

The Baldrige and I



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Investing in the Baldrige Approach Has Paid Off

The Malcolm Baldrige National Quality Award was established in 1987, about the time I began my career in the dental insurance world. It captured my interest, and by the time I became CEO of Northeast Delta Dental (NEDD) in 1995, I was firmly convinced of its power. This article describes how the Baldrige and I grew up together as Baldrige matured and my organization prospered.

My hope is that readers will be attracted by the results that come from incorporating the Baldrige principles in their own organizations but, at the same time, be aware that this success is not something that happens overnight. Building an efficient and effective organization requires investing time and funds with an eye to long-term success rather than short-term profits.

Let me illustrate with NEDD's results for three key measures we use to assess our performance: number of covered lives (subscribers and their family members), revenue, and surplus (what we would call profit if we were not a not-for-profit 501(c)4 organization). In the first few years of my tenure and use of Baldrige, the covered lives and revenues grew faster than the surplus (profit) because we were investing in our employee colleagues, our processes, and our customers.

Average Annual Increases in Our Key Growth Measures

Years Since 1995	Covered Lives*	Revenue	Surplus**
1 (1995-1996)	8.5 percent	8.9 percent	7.6 percent
2 (1995-1997)	10.6 percent	13.6 percent	8.3 percent
3 (1995-1998)	12.3 percent	17.9 percent	12.4 percent
12 (1995-2007)	10.8 percent	25.5 percent	60.5 percent
24 (1995-2019)	8.7 percent	24.7 percent	62.7 percent

** It is important to note that our growth in covered lives has slowed markedly in the past twenty years because we have achieved a market share of nearly 50 percent of eligible people in our states and 1/3 of all residents in our states!*

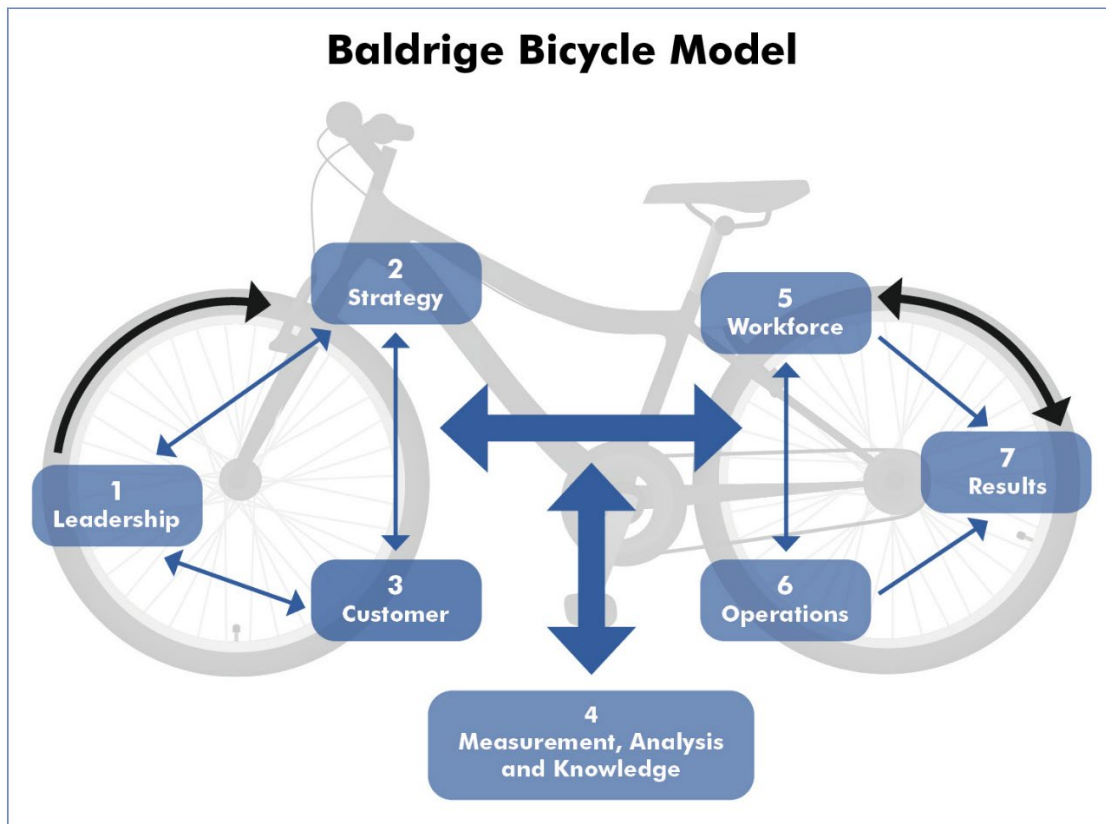
***It is also interesting that surplus continues to grow because our high-quality service means we do not have to be the lowest-cost provider.*

