
Minnesota Council for Quality Stakeholder Update
May 2005

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1. A Message from the President: Beyond Satisfaction: Striving for Customer Loyalty

I usually gauge the impact of my newsletter column by the number of emails I receive (complimentary or critical). Last month I talked about the importance of (re)focusing on customer satisfaction, and I received quite a few emails that suggested that customer delight -- not satisfaction -- was a better indicator of customer focus, positive referral, and overall loyalty. I tend to agree.

To illustrate this, let me share an anecdotal study done a few years ago at a restaurant. Five couples that approached the host stand on a given evening were made to wait for 30 seconds while the host/hostess wrapped up a phone conversation, fumbled around with paperwork, held up an index finger as if to say "just a minute," and otherwise focused on other more "important" things. They were then seated and received high quality service the rest of the night. Another five couples were greeted warmly, asked their preferences (smoking/non-smoking, inside/outside, etc.), and offered to be seated immediately; they, too, then received high quality service the rest of the night.

At the end of the meal, customers were asked to rate their overall experience that evening. Get this. Those who had to wait 30 seconds claimed that their average wait time was between 5-7 MINUTES and had satisfaction ratings some significantly lower than the other group. You could call the first group "satisfied," but you could call the second group "delighted." And probably more interested in returning.

We all can resonate with the restaurant experience. One thing that anecdote says to me is that customers today have very high standards for routine transactions. And since

customers now EXPECT to be satisfied, a satisfied customer is probably just as likely to defect from a company as is a dissatisfied one. Conversely, completely satisfied customers (call them “delighted”) should be much more loyal than merely satisfied customers.

There’s data to validate this. Ritz-Carlton Hotels, widely considered one of the highest quality hotel chains in the world, claims that the cost of attracting a new customer is five times more than the cost of retaining a current one. (Actually, numerous organizations have claimed a similar 5-to-1 net revenue advantage for loyal customers; see “Customer Loyalty: Playing for Keeps,” in the Council’s improvement Clearinghouse at http://www.councilforquality.org/improve_documents.cfm; use keyword “loyalty.”) Furthermore, Ritz claims that a 1% increase in customer satisfaction results in a 2.5% increase in revenue per available hotel room.

So it’s no wonder then why they invest more than 250 hours a year in training their frontline employees (that’s correct: more than 6 weeks’ training) and more than 320 hours a year for their leaders. Or why they empower their employees to spend up to \$2000 PER GUEST PER DAY to resolve complaints and satisfy customer needs. Or why they maintain a Guest Recognition Program that records every guest’s preferences -- their likes and dislikes -- into a system so that future service can be personalized. (If you leave Diet Coke cans in the trash can in your room, chances are that on your next stay at a Ritz, the fridge will be stocked with Diet Coke rather than Diet Pepsi. Now that’s service!)

As another example, Bank of America, has combined its Six Sigma, Voice of the Customer, and quality efforts into a comprehensive philosophy that focuses on creating a better (and more predictable) customer experience (see “Driving Organic Growth at Bank of America,” by visiting http://www.councilforquality.org/improve_documents.cfm and using keyword “loyalty”). They determined that “delighted customers” are four times more likely to recommend BofA to their friends and family and three times more likely to open more accounts than customers who are simply “satisfied.”

So the bank has implemented an employee training program (modeled after Disney) that focuses on the proper way of interacting with customers. Rather than just standing at the teller line, employees now greet customers as they walk into the office and immediately seek to identify and satisfy needs. They have implemented Hoshin (a systematic planning process to set strategic direction and align resources across the organization), Kanri (a Japanese quality process to manage strategy deployment and measure results), and Six Sigma (to reduce process variation and improve service reliability).

Their results? Defects across their electronic channels dropped 88%. Errors in all customer delivery channels/segments dropped 24%. Problems taking more than one day to resolve dropped 56%. Customer delight (a rating of 9 or 10 on a 10-point scale) increased from 40% to 52% over the last three years -- a 25% improvement. And new checking accounts have had a 174% year-over-year net gain.

