

Organizational Profile  
includes Globalisation



J R D  
Q V

# The **TATA** Business Excellence Model 2006

## Reference Manual



For Internal Circulation Only

## FOREWORD

The Tata Business Excellence Model (TBEM), was introduced in 1995. After some initial years when its acceptance was slow among some of the Group companies, it has steadily matured into a key change driver for the companies in the Tata Group. Today, as the Group's journey towards Business Excellence enters its twelfth year, it is particularly heartening to see how we have surpassed what we had hoped to achieve through this process, and the Award instituted in the memory of Mr. JRD Tata. It has now become a movement that provides the glue to further integrate the Group. It is this movement, which has also brought to the forefront the indomitable spirit of the Group, as we ride on the winds of change.

The increasing adoption of the TBEM by our Group companies has not only institutionalised much needed changes in their processes and systems, but, more importantly, has changed mind-sets. This initiative has provided a methodology for our companies to follow to set goals and measure their own performance. It has helped to provide us with world class processes and systems to become globally competitive, while upholding our values and business ethics.

While this movement has evolved into a comprehensive Excellence program with far reaching impact on the Group, improving corporate performance and the individual performances of our people, the credit must deservedly go to the entire team at TQMS and to the Assessors and Mentors. They continue to play a key role in facilitating the adoption of the model. The quest for Excellence demands that we marshal this tremendous resource - our people - through teamwork, through sharing knowledge, and through benchmarking ourselves against the best in the world.

I trust that this Reference Manual for the Tata Business Excellence Model will provide a useful guide to all those involved in driving Excellence across our Group. In true consonance with the spirit of change which the TBEM embodies, it has been necessary to update the Manual, to correctly reflect the evolution of the Excellence criteria. This updated version includes changes in the approach of using the Model to incorporate and sustain the Group's focus on internationalisation. It also updates the "Scoring guidelines" for the JRD QV Award.

The challenge before the Group companies is to look at raising the levels of their ambitions, break new grounds, question the heretofore unquestioned ideas and stand out on a global basis. I am sure the TBEM would continue to be an integral part of their efforts in this direction.

I am extremely pleased to commend the TBEM Reference Manual 2006 to the Group companies.



Ratan N. Tata



## TATA VALUES

The Tata Group has always been a value driven organisation. These values continue to direct the Group's growth and businesses. The five core Tata Values underpinning the way we do business are:

**Integrity** - We must conduct our business fairly, with honesty and transparency. Everything we do must stand the test of public scrutiny.

**Understanding** - We must be caring, show respect, compassion and humanity for our colleagues and customers around the world, and always work for the benefit of the communities we serve.

**Excellence** - We must constantly strive to achieve the highest possible standards in our day to day work and in the quality of goods and services we provide.

**Unity** - We must work cohesively with our colleagues across the group and with our customers and partners around the world to build strong relationships based on tolerance, understanding and mutual co-operation.

**Responsibility** - We must continue to be responsible and sensitive to the countries, communities and environments in which we work, always ensuring that what comes from the people goes back to the people many times over.

## **GROUP PURPOSE STATEMENT**

**O**ur Purpose in Tata is to improve quality of life of the communities we serve. We do this through Leadership in sectors of national economic significance to which the Group brings a unique set of capabilities. This requires us to grow aggressively in focused areas of business.

**O**ur heritage of returning to society what we earn evokes Trust among consumers, employees, shareholders and the community. This heritage will be continuously enriched by formalizing the high standards of behaviour expected from employees and companies.

**T**he Tata name is a unique asset representing **Leadership with Trust**. Leveraging this asset to enhance Group synergy and become globally competitive is the route to sustained growth and long term success.

# **The Tata Business Excellence Model 2006**

# Important Information

## Corporate Governance

TBEM 2006 incorporates the aspects of Corporate Governance as provided in the Malcolm Baldrige criteria 2005. These are highlighted in Blue colour font in the subsequent pages. The External Assessment 2006 will address the CG related processes in the applicant company, under the overall guidelines and recommendations of the TQMS Executive Committee. These Guidelines will dwell on the modus operandi related to the CG assessment such as scope, process, style, participants and respondents and will be issued in due course.

## Addressing Globalisation through Changes in the “Organization Profile”:

1. With rapid changes in the business scenarios, the companies need to plan their strategies which do not confine to only Indian business circumstances. The choices available to the companies could be many. For example, the companies could adopt one or more alternative approaches, such as...
  - Looking beyond the boundaries of India, at select geographies, to grow their business or fill up gaps in their business towards their long term success
  - Focusing on being operational in India but striving to be globally competitive having world-class products and services
  - Deciding to be close to the source of key raw materials
  - Deciding to install capacities or service centres close to a market that it considers important, in order to enhance competitiveness and support the long term growth
  - Strengthening the existing initiatives towards globalisation through enhanced competencies and allocation of requisite resources.
2. In order to enable the companies to address such options and elaborate them in their applications, generic changes have been made in Organizational Profile.
3. The Assessors will need to take cognizance of the options chosen by the companies while conducting an assessments.



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## Chapter 1

# Purposes, Core Values, Concepts and Framework

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### Ch 1.1 TBEM Criteria Purposes

Tata Business Excellence Model (TBEM) is the basis for organizational self-assessments, recognition and awards, and for providing feedback to applicants. In addition, TBEM plays three important supportive roles in strengthening competitiveness of Tata organisations :

- To help improve organizational performance and business excellence practices, capabilities, and results
- To facilitate communication and sharing of best practices information among Tata organizations of all types
- To serve as a working tool for understanding and managing performance, and for providing guidance for planning and identification of opportunities for learning and improvement.

#### **TBEM based Business Excellence Goals**

TBEM Criteria, comprising a set of questions to be answered as part of the assessment, is designed to help organizations develop and use aligned approaches to organizational performance management that result in:

- **Delivery of ever improving value to customers, contributing to marketplace success.**
- **Improvement of overall organizational effectiveness and capabilities, resulting in enhancing value to all other stakeholders.**
- **Organizational and personal learning.**

### Ch 1.2 Core Values and Concepts

TBEM is built upon the following set of interrelated Core Values and Concepts.

**Visionary Leadership**  
**Customer-driven Excellence**  
**Organizational and Personal Learning**  
**Valuing Employees and Partners**  
**Agility**  
**Focus on the Future**  
**Managing for Innovation**  
**Management by Fact**  
**Social Responsibility**  
**Focus on Results and Creating Value**  
**Systems Perspective**

These values and concepts, further described in the subsequent pages, are embedded beliefs and behaviors found in high-performing organizations. They constitute the foundation for integrating key business requirements within a results oriented framework that creates a basis for action and feedback.

## Visionary Leadership

Your organization's senior leaders should set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders should ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The values and strategies should help guide all activities and decisions of your organization. Senior leaders should inspire and motivate your entire workforce and should encourage all employees to contribute, to develop and learn, to be innovative and to be creative. Senior leaders should be responsible to your organization's governance body for their actions and performance. The governance body should be responsible ultimately to all your stakeholders for the ethics, vision, actions and performance of your organization and its senior leaders.

**Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and employee recognition. As role models, they can reinforce ethics, values and expectations while building leadership, commitment, and initiative throughout your organization.**

## Customer-Driven Excellence

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access that contribute value to your customers. Such behaviour leads to customer acquisition, satisfaction, preference, referral, retention and loyalty and to business expansion. Customer-driven excellence has both current and future components understanding today's customer desires and anticipating future customer desires and marketplace potential.

Value and satisfaction may be influenced by many factors throughout your customers' overall purchase, ownership, and service experiences. These factors include your organization's relationships with customers, which help to build trust, confidence, and loyalty.

Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, reducing defects and errors and eliminating causes of dissatisfaction contribute to your customers' view of your organization and thus also are important parts of customer driven excellence. In addition, your organization's success in recovering from defects and mistakes ("making things right for your customer") is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, multiple access mechanisms, rapid response, or special relationships.

**Customer - driven excellence is thus a strategic concept. It is directed towards customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. It demands anticipating changes in the marketplace. Therefore, customer driven excellence demands awareness of developments in technology and competitors' offerings, as well as rapid and flexible response to customer and market requirements.**

## Organizational and Personal Learning

Achieving the highest levels of business performance requires a well executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source ("root cause"); (4) is focused on sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant change and to do better. Sources for learning include employees' ideas and suggestions, research and development (R & D), customers' input, best practice sharing, and benchmarking.

Organizational learning can result in (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and effectiveness in the use of all resources throughout your organization; and (6) enhancing your organization's performance in fulfilling its public responsibilities and service as a good citizen.

Employees' success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth. Such opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs and priorities. Education and training programs may benefit from advanced technologies, such as computer and Internet based learning and satellite broadcasts.

Personal learning can result in (1) more satisfied and versatile employees who stay with the organization, (2) organizational cross-functional learning, (3) building the knowledge assets of your organization, and (4) an improved environment for innovation.

**Thus, learning is directed not only towards better products and services but also towards being more responsive, adaptive, innovative and efficient-giving your organization marketplace sustainability and performance advantages and giving your employees satisfaction and motivation to excel.**

## Valuing Employees and Partners

An organization's success depends increasingly on the diverse knowledge, skills, creativity, and motivation of its employees and partners.

Valuing employees means committing to their satisfaction, development, and well being. Increasingly, this involves more flexible, high performance work practices tailored to employees with diverse workplace and home life needs. Major challenges in the area of valuing employees include (1) demonstrating your leaders' commitment to your employees' success, (2) recognition that goes beyond the regular compensation system, (3) development and progression within your organization, (4) sharing your organization's knowledge so that your employees can better serve your customers and contribute to achieving your strategic objectives, and (5) creating an environment that encourages risk taking and innovation.

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labour-management cooperation, such as agreements with unions. Partnerships with employees might entail employee development, cross-training, or new

work organizations, such as high performance work teams. Internal partnerships also might involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and educational organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners.

**Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method for employee development.**

### **Agility**

Success in globally competitive markets demands agility- a capacity for rapid change and flexibility. E-commerce requires and enables more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for the introduction of new/improved products and services, as well as for faster and more flexible response to customers. Major improvements in response time often require simplification of work units and processes and/or the ability for rapid changeover from one process to another. Cross-trained and empowered employees are vital assets in such a demanding environment.

A major success factor in meeting competitive challenges is the design to introduction (product/service initiation) or innovation cycle time. To meet the demands of rapidly changing global markets, organizations need to carry out stage to stage integration (such as concurrent engineering) of activities from research or concept to commercialization.

**All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.**

### **Focus on the Future**

In today's competitive environment, a focus on the future requires understanding the short and longer-term factors that affect your business and marketplace. Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long term commitments to key stakeholders-your customers, employees, suppliers and partners, stockholders, the society, and your community. **Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, the increasingly global marketplace, technological developments, the evolving E-commerce environment, new customer and market segments, evolving regulatory requirements, community and societal expectations, and strategic moves by competitors.** Strategic objectives and resource allocations need to accommodate these influences. A focus on the future includes developing employees and suppliers, doing effective succession planning and creating opportunities for innovation, and anticipating public responsibilities.

### **Managing for Innovation**

Innovation means making meaningful change to improve an organization's products, services, and processes and to create new value for the organization's stakeholders. Innovation should lead your

organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your business and all processes. **Organizations should be led and managed so that innovation becomes part of the culture and is integrated into daily work.**

Innovation builds on the accumulated knowledge of your organization and its employees. Therefore, the ability to capitalize on this knowledge is critical to managing for innovation.

### **Management by Fact**

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management including the in-process and end-of-process measures. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; and supplier, employee, and cost and financial performance. Data should be segmented by, for example, markets, product lines, and employee groups to facilitate analysis. Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and operational improvement. Analysis entails using data to determine trends, projections, and cause and effect that might not otherwise be evident. **Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, change management, and comparing your performance with competitors' or with "best practices" benchmarks.**

A major consideration in performance improvement and change management involves the selection and use of performance measures or indicators. **The measures or indicators you select should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all activities with your organization's goals.** Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

### **Social Responsibility**

An organization's leaders should stress responsibilities to the society, ethical behaviour and the need to practice good citizenship. Leaders should be role models for your organization in focusing on business ethics and protection of public health, safety and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of social responsibility. Design decisions impact your production processes and often the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement "beyond mere compliance." Organizations should stress ethical behaviour in all stakeholder transactions and interactions.

Highly ethical conduct should be a requirement of and should be monitored by the organization's governance body.

**Practicing good citizenship refers to leadership and support-within the limits of an organization's resources-of socially important purposes. Such purposes might include improving education and health care in your community, environmental excellence, resource conservation, community service, improving industry and business practices, and sharing non-proprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes.** For example, your organization might lead or participate in efforts to help define the obligations of your industry to its communities. Managing social responsibility requires the use of appropriate measures and leadership responsibility for these measures.

### **Focus on Results and Creating Value**

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders-customers, employees, stockholders, suppliers and partners, the society, and the community. By creating value for your key stakeholders, your organization builds loyalty and contributes to growing the economy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy should explicitly include key stakeholder requirements. This will help ensure that actions and plans meet differing stakeholder needs and avoid adverse impacts on any stakeholders. **The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.**

### **Systems Perspective**

The Tata Business Excellence Model provides a systems perspective for managing your organization to achieve high performance and business excellence. The Core Values and the seven TBEM Categories form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization – specific synthesis, alignment and integration. Synthesis means looking at your organization as a whole and builds upon key business requirements, including your strategic objectives and action plans. **Alignment means using the key linkages among requirements given in the TBEM Categories to ensure consistency of plans, processes, measures, and action. Integration means the individual components of your performance management system operate in a fully interconnected manner.**

These concepts are depicted in the TBEM framework in the next section. A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on your business results. A systems perspective also includes using your measures, indicators and organizational knowledge to build your key strategies. It means linking your key strategies with your key processes and align your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.



### Ch 1.3 TBEM Framework

The Core Values and Concepts are embodied in seven Categories, as follows:

1. **Leadership**
2. **Strategic Planning**
3. **Customer and Market Focus**
4. **Measurement, Analysis and Knowledge Management**
5. **Human Resource Focus**
6. **Process Management**
7. **Business Results**

The figure on the next page provides the framework connecting and integrating the Categories.

From top to bottom, the framework has the following basic elements :

#### **Organizational Profile**

Organizational Profile (top of figure) sets the context for the way your organization operates. Your environment, key working relationships, and strategic challenges serve as an overarching guide for your organizational performance management system.

#### **System Operations**

The system operations are composed of the six TBEM Categories in the center of the figure that define your operations and the results you achieve.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders set your organizational direction and seek future opportunities for your organization. Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. Your organization's employees and its key processes accomplish the work of the organization that yields your business results.

All actions point towards Business Results—a composite of customer, financial, and operational performance results, including human resource results, governance and social responsibility results.

The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). The two-headed arrow indicates the importance of feedback in an effective performance management system.

#### **System Foundation**

Measurement, Analysis and Knowledge Management (Category 4) are critical to the effective management of your organization and to a fact-based knowledge-driven system for improving performance and competitiveness. Measurement, Analysis and Knowledge Management serve as a foundation for the performance management system.



### Ch 1.4 TBEM Structure and Characteristics

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address.

#### Items

There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 35. The Item format is shown on page 89.

#### Areas to Address

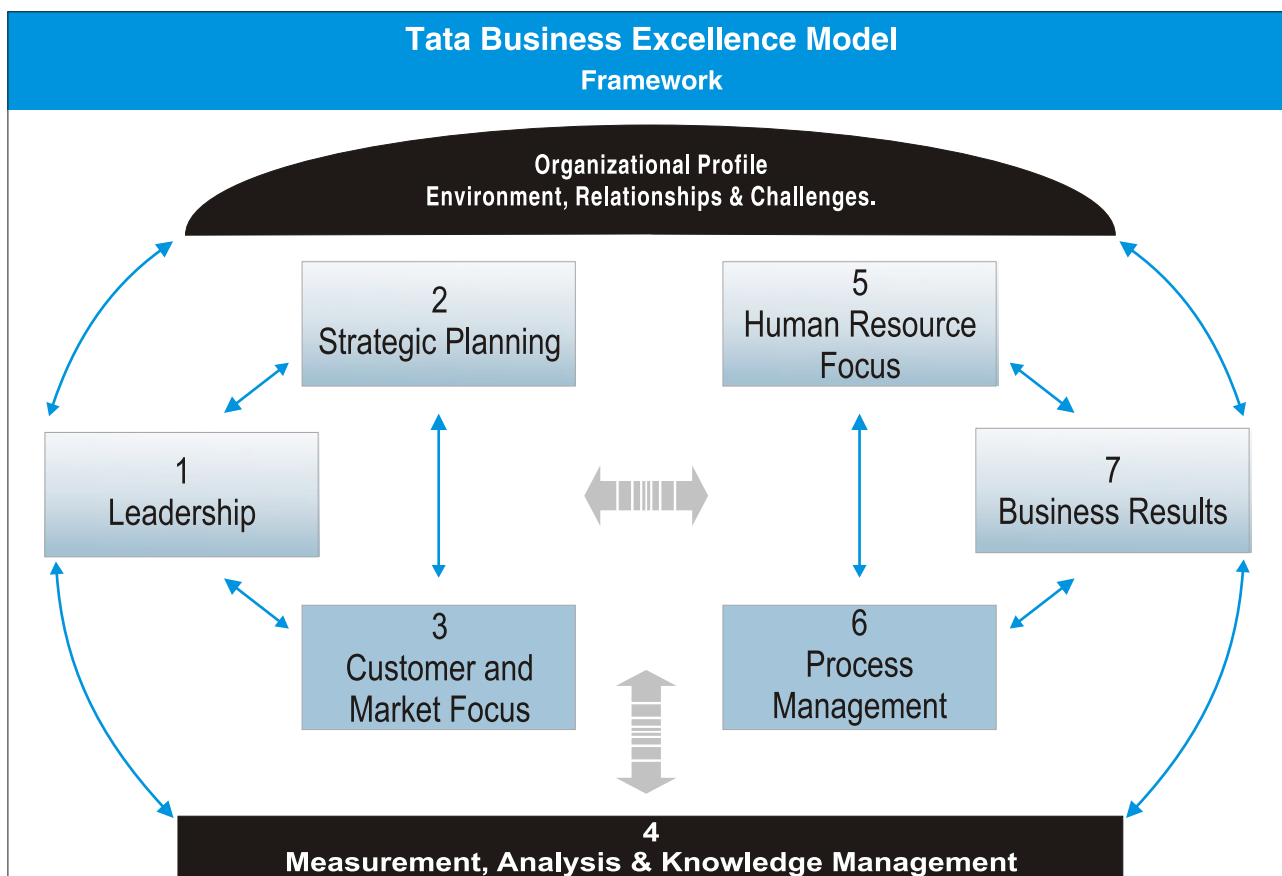
Items consist of one or more Areas to Address (Areas). Organizations should address their responses to the specific requirements of these Areas.

