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Minnesota Council for Quality Stakeholder Update
July 2002
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In This Issue:
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1. A Message from the President: What Happened to Corporate Responsibility?

Last week, President Bush outlined his plan to ensure a "new era of integrity in corporate America." Among his recommendations, Bush proposed doubling prison terms for certain fraud, increasing the SEC's budget by $100 million to hire more investigators, and banning convicted officers and directors from serving on future Boards or leadership roles.

The Dow Jones appropriately responded with a 600-point loss last week, and is continuing its turbulent ride this week. Why? While a decent start, I believe that Bush's proposal only addresses the enforcement and penalty side of the equation, rather than directly addressing the root causes of the problem: the legal and financial system surrounding our corporations and the ethical system INSIDE them.

First, the larger regulatory-financial system is broken. We have conflicts of interest between auditors and their sibling consulting practices; we have conflicts of interest between "never-say-sell" analysts and the investment bankers; our regulations don't require reporting of stock options as expenses, which they truly are; and our regulations don't provide control over insider loans to executives. Bush's plan really only toughens enforcement of the existing laws rather than addressing the shortcomings of the laws themselves.

But I also believe that ethics and morality have deteriorated inside many corporations. Many leaders – particularly in down markets – are motivated to manage the short-term bottom line rather than focus on long-term future results. This often causes irrational (and in some cases, illegal) behavior. Obviously, this behavior is not in the best interest of the

corporation.

Ethics begin in the Board Room and with the chief executive. Period. They begin with senior leadership establishing a set of values upon which the organization is managed, upon which rewards are distributed and promotions are determined. They being with comments like GE CEO Jeff Immelt made in announcing last week's results: "I'm responsible for this company. I sign up for the results, I stand behind the results, I know the details and I think the CEO has to be the moral leader of the company."

What can leaders do to ensure ethical behavior in all stakeholder interactions, as is required in Item 1.2 a(3) of the Baldrige Criteria? Here are some possibilities:

* Set the ethical and moral values of your company. Communicate and reinforce them repeatedly so that employees have guidelines for their decisions, their actions, and their daily work.

* Align your human resource processes with your ethical principles. Consider ethics training; consider integrating ethics in rewards, recognition, performance reviews, and promotions; build communication channels for employees to communicate questionable behavior – a confidential hotline, an Open Door Policy, or a suggestion system.

* Examine your governance and reporting processes. Take a look at your Board and your leadership system to ensure that it allows for ethical reporting, communication, and monitoring. And consider focusing not only on the accuracy and legitimacy of financials, but also the other indicators of performance: operational, customer-related, and human resource results.

* Be a role model. Your actions are being watched by your company's employees, customers, suppliers, stockholders, and the community. Your behavior sets the tone for trust and integrity within the organization. Be steadfast in your role as – in Mr. Immelt's words – the "moral leader" of you company.

Today, perhaps more than ever, leadership is critical to ensuring corporate responsibility, ethical interactions, trust, and integrity.

Sincerely,
Brian Lassiter, President

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2. David Ames Passes Away

We are saddened to report that one of Minnesota's leaders in quality and improvement, David J. Ames, passed away on July 3. He was 57. A member of the Minnesota Council for Quality's Board of Directors from 1997-2000, David was the President of David Ames & Associates, a consulting firm that specialized in organization improvement and turnarounds. Previously, David was VP for the Brainerd International Raceway and a 20-year employee for Honeywell. David was a wonderful person, a great leader, and a prominent supporter of the Council. He will be missed.

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3. Requesting Your Input: An Improvement Clearinghouse Survey

The Minnesota Council for Quality is building a Clearinghouse for improvement-related information and knowledge. This web-enabled resource center will provide white papers, articles, links to related sites, potential benchmarking resources, announcements, and so forth). This information exists today, but is fragmented and dispersed; our goal is to develop a portal that provides information and assistance to organizations desiring to improve their performance.

But we need your help. Please take a few minutes to complete the on-line survey found at http://www.endurant.com/MCQ/ClearinghouseIntro.cfm. The survey will only take about 10 minutes, and will help ensure that we are addressing your needs.

In addition, please email your favorite improvement or quality-related websites for consideration in the Clearinghouse. You may email them to mc4quality@aol.com. Thank you for your time and assistance.
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4. Exchanging Excellence: Two Misconceptions about the Balanced Scorecard

Forward: With this newsletter issue, the Minnesota Council for Quality is beginning a regular series that will address a current improvement-related topic. This series, Exchanging Excellence, will feature articles written by a member of the Council that offer provocative thought, a case study, or tips and lessons learned that might benefit our readership. Our first topic focuses on the Balanced Scorecard and is written by Bill Barberg, President of Minneapolis-based Insightformation.
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In the past decade, the Balanced Scorecard has gained widespread popularity; in fact, the Harvard Business Review claims that it may be one of the most influential management tools in the last 75 years. Yet, many share two common misconceptions about the Balanced Scorecard.