In today's marketplace, it's not enough to just satisfy customers -- you must delight them to maintain their loyalty and positive referral. So how do you do that? Here are some ways:

- * Strive to build relationships with your customers. Rather than treating customers as "transactions," build a rapport that not only leads to their complete satisfaction but also to their willingness to talk positively to others about your organization.

- * Identify customer needs. The focus of last month's newsletter article (see http://www.councilforquality.org/about_newsletter.cfm), organizations must find out what drives customer satisfaction and loyalty by ASKING customers. Don't assume you know what customers need; ask them.

- * Manage your processes. Organizations should pay as much attention to your processes as you do to your outcomes (products/services), because customers may be pleased with the result but not how the result was obtained (or vice-versa). Eliminate variation in your processes; work to improve reliability.

- * Resolve complaints. Customers want to be respected. When you have a service breakdown, resolve the issue quickly and work to prevent it from recurring. Customers usually give organizations a second chance. In fact, according to a Technical Assistance Research Program, 90% of dissatisfied customers will remain loyal if an organization resolves the customer's problem (Kessler, "Total Quality Service," 1995).

- * Focus on your employees. Your front-line employees shape your customers' impression of your organization. Customers can be won or lost based upon the experience they have with individual employees. So train your employees on customer service techniques, establish customer contact requirements, structure work and jobs to maximize empowerment and initiative, reward and recognize good performance, and identify the factors that motivate and satisfy your staff.

- * Measure your progress. Organizations should have lagging customer indicators (such as customer satisfaction, customer retention, customer attrition including why they defected, referrals, market share, sales) as well as leading indicators of satisfaction (process performance, product/service performance, customer perceived value, and so forth). Your measures should be segmented, monitored over time (to determine trends), and compared to relevant external comparisons (to determine relative performance).

Organizations that truly focus on service and customer loyalty are (unfortunately) difficult to find. The Ritz-Carlton and Bank of America are two such examples. So is Disney.

The Minnesota Council for Quality -- in partnership with the Rochester Area Quality Council and with the support of Fairview Health System, Best Buy Corporation, Concordia University, MN High Tech Association, and Unisys -- is pleased to host an extraordinary event on June 16: The Disney Institute's "Keys to Excellence."

This full-day workshop will focus on best practices and philosophies from the world-renowned Walt Disney World Resorts -- an organization that truly focuses on service, overall “experience,” and customer loyalty. The program will showcase four areas: leadership, management and employee satisfaction/well-being, service, and loyalty.

To learn more about Disney’s best practices and the June 16 event, visit our website at www.councilforquality.org or see Article 3 below.

Yours in Improvement,

Brian S. Lassiter
President, Minnesota Council for Quality
www.councilforquality.org

2. 2004 Minnesota Quality Award Event May 24; Time is Running Out to Register!

Next week the Minnesota Council for Quality will present the 2004 Minnesota Quality Award to seven organizations (actual Award levels will be announced at the event):

- * Allina Hospitals & Clinics (Minneapolis)
- * Dover-Eyota Schools (Eyota)
- * Hayfield Schools (Hayfield)
- * Kingsland Schools (Spring Valley)
- * Mayo Clinic Radiology Department (Rochester)
- * StoraEnso (Duluth)
- * Winona Health (Winona).

“The seven organizations receiving the 2004 Minnesota Quality Award represent many parts of Minnesota’s economy -- a manufacturer, three health care organizations, and three K-12 school districts,” says Brian Lassiter, president of the Minnesota Council for Quality. “This event will not only recognize these seven organizations, but also offer an opportunity to network and learn from a growing community interested in improving the performance of Minnesota organizations.”

The two-hour event (which includes heavy hors d'oeuvres and a cash bar) will recognize these organizations’ accomplishments, thank the Minnesota Quality Award Board of Evaluators and other key Council volunteers, and promote networking and sharing.

The event is open to the public and is made possible by the generous contributions of our sponsors: Xcel Energy, Micro-Tech Hearing Instruments, Benedictine Health System, and Unisys Corporation.

