leading change

APIC-Q

Army Performance Improvement Criteria

2005

Leading Change

"… there is an understandable temptation to ignore management reforms in favor of new policies and programs. However, what matters most is performance and results. In the long term, there are few items more urgent than ensuring that the federal government is well run and results-oriented. This Administration is dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used. We owe that to the American people."

President George W. Bush

The President's vision for government reform is guided by three principles. Government should be:

— Citizen-centered, not bureaucracy-centered;
— Results-oriented;
— Market-based, actively promoting rather than stifling innovation through competition.

We encourage every organization to use the Army Performance Improvement Criteria (APIC) for self-assessment. The end result will be a stronger, more effective Army, one better able to meet the challenges of the coming years. The APIC is a tool that will help organizations assess how they do business and identify opportunities for improvement. The use of the Army's Performance Improvement Criteria can serve as a major Army leadership strategy to stimulate organizational learning, ensuring stewardship of the public trust. APIC provides leaders with an excellent tool to gauge organizational performance. Further, it enables leaders to examine all aspects of the organization and facilitates sharing of best practices to promote change and create avenues of excellence for organizational learning.

The 2005 APIC is based on the 2005 Malcolm Baldrige Criteria for Performance Excellence, and is the strategic framework for leading change and assessing performance recommended by AR 5-1. For 15 years, the Baldrige Criteria has been used by thousands of U.S. organizations to stay abreast of ever-increasing competition and to improve performance. In today's business environment, the Criteria helps organizations respond to the rapid pace of innovation, to focus on core competencies, and to the challenges of outsourcing and supply chain management. It is the basis for the top quality award programs in 44 States and over 60 nations. Whether your organization is small or large; tactical or non-tactical unit; combat, combat support, or combat service support unit; school or garrison command; or an element of a headquarters staff, the APIC provides a valuable framework that can help you plan for continuous performance improvement in an uncertain environment. It is quite simply, "Management by Asking (and answering) 126 Good Questions". It includes actual examples from Army organizational self-assessments to assist in applying the Criteria to your organizations. These "real world" examples should be helpful to relating the criteria to your activity and to enable its use as an assessment tool.

We thank the Assistant Chief of Staff, Installation Management (ACSIM), the U.S. Army Construction Engineering Laboratory (CERL), instructors at the Army Logistics Management College (ALMC) and the Laverne E. Weber Army National Guard Professional Education Center (PEC) for providing valuable assistance in the development of this handbook. We also extend thanks to organizations who provided category examples for inclusion in Appendix C.

Our Army At War - Relevant and Ready!

Our Army is at war with nearly 50 percent of its forces engaged in combat. We will continue to be so for the foreseeable future.

Our Army is a proud member of the Joint Force expertly serving our nation and its citizens as we continuously strive toward new goals and improve performance.

Our Soldiers, their training, readiness, and welfare, are central to all we do.

Our individual and organizational approach to our duties and tasks must reflect the seriousness and sense of urgency characteristic of an Army at war. Our Soldiers and our nation deserve nothing less.

We are at war.

U.S. Army Theme

Table of Contents

Core Values, Concepts, and Framework

Criteria Purposes

The Criteria are the basis for organizational self-assessments, for making Awards, and for giving feedback to applicants. In addition, the Criteria have three important roles in strengthening Army organizations.

- to help improve organizational performance practices, capabilities, and results
- to facilitate communication and sharing of best practices information among organizations of all types.
- to serve as a working tool for understanding and managing performance and for guiding organizational planning and opportunities for learning

Criteria for Performance Excellence Goals

The Criteria are designed to help organizations use an integrated approach to organizational performance management that results in

- delivery of ever-improving value to customers, contributing to marketplace success
- improvement of overall organizational effectiveness and capabilities
- organizational and personal learning

Core Values and Concepts

The Criteria are 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, described below, are embedded beliefs and behaviors found in high-performing organizations. They are 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 performance excellence, stimulating innovation, building knowledge and capabilities, and ensuring organizational sustainability. The values and strategies should help guide all of your organization's activities and decisions. 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, 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 behavior leads to customer acquisition, satisfaction, preference, referral, retention and loyalty, and 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, these factors 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 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 toward 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 listening to your customers. 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 changes.

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 significant change, leading to new goals and 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 building and sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant, meaningful change. Sources for learning include employees' ideas, 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 your resources; and (6) enhancing your organization's performance in fulfilling its societal responsibilities and its service to your community as a good citizen.

Employees' success depends increasingly on having opportunities for personal learning and on practicing new skills. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth and development. 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 your organization, (2) organizational cross-functional learning, (3) the building of your organization's knowledge assets, and (4) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward 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 backgrounds, knowledge, skills, creativity, and motivation of all 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 varying workplace and home life needs. Major challenges in the area of valuing employees include (1) demonstrating your leaders' commitment to your employees' success, (2) providing recognition that goes beyond the regular compensation system, (3) offering development and progression within your organization, (4) sharing your organization's knowledge so your employees can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages risk taking and innovation, and (6) creating a supportive environment for a diverse workforce.

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labor-management cooperation. 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 education 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-business 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 responses to customers. Major improvements in response times often require simplification of work units and processes 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 or 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, creating a sustainable organization 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 public, and your community.

Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, employee development and hiring needs, the increasingly global marketplace, technological developments, the evolving e-business environment, changes in 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, creating opportunities for innovation, and anticipating public responsibilities.

Managing for Innovation

Innovation means making meaningful change to improve an organization's products, services, processes, and operations 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 learning culture. Innovation should be integrated into daily work and should be supported by your performance improvement system.

Innovation builds on the accumulated knowledge of your organization and its employees. Therefore, the ability to rapidly disseminate and capitalize on this knowledge is critical to driving organizational 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. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; supplier, employee, cost, and financial performance; and corporate governance and compliance. 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 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, financial, and ethical performance. A comprehensive set of measures or indicators tied to customer and organizational performance requirements represents a clear basis for aligning all processes 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 public, ethical behavior, 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 public responsibility. Design decisions impact your production processes and often the content of municipal and industrial waste. 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 behavior 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 publicly important purposes. Such purposes might include improving education and health care in your community, pursuing environmental excellence, practicing resource conservation, performing community service, improving industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes.

Managing social responsibility requires the use of appropriate measures and leadership responsibility for those 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 public, 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 plans and actions 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 APIC provides a systems perspective for managing your organization and its key processes to achieve results—performance excellence. The seven APIC Categories and the Core Values 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 APIC Categories to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment so that the individual components of your performance management system operate in a fully interconnected manner.

These concepts are depicted in the APIC framework on page 5. 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 these strategies with your key processes and aligning 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.

Criteria for Performance Excellence 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 page 5 provides the framework connecting and integrating the Categories.

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

Organizational Profile

Your Organizational Profile 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 APIC 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 key processes accomplish the work of the organization that yields your business results.

All actions point toward Business Results—a composite of product and service, customer and market, financial, and internal operational performance results, including human resource, 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 arrows indicate 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.