### Ch 1.5 TBEM is focused on business results

TBEM is focused on the key areas of business performance, given below.

1. Product and Service Outcomes
2. Customer- Focused Results
3. Financial and Market Results
4. Human Resource Results
5. Organizational Effectiveness Results, including internal operational performance measures
6. Governance and Social Responsibility Results

The use of this composite of indicators is intended to ensure that strategies are balanced-that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.



### **Ch 1.6 TBEM is non-prescriptive and adaptable**

The set of questions to be addressed by the applicant for the TBEM based assessment are made up of results oriented requirements. However, TBEM **does not** prescribe :

- that your organization should or should not have departments for quality, planning, or other functions;
- how your organization should be structured; or
- that different units in your organization should be managed in the same way.

These factors differ among organizations, and they are likely to change as needs and strategies evolve.

The TBEM is nonprescriptive for the following reasons:

1. The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and demonstrate creative, adaptive, and flexible approaches for meeting requirements. Non-prescriptive requirements are intended to foster incremental and major ("breakthrough") improvements, as well as basic change.
2. The selection of tools, techniques, systems, and organizational structure usually depends on factors such as business type and size, organizational relationships, your organization's stage of development, and employee capabilities and responsibilities.
3. A focus on common requirements, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

### **Ch 1.7 TBEM supports a systems perspective to maintain organization-wide goal alignment.**

The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Organizational Profile, the Criteria, and the results - oriented, cause - effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from your organization's processes and strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision-making, or overly complex process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralized decision making.

A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action - oriented cycles of learning take place via feedback between processes and results.

***The learning cycles have four, clearly defined stages:***

1. planning, including design of processes, selection of measures, and deployment of requirements
2. execution of plans

3. assessment of progress and capturing new knowledge, taking into account internal and external results
4. revision of plans based upon assessment findings, learning, new inputs, and new requirements.

### ***Ch 1.8 TBEM supports a goal-based diagnosis.***

**The set of questions i.e. the Criteria and the Scoring System make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring System spells out the assessment dimensions- Process and Results-and the key factors used to assess each dimension.**

An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 performance-oriented requirements. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described earlier. **This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.**

## Chapter 2

### Changes from TBEM 2005 (Based on Malcolm Baldrige Criteria 2005)

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The Criteria for Performance Excellence continue to evolve, to help business address a dynamic environment. The specific and focused demands on senior leaders, the need to attend to long-term (as well as short-term) organizational sustainability, the challenges of organizational innovation to gain and sustain competitive advantages, the difficulty of plan and process execution, and the clear need for alignment of all aspects of your performance management system with your results measurements receive greater attention in the 2006 Criteria. The Criteria continue to emphasize the central role that customers play in defining and achieving performance excellence and the importance of key partners and suppliers in your organizational success.

Criteria questions have been better aligned throughout the seven Categories and with the Organizational Profile. These changes have been made to improve TBEM self-assessment and external assessment; the determination of organizational strengths, gaps, and alignment in approach, deployment, learning, and integration (Categories 1-6); and the determination of organizational gaps, strengths of performance, and opportunities in results areas (Category 7).

A primary consideration in the Criteria revisions has been the important relationship between the Criteria Items and the Scoring Guidelines. Together they form the assessment system used by TBEM Assessors and the one recommended to you for self-assessment purposes. Basically, the Criteria Item requirements ask how you accomplish the work of your organization and **what** were the results. The Scoring Guidelines help you assess **how well** you accomplish your work and **how good** are the results. By studying the Criteria Item requirements and linkages among them, you can gauge gaps in your performance management system. By studying the Scoring Guidelines, particularly the descriptors for the scoring ranges above the ranges of your scores, you can identify opportunities for reaching the next level of organizational performance.

After determining **how, what, how well, and how good** for your organization, you are in an excellent position to accelerate your improvement journey.

The most significant changes in the Criteria and the Criteria booklet for 2006 are summarized as follows:

- The number of Areas to Address has been increased from 32 to 33.
- Category 1, **Leadership**, now has a more defined focus on leadership's key responsibilities for guiding and sustaining your organization and overseeing its ethical stewardship.
- Category 2, **Strategic Planning**, has been given a clear focus on planning and executing plans for short- and long-term organizational sustainability.
- Category 4, **Measurement, Analysis, and Knowledge Management**, has an enhanced focus on all aspects of organizational performance review and information quality.
- Category 6, **Process Management**, has an added focus on operational planning to ensure availability of financial resources and continuity of operations in an emergency.

- Category 7, **Business Results**, now includes a specific focus on results related to the leadership effectiveness of your senior leaders.
- Three terms have been added to the Glossary of Key Terms: “**diversity**,” “**partners**,” and “**sustainability**.” There have been some changes in almost all Criteria Items; the most significant changes are highlighted and discussed below.

#### **Preface: Organizational Profile**

- Item P.1, **Organizational Description**, now includes an increased focus on the role of suppliers and distributors in all your key processes. This addition helps set the context for your later Criteria Item responses.
- Item P.2, **Organizational Challenges**, now includes a specific request for strategic challenges associated with long-term organizational stability to help focus thinking in this important area.

#### **Category 1: Leadership**

- Item 1.1, now **Senior Leadership**, has been rewritten to highlight your senior leaders' role in setting and communicating vision, values, and a focus on customers and accomplishing your organization's objectives. It also focuses on your senior leaders' key role in developing future leaders.
- Item 1.2, now **Governance and Social Responsibilities**, has been modified to include leadership responsibilities for all aspects of good governance of your organization.

#### **Category 2: Strategic Planning**

- Item 2.1, **Strategy Development**, has been rewritten to clearly address the key aspects of strategy development, including your ability to execute the strategic plan.

#### **Category 3: Customer and Market Focus**

- The Items in this Category have an enhanced focus on your use of customer complaint data and your organization's processes for minimizing customer dissatisfaction and loss of repeat business.
- Item 3.1, **Customer and Market Knowledge**, has an enhanced focus on identifying current and potential customers for both existing and new products and services.

#### **Category 4: Measurement, Analysis, and Knowledge Management**

- Item 4.1, now **Measurement, Analysis, and Review of Organizational Performance**, has an added emphasis on the purpose and use of the results of analyses and reviews, including strategic decisions for your organization.
- Item 4.2, **Information and Knowledge Management**, has a new Area to Address on data, information, and knowledge quality in recognition of the challenges all organizations face in this area. This Item also now addresses the availability of data and information in the event of an emergency.

#### **Category 5: Human Resource Focus**

- The Items in this Category have an added focus on how work systems and employee learning reinforce accomplishment of your organization's action plans and retention of critical organizational knowledge. These are key issues associated with long-term sustainability.

### Category 6: Process Management

- Item 6.2, now **Support Processes and Operational Planning**, has a new Area to Address on operational planning. This Area focuses on financial planning and stewardship of resources, as well as your process for continuity of operations in case of an emergency.

### Category 7: Business Results

- Item 7.1, now **Product and Service Outcomes**, has been given a value of 100 points to indicate the importance of product and service performance results to customer satisfaction, loyalty, and long-term business success.
- Item 7.6, now **Leadership and Social Responsibility Results**, addresses all your key governance, senior leadership, and social responsibility results. The Item places in one location the evidence of your accomplishment of organizational strategy, ethical behavior, fiscal accountability, legal compliance, and organizational citizenship.

## Chapter 3

# Glossary of Key Terms

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This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management. As you may have noted, key terms are presented in **SMALL CAPS / SANS SERIF** every time they appear in the Categories and Scoring Guidelines sections of this Criteria booklet.

### **Action Plans**

The term “action plans” refers to specific actions that respond to short- and longer-term strategic objectives. Action plans include details of resource commitments and time horizons for accomplishment. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective, organization-wide understanding and deployment are possible. In the Criteria, deployment of action plans includes creating aligned measures for all departments and work units. Deployment might also require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans could entail designing efficient processes and creating an accounting system that tracks activity-level costs, aligned for the organization as a whole. Deployment requirements might include work unit and team training in setting priorities based upon costs and benefits. Organizational-level analysis and review likely would emphasize productivity growth, cost control, and quality.

See also the definition of “strategic objectives”.

### **Alignment**

The term “alignment” refers to consistency of plans, processes, information, resource decisions, actions, results, and analysis to support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals. It also requires the use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See also the definition of “integration”.

### **Analysis**

The term “analysis” refers to an examination of facts and data to provide a basis for effective decisions. Analysis often involves the determination of cause-effect relationships. Overall organizational analysis guides the management of processes toward achieving key business results and toward attaining strategic objectives.

Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Effective actions depend on an understanding of relationships, derived from analysis of facts and data.

### **Anecdotal**

The term “anecdotal” refers to process information that lacks specific methods, measures, deployment mechanisms, and evaluation / improvement / learning factors. Anecdotal information frequently uses examples and describes individual activities rather than systematic processes.

An anecdotal response to how senior leaders deploy performance expectations might describe a specific occasion when a senior leader visited all company facilities. On the other hand, a systematic process might describe the communication methods used by all senior leaders to deliver performance expectations on a regular basis to all employee locations, the measures used to assess effectiveness of the methods, and the tools and techniques used to evaluate and improve the communication methods.

### **Approach**

The term “approach” refers to the methods used by an organization to address the TBEM Criteria Item requirements. Approach includes the appropriateness of the methods to the Item requirements and the effectiveness of their use.

Approach is one of the dimensions considered in evaluating Process Items. For further description, see the “Scoring System” in Chapter 6.

### **Basic Requirements**

The term “basic requirements” refers to the topic Criteria users need to address when responding to the most central concept of an Item. Basic requirements are the fundamental theme of that Item. In the Criteria, the basic requirements of each Item are presented as the Item title. This presentation is illustrated in the Item format shown in Chapter 6.

### **Benchmarks**

The term “benchmarks” refers to processes and results that represent best practices and performance for similar activities, inside or outside an organization's industry. Organizations engage in benchmarking to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) or “breakthrough” improvement.

Benchmarks are one form of comparative data. Other comparative data organizations might use include industry data collected by a third party (frequently industry averages), data on competitors' performance, and comparisons with similar organizations in the same geographic area.

### **Customer**

The term “customer” refers to actual and potential users of your organization's products or services. Customers include the end users of your products or services, as well as others who might be the immediate purchasers of your products or services, such as wholesale distributors, agents, or companies that further process your product as a component of their product. The Criteria address customers broadly, referencing current customers, future customers, as well as customers of your competitors.

Customer-driven excellence is a TBEM Core Value embedded in the beliefs and behaviors of high-performance organizations. Customer focus impacts and should integrate an organization's strategic directions, its value creation processes, and its business results.

See the definition of “stakeholders” on page 65 for the relationship between customers and others who might be affected by your products or services.



## **Cycle Time**

The term “cycle time” refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. “Cycle time” refers to all aspects of time performance. Cycle time improvement might include time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time.

## **Deployment**

The term “deployment” refers to the extent to which an approach is applied in addressing the requirements of a TBEM Criteria Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant work units throughout the organization.

Deployment is one of the dimensions considered in evaluating Process Items. For further description, see the “Scoring System” in Chapter 6.

## **Diversity**

The term “diversity” refers to valuing and benefiting from personal differences. These differences address many variables including race, religion, color, gender, national origin, disability, sexual orientation, age, education, geographic origin, and skill characteristics, as well as differences in ideas, thinking, academic disciplines, and perspectives.

The Baldrige Criteria refer to the diversity of your employee hiring and customer communities. Capitalizing on both provides enhanced opportunities for high performance; customer, employee, and community satisfaction; and customer and employee loyalty.

## **Effective**

The term “effective” refers to how well a process or a measure addresses its intended purpose. Determining effectiveness requires the evaluation of how well the approach is aligned with the organization's needs and the deployment of the approach or with the outcome of the measure used.

## **Empowerment**

The term “empowerment” refers to giving employees the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the “front line,” where work-related knowledge and understanding reside.

Empowerment is aimed at enabling employees to satisfy customers on first contact, to improve processes and increase productivity, and to improve the organization's business results. Empowered employees require information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

## **Ethical Behavior**

The term “ethical behavior” refers to how an organization ensures that all its decisions, actions, and stakeholder interactions conform to the organization's moral and professional principles. These principles should support all applicable laws and regulations and are the foundation for the organization's culture and values. They define “right” from “wrong.”

Senior leaders should act as role models for these principles of behavior. The principles apply to all individuals involved in the organization, from employees to members of the board of directors, and need to be communicated and reinforced on a regular basis. Although there is no universal model for ethical behavior, senior leaders should ensure that the organization's mission and vision are aligned with its ethical principles. Ethical behavior should be practiced with all stakeholders, including employees, shareholders, customers, partners, suppliers, and the organization's local community.

While some organizations may view their ethical principles as boundary conditions restricting behavior, well-designed and clearly articulated ethical principles should empower people to make effective decisions with great confidence.

### **Goals**

The term “goals” refers to a future condition or performance level that one intends to attain. Goals can be both short- and longer-term. Goals are ends that guide actions. Quantitative goals, frequently referred to as “targets,” include a numerical point or range. Targets might be projections based on comparative or competitive data. The term “stretch goals” refers to desired major, discontinuous (nonincremental) or “breakthrough” improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including

- clarifying strategic objectives and action plans to indicate how success will be measured
- fostering teamwork by focusing on a common end
- encouraging “out-of-the-box” thinking to achieve a stretch goal
- providing a basis for measuring and accelerating progress

### **Governance**

The term “governance” refers to the system of management and controls exercised in the stewardship of your organization. It includes the responsibilities of your organization's owners/shareholders, board of directors, and CEO. Corporate charters, by-laws, and policies document the rights and responsibilities of each of the parties and describe how your organization will be directed and controlled to ensure (1) accountability to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders. Governance processes may include approving strategic direction, monitoring and evaluating CEO performance, establishing executive compensation and benefits, succession planning, financial auditing, managing risk, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

### **High-Performance Work**

The term “high-performance work” refers to work processes used to systematically pursue ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time performance. High-performance work results in improved service for customers and other stakeholders.

Approaches to high-performance work vary in form, function, and incentive systems. High-performance work frequently includes cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; self-directed responsibility and employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the “front line”; and effective use of performance measures, including comparisons. Many high-performance work

systems use monetary and non-monetary incentives based upon factors such as organizational performance, team and individual contributions, and skill building. Also, high-performance work processes usually seek to align the organization's structure, work, jobs, employee development, and incentives.

## **How**

The term “how” refers to the processes that an organization uses to accomplish its mission requirements. In responding to “how” questions in the Process Item requirements, process descriptions should include information such as approach (methods and measures), deployment, learning, and integration factors.

## **Innovation**

The term “innovation” refers to making meaningful change to improve products, services, processes, or organizational effectiveness and to create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, or product that is either new or new to its proposed application.

Successful organizational innovation is a multistep process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from change, whether through breakthrough improvement or change in approach or outputs. It could include fundamental changes in organizational structure to more effectively accomplish the organization's work.

## **Integration**

The term “integration” refers to the harmonization of plans, processes, information, resource decisions, actions, results, and analyses to support key organization-wide goals. Effective integration goes beyond alignment and is achieved when the individual components of a performance management system operate as a fully interconnected unit.

See also the definition of “alignment”.

Integration is one of the dimensions considered in evaluating Process Items. For further description, see the “Scoring System” in Chapter 6.

## **Key**

The term “key” refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The TBEM Criteria, for example, refer to key challenges, key plans, key processes, key measures—those that are most important to the organization's success. They are the essential elements for pursuing or monitoring a desired outcome.

## **Knowledge Assets**

The term “knowledge assets” refers to the accumulated intellectual resources of your organization. It is the knowledge possessed by your organization and its employees in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. Employees, software, patents, databases, documents, guides, policies and procedures, and technical drawings are repositories of an organization's knowledge assets. Knowledge assets are held not only by an organization but reside within its customers, suppliers, and partners as well.

Knowledge assets are the “know how” that your organization has available to use, to invest, and to grow. Building and managing its knowledge assets are key components for your organization to create value for its stakeholders and to help sustain competitive advantage.

## **Leadership System**

The term “leadership system” refers to how leadership is exercised, formally and informally, throughout the organization—the basis for and the way key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision making; selection and development of leaders and managers; and reinforcement of values, ethical behavior, directions, and performance expectations.

An effective leadership system respects the capabilities and requirements of employees and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization's vision and values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organization structure to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback, and improve.

## **Learning**

The term “learning” refers to new knowledge or skills acquired through evaluation, study, experience, and innovation. The TBEM Criteria include two distinct kinds of learning: organizational and personal. Organizational learning is achieved through research and development, evaluation and improvement cycles, employee and customer ideas and input, best practice sharing, and benchmarking. Personal learning is achieved through education, training, and developmental opportunities that further individual growth.

To be effective, learning should be embedded in the way an organization operates. Learning contributes to a competitive advantage for the organization and its employees. For further description of organizational and personal learning, see the related “Core Value and Concept”.

Learning is one of the dimensions considered in evaluating Process Items. For further description, see the “Scoring System” in Chapter 6.