Date: Tuesday, May 24, 2005

Time: 5:30 PM to 7:30 PM (5:30 networking; 6:30 program)

Location: Embassy Suites Minneapolis Airport, 7909 34th Avenue South, Bloomington, 55425 (just south of 494 and airport; just northeast of the Mall of America)

To register, please email brian.lassiter@councilforquality.org or call 612-462-3577.

Dick Pettingill, President and CEO of Allina Hospitals & Clinics states: “At Allina, we are focused on improving our systems and processes so that we can improve how we deliver patient care. The Baldrige model helps us to focus our energy and resources on those issues that will drive patient safety, clinical outcomes, and other performance results. We are on a journey and are diligently working to reach higher levels of excellence.”

“This process validated much of what we thought we knew about our business,” says Pat Moore, Plant Manager at StoraEnso’s Duluth mill. “But the feedback did reveal a few gaps that we hadn’t considered, and we are now working to take our performance to a higher level of performance.”

David Groth, Superintendent of Schools for Dover-Eyota comments on why they have used Baldrige for 10 years: “Schools are facing difficult challenges -- tight funding, changing student demographics, increased educational requirements such as No Child Left Behind, and an overall more demanding society for improved education. We began using Baldrige to improve student learning and improve satisfaction with all our stakeholders: students, parents, the community, and our partners. We have seen tremendous results, but we intend to continue our improvement efforts to increase student achievement and advance our mission.”

Founded in 1991, the primary objective of the Minnesota Quality Award is to help organizations improve their performance results. The Award also serves to recognize performance excellence throughout the state. The Minnesota Quality Award is given at four levels – Excellence (the top Award), Achievement, Advancement, and Commitment – and is the culmination of a rigorous assessment process that uses the Criteria for Performance Excellence of the Malcolm Baldrige National Quality Award. Since 1991, 70 organizations have received recognition at various levels.

Organizations that participate in the process receive comprehensive feedback that outlines their strengths and improvement opportunities along several dimensions: leadership; strategic planning; customer and market focus; measurement, information, and knowledge management; human resource focus; process management; and results. This feedback is used for organizational learning, planning, and improvement.

For more information on the event or the Minnesota Quality Award, visit our website at www.councilforquality.org. To register for the May 24 event, email brian.lassiter@councilforquality.org or call 612-462-3577. We hope to see you there, and spread the word within your organization!

3. Disney's "Keys to Excellence" -- Disney Institute Visits Minnesota 6/16

The Minnesota Council for Quality, in partnership with the Rochester Area Quality Council and with the support of Fairview Health System, Best Buy Corporation, Concordia University, the MN High Tech Association, and Unisys -- is pleased to host an extraordinary event this June 16: "The Disney Keys to Excellence." This full-day event will focus on best practices and philosophies from the world-renowned Walt Disney World Resorts. The program will showcase four areas:

* Leadership - Disney Style. Discover how effective leadership has been the catalyst at Disney to drive employee and customer satisfaction and bottom-line results, from the company's inception to today. Disney will share best practices in communication, building involvement and ownership, organizing (work structure), and capitalizing on change.

* Management - Disney Style. Understand the importance of integrating your corporate culture into selection, training, and employee care. Disney will share best practices in organizational/employee learning methods, hiring and employee selection processes, employee training and motivation, and creating a supporting environment by rewarding employees.

* Service - Disney Style. Explore world-renowned Disney principles for service excellence. Disney will share best practices in developing a service philosophy, knowing and understanding customer needs, defining service standards, developing a service theme, and delivering on that service theme.

* Loyalty - Disney Style. Learn key practices and principles in building and sustaining loyalty that have made Disney a trusted and revered brand around the world for more than 75 years. Disney will share the business case for loyalty (the link between loyalty and financial results). And Disney will share best practices in strategies for creating loyalty (for identifying your brand promise and your core components) and for creating emotional connections with employees and customers.

The program is ideal for leaders and professionals in any size organization regardless of sector or industry. So, if you are interested in learning about how Walt Disney World Resorts achieves such world class results from its best practices in leadership, management, service, and loyalty, then don't miss this one-time event.

