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Drive to Competitive Advantage by Taking the Road to Excellence

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With individual organizations applying distinct criteria to what constitutes quality, the word "quality" has virtually lost its significance in the business world. However, world-class organizations all seem to have the same fundamentals in place that drive them to competitive advantage and higher growth rates over their peers, regardless of whether their definitions of quality differ.

Achieving a deeper understanding of these fundamentals can help ensure that a company's approach to achieving quality is driving the company to greatness.

The criteria for the annual Malcolm Baldrige National Quality Award, the nation's highest honor for business performance excellence and quality achievement, mentions the word "quality" only four times, focusing instead on core values and concepts common to businesses that excel.

Core values

World-class organizations all:

- Have visionary leadership.
- Are customer-driven.
- Foster learning at the organization and individual level.
- Value their employees and partners.
- Are socially responsible.
- Are data-driven.
- Focus on process to achieve results and create value.

Using today's knowledge of what makes companies great pays off. Studies by the National Institute of Standards and Technology, universities, business organizations and the U.S. General Accounting Office have shown the shareholder value of organizations that have achieved recognition through the Malcolm Baldrige National Quality Award have outperformed their peers in the stock market 2-to-1.

Successful execution

A flawless strategy, when executed poorly, is a failure. Successful execution requires that senior management set a clear direction and consistently lead in that direction. Leaders must know if their vision, mission, values and plans are being deployed and are fully understood, not only by the leadership team, but by every employee. When leaders do well in this area, employees know what is important without need for constant explanation.

World-class companies are almost fanatical about taking care of their customers and balance achieving financial and operational results with improving customer loyalty. Because the customer is the ultimate judge of an organization's quality and performance, quality should be approached as conformance to customer requirements. These requirements must be clear, mutually agreed to characteristics of the company's product, service or solution.

For example, an internally focused business may emphasize accounts receivable days outstanding, while a customer-focused company will add measurement of billing errors to this same process. Improving billing accuracy results in more timely payments and from a customer perspective, translates to superior quality and performance, which in turn drives loyalty.

Another important characteristic of world-class organizations is that they find novel ways to involve customers in their businesses. Some use customer advisory councils to help shape strategy. Feedback loops can give employees real-time response on their performances. Customer surveys provide insight on specific areas. There are a variety of ways to bring your customers and employees together.

Measuring performance

The most competitive businesses measure performance and use facts to make decisions far more than average performers, where PowerPoint presentations and personal opinions are common. As one company put it, "In God we trust, everyone else better bring facts."

A company that wants to improve performance faster and better than its competitors, will follow the lead of most world-class businesses and invest in training and tools that enable employees to both do their jobs and improve performance. In the business environment, all work is a process and processes are linked to form a system with people and technology. While many companies deploy strategies and goals down through the organization chart, world-class companies deploy strategies to process owners.

Managing for excellence requires leadership from the top to set direction, determine priorities and allocate resources. It also requires a systematic data-driven approach to improvement that everyone in the organization can learn and leverage to improve the business. In world-class organizations, this frequently involves use of a standard such as a Lean or Six Sigma.

Regardless of the approach, three simple, yet powerful, questions can be used to frame improvement efforts at all levels:

- What are we trying to accomplish? If the answer isn't crystal clear, don't move forward!
- How will we know when a change results in improvement? Rely on data and measurement to make sure your changes have a positive impact.
- What changes can we make that will result in improvement? Create ideas, devise alternatives and experiment.

Although not for the faint-at-heart, the roadmap for excellence is available in the criteria of the Malcolm Baldrige National Quality Award and embodied in the 80-plus organizations that have been recognized through the National Quality Award process. Look to these for further guidance, but remember, excellence will be achieved only by those leaders and companies who make it an explicit goal and are willing to stay the course over several years.