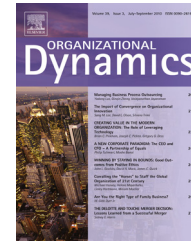




Available online at www.sciencedirect.com

ScienceDirect

journal homepage: www.elsevier.com/locate/orgdyn



What we can learn from the Baldrige Criteria: An integrated management model to guide organizations

Kenneth R. Thompson, Mark L. Blazey

BUILDING AN INTEGRATED MODEL TO LEAD AN ORGANIZATION

MidwayUSA sells about everything for the sportsman with over 110,000 SKUs. Larry Potterfield, the CEO and founder, believes the success of MidwayUSA is the result of their commitment to the Baldrige approach. As they became a second recipient of the Baldrige Award (2015, 2009), they have experienced 90% or better in customer approval ratings for the last eight years with a customer retention rate twenty three percent better than the national benchmark for Internet retailers. Employee engagement has increased from 76% to 83%. The company has identified 1500 processes that it manages in order to meet customer and performance requirements. The resulting financial performance has been outstanding. Over the past eleven years, MidwayUSA has been the fastest growing retailer in the industry, sustaining 43.8% growth in net income and 21.3% in gross sales exceeding the national benchmark of 4% and 6.9% respectively. Larry Potterfield believes the Baldrige Criteria are the embodiment of best management principles. So committed to the Baldrige Criteria, Potterfield has established “Baldrige Performance Working Group” in his hometown of Columbia, Missouri that involves business, government, healthcare, and educational leaders to further expand the understanding of the group.

The Baldrige Criteria for Performance Excellence has provided a framework to enhance organization performance since 1987. We will use elements of the Baldrige Criteria to develop an integrated management model. We will then demonstrate, using this model, how dynamics of

articulating a set of metrics for each element and linking elements can lead to a high performing, customer-focused organization.

The Baldrige National Quality Award used three separate but related sets of criteria—one for business (including not-for-profits and government organizations), education, and health care. Slightly different terminology are used in each industry, which accounts for most of the differences among the three sets of criteria. For example, the health care criteria use the term patients and other stakeholders rather than customers and in the education criteria students and other stakeholders are used rather than customers. A board of overseers reviews and modifies the criteria every two years to ensure the criteria continue to reflect leading edge, validated management practices essential to achieving optimum performance.

Six criteria categories (Leadership; Strategy; Customers; Measurement, Analysis, and Knowledge Management; Workforce; and Operations) focus on defining the key processes that are essential to achieve high levels of performance. The seventh criterion category, Results, tests the extent to which desired outcomes of the organization are achieved. These desired outcomes cover five areas: (1) customer-focused product and service results (for health care, clinical outcomes and for education, learning outcomes) and measures of work process effectiveness; (2) customer-focused results; (3) workforce-focused results; (4) leadership and governance results; and (5) financial and market results. These processes and measured results become critical links in leading an organization to achieve high performance.

<http://dx.doi.org/10.1016/j.orgdyn.2016.10.010>
0090-2616/© 2017 Elsevier Inc. All rights reserved.

KEY ELEMENTS IN THE INTEGRATIVE MODEL OF LEADERSHIP

Using the Baldrige Criteria, Blazey created an integrated management system model that appears in Fig. 1. The numbers in Fig. 1 relate to the category numbers in the Baldrige Criteria. The system described in Fig. 1, which includes engaged customers, engaged workers, efficient processes, and metrics to monitor progress leading to desired results and value, and goal setting applies to any managed enterprise. It applies to whole corporations as well as departments, divisions, teams, and individual work. The integrated system applies to schools, classrooms, government agencies, and health care organizations. In each case, to produce optimal value, the requirements of customers must be understood and met. Workers must be motivated, possess the skill and knowledge needed to do their work, and be free from distractions in order to contribute their utmost. The organization must develop efficient work processes and monitor effectiveness of work to make adjustments in an effort to maximize value.

The ultimate goal of the organization appears to the far right side of the model (category 7): get results and be valued. Getting results relates to the desires of the owners/shareholders/trustees to reach the main goal(s) of the organization. For a toy manufacturer it may be a quality product, an education organization to have students reach a desired level of competency, in a health care organization, it may relate to a clinical outcome such as the risk adjusted mortality rate. In a not-for-profit organization the number and degree of the desired population that was served might be a measure of results. In essence, results are measured in whatever the performance goal is for the organization in serving its key customers.