## **Levels**

The term “levels” refers to numerical information that places or positions an organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

## **Measures and Indicators**

The term “measures and indicators” refers to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term “indicator” (1) when the measurement relates to performance but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction but not a direct measure of it) and (2) when the measurement is a predictor (“leading indicator”) of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

## **Mission**

The term “mission” refers to the overall function of an organization. The mission answers the question, “What is this organization attempting to accomplish?” The mission might define customers or markets served, distinctive competencies, or technologies used.

## **Multiple Requirements**

The term “multiple requirements” refers to the individual questions Criteria users need to answer within each Area to Address. These questions constitute the details of an Item's requirements. They are presented in black text under each Item's Area(s) to Address. This presentation is illustrated in the Item format shown on page 51.

## **Overall Requirements**

The term “overall requirements” refers to the topics Criteria users need to address when responding to the central theme of an Item. Overall requirements address the most significant features of the Item requirements. In the Criteria, the overall requirements of each Item are presented in one or more introductory sentences printed in bold. This presentation is illustrated in the Item format shown.

## **Partners**

The term “partners” refers to those key organizations or individuals who are working in concert with your organization to achieve a common goal or to improve performance. Typically, partnerships are formal arrangements for a specific aim or purpose, such as to achieve a strategic objective or to deliver a specific product or service. Formal partnerships are usually for an extended period of time and involve a clear understanding of the individual and mutual roles and benefits for the partners.

## **Performance**

The term “performance” refers to output results and their outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in nonfinancial and financial terms.

The TBEM Criteria address four types of performance: (1) product and service, (2) customer-focused, (3) financial and marketplace, and (4) operational.

“Product and service performance” refers to performance relative to measures and indicators of product and service characteristics important to customers. Examples include product reliability, on-time delivery, customer-experienced defect levels, and service response time.

“Customer-focused performance” refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors. Examples include customer retention, complaints, and customer survey results.

“Financial and marketplace performance” refers to performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt-to-equity ratio, returns on assets, operating margins, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

“Operational performance” refers to human resource, leadership, organizational, and ethical performance relative to effectiveness, efficiency, and accountability measures and indicators. Examples include cycle time, productivity, waste reduction, employee turnover, employee cross-training rates, regulatory compliance, fiscal accountability, and community involvement. Operational performance might be measured at the work unit level, key process level, and organizational level.

**Performance Excellence**

The term “performance excellence” refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers, contributing to marketplace success; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning. The TBEM Criteria for Performance Excellence provide a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts.

**Performance Projections**

The term “performance projections” refers to estimates of future performance. Projections may be inferred from past performance, may be based on competitors’ performance that must be met or exceeded, may be predicted based on changes in a dynamic marketplace, or may be goals for future performance. Projections integrate estimates of your organization’s rate of improvement and change, and they may be used to indicate where breakthrough improvement or change is needed. Thus, performance projections serve as a key management planning tool.

**Process**

The term “process” refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a defined series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way, i.e., to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Such service processes also require guidance to the providers of those services on handling contingencies related to the likely or possible actions or behaviors of those served.

In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

In the TBEM Scoring System, process achievement level is assessed. This achievement level is based on four factors that can be evaluated for each of an organization’s key processes: Approach, Deployment, Learning, and Integration. For further description, see the “Scoring System” in Chapter 6.

**Productivity**

The term “productivity” refers to measures of the efficiency of resource use.

Although the term often is applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resource tradeoffs—is beneficial.

## **Purpose**

The term “purpose” refers to the fundamental reason that an organization exists. The primary role of purpose is to inspire an organization and guide its setting of values. Purpose is generally broad and enduring. Two organizations in different businesses could have similar purposes, and two organizations in the same business could have different purposes.

## **Results**

The term “results” refers to outputs and outcomes achieved by an organization in addressing the requirements of a TBEM Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements. For further description, see the “Scoring System” in Chapter 6.

## **Segment**

The term “segment” refers to a part of an organization's overall customer, market, product line, or employee base. Segments typically have common characteristics that can be logically grouped. In Results Items, the term refers to dis-aggregating results data in a way that allows for meaningful analysis of an organization's performance. It is up to each organization to determine the specific factors that it uses to segment its customers, markets, products, and employees.

Understanding segments is critical to identifying the distinct needs and expectations of different customer, market, and employee groups and to tailoring products, services, and programs to meet their needs and expectations. As an example, market segmentation might be based on geography, distribution channels, business volume, or technologies employed. Employee segmentation might be based on geography, skills, needs, work assignments, or job classification.

## **Senior Leaders**

The term “senior leaders” refers to an organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

## **Stakeholders**

The term “stakeholders” refers to all groups that are or might be affected by an organization's actions and success. Examples of key stakeholders include customers, employees, partners, governing boards, stockholders, suppliers, and local and professional communities.

See also the definition of “Customer”.

## **Strategic Challenges**

The term “strategic challenges” refers to those pressures that exert a decisive influence on an organization's likelihood of future success. These challenges frequently are driven by an organization's future competitive position relative to other providers of similar products or services. While not exclusively so, strategic challenges generally are externally driven. However, in responding to externally driven strategic challenges, an organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs or expectations; product, service, or technological changes; or financial, societal, and other risks. Internal strategic challenges may relate to an organization's capabilities or its human and other resources.



See the definition of “strategic objectives” that immediately follows for the relationship between strategic challenges and the strategic objectives an organization articulates to address key challenges.

### **Strategic Objectives**

The term “strategic objectives” refers to an organization's articulated aims or responses to address major change or improvement, competitiveness issues, and business advantages. Strategic objectives generally are focused both externally and internally and relate to significant customer, market, product, service, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what an organization must achieve to remain or become competitive and ensure the organization's long-term sustainability. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

See the definition of “action plans” on page 60 for the relationship between strategic objectives and action plans and for an example of each.

### **Sustainability**

The term “sustainability” refers to your organization’s ability to address current business needs and to have the agility and strategic management to prepare successfully for your future business and market environment. Both external and internal factors need to be considered. The specific combination of factors might include industry-wide and organization-specific components.

In addition to responding to changes in the business and market environment, sustainability also has a component related to preparedness for real-time or short-term emergencies.

### **Systematic**

The term “systematic” refers to approaches that are well-ordered, repeatable, and use data and information so learning is possible. In other words, approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity. For use of the term, see the Scoring Guidelines in Chapter 6.

### **Trends**

The term “trends” refers to numerical information that shows the direction and rate of change for an organization's results. Trends provide a time sequence of organizational performance.

A minimum of three data points generally is needed to begin to ascertain a trend. More data points are needed to define a statistically valid trend. The time period for a trend is determined by the cycle time of the process being measured. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer time periods before meaningful trends can be determined.

Examples of trends called for by the Criteria include data related to product and service performance, customer and employee satisfaction and dissatisfaction results, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

### **Value**

The term “value” refers to the perceived worth of a product, service, process, asset, or function relative to cost and to possible alternatives.



Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations need to understand what different stakeholder groups value and then deliver value to each group. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.

### **Value Creation**

The term “value creation” refers to processes that produce benefit for your customers and for your business. They are the processes most important to “running your business” – those that involve the majority of your employees and that generate your products, services, and positive business results for your stockholders and other key stakeholders.

### **Values**

The term “values” refers to the guiding principles and behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce the desired culture of an organization. Values support and guide the decision making of every employee, helping the organization accomplish its mission and attain its vision in an appropriate manner. Examples of values might include integrity and fairness in all interactions, exceeding customer expectations, valuing employees and diversity, protecting the environment, and striving for performance excellence every day.

### **Vision**

The term “vision” refers to the desired future state of your organization. The vision describes where the organization is headed, what it intends to be, or how it wishes to be perceived in the future.

### **Work Systems**

The term “work systems” refers to how your employees are organized into formal or informal units to accomplish your mission and your strategic objectives; how job responsibilities are managed; and your processes for compensation, employee performance management, recognition, communication, hiring, and succession planning. Organizations design work systems to align their components to enable and encourage all employees to contribute effectively and to the best of their ability.



## Chapter 4

# Tata Business Excellence Model 2006

### Preface: Organizational Profile

- P.1 Organizational Description
- P.2 Organizational Challenges

2005 Categories and Items		Point Values
<b>1</b>	<b>Leadership</b>	<b>120</b>
1.1	Senior Leadership	70
1.2	Governance and Social Responsibilities	50
<b>2</b>	<b>Strategic Planning</b>	<b>85</b>
2.1	Strategy Development	40
2.2	Strategy Deployment	45
<b>3</b>	<b>Customer and Market Focus</b>	<b>85</b>
3.1	Customer and Market Knowledge	40
3.2	Customer Relationships and Satisfaction	45
<b>4</b>	<b>Measurement, Analysis, and Knowledge Management</b>	<b>90</b>
4.1	Measurement, Analysis, and Review of Organizational Performance	45
4.2	Information and Knowledge Management	45
<b>5</b>	<b>Human Resource Focus</b>	<b>85</b>
5.1	Work Systems	35
5.2	Employee Learning and Motivation	25
5.3	Employee Well-Being and Satisfaction	25
<b>6</b>	<b>Process Management</b>	<b>85</b>
6.1	Value Creation Processes	45
6.2	Support Processes and Operational Planning	40
<b>7</b>	<b>Business Results</b>	<b>450</b>
7.1	Product and Service Outcomes	100
7.2	Customer-Focused Results	70
7.3	Financial and Market Results	70
7.4	Human Resource Results	70
7.5	Organizational Effectiveness Results	70
7.6	Leadership and Social Responsibility Results	70
<b>TOTAL POINTS</b>		<b>1000</b>

**Note :** The Scoring System used with the Criteria Items in a TBEM assessment can be found in Chapter 6

## Applicants to Note :

For definitions of key terms presented throughout the Criteria and Scoring Guidelines text in SMALL CAPS / SANS SERIF, see Glossary of Key Terms in Chapter 3.

Frequently, several questions are grouped under one number (e.g., P.1a(3)). These questions are related and do not require separate responses. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

Item notes serve three purposes:

- (1) to clarify terms or requirements presented in an Item,
- (2) to give instructions on responding to the Item requirements, and
- (3) to indicate key linkages to other Items.

In all cases, the intent is to help you respond to the Item requirements.

## Page Limits for Organization Profile and Application for Assessment

For TBEM -based Assessment , the Organizational Profile is limited to five pages and the Application for the Assessment, excluding the Organizational Profile, is to be completed within maximum 60 pages.

## Importance of beginning with Your Organizational Profile

Your Organizational Profile (OP) is critically important because

- OP is the most appropriate starting point for self-assessment and for writing an application;
- OP helps you identify potential gaps in KEY information and focus on KEY PERFORMANCE requirements and business RESULTS;
- OP is used by the Assessors and Mentors in application review, including the site visit, to understand your organization and what you consider important; and
- OP also be used by itself for an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, it is possible that your assessment need go no further and you can use these topics for action planning.
- OP serves as a platform for consistent internal communication of the organizations's strategic challenges, strengths and drivers of business success.

## Preface: Organizational Profile

The *Organizational Profile* is a snapshot of your organization, the KEY influences on how you operate, and the KEY challenges you face.

### P.1 Organizational Description

Describe your organization's business environment and your KEY relationships with CUSTOMERS, suppliers, PARTNERS, and STAKEHOLDERS.

Within your response, include answers to the following questions, *in domestic and international business contexts, as appropriate*:

#### a. Organizational Environment

- (1) What are your organization's main products and services? What are the delivery mechanisms used to provide your products and services to your CUSTOMERS?
- (2) What is your organizational culture? What are your stated PURPOSE, VISION, MISSION, and VALUES?
- (3) What is your employee profile? What are your categories and types of employees? What are their educational LEVELS? What are your organization's workforce and job DIVERSITY, organized bargaining units, use of contract employees, and special health and safety requirements?
- (4) What are your major technologies, equipment, and facilities?
- (5) What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; relevant industry standards; and environmental, financial, and product regulations?

#### b. Organizational Relationships

- (1) What are your organizational structure and GOVERNANCE system? What are the reporting relationships among your GOVERNANCE board, SENIOR LEADERS, and parent organization, as appropriate?
- (2) *What are the markets / geographies your organization operates in?* What are your KEY CUSTOMER and STAKEHOLDER groups and market SEGMENTS, as appropriate? What are their KEY requirements and expectations for your products, services, and operations? What are the differences in these requirements and expectations among CUSTOMER and STAKEHOLDER groups and market SEGMENTS?
- (3) What role do suppliers and distributors play in your VALUE CREATION and KEY support PROCESSES, *including enhancing your competitiveness in the respective geographies you operates in?* What role, if any, do they play in your organizational INNOVATION PROCESSES? What are your most important types of suppliers and distributors? What are your most important supply chain requirements?
- (4) What are your KEY supplier and CUSTOMER partnering relationships and communication mechanisms?

#### Notes

- N1.** *Domestic business context refers to the business operations within the country in which the company has been registered / incorporated. International business context refers to the business operations that go beyond the boundaries of the domestic markets.*
- N2.** *Product and service delivery mechanisms to your customers (P.1a[1]) might be direct or through dealers, distributors, or channel partners.*
- N3.** *Market segments (P.1b[2]) might be based on product or service lines or features, geography, distribution channels, business volume, or other factors that are important to your organization to define related market characteristics.*
- N4.** *Customer and stakeholder group and market segment requirements (P.1b[2]) might include on-time delivery, low defect levels, ongoing price reductions, electronic communication, and after-sales service.*

- N5.** *Communication mechanisms (P.1b[4]) should be two-way and might be in person, via regular mail or e-mail, or by telephone. For many organizations, these mechanisms may change as marketplace requirements change.*

**Frequently, several questions are grouped under one number (e.g., P.1a[3]). These questions are related and do not require separate responses. These multiple questions serve as a guide in understanding the full meaning of the information being requested.**

**Item notes serve three purposes: (1) to clarify terms or requirements presented in an Item, (2) to give instructions on responding to the Item requirements, and (3) to indicate key linkages to other Items. In all cases, the intent is to help you respond to the Item requirements.**

## P.2 Organizational Challenges

**Describe your organization's competitive environment, your KEY STRATEGIC CHALLENGES, and your system for PERFORMANCE improvement.**

Within your response, include answers to the following questions, *in domestic and international business contexts, as appropriate:*

### a. Competitive Environment

- (1) What is your competitive position? What is your relative size and growth in your industry or markets served? What are the numbers and types of competitors for your organization?
- (2) What are the principal factors that determine your success relative to your competitors? What are any KEY changes taking place that affect your competitive situation?
- (3) What are your KEY available sources of comparative and competitive data from within your industry?
- (4) What are your KEY available sources of comparative data for analogous PROCESSES outside your industry?
- (5) What limitations, if any, are there in your ability to obtain these data?

### b. STRATEGIC CHALLENGES

What are your KEY business, operational, and human resource STRATEGIC CHALLENGES? *What are the threats and opportunities that you face from current and potential global players?* What are your KEY STRATEGIC CHALLENGES associated with organizational SUSTAINABILITY?

### c. PERFORMANCE Improvement System

HOW do you maintain an overall organizational focus on PERFORMANCE improvement, including organizational LEARNING? HOW do you achieve SYSTEMATIC evaluation and improvement of KEY PROCESSES, *to enhance the organizational readiness for addressing the strategic challenges?*

### Notes

**N1.** *Domestic business context refers to the business operations within the country in which the company has been registered / incorporated. International business context refers to the business operations that go beyond the boundaries of the domestic markets.*

**N2.** *Principal factors (P2a[2]) might include differentiators such as price leadership, design services, e-services, geographic proximity, and warranty and product options.*

**N3.** *Strategic challenges (P2b) might include rapid technological change, disruptive technologies that rapidly revolutionize or make obsolete existing processes or products, reduced cycle times for product introduction, industry volatility, declining market share, changing marketplace, mergers and*

*acquisitions, global marketing and competition, customer retention, changing or emerging customer or regulatory requirements, employee retention, an aging workforce, and value chain integration.*

**N4.** *Performance improvement (P2c) is an assessment dimension used in the Scoring System to evaluate the maturity of organizational approaches and deployment. This question is intended to help you and the TBEM Assessors set an overall context for your approach to performance improvement.*

**N5.** *Overall approaches to process improvement (P2c) might include implementing a Lean Enterprise System, applying Six Sigma methodology, using ISO 9000:2000 standards, or employing other process improvement tools.*

“The Tata philosophy of management has always been and is today more than ever, that corporate enterprises must be managed not merely in the interests of their owners, but equally in those of their employees, of the consumers of their products, of the local community and finally of the country as a whole”

J R D Tata

## **1** Leadership (120 pts.)

The **Leadership Category** examines **HOW** your organization's **SENIOR LEADERS** guide and sustain your organization. Also examined are your organization's **GOVERNANCE** and **HOW** your organization addresses its ethical, legal, and community responsibilities.

## 1.1 Senior Leadership (70 pts.)

## Process

**Describe HOW SENIOR LEADERS guide and sustain your organization. Describe HOW SENIOR LEADERS communicate with employees and encourage high PERFORMANCE.**

Within your response, include answers to the following questions:

### a. VISION and VALUES

- (1) HOW do SENIOR LEADERS set organizational VISION and VALUES? HOW do SENIOR LEADERS deploy your organization's VISION and VALUES through your LEADERSHIP SYSTEM, to all employees, to KEY suppliers and PARTNERS, and to CUSTOMERS, as appropriate? HOW do their personal actions reflect a commitment to the organization's VALUES?
- (2) HOW do SENIOR LEADERS promote an environment that fosters and requires legal and ETHICAL BEHAVIOR?
- (3) HOW do SENIOR LEADERS create a SUSTAINABLE organization? HOW do SENIOR LEADERS create an environment for PERFORMANCE improvement, accomplishment of STRATEGIC OBJECTIVES, INNOVATION, and organizational agility? HOW do they create an environment for organizational and employee LEARNING? HOW do they personally participate in succession planning and the development of future organizational leaders?

### b. Communication and Organizational PERFORMANCE

- (1) HOW do SENIOR LEADERS communicate with, empower, and motivate all employees throughout the organization? HOW do SENIOR LEADERS encourage frank, two-way communication throughout the organization? HOW do SENIOR LEADERS take an active role in employee reward and recognition to reinforce high PERFORMANCE and a CUSTOMER and business focus?
- (2) HOW do SENIOR LEADERS create a focus on action to accomplish the organization's objectives, improve PERFORMANCE, and attain your VISION? HOW do SENIOR LEADERS include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS in their organizational PERFORMANCE expectations?