"The Disney Keys to Excellence" will be held at the Earle Brown Center in Brooklyn Center. Cost is \$369 for the full day (\$299 for Council or RAQC members, if registered before May 27), which includes lunch and refreshments. A half-day session is available (either for the morning, which focuses on leadership and management or for the afternoon, which focuses on service and loyalty). Cost for a half day is \$208 (\$199 for Council/RAQC members before May 27), which includes refreshments.

For more information, visit our website at www.councilforquality.org. To register, email kathryn.mackin@councilforquality.org and indicate attendees' contact information (name, affiliation, title, address, phone, and email), full day or half-day session (and which half-day), and preferred payment method (MasterCard, Visa, or invoice).

4. Join the 2005 Board of Evaluators; Summer Training Approaching

Are you interested in learning more about what makes organizations successful? Are you interested in helping other organizations -- such as schools, hospitals, non-profits, and businesses -- around the state improve their performance? Would you be interested in networking, learning, and sharing with others who feel the same way?

The Minnesota Council for Quality is seeking candidates for the 2005 Minnesota Quality Award Board of Evaluators. There are many benefits to becoming an Evaluator, such as:

- * strengthening your ability to understand what factors drive organizational results,
- * networking with peers across the state,
- * forming deep relationships with professionals and leaders interested in organizational improvement,
- * reviewing performance of organizations throughout the state (and possibly identifying best practices for your organization), and
- * developing other professional skills such as analysis, consensus- and team-building, interpersonal, written communication, interviewing, and systems thinking.

Many Evaluators consider the experience to be among the most valuable of their careers. Furthermore, Evaluators can now earn post-graduate credit for participating in training. For interested Evaluators, the University of Wisconsin-Stout will offer three (3) hours of credit in partnership with the Minnesota Council for Quality.

If you are interested in joining the 2005 Board of Evaluators, the summer training session will be June 28-30 (in Rochester) and the fall session will be September 20-22 (in the Metro). You may select the session that best meets your needs. In addition to the full three-day training session, new Evaluators are also required to attend a one-day orientation (dates will be set soon).

We hope that you would consider (re)joining the Board of Evaluators and/or encourage others to do so. For more information or for an application, please visit www.councilforquality.org/assess.cfm, email us at kathryn.mackin@councilforquality.org, or call 612-462-3577.

5. Baldrige Regional Conference Comes to Minnesota -- Save the Date 9/28

The Minnesota Council for Quality, in partnership with the Baldrige National Quality Program and the Kansas Award for Excellence, is pleased to announce that Minnesota will be one of two host sites for the 2005 Baldrige Regional Conferences. Scheduled for Wednesday, September 28 (with a half-day pre-conference session on the 27th), the conference will offer a day of dynamic learning and networking with the 2004 Malcolm Baldrige National Quality Award recipients as well as Award recipients from prior years. The 2004 recipients include:

Robert Wood Johnson University Hospital Hamilton – provides primary, outpatient, and community health care services to more than 350,000 residents in its service area.

The Bama Companies – manufactures frozen ready-to-use food products for the quick service and casual dining restaurant business and family dining chains.

Texas Nameplate Company, Inc. – produces nameplates, identification tags, and labels for a wide variety of products, including high-pressure valves, oil field equipment, and computers.

Kenneth W. Monfort College of Business – focuses on delivering an undergraduate-only business education through high-touch, wide-tech, and professional depth.

Spend a day learning about these role model organizations' best practices and performance strategies in all seven Baldrige Criteria Categories: leadership; strategic planning; customer/market/student/stakeholder/patient focus; measurement, analysis, and knowledge management; human resource/faculty/staff focus; process management; and results.

This conference also allows for networking with Award recipients and promises that you will take home valuable tips for applying Baldrige and other improvement frameworks to your organization to improve your performance and strengthen your results.

A pre-conference workshop for Baldrige Beginners is planned for the afternoon of 9/27.

Save the date! More information will be available on the Council's and the Baldrige website in the coming weeks.