“Being valued,” relates to the value that customers and stakeholders place on the organization and the programs, products, or services it delivers. Building value in a product or service and building employee engagement is related to the values that the organization builds as part of its mission,

and vision, and value (MVV) statements. The MVV creates the internal culture and external image that can support the perceptions the community has of the organization. For example, the organizational values that led to the road trips sponsored by Harley Davidson has done much to create high degree of customer loyalty with the motorcycle brand and pride within the employee ranks.

“Financial results” are central to the existence of most organizations and, therefore, a key outcome. Financial results even for a not-for-profit or a government organization are still important to those types of organizations to use resources efficiently to “pay the bills,” in order to serve more people, and better the future for the organization. In addition, those who support the organizations (funding bodies, donors) want to know that the funds are being used wisely.

A key pathway to organization success involves understanding, delighting, and engaging customers. For example, Holland Public High School wanted to better engage its students. It did so by redesigning the educational approach from the traditional lecture format to a Problem-based format where students become engaged in working on real problems in teams. The instructors become facilitators of the teamwork. The end result is a highly engaged student body that has more skill development than a traditional approach. The result was so powerful, that the school now provides a course for students going to college on how to stay engaged in a lecture class.

It does not matter much if the producer of the goods or services believes they are valuable if the customer or user of the goods or services believes they are not. The customer is the best entity to legitimately judge the value of the goods or services that suppliers produce. It is the customers who finally decide whether the organization, team, or government organization continues to thrive. To that end the organization should understand its customers and their requirements (category 3 in Fig. 1). Accordingly, it is very important for the organization to obtain feedback from the customers before and after they have had an opportunity to

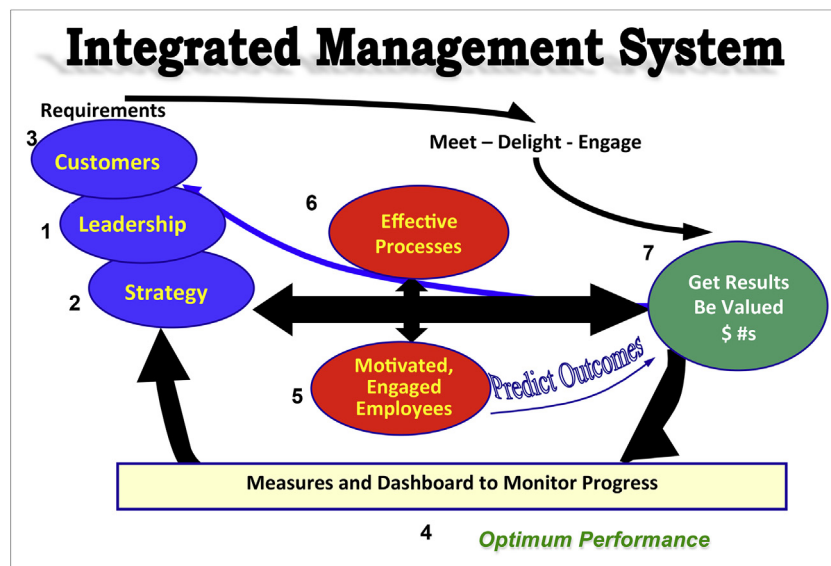


Figure 1 The Integrated Management System

experience its products or services. The failure to understand the requirements of the customers may cause the organization to deliver the wrong thing, creating customer dissatisfaction, delay, or lower value. Every time an organization fails to meet customer requirements, value suffers.

Requirements may vary for each of the different customer segments that are served. For convenience, organizations often group or segment customers according to the similar product or service needs. For example, local workout facilities that provide customized training events designed for younger adults and the senior population has experienced significant increases in both customer satisfaction and business volume.

Challenges faced by many organizations relate to defining their customers. For example, customers of a not-for-profit or government organization include its direct targeted groups but also their various funding bodies. The requirements of these customers in maintaining a flow of adequate resources may be just as important as the primary customers the organization serves. It is important to remember that it is the customer and not the marketing, engineering, or manufacturing departments or the service provider that ultimately judges the value received and determines satisfaction. Therefore, to ensure that the customer is satisfied and engaged (likely to return or recommend a service or product to others), it is important to determine if the customer received appropriate value. In addition, if the organization knows the customer is dissatisfied, it has an opportunity to correct the problem and maintain customer loyalty.

Understanding the customer requirements then translating requirements into process performance measures (category 6 on the model in Fig. 1) are part of aligning the organization to meet and delight the customer. For example, one tool that is used to translate customer requirements into process performance is called a *Critical to Quality* approach (Fig. 2). Customer requirements (on the left hand side of the figure) are translated into process performance requirements on the

right hand side. For example, in Fig. 2, we have defined four customer requirements for someone who wants to be transported from one side of a town to another.