Criteria Structure

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

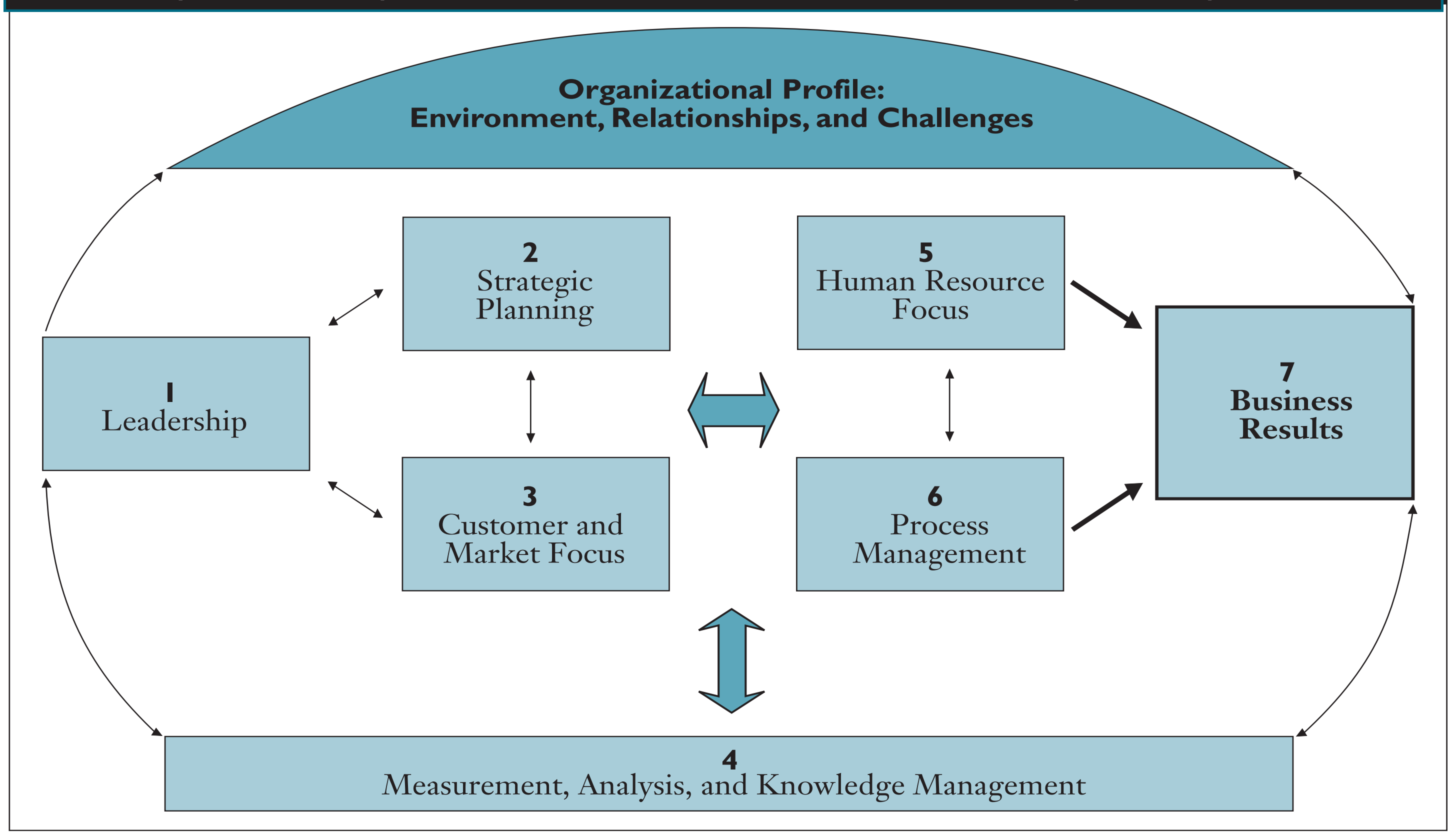
Items

There are 19 Items, each focusing on a major requirement.

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.

The Army Performance Improvement Criteria Performance Excellence Framework: A Systems Perspective



Key Characteristics of the Criteria

1. The Criteria focus on business results.

The Criteria focus on the key areas of organizational performance given below.

Organizational performance areas:

(1) product and service outcomes

(2) customer-focused results

(3) financial and market results

(4) human resource results

(5) organizational effectiveness results, including key internal operational performance measures

(6) leadership and social responsibility results

The use of this composite of measures 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.

2. The Criteria are nonprescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe

- how your organization should be structured;
- that your organization should or should not have departments for quality, planning, or other functions; 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 Criteria are 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. Nonprescriptive requirements are intended to foster incremental and major ("breakthrough") improvements, as well as basic change through innovation.

(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 understanding, communication, sharing, alignment, and integration, while supporting innovation and diversity in approaches.

3. The Criteria support a systems perspective to maintaining 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, the Scoring Guidelines, 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 as 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) executing plans

(3) assessing progress and capturing new knowledge, taking into account internal and external results

(4) revising plans based upon assessment findings, learning, new inputs, new requirements, and opportunities for innovation

4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell 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 and relative to process and performance maturity as determined by the Scoring Guidelines. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described in the box above. 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.

Changes from the 2004 Criteria

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 2005 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 APIC 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 APIC Examiners 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. To facilitate the process of acceleration, we have included an optional worksheet in this year's Criteria booklet. This worksheet is for your use and is not for inclusion in a formal application

The most significant changes in the Criteria and the Criteria booklet for 2005 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.
- A new worksheet has been added for your internal use in action planning, based on your APIC self-assessment. This worksheet is optional and not to be submitted with a formal Army Award application.
- 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.

Changes from the 2004 Criteria

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.

NOTES

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.

Army Performance Improvement Criteria Item Listing

P Preface: Organizational Profile

P.1 Organizational Description

P.2 Organizational Challenges

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

Importance of Beginning With Your Organizational Profile

Your Organizational Profile is critically important because

- it is the most appropriate starting point for self-assessment and for writing an application;
- it helps you identify potential gaps in key information and focus on key performance requirements and business results;
- it is used by the Examiners and Judges in application review, including the site visit, to understand your organization and what you consider important; and
- it also may 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 the Organizational Profile can serve as your complete assessment, and you can use these topics for action planning.

P 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:

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 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? 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. Product and service delivery mechanisms to your customers (P.1a[1]) might be direct or through dealers, distributors, or channel partners.

N2. 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.

N3. 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.

N4. 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.

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

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.

Recommendation

It is strongly recommended that the Organizational Profile be prepared first and then used as a guide in self-assessment and in writing and reviewing an Army Award Program application.

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:

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? What are your KEY available sources of comparative data for analogous PROCESSES outside your industry? 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 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?

N1. Principal factors (P.2a[2]) might include differentiators such as price leadership, design services, e-services, geographic proximity, and warranty and product options.

N2. Strategic challenges (P.2b) might include rapid technological change, disruptive technologies that rapidly revolutionize or make obsolete existing processes or products, reduced cycle times for product introduction, industry volatililty, 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.

N3. Performance improvement (P.2c) 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 APEA Examiners set an overall context for your approach to performance improvement.

N4. Overall approaches to process improvement (P.2c) might include implementing a Lean Enterprise System, applying Six Sigma methodology, using ISO 9000:2000 standards, or employing other process improvement tools.

Page Limit

For Army Award Program applicants (ACOE, APEA), the Organizational Profile is limited to five pages. These pages are not counted in the overall application page limit. Typing and format instructions for the Organizational Profile are the same as for the application.

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 organization understand better 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" vary 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 organization, why it exists, and where your senior leaders want to take the organization 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 it. 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 board of directors and your parent organization. Board independence and accountability are frequently key considerations in governance structure.
- In supplier-dependent organizations, suppliers play critical roles in processes that are important to running the organization 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 organization 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 phones 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.

NOTES

I 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?

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 deployment, and strength of your improvement process and results relative to the Scoring System. Refer to the Scoring System *information.*

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?

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.

