

Leadership's Role in Performance Improvement

by **Martin A. Preizler, John B. Martin, Ph.D.,**
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After all the emphasis corporate America has placed on improving quality and lowering costs, our economy has teetered on the brink of collapse. Does this suggest that quality improvement efforts are irrelevant—or that businesses, in pursuit of greater profits, have ignored key quality principles?

As CEOs scramble to improve profits, improving quality becomes a low priority. Leaders cut positions that do not generate revenue, which means substantially reducing quality improvement activities.

But the role of the CEO is to ensure that the company brings relevant, desired value to customers. In an economic downturn, what can the CEO do to continue improving quality for customers?

The CEO's primary responsibility is to construct long-term, sustainable strategies on a base of values and ethical principles, and to communicate a vision of the future and a focus on the organization's mission.

Another critical responsibility of the CEO is creating a "culture of quality" as a core value. The CEO must own the company's quality agenda and priorities and must educate board members about the quality imperative while holding leadership teams accountable for improving quality. The CEO must be actively involved—this responsibility cannot be handed off to a quality department. Boards must hold their leaders accountable for quality and must recognize and reward them appropriately for measurable improvements.

The truly committed CEO will make continuous improvement the responsibility of every employee and will recognize and reward employees for results. Leaders and managers must ensure that all employees understand the concepts and tools of continuous quality improvement and that board members and leaders understand improvement of products and services as a differentiating and sustainable competitive strategy.

Using tough economic times as an excuse to abandon the quality agenda is penny-wise and pound-foolish. Leaders who do so fail to grasp the importance of quality improvement. What message are they sending to customers by downsizing or eliminating quality processes? They are communicating that the company does not value continually improving the quality of its

products and services. Who would buy anything from such a company?

Forward-thinking leaders actively invest in improving quality. They understand this investment as critical to future success.

How does the CEO personally promote the quality agenda throughout the company? The best model is the Malcolm Baldrige National Quality Program, defined by the annual publication of the Criteria for Performance Excellence. The criteria (available from www.baldrige.nist.gov) provide a framework based on more than 20 years of evaluating applicants for the highest quality recognition award sponsored by the U.S. government.

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To ensure the success of your company's quality agenda:

1. Focus Your Board. Educate your board members and, together with them, establish quality as a priority. Emphasize that you expect them to promote quality ideals, principles, and practices. They can begin by establishing ethical standards for all members of the organization and key partners. Also, as you recruit new board members, search for people who are natural systems thinkers with strong quality orientations.

2. Align Your Team. Set explicit expectations for your leaders to prioritize quality. They must understand that you expect them personally to work to continuously improve the quality of products and services and that you will recognize and reward them according to their results. If your leaders do not actively support your quality vision, then actively help them find employment elsewhere.

3. Engage Your Employees. Continuously communicate your quality vision and ethical principles to all employees—in ways that work best for them.

Walk around and talk with individuals and small groups. Ask questions of individual employees: “What are you doing?” “Why are you doing it?” “Who is your customer?” “How does your work relate to our vision?” “How does it improve value for the customer?” “How do you improve quality?” Such questions will generate discussions.

Write a weekly “CEO’s Quality Blog” on your intranet. Host brown bag lunches on quality topics. Hold an annual all-employee “Day of Quality” to celebrate achievements.

Begin engaging your employees during orientation. Emphasize that you expect new employees to make quality part of their job responsibilities and to learn and use quality improvement tools and techniques. Ensure that communication flows in both directions.

4. Adopt Quality as Your Strategy. Integrate strategic planning and budgeting processes with quality processes and agendas. Your quality agenda should be your organization’s long-term strategy, because you attract and develop customers and grow revenues and profits by continuously adding value to your products and services.

5. Know Your Customers. Find out what they require. This is especially important if you are offering an undifferentiated commodity, and consistent superior service is crucial to customers. Establish service excellence as a priority in all customer contacts. Employees in contact with customers

should capture their opinions. Use this information.

Conduct customer satisfaction surveys frequently. Make them simple. Make it easy for customers to respond. *Most importantly, act on what you learn about improvement opportunities.* Also, meet your key customers, one-on-one, and find out what they think of your business. Ask your customers: “What can we do better to satisfy your needs and requirements?”

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To ensure the success of your company's quality agenda: (cont.)

6. Measure What You Do. If you can't measure your processes effectively, you should not be doing them. If you can't determine whether what you are doing adds value for customers, then it is probably not worth the resources.

Create a balanced scorecard (BSC), integrated with your quality-strategy process. Require all managers to set measurable one- to five-year goals, develop strategies for pursuing those goals, track the results, and act upon that information. Use the BSC at quarterly leadership team meetings to discuss progress, celebrate successes, and take corrective action. Share it with your board members and all employees.

7. Be Transparent. Establish that all strategy and policy decisions must be transparent to your employees. They have a right to know not only what you decide, but also why. Whether or not they agree with your decision, they should understand your reasoning.

8. Continuously Improve Your Processes. What are your core processes? Are your processes linked as a system? Provide training and opportunities so all employees can continue to develop the skills and knowledge required to achieve your goals. Investments in training should be investments in quality. Promote innovation. Encourage employees to develop creative applications of products and services—and reward them for doing so.