Today, over the 24 years of increases since I became CEO, we have made the greatest gains in our surplus (profit), which have grown an average of over 60 percent a year. As I like to say, "If you take care of customers and do the right things, the numbers will take care of themselves."

How and Why I Started with Baldrige

When Ronald Reagan was President in the late 1980's, the Japanese auto makers were eating the American firms' lunch, so we had to fight back by using their arsenal of tools including the teachings of W. Edwards Deming, Armand Feigenbaum, and others. The Malcolm Baldrige National Quality Award, named after President Reagan's then-recently deceased Secretary of Commerce, combined quality improvement principles and values from many sources into a holistic approach that I loved because I could see how all the different points of view fit together. As the first winners of the award were announced in 1988 and 1989, when I was Vice President of Operations for Delta Dental Plan of Massachusetts (DDPMA), I read about the award, attended conferences put on by the state quality award nonprofit—Massachusetts Council for Quality (MCQ), now called Partners in Performance Excellence—and took the Baldrige Examiner training to learn all I could about this exciting approach.

I found the explanation of how the seven Baldrige categories worked together using a bicycle model to be especially intuitive. The users of the Baldrige model are the bicycle riders. We use the Leadership, Strategy, and Customer tools to steer the bicycle. We use the Workforce and Operations tools to pedal or power the bicycle, and we use Measurement, Analysis, and Knowledge as our road map. Finally, the Results are the speed, distance, and other measures of our bike ride. The bicycle model makes it clear that we cannot make progress if we do not use all the tools together—that our accomplishments are the result of a holistic approach.



After taking the training, I thought long and hard about how to introduce Baldrige best practices to DDPMA. I knew that any program would have to show some quick results if I wanted it to be sustained, I knew that it had to be widely visible in the organization, and I knew that it would have to motivate people to do their best. I was fortunate to have time to really absorb the Baldrige model and understand that I had to focus on the long-term while still showing some short-term improvements.

Our President, Dr. Robert Hunter, was on the Board of MCQ and supported me in using the Baldrige model. We decided to start by offering a Guarantee of Service Excellence (GOSE) to our customers. We promised them we would deliver exceptional customer service, quick claims processing, appropriate billing, and smooth and speedy implementation when they joined DDPMA. We also promised to pay them \$50 or reimburse fees as appropriate for each lapse. The beauty and power of the GOSE was that the promise to pay required us to keep records and issue reports of our failures, and the breadth of the guarantees meant that all departments were involved. We invested in research to shape GOSE, in company-wide training and communication about GOSE, in empowering employees to make things right and to report EVERY lapse, and in monitoring and celebrating GOSE payouts as learning experiences every month.

Bringing Baldrige to Life at NEDD

When I became CEO of NEDD in 1995, it was very small (only about 300,000 covered lives and \$57.5 million in revenues). It had the right intrinsic values of working hard and caring about doing the right things, but it lacked defined work processes and leadership in the community. It was basically a small company that needed a leader with good business sense.

I began by joining the Board of the Baldrige award nonprofit in New Hampshire (the Granite State Quality Council, now called ExcellenceNorth Alliance) and putting many senior members of my team through their Baldrige-based examiner training. My hope was that they would become apostles, and they did. Our Senior Vice President of Operations, William Lambrukos, said it was the best training he had ever had, and he became an ardent ambassador for Baldrige. Together, we invested in transforming our operations and processes using the Baldrige Category 6 process management principles.

Once we knew we could deliver, we were ready to introduce NEDD's own GOSE, patterned after the GOSE developed in Massachusetts. Linda Roche, now Director of Account Services and Strategic Projects and former Director of Marketing, headed the internal GOSE team. This focused everyone on customers and empowered everyone to do the right thing for their customers—both internal and external as covered in the Customer Category 3. As a result of this continued focus on the customer, NEDD retains an amazing 98-99 percent of its customers annually, making us the top in the country, where the average group insurance retention rate is closer to 80 percent.