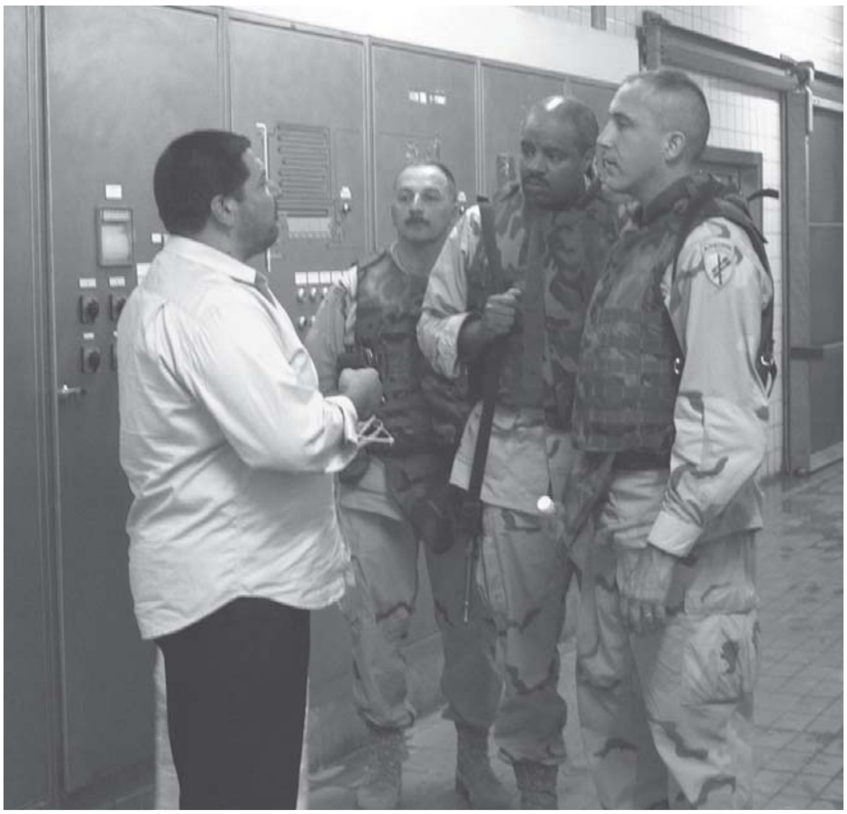
Leadership (Category 1)

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 the actions of your senior leaders to create and sustain a high-performance organization.



Comments

- Senior leadership's central roles 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 Responsibility

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. It should have independence in review and audit functions. It also should have a performance evaluation function that monitors organizational and senior leaders' performance.

- An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) 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 "green" technologies, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or the 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 U.S. global competitiveness and the environment.

NOTES

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?

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 supplier and customer relationship management, and product and service quality enhancements. Responses to Item 2.1 should focus on your specific challenges—those most important to your business success and to strengthening your organization's overall performance.

N6. Item 2.1 addresses your overall organizational strategy, which might include changes in services, products, and product lines. However, the Item does not address product and service design; you should address these factors in Item 6.1, as appropriate.

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?

N1. Strategy and action plan development and deployment are closely linked to other Items in the Criteria. The following are examples of key linkages:

- 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.

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.

Specifically there are 3 key aspects of organizational excellence 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.

Category 2 examines how the organization:

- determines its key strengths, weaknesses, opportunties 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) organization and the executive level, (2) the key process level, and (3) 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 as possible and from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for the developed 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 organizations, 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 organizational 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 organization, 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 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, 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 organizational 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 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.

NOTES

3 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?

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.

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?

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.

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.

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 continuously 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 market-place 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 and priorities for change.
- Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to setting 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.

NOTES

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 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?

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 Baldrige 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

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.

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, how they are integrated to yield organization-wide data and information. Alignment and integration also includes 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 (1) 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 scope; 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 and market indicators of value and the impact of these trends in 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 organizational 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.

NOTES

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 that the employees represent the diverse ideas, cultures, and thinking of your employee 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?

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.

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?

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 well-being, 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?

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, 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.

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, motivation, 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 market place. 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, rewarding 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 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 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 well-being, 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 absenteeism, turnover, grievances, strikes, Occupational Safety and Health Administration (OSHA) reportables, and workers' compensation claims.

6 Process Management (85 pts.)

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?

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.

For additional description of this Item, see pages 42–43.

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?

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.

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, manufactur-ability, 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' perspective 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: (1) 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

Purpose

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

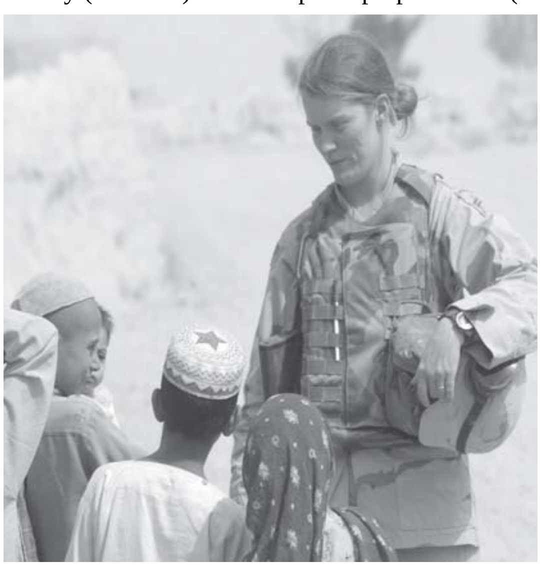
Comments

- 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 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 modifications and complete redesign ("re-engineering") of processes.

- Many types of analysis 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 liabillities 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 should also be coordinated with your efforts to ensure data and information availability (Item 4.1) and workplace preparedness (Item 5.3).



NOTES

7 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 or INDICATORS of product and service PERFORMANCE that are important to your CUSTOMERS? How do these RESULTS compare with your competitors' PERFORMANCE?

Note:

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?

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?

Note:

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?

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.)

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.

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 "realtime" 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 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 (3) 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, and financial returns. Marketplace performance measures might include market position, market share, measures of business growth, new products and services and markets entered (including emarkets 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 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 of 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 area 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 scussess in achieving the strategic objective and then using their measure to define intermediate measures.

- Independent of an increased national focus on issues of governance, ethics, and board 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 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.

NOTES

Scoring System

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 the following two pages.

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 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, analysis, 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/or data you are expected to furnish relative to the two evaluation dimensions given above.

The two types of Items are designated as

1. Process **Process**
2. Results **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/or opportunities for improvement in any or all of these factors.

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.