### Notes

**N1.** Organizational vision (1.1a[1]) should set the context for strategic objectives and action plans, which are described in Items 2.1 and 2.2.

**N2.** A sustainable organization (1.1a[3]) is capable of addressing current business needs and possesses the agility and strategic management to prepare successfully for its future business and market environment. In this context, the concept of innovation includes both technological and organizational innovation to succeed in the future.

**N3.** A focus on action (1.1b[2]) considers both the people and the hard assets of the organization. It includes ongoing

improvements in productivity that may be achieved through eliminating waste or reducing cycle time, and it might use techniques such as Six Sigma and Lean Production. It also includes the actions to accomplish the organization's strategic objectives. N4. Your organizational performance results should be reported in Items 7.1-7.6.

Item responses are assessed by considering the Criteria Item requirements; your key business factors presented in your Organizational Profile; and the maturity of your approaches, breadth of their deployment, and strength of your improvement process and results relative to the Scoring System. Refer to the Scoring System information.

For additional description of this Item, see Chapter 5 : Category and Item Descriptions.



## 1.2 Governance and Social Responsibilities (50 pts.)

Process

**Describe your organization's GOVERNANCE system. Describe HOW your organization addresses its responsibilities to the public, ensures ETHICAL BEHAVIOR, and practices good citizenship.**

Within your response, include answers to the following questions:

### a. Organizational GOVERNANCE

- (1) HOW does your organization address the following KEY factors in your GOVERNANCE system:
  - accountability for management's actions
  - fiscal accountability
  - transparency in operations and selection and disclosure policies for GOVERNANCE board members, as appropriate
  - independence in internal and external audits
  - protection of STAKEHOLDER and stockholder interests, as appropriate
  
- (2) HOW do you evaluate the PERFORMANCE of your SENIOR LEADERS, including the chief executive? HOW do you evaluate the PERFORMANCE of members of the GOVERNANCE board, as appropriate? HOW do SENIOR LEADERS and the GOVERNANCE board use these PERFORMANCE reviews to improve both their personal leadership effectiveness and that of your board and LEADERSHIP SYSTEM, as appropriate?

### b. Legal and ETHICAL BEHAVIOR

- (1) HOW do you address any adverse impacts on society of your products, services, and operations? HOW do you anticipate public concerns with current and future products, services, and operations? HOW do you prepare for these concerns in a proactive manner, including using resource-sustaining PROCESSES, as appropriate? What are your KEY compliance PROCESSES, MEASURES, and GOALS for achieving and surpassing regulatory and legal requirements, as appropriate? What are your KEY PROCESSES, MEASURES, and GOALS for addressing risks associated with your products, services, and operations?

- (2) HOW does your organization promote and ensure ETHICAL BEHAVIOR in all your interactions? What are your KEY PROCESSES and MEASURES OR INDICATORS for enabling and monitoring ETHICAL BEHAVIOR in your GOVERNANCE structure, throughout your organization, and in interactions with CUSTOMERS and PARTNERS? HOW do you monitor and respond to breaches of ETHICAL BEHAVIOR?

### c. Support of KEY Communities

HOW does your organization actively support and strengthen your KEY communities? HOW do you identify KEY communities and determine areas of emphasis for organizational involvement and support? What are your KEY communities? HOW do your SENIOR LEADERS and your employees contribute to improving these communities?

### Notes

- N1.** Societal responsibilities in areas critical to your business also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory and legal compliance or environmental improvements through use of "green" technology or other means, should be reported as Leadership and Social Responsibility Results (Item 7.6).
- N2.** Transparency in operations (1.2a[1]) should include your internal controls on governance processes.
- N3.** Leadership performance evaluation (1.2a[2]) might be supported by peer reviews, formal performance management reviews (5.1b), and formal or informal employee and other stakeholder feedback and surveys.
- N4.** Measures or indicators of ethical behavior (1.2b[2]) might include the percentage of independent board members, measures of relationships with stockholder and nonstockholder constituencies, instances of ethical conduct breaches and responses, survey results on employee perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits.
- N5.** Areas of community support appropriate for inclusion in 1.2c might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.
- N6.** The health and safety of employees are not addressed in Item 1.2; you should address these employee factors in Item 5.3. For additional description of this Item.

For additional description of this Item, see Chapter 5 : Category and Item Descriptions.

"Nothing worthwhile is ever achieved without deep thought and hard work"

J R D Tata

## **2** Strategic Planning (85 pts.)

The *Strategic Planning Category* examines how your organization develops STRATEGIC OBJECTIVES and ACTION PLANS. Also examined are how your chosen STRATEGIC OBJECTIVES and ACTION PLANS are deployed and changed if circumstances require, and how progress is measured.

## 2.1 Strategy Development (40 pts.)

## Process

**Describe HOW your organization establishes its strategy and STRATEGIC OBJECTIVES, including HOW you address your STRATEGIC CHALLENGES. Summarize your organization's KEY STRATEGIC OBJECTIVES and their related GOALS.**

Within your response, include answers to the following questions:

### a. Strategy Development PROCESS

- (1) HOW does your organization conduct its strategic planning? What are the KEY PROCESS steps? Who are the KEY participants? HOW does your PROCESS identify potential blind spots? What are your short- and longer-term planning time horizons? HOW are these time horizons set? HOW does your strategic planning PROCESS address these time horizons?
- (2) HOW do you ensure that strategic planning addresses the KEY factors listed below? HOW do you collect and analyze relevant data and information pertaining to these factors as part of your strategic planning PROCESS:
  - your organization's strengths, weaknesses, opportunities, and threats
  - early indications of major shifts in technology, markets, competition, or the regulatory environment
  - long-term organizational SUSTAINABILITY and business continuity in emergencies
  - your ability to execute the strategic plan

### b. STRATEGIC OBJECTIVES

- (1) What are your KEY STRATEGIC OBJECTIVES and your timetable for accomplishing them? What are your most important GOALS for these STRATEGIC OBJECTIVES?
- (2) HOW do your STRATEGIC OBJECTIVES address the challenges identified in response to P.2 in your Organizational Profile? HOW do you ensure that your STRATEGIC OBJECTIVES balance short- and longer-term challenges and opportunities? HOW do you ensure that your STRATEGIC OBJECTIVES balance the needs of all KEY STAKEHOLDERS?

### Notes

- N1.** "Strategy development" refers to your organization's approach (formal or informal) to preparing for the future. Strategy development might utilize various types of forecasts, projections, options, scenarios, or other approaches to envisioning the future for purposes of decision making and resource allocation. Strategy development might involve key suppliers, distributors, partners, and customers.
- N2.** "Strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products, services, and markets; revenue growth via various approaches, including acquisitions; new partnerships and alliances; and new employee relationships. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers' markets, a low-cost producer, a market innovator, or a high-end or customized product or service provider.
- N3.** Your organization's strengths, weaknesses, opportunities, and threats (2.1a[2]) should address all factors that are key to your organization's future success, including the following, as appropriate: your customer and market needs, expectations, and opportunities; your competitive environment and your

capabilities relative to competitors and comparable organizations; your product life cycle; technological and other key innovations or changes that might affect your products and services and how you operate, as well as the rate of that innovation; your human and other resource needs; your opportunities to redirect resources to higher priority products, services, or areas; financial, societal, ethical, regulatory, technological, and other potential risks; changes in the national or global economy; partner and supply chain needs, strengths, and weaknesses; and other factors unique to your organization.

- N4.** Your ability to execute the strategic plan (2.1a[2]) also should address your organizational agility based on contingency plans or if circumstances require a shift in plans and rapid execution of new or changed plans.
- N5.** Strategic objectives that address key challenges (2.1b[2]) might include rapid response, customization, co-location with major customers, specific joint ventures, Virtual Manufacturing, rapid innovation, ISO 9000:2000 or ISO 14000 registration, Web-based

## 2.2 Strategy Deployment (45 pts.)

### Process

**Describe** how your organization converts its STRATEGIC OBJECTIVES into ACTION PLANS. Summarize your organization's ACTION PLANS and related KEY PERFORMANCE MEASURES OR INDICATORS. Project your organization's future PERFORMANCE on these KEY PERFORMANCE MEASURES OR INDICATORS.

Within your response, include answers to the following questions:

#### a. ACTION PLAN Development and DEPLOYMENT

- (1) HOW do you develop and deploy ACTION PLANS to achieve your KEY STRATEGIC OBJECTIVES? HOW do you allocate resources to ensure accomplishment of your ACTION PLANS? HOW do you ensure that the KEY changes resulting from your ACTION PLANS can be sustained?
- (2) HOW do you establish and deploy modified ACTION PLANS if circumstances require a shift in plans and rapid execution of new plans?
- (3) What are your KEY short- and longer-term ACTION PLANS? What are the KEY changes, if any, in your products and services and your CUSTOMERS and markets, and how you will operate?
- (4) What are your KEY human resource plans that derive from your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?
- (5) What are your KEY PERFORMANCE MEASURES OR INDICATORS for tracking progress on your ACTION PLANS? HOW do you ensure that your overall ACTION PLAN measurement system reinforces organizational ALIGNMENT? HOW do you ensure that the measurement system covers all KEY DEPLOYMENT areas and STAKEHOLDERS?

#### b. PERFORMANCE PROJECTION

For the KEY PERFORMANCE MEASURES OR INDICATORS identified in 2.2a(5), what are your PERFORMANCE PROJECTIONS for both your short- and longer-term planning time horizons? How does your projected PERFORMANCE compare with the projected PERFORMANCE of your competitors or comparable organizations? How does it compare with KEY BENCHMARKS, GOALS, and past PERFORMANCE, as appropriate? If there are current or projected gaps in PERFORMANCE against your competitors, HOW will you address them?

#### Notes

**N1.** Strategy and action plan development and deployment are closely linked to other Items in the Criteria. Examples of key linkages are: Item 1.1 for how your senior leaders set and communicate directions; Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans; Category 4 for measurement, analysis, and knowledge management to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans; Category 5 for your work system needs and employee education, training, and development needs, and for implementing human

resource-related changes resulting from action plans; Category 6 for process requirements resulting from your action plans; and Item 7.6 for specific accomplishments relative to your organizational strategy and action plans.

**N2.** Deployment of action plans (2.2a[1]) might include key partners and suppliers.

**N3.** Measures and indicators of projected performance (2.2b) might include changes resulting from new business ventures; business acquisitions or mergers; new value creation; market entry and shifts; and significant anticipated innovations in products, services, and technology.

For additional description of this Item, see Chapter 5 : Category and Item Descriptions.



“One must forever strive for excellence, or even perfection, in any task however small, and never be satisfied with the second best”

J R D Tata

### *Customer and Market Focus (85 pts.)*



The **CUSTOMER and Market Focus Category** examines **HOW** your organization determines the requirements, expectations, and preferences of **CUSTOMERS** and markets. Also examined is **HOW** your organization builds relationships with **CUSTOMERS** and determines the **KEY** factors that lead to **CUSTOMER** acquisition, satisfaction, loyalty, and retention and to business expansion and **SUSTAINABILITY**.

### 3.1 Customer and Market Knowledge (40 pts.)

### Process

**Describe how your organization determines requirements, expectations, and preferences of CUSTOMERS and markets to ensure the continuing relevance of your products and services and to develop new opportunities.**

Within your response, include answers to the following questions:

#### a. CUSTOMER and Market Knowledge

- (1) HOW do you identify CUSTOMERS, CUSTOMER groups, and market SEGMENTS? HOW do you determine which CUSTOMERS, CUSTOMER groups, and market SEGMENTS to pursue for current and future products and services? HOW do you include CUSTOMERS of competitors and other potential CUSTOMERS and markets in this determination?
- (2) HOW do you listen and learn to determine KEY CUSTOMER requirements and changing expectations (including product and service features) and their relative importance to CUSTOMERS' purchasing decisions? HOW do your determination methods vary for different CUSTOMERS or CUSTOMER groups? HOW do you use relevant information and feedback from current and former CUSTOMERS, including marketing and sales information, CUSTOMER loyalty and retention data, win/loss ANALYSIS, and complaint data for PURPOSES of product and service planning, marketing, PROCESS improvements, and other business development? HOW do you use this information and feedback to become more CUSTOMER focused and to better satisfy CUSTOMER needs?
- (3) HOW do you keep your listening and LEARNING methods current with business needs and directions, including changes in your marketplace?

#### Notes

**N1.** Your responses to this Item should include the customer groups and market segments identified in P.1b(2).

**N2.** If your products and services are sold or delivered to end-use customers via other businesses (e.g., those businesses that are part of your "value chain" such as retail stores or dealers), customer groups (3.1a[1]) should include both the end users and these intermediate businesses.

**N3.** "Product and service features" (3.1a[2]) refers to all the important characteristics of products and services and to their performance throughout their full life cycle and the full "consumption chain." This includes all customers' purchase experiences and other interactions with your organization that influence purchase decisions. The focus should be on features that affect customer preference and repeat business—for example, those features that differentiate your products

and services from competing offerings. Those features might include price, reliability, value, delivery, requirements for hazardous materials use and disposal, customer or technical support, and the sales relationship. Key product and service features and purchasing decisions (3.1a[2]) might take into account how transactions occur and factors such as confidentiality and security.

**N4.** Listening and learning (3.1a[2]) might include gathering and integrating surveys, focus group findings, Web-based data, and other data and information that bear upon customers' purchasing decisions. Keeping your listening and learning methods current with business needs and directions (3.1a[3]) also might include use of newer technology, such as Web-based data gathering.

For additional description of this Item, see Chapter 5 : Category and Item Descriptions.



## 3.2 Customer Relationships and Satisfaction (45 pts.)

### Process

**Describe HOW your organization builds relationships to acquire, satisfy, and retain CUSTOMERS; to increase CUSTOMER loyalty; and to develop new opportunities. Describe also HOW your organization determines CUSTOMER satisfaction.**

Within your response, include answers to the following questions:

#### a. CUSTOMER Relationship Building

- (1) HOW do you build relationships to acquire CUSTOMERS, to meet and exceed their expectations, to increase loyalty and repeat business, and to gain positive referrals?
- (2) HOW do your KEY access mechanisms enable CUSTOMERS to seek information, conduct business, and make complaints? What are your KEY access mechanisms? HOW do you determine KEY CUSTOMER contact requirements for each mode of CUSTOMER access? HOW do you ensure that these contact requirements are deployed to all people and PROCESSES involved in the CUSTOMER response chain?
- (3) HOW do you manage CUSTOMER complaints? HOW do you ensure that complaints are resolved effectively and promptly? HOW do you minimize CUSTOMER dissatisfaction and loss of repeat business? HOW are complaints aggregated and analyzed for use in improvement throughout your organization and by your PARTNERS?
- (4) HOW do you keep your APPROACHES to building relationships and providing CUSTOMER access current with business needs and directions?

#### b. CUSTOMER Satisfaction Determination

- (1) HOW do you determine CUSTOMER satisfaction and dissatisfaction? HOW do these determination methods differ among CUSTOMER groups? HOW do you ensure that your measurements capture actionable information for use in exceeding your CUSTOMERS' expectations, securing their future business, and gaining positive referrals? HOW do you use CUSTOMER satisfaction and dissatisfaction information for improvement?
- (2) HOW do you follow up with CUSTOMERS on products, services, and transaction quality to receive prompt and actionable feedback?
- (3) HOW do you obtain and use information on your CUSTOMERS' satisfaction relative to their satisfaction with your competitors and/or industry BENCHMARKS?
- (4) HOW do you keep your APPROACHES to determining satisfaction current with business needs and directions?

#### Notes

**N1.** Customer relationship building (3.2a) might include the development of partnerships or alliances with customers.

**N2.** Determining customer satisfaction and dissatisfaction (3.2b) might include use of any or all of the following: surveys, formal and informal feedback, customer account histories, complaints, win/loss analysis, and transaction completion rates. Information might be gathered on the Internet, through personal contact or a third party, or by mail.

**N3.** Customer satisfaction measurements (3.2b[1]) might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide useful information about specific product and service features, delivery, relationships, and transactions that bear upon the customers' future actions-repeat business and positive referral.

**N4.** Your customer satisfaction and dissatisfaction results should be reported in Item 7.2.



“One must think for oneself and never accept at their face value slogans and catch phrases to which, unfortunately, our people are too easily susceptible”

J R D Tata

## **4** *Measurement, Analysis, and Knowledge Management (90 pts.)*

The *Measurement, Analysis and Knowledge Management* Category examines HOW your organization selects, gathers, analyzes, manages, and improves its data, information, and KNOWLEDGE ASSETS. Also examined is HOW your organization reviews its PERFORMANCE.

## 4.1 Measurement, Analysis, and Review of Organizational Performance (45 pts.)

## Process

**Describe how your organization measures, analyzes, aligns, reviews, and improves its PERFORMANCE data and information at all LEVELS and in all parts of your organization.**

Within your response, include answers to the following questions:

### a. PERFORMANCE Measurement

- (1) HOW do you select, collect, align, and integrate data and information for tracking daily operations and for tracking overall organizational PERFORMANCE, including progress relative to STRATEGIC OBJECTIVES and ACTION PLANS? What are your KEY organizational PERFORMANCE MEASURES? HOW do you use these data and information to support organizational decision making and INNOVATION?
- (2) HOW do you select and ensure the EFFECTIVE use of KEY comparative data and information to support operational and strategic decision making and INNOVATION?
- (3) HOW do you keep your PERFORMANCE measurement system current with business needs and directions? HOW do you ensure that your PERFORMANCE measurement system is sensitive to rapid or unexpected organizational or external changes?