We did not start with a customer retention rate of over 98 percent. We had to build to it with sustained attention and communication. I must admit that for the first few years using the Baldrige framework sometimes felt like marching into a strong headwind. To make GOSE and other improvements work in our organization, I had to sell the ideas to two key stakeholder groups: Our Board and our staff. To sell the idea to the Board, I focused on showing them how well customers rated us and how we were growing the subscriber base.

To sell the ideas to our staff, our Vice President of Human Resources, Connie M. Roy-Czyzowski, and I focused on increasing their job satisfaction, empowerment, and engagement as covered in the Workforce Category 5.

We began by ensuring that pay and benefits were appropriate and equitable. Then we added job skills training on such topics as GOSE, Baldrige, team building, values, and communication. We actively sought to increase staff empowerment by providing training on management and leadership styles, creating a respectful workplace with conflict management, and we made management coaching from experts available to managers who wished it. Next, we encouraged more staff recognition by stressing in our monthly management meetings the importance of acknowledging and thanking employees, of being mentors and coaches, and of celebrating successes. And, we communicated often and with transparency about operational and corporate results to create a shared culture and set of goals. Recently, we have added mindfulness training to reduce stress.

As a result of our intense focus on employees, we won awards every year for over 20 years, including the Best Companies to Work for in New Hampshire, the Best Small and Medium Companies in the United States, and the Psychologically Healthy Workplace. The best part is that our employees feel proud of working here. They are not working just to make a buck but to serve their neighbors and communities.

With this strong economy today, we are in a battle to retain and attract outstanding employee talent. We are essentially a technology company in the health care field, so the competition is fierce. We pay at the median level, but still our reputation as a great place to work means that we lose only about eight percent of our employee colleagues annually compared to an average of 20 percent in our market.

Throughout our time making improvements for operations, customers, and workforce, we also worked on the Leadership and Strategy Categories 1 and 2 that we needed to guide our organization. We defined our vision, mission, and core values statement. While they have matured over time, they have always proved valuable guidance for everyone at NEDD.

Our Vision

To be a world-class benefits company that is community focused.

Our Mission

To advance the oral health and overall wellness of our customers and the general public by providing innovative benefits and professional partnerships through diversified strategic business and philanthropic initiatives.

Our Values

We believe that effective **COMMUNICATION** is essential for our continued success as a great place to work and a stellar place to do business for all customers, service providers, and employees. We believe that **TEAMWORK** is key to working effectively toward our mission, being committed to giving 100 percent, and to working collaboratively with shared responsibility and accountability. We believe that **QUALITY** is a core value that enables us to strive continually toward reaching our mission and goals, and to achieving excellence in all that we do, resulting in our consistent feeling of pride in our work at Northeast Delta Dental. We believe that **INTEGRITY** is a crucial value that enables us to be respectfully honest and responsive to internal and external customers.

Finally, we have collected and communicated our Measurements (Category 4) and Results (Category 7). Of course, the measures have matured, but as I hope our results show, we have every reason to feel proud of our accomplishments.

How We Live the Baldrige Values Today

I have described how we gradually implemented improvement efforts using all seven Baldrige categories. Equally important is how we live the Baldrige core values or what used to be called principles. We did not set out to address them one by one, but I tried to live them from the top down. Of course, the values like the Baldrige categories are interconnected, but here is how I tend to group them in my mind when I am doing a mental scan of whether we are successfully incorporating them into our organization.