Scoring Guidelines

For Use With Categories 1–6

SCORE	PROCESS
0% or 5%	■ No SYSTEMATIC APPROACH is evident; information is ANECDOTAL. (A) ■ Little or no DEPLOYMENT of an APPROACH is evident. (D) ■ No evidence of an improvement orientation; improvement is achieved through reacting to problems. (L) ■ No organizational ALIGNMENT is evident; individual areas or work units operate independently. (I)
10%, 15%, 20%, or 25%	■ The beginning of a SYSTEMATIC APPROACH to the BASIC REQUIREMENTS of the Item is evident. (A) ■ 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) ■ Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L) ■ The APPROACH is ALIGNED with other areas or work units largely through joint problem solving. (I)
30%, 35%, 40%, or 45%	■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D) ■ The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident. (L) ■ The APPROACH is in early stages of ALIGNMENT with your basic organizational needs identified in response to the other Criteria Categories. (I)
50%, 55%, 60%, or 65%	■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is well DEPLOYED, although DEPLOYMENT may vary in some areas or work units. (D) ■ 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) ■ The APPROACH is ALIGNED with your organizational needs identified in response to the other Criteria Categories. (I)
70%, 75%, 80%, or 85%	■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the MULTIPLE REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is well DEPLOYED, with no significant gaps. (D) ■ 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) ■ The APPROACH is INTEGRATED with your organizational needs identified in response to the other Criteria Items. (I)
90%, 95%, or 100%	■ An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D) ■ 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) ■ The APPROACH is well INTEGRATED with your organizational needs identified in response to the other Criteria Items. (I)

NOTES

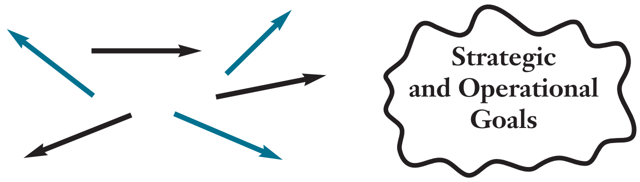
Scoring Guidelines

For Use With Category 7

SCORE	RESULTS
0% or 5%	■ There are no business RESULTS or poor RESULTS in areas reported. ■ TREND data are either not reported or show mainly adverse TRENDS. ■ Comparative information is not reported. ■ RESULTS are not reported for any areas of importance to your organization's KEY business requirements.
10%, 15%, 20%, or 25%	■ A few business RESULTS are reported; there are some improvements and/or early good PERFORMANCE LEVELS in a few areas. ■ Little or no TREND data are reported. ■ Little or no comparative information is reported. ■ RESULTS are reported for a few areas of importance to your organization's KEY business requirements.
30%, 35%, 40%, or 45%	■ Improvements and/or good PERFORMANCE LEVELS are reported in many areas addressed in the Item requirements. ■ Early stages of developing TRENDS are evident. ■ Early stages of obtaining comparative information are evident. ■ RESULTS are reported for many areas of importance to your organization's KEY business requirements.
50%, 55%, 60%, or 65%	■ Improvement TRENDS and/or good PERFORMANCE LEVELS are reported for most areas addressed in the Item requirements. ■ No pattern of adverse TRENDS and no poor PERFORMANCE LEVELS are evident in areas of importance to your organization's KEY business requirements. ■ Some TRENDS and/or current PERFORMANCE LEVELS—evaluated against relevant comparisons and/or BENCHMARKS—show areas of good to very good relative PERFORMANCE. ■ Business RESULTS address most KEY CUSTOMER, market, and PROCESS requirements.
70%, 75%, 80%, or 85%	■ Current PERFORMANCE is good to excellent in most areas of importance to the Item requirements. ■ Most improvement TRENDS and/or current PERFORMANCE LEVELS are sustained. ■ 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. ■ Business RESULTS address most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.
90%, 95%, or 100%	■ Current PERFORMANCE is excellent in most areas of importance to the Item requirements. ■ Excellent improvement TRENDS and/or sustained excellent PERFORMANCE LEVELS are reported in most areas. ■ Evidence of industry and BENCHMARK leadership is demonstrated in many areas. ■ Business RESULTS fully address KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.

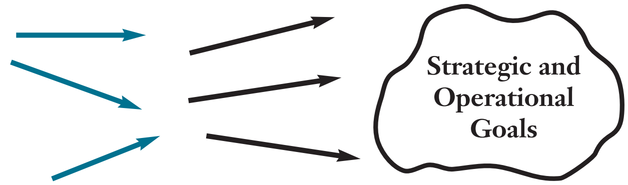
Steps Toward Mature Processes

(1) Reacting to Problems



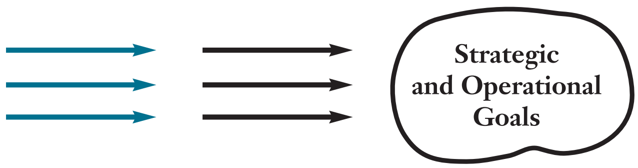
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

(2) Early Systematic Approaches



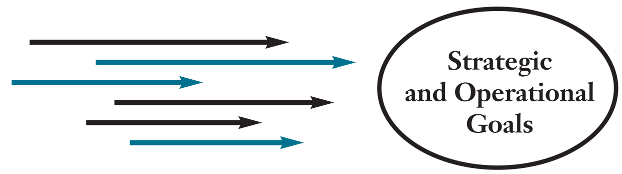
The organization is at the beginning stages of conducting operations by processes with repeatability, evaluation and improvement, and some early coordination among organizational units. Strategy and quantitative goals are being defined.

(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.

NOTES

Criteria Response Guidelines

The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 19 Criteria Items. Writing an application for the APIC Award involves responding to these requirements in 50 or fewer pages.

The guidelines are presented in three parts:

(1) General Guidelines regarding the Criteria booklet, including how the Items are formatted

(2) Guidelines for Responding to Process Items

(3) Guidelines for Responding to Results Items

General Guidelines

1. Read the entire Criteria booklet.

The main sections of the booklet provide a full orientation to the Criteria, including how responses are to be evaluated for self-assessment or by Award Examiners. You should become thoroughly familiar with the following sections:

- Criteria for Performance Excellence
- Scoring System
- Glossary of Key Terms
- Category and Item Descriptions

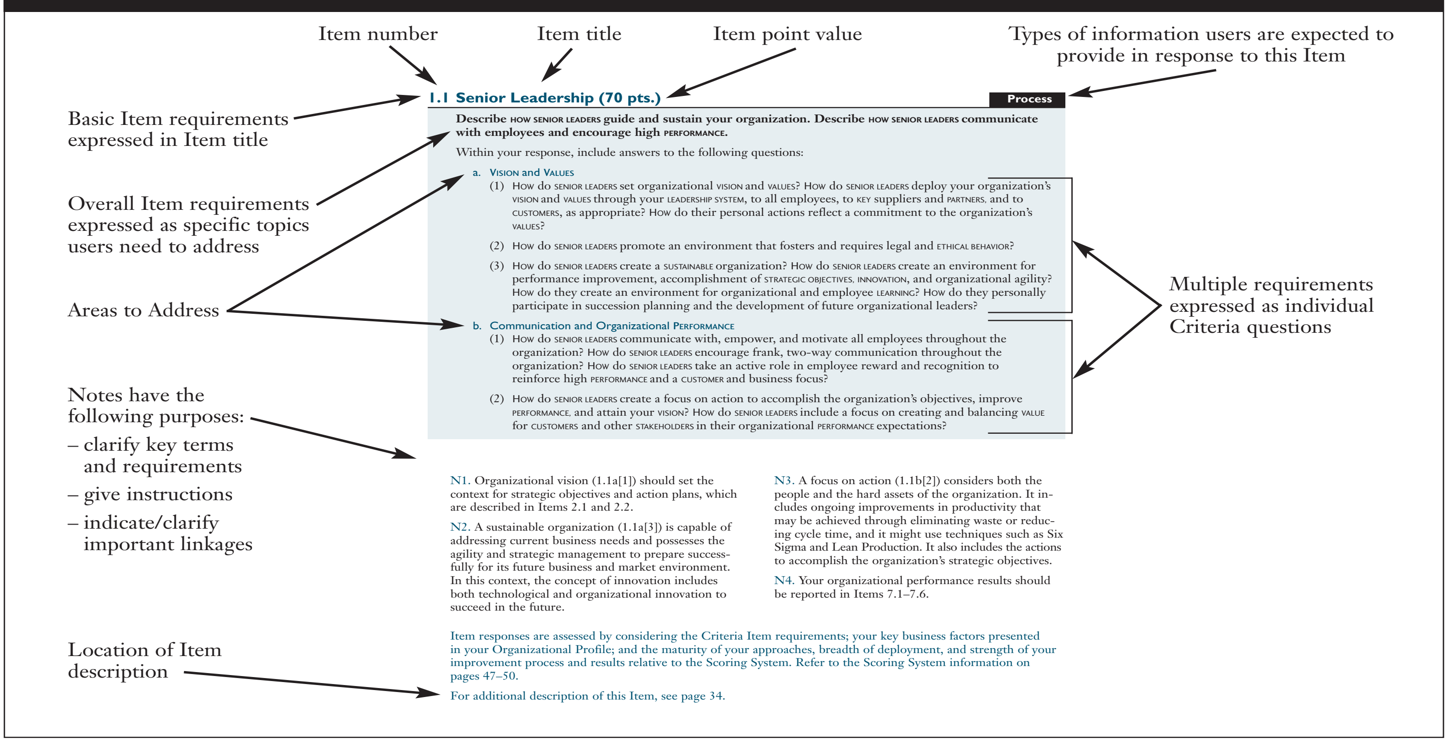
2. Review the Item format and understand how to respond to the Item requirements.