1. They should not have to wait more than ten minutes for a ride
2. The vehicle that carries them should be clean inside and out
3. The driver should be friendly and trustworthy
4. The drive should be comfortable and safe

To meet these customer requirements consistently the organization providing the service will need to appropriately design and align its work processes and then manage them to ensure consistency. To meet the first requirement, an organization may have to have enough vehicles available to be able to service 95% of the customers in less than 10 min and 100% of its customers within 15 min. Knowing historical demand and strategically placing enough vehicles to meet the demand may be essential to meet the first requirement. To meet the second requirement might involve cleaning the vehicle once a day inside and out and having the driver inspect the vehicle after each rider to do spot cleaning.

Meeting the third and fourth requirements may require driver training and testing programs and background checks. Tests to ensure process consistency may involve the use of "mystery shoppers." Performance incentives for employees might encourage them to meet these requirements more consistently. Better employee engagement can help increase customer satisfaction.

Another approach to align customer requirements to processes is a Process Performance Matrix where key processes are matched with customer requirements. Standards of performance are defined for each process related to that customer requirement (for example see Table 1). Measures of process performance normally fall in five categories: value (matching cost with product or service attributes);

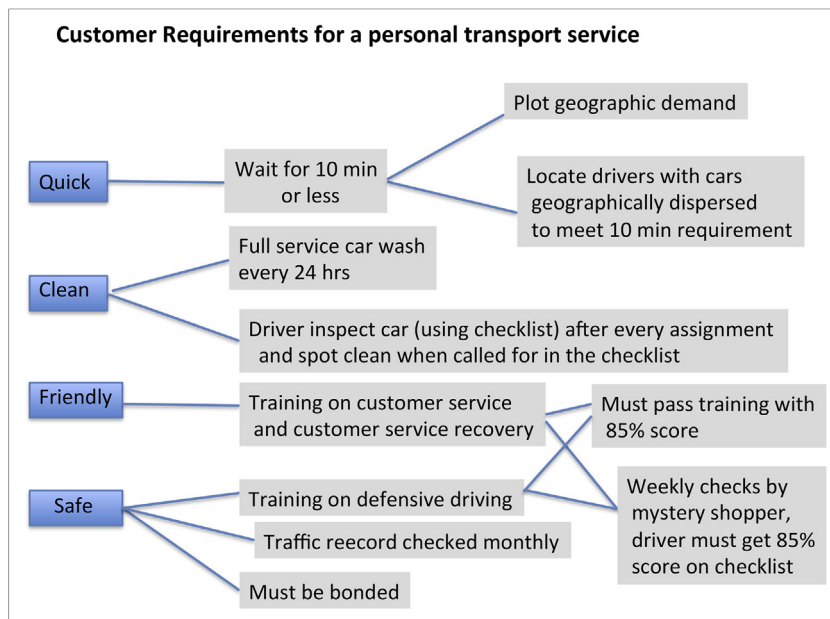


Figure 2 Sample of a Critical to Quality Diagram

Table 1 A Process Performance Matrix

| Key process | Key customer requirement & engagement | | | |
|-----------------------------|--|---|--|---|
| | Value | Fast service | Getting the order correct | Friendly servers |
| Taking food order | Average cost for taking each order | Average time from when the individual gets it line until customer order is taken | Average number of errors in checks of what customer ordered and what order taker placed in random checks | Number of errors in sample taken comparing what was said to the customer and what the script requires |
| Cooking food pre-prep items | Average cost for each item to cook food or pre-prepare an item | Total time per day that an order is delayed as the pre-prep items or cooked food were not ready | Average number of errors in food temperature in preparing process and product errors compared to health code & organization requirements | |
| Order fulfillment | Average cost per order to fulfill the order | Average time it takes from the time the order is ready until the customer receives the order | Average number of errors found in completed order and checks before food goes to customer | Number of errors in sample taken comparing what was said to the customer and what the script requires |
| Pricing products | Variance between competitor prices per item and our prices | | | |

speed (how fast the service can be delivered); error rate (the reliability of the service on the full spectrum of expectations); the capacity of the process (to meet service demands); and the quality of the interaction with representatives of the organization (such as: friendliness, knowledge, professionalism, helpfulness, etc.).

