2	1	21
5	Evaluate the feasibility of using automatic inspection equipment	1	3	2	5	2	2	3	2	20
6	Redesign packaging area and purchase palletizing equipment	4	2	3	3	4	3	2	1	22
7	Train all supervisors in the use of Excel spreadsheets	2	2	2	4	4	3	3	5	25
8	Rent and begin using outside storage facility for raw materials	1	5	2	2	2	2	2	1	17
9	Replace the existing rotary filler on Line #1	2	4	2	3	5	4	2	1	23
10	Purchase and install new maintenance scheduling software	3	3	1	2	3	4	2	2	20
11	Provide SPC training to all supervisors and lead people	1	2	2	5	3	2	3	3	21
12	Set up and begin using plant intranet for communication purposes	3	3	4	2	2	1	3	5	23
13	Purchase new uniforms for all operation employees	2	4	5	1	1	2	1	1	17
14	Replace the two oldest electric forklifts	4	3	5	2	2	3	1	1	21

- What process do you use to evaluate possible change options?
- What factors should you use to evaluate different options?
- How would you weight your factors against each other?



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Project Database

	Perf. Area	Compl. Quarter	Person Resp.	% Comp.	Status To-Date
Purchase / begin using outside flammables storage unit	Safety	3	Bob	75	Permits are being obtained / POs issued
Reduce decibel level in filling room and operations office	Safety	4	Bob	75	Capital request has been issued
Install barrier posts in front of transformer by Spec. Projects	Safety	2	Bob	100	Posts have been installed
Install / begin using bulk sugar dispensing system	Safety	1	Brian	100	System now in use
Provide monthly safety training	Safety	Ongoing	Kevin	50	Draft curriculum proposed to committee
Implement training certification process	People	1	Kevin	65	Drafts completed - prepare notebooks next
Create personal development plans	People	2	Kevin	35	Will follow annual reviews
Install formal performance recognition process	People	1	Kevin	60	Team formed to address company approach
Install finished goods bottle washer	Quality	1	Bob	95	Need depends on success with suction
Continue to improve Supplier Management Process	Quality	2	Collin	100	First phase complete - will reassess in Q4
Obtain HACCP certification for second syrup line	Quality	1	Victor	80	Pre-audit conducted - lots to do now
Make changes to improve inventory accuracy	Quality	2	Kevin	100	Committee has completed initial work
Make improvements to reduce back order frequency and cost	Quality	Ongoing	Kevin	0	Trends are reviewed weekly / causes being addressed
Define quick changeover procedures for product changes	Cost	2	Kevin	60	Changeovers now a team effort - not just mtc.
Install fourth packing station / additional conveyors and taper	Cost	2	Bob	H	Will be part of 2006 syrup line improvements
Improve functionality of accumulation table before capsulator	Cost	3	Jim	H	Will be part of 2006 syrup line improvements

- What are the advantages of using one central idea database?
- How can people contribute ideas to the database?
- Which groups should have access to the database?



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Customer Requirements Matrix

Customer Group	Requirements	May apply to one or more requirements	
		How requirements are defined	How requirements are measured
Specialty Coffee Retailers	<ul style="list-style-type: none"> * Safe product * Competitive price * On time delivery * Easy to restock and order * Variety of flavors * Assistance with promotions 	<ul style="list-style-type: none"> * Annual Retailer surveys (through website) * Regular contact with sales representative * Quarterly focus groups * Visits to manufacturing facility * Review of customer complaint logs * Informal observation 	<ul style="list-style-type: none"> * Sales per store trend analysis * Repurchase rates * Survey satisfaction scores * % participation in focus groups * Customer retention rates (%) * Customer complaint rates
International Distributors	<ul style="list-style-type: none"> * Safe product * Competitive price * Quick order fulfillment / turnaround * Easy to restock and order * Proper labeling and paperwork * Sturdy packaging 	<ul style="list-style-type: none"> * Annual Distributor surveys (through website) * Regular contact with sales representative * Annual focus groups * Visits to manufacturing facility * Review of customer complaint logs * Specification development process 	<ul style="list-style-type: none"> * Sales per country trend analysis * Repurchase rates * Survey satisfaction scores * Flavors purchased trend analysis * Customer retention rates (%) * Customer complaint rates
Private Label Wholesalers	<ul style="list-style-type: none"> * Safe product * Competitive price * On time delivery * Flexibility / ability to customize * Assistance with product development * Make to order capability 	<ul style="list-style-type: none"> * Annual Wholesaler surveys (through website) * Regular contact with sales representative * Annual wholesaler conference feedback * Visits to manufacturing facility * Review of customer complaint logs * Specification development process 	<ul style="list-style-type: none"> * Sales per customer trend analysis * Repurchase rates * Survey satisfaction scores * # of flavors produced trends * Customer retention rates (%) * Customer complaint rates
Internal Customers (Employees)	<ul style="list-style-type: none"> * Safe workplace * Equitable compensation plan * Effective leadership * Involvement in company planning * Involvement in decision making * Personal development opportunities 	<ul style="list-style-type: none"> * Semi-annual employee survey * Weekly 'quick opinion' intranet surveys * Monthly 'all employee' meeting feedback * Review of monthly work team reports * Review of internal complaint logs * Review of exit interview results 	<ul style="list-style-type: none"> * Semi-annual employee survey * Leadership Index * % focus / project team participation * Absenteeism rate trends * Employee retention rates (%) * Complaint rates (through HR)