### b. PERFORMANCE ANALYSIS and Review

- (1) HOW do you review organizational PERFORMANCE and capabilities? HOW do your SENIOR LEADERS participate in these reviews? What ANALYSES do you perform to support these reviews and to ensure that conclusions are valid? HOW do you use these reviews to assess organizational success, competitive PERFORMANCE, and progress relative to STRATEGIC OBJECTIVES and ACTION PLANS? HOW do you use these reviews to assess your organization's ability to rapidly respond to changing organizational needs and challenges in your operating environment?
- (2) HOW do you translate organizational PERFORMANCE review findings into priorities for continuous and breakthrough improvement and into opportunities for INNOVATION? HOW are these priorities and opportunities deployed to work group- and functional-level operations throughout your organization to enable EFFECTIVE support for their decision making? When appropriate, HOW are the priorities and opportunities deployed to your suppliers and PARTNERS to ensure organizational ALIGNMENT?

### Notes

- N1.** Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and whole organization levels.
- N2.** Comparative data and information (4.1a[2]) are obtained by benchmarking and by seeking competitive comparisons. "Benchmarking" refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization's industry. Competitive comparisons relate your organization's performance to that of competitors in your markets.
- N3.** Organizational performance reviews (4.1b[1]) should be informed by organizational performance measurement and guided by the strategic objectives and action plans described

in Items 2.1 and 2.2. The reviews also might be informed by internal or external TBEM assessments.

- N4.** Analysis includes examining trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations intended to support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, financial and market, operational, and competitive.
- N5.** The results of organizational performance analysis should contribute to your organizational strategic planning in Category 2.
- N6.** Your organizational performance results should be reported in Items 7.1-7.6.

## 4.2 Information and Knowledge Management (45 pts.)

Process

**Describe HOW your organization ensures the quality and availability of needed data and information for employees, suppliers and PARTNERS, and CUSTOMERS. Describe HOW your organization builds and manages its KNOWLEDGE ASSETS.**

Within your response, include answers to the following questions:

### a. Data and Information Availability

- (1) HOW do you make needed data and information available? HOW do you make them accessible to employees, suppliers and PARTNERS, and CUSTOMERS, as appropriate?
- (2) HOW do you ensure that hardware and software are reliable, secure, and user friendly?
- (3) HOW do you ensure the continued availability of data and information, including the availability of hardware and software systems, in the event of an emergency?
- (4) HOW do you keep your data and information availability mechanisms, including your software and hardware systems, current with business needs and directions and with technological changes in your operating environment?

### b. Organizational Knowledge Management

HOW do you manage organizational knowledge to accomplish the following:

- the collection and transfer of employee knowledge
- the transfer of relevant knowledge from and to CUSTOMERS, suppliers, and PARTNERS
- the rapid identification, sharing, and implementation of best practices

### c. Data, Information, and Knowledge Quality

HOW do you ensure the following properties of your data, information, and organizational knowledge:

- accuracy
- integrity and reliability
- timeliness
- security and confidentiality

#### Notes

**N1.** Data and information availability (4.2a) are of growing importance as the Internet, e-business, and e-commerce are used increasingly for business-to-business and business-to-consumer interactions and as intranets become more

important as a major source of organization-wide communications.

**N2.** Data and information access (4.2a[1]) might be via electronic or other means.



“Good human relations not only bring great personal rewards but are essential to the success of any enterprise”

J R D Tata

## 5 Human Resource Focus (85 pts.)



The *Human Resource Focus* Category examines HOW your organization's WORK SYSTEMS and your employee LEARNING and motivation enable employees to develop and utilize their full potential in ALIGNMENT with your organization's overall objectives, strategy, and ACTION PLANS.

Also examined are your organization's efforts to build and maintain a work environment and employee support climate conducive to PERFORMANCE EXCELLENCE and to personal and organizational growth.

## 5.1 Work Systems (35 pts.)

## Process

**Describe HOW your organization's work and jobs enable employees and the organization to achieve HIGH PERFORMANCE. Describe HOW compensation, career progression, and related workforce practices enable employees and the organization to achieve HIGH PERFORMANCE.**

Within your response, include answers to the following questions:

### a. Organization and Management of Work

- (1) HOW do you organize and manage work and jobs, including skills, to promote cooperation, initiative, EMPOWERMENT, INNOVATION, and your organizational culture? HOW do you organize and manage work and jobs, including skills, to achieve the agility to keep current with business needs and to achieve your ACTION PLANS?
- (2) HOW do your WORK SYSTEMS capitalize on the diverse ideas, cultures, and thinking of your employees and the communities with which you interact (your employee hiring and your CUSTOMER communities)?
- (3) HOW do you achieve EFFECTIVE communication and skill sharing across work units, jobs, and locations?

### b. Employee PERFORMANCE Management System

HOW does your employee PERFORMANCE management system, including feedback to employees, support HIGH-PERFORMANCE WORK and contribute to the achievement of your ACTION PLANS? HOW does your employee PERFORMANCE management system support a CUSTOMER and business focus? HOW do your compensation, recognition, and related reward and incentive practices reinforce HIGH-PERFORMANCE WORK and a CUSTOMER and business focus?

### c. Hiring and Career Progression

- (1) HOW do you identify characteristics and skills needed by potential employees?
- (2) HOW do you recruit, hire, and retain new employees? HOW do you ensure employees represent the diverse ideas, cultures, and thinking of your hiring community?
- (3) HOW do you accomplish EFFECTIVE succession planning for leadership and management positions? HOW do you manage EFFECTIVE career progression for all employees throughout the organization?

### Notes

**N1.** "Employees" refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include team leaders, supervisors, and managers at all levels. Contract employees supervised by a contractor should be addressed in Category 6.

**N2.** "Your organization's work" refers to how your employees are organized or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, project teams, customer action teams, problem-solving teams, centers of excellence, functional

units, remote workers (e.g., at home), cross-functional teams, and departments-self-managed or managed by supervisors. "Jobs" refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team.

**N3.** Compensation, recognition, and related reward and incentive practices (5.1b) include promotions and bonuses that might be based on performance, skills acquired, and other factors. Recognition includes monetary and nonmonetary, formal and informal, and individual and group mechanisms.

For additional description of this Item, see Chapter 5 : Category and Item Descriptions.



## 5.2 Employee Learning and Motivation (25 pts.)

Process

Describe HOW your organization's employee education, training, and career development support the achievement of your overall objectives and contribute to HIGH PERFORMANCE. Describe HOW your organization's education, training, and career development build employee knowledge, skills, and capabilities.

Within your response, include answers to the following questions:

### a. Employee Education, Training, and Development

- (1) HOW do employee education and training contribute to the achievement of your ACTION PLANS? HOW do your employee education, training, and development address your KEY needs associated with organizational PERFORMANCE measurement, PERFORMANCE improvement, and technological change? HOW does your education and training APPROACH balance short- and longer-term organizational objectives with employee needs for development, ongoing LEARNING, and career progression?
- (2) HOW do employee education, training, and development address your KEY organizational needs associated with new employee orientation, DIVERSITY, ethical business practices, and management and leadership development? HOW do employee education, training, and development address your KEY organizational needs associated with employee, workplace, and environmental safety?
- (3) HOW do you seek and use input from employees and their supervisors and managers on education, training, and development needs? HOW do you incorporate your organizational LEARNING and KNOWLEDGE ASSETS into your education and training?
- (4) HOW do you deliver education and training? HOW do you seek and use input from employees and their supervisors and managers in determining your delivery APPROACHES? HOW do you use both formal and informal delivery APPROACHES, including mentoring and other APPROACHES, as appropriate?
- (5) HOW do you reinforce the use of new knowledge and skills on the job and retain this knowledge for long-term organizational use? HOW do you SYSTEMATICALLY transfer knowledge from departing or retiring employees?
- (6) HOW do you evaluate the effectiveness of education and training, taking into account individual and organizational PERFORMANCE?

### b. Motivation and Career Development

HOW do you motivate employees to develop and utilize their full potential? HOW does your organization use formal and informal mechanisms to help employees attain job – and career-related development and LEARNING objectives? HOW do managers and supervisors help employees attain job- and career-related development and LEARNING objectives?

#### Notes

- N1.** Education and training delivery (5.2a[4]) might occur inside or outside your organization and involve on-the-job, classroom, computer-based, distance learning, or other types of delivery (formal or informal).

### 5.3 Employee Well-Being and Satisfaction (25 pts.)

### Process

**Describe how your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.**

Within your response, include answers to the following questions:

#### a. Work Environment

- (1) HOW do you ensure and improve workplace health, safety, security, and ergonomics in a proactive manner? HOW do employees take part in these improvement efforts? What are your PERFORMANCE MEASURES or improvement targets for each of these KEY workplace factors? What are the significant differences in these workplace factors and PERFORMANCE MEASURES or targets if different employee groups and work units have different work environments?
- (2) HOW do you ensure workplace preparedness for disasters or emergencies?

#### b. Employee Support and Satisfaction

- (1) HOW do you determine the KEY factors that affect employee well-being, satisfaction, and motivation? HOW are these factors SEGMENTED for a diverse workforce and for different categories and types of employees?
- (2) HOW do you support your employees via services, benefits, and policies? HOW are these tailored to the needs of a diverse workforce and different categories and types of employees?
- (3) What formal and informal assessment methods and MEASURES do you use to determine employee wellbeing, satisfaction, and motivation? How do these methods and MEASURES differ across a diverse workforce and different categories and types of employees? HOW do you use other INDICATORS, such as employee retention, absenteeism, grievances, safety, and PRODUCTIVITY, to assess and improve employee well-being, satisfaction, and motivation?
- (4) HOW do you relate assessment findings to KEY business RESULTS to identify priorities for improving the work environment and employee support climate?

#### Notes

**N1.** Specific factors that might affect your employees' well-being, satisfaction, and motivation (5.3b[1]) include effective employee problem or grievance resolution; safety factors; employees' views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; the work environment and other work conditions; management's empowerment of employees; information sharing by management; workload; cooperation and teamwork; recognition; services and benefits; communications; job security; compensation; and equal opportunity.

**N2.** Approaches for employee support (5.3b[2]) might include providing counseling, career development and employability services, recreational or cultural activities, nonwork-related education, day care, job rotation or sharing, special leave for family responsibilities or community service, home safety

training, flexible work hours and location, outplacement, and retirement benefits (including extended health care).

**N3.** Measures and indicators of well-being, satisfaction, and motivation (5.3b[3]) might include data on safety and absenteeism; the overall turnover rate; the turnover rate for customer contact employees; employees' charitable contributions; grievances, strikes, and other job actions; insurance costs; workers' compensation claims; and results of surveys. Survey indicators of satisfaction might include employee knowledge of job roles, employee knowledge of organizational direction, and employee perception of empowerment and information sharing. Your results relative to such measures and indicators should be reported in Item 7.4.

**N4.** Identifying priorities (5.3b[4]) might draw upon your human resource results presented in Item 7.4 and might involve addressing employee problems based on their impact on your business results.

“Productivity and efficiency can be achieved only step by step with sustained hard work, relentless attention to details and insistence on the highest standards of quality and performance”

J R D Tata

## *Process Management (85 pts.)*

6

The **PROCESS Management Category** examines the **KEY aspects of your organization’s PROCESS management, including KEY product, service, and business PROCESSES for creating CUSTOMER and organizational VALUE and KEY support PROCESSES. This Category encompasses all KEY PROCESSES and all work units.**

## 6.1 Value Creation Processes (45 pts.)

## Process

**Describe how your organization identifies and manages its KEY PROCESSES for creating CUSTOMER VALUE and achieving business success and growth.**

Within your response, include answers to the following questions:

### a. VALUE CREATION PROCESSES

- (1) HOW does your organization determine its KEY VALUE CREATION PROCESSES? What are your organization's KEY product, service, and business PROCESSES for creating or adding VALUE? How do these PROCESSES contribute to profitability and business success?
- (2) HOW do you determine KEY VALUE CREATION PROCESS requirements, incorporating input from CUSTOMERS, suppliers, and PARTNERS, as appropriate? What are the KEY requirements for these PROCESSES?
- (3) HOW do you design these PROCESSES to meet all the KEY requirements? HOW do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these PROCESSES? HOW do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and effectiveness factors into the design of these PROCESSES? HOW do you implement these PROCESSES to ensure they meet design requirements?
- (4) What are your KEY PERFORMANCE MEASURES OR INDICATORS used for the control and improvement of your VALUE CREATION PROCESSES? HOW does your day-to-day operation of these PROCESSES ensure meeting KEY PROCESS requirements? HOW are in-process MEASURES used in managing these PROCESSES? HOW IS CUSTOMER, supplier, and PARTNER input used in managing these PROCESSES, as appropriate?
- (5) HOW do you minimize overall costs associated with inspections, tests, and PROCESS OR PERFORMANCE audits, as appropriate? HOW do you prevent defects and rework, and minimize warranty costs, as appropriate?
- (6) HOW do you improve your VALUE CREATION PROCESSES to achieve better PERFORMANCE, to reduce variability, to improve products and services, and to keep the PROCESSES current with business needs and directions? HOW are improvements and lessons learned shared with other organizational units and PROCESSES to drive organizational LEARNING and INNOVATION?

### Notes

**N1.** Your key value creation processes are those most important to “running your business” and maintaining or achieving a sustainable competitive advantage. They are the processes that involve the majority of your organization's employees and produce customer, stockholder, and other key stakeholder value. They include the processes through which your organization adds greatest value to its products and services. They also include the business processes most critical to adding value to the business itself, resulting in success and growth.

**N2.** Key value creation processes differ greatly among organizations, depending on many factors. These factors include the nature of your products and services, how they are produced and delivered, technology requirements, customer and supplier relationships and involvement, outsourcing, importance of research and development, role of technology acquisition, information and knowledge management, supply

chain management, mergers and acquisitions, global expansion, and sales and marketing. Responses to Item 6.1 should be based upon the most critical requirements and processes for your products, services, and business.

**N3.** To achieve better process performance and reduce variability, you might implement approaches such as a Lean Enterprise System, Six Sigma methodology, use of ISO 9000:2000 standards, or other process improvement tools.

**N4.** To provide as complete and concise a response as possible for your key value creation processes, you might want to use a tabular format identifying the key processes and the attributes of each as called for in questions 6.1a(1)-6.1a(6).

**N5.** The results of improvements in product and service performance should be reported in Item 7.1. All other process performance results should be reported in Item 7.5.

## 6.2 Support Processes and Operational Planning (40 pts.)

### Process

**Describe HOW your organization manages its KEY PROCESSES that support your VALUE CREATION PROCESSES. Describe your PROCESSES for financial management and continuity of operations in an emergency.**

Within your response, include answers to the following questions:

#### a. Support PROCESSES

- (1) HOW does your organization determine its KEY support PROCESSES? What are your KEY PROCESSES for supporting your VALUE CREATION PROCESSES?
- (2) HOW do you determine KEY support PROCESS requirements, incorporating input from internal and external CUSTOMERS, and suppliers and PARTNERS, as appropriate? What are the KEY requirements for these PROCESSES?
- (3) HOW do you design these PROCESSES to meet all the KEY requirements? HOW do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these PROCESSES? HOW do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and effectiveness factors into the design of these PROCESSES? HOW do you implement these PROCESSES to ensure they meet design requirements?
- (4) What are YOUR KEY PERFORMANCE MEASURES OR INDICATORS used for the control and improvement of your support PROCESSES? HOW does your day-to-day operation of KEY support PROCESSES ensure meeting KEY PERFORMANCE requirements? HOW are in-process MEASURES used in managing these PROCESSES? HOW is CUSTOMER, supplier, and PARTNER input used in managing these PROCESSES, as appropriate?
- (5) HOW do you minimize overall costs associated with inspections, tests, and PROCESS OR PERFORMANCE audits, as appropriate? HOW do you prevent defects and rework?
- (6) HOW do you improve your support PROCESSES to achieve better PERFORMANCE, to reduce variability, and to keep them current with business needs and directions? HOW are improvements and lessons learned shared with other organizational units and PROCESSES to drive organizational LEARNING and INNOVATION?

#### b. Operational Planning

- (1) HOW does your organization ensure adequate financial resources are available to support your operations? HOW do you determine the resources needed to meet current financial obligations? HOW do you ensure adequate resources are available to support major new business investments? HOW do you assess the financial risks associated with your current business operations and major new business investments?
- (2) HOW do you ensure continuity of operations in the event of an emergency?

#### Notes

**N1.** Your key support processes (6.2a) are those that are considered most important for support of your organization's value creation processes, employees, and daily operations. These might include facilities management, legal, human resource, project management, and administration processes.

**N2.** An emergency (6.2b[2]) might be weather related, utility related, or due to a local or national emergency.

**N3.** Your financial management results should be reported in Item 7.3. Others results related to your key support processes and operational planning should be reported in Item 7.5.



“No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people and is achieved by fair and honest means”

J R D Tata

## **Business Results (450 pts.)**

The *Business Results* Category examines your organization's PERFORMANCE and improvement in KEY business areas-product and service outcomes, CUSTOMER satisfaction, financial and marketplace PERFORMANCE, human resource RESULTS, operational PERFORMANCE, and leadership and social responsibility. PERFORMANCE LEVELS are examined relative to those of competitors.

## 7.1 Product and Service Outcomes (100 pts.)

### Results

Summarize your organization's KEY product and service PERFORMANCE RESULTS. SEGMENT your RESULTS by product and service types and groups, CUSTOMER groups, and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

**a. Product and Service RESULTS**

What are your current LEVELS and TRENDS in KEY MEASURES OF INDICATORS of product and service PERFORMANCE that are important to your CUSTOMERS? HOW do these RESULTS compare with your competitors' PERFORMANCE?

#### Notes

**N1.** Product and service results reported in this Item should relate to the key product and service features identified as customer requirements or expectations in P.1b(2) based on information

gathered in Items 3.1 and 3.2. The measures or indicators should address factors that affect customer preference, such as those included in P.1, Note 3 and Item 3.1, Note 3.