The Item format (see figure below) shows the different parts of Items, the role of each part, and where each part is placed. It is especially important to understand the multiple requirements contained in the Areas to Address. The Item Notes are an aid to help you understand the Areas to Address. Each Item and Area to Address is described in greater detail in the Category and Item Descriptions section.

Each Item is classified as either **Process** or **Results,** depending on the type of information required.

Item requirements are presented in question format. Some of the requirements in the Areas to Address include multiple questions. Responses to an Item should contain responses that address all questions; however, each question need not be answered separately. Responses to multiple questions within a single Area to Address may be grouped, as appropriate to your organization. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

Item Format



3. **Start by preparing the Organizational Profile.**

   The Organizational Profile is the most appropriate starting point. The Organizational Profile is intended to help everyone—including organizations using the Criteria for self-assessment, application writers, and reviewers—to understand what is most relevant and important to your organization's business and to its performance.

Guidelines for Responding to Process Items

Although the Criteria focus on key performance results, these results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than your competitors', it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of Process Items is to permit diagnosis of your organization's *most important* processes—the ones that yield fast-paced organizational performance improvement and contribute to key business results. Diagnosis and feedback depend heavily on the content and completeness of your Item responses. For this reason, it is important to respond to these Items by providing your *key* process information. Guidelines for organizing and reviewing such information follow.

1. **Understand the meaning of "how."**

   Process Items include questions that begin with the word "how." *Responses should outline your key process information that addresses approach, deployment, learning, and* integration. Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as "anecdotal information."

2. **Understand the meaning of "what."**

   Two types of questions in Process Items begin with the word "what." The first type of question requests basic information on key processes and how they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit diagnosis or feedback. The second type of question requests information on *what* your key findings, plans, objectives, goals, or measures are. These latter questions set the context for showing alignment and integration in your performance management system. For example, when you identify key strategic objectives, your action plans, human resource development plans, some of your performance measures, and some results reported in Category 7 should be expected to relate to the stated strategic objectives.

3. **Write and review response(s) with the following guidelines and comments in mind.**

   - Show that approaches are *systematic*.

     Systematic approaches are repeatable and use data and information to enable learning. In other words, approaches are systematic if they build in the opportunity for evaluation, improvement, innovation, and sharing, thereby permitting a gain in maturity.

   - Show deployment.

     Deployment information should summarize how your approaches are implemented in different parts of your organization. Deployment can be shown compactly by using tables.

   - Show evidence of learning.

     Processes should include evaluation and improvement cycles, as well as the potential for breakthrough change. Process improvements should be shared with other appropriate units of the organization to enable organizational learning.

   - Show integration.

     Integration shows alignment and harmonization among processes, plans, measures, and actions that generate organizational effectiveness and efficiencies.

   - Show focus and consistency.

     There are four important considerations regarding focus and consistency: (1) the Organizational Profile should make clear what is important; (2) the Strategic Planning Category, including the strategic objectives and action plans, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of organizational-level analysis and review (Item 4.1) should show how your organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight processes that are key to your overall performance. *Showing focus and consistency in the Process Items and tracking corresponding measures in the Results Items should improve business performance.*

   - Respond fully to Item requirements.

     Missing information will be interpreted as a gap in your process. All Areas to Address should be addressed.

Individual questions within an Area to Address may be addressed individually or together.

4. **Cross-reference when appropriate.**
   As much as possible, each Item response should be self-contained. However, responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses rather than to repeat information. In such cases, key process information should be given in the Item requesting this information. For example, employee education and training should be described in detail in Item 5.2. Discussions about education and training elsewhere in your application would then reference but not repeat details given in your Item 5.2 response.

5. **Use a compact format.**
   Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flowcharts, tables, and "bullets" to present information concisely.

6. **Refer to the Scoring Guidelines.**
   Considerations in the evaluation of Process Item responses include the Criteria Item requirements and the maturity of your approaches, breadth of deployment, extent of learning, and integration with other elements of your performance management system, as described in the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines.

Guidelines for Responding to Results Items

The Criteria place a major emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

1. **Focus on the most critical business results.**
   Results reported should cover the most important requirements for your business success, highlighted in your Organizational Profile and in the Strategic Planning, Customer and Market Focus, and Process Management Categories.

2. **Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data:**
   - *performance* levels that are reported on a meaningful measurement scale
   - *trends* to show directions of results and rates of change
   - *comparisons* to show how results compare with those of other, appropriately selected organizations
   - *breadth and importance of results* to show that all important results are included and segmented, e.g., by important customer, employee, process, and product line groups

3. **Include trend data covering actual periods for tracking trends.**
   No minimum period of time is specified for trend data. Trends might span five years or more for some results. Time intervals between data points should be meaningful for the specific measure(s) reported. For important results, new data should be included even if trends and comparisons are not yet well established.

4. **Use a compact format—graphs and tables.**
   Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be "normalized," i.e., presented in a way (such as use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost work days per 100 employees would be more meaningful than total lost work days if the number of employees has varied over the time period or if you are comparing your results to organizations differing in size.

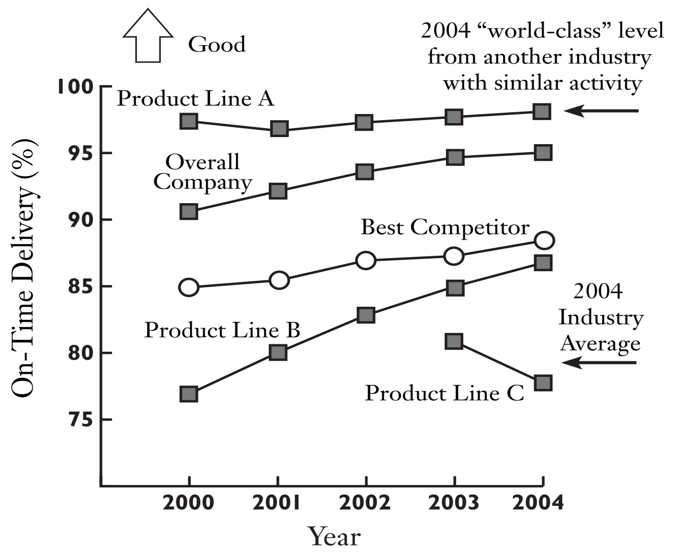
5. **Integrate results into the body of the text.**
   Discussion of results and the results themselves should be close together in an Award application. *Trends that show a significant positive or negative change should be explained.* Use figure numbers that correspond to Items. For example, the third figure for Item 7.1 would be Figure 7.1-3. (See the example in the figure that follows.)