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Performance Review Matrix

Event	Frequency	Who's There?	Information Used	Outputs
Leadership Team Meeting	Monthly	Leadership Team	Performance trends Action plans	Monthly Summary
Strategic Planning Workshop	Annual	Leadership Team Strategic Planning Team	Listening post summary Performance trends	Annual Operating Plan
Work Team Meeting	Weekly	All work team members	Daily scorecards Failure summary	Team newsletter
Supplier Conference	Quarterly	Purchasing Manager Plant Manager	Performance report Failure Summary	Supplier newsletter
Customer Visits	Based on sales level	Salesperson Service Rep	Sales report Failure Summary	ACT database notes
Process Review	Daily	Supervisor Lead people	Daily scorecard	Journal notes
Improvement Team Leaders	Monthly	All improvement team leaders	Team action plans Performance trends	Updated plans Team newsletter



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Communication Vehicle Matrix

Vehicle	Target Audience	Type of Information	Purpose of Vehicle	% of Employees Reached	Frequency of Access	Refresh Rate	Who Updates?
Bulletin Board	All Employees	Performance results, company news	General sharing of key information	100%	Daily	Weekly / As Needed	Supervisors
E-Mail	All Employees	Project and process notes, file sharing	Quick info sharing and feedback	100%	Daily	Daily	Message Sender
Telephone	Employees with desk or cell phones	Quick updates, private conversations	Personal access without FTF meeting	75%	Daily	Daily	Caller
Memo / Mail	All Employees	Information for meetings, company news	Reference during team meetings, documentation	100%	As Needed	As Needed	Message Sender
Newsletter	All Employees	Company news	Recognition, info sharing, updates	100%	Daily	Monthly	Human Resources and Supervisors
Face-to-Face - All Hands	All Employees	Performance results, company news	Attach emotion to messages / real time feedback	100%	Monthly	Monthly	Leadership Team
Face-to-Face - Teams	All Employees	Team updates, project work	Attach emotion to messages / real time feedback	100%	Weekly	Weekly	Supervisors
Face-to-Face - 1 on 1	All Employees	Project work, process work, coaching	Attach emotion to messages / real time feedback	100%	As Needed	As Needed	Meeting Organizer
Internet	Employees with internet access	Company information and customer service	Easy access to general information	75%	Daily	Weekly / As Needed	IT Department
Intranet	All Employees - some limited access	HR Forms, procedures, news, and results	As needed access to info / capture feedback	100%	Daily	Daily	IT Department



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Team Infrastructure Matrix

Position / Function	Process (Work) Teams										Focus Teams					Project Teams							
	Sales / Marketing	R & D	Production	Warehouse	Quality Assurance	Human Resources	Accounting	Purchasing	Maintenance	Sanitation	Leadership Teams	Safety Committee	Recognition Committee	Customer Satisfaction	Waste Reduction	Planning Team	New Product Introduction	Packaging Line Redesign	Bulk Sugar Dispensing System	Maintenance Software Install	Change to Activity Based Costing	Quality Systems Improvement	Intranet Design and Install
Director / VP / CEO	1	1	1	1	1	1	1	1	1	7	1	1	1	1	7	2					2	3	1
Manager	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	1	2	3	2	1
Supervisor		3	1			1	2				1	1	1	1		1	1	1	1	1	1	1	
Lead Person		3	1	1					1		1	1	1					1					
Sales / Marketing	14									1	1	2	1	2	1	2	1				1	1	1
R & D		2											1			1							
Production			35							1	1	1	1			2	1	1					1
Warehouse				6						1	1	1	1			1	1	1					
Quality Assurance					3					1	1	1	1			1	1	1					1
Human Resources						2				1	1	1	1										1
Accounting / IT							5				1	1	1			1				2	1		2
Purchasing								1			1	1	1			1	1						
Maintenance									3		1	1	1				1	1	2	1			
Sanitation										4	1	1	1			1							1
Totals	16	3	43	9	5	3	7	2	6	6	7	9	10	10	9	9	10	9	7	8	8	7	8

- Why would you want to have all three types of teams in place?
- How should team involvement vary between work groups?
- To what degree should this mix change over time?