## 7.2 Customer-Focused Results (70 pts.)

### Results

**Summarize your organization's KEY CUSTOMER-focused RESULTS, including CUSTOMER satisfaction and CUSTOMER-perceived VALUE. SEGMENT your RESULTS by product and service types and groups, CUSTOMER groups, and market SEGMENTS as appropriate. Include appropriate comparative data.**

Provide data and information to answer the following questions:

#### a. CUSTOMER-Focused RESULTS

- (1) What are your current LEVELS and TRENDS in KEY MEASURES OR INDICATORS of CUSTOMER satisfaction and dissatisfaction? How do these compare with competitors' LEVELS of CUSTOMER satisfaction?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES OR INDICATORS of CUSTOMER-perceived VALUE, including CUSTOMER loyalty and retention, positive referral, and other aspects of building relationships with CUSTOMERS, as appropriate?

#### Notes

**N1.** Customer satisfaction and dissatisfaction results reported in this Item should relate to the customer groups and market segments discussed in P.1b(2) and Item 3.1 and to the determination methods and data described in Item 3.2.

**N2.** Measures and indicators of customers' satisfaction with your products and services relative to customers' satisfaction with competitors might include objective information and data from your customers and from independent organizations.

### 7.3 Financial and Market Results (70 pts.)

### Results

**Summarize your organization's KEY financial and marketplace PERFORMANCE RESULTS by CUSTOMER or market SEGMENTS, as appropriate. Include appropriate comparative data.**

Provide data and information to answer the following questions:

**a. Financial and Market RESULTS**

- (1) What are your current LEVELS and TRENDS in KEY MEASURES OR INDICATORS of financial PERFORMANCE, including aggregate MEASURES of financial return and economic VALUE, as appropriate?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES OR INDICATORS of marketplace PERFORMANCE, including market share or position, business growth, and new markets entered, as appropriate?

#### Notes

**N1.** Responses to 7.3a(1) might include aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by market or customer

segment, liquidity, debt-to-equity ratio, value added per employee, and financial activity measures. Measures should relate to the financial management approaches described in Item 6.2.

## 7.4 Human Resource Results (70 pts.)

### Results

Summarize your organization's key human resource results, including work system performance and employee learning, development, well-being, and satisfaction. Segment your results to address the diversity of your workforce and the different types and categories of employees, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

#### a. Human Resource Results

- (1) What are your current levels and trends in key measures or indicators of work system performance and effectiveness?
- (2) What are your current levels and trends in key measures of employee learning and development?
- (3) What are your current levels and trends in key measures or indicators of employee well-being, satisfaction, and dissatisfaction?

#### Notes

**N1.** Results reported in this Item should relate to activities described in Category 5. Your results should be responsive to key process needs described in Category 6 and to your organization's action plans and human resource plans described in Item 2.2.

**N2.** Appropriate measures and indicators of work system performance and effectiveness (7.4a[1]) might include job and job classification simplification, job rotation, work layout

improvement, employee retention and internal promotion rates, and changing supervisory ratios.

**N3.** Appropriate measures and indicators of employee learning and development (7.4a[2]) might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training rates.

**N4.** For appropriate measures of employee well-being and satisfaction (7.4a[3]), see Item 5.3 Notes.

## 7.5 Organizational Effectiveness Results (70 pts.)

### Results

Summarize your organization's **KEY operational PERFORMANCE RESULTS** that contribute to the improvement of **organizational effectiveness**. **SEGMENT your RESULTS by product and service types and groups and by market SEGMENTS, as appropriate. Include appropriate comparative data.**

Provide data and information to answer the following questions:

#### a. Organizational Effectiveness RESULTS

- (1) What are your current **LEVELS and TRENDS** in **KEY MEASURES or INDICATORS** of the **operational PERFORMANCE** of **YOUR KEY VALUE CREATION PROCESSES**? **Include PRODUCTIVITY, CYCLE TIME, supplier and partner PERFORMANCE, and other appropriate MEASURES of effectiveness and efficiency.**
- (2) What are your current **LEVELS and TRENDS** in **KEY MEASURES or INDICATORS** of the **operational PERFORMANCE** of your **other KEY PROCESSES**? **Include PRODUCTIVITY, CYCLE TIME, supplier and PARTNER PERFORMANCE, and other appropriate MEASURES of effectiveness and efficiency.**

#### Notes

**N1.** Results reported in Item 7.5 should address your key operational requirements as presented in the Organizational Profile and in Items 6.1 and 6.2. Include results not reported in Items 7.1-7.4.

**N2.** Results reported in Item 7.5 should provide key information for analysis and review of your organizational performance (Item 4.1) and should provide the operational basis for product and service outcomes (Item 7.1), customer-focused results (Item 7.2), and financial and market results (Item 7.3).

## 7.6 Leadership and Social Responsibility Results (70 pts.)

Results

Summarize your organization's **KEY GOVERNANCE**, SENIOR LEADERSHIP, and social responsibility RESULTS, including evidence of ETHICAL BEHAVIOR, **fiscal accountability**, legal compliance, and organizational citizenship. SEGMENT your RESULTS by business units, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. Leadership and Social Responsibility RESULTS

- (1) What are your RESULTS for KEY MEASURES OR INDICATORS of accomplishment of your organizational strategy and ACTION PLANS?
- (2) What are your RESULTS for KEY MEASURES OR INDICATORS of ETHICAL BEHAVIOR and of STAKEHOLDER trust in the SENIOR LEADERS and GOVERNANCE of your organization? What are your RESULTS for KEY MEASURES OR INDICATORS of breaches of ETHICAL BEHAVIOR?
- (3) What are your KEY current findings and TRENDS in KEY MEASURES OR INDICATORS of fiscal accountability, both internal and external, as appropriate?
- (4) What are your RESULTS for KEY MEASURES OR INDICATORS of regulatory and legal compliance?
- (5) What are your RESULTS for KEY MEASURES OR INDICATORS of organizational citizenship in support of your KEY communities?

### Notes

**N1.** For examples of measures of ethical behavior and stakeholder trust (7.6a[2]), see Item 1.2, Note 4.

**N2.** Responses to 7.6a(3) might include financial statement issues and risks, important internal and external auditor recommendations, and management's responses to these matters.

**N3.** Regulatory and legal compliance results (7.6a[4]) should address requirements described in 1.2b. Employee-related occupational health and safety results (e.g., OSHA-reportable incidents) should be reported in 7.4a(3).

**N4.** Organizational citizenship results (7.6a[5]) should address support of the key communities discussed in 1.2c.

## Chapter 5

# Category and Item Descriptions

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### Preface: Organizational Profile

The Organizational Profile provides an overview of your organization. The profile addresses your operating environment, your key organizational relationships, your competitive environment and strategic challenges, and your approach to performance improvement. Your Organizational Profile provides a context for understanding your organization and for guiding and prioritizing the information you present in response to the Criteria Items in Categories 1-7.

### P.1 Organizational Description

#### Purpose

This Item addresses the key characteristics and relationships that shape your organizational environment. It also addresses your organization's governance system. The aim is to set the context for your organization and for your responses to the Criteria requirements in Categories 1-7.

#### Comments

- The Organizational Profile provides your organization with critical insight into the key internal and external factors that shape your operating environment. These factors, such as the mission, vision, values, competitive environment, and strategic challenges, impact the way that your organization is run and the decisions you make. As such, the Organizational Profile helps your business better understand the context in which it operates; the key requirements for current and future business success and organizational sustainability; and the needs, opportunities, and constraints placed upon your organization's performance management system.
- Use of such terms as “purpose,” “vision,” “mission,” and “values” varies depending on the organization, and some organizations may not use one or more of these terms. Nevertheless, you should have a clear understanding of the essence of your business, why it exists, and where your senior leaders want to take the business in the future. This clarity enables you to make and implement strategic decisions affecting the future of your organization.
- The regulatory environment in which you operate places requirements on your organization and impacts how you run your business. Understanding this environment is key to making effective operational and strategic decisions. Further, it allows you to identify whether you are merely complying with the minimum requirements of applicable laws and regulations or exceeding them, a hallmark of leading organizations.
- Leading organizations have well-defined governance systems with clear reporting relationships. It is important to clearly identify which functions are performed by senior leaders and, as applicable, by your governance board and your parent organization. Board independence and accountability frequently are key considerations in governance structure.
- In supplier-dependent organizations, suppliers play critical roles in processes that are important to running the business and to maintaining or achieving a sustainable competitive advantage. Supply chain requirements might include on-time or just-in-time delivery, flexibility, variable staffing, research and design capability, and customized manufacturing or services.

## P.2 Organizational Challenges

### Purpose

This Item addresses the competitive environment in which your organization operates and the key strategic challenges that your organization faces. It also addresses how you approach performance improvement and organizational learning. The aim is to understand your key organizational challenges and your system for maintaining a sustainable advantage.

### Comments

- Knowledge of an organization's strengths, vulnerabilities, and opportunities for both improvement and growth is essential to the success and sustainability of the business. With this knowledge, you can identify those products, service offerings, processes, and performance attributes that are unique to your organization; those that set you apart from your competitors; and those that help you to sustain your competitive advantage.
- Understanding who your competitors are, how many you have, and their key characteristics is essential for determining what your competitive advantage is in your industry and marketplace. Leading organizations have an in-depth understanding of their current competitive environment, including the factors that affect day-to-day performance and factors that could impact future performance.
- Sources of comparative and competitive data might include industry journals and other publications, benchmarking activities, annual reports for publicly traded companies, conferences, local networks, and trade associations.
- Operating your business in today's highly competitive marketplace means you are facing many strategic challenges that can affect your ability to sustain performance and maintain your competitive advantage. These challenges might include your operational costs (e.g., material, labor, or geographic location); expanding or decreasing markets; mergers or acquisitions both by your organization and by your competitors; economic conditions, including fluctuating demand and economic downturns both local and global; the cyclical nature of your industry; the introduction of new or substitute products or services, possibly based on a disruptive technology; rapid technological changes; or new competitors entering the market. In addition, your organization may face challenges related to the recruitment, hiring, and retention of qualified employees.
- A particularly significant challenge, if it occurs to your organization, is being unprepared for a disruptive technology that threatens your competitive position or your marketplace. Examples of such technologies include personal computers replacing typewriters, cell phones challenging traditional and pay phones, fax machines capturing business from overnight delivery services, and e-mail challenging all other means of correspondence. Today, organizations need to be scanning the environment inside and outside their immediate industry to detect such challenges at the earliest possible point in time.
- One of the many issues facing organizations today is how to manage, use, and share your ever-increasing organizational knowledge. Leading organizations already benefit from the knowledge assets of their employees, customers, suppliers, and partners, who together drive organizational learning and improve performance.

### Leadership *(Category 1)*

Leadership addresses how your senior leaders guide and sustain your organization, setting organizational vision, values, and performance expectations. Attention is given to how your senior leaders communicate

with employees, develop future leaders, and create an environment that encourages ethical behavior and high performance. The Category also includes your organization's governance system, its legal and ethical responsibilities to the public, and how your organization supports its community.

## 1.1 Senior Leadership

### Purpose

This Item examines the key aspects of your senior leaders' responsibilities. It examines how your senior leaders set and communicate the organization's vision and values. It focuses on your senior leaders' actions to create and sustain a high-performance organization.

### Comments

- Senior leadership's central role in setting values and directions, communicating, creating and balancing value for all stakeholders, and creating an organizational bias for action are the focus of this Item. Success requires a strong orientation to the future and a commitment to both improvement and innovation. Increasingly, this requires creating an environment for empowerment, agility, and learning.
- In highly respected organizations, senior leaders are committed to the development of the organization's future leaders and to the reward and recognition of employee performance. They personally participate in the development of future leaders, in succession planning, and in employee recognition opportunities and events. Development activities for future leaders might include personal mentoring or participation in leadership development courses.

## 1.2 Governance and Social Responsibilities

### Purpose

This Item examines key aspects of your organization's governance system. It also examines how your organization fulfills its public responsibilities, how your senior leaders ensure that you behave legally and ethically, and how your senior leaders and employees encourage and practice good citizenship.

### Comments

- The organizational governance requirement is intended to address the need for a responsible, informed, and accountable governance or advisory body that can protect the interests of key stakeholders, such as stockholders. It should have independence in review and audit functions. It also should have a performance evaluation function that monitors organizational and CEO performance.
- An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, legal and regulatory requirements, and (3) risk factors. Addressing these areas requires establishing appropriate measures or indicators that senior leaders track in their performance reviews. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law. Role model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.
- This Item addresses the use of resource-sustaining processes. These processes might include the use of "green" technologies, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or recycling of by-products or wastes.
- Social responsibility implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include encouraging and supporting your employees' community service.



- Examples of organizational community involvement include partnering with schools and school boards to improve education; partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as sharing best practices to improve overall global competitiveness and the environment.

### Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning, deployment of plans, how plans are changed if circumstances require a change, and how accomplishments are measured and sustained. The Category stresses that long-term organizational sustainability and your competitive environment are key strategic issues that need to be integral parts of your organization's overall planning.

The TBEM Criteria emphasize three key aspects of organizational excellence. These aspects are important to strategic planning:

- Customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, customer loyalty, new markets, and market share-key factors in competitiveness, profitability, and business success.
- Operational performance improvement contributes to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability-including speed, responsiveness, and flexibility-represents an investment in strengthening your competitive fitness.
- Organizational and personal learning are necessary strategic considerations in today's fast-paced environment. The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes and learning initiatives with your organization's strategic directions, thereby ensuring that improvement and learning prepare you for and reinforce organizational priorities.

#### **The Strategic Planning Category examines how your organization**

- determines its key strengths, weaknesses, opportunities, and threats, and its ability to execute your strategy.
- optimizes the use of resources, ensures the availability of trained employees, and bridges short- and longer-term requirements that may entail capital expenditures, technology development or acquisition, and supplier development.
- ensures that deployment will be effective-that there are mechanisms to communicate requirements and achieve alignment on three levels: (1) the organization and the executive level, (2) the key process level, and the work unit and individual job level.

The requirements in the Strategic Planning Category encourage strategic thinking and acting-to develop a basis for a distinct competitive position in the marketplace. These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles. They also do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change, compete for limited resources. In most cases, setting priorities depends heavily on a cost rationale. However, you also might have critical requirements, such as public responsibilities, that are not driven by cost considerations alone.

## 2.1 Strategy Development

### Purpose

This Item examines how your organization sets strategic directions and develops your strategic objectives to guide and strengthen your overall performance, competitiveness, and future success.

### Comments

- This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions-taking as long term a view as appropriate and possible from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.
- This Item is intended to cover all types of businesses, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action but do not imply planning departments, specific planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business situation, it is still necessary to set and to test the objectives that define and guide critical actions and performance.
- This Item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization competes but also how it competes. How it competes presents many options and requires that you understand your organization's and your competitors' strengths and weaknesses. Although no specific time horizons are included, the thrust of this Item is sustained competitive leadership.
- An increasingly important part of strategic planning is projecting the future competitive environment. Such projections help to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, maturity of markets, pace of change, and competitive parameters (such as price or innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive environment.
- While many organizations are increasingly adept at strategic planning, plan execution is still a significant challenge. This is especially true given market demands to be agile and to be prepared for unexpected change, such as disruptive technologies that can upset an otherwise fast-paced but more predictable marketplace. This Item and Item 2.2 highlight the need to place a focus not only on developing your plans but also on your capability to execute them.

## 2.2 Strategy Deployment

### Purpose

This Item examines how your organization converts your strategic objectives into action plans to accomplish the objectives. It also examines how your organization assesses progress relative to these action plans. The aim is to ensure that your strategies are successfully deployed for goal achievement.

### Comments

- This Item asks how your action plans are developed and deployed. Accomplishment of action plans requires resources and performance measures, as well as the alignment of work unit and supplier and partner plans. Of central importance is how you achieve alignment and consistency—for example, via key

processes and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities-part of the daily work of all work units. In addition, performance measures are critical for tracking performance.

- Key changes in your products and services or customers and markets might include Web-based or e-commerce initiatives integrated within or separate from your current business.
- Action plans should include human resource plans that are aligned with and support your overall strategy.
- Examples of possible human resource plan elements are
  - a redesign of your work organization and jobs to increase employee empowerment and decision making;
  - initiatives to promote greater labor-management cooperation, such as union partnerships;
  - initiatives to foster knowledge sharing and organizational learning;
  - modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes; or
  - education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and establishment of training programs on new technologies important to your future business success.
- Projections and comparisons in this Item are intended to improve your organization's ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to that of competitors and relative to its own targets or stretch goals. Such tracking serves as a key diagnostic management tool.
- In addition to improvement relative to past performance and competitors' projected performance, projected performance might include changes resulting from new business ventures, entry into new markets, introduction of new technologies, product or service innovations, or other strategic thrusts.

### Customer and Market Focus (*Category 3*)

Customer and Market Focus addresses how your organization seeks to understand the voices of customers and of the marketplace with a focus on meeting customers' expectations and requirements, delighting customers, and building loyalty. The Category stresses relationships as an important part of an overall listening, learning, and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on your customers' views but also on their marketplace behaviors-repeat business and positive referrals-and how these views and behaviors may contribute to the sustainability of your organization in the marketplace.

## 3.1 Customer and Market Knowledge

### Purpose

This Item examines your organization's key processes for gaining knowledge about your current and future customers and markets, with the aim of offering relevant products and services, understanding emerging customer requirements and expectations, and keeping pace with marketplace changes and changing ways of doing business.

### Comments

- In a rapidly changing competitive environment, many factors may affect customer preference and loyalty and your interface with customers in the marketplace. This makes it necessary to continually listen and learn. To be effective, listening and learning need to be closely linked with your organization's overall business strategy. Knowledge of customer groups and market segments allows your organization to tailor listening and learning strategies and marketplace offerings, to support and tailor your marketing strategies, to develop new business, and to ensure marketplace sustainability.
- A relationship strategy may be possible with some customers but not with others. Differing relationships may require distinctly different listening and learning strategies.
- Selection of listening and learning strategies depends on your organization's key business factors. Increasingly, organizations interact with customers via multiple modes. Some frequently used modes include focus groups with key customers; close integration with key customers; interviews with lost and potential customers about their purchase decisions; use of the customer complaint process to understand key product and service attributes; win/loss analysis relative to competitors; and survey or feedback information, including information collected on the Internet.