Translating customer requirements into process performance can influence the design as well as the operational aspects of the related processes. As can be seen in Table 1, it may involve reconciling competing requirements. For example, getting the product to the customer within a desire time may increase costs, which the customer may not want. The organization will have to determine the relative importance of the various requirements and/or provide optional levels of service so customers can make the choice of speed over cost. For example, a computer company may offer a premium price for a more responsive level of service to give consumers a choice.

Meeting requirements and delighting customers is a relative proposition, but usually focuses upon doing better at meeting customer needs than the competition. However, the cost of meeting customer requirements is part of the equation too. If an organization cannot do better than competitors in meeting customer requirements and stay within budget, its survival may be at risk.

Employees (category 5 of the model in Fig. 1) do the work of the organization. They are charged with following processes consistently and meeting performance goals. The best employees are engaged—motivated to contribute their utmost for the success of the organization and its customers.

Research has demonstrated that a satisfied employee is not enough to ensure high levels of performance. Gallup has found a difference between satisfied and engaged employees. A satisfied employee has a logical commitment to the organization. For example comments such as, “I like the

organization because they pay me well, I have good friends here, working conditions are good, or maybe it is not too stressful,” would be common statements from satisfied employees. Engaged employees have an emotional commitment to the organization because of how they are treated and if they believe and support the values of the organization. An employee that is engaged is going to go beyond what a satisfied employee might do and will go beyond what is expected because they value doing their best because it helps the organization do its best.

In the typical organization, twenty nine percent of the workforce is engaged; fifty-four percent neutral (satisfied, but not engaged); and seventeen percent are actively disengaged. Neutral employees do their work, not much more and are satisfied until something better comes along. Disengaged employees are angry and take it out on the organization perhaps through poor work habits, being rude to customers, low quality output, and overall create a not so good work environment for their co-workers. In a world-class organization on the average two thirds of employees are engaged, a quarter of employee are neutral, and seven percent of the employees are actively disengaged.

To optimize organizational performance and long-term success, senior leaders build an engaged workforce. For example, VIA Rail, the Canadian counterpart to Amtrak in the United States, has special training sessions and develops teams to work on their Toronto to Vancouver train, *The Canadian*. It is critical that the staff of the train act as a team to treat the passengers to outstanding service as the train depends on tourists from around the world to fill its three times a week 22 car train. Passenger satisfaction on the train is thirty percent higher than its U.S. competitor. The importance of employee engagement is also underscored by the Baldrige Criteria (item 5.2), which is devoted to the measurement and assessment of employee

engagement, the identification of the drivers of engagement for key work groups and work group segments, the development of employees, and a culture that fosters engagement.

Since 2013, over 2000 books have been written about the drivers of engagement. The most common drivers of workforce engagement relate to valuing and respecting their contribution to the organization, involving them in decision making about their work, providing training to enhance their ability to add value to the organization, and providing a fair and reasonable compensation/benefit program (which relates to valuing them).

The integrated management model also requires the use of measures and dashboard to monitor progress (category 4 in Fig. 1). Data and information help the organization and its workers make better decisions about their work. This enables them to spot problems more quickly and take prompt actions to improve performance and correct or minimize non-value-added costs. Without appropriate measures, organizations and their workers must rely on intuition to determine whether customers are likely to be satisfied and willing to return. One of the problems in basing decisions on intuition or best guesses is that it produces highly variable decisions. The opinion of one worker is not likely to be consistent with the opinion of another. Appropriate data, therefore, are critical to increase decision-making consistency and accuracy. For data to be used correctly to support decision making, organizations must develop a system to manage, collect, analyze, and display the results.

If the data and related analyses that are used to support decision making are not accurate or reliable, effective decision making suffers. As more mistakes are made, costs increase, and value is sub-optimized. Furthermore, in the absence of relevant data and supporting analyses, leaders are generally unwilling to allow subordinates to substitute their intuition for that of the leader. As a result, decisions tend to get pulled to higher and higher levels in an organization, further sub-optimizing the contribution of workers who are generally closest to and know the most about the work they do. Failure to fully utilize the talents of workers, as discussed previously, further reduces initiative and morale, hurts engagement, and sub-optimizes value production.

Metrics should be taken for each of the areas so senior leadership can understand how well the organization is functioning. For example periodic measures are taken and tracked to assess customer requirements as they can change over time. Metrics of customer satisfaction and engagement are defined and tracked, at MidwayUSA to detect changes in meeting customer requirements. At MidwayUSA, over 15,000 non-buyers were surveyed as well to add to the organization's understanding of customer requirements. While overall engagement and satisfaction would be a key measure, in an integrative model satisfaction is measured for each of the customer requirements that have been identified for each segment to have a closer tie to how well the organization meets these requirements.