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Curriculum Matrix

Annual Training Plan	Monthly meeting	Computer-based	External workshop	Internal workshop	Training Topic	Target Audience	Frequency	Time per Person
	Delivery Method							
	X	X			Food Safety	All employees	Monthly	30 minutes / month
	X	X			Personal Safety	All employees	Monthly	30 minutes / month
				X	Leadership	All supervisors and managers	Quarterly	4 to 8 hours
		X		X	Problem Solving	All employees	Annual	CBT (4), Workshop (4)
		X		X	Employee Orientation	New hires	Monthly	8 hours
			X		Negotiating Skills	Sales and Customer Service teams	One time event	2 days
				X	Total Productive Maintenance	Maintenance team	One time event	1 day per quarter
		X		X	Customer Satisfaction	All employees	Quarterly	1 hour per quarter
			X		Activity-based costing	Accounting, Leadership teams	One time event	2 days
		X			Skill Certifications	All employees (pay for skills)	Ongoing	4 to 8 hours per skill



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Compensation Plan Design

Traditional Workplace

High Performance Workplace

Wages

- Hourly rates mirror local averages
- Overtime is main form of 'extra pay'
- Increases are primarily COLA driven
- Piece rate incentives used in some cases

- Hourly rates are above average
- Monthly or quarterly profit sharing payouts
- Pay for skill process drives wage increases
- Profit sharing available to all employees

Benefits

- Same basic package for all groups
- Management typically gets added features
- Packages limited to medical, dental, and life

- Cafeteria style benefits program
- All employees on same program
- Wide range of benefit options

Extras

- Giveaways used to motivate at times
- Bonuses limited to upper management
- Little community support involvement

- Multi-level recognition process
- Site wide bonus program
- High % of workforce supports community

Environment

- Limited involvement in decision making
- Job rotation is limited
- Few workplace improvements are made

- High levels of employee involvement
- Job rotation is linked to training plans
- Workplace improvements are expected



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Process Definition Matrix

Value Creation Process Area	Key Customer Requirements	Key Processes and Tools	Key Process Measure(s)
New Product Development	Improve product features Develop new products Reduce production costs	Development process Customer listening posts Performance review process	Development cycle time Development cycle cost New product success %
Sales and Marketing	Retain current customers Attract new customers Maintain account accuracy	Account development process Customer targeting process Account updating	Customer retention % Revenue growth % Customer satisfaction index
Customer Service	Prompt response to calls Accurate information Timely information	Order entry process Information retrieval process Complaint resolution process	Call abandonment rate External survey score % calls answered in 10 sec.
Purchasing and Receiving	On time material delivery Cost effective raw materials Performance to specs	Receiving process Material ordering process Supplier management	Material cost per pound Avg. \$ in inventory On time delivery %
Production	On time schedule completion Quality product Minimal waste	Preparation Assembly Packaging	Process cost per pound Rework / waste % % production to schedule
Shipping	On time shipments Accurate shipments Prompt order fulfillment	Order assembly Shipment scheduling Order labeling	On time % Order cycle time Shipping accuracy score



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Scorecard Summary Matrix

Team	Key Performance Areas and Measures			
	SAFETY	PEOPLE	QUALITY	COST
Plant	# of LT Accidents OSHA Incident Rate	Absenteeism % Turnover % Survey Score	Waste % Rework % Back Order Rate	Cost per Pound Cost per Manhour
Production	# of LT Accidents OSHA Incident Rate	Absenteeism % Turnover %	Waste % Rework % Monthly Inspection Score	Cost per Pound Cost per Manhour Efficiency %
Maintenance	# of LT Accidents OSHA Incident Rate	Absenteeism % Turnover %	Repeat Repairs rate Monthly Inspection Score Internal Customer Sat	Cost per Pound Cost per Manhour Downtime %
Warehouse	# of LT Accidents OSHA Incident Rate	Absenteeism % Turnover %	Back Order Rate Monthly Inspection Score Order Accuracy %	Cost per Pound Cost per Manhour Orders per Manhour
Sanitation	# of LT Accidents OSHA Incident Rate	Absenteeism % Turnover %	Pre-Op Score - average Monthly Inspection Score Internal Customer Sat	Cost per Pound Cost per Manhour
Quality Assurance	# of LT Accidents OSHA Incident Rate	Absenteeism % Turnover %	Internal Customer Sat Complaint Rate	Cost per Pound Cost per Manhour



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Cycles of Improvement

Improving Your Process Improvement System

- At Start
 - Some departments measure daily performance
 - Meet regularly to review performance and plan

- First Cycle
 - Formally define key processes
 - Balanced scorecard of measures is created

- Second Cycle
 - Formal analysis / improvement approach used
 - All departments track process performance