## 3.2 Customer Relationships and Satisfaction

### Purpose

This Item examines your organization's processes for building customer relationships and determining customer satisfaction, with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

### Comments

- This Item emphasizes how you obtain actionable information from customers. Information that is actionable can be tied to key product, service, and business processes and be used to determine cost and revenue implications for setting improvement goals and priorities for change.
- Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to the setting of priorities for process, product, and service improvements. Successful outcomes require effective deployment of information throughout the organization.
- In determining customers' satisfaction, a key aspect is their comparative satisfaction with competitors and competing or alternative offerings. Such information might be derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness and organizational sustainability.
- Changing business needs and directions might include changing modes of customer access, such as the Internet. In such cases, key contact requirements might include on-line security for customers and access to personal assistance.

### Measurement, Analysis, and Knowledge Management (Category 4)

The Measurement, Analysis, and Knowledge Management Category is the main point within the Criteria for all key information about effectively measuring, analyzing, and reviewing performance and managing organizational knowledge to drive improvement and organizational competitiveness. In the simplest terms, Category 4 is the "brain center" for the alignment of your organization's operations and its strategic

objectives. Central to such use of data and information are their quality and availability. Furthermore, since information, analysis, and knowledge management might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

## 4.1 Measurement, Analysis, and Review of Organizational Performance

### Purpose

This Item examines your organization's selection, management, and use of data and information for performance measurement, analysis, and review in support of organizational planning and performance improvement. The Item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of measurement, analysis, and review is to guide your organization's process management toward the achievement of key business results and strategic objectives and to anticipate and respond to rapid or unexpected organizational or external changes.

### Comments

- Alignment and integration are key concepts for successful implementation of your performance measurement system. They are viewed in terms of extent and effectiveness of use to meet your performance assessment needs. Alignment and integration include how measures are aligned throughout your organization and how they are integrated to yield organization-wide data and information. Alignment and integration also include how performance measurement requirements are deployed by your senior leaders to track work group and process-level performance on key measures targeted for organization-wide significance or improvement.
- The use of comparative data and information is important to all organizations. The major premises for use are your organization needs to know where it stands relative to competitors and to best practices, (2) comparative information and information obtained from benchmarking often provide the impetus for significant ("breakthrough") improvement or change, and (3) comparing performance information frequently leads to a better understanding of your processes and their performance. Comparative information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.
- Your effective selection and use of comparative data and information require (1) determination of needs and priorities, (2) criteria for seeking appropriate sources for comparisons-from within and outside your organization's industry and markets, and (3) use of data and information to set stretch goals and to promote major, nonincremental ("breakthrough") improvements in areas most critical to your organization's competitive strategy.
- The organizational review called for in this Item is intended to cover all areas of performance. This includes not only how well you currently are performing but also how well you are moving toward the future. It is anticipated that the review findings will provide a reliable means to guide both improvement and opportunities for innovation that are tied to your organization's key objectives, success factors, and measures. Therefore, an important component of your organizational review is the translation of the review findings into an action agenda sufficiently specific for deployment throughout your organization and to your suppliers, partners, and key customers.
- Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely depending on your type of organization, size, competitive environment, and other factors. Examples of possible analyses include

- how product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share
  - cost and revenue implications of customer-related problems and effective problem resolution
  - interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction
  - improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels
  - relationships between employee and organizational learning and value added per employee
  - financial benefits derived from improvements in employee safety, absenteeism, and turnover
  - benefits and costs associated with education and training, including Internet-based or e-learning opportunities
  - benefits and costs associated with improved organizational knowledge management and sharing
  - the relationship between knowledge management and innovation
  - how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity
  - cost and revenue implications of employee-related problems and effective problem resolution
  - individual or aggregate measures of productivity and quality relative to competitors' performance
  - cost trends relative to competitors' trends
  - relationships among product and service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee
  - allocation of resources among alternative improvement projects based on cost/benefit implications or environmental and community impact
  - net earnings derived from quality, operational, and human resource performance improvements
  - comparisons among business units showing how quality and operational performance improvement affect financial performance
  - contributions of improvement activities to cash flow, working capital use, and shareholder value
  - profit impacts of customer retention
  - cost and revenue implications of new market entry, including global market entry or expansion
  - cost and revenue, customer, and productivity implications of engaging in or expanding e-commerce or e-business and use of the Internet and intranets
  - market share versus profits
  - trends in economic, market, and shareholder indicators of value and the impact of these trends on organizational sustainability
- Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes that close alignment is needed between your analysis and your organizational

performance review and between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision making is based on relevant data and information.

- Action depends on understanding cause-effect connections among processes and between processes and results or outcomes. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for improvement are limited and cause-effect connections often are unclear.

## 4.2 Information and Knowledge Management

### Purpose

This Item examines how your organization ensures the availability of high-quality, timely data and information for all your key users-employees, suppliers and partners, and customers. It also examines how your organization builds and manages its knowledge assets. The aim is to improve organizational efficiency, effectiveness, and innovation.

### Comments

- Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The expanding use of electronic information within organizations' operations, as part of organizational knowledge networks, from the Internet, and in business-to-business and business-to-consumer communications, challenges organizational abilities to ensure reliability and availability in a user-friendly format.
- Data and information are especially important in business networks, alliances, and supply chains. Your responses to this Item should take into account this use of data and information and should recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.
- Organizations should carefully plan how they will continue to provide data and information in the event of either a natural or man-made disaster. These plans should consider the needs of all of the organization's stakeholders, including employees, customers, and suppliers and partners. The plans also should be coordinated with the organization's overall plan for business continuity (Item 6.2).
- The focus of an organization's knowledge management is on the knowledge that people need to do their work; improve processes, products, and services; keep current with changing business needs and directions; and develop innovative solutions that add value for the customer and the organization.

### Human Resource Focus (Category 5)

Human Resource Focus addresses key human resource practices-those directed toward creating and maintaining a high-performance workplace and toward developing employees to enable them and your organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, i.e., aligned with your organization's strategic objectives and action plans. Your human resource focus includes your work environment and your employee support climate.

To reinforce the basic alignment of human resource management with overall strategy, the Criteria also cover human resource planning as part of overall planning in the Strategic Planning Category (Category 2).



## 5.1 Work Systems

### Purpose

This Item examines your organization's systems for work and jobs, compensation, career progression, employee performance management, recognition, communication, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change, contributing to organizational sustainability.

### Comments

- High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing business needs and requirements of the marketplace. The focus of this Item is on a workforce capable of achieving high performance. In addition to enabled employees and proper work system design, high-performance work requires ongoing education and training, as well as information systems that ensure proper information flow.
- Work and job factors for your consideration include simplification of job classifications, cross-training, job rotation, use of teams (including self-directed teams), and changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment of trust, knowledge sharing, and mutual respect.
- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and to peer evaluations.
- Compensation and recognition approaches also might include profit sharing, the rewarding of exemplary team or unit performance and linkage to customer satisfaction and loyalty measures, achievement of organizational strategic objectives, or other business objectives.
- The requirements of high-performance work, coupled with the challenges of labor markets, necessitate attention to succession planning and hiring profiles. This should include and capitalize on diversity factors. Employee hiring and career progression planning should consider both internal and external candidates, with a focus on the future sustainability and growth of the organization.

## 5.2 Employee Learning and Motivation

### Purpose

This Item examines the education, training, and on-the-job reinforcement of knowledge and skills of your organization's workforce. It also examines your organization's systems for motivation and employee career development, with the aim of meeting the ongoing needs of employees and a high-performance workplace.

### Comments

- Depending on the nature of your organization's work, employees' responsibilities, and the stage of organizational and personal development, education and training needs might vary greatly. These needs might include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; meeting customer requirements; accomplishing process analysis and simplification; reducing waste and cycle time; and setting priorities based on strategic alignment or cost/benefit analysis. Education needs also might include advanced skills in new technologies or basic skills, such as reading, writing, language, arithmetic, and, increasingly, computer skills.



- Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as other types of delivery. Training also might occur through developmental assignments within or outside your organization.
- When you evaluate education and training, you should seek effectiveness measures as a critical part of the evaluation. Such measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/benefit analysis of the training.
- Although this Item does not specifically ask you about training for customer contact employees, such training is important and common. It frequently includes learning critical knowledge and skills in the following areas: your products, services, and customers; how to listen to customers; how to recover from problems or failures; and how to effectively manage customer expectations.
- An organization's knowledge management system should provide the mechanism for sharing the knowledge of employees and the organization to ensure that high-performance work is maintained through transitions. Each organization should determine what knowledge is critical for its operations and should then implement systematic processes for sharing this information. This is particularly important for implicit knowledge (i.e., knowledge personally retained by your employees).
- To help employees realize their full potential, many organizations use individual development plans prepared with each employee that address his or her career and learning objectives.
- Factors inhibiting motivation should be understood and addressed by your organization. Further understanding of these factors could be developed through employee surveys or exit interviews with departing employees.

### 5.3 Employee Well-Being and Satisfaction

#### Purpose

This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the wellbeing, satisfaction, and motivation of all employees while recognizing their diverse needs. It also examines your organization's capabilities for handling emergencies or disasters, with the aim of employee protection and workplace safety.

#### Comments

- Most organizations, regardless of size, have many opportunities to contribute to employees' well-being, satisfaction, and motivation. Some examples of services, facilities, activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; nonwork-related education; day care; special leave for family responsibilities and community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services.
- All organizations, regardless of size, are required to meet minimum regulatory standards for workplace safety; however, high-performing organizations have processes in place to ensure that they not only meet these minimum standards but go beyond a compliance orientation. This includes designing proactive processes, with input from employees directly involved in the work, to ensure a safe working environment.
- Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are effective employee problem and grievance resolution;

employee development and career opportunities; work environment and management support; workplace safety and security; workload; effective communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.

- In addition to direct measures of employee satisfaction and well-being through formal or informal surveys, some other indicators include safety, absenteeism, turnover, grievances, strikes, Occupational Safety and Health Administration (OSHA) reportables, and workers' compensation claims.

## Process Management (*Category 6*)

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management: effective design; a prevention orientation; linkage to customers, suppliers, and partners and a focus on value creation for all key stakeholders; operational and financial performance; cycle time; and evaluation, continuous improvement, and organizational learning.

Agility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In the simplest terms, "agility" refers to your ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your organization's strategy and markets, agility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Agility also increasingly involves decisions to outsource, agreements with key suppliers, and novel partnering arrangements. Flexibility might demand special strategies, such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Cost and cycle time reduction often involve Lean process management strategies. It is crucial to utilize key measures for tracking all aspects of your overall process management.

### 6.1 Value Creation Processes

#### Purpose

This Item examines your organization's key product, service, and business processes, with the aim of creating value for your customers and other key stakeholders, and improving your marketplace and operational performance.

#### Comments

- This Item calls for information on the management and improvement of key value creation processes. The information required includes a description of the key processes, their specific requirements, and how performance relative to these requirements is determined and maintained. Increasingly, these requirements might include the need for agility-speed and flexibility-to adapt to change.
- Your design approaches could differ appreciably depending on the nature of your products and services—whether the products and services are entirely new, are variants, or involve major or minor process changes. You should consider the key requirements for your products and services. Factors that might need to be considered in design include safety, long-term performance, environmental impact, "green" manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or service options, supplier capability, and documentation. Effective design also must consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning ("re-engineering") those processes to achieve efficiency, as well as to meet changing customer requirements.

- Your key business processes are those nonproduct and nonservice processes that are considered most important to business growth and success by your senior leaders. These processes frequently relate to an organization's strategic objectives and critical success factors. Key business processes might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing, mergers and acquisitions, global expansion, project management, and sales and marketing. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.
- For many organizations, supply chain management is a growing factor in achieving productivity and profitability goals and overall business success. Suppliers and partners are receiving increasing strategic attention as organizations re-evaluate their core functions. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and also, on specific actions, to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection, with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.
- Many organizations need to consider requirements for suppliers and partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but it also might offer a means to significantly reduce unit costs and time to market.
- This Item calls for information on the incorporation of new technology. This could include e-technology for sharing information with suppliers and partners, communicating with customers, and giving them continuous (24/7) access, and automated information transfer from in-service products requiring maintenance in the field.
- Specific reference is made to in-process measurements and customer and supplier interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance. Achieving expected performance frequently requires setting in-process performance levels or standards to guide decision making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail allowing for specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.
- This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspectives but also better financial and operational performance—such as productivity—from your other stakeholders' perspectives. A variety of process improvement approaches are commonly used. These approaches include sharing successful strategies across your organization to drive learning and innovation, (2) performing process analysis and research (e.g., process mapping, optimization experiments, error proofing), (3) conducting technical and business research and development, (4) benchmarking, (5) using alternative technology, and (6) using information from customers of the processes—within and outside your organization.

Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign (“re-engineering”) of processes.

## 6.2 Support Processes and Operational Planning

### Purpose

This Item examines your organization’s key support processes and your operational planning with respect to financial management and planning for the continuity of operations, with the aim of improving your overall operational performance.

### Comments

- Your support processes are those that support your daily operations and your product and service delivery but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly on product and service characteristics. Support process design requirements usually depend significantly on your internal requirements, and they must be coordinated and integrated to ensure efficient, effective linkage and performance. Support processes might include processes for finance and accounting, facilities management, legal services, human resource services, public relations, and other administrative services.
- This Item calls for information on how your organization evaluates and improves the performance of your key support processes and shares information with other organizational units to drive learning and innovation. Four approaches frequently used are (1) process analysis and research, (2) benchmarking, (3) use of alternative technology, and (4) use of information from customers of the processes. Together, these approaches offer a wide range of possibilities, including minor process modification and complete redesign (“re-engineering”) of processes.
- Many types of analyses can be performed to ensure adequate financial resources are available to support current operations and new business investments and to assess their financial risks. For current operations, these efforts might include the analysis of cash flows, net income statements, and current liabilities versus current assets. For business investments, the efforts might include analysis of discounted cash flows, return on investment (ROI), or return on invested capital (ROIC). The specific types of analyses will vary from organization to organization. These analyses should help your organization assess the financial viability of your current operations and the potential viability of and risks associated with your new business initiatives.
- Efforts to ensure the continuity of operations in an emergency should consider all facets of a business that are needed to provide products or services to customers. You should consider both your value creation and your key support processes in your planning. The specific level of service that you will need to provide will be guided by your type of business and your customers’ needs and requirements. For example, a public utility will likely have a higher need for services than businesses that do not provide an essential function. Your continuity of operations efforts also should be coordinated with your efforts to ensure data and information availability (Item 4.2) and workplace preparedness (Item 5.3).

### Business Results (Category 7)

The Business Results Category provides a results focus that encompasses your objective evaluation and your customers’ evaluation of your organization’s products and services, your overall financial and market performance, your leadership system and social responsibility results, and results of all key processes and process improvement activities. Through this focus, the Criteria’s purposes-superior value of offerings as

viewed by your customers and the marketplace; superior organizational performance as reflected in your operational, legal, ethical, and financial indicators; and organizational and personal learning-are maintained. Category 7 thus provides “real-time” information (measures of progress) for evaluation and improvement of processes, products, and services, in alignment with your overall organizational strategy. Item 4.1 calls for analysis and review of business results data and information to determine your overall organizational performance and to set priorities for improvement.

## 7.1 Product and Service Outcomes

### Purpose

This Item examines your organization’s key product and service outcomes, with the aim of delivering product and service quality that leads to customer satisfaction, loyalty, and positive referral.

### Comments

- This Item places emphasis on measures of product and service performance that serve as indicators of customers’ views and decisions relative to future purchases and relationships. These measures of product and service performance are derived from customer-related information gathered in Items 3.1 and 3.2.
- Product and service measures appropriate for inclusion might be based upon the following: internal quality measurements, field performance of products, defect levels, response times, data collected from your customers by other organizations on ease of use or other attributes, and customer surveys on product and service performance.
- The correlation between product and service performance and customer indicators is a critical management tool with multiple uses: (1) defining and focusing on key quality and customer requirements; (2) identifying product and service differentiators in the marketplace; and determining cause-effect relationships between your product and service attributes and evidence of customer satisfaction and loyalty, as well as positive referrals. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of product or service offerings.

## 7.2 Customer-Focused Results

### Purpose

This Item examines your organization’s customer-focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and has developed loyalty, repeat business, and positive referral.

### Comments

- This Item focuses on all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints, complaint management, effective complaint resolution, and warranty claims; customer-perceived value based on quality and price; customer assessment of access and ease of use (including courtesy in-service interactions); and awards, ratings, and recognition from customers and independent rating organizations.
- This Item places an emphasis on customer-focused results that go beyond satisfaction measurement because loyalty, repeat business, and longer-term customer relationships are better indicators and measures of future success in the marketplace and of organizational sustainability.

### 7.3 Financial and Market Results

#### Purpose

This Item examines your organization's key financial and market results, with the aim of understanding your financial sustainability and your marketplace challenges and opportunities.

#### Comments

- Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization's performance.
- Appropriate financial measures and indicators might include revenue, profits or loss, cash-to-cash cycle time, earnings per share, and financial returns. Marketplace performance measures might include market position, market share, measures of business growth, new products or services and markets entered (including e-markets and exports), and the percentage of sales derived from new products or services.

### 7.4 Human Resource Results

#### Purpose

This Item examines your organization's human resource results, with the aim of demonstrating how well your organization has been creating and maintaining a productive, learning, and caring work environment for all employees.

#### Comments

- Results measures reported for work system performance might include improvement in job classification, job rotation, work layout, and local decision making. Results reported might include input data, such as the extent of training, but the main emphasis should be on data that show effectiveness or outcomes. An example of such an outcome measure might be the productivity enhancements or cost savings resulting from the redesign of work processes by work teams.
- Results reported might include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons might be appropriate. Organization-specific factors are those you assess for determining your work system performance and your employees' well-being and satisfaction. These factors might include the extent of training or cross-training or the extent and success of self-direction.

### 7.5 Organizational Effectiveness Results

#### Purpose

This Item examines your organization's other key operational performance results not reported in Items 7.1-7.4, with the aim of achieving organizational effectiveness and process efficiency.

