

## Malcolm Baldrige National Quality Award 1999 Award Recipient, Service Category

### BI

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BI's business is helping other companies to achieve their own goals by enhancing the performance of the people who hold the keys to success. That usually means customers' employees, distributors, or consumers. As one of the three major players offering full-service business improvement and incentive programs across the country, BI employs more than 1,400 Associates. Most are located at its headquarters in Minneapolis, Minn. Others are in Eden Valley, Minn.; Sioux Falls, S.D.; and in 21 U.S. sales offices.

During the 1950s, Guy Schoenecker, president and chief quality officer of BI, became an early innovator in the incentive programs that companies began to offer to employees and consumers. BI is more sophisticated today with a diverse mix of offerings, and its products and services are used by some of the largest firms in America. BI works behind the scenes to help customers succeed by integrating communications, training, measurement, and rewards to improve performance. Almost every BI account requires a customized product or service.

#### Highlights

- Over the past two years, 546 Quality Improvement Teams demonstrated improvements and disbanded.
- For the past three years, BI's customer satisfaction ratings have outperformed its two key competitors.
- Associate retention is 83 percent, while unemployment in Twin Cities is just 2.9 percent.
- BI Associates designed and teach a "School to Work" curriculum in a local school.

#### Try, Try, and Improve Again

BI first began using the Baldrige approach to quality and performance improvement in 1990. In fact, the company has applied for the Baldrige Award for 10 consecutive years. Like many others, they did it to improve and learn, not to win the award, asserts Guy Schoenecker, who owns and runs BI with his son, Larry. Along the way, they won the Baldrige-based Minnesota Quality Award in 1994.

The company adopted a formal quality management approach even earlier—the same approach it offered its customers. Improvement efforts are driven by the goal of customer delight and grouped under a process management system known as the "BI Way," which includes training, problem-solving techniques, process improvement, incentives, and a focus on results. Every BI Associate takes part in the improvement process, but the company's leaders drive the process and give it priority and energy. BI is organized around teams. Teams made up of the owners, Office of the President, and other senior leaders comprise the Business Team, Productivity Team, and Strategic Planning Team. They offer senior leaders the opportunity to stay in touch with key stakeholders and to communicate company strategies, expectations, values, and direction. The Business Team, for example, consists of the owners, Office of the President, and 18 additional vice presidents representing all aspects of the business.

BI has identified five corporate objectives that are front-and-center at every decision made by the company: revenue, productivity, customer satisfaction, Associate satisfaction, and added value. Every action at BI must support at least one of these objectives, and all plans, improvement teams, and measures that track progress and quantify the company's success are tied to these objectives.

Linked directly to its corporate objectives, BI's "Vital Few" indicators are sales and margin, sales per associate, transactional customer satisfaction indices, and Associate retention. These indicators provide a snapshot of the health of the organization—a snapshot that is reviewed during biweekly Business Team meetings. BI's performance ratings in these categories, coupled with a few strategic measures and operational measures decided on throughout the company, are compiled into a Leadership Scorecard that is tied to the company's Strategic Business and Quality Plan.

Teaming, process improvement, and continuous improvement are staples of business strategies at BI. In fiscal year 1998/99, 84 percent of Associates participated in quality or process improvement teams and completed courses enabling Associates to work more effectively on teams. Every Associate has the power to launch an improvement team. The number of Quality Improvement Teams that have demonstrated improvements and disbanded has more than doubled over the past two years—from 201 to 546, showing pervasive involvement in BI's team-based, empowered work system.

### **Customer Satisfaction is King**

BI's "Customer Delight Process" provides the process roadmap for discovering, defining, designing, and delivering products, making certain that BI knows what the customers needs and wants are. Then, BI uses three key measures to evaluate customer satisfaction. Top on the list is the transactional customer satisfaction index, or TCSI. The TCSI is a quick way for account managers and company leaders to judge customer satisfaction. If an account receives an overall satisfaction rating of seven out of 10 or lower, a Business Team member is assigned as champion to investigate and present an action plan to the Business Team. If a score of 10 is earned, the account team earns special recognition. To keep on top of customer satisfaction, the full Business Team reviews aggregate TCSI numbers at biweekly meetings.

The relational customer satisfaction index, or RCSI, offers another window on how customers respond to BI's products and services. Customers are asked annually to rate specific attributes of BI and to identify areas for improvement, the likelihood of repeat business, and overall satisfaction. BI also funds an annual competitive study conducted by an independent research firm. Consisting of surveys sent to BI customers and those doing business with its two largest competitors, the yearly study offers insights into strengths and opportunities for improvement.

### **Rewards Work Both Ways**

Constructing business improvement programs to motivate its customers' employees, distributors, and consumers is BI's primary business—and what's good for the customer is good for BI. Associates work on a profit-sharing plan based on BI's financial performance—a plan that has paid benefits in 17 of the past 18 years. Associates also are eligible for performance bonuses—which in 1998 were given to more than 78 percent of those eligible. New hires not yet eligible for performance bonuses are not forgotten: they earn BI award credits redeemable for merchandise or restaurant and movie certificates. They aren't alone. All Associates can earn rewards by participating in the BI Way improvement system. Rewards vary from \$20 in award credits to credits equal to 20 percent of cost savings achieved. BI teams can apply for an annual quality award based on the Baldrige criteria, with internal and external examiners reviewing applications.

Generous rewards are one way in which BI demonstrates the importance of its Associates. The fact that employee retention is one of its four Vital Few measures is another. So is the BI Culture Scan—an annual survey of its Associates—which shows that Associate satisfaction has increased since 1995. Approximately 97 percent of BI's Associates received training in 1998. That figure is notably higher than benchmarks and the national average cited by the American Society for Training and Development.

### **Results**

If the four Vital Few indicators are the measures that really count for BI, then the results it has been producing have made BI's owners and profit-sharing Associates very happy. Company revenue has grown by a cumulative 47 percent over the past five years. That success reflects BI's customer focus, improvement efforts, and the company's decision to target strategic, large accounts rather than overall market share. Productivity of its Associates, another vital indicator, has been topping the 5 percent annual improvement goal.

BI consistently has outperformed its two key competitors for the last three years on customer-focused results. Last year, an independent study concluded that BI's TCSI results were 8.5 on a 10-point scale for overall satisfaction compared with competitor ratings of 7.9 and 7.6; 8.1 for on-time performance compared to 7.9 and 7.7 for competitors; and 8.1 for accurate performance versus 7.8 and 7.7 for competitors. A full 70 percent of BI's top customers have been with BI for more than five years.

Now at 83 percent, Associate retention, another Vital Few indicator, has been particularly strong—especially when considering the Twin Cities unemployment rate has averaged just 2.9 percent during the 1998-99 fiscal year, creating a tight labor market.

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