

A 21st Century Framework for Malcolm Baldrige Award Achievement: Integrated Enterprise Excellence Going Beyond Lean Six Sigma and the Balanced Scorecard

PART ONE



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Editor's Note: This is the first part of a two-part article. It is excerpted from [*The Integrated Enterprise Excellence System: An Enhanced, Unified Approach to Balanced Scorecards, Strategic Planning, and Business Improvement*](#), Forrest W. Breyfogle III, Bridgeway Books, 2008.

Are We Answering the Right Questions?

Management must ask the right questions. The right questions lead to the wise use of statistical and non-statistical techniques to obtain knowledge from facts and data. Management needs to operate using the bromide: In God we trust; all others bring data. The book, *The Integrated Enterprise Excellence System*, describes how to operate with a knowledge-centered activity focus, which can redirect businesses so that efforts are more productive.

Organizations can have success using the Malcolm Baldrige Award criteria, Lean Six Sigma, or some other methodology. However, these techniques do not provide a basic high-level *business framework that provides* whole, long-lasting benefits to the enterprise system. For example:

- The Malcolm Baldrige criteria are not prescriptive in describing the basic organizational implementation system that is to be used. We could view the Baldrige criteria as a set of test parameters from which business systems are to operate and be measured against.
- Because Six Sigma projects begin with a problem statement, it is a de facto problem-solving system. Lean Six Sigma has expanded problem statement opportunities to include the reduction of waste of time and resources. But project deployments that center on the use of Lean or Six Sigma tools may not significantly impact the organization's big picture. Organizations may not pick the best projects to work on, which can result in suboptimizations, possibly worsening the system as a whole.

Moving Toward the Three Rs of Business

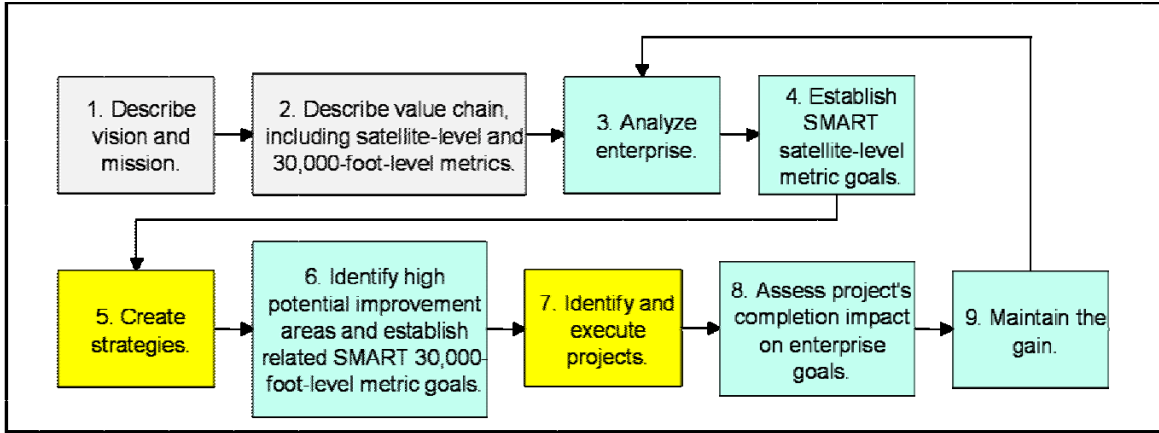
Integrated Enterprise Excellence (IEE) addresses the above issues, and more. IEE is a sustainable business governance system which integrates business scorecards, strategies, and process improvement so that organizations move toward the three Rs of business (everyone is doing the Right things and doing them Right at the Right time). IEE provides the framework for innovation and continual improvement, which goes beyond Lean Six Sigma's project-based defect and waste reduction methods. The *existence* and *excellence* of a business depend *more* on *customers* and *cash*; or, $E = MC^2$. As a business way of life, IEE provides the organizational orchestration to achieve more customers and cash.

Organizations create strategic plans, policies, and goals that describe the intent of the organization. Goals should have measurable results, which are attained through defined action plans. The question of concern is: How effective and aligned are these management-system practices within an organization? Improvements to this system can dramatically impact an organization's bottom line.

IEE measures the overall organization using scorecard/dashboard metrics at two levels: "satellite-level" enterprise measurements like gross revenue and profit margin and "30,000-foot-level" operational metrics like defective rates, lead times, and days sales outstanding (DSO).

Long-lasting improvements in the 30,000-foot-level scorecard/dashboard metrics are the result of systematic process improvement and design projects. IEE creates a stimulus that results in a pull for the creation of projects that are in true alignment with these business operational-metric-improvement needs.

Both satellite-level and 30,000-foot-level metrics are tracked over time and are not bounded by calendar year. If nothing has changed in ten years, satellite-level and 30,000-foot-level charts present how the system performed over the past ten years. Organizations will find it very beneficial when they align project selection with satellite-level measures using theory of constraint (TOC) metrics; that is, TOC throughput, inventory, and operating expense. Data presented in the satellite-level and 30,000-foot-level scorecard/dashboard format provide additional business insight when compared to tabular quarterly format reporting.