6. Looking for a Consultant? Try the New (and Free) Consultant Referral Network

Looking for a Six Sigma consultant? An ISO auditor? A leadership coach, a diversity trainer, or a strategic planning expert?

Sometimes locating an organizational improvement expert is difficult. There are many out there, but unless you already know who they are -- or you get lucky through word of mouth – it is oftentimes challenging to find them.

The Minnesota Council for Quality -- in cooperation with the Michigan Quality Council, the Ohio Partnership for Excellence, and the Wisconsin Forward Award -- is pleased to announce the launch of the Consultant Referral Network(c). Located at www.consultantreferralnetwork.org, the Consultant Referral Network is a dynamic, web-enabled search tool that connects organizational improvement experts to client organizations seeking them. This service allows clients to outline their needs in terms of subject matter expertise sought, type of assistance desired (consulting, training, coaching, speaking, or facilitating), sector/industry expertise required, size of consulting firm desired, desired location of consulting firm, and years of experience preferred. The client can also weight the relative importance of each variable. The tool will then identify up to five consultants or firms that best match the client's needs.

What makes this service unique? Two things. First, it focuses on organizational improvement. There are other tools that help you locate doctors, dentists, and plumbers. But there are very few resources available to locate organizational improvement consultants. Second, the tool allows the hiring organization (the “client”) to search for vendors based on their specific needs. So rather than sorting through dozens or hundreds of possible consultants on a particular subject matter expertise, this tool will allow you to narrow your search for the consultants that meet your specific requirements – requirements such as sector/industry expertise, location, size, and years of experience.

The process is simple. If you are a client, it takes you about 5 minutes to conduct a search (if you are a consultant, it takes you about 15 minutes to register and select your listing fee option). To learn more about the service or to use the tool, visit www.consultantreferralnetwork.org.

7. Using Baldrige to Drive Excellence: Perspectives from Across Sectors -- PIN Discussion 6/2

Interest and use in the Criteria for Performance Excellence of the Malcolm Baldrige National Quality Award is as high as perhaps it has ever been. Nationwide, well over 1000 organizations apply for the national or a state Award every year, and literally tens of thousands of organizations are using the framework to assess, align, and improve their outcomes, results, and operations. And commitment to this framework of excellence is not just in the business sector – health care organizations, education institutions, non-profits, and public sector agencies are using Baldrige to improve and optimize their performance.

The Minnesota Council for Quality is pleased to announce a special PIN meeting on June 2, when we welcome a panel of experts to share how their organizations are using Baldrige: Ann Burns of Sunny Fresh Foods (a 1999 Baldrige recipient in the

manufacturing sector); Col. April Corniea, MN Army National Guard (winner of the Army's Baldrige-based "Communities of Excellence Award"); Dick Poole, Dunwoody Institute; and Angie Theisen, Central MN Jobs & Training Services (a recipient of the 2002 MN Quality Award, Commitment Level). Brian Lassiter, president of the Minnesota Council for Quality will introduce and moderate the panel, which will focus on how these organizations are using Baldrige to assess performance, what results each organization has seen from their efforts, and where each organization intends to head with its improvement efforts.

The discussion is from 8:00-9:00 a.m. on June 2 (networking and continental breakfast begin at 7:30 a.m.) at the University of St. Thomas in downtown Minneapolis, Opus Hall Room 201. Admission is FREE for Council members; \$10 for partner organizations; \$20 for the public. For more information or to register, visit www.councilforquality.org/perform or email brian.lassiter@councilforquality.org. Space is limited so register today.

8. Strategies to Find Leaders Who Fit Your Organization -- MSLF 5/25 Discussion

The Minnesota Strategic Leadership Forum (MSLF), a partner of the Minnesota Council for Quality, is pleased to announce their May 25 discussion "Strategies to Find Leaders Who Fit Your Organization." The discussion will be facilitated by Rob Stevenson, Founder and President of his own firm.