Metrics of process performance are important to track as they directly correlate with meeting customer requirements and to other processes related to the organization success. For example, the Baldrige Criteria assess the effectiveness of the leadership process as one of the Results items in category 7.4. Creating outcome measures of leaderships ability to set the direction of the organization, to create a

successful organization through creating an environment to foster a positive customer experience and high customer engagement, a workforce culture that supports positive outcomes, a focus on action, and an effective two-way communications are all part of the leadership process that Baldrige advocates should be assessed in world-class organizations. Metrics are formed to assess the leadership process much as metrics are formed on the quality other processes in the organization such as; speed in responding to customers, number of errors in producing a product, cost containment, the ability of the organization to meet fluctuations in volume, or in measures of how effective are training approaches to ensure a positive customer experience all may correlate with customer satisfaction.

In a similar manner, measures of employee satisfaction and engagement help in assessing how well the organization addresses each of the drivers of employee engagement for each relevant employee segment. In addition, effective process performance is important to organization element in providing predictable outcomes.

Performance should be tracked for the desired outcomes for the organization (category 7 of Fig. 1) of being valued, getting the desired results related to the purpose of the organization, and to have financial outcomes to ensure the survival and success of the organization. Particular cost accounting measures to assess processes would be a part of process performance measures. Community, customer, and workforce surveys can assess the construct "being valued." At Good Samaritan Hospital, a Baldrige recipient in 2010, surveys indicated that physicians were dissatisfied with the quality of nursing. Physicians have residency at the hospital rather than are employees, so they can chose the hospital that they might refer patients. Good Samaritan developed a professional training program and nursing specialist that the staff could call upon for help. This approach lead to a significant increase in physician satisfaction and, more importantly, an significant improvement in clinical outcomes. The risk adjusted mortality rate (a global means to assess some clinical outcomes where actual mortality divided by expected mortality where 1.0 equals the expected) was reduced from from 0.73 in 2004 to 0.25 in 2010.

Using trends to analyze performance over time may help determine whether intervention is warranted particularly if this information is compared to direct competitors or desired benchmark organization performance. In addition, having a concise set of metrics will support viewing the changes that occur given an applied innovation, an effort to improve performance, or internal and external events that occur.

MISSION, VISION, AND VALUES

We look at the role of mission, vision, and values to be central in developing an image and culture of the organization (This appears in item 1.1 in the Leadership Category). Mission and visions set the direction of the organization and values indicate how the organization will conduct itself. A positive-focused value statement is important both for developing customer goodwill, enhance employee engagement, and other stakeholder positive value. Given the importance of customer engagement and workforce

engagement, we advocate that values correspond to each of the four key areas in the model (Results, Customer Satisfaction and Engagement, Process Performance, and Employee Engagement and Satisfaction).

The value statement is a message to the community, investors, customers *and employees* that defines how the organization intends to act. The statement of values can be a basis for developing and supporting a culture that will get a more positive interaction and support from the community, customers, employees, and other stakeholders (such as investors). For example, if the employee sees that the organization is working to improve and develop employees and values their input; it may help to create a culture that encourages workforce engagement, which can lead to improved motivation and employee attitudes. Statements that show the organization wants to “build a caring environment” support building the kind of organization culture that will garner the engagement of employees, which has been found to correlate to improved customer satisfaction and engagement. If the organization has a value of building a customer-focused culture, perceptions may be more favorable by employees, customers, and society because this is a value these groups want to see in an organization. In a similar manner, a value stating that the organization is dedicated to providing the most efficient and effective processes may be perceived something the customer, employees, and the local community can support. Employees would find a value such as “making a profit” or “grow” as reassuring to their future with the organization. Tasty Catering, a Chicago-based organization which was the recipient of the American Psychological Association’s most Psychologically Healthy Workplace in 2015, had its employees develop a set of values as part in building employee loyalty and engagement and branding its customer excellence approach. It developed the following seven values.

1. Always moral, ethical and legal
2. Treat all with respect
3. Quality in everything we do
4. High customer service standards
5. A competitive and strong determination to be the best
6. An enduring culture of individual discipline
7. Freedom and responsibility within the culture of individual discipline

Tom Walter, views the values as the main driver of the success they have had in building a brand image of a customer first approach with employees that care about what they are doing and work as a team of brand ambassadors. However, values are just words until there are actions and measures to support their development.