   The graph shown on page 57 illustrates data an organization might present as part of a response to Item 7.1, Product and Service Outcomes. In the Organizational Profile, the organization has indicated on-time delivery as a key customer requirement.

   The graph illustrates a number of characteristics of clear and effective results reporting.

   - A figure number is provided for reference to the graph in the text.
   - Both axes and units of measure are clearly labeled.
   - Trend lines report data for a key customer requirement—on-time delivery.
   - Results are presented for several years.

Figure 7.1-3 **On-Time Delivery Performance**



- An arrow indicates that an upward trend is good for this measure.
- Appropriate comparisons are clearly shown.
- The organization shows, using a single graph, that its three product lines are separately tracked for on-time delivery.

To help interpret the Scoring Guidelines the following comments on the graphed results would be appropriate:

- The current overall organizational performance level is excellent. This conclusion is supported by the comparison with industry competitors and with a "world-class" level.
- The organization shows excellent improvement trends.
- Product Line A is the current performance leader—showing sustained high performance (on-time delivery) and a slightly positive trend. Product Line B shows rapid improvement. Its delivery schedule is near that of the best industry competitor but trails the "world-class" level.
- Product Line C—identified in the application as a new product—is having early problems with on-time delivery. (The organization should explain briefly these early problems.)

6. Refer to the Scoring Guidelines.

Considerations in the evaluation of Results Item responses include the Criteria Item requirements and the significance of the results trends, actual performance levels, relevant comparative data, alignment with important elements of your performance management system, and the strength of the improvement process relative to the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines

NOTES

Glossary of Key Terms

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 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 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 unit and/or 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 process management 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.

APEA

The term is an acronym for Army Performance Excellence Award. This is a program established on 7 August 2003 by the Acting Secretary of the Army for Army-wide recognition of performance excellence, using the Army Performance Improvement Criteria (APIC) as the basis.

APIC

The term is an acronym for Army Performance Improvement Criteria. The Criteria are used by Army organizations to measure and improve performance. The APIC is recommended for use by the Department of the Army as a tool for organizational self-assessment and as a framework for participation in selected Army award programs. The APIC is based on the Malcolm Baldrige National Quality Award Program Criteria.

Approach

The term "approach" refers to the methods used by an organization to address the Criteria Item requirements. Approach includes the appropriateness of the methods to the Item requirements and the effectiveness of their use. For further description, see the Scoring System on pages

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 on page.

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 as an approach to understand the current dimensions of world-class performance and to achieve discontinuous (no incremental) 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 an APIC core value embedded in the beliefs and behaviors of high-performance organizations. Customer focus impacts and integrates an organization's strategic directions, its value creation processes, and its business results.

See the definition of "stakeholders" 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 the APIC Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant work units throughout the organization. For further description, see the Scoring System on pages.

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 APIC refers 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 a need is met by the approach taken and its deployment or by 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 are the foundation for the organization's culture and values and 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-term 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 data and/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 senior leaders. Organizational 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, (2) transparency of operations, and (3) fair treatment of all stakeholders. Governance processes may include approving strategic direction, monitoring and evaluating senior leader performance, succession planning, financial auditing, establishing executive compensation and benefits, 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/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 nonmonetary incentives based upon factors such as organizational performance, team and/or 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, and/or processes 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 multi step 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 analysis 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.

Key

The term "key" refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The Army Performance Improvement 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 employee's 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, 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 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 Baldrige 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.

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

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. 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).

Glossary of Key Terms

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.

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.

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.

APIC addresses four types of performance: (1) customer-focused, (2) product and service, (3) financial and marketplace, and (4) operational." 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.

"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.

"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, 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 Army Performance Improvement 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. Service processes involving customers also require guidance to the providers of those services on handling contingencies related to customers' likely or possible actions or behaviors.

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 Criteria 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.

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 it's setting of values. Purpose is generally broad and enduring. Two organizations indifferent 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 an Army Performance Improvement 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 .

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 disaggregating 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, and local/professional communities.

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/or business advantages. Strategic objectives generally are focused externally 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. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

Sustainability

The term "sustainability" refers to your organization's ability to address current business needs and to have the agility to prepare succesfully 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. Sustainability also has a component related to preparedness for real-time or short-term emergencies.

Systematic

The term "systematic" refers to approaches that are 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.

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. 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 periods before meaningful trends can be determined.

Examples of trends called for by the Criteria include data related to customer and employee satisfaction and dissatisfaction results, product and service performance, 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 group's 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 generate your products, your services, and positive business results for your stockholders and other key stakeholders.

Values

The term "values" refers to the guiding principles and/or behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce the desired culture of the organization. Values support and guide the decision making of every employee, helping the organization to accomplish its mission and attain its vision in an appropriate manner.

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.

Appendix A - Cliffnotes for Leaders

1.0 Leadership

1.1 Senior Leadership

Describe how senior leaders guide and sustain the organization in an organizational governance system. Focus on:

- Setting, communicating and deploying vision, values, directions, and expectations to all employees, key suppliers and partners, and customers;
- The creation of an environment that fosters ethical behavior and is conducive to empowerment, innovation, and organizational agility as well as organizational and employee learning and succession planning;
- Empowering and motivating employees utilizing rewards and recognition that reinforces customer and organizational business focus.

1.2 Governance and Social Responsibility

Describe the organizational governance system and how the organization's systems proactively address public responsibilities. Focus on:

- Accountability for leadership's actions;
- Societal impacts and risks;
- Legal and regulatory requirements;
- Ethical behavior; and
- Support to communities.

2.0 Strategic Planning

2.1 Strategy Development

Describe the organization's strategy development process and the resulting strategic objectives. Focus on:

- Addressing strategic challenges;
- Steps of the process and participant involvement;
- Definition of short and long-term planning horizons;
- How Key Customer needs, competitive environment and innovations, organization strengths and weaknesses, social responsibilities and risks outlined in 1.2, and other factors figure into the process;
- Strengths, weaknesses, opportunities, and threats; and
- Timetable for achieving objectives.

2.2 Strategy Deployment

Describe how strategic objectives are converted into action plans and key performance measures and deployed throughout the organization. Focus on:

- Steps taken to create and deploy action plans to achieve the strategic objectives outlined in 2.1;
- Action plans that include short and long-term timetables;
- Resulting human resource requirement plans that address action plans and strategic objectives;
- Details of any performance projections for short and long-term planning horizons; and
- Comparative and benchmark information relating to performance measures.

3.0 Customer and Market Focus

3.1 Customer and Market Knowledge

Describe how the organization determines requirements and expectations of its customers, potential customers (including customers of competitors), and former customers to ensure relevance of products and services. Focus on:

- Any/all methods used to communicate (interact, listen, and learn) with each customer segment identified in the Profile;
- Methods used to determine customer loyalty and retention;
- System used to incorporate customer communication into product and service planning, process improvements, and business development; and
- System used to keep communication methods current.

3.2 Customer Relationships and Satisfaction

Describe how the organization builds, maintains, and analyzes customer relationships. Include all facets of the organization's customer interactions. Focus on:

- System used to target and acquire customers;
- Customer loyalty and referrals;
- Satisfaction and dissatisfaction systems and processes;
- Complaint management system;

- Description of how analysis of satisfaction/dissatisfaction is translated into action plans and process improvements; and
- How customer relationship management is kept current with changing organizational needs and changing customer needs.

