



# Criteria for Performance Excellence

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## Business Results

In our editorials over the past year, we've covered the six primary categories of the Baldrige Criteria for Performance Excellence.

The final category of the criteria is Business Results, another phrase for keeping score. The final score of a football game determines the winner. But think of all the other measures that determine the final outcome: pass completions, interceptions, turnovers, sacks, penalties, etc. Coaches review results and use them to identify opportunities for improvement in order to win the next game.

In much the same way, Business Results examines an organization's performance and improvement in six key business areas: product and service outcomes, customer satisfaction, financial and marketplace performance, human resource results, operational performance, and leadership and social responsibility. It would seem that measuring results would be relatively easy compared to the other categories. However, deciding what to measure is not so simple. It's not a matter of just measuring bottom line profits. So where do you start?

First of all, you need to identify the key metrics for your organization that drive performance. These metrics should be balanced between all the key business areas, typically in a combination of leading and lagging indicators. Following selection of the measures, data must be gathered and analyzed. Organizations utilize a variety of tools and techniques in analyzing performance data. Three of these are segmentation, trend analysis, and benchmarking.

So let's start with segmentation. World-class organizations demonstrate excellence through sophisticated segmentation of results. For example, it's not enough for a company to experience a significant increase in sales without an understanding of why sales have increased. This understanding is derived through analysis of segmented results. Which products and services? Which markets? Which industries? Which geographical region? Which customer groups? The concept of segmented results applies to all the key business areas identified in Category 7—Business Results. Organizations that develop this capability are able to concentrate and focus resources on those areas they identify as most important to achieving business objectives.

Trend analysis is utilized by world-class organizations to demonstrate continuous improvement of key results over sustained periods of time, typically more than 5 years. Organizations focused on continuous improvement should be able to demonstrate that improvement through measured results. Positive results confirm the effectiveness of these efforts. Negative trends show that additional efforts and resources should be allocated to improve performance.

After developing segmentation and trend analysis capabilities, world-class organizations apply the third key tool of benchmarking. Let's look at a company that has experienced a significant sales increase. Just because sales are increasing doesn't necessarily indicate superior performance. What if their key competitor's sales are increasing at a higher rate? Without a benchmark, this company might not realize they were actually losing ground to the competitor. Benchmarking results is critical to accurate analysis. Benchmarking data is readily available for publicly owned companies in most areas of performance, but not often available for privately held companies. Organizations should benchmark results in all the key business areas using available competitor and industry data if possible. But in many cases, the benchmark might come from outside the industry.

I already mentioned the six key business areas considered in Business Results. The actual measures for each organization are unique and self-selected. Some possible measures for each of these business areas could be:

- Product and Service Outcomes: error rate, on-time delivery
- Customer-Focused Results: customer satisfaction, customer retention
- Financial and Market Results: return on investment, market share growth
- Human Resource Results: employee satisfaction, accident rate, turnover
- Organizational Effectiveness Results: cycle time, productivity
- Leadership and Social Responsibility Results: regulatory compliance, ethical behavior

Regardless of the measures you select, there is a common theme of discipline that I've mentioned in several of the previous Baldrige articles. Measuring and analyzing performance is relatively simple, but not easy. It requires the discipline to identify and develop measuring systems producing results that can be compared to competitors and world-class organizations. The payoff for those disciplined organizations is the knowledge gained, resulting in ongoing improvement initiatives and continuous performance improvement.

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