OVERALL ORGANIZATION METRICS

The data in each of the four key areas discussed above can provide information for the organization to develop a set of key indices to track overall organization performance and to guide the development of a strategic plan. This is similar to what Kaplan and Norton advocated in their Balanced Scorecard Approach but without the employee engagement

component. The additional of employee engagement was advocated in *Organizational Dynamics* in 2013 by one of the authors of this article.

Benchmark organizations create overall metrics to provide a means to track performance and as a guide to develop strategies. Each of the four areas: customer; processes; employees; and overall results, (get results, be valued) require metrics to track performance. Table 2 provides sample metrics for each of these areas. Overall organization metrics over the four areas may help guide the organization in the development of its strategies for future success.

When strategies are based on one or more overall organization metrics, it helps an organization achieve more continuity among strategies and clear alignment between the key measures and directions that the organization has determined it must achieve to be successful in the future. While these metrics might change over time as conditions change, it is expected that these measures would be a relatively stable set of measures to guide senior leaders’ behaviors and the rest of the organization.

STRATEGIC PLANS AND ACTION PLANS

Strategic plans (category 2 in Fig. 1) are developed and aligned to overall organization metrics to provide broad direction to the organization. In the example in Table 2, the strategies are relatively short, yet specific statements; defining the organization-wide metric it addresses, how much impact is expected (the change in the value of the organization metric), and the broad steps that will be done in order to influence those changes. Action plans provide a specific set of detailed activities to reach each strategic objective. For example, one organization uses Gantt charts to track the steps in the action plan. The Gantt chart describes the desired action and responsible party; the expected deliverables, and the milestones or timelines that are used to monitor progress along the way.

The strategic planning process includes an assessment of the external competitive environment and changes in the economic, social, legal, and political environment that could affect the organization. Part of the process involves developing the plans that would modify the organizational metrics to reflect the changes in the competitive environment. So, while there still is a focus on the traditional SWOT (internal strengths and weaknesses and external opportunities and threats) approach; it is important to include internal alignment to ensure work processes and employees are aligned to meet the evolving requirements of customers in a manner that supports the organization’s strategic objectives for future success.

THE ROLE OF LEADERSHIP

In the integrated management system, “Leadership” (category 1 in Fig. 1) works to monitor the “Measures and Dashboard” (category 4) and to help facilitate the development and successful implementation of mission, vision, values, overall organization metrics, strategic plans, and action plans (category 2). As the leader is only successful if the followers support the goals of the organization, the leader must work to engage the workforce in developing the values,

Table 2 Sample values, metrics, and strategies

| Pillar/value | Overall organization metric ^a | Strategy ^b | Short title of action plans ^c |
|-------------------------------|--|---|--|
| Financial performance | ROS-net income/sales Stock price | Increase our ROS by 5% by increasing our sales through opening new outlets | 1. Determine desirable locations 2. Determine outlet size and configuration |
| Superior results | Market share for product Comparative profitability | Our comparative profitability should be two points above our nearest rival through aggressive ad campaign and favorable news releases. | 1. Increase our market TV ad penetration to Urban markets 2. Increase local press releases by five per week |
| Valued by the community | Image score on national survey Community favorability ranking | Each sales and production outlet should have one meet and greet per quarter to improve our community favorable rankings | 1. Plan for the events 2. Promotion for the events |
| Meeting customer requirements | Customer retention Customer satisfaction scores of meeting each key requirement | We want to improve our customer satisfaction scores by 5%. Each auto buyer should be called three to four weeks after sales and asked about their satisfaction over each defined customer requirement | 1. Assign personnel and train them for the calls. 2. Determine the script to be used on the calls and how to handle if there is an issue. |
| Good process performance | Number of errors per unit-efficiency Time it takes to produce a car-efficiency Number of cars sold/ number of foot traffic: Hit Ratio | We want to get to a six sigma level of reliability in the production of each vehicle through DMAIC training and quality improvement teams (reducing number of errors) | 1. DMAIC and six sigma team training 2. Teams will find areas for improvement using DMAIC methodology. |
| Valuing employees | Overall employee engagement survey score Turnover Tenure | Improve employee engagement survey scores by 10% through use of quality improvement teams | 1. Set up the charge of the teams 2. Training on the scope of what improvement teams can do |

^a Notice these are provided as measurable constructs that can be tracked over time.

^b Note that within the strategy it indicates which metric that will be focused on and what will be done.