#### Comments

- This Item encourages your organization to develop and include unique and innovative measures to track key processes and operational improvement. All key areas of business and operational performance should be evaluated by measures that are relevant and important to your organization.
- Measures and indicators of operational effectiveness and efficiency might include reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators such

as cycle times, production flexibility, lead times, set-up times, and time to market; business-specific indicators such as innovation rates and increased use of e-technology, product and process yields, Six Sigma initiative results, and delivery performance to request; supply chain indicators such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; and third-party assessment results such as ISO 9001 audits.

## 7.6 Leadership and Social Responsibility Results

### Purpose

This Item examines your organization's key results in the areas of leadership and societal responsibilities, with the aim of maintaining a fiscally sound, ethical organization that is a good citizen in its communities.

### Comments

- Because of a lack of appropriate measures, a key challenge for many organizations is measuring their progress in accomplishing their strategic objectives. Frequently, these progress measures can be discerned by first defining the results that would indicate end-goal success in achieving the strategic objective and then using that measure to define intermediate measures.
- Independent of an increased national focus on issues of governance, ethics, and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct. Governance bodies and senior leaders should track relevant performance measures on a regular basis and emphasize this performance in stakeholder communications.
- Measures should include environmental, legal, and regulatory compliance and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.
- If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and their current status should be summarized.



## Chapter 6

# Scoring System

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The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on two evaluation dimensions: **(1) PROCESS and (2) RESULTS**. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on pages 48-49.

### Process

“Process” refers to the methods your organization uses and improves to address the Item requirements in Categories 1-6. The four factors used to evaluate process are **Approach, Deployment, Learning and Integration (A-D-L-I)**.

“**Approach**” refers to

- the methods used to accomplish the process
- the appropriateness of the methods to the Item requirements
- the effectiveness of your use of the methods
- the degree to which the approach is repeatable and based on reliable data and information (i.e., systematic)

“**Deployment**” refers to the extent to which

- your approach is applied in addressing Item requirements relevant and important to your organization
- your approach is applied consistently
- your approach is used by all appropriate work units

“**Learning**” refers to

- refining your approach through cycles of evaluation and improvement
- encouraging breakthrough change to your approach through innovation
- sharing of refinements and innovation with other relevant work units and processes in your organization

“**Integration**” refers to the extent to which

- your approach is aligned with your organizational needs identified in other Criteria Item requirements
- your measures, information, and improvement systems are complementary across processes and work units
- your plans, processes, results, analyses, learning, and actions are harmonized across processes and work units to support organization-wide goals



## Results

“Results” refers to your organization’s outputs and outcomes in achieving the requirements in Items 7.1-7.6. The four factors used to evaluate results are §your current level of performance

- rate (i.e., slope of trend data) and breadth (i.e., how widely deployed and shared) of your performance improvements
- your performance relative to appropriate comparisons and/or benchmarks
- linkage of your results measures (often through segmentation) to important customer, product and service, market, process, and action plan performance requirements identified in your Organizational Profile and in Process Items

## Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and data you are expected to furnish relative to the two evaluation dimensions given above.

The two types of Items are designated as

1. PROCESS
2. RESULTS

In Process Items, approach-deployment-learning-integration are linked to emphasize that descriptions of approach should always indicate the deployment-consistent with the specific requirements of the Item. As processes mature, their description also should indicate how cycles of learning, as well as integration with other processes and work units, occur. Although the approach-deployment-learning-integration factors are linked, feedback to Award applicants reflects strengths and opportunities for improvement in any or all of these factors.

### Item Format

	Item Number	Item Title	Item Point Value				
	2.2	<b>Strategy Deployment (46 pts.)</b>	Process	Types of information users are expected to provide in response to this Item			
Basic Item requirements expressed in Item title		<p><b>Describe how your organization converts its strategic objectives into action plans. Summarize your organization's action plans and related key performance measures or indicators. Project your organization's future performance on these key performance measures or indicators.</b></p> <p>Within your response, include answers to the following questions:</p> <p><b>a. ACTION PLAN Development and deployment</b></p> <ol style="list-style-type: none"> <li>1) How do you develop and deploy action plans to achieve your key strategic objectives? How do you allocate resources to ensure accomplishment of your action plans? How do you ensure that the key changes resulting from action plans can be sustained?</li> <li>2) What are your key short- and longer-term action plans? What are the key changes, if any, in your products and services, your customers and markets, and how you will operate?</li> <li>3) What are your key human resource plans that derive from your short- and longer-term strategic objectives and action plans?</li> <li>4) What are your key performance measures or indicators for tracking progress on your action plans? How do you ensure that your overall action plan measurement system reinforces organizational alignment?</li> </ol> <p>How do you ensure that the measurement system covers all key deployment areas and stakeholders?</p> <p><b>b. PERFORMANCE PROJECTION</b></p> <p>For the key performance measures or indicators identified in 2.2a(4), what are your performance projections for both your short- and longer-term planning time horizons? How does your projected performance compare with competitors' projected performance? How does it compare with key benchmarks, goals, and past performance, as appropriate?</p> <p><i>(While the response to 2.2 is to be included in TSEM application, the Board's oversight processes for strategic planning and the manner in which the Board is involved in reviewing &amp; monitoring the implementation of strategy will be addressed in CG application.)</i></p> <p><b>Notes:</b></p> <p><b>N1.</b> Strategy and action plan development and deployment are closely linked to other items in the Criteria. Examples of key linkages are: ■ Item 1.1 for how your senior leaders set and communicate directions; ■ Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans; ■ Category 4 for information, analysis, and knowledge management to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans; ■ Category 5 for your work system needs: employee education, training, and development needs; and related human resource factors resulting from action plans; ■ Category 6 for process requirements resulting from your action plans; and ■ Item 7.5 for specific accomplishments relative to your organizational strategy and action plans.</p> <p><b>N2.</b> Measures and indicators of projected performance (2.2b) might include changes resulting from new business ventures; business acquisitions or mergers; new value creation; market entry and shifts; and significant anticipated innovations in products, services, and technology.</p> <p>For additional description of this item, see Chapter 5: Category &amp; Item Descriptions.</p> <p style="text-align: right; font-size: small;">35</p>					
Overall Item requirements expressed as specific topics users need to address							
Area to Address							
Notes have the following purposes:							
- clarify key terms and/or requirements							
- give instructions							
- indicate/clarify important linkages							
Location of Item Description							

Multiple requirements expressed as individual Criteria questions

Results Items call for data showing performance levels, improvement rates, and relevant comparative data for key measures and indicators of organizational performance. Results Items also call for data on breadth of performance improvements. This is directly related to deployment and organizational learning; if improvement processes are widely shared and deployed, there should be corresponding results. A score for a Results Item is thus a composite based upon overall performance, taking into account the rate and breadth of improvements and their importance to the Item requirements and your business. (See next paragraph.)

### **“Importance” as a Scoring Consideration**

The two evaluation dimensions described previously are critical to evaluation and feedback. However, another critical consideration in evaluation and feedback is the importance of your reported process and results to your key business factors. The areas of greatest importance should be identified in your Organizational Profile and in Items such as 2.1, 2.2, 3.1, 5.1, and 6.1. Your key customer requirements, competitive environment, key strategic objectives, and action plans are particularly important.

### **Assignment of Scores to Your Responses**

The following guidelines should be observed in assigning scores to Item responses.

- All Areas to Address should be included in your Item response. Also, responses should reflect what is important to your organization.
- In assigning a score to an Item, first decide which scoring range (e.g., 50 percent to 65 percent) is most descriptive of the organization's achievement level as presented in the Item response. “Most descriptive of the organization's achievement level” can include some gaps in one or more of the A-D-L-I (process) factors or results factors for the chosen scoring range. An organization's achievement level is based on a holistic view of either the four process or four results factors in aggregate and not on a tallying or averaging of independent assessments against each of the four factors. Assigning the actual score within the chosen range requires evaluating whether the Item response is closer to the statements in the next higher or next lower scoring range.
- A Process Item score of 50 percent represents an approach that meets the overall requirements of the Item, that is deployed consistently and to most work units covered by the Item, that has been through some cycles of improvement and learning, and that addresses the key organizational needs. Higher scores reflect greater achievement, demonstrated by broader deployment, significant organizational learning, and increased integration.
- A Results Item score of 50 percent represents a clear indication of improvement trends and/or good levels of performance with appropriate comparative data in the results areas covered in the Item and important to the business. Higher scores reflect better improvement rates and/or levels of performance, better comparative performance, and broader coverage and integration with business requirements.

## Steps Toward Mature Processes

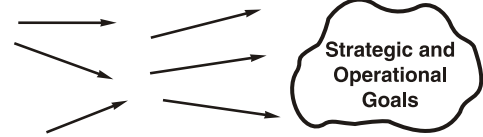
### An Aid for Scoring Process Items

#### (1) Reacting to Problems



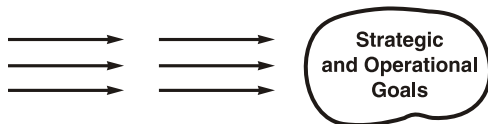
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

#### (2) Early Systematic Approaches



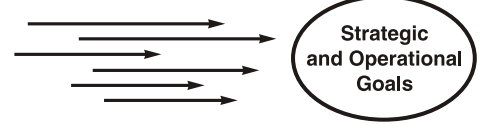
The organization is at the beginning stages of conducting operations by processes with repeatability, evaluation and improvement, and some early coordination among organizational units. Strategy and quantitative goals are being defined.

#### (3) Aligned Approaches



Operations are characterized by processes that are repeatable and regularly evaluated for improvement, with learnings shared and with coordination among organizational units. Processes address key strategies and goals of the organization.

#### (4) Integrated Approaches



Operations are characterized by processes that are repeatable and regularly evaluated for change and improvement in collaboration with other affected units. Efficiencies across units are sought and achieved through analysis, innovation, and sharing. Processes and measures track progress on key strategic and operational goals

## Scoring Guidelines - For use with Categories 1 - 6

SCORE	PROCESS
0% or 5%	<ul style="list-style-type: none"> <li>▪ No SYSTEMATIC APPROACH is evident; information is ANECDOTAL. (A)</li> <li>▪ Little or no DEPLOYMENT of an APPROACH is evident. (D)</li> <li>▪ An improvement orientation is not evident; improvement is achieved through reacting to problems. (L)</li> <li>▪ No organizational ALIGNMENT is evident; individual areas or work units operate independently. (I)</li> </ul>
10%, 15%, 20%, or 25%	<ul style="list-style-type: none"> <li>▪ The beginning of a SYSTEMATIC APPROACH to the BASIC REQUIREMENTS of the Item is evident. (A)</li> <li>▪ The APPROACH is in the early stages of DEPLOYMENT in most areas or work units, inhibiting progress in achieving the BASIC REQUIREMENTS of the Item. (D)</li> <li>▪ Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L)</li> <li>▪ The APPROACH is ALIGNED with other areas or work units largely through joint problem solving. (I)</li> </ul>
30%, 35%, 40%, or 45%	<ul style="list-style-type: none"> <li>▪ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC REQUIREMENTS of the Item, is evident. (A)</li> <li>▪ The APPROACH IS DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D)</li> <li>▪ The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident. (L)</li> <li>▪ The APPROACH is in early stages of ALIGNMENT with your basic organizational needs identified in response to the other Criteria Categories. (I)</li> </ul>
50%, 55%, 60%, or 65%	<ul style="list-style-type: none"> <li>▪ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL REQUIREMENTS of the Item, is evident. (A)</li> <li>▪ The APPROACH is well DEPLOYED, although DEPLOYMENT may vary in some areas or work units. (D)</li> <li>▪ A fact-based, SYSTEMATIC evaluation and improvement PROCESS and some organizational LEARNING are in place for improving the efficiency and effectiveness of KEY PROCESSES. (L)</li> <li>▪ The APPROACH IS ALIGNED with your organizational needs identified in response to the other Criteria Categories. (I)</li> </ul>
70%, 75%, 80%, or 85%	<ul style="list-style-type: none"> <li>▪ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the MULTIPLE REQUIREMENTS of the Item, is evident. (A)</li> <li>▪ The APPROACH is well DEPLOYED, with no significant gaps. (D)</li> <li>▪ Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING are KEY management tools; there is clear evidence of refinement and INNOVATION as a result of organizational-level ANALYSIS and sharing. (L)</li> <li>▪ The APPROACH IS INTEGRATED with your organizational needs identified in response to the other Criteria Items. (I)</li> </ul>
90%, 95%, or 100%	<ul style="list-style-type: none"> <li>▪ An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE REQUIREMENTS of the Item, is evident. (A)</li> <li>▪ The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D)</li> <li>▪ Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING are KEY organization-wide tools; refinement and INNOVATION, backed by ANALYSIS and sharing, are evident throughout the organization. (L)</li> <li>▪ The APPROACH is well INTEGRATED with your organizational needs identified in response to the other Criteria Items. (I)</li> </ul>

## Scoring Guidelines - For use with Category 7

SCORE	RESULTS
0% or 5%	<ul style="list-style-type: none"> <li>▪ There are no business RESULTS or poor RESULTS in areas reported.</li> <li>▪ TREND data are either not reported or show mainly adverse TRENDS.</li> <li>▪ Comparative information is not reported.</li> <li>▪ RESULTS are not reported for any areas of importance to your organization's KEY business requirements.</li> </ul>
10%, 15%, 20%, or 25%	<ul style="list-style-type: none"> <li>▪ A few business RESULTS are reported; there are some improvements and/or early good PERFORMANCE LEVELS in a few areas.</li> <li>▪ Little or no TREND data are reported.</li> <li>▪ Little or no comparative information is reported.</li> <li>▪ RESULTS are reported for a few areas of importance to your organization's KEY business requirements.</li> </ul>
30%, 35%, 40%, or 45%	<ul style="list-style-type: none"> <li>▪ Improvements and/or good PERFORMANCE LEVELS are reported in many areas addressed in the Item requirements.</li> <li>▪ Early stages of developing TRENDS are evident.</li> <li>▪ Early stages of obtaining comparative information are evident.</li> <li>▪ RESULTS are reported for many areas of importance to your organization's KEY business requirements.</li> </ul>
50%, 55%, 60%, or 65%	<ul style="list-style-type: none"> <li>▪ Improvement TRENDS and/or good PERFORMANCE LEVELS are reported for most areas addressed in the Item requirements.</li> <li>▪ No pattern of adverse TRENDS and no poor PERFORMANCE LEVELS are evident in areas of importance to your organization's KEY business requirements.</li> <li>▪ Some TRENDS and/or current PERFORMANCE LEVELS-evaluated against relevant comparisons and/or BENCHMARKS-show areas of good to very good relative PERFORMANCE.</li> <li>▪ Business RESULTS address most KEY CUSTOMER, market, and PROCESS requirements.</li> </ul>
70%, 75%, 80%, or 85%	<ul style="list-style-type: none"> <li>▪ Current PERFORMANCE is good to excellent in most areas of importance to the Item requirements.</li> <li>▪ Most improvement TRENDS and/or current PERFORMANCE LEVELS are sustained.</li> <li>▪ Many to most reported TRENDS and/or current PERFORMANCE LEVELS-evaluated against relevant comparisons and/or BENCHMARKS-show areas of leadership and very good relative PERFORMANCE.</li> <li>▪ Business RESULTS address most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.</li> </ul>
90%, 95%, or 100%	<ul style="list-style-type: none"> <li>▪ Current PERFORMANCE is excellent in most areas of importance to the Item requirements.</li> <li>▪ Excellent improvement TRENDS and/or sustained excellent PERFORMANCE LEVELS are reported in most areas.</li> <li>▪ Evidence of industry and BENCHMARK leadership is demonstrated in many areas.</li> <li>▪ Business RESULTS fully address KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.</li> </ul>

## Scoring Band Descriptors

SCORE BAND	BAND Number	BAND DESCRIPTIONS
0 - 250	1	The organization demonstrates the early stages of developing and implementing approaches to Category requirements. However, important gaps exist in most Categories.
251 - 350	2	The organization demonstrates the beginning of a systematic approach responsive to the basic requirements of Items, but major gaps exist in approach and deployment in some Categories . The organization is in the early stages of obtaining results stemming from approaches, with some improvements and good performance observed.
351 - 450	3	The organization demonstrates effective, systematic approaches responsive to the basic requirements of most Items, but deployment in some key areas or work units is still too early to demonstrate results. Early improvement trends and comparative data in areas of importance to key organization requirement are evident.
451 - 550	4	The organization demonstrates effective, systematic approaches to the overall requirements of the Items, but deployment may vary in some areas or work units. Fact-based evaluation and improvement address the efficient and effectiveness of key processes. Results address key customer/stakeholder, market, and process requirements, and they demonstrate some areas of strength and/or good performance.
551 - 650	5	The organization demonstrates effective, systematic approaches responsive to the overall requirements of the Items and to key organizational needs, with a fact-based, systematic evaluation and improvement process resulting in overall organizational learning. There are no major gaps in deployment. Improvement trends and / or good performance are reported for most areas of importance. Results address most key customer / stakeholder, market and process requirements and demonstrate area of strength.
651 - 750	6	The organization demonstrates refined approaches, including key measures, good deployment, and very good results in most Areas. Organizational alignment, learning, and sharing are key management tools. Some outstanding activities and results address key customer / stakeholder, market, process, and action plan requirements. The organization is an industry* leader in some Areas.
751 - 875	7	The organization demonstrates refined approaches, innovation, excellent deployment, and good to excellent performance improvement and levels in most Areas. Good to excellent integration and alignment are evident, with organizational analysis, learning, and sharing of best practices as key management strategies. Industry leadership and some benchmark leadership are demonstrated in results that address most key customer / stakeholder, market, process, and action plan requirements.
876 - 1000	8	The organization demonstrates outstanding approaches, innovation, full deployment, and excellent and sustained performance results. Excellent integration and alignment are evident, and organizational analysis, learning, and sharing of best practices are pervasive. National and world leadership is demonstrated in results that fully address key customer / stakeholder, market, process, and action plan requirement.

\* Industry refers to other organizations performing substantially the same functions, thereby facilitating direct comparisons.

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