#1 The Balanced Scorecard is a report card of measures

To many, the Balanced Scorecard is only a report card for your company that provides a balanced look at both financial and non-financial measures in four categories. While this is true, this view fails to recognize how the Balanced Scorecard has evolved from an academic concept into a proven strategic management methodology. In fact, the Scorecard is really a system of linked objectives, measures, targets, and initiatives which collectively describe the strategy of an organization. One of the two creators of the concept, Dr. David Norton, states: "The biggest mistake that organizations make is thinking that the scorecard is just about measures. Quite often they will develop a list of financial and non-financial measures and believe they have a scorecard. This, I believe, is dangerous." The scorecard itself is just one of many tools and best practices in the Balanced Scorecard approach to creating strategy-focused organizations.

#2 The Balanced Scorecard is just for the executives
People often tell us, "Our executives have been using a Balanced Scorecard for years. They get a quarterly scorecard, though it doesn't have much visibility beyond the executives." While there is some value in the senior management team having a better set of performance measures, the real transformational power of the Balanced Scorecard approach comes from how it focuses, drives, and motivates performance improvement throughout the organization. When properly used, the Balanced Scorecard makes strategy everyone's business and enables organizations to successfully put strategy into action.

For more information on the Balanced Scorecard, or to download a free white paper on the topic, feel free to visit www.insightformation.com or contact Bill Barberg at 763-521-4599 x13. Mr. Barberg is the President and Founder of Insightformation, Inc., a member of the Minnesota Council for Quality. Founded in 1991, Insightformation has been a pioneer in helping organizations leverage information and technology to gain insights and improve performance. Last year, Insightformation was hired by Microsoft to create the Microsoft Balanced Scorecard Framework.

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5. U of M Fall Course: Achieving Business Excellence

The recent economic downturn means that the need for systemic change and improved organizational performance has never been greater. But, with so many quality and improvement tools out there – like Six Sigma, Baldrige, and Balanced Scorecard – which one should you select? And how do you use these tools to actually effect change?

The University of Minnesota's College of Continuing Education, in cooperation with the Minnesota Council for Quality, is offering a two-day course "Achieving Business Excellence: Quality 101." The highly interactive

course, scheduled for October 15-16 in St. Paul, will explore some of today's contemporary quality and business improvement frameworks, will outline the strengths and limitations of each, will show how they overlap, and will demonstrate how they can be applied to your organization or department.

The Council is also pleased to announce that this course is being offered at $795, a $100 discount for Council members. Please enter Code X027 on your registration form. For more information on the course or for a full fall course listing, please see www.cce.umn.edu/business.

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6. ISO 9000:2000 – How Datacard is Beating the 2003 Deadline

The clock is ticking. With the release of the ISO 9000:2000 standards in late 2001, organizations registered to the 1994 ISO version have until December 15, 2003, to bring their organizations into compliance. However, to date, only a small number of the approximately 40,000 certified US organizations have done so. For the rest, the clock is ticking.

Minnetonka-based Datacard Group is beating the deadline. The Performance Improvement Network (PIN) is pleased to welcome Mr. Al Alwin, current ISO 9000 Leader from Datacard, to the August 1 discussion. Mr. Alwin will provide an overview of what ISO is, how it applies to many organizations, and what the elements of the new standard are.   Using a step-by-step approach, Mr. Alwin will provide insight about his experiences in bringing Datacard from zero compliance to ISO 9000:2000 compliance in about 18 months. In addition, Mr. Alwin will share his perspective on the benefits that Datacard has realized and what they expect to gain from making this investment in quality.

This discussion is Thursday, August 1. Networking and breakfast begin at 7:30, the discussion is from 8:00-9:00 a.m. Cost is $15. For more information or to register, please see PIN's website at www.improvementnetwork.org.

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7. Time is Running Out to Become a 2002 Evaluator; Training This Fall

The second of two training sessions for the 2002 Board of Evaluators is fast approaching. One-day training for new Evaluators is Friday, September 6 and three-day training for all Evaluators is October 8-10. Both sessions will be held at Unisys in Roseville.

But hurry: time is running out to apply to this year's Board. Applications for new Evaluators are due August 23 and for returning Evaluators is

September 30.

For more information on the benefits of becoming an Evaluator or for an application, please email the Council at mc4quality@aol.com.