Mr. Stevenson is internationally known for his unique approach to strategic placement of executives into organization. Called "Discovering My Design," the approach calls for in-depth understanding of the uniqueness of an individual from an idiosyncratic point of view. "Discovering My Design" honors the individual stories of individuals through a process of:

- * communicating the concept of uniqueness in motivation.
- * individual recollection of accomplishments when passion and personal satisfaction were experienced and the recording of that information in written activity stories.
- * training individuals to work together in triads to interview each other about their stories.
- * facilitating the individuals to work within the triads to determine the unique elements of each individual's motivation.

Robert Stevenson is a nationally known management consultant in senior management selection, organizational design, executive coaching, succession planning and workplace change and innovation. He is Chairman of People Management International LLC and Senior Partner of the North Central US office.

The discussion will be held Wednesday, May 25. Registration, networking, and breakfast is at 7:00 AM; the program is from 7:45-9:00 AM. The meeting will be held at the University of St. Thomas, 1000 LaSalle Ave in Minneapolis, Opus Hall 201. Cost is \$35 to the public or \$25 for members of Council (free for MSLF Premium members). For more information or to register, visit <http://www.slf-minnesota.org/calendar.htm>.

9. Coaching for Personal & Organizational Transformation -- MNODN Meeting 6/7

In addition to being a growth profession in and of itself, coaching leaders is an integral part of the work of many OD professionals. The Minnesota OD Network (MNODN), an alliance partner of the Minnesota Council for Quality, is pleased to announce its June meeting, "Coaching for Personal & Organizational Transformation."

In this session, Kevin Cashman, Founder and CEO of LeaderSource and one of the foremost leadership coaches in the field today, will lead us in exploring the differing perspectives, models, and best practices involved in coaching leaders in pursuit of individual and organizational transformation. Through the sharing of Kevin's perspective, as well as those of session participants, we will:

- * Learn the three core components for coaching that gets sustainable impact,
- * Explore a continuum of coaching approaches and which one you and/or your organization favors,
- * Understand the three languages required to effectively communicate and connect as a coach, and
- * Examine coaching best practices and pitfalls with OD Network colleagues.

The discussion will be held June 7 from 3:30-5:30 (networking at 3:00) at Sisters of St. Joseph Carondelet Center, 1890 Randolph Ave., St. Paul. Cost is \$10 for members of MNODN or the Council and \$20 for non-members. For more information, visit <http://www.mnodn.org> or contact Al VanArsdal at 952-210-76776 or vanarscon@aol.com.

10. Concordia University Announces Summer Courses

Concordia University, St. Paul, is pleased to announce their summer improvement and business courses:

Building Emotional Intelligence, 6/4, 9AM-4PM,
\$100 (non-credit), \$430 (undergrad 2 credits), \$630 (graduate 2 credits)

Symposium: Women Transforming the Workplace, 6/10, 9AM-3PM
\$150 (non-credit), \$470 (undergrad 2 credits)

Peer Group Facilitation, 6/18, 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits)

Creative Problem Solving, 7/9, 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits), \$630 (graduate 2 credits)

Introduction to Six Sigma, 7/16, 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits)

Breathtaking Customer Service, 7/16 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits)

Management Skill Building, 7/23, 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits)

Managing Organizational Change, 8/6, 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits)

Continuous Personal Growth and Improvement, 8/13, 9AM-4PM
\$100 (non-credit), \$430 (undergrad 2 credits), \$630 (graduate 2 credits)

For more information, please contact Nancy Hoglund hoglundn@csp.edu. You can also find more information at www.csp.edu/ce.

11. Feedback on This Newsletter

We have been told that -- while the content of this newsletter is good -- the format and functionality could use a little work. And we listened. So we will be making big changes to this newsletter in the next 60 days. With the support of Cargill, we are designing an HTML-formatted email that will improve the look, feel, and usability of this publication. If you have thoughts as to how we might improve this newsletter -- content, format, or functionality -- please send them to info@councilforquality.org. We appreciate any ideas you share.

This newsletter is provided as a benefit to Council members, friends, and stakeholders. Feel free to forward it to your colleagues. If you wish to be removed from the distribution, please email us at info@councilforquality.org.