^c The action plan gives us a better sense of how we will proceed with a plan to reach the strategy. The action plans themselves will be a detailed step-by-step approach to meet the strategy.

metrics, strategic plans, and action plans. In Tasty Catering we found the CEO is called the CCO (Chief Cultural Officer) to keep the culture rooted on the defined values and actions to focus on the metrics and strategies that will support a successful organization.

IMPLICATIONS

The integrated approach that leads to high performance can be condensed into seven themes.

The Importance of the Integrated Approach

Many leaders react to problems in a very myopic manner rather than looking at the organization as an integrated whole—where an action in one area will affect other areas. The model presented in Fig. 1 shows the elements that are necessary, and sufficient to achieve performance excellence. If even one element or part of an element is missing organization performance is sub-optimized.

Key Elements in the Model Should Have Metrics That Are Part of the Organization’s Value Statement

Each key area in the model (overall results; customer requirements, satisfaction, and engagement; process performance; and employee satisfaction and engagement) should have a set of relevant metrics for the organization to guide performance. In addition, each area should be included as an item in the organization value statements to underscore to all (employee, customers, investors, society) the importance of each element in building an effective and responsive organization. This approach is similar to the values that underlie the Baldrige philosophy. Demonstrating through the value statement that the organization cares about customers and employees, having effective processes, wants to provide a product that is valued by society, and wants to ensure its sustainability through effective financial management are important values to share. These are values that build a culture that the various stakeholders can support building a higher level

of engagement and positive image with employees, customers, and other stakeholders.

Importance of Employee Engagement

Processes are carried out by the workforce. Motivated employees are important to optimize personal and organizational performance. If leaders can build an emotional commitment to the organization through involving them in decision-making, making them feel valued and respected; then there will be a higher level of engagement that can lead to superior results.

Overall Metrics Should Align with Strategy

If strategic objectives and action plans are important to achieve, it is also important to monitor progress and know when adjustments should be made to stay on track. The organization should develop a set of measures or metrics for each of the important areas of the organization: overall results; customer requirements, satisfaction, and engagement; process performance; and employee satisfaction and engagement. These become the key measures for leadership to track to understand the organization and the dynamics between items. These are the guiding metrics in which the strategies are developed. *The metrics come first*, then the strategies. Most organizations create the metrics after the strategies are formed. However, this creates an environment that focuses on strategic performance rather than strategies as moderators of the key operating guides that defined objectives metrics provide. However, the development of strategies will, on occasion, lead to the development of additional measures to track as the organization better aligns with desired direction.

The Alignment of Strategy/Action Plans to Metric Changes and Organization Values

In the strategic planning process, desired changes in levels of particular metrics are articulated and defined in measurable terms. For example, “we will improve customer satisfaction

with delivery time (outcome metric) from 88 to 90% by reducing time from order to shipping from 4 h to 3 (enabling metric). An action plan would be developed provide a step-by-step approach to streamline the order-to-ship process.

The Importance of Traditional Strategic Environmental Analysis

In a competitive market, many factors that affect organizational success should be considered in the development of strategy. A traditional SWOT analysis—with defined opportunities and threats (OT) from an analysis of the external environment and an understanding of the organization’s internal strengths and weaknesses (SW)—is still important. However, in recent years effective strategic planning also considers organizational core competencies, the need to stimulate innovation within the organization, and outsourcing elements of work to outside organizations that can deliver more value.

Role of Leadership

Leadership is central to managing to achieve high performance. The senior leadership team’s role in “minding the dashboard,” is making adjustments to meet desired levels and working to develop an integrated strategy. These strategies are developed with the understanding that customer satisfaction and engagement are linked to customer requirements that are filled through organization process performance which depends, in part, on employees performance. Senior leadership needs to recognize the importance of a solid value statement to support building the kind of relationship the organization wants with its community, workforce, customers, and suppliers; the chief cultural officer dimension of senior leaderships job.

The integrated management model helps leaders and managers at all levels understand the complex elements of the Baldrige Criteria. With better understanding, it becomes easier for leaders to communicate the management changes needed to achieve performance excellence to the workforce, customers, and other stakeholders.