My Grouping	The Baldrige Core Values
Leadership	<ol style="list-style-type: none"> 1. Visionary leadership – setting vision and values 2. Ethics and transparency – leaders modeling ethical behavior and what’s expected of the workforce
Strategy	<ol style="list-style-type: none"> 3. Focus on success – balancing short term plans with long term goals. 4. Organizational learning and agility – building a capacity for change and flexibility
Workforce	<ol style="list-style-type: none"> 5. Valuing people – building an engaged workforce in a cooperative environment
Operations	<ol style="list-style-type: none"> 6. Systems perspective – managing all components as a single interdependent whole 7. Managing for innovation – innovating in all aspects of the business
Customer	<ol style="list-style-type: none"> 8. Customer-focused excellence – focusing on customers as the ultimate judges of performance 9. Societal contributions – contributing to the well-being of society
Data and Results	<ol style="list-style-type: none"> 10. Management by fact – using data to analyze performance 11. Delivering value and results – balancing the needs of key stakeholders and society

In 2000, NEDD submitted an application to the Granite State Quality Award. We learned a lot simply by writing the organizational profile and application, and we learned even more from the examiner feedback about our Opportunities for Improvement or OFIs. We used these OFIs to guide us for over five years and then began to do internal examinations of ourselves based on the Baldrige criteria. These examinations continue to provide valuable guidance to our organization. While we do not talk explicitly about the Baldrige values or categories today, they are so embedded in our culture that they have become second nature, functioning as our business framework.

Final Thoughts

I hope that other leaders will see the enormous payoff we have had from Baldrige and will want to embrace this tried and tested model.

Looking back, we did several things that helped us succeed with the Baldrige model, and I share them in the hopes of making others’ journeys equally successful.

Take the time to really understand the criteria. I did it by taking the Baldrige examiner training, and I honestly believe that the few weeks this takes delivers at least as much wisdom as two years of business school. NEDD’s most enthusiastic ambassadors are those employee colleagues who completed examiner training, whether they took it at the state or national level or whether they ever examined another company or not.

Share the learning with others in your organization. Having my top leaders also take examiner training created a solid team of ambassadors or apostles who could not only support my efforts but expand the ideas and outcomes through their wisdom.

Start with early wins for your organization. Change, like a diet, requires one to have a goal in mind and to stick to the plan. This is not easy, and it is possible for the efforts to become just another forgotten new year's resolution or idea of the month. We started with improved efficiency and quality through defining and managing our work processes. This had immediate payoffs. We followed with the GOSE or focus on the customer because I already had seen how this produced results quickly.

Persuade key stakeholders to support the effort. We had to persuade both the Board and the staff. We did this by highlighting the early wins and by having lots of measures to prove that we were improving.

Always focus on doing what is right—for staff, for customers, and for society. If you do this, the results will come.

Leadership must have an unwavering commitment to excellence. A sustained change based on the Baldrige model and values requires a fanatical focus by leaders. To successfully implement Baldrige as we did first at DDPMA and then at NEDD, the commitment must come from the top, from leaders who lead by example. Success cannot be delegated.

Baldrige can work for any kind of organization. The Baldrige framework and its core values apply to any size organization in any type of industry. I feel confident Baldrige can work for your organization as it did for mine.

I believe that if you take care of your customers and your people, the results will take care of themselves. If people are happy at work, they will deliver great service and be recognized and rewarded. If customers are happy, they will remain loyal and tell others, increasing sales and revenues. And if operations are efficient and error free, they will save money. It is a beautiful circle, where paying attention to your people leads to customer loyalty which leads to great results.



About The Foundation for the Malcolm Baldrige National Quality Award and the Institute for Performance Excellence

The Baldrige Foundation is the private-sector partner of the Baldrige Performance Excellence Program (BPEP), a federal program in the National Institute of Standards and Technology within the Department of Commerce. The Mission of the Baldrige Foundation is to ensure the long-term financial growth and viability of BPEP, and to support organizational performance excellence. The Institute for Performance Excellence is a thought leader on performance excellence, leadership, and management. Our team carries out this mission by undertaking research projects, hosting conferences and activities, conducting executive-level training, and publishing and distributing a wide variety of educational materials. The mission of the Institute is to improve the practice of leadership and management in pursuit of performance excellence and its impact in an ever-changing world.

To learn more about the Baldrige Foundation or Institute for Performance Excellence, please contact Josh Racette, Executive Director of Corporate Development, at (614) 785-0214 or [jraccette@baldrigefoundation.org](mailto:jracette@baldrigefoundation.org). The Baldrige Foundation is recognized by the Internal Revenue Service as a 501(c)(3) tax exempt organization. Your donations and contributions are tax deductible. To learn more visit www.baldrigefoundation.org. To learn more about the Institute, go to www.baldrigeinstitute.org. To learn more about BPEP visit www.nist.gov/baldrige.