- Third Cycle
 - Practice for sharing best practices is set up
 - Benchmarking is used to identify next steps



Satisfaction Scorecard

Customer Group	Loss	Loyalty	Defects	Satisfaction
Internal	Turnover Rate	Absenteeism	Grievance Frequency	Survey Index
External	Lost Customer Rate	% Repeat Sales	Customer Complaints	Survey Index

Internal Survey Index

- Work Environment %
- Wages %
- Benefits %
- Leadership %

External Survey Index

- Service %
- Price %
- Features %
- Relationships %



2007 Baldrige Results Points

7.1	Product and Service Outcomes	100
7.2	Customer Focused Outcomes	70
7.3	Financial and Market Outcomes	70
7.4	Workforce Focused Outcomes	70
7.5	Process Effectiveness Outcomes	70
7.6	Leadership Outcomes	70



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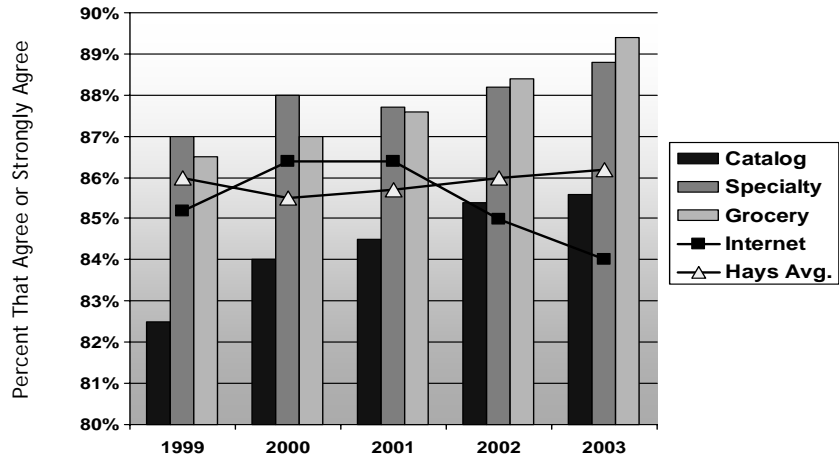
How Good are Your Results?

- Do you have trend data for each of your key measures?
- Is there a consistent, positive trend over 3 to 5 years?
- Is each area of importance measured?
- Does your segmented data show consistent, positive trends?
- Do you have a 'best in class' comparison?



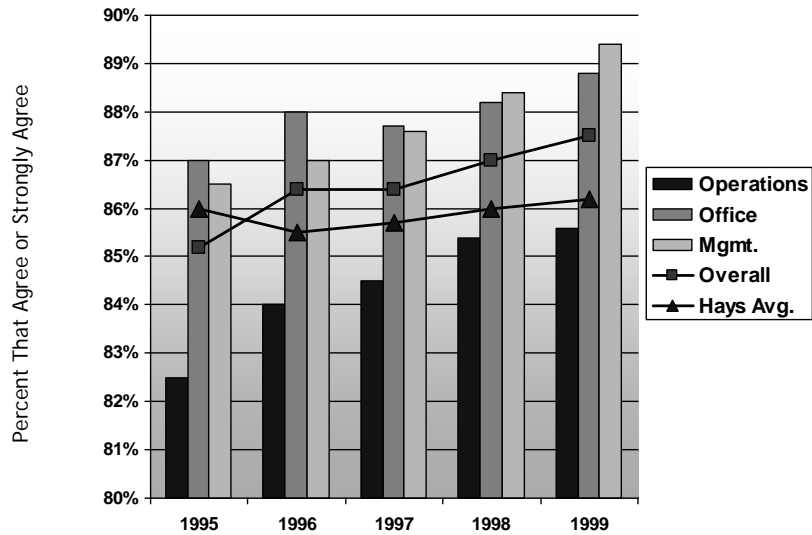
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An Example of Good Results



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An Example of Good Results



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High Performance Building Codes

- Leadership behavior should be measured
- A plan exists for using new technologies
- Trend lines are maintained for all key measures
- All employees should be on a profit sharing plan
- Balanced dashboards should exist for all processes
- Safety, quality, cost, and people 'gauges' should be on all dashboards
- All process owners capture daily process data in a spreadsheet
- Waste streams should be known and tracked daily
- All organizations should have cross-functional project teams
- Work teams should be involved in process analysis and improvement daily



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Ten Great Places to Start

- Define your Leadership Team
- Complete the five sections of the Organizational Profile
- Diagram your strategic planning process
- Create a matrix of your key measures
- Define 3-5 year trends and comparisons for each measure
- Identify stakeholders and their requirements
- Identify customer groups and their requirements
- Diagram your product or service design / delivery process
- Define your customer / stakeholder listening posts
- Define your process for measuring satisfaction / dissatisfaction of customers, stakeholders, and associates



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