4.0 Measurement, Analysis, and Knowledge Management

4.1 Measurement, Analysis and Review of Organizational Performance

Describe how the organization measures, analyzes, aligns, reviews and improves its performance at all levels and in all parts. Focus on:

- The system used to select, collect, align and integrate data and information for day to day use and for tracking overall organizational performance;
- Selection and use of comparative and benchmarking data and information;
- Analysis process that senior leaders use to assess organizational performance; and
- Communication system used to disseminate analysis information to all levels of the organization to support decision making.

4.2 Information and Knowledge Management

Describe the system used to ensure the quality, availability, and integrity of the data and information needed by employees, suppliers and partners, and customers. Describe how the organization builds and manages knowledge assets. Focus on:

- How needed data and information is made available and accessible by employees, suppliers and partners, and customers;
- How hardware and software is kept current, reliable, secure and friendly; and
- How organizational knowledge is managed to collect, transfer, and share knowledge to employees, suppliers and partners, and customers.

5.0 Human Resource Focus

5.1 Work Systems

Describe how the organization's work, jobs, compensation, career progression and workforce practices enable achievement of employee high performance. Focus on:

- How cooperation, empowerment and innovation are part of the organizational culture;
- How the work systems capitalize on the diverse make-up of the workforce and its communities;
- The communication system used to share information across the organization and at each level;
- Describing the performance management system(s) used for each segment of the workforce;
- The organization's hiring and career progression process; and
- Succession planning for leadership and management positions.

5.2 Employee Learning and Motivation

Describe the organization's education, training, and career development systems and how they are linked to the organization's objectives and strategic goals and contribute to high performance and build employees knowledge, skills and capabilities. Focus on:

- How the organization links workforce training and education needs to achievement of action plans and associated planning horizons;
- How education and training are managed to ensure effectiveness of training and how what is taught is reinforced on the job; and
- How the organization motivates employees to develop and utilize their full potential.

5.3 Employee Well-Being and Satisfaction

Describe the organization's work environment and employee support climate that contributes to employee well-being, satisfaction, and motivation. Focus on:

- The organization's workplace health and safety, security and ergonomics;
- How the organization plans for emergencies and/or disasters; and
- How the organization determines and assesses key factors that affect employee well-being, satisfaction, and motivation and how the assessments generate priorities for improvements.

6.0 Process Management

6.1 Value Creation Process

Describe how the organization identifies and manages its key processes for creating customer value and achieving business success and growth. Focus on:

- The process for determining key value creation and how these are translated into process requirements that measure value for customers and stakeholders;
- What are the performance measures or indicators used to improve the value creation process and how are improvements made; and
- How these processes are kept current with changing business and customer needs.

6.2 Support Processes and Operational Planning

Describe how the organization manages its key support processes that support the value creation process outlined in 6.1 as well as the organization's financial management and continuity of operations, in an emergency. Focus on:

- Describing the determination of the key support processes for supporting its value creation;
- Describe the key support process requirements detailing how customer, supplier and partner input is incorporated into the process; and
- Describe performance measures and indicators used for control and improvement of support processes and how improvements are made.
- Describe how the organization ensures availability of adequate resources as well as how does the organization ensures continuity of operations in the event of an emergency.

7.0 Business Results

7.1 Product and Service Outcomes

Summarize and depict the organization's key product and service performance results segmented by products and service types and groups, customer grups, and market segments. Results should include current levels, trends, and comparative data with competitors and/or benchmarks.

7.2 Customer-Focused Results

Summarize and depict the organization's customer-focused performance results, including customer satisfaction and perceived value. Segment results by product and service types and groups, customer groups, and market segments. Results should include current levels, trends, and comparative data with competitors and/or benchmarks.

7.3 Financial and Market Results

Summarize and depict the organization's key financial and marketplace performance results, by market segment. Results should include current levels, trends, comparative data with competitors and/or benchmarks.

7.4 Human Resource Results

Summarize and depict the organization's key human resource results including work systems, training and education, well-being, and satisfaction. Results should be segmented to address the diversity of the organization's workforce and different types and categories of employees. Results should include current levels, trends, and comparative data with competitors and/or benchmarks.

7.5 Organizational Effectiveness Results

Summarize and depict the organization's key operational performance that contributes to organizational effectiveness. Segment results by product groups and market segments. Results should include current levels, trends, and comparative data with competitors and/or benchmarks.

7.6 Leadership and Social Responsibility Results

Summarize and depict the organization's key governance, senior leadership, and societal responsibility results including evidence of fiscal accountability, ethical behavior, legal and regulatory compliance and organizational citizenship. Results should include current levels, trends, and comparative data with competitors and/or benchmarks.

Appendix B - APIC Assessment Toolkit

While the APIC is a thorough and rigorous assessment tool, there are organizations that are in the early stages of self-assessment. For those particular organizations and for any others that may be struggling to get started, this annex is designed to give you some tools to use to begin the process.

Unlike a traditional compliance audit, the assessment process is designed to engage people in a positive fashion, help build support for change, and reveal high-leverage opportunities for improvement thereby directly contributing to the goals of the organization.

Each assessment has steps or phases whereby an improvement cycle can be created. The most effective assessment methodology is to continue to repeat the cycle regularly, in whatever cycle best suits your organization's needs, but at a minimum annually. With each iteration of the assessment cycle, there will be new-found evidence of organization effectiveness and efficiency as well as how it is achieving its goals and supporting its customers.

Assessments phases can be categorized in these steps:

1. Plan

- Engage your senior leaders to:
  - insure understanding and buy-in
  - have agreement on goals and direction (mission and vision) of the organization
  - communicate goals and direction to organization
- Organize an assessment team which includes providing training

2. Do

- Gather data through interviews and key source documents
- Perform an analysis of the data which will provide indicators of goal achievement as well as improvements or declines in performance for key areas focused on organization goals and directions
- Prepare and present assessment report to senior leaders

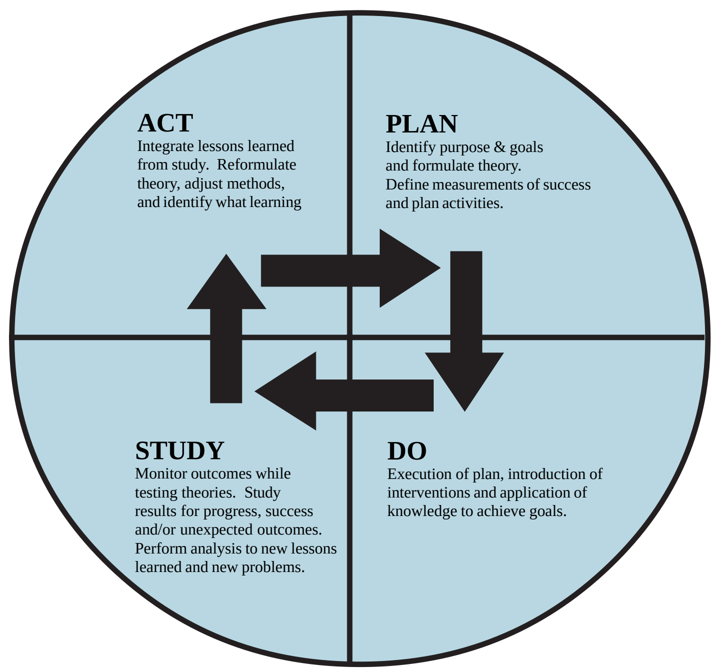
3. Study

- Review report
- Development action plans to address performance shortfalls
- Locate comparative data and benchmarks (who else does this and what are their performance levels?)