9. Get Results. Your BSC can become your best tool for measuring progress toward your quality/strategic goals. It should be transparent within and outside your organization. CEOs tend to hide critical measures because they fear exposing their shortcomings.

10. Benefit from Other Opportunities. You and the other leaders should show that you and your organization are good citizens, engaged in your communities through service on community boards and work for charitable causes.

The Role of Lean Six Sigma

CEOs are paid to increase value and to get results. You need to invest in an improvement methodology that fits your strategy and culture as well as complements the Baldrige framework. The Lean Six Sigma methodology can help you improve quality and increase value, because it engages your employees, focuses on customers, measures results, promotes continuous improvement, and gets results.

The Lean approach focuses on eliminating waste—any activity that does not add value for which the customer is willing to pay. Reducing waste can greatly reduce costs and thus increase profitability.

More complex processes can be improved with Six Sigma. This approach uses a well-defined series of steps to improve quality for customers. When customers consistently receive the quality they want, sales and profits increase.

How to Engage All Employees: A New Model

By making quality personal, the CEO and other leaders set an example. They are showing that quality is an implicit and integral part of everyone's job and that employees have opportunities to improve quality, even in small steps. This is how quality can become intrinsic to a culture.

Most employees do not know how to share responsibility for quality. They cannot connect what they do with the rest of the organization. We propose the following framework to overcome this challenge.

Most discussions of quality improvement end at the *interpersonal* level, with two or more people working together to improve quality. We introduce a *personal* dimension of quality improvement in alignment with the company's quality improvement efforts and system: "How can I contribute more effectively to quality in this organization?"

If there's no system, this personal quality improvement dimension provides a foundation for developing one.

