



# Criteria for Performance Excellence

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## Measurement, Analysis, and Knowledge Management

In my previous articles, I've discussed the importance of leadership, strategic planning, and customer focus. I hope you're starting to see how these critical organizational areas fit together. Leaders create a vision and set direction. Strategic planning identifies key objectives and defines both short-term and long-term operating plans. Customer focus ensures that the strategic plan creates value for the organization's customers.

With that accomplished, the next challenge is to make sure that the plan is working. The U.S. Department of Commerce's Malcolm Baldrige National Quality Award Program criterion identifies five areas of measuring, analyzing, and managing knowledge:

- Performance measurement
- Performance analysis
- Data and information availability
- Organizational knowledge management
- Data, information, and knowledge quality

First, an organization needs a measurement system to ensure that progress is steady and on schedule. Much like the instrument panel of an airplane that displays measures of airspeed, altitude, direction, and engine performance, we need a dashboard display of organizational performance. In *Balanced Scorecard*, author Robert Kaplan describes a balanced performance measurement system that incorporates key areas such as customer, operational, human resource, and financial. This balanced approach focuses on long-term performance as opposed to the short-term financial performance on which most larger public corporations seem to concentrate.

The key to a successful performance measurement is to align metrics with the organization's key strategic objectives. For example, an organization focused on quality and service might measure things such as error rate or on-time shipments. An organization focused on innovation might measure new product development rate or average time-to-market. Whatever the measurements, they should be critical to success and aligned with strategy.

The second area of analysis involves taking the information from the measurement system and continuously evaluating performance and making necessary course corrections. Back to the analogy of the airplane, continuous monitoring of the instrument panel usually results in continuous corrections of altitude and bearing based on condition changes. Similarly, world-class organizations continuously analyze performance and make corrections as necessary to achieve their strategic goals. As market conditions change, strategic goals are adjusted. Analysis

of performance measurements also identifies opportunities for improvement.

So what good is all this information and knowledge if it is not provided to those who need it? The value of information acquired during performance measurement and analysis is highest when shared with affected stakeholders. Design and display of this information might be in the form of high-end software systems or in simple visual displays. Either can be effective as long as the critical information is made available to the people who need it. One approach is to develop scorecards at the corporate, value stream, and individual levels. Scorecards should be aligned with the strategic plan. Managing organizational knowledge effectively includes collecting, transferring, and sharing knowledge with employees, customers, suppliers, and partners. Effective organizations leverage this process to rapidly identify, share, and implement best practices in continuously improving performance.

Information is only as good as its accuracy, reliability, and timeliness. The tools available today offer a limitless number of means to acquire, analyze, and communicate information. Bar coding, wireless transmission, Web-based tools, Electronic Data Interchange, and Enterprise Research Planning are examples of high end technology used for processing information. As the technology increases, reliability and security concerns increase. Organizations must ensure that using these technologies does not compromise information systems.

This category of the Baldrige criteria may be the most difficult for organizations to implement. Although the concepts are relatively simple, effective execution is difficult. Selecting the appropriate metrics with alignment at all levels is a major challenge for most organizations—not to mention data acquisition, analysis, and identification of opportunities and best practices.

I learned a long time ago: "Know your customers, know your competitors, but most of all know yourself." World-class organizations convert information to knowledge and then share and transfer knowledge to employees, customers, suppliers, and partners.

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