The Integrated Enterprise Excellence (IEE) System

From *The Integrated Enterprise Excellence System: An Enhanced, Unified Approach to Balanced Scorecards, Strategic Planning, and Business Improvement*, Forrest W. Breyfogle III, Bridgeway Books, © 2008 (Figure 3.6 in the book)

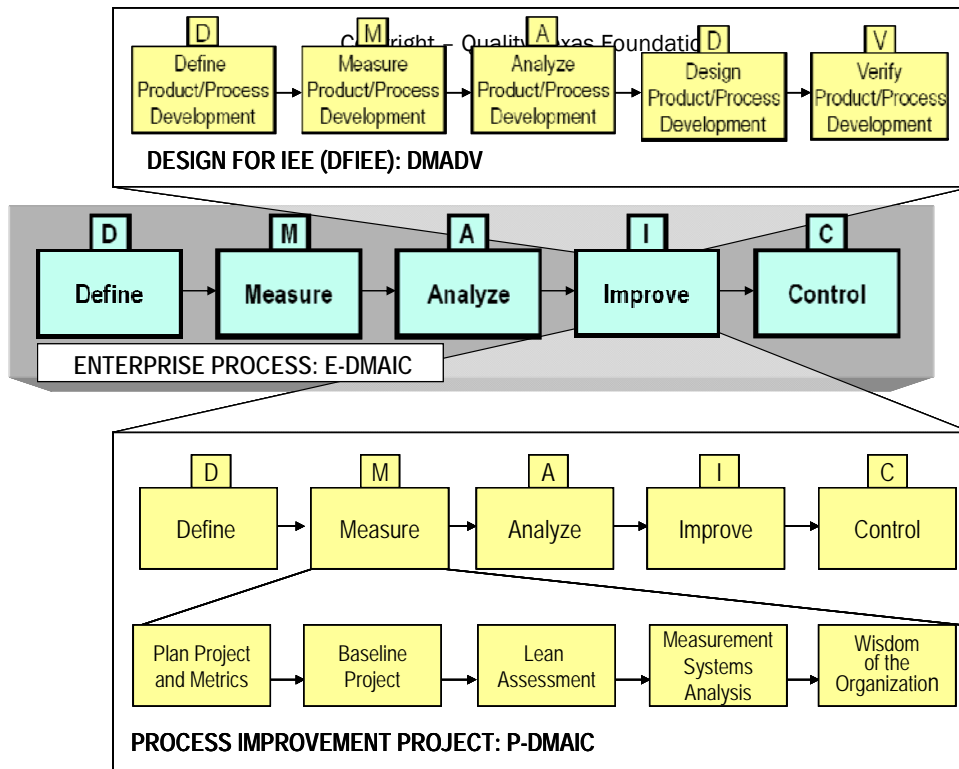
Figure 1: Reproduced with permission.

The basic IEE process is described in Figure 1. Strategies are created in step five after the enterprise is analyzed and SMART (Specific, Measurable, Actionable, Relevant, Time-based) satellite-level metric goals are established.

Define-measure-analyze-improve-control (DMAIC) is the traditional roadmap for Lean Six Sigma process-improvement projects. DMAIC is used in IEE not only to describe process-improvement project execution steps, but also to establish the framework for the overall enterprise process.

Figure 2 shows how the IEE enterprise process DMAIC roadmap has linkage in the enterprise process improve phase to the improvement project DMAIC roadmap and design project define-measure-analyze-design-verify (DMADV) roadmap. The measure phase of the IEE improvement project DMAIC roadmap has additional drill-downs. I refer to the enterprise-process DMAIC roadmap as E-DMAIC and to the project execution roadmap as P-DMAIC.

The E-DMAIC system provides an infrastructure for linking high-level enterprise-process-performance measurements, analyses, improvements, and controls. This framework can lead to the development of specific improvement strategies that are in true alignment with business goals.



IEE high-level enterprise process roadmap with P-DMAIC process improvement and DMADV design project roadmaps (MSA: measurement systems analysis).

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Functional value-chain, metric-improvement needs that are in alignment with the business measurement goals can be developed from these strategies. Each business-measurement goal has an owner whose performance is measured against achieving the relevant metric goal.

If an improvement is desired for an enterprise 30,000-foot-level metric, tools such as Pareto charting and Theory of Constraints (TOC) can be useful to determine focus areas for improving the 30,000-foot-level metric as a whole; that is, the creation of targeted projects that are pulled for creation by metric improvement needs.

This approach is quite different from passing down across the board goals like “improving on-time shipments” for all sites. With the IEE approach, sites that are performing well need only maintain their performance, while other sites that are not performing well would get the needed attention to improve their performance. In the sites that are not doing well, one or more projects could be created by this metric-improvement need.

Editor’s Note: This article will be continued in the next issue