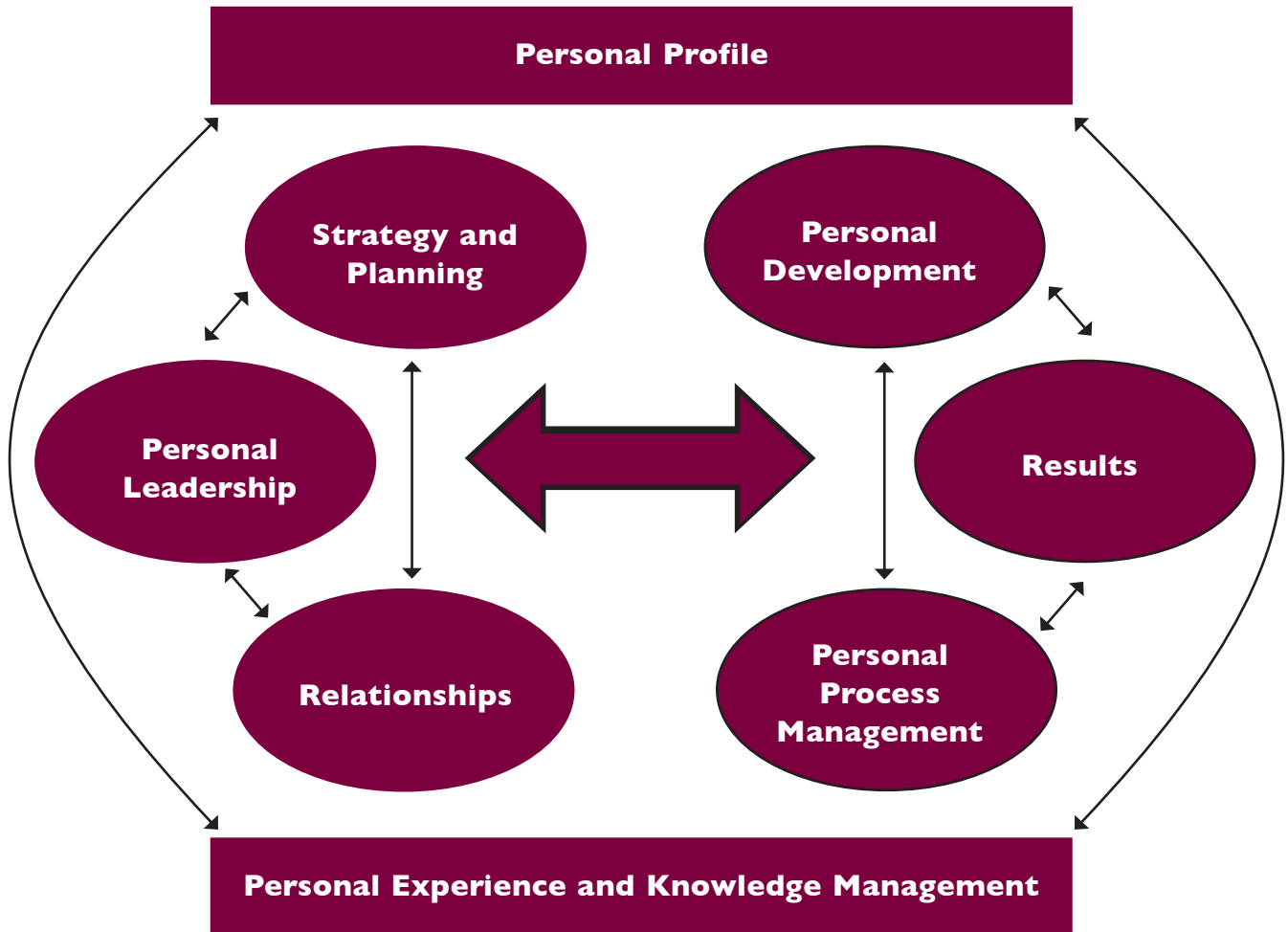
Our Personal Performance Excellence

Framework™ (PPEF) is modeled after the Baldrige Criteria for Performance Excellence. The PPEF promotes alignment between personal quality and organizational quality, using the vocabulary of the Baldrige model. The PPEF categories are similar to the Baldrige categories. Like the Baldrige Criteria, the PPEF is not prescriptive: the focus is not on what an employee must do to con-

tribute more effectively to quality, but rather on how the employee contributes more effectively. The PPEF inventory presents the categories and questions for self-assessment.

The PPEF enables better alignment of the quality improvement efforts of individual employees with those of the organization. It facilitates the development of a systematic bottom-up quality initiative that complements and supports the CEO's efforts. It can be integrated into the organization's performance review structure, ensuring that quality becomes part of the culture. This is critical.

Personal Performance Excellence Framework™



Personal Performance Excellence Framework (PPEF)TM Inventory

Personal Performance Profile

- What is your work product or service?
- What are your core competencies? (What do you do best?)
- How does your work contribute to and support the organization's mission, vision, and culture? (Do you know what these are?)
- What are your key challenges?
- What are your key short- and long-term strategies and goals for your work? (How do you address your key challenges?)
- How do you define, track, and measure your success? (What benchmarks do you use for comparing your performance?)
- Who are your key internal and external customers, suppliers, stakeholders, and partners? What are their needs and requirements? How do you determine these?
- With whom do you collaborate to do your work?
- What are the boundaries of your work? How are these determined? (By external regulations? By your supervisor? By your customers?)
- How do you continuously improve what you do?

Personal Leadership

- What vision do you have for the work you do?
- What are your ethics for the work you do? (Do you know your organization's code of ethics?)
- How do you set your performance expectations?
- How are you held accountable? To whom are you accountable?
- What values guide your work? How do these align with the organization's values?
- How do you continually learn in order to improve your knowledge and skills to perform at a high level?
- How do you effectively communicate with key customers, partners, and stakeholders?
- How are you engaged in supporting your key communities?

Strategy and Planning

- How do you continuously improve your products and services?
- How do you systematically innovate what you do to exceed customer expectations?
- How do you execute your plan for improving your work?
- How do you set priorities to balance the needs of key customers and stakeholders?
- What are your principal success factors? How do you measure your success?
- How do you differentiate between short- and long-term strategies?
- What are your short- and long-term action plans for your strategies?
- How quick/flexible are you to modify your strategies and action plans if business situations require it?



Relationships

- What are your key internal and external customer relationships?
- Who are your key partners, customers, suppliers, and stakeholders?
- How do you stay current with their needs and requirements?
- How do you obtain feedback from your customers on your products and services?
- How do you resolve your customers' complaints?
- How do you nurture long-term relationships with your key customers?
- How satisfied are they with your work?
- How do you measure their satisfaction with your work?

Personal Experience and Knowledge Management

- How do you keep track of and organize your knowledge of your work?
- How do you standardize and document your work?
- How do you protect your work from contamination?
- How do you measure and review your work performance?
- How do you use the results of measurements to improve your work?
- How do you communicate your measurements and review to your key relationships?
- How do you share your knowledge and new information across the organization?
- How do you identify industry best practices and adopt them in your work?

Personal Development

- Are you fully engaged in your work and your organization? (If not, why not?)
- Do you work in a positive environment?
- Are you satisfied with your organization's recognition-and-reward system and the opportunities for personal development? (If not, why not?)
- How do you educate yourself about your work?
- How do you develop your work knowledge?
- How does this align with your strategy and planning?
- How do you prepare for taking advantage of promotional opportunities?

Personal Process Management

- What is your system for performing your work?
- What are the key processes that you perform?
- How do you design, manage, and improve your key work processes?
- How do you add value to your work?
- How do you measure the value that you add?
- How does your added value affect your key relationships?

Results

- What are your results in each of these categories?
- What are your benchmarks?
- Do you have a personal balanced scorecard of targets, measures, and benchmarks?
- What have you learned that suggests areas for improvement?

Conclusion

Business leaders must invest in the quality process, especially in adverse economic times. Now is the time to show quality improvement that inspires customers to trust you.

While most of us are anxious and cautious in this uncertain economy, it makes sense to invest in quality. It takes courage and discipline to commit to Lean/Six Sigma methods. However, the low-cost investment in quality will produce a significant ROI, in the short term and especially the long term. This is smart investing for your future.

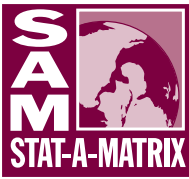
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