SELECTED BIBLIOGRAPHY

The Baldrige Criteria are published every two years and can be downloaded at <http://www.nist.gov/baldrige>. The full citation of the criteria is: Baldrige Performance Excellence Program, *2015–2016 Baldrige Excellence Framework: A systems approach to improving your organization's performance*. (Gaithersburg, MD: U.S. Department of Commerce, National Institute of Standards and Technology, 2015). Mark Blazey's book helps to explain the Baldrige Criteria and the awards process. The first seventy-eight pages provides an overview of the criteria and presents an integrated model. Mark L. Blazey, *Insights to Performance Excellence 2015–2016: Using the Integrated Management System and the Baldrige Framework*. (Milwaukee, Wisconsin: American Society for Quality, 2015). For example of some of the issues with meeting the needs for older and younger-age segments, see Robert C. Ford and Janet R. McColl-Kennedy, "Organizational strategies for filling the customer can-do/must-do gap," *Business Horizons*, 58(4), July–August 2015, 459–468. A good concise review of the Critical to Quality Approach can be found in Nancy R. Tague, *The Quality Toolbox* (2nd ed), (Milwaukee, Wisconsin: American Society for Quality, 2005, 211–215). The Process Performance Matrix was first presented in *Organizational Dynamics* as a means to translate customer requirements into process performance measures. Kenneth R. Thompson and Nicholas J. Mathys, "The Aligned Balanced Scorecard: An Improved Tool for Building High Performance Organizations," *Organizational Dynamics*, 7(4), 2008, 378–393. The pioneer work done by Gallup that demonstrates the importance of engaged customers and engaged employees is found in John

Fleming, Curt Coffman, and James K. Harter, "Manage Your Human Sigma," *Harvard Business Review*, July–August, 2005, 105–114. A good review of levels of employee engagement is discussed in Amy Atkins, "Majority of Employees not engaged despite gains in 2014." <http://www.gallup.com/poll/181289/majority-employees-not-engaged-despite-gains-2014.aspx>. One example of a book devoted to the causes of engagement is by Kenneth R. Thompson, Ramon L. Benedetto, Thomas J. Walter with Molly Meyer, *It's My Company Too!* (Austin, Tx.: Greenleaf Book Group, 2013). An example of a study correlating employee engagement and customer satisfaction can be found in Bulent Menguc, Seiyong Auh, Michelle Fisher, and Abeer Haddad, "To be engaged or not to be engaged: The antecedents and consequences of service employee engagement," *Journal of Business Research*, 66(11), 2013, 2163–2170. An important connection is made between process performance and meeting customer satisfaction needs in Per Carlborg Daniel Kindström Christian Kowalkowski, "A lean approach for service productivity improvements: synergy or oxymoron?" *Managing Service Quality: An International Journal*, 23(4), 2013, 291–304. The initial article on the Balanced Scorecard appeared in R. Kaplan and D. Norton, "The Balanced Scorecard: Measures that Drive Performance," *Harvard Business Review*, 72(1), 1992, 71–79. Advocating the addition of employee satisfaction and engagement to the Balanced Scorecard was made by Kenneth R. Thompson and Nicholas J. Mathys, "It's Time to Add the Employee Dimension to the Balanced Scorecard," *Organizational Dynamics*, 42(1), 2013, 135–144.

Kenneth R. Thompson, Ph.D. (Nebraska) is a professor of management at the Kellstadt Graduate School of Business, DePaul University. Thompson is a master senior examiner for the American Health Care Association, a former senior examiner for the Malcolm Baldrige National Performance Award Program and a senior lead examiner for the Illinois State Quality Award. His research focuses on the behavioral aspects of goal setting and employee engagement. This is his third article in *Organizational Dynamics*. He has co-authored a recent book, *It's My Company Too!: How Entangled Companies Move Beyond Employee Engagement for Remarkable Results*. The book examines eight Baldrige Recipients or Best Place to Work award recipients. (The Charles H. Kellstadt Graduate School of Business, DePaul University, One East Jackson Boulevard, Chicago, IL 60604, United States. Tel.: +1 312 362 5211; e-mail: kthomps@depaul.edu).

Mark L. Blazey, Ed.D. (SUNY Albany) is the president of Quantum Performance Group, Incorporated, a management consulting and training firm specializing in organization assessment and high-performance systems development. For seven years he served as an examiner, senior examiner, and alumni examiner for the Malcolm Baldrige National Quality Award. He contributed to the development of the 2015–2016 Baldrige Excellence Framework. He also served as the lead judge for Baldrige-based awards for the U.S. Army Communities of Excellence Award, New York State, Vermont, Delaware, and Aruba, and a judge for the Wisconsin Forward Award and the national quality award for the American Health Care Association/National Center for Assisted Living. Dr. Blazey has trained many thousands of quality award examiners and judges for state and national quality programs. Dr. Blazey has written many books and articles on quality, including the ASQ Quality Press bestseller *Insights to Performance Excellence and Baldrige Express*. He may be contacted via e-mail at apg1@aol.com or by telephone at +1 585 721 4444.