4. Act

- Implement action plans
- Link performance plans with performance goals and achievements
- Provide training to workforce on new or revised processes

The diagram below depicts the continual process of organizational assessment



The Plan, Do, Study, Act system is also re-emphasized in The Army's Field Manual FM7-0, titled Training the Force. In Chapter 6, Assessments, the FM discusses organizational assessments by commanders. While the model depicted in the FM shows a Develop Mission Essential Task List (METL), Plan, Execute, and Assess model, the steps and associated tasks are the same. The differences are merely syntax. FM7-0 states that battalion and higher echelon commanders must be concerned with broader concepts. Accordingly, they perform organizational assessments that aggregate a large number of evaluations. These commanders establish an organizational assessment program that—

- Fixes responsibility within the staff and subordinate units for gathering and analyzing evaluation data and preparing recommendations;
- Concentrates on the effectiveness of leader and organization training;
- Utilizes the CSM and other senior NCOs to gather feedback on the individual, crew, and team training; and
- Allows the senior commander to monitor outcomes and take action to reshape priorities, policies, or plans to overcome assessed weaknesses and sustain demonstrated strengths.

As you work your way through each assessment cycle, you'll have more opportunities to dig a little deeper into your organization, resulting in a more thorough assessment each time. In Section A of this Annex, there are some assessment templates that you can use as a start point. These have been created for most type units in The Army. There are examples for Combat Arms, Combat Support, Combat Service Support, and Garrison Units.

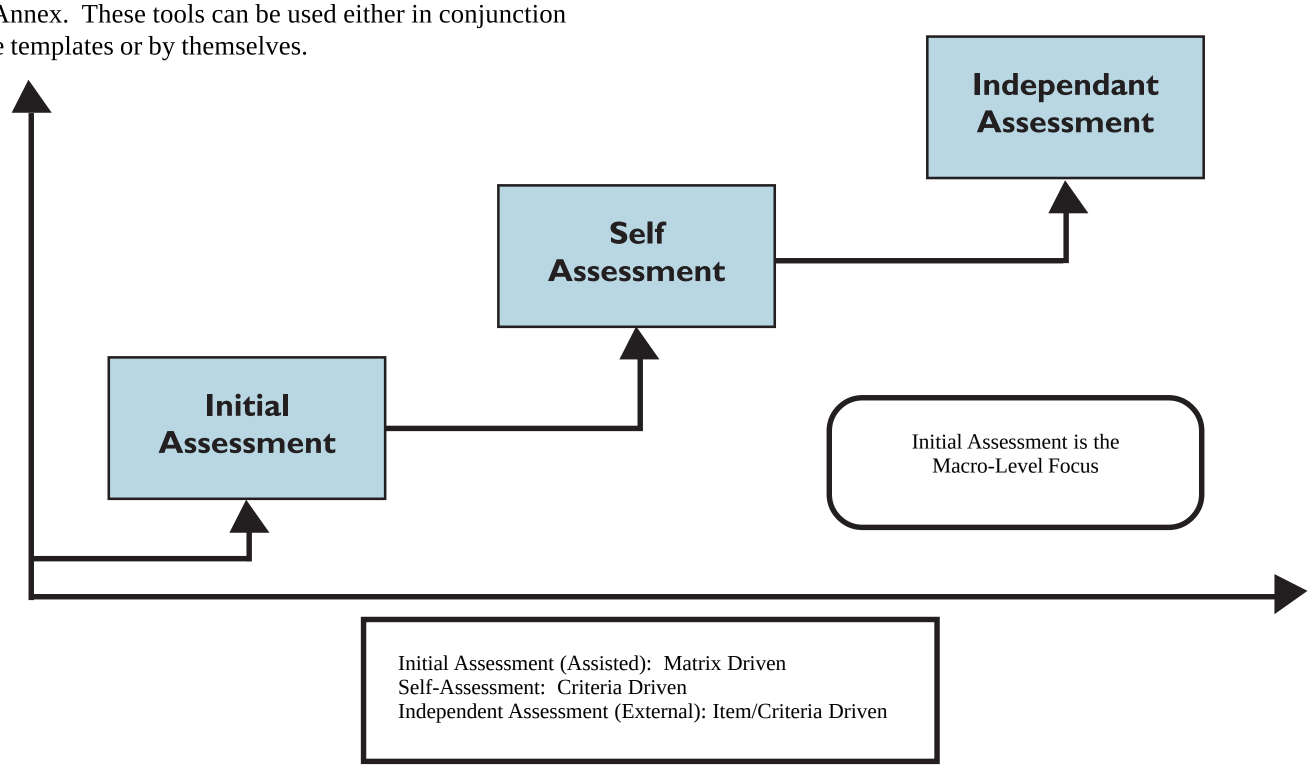
In addition, there are other assessment tools found in Section B of this Annex. These tools can be used either in conjunction with the templates or by themselves.

Section A

A Beginners Kit

In this section are assessment tools that can aid an organization in its earliest stages of self-assessment, a kind of beginners kit. The diagrams or matrices provide a template for certain type of organizations to focus on their specific tasks. Included on the templates are some examples to assist you when performing your own assessment. These matrices are a product of the Strategic Management and Innovations Division of the Office of the Vice Director of the Army Staff. Any questions or comments about these templates should be forwarded to the address on the back cover of this booklet.

The following pages contain a matrix each for Combat Arms, Combat Support, Combat Service Support, and Garrison units. Included on each are examples of the type of targeted information to focus on for this beginner's assessment. By applying your own organization's makeup to the appropriate template, a story begins to form about your unit or organization and what it's all about. From identification of customers to comparisons that a unit might make in order to find best in class or benchmarks for performance improvement; these are all critical areas that will form a template of your organization for more in-depth assessments in the future.



Section B

More In-Depth Assessments

Within The Army, there are a couple of institutions that offer APIC-focused courses. They are the Army Logistics Management College (ALMC) at Fort Lee, VA and the Laverne E. Weber Army National Guard Professional Education Center (PEC) at Little Rock, AR. You can locate more information about their training programs at their websites. The ALMC web address is: http://www.almc.army.mil. The PEC web address is: http://pub.ngpec.org.

Within the PEC Program of Instruction (POI) for the Army Performance Improvement Criteria and Organizational Assessment course, are templates designed for organizations to use in the next step of an organizational assessment. These templates contain many more elements of information and data than the matrices in Section A, but can be used as a tool to get a further detailed assessment. Although not included in this booklet, they are available online at the Leading Change website at http://www.hqda.army.mil/leadingchange/Quality/taqstrat.htm Once on this page go to the bottom and look for link to Adobe Acrobat file.

Further, the National Institute of Standards and Technology (NIST), of the Department of Commerce, has another effective assessment tool that can be used for organizations in a phase 2 or 3 assessment. This assessment tool can be found on their website at http://www.quality.nist.gov/Getting_Started.htm. Additionally, they offer an "answer the questions" type of Step 1 available on-line that can lead to Action Planning for your organization. This e-Baldrige Organizational Profile can be found at http://www.quality.nist.gov/eBaldrige/Step_One.htm. For most Army organizations, recommend clicking on the Business link rather than the Education or Healthcare link found under the E-Baldrige Organizational Profile title.

If your organization is still having some difficulty getting started, please contact our office. We may be able to make arrangements to take a trip to your organization to facilitate you through an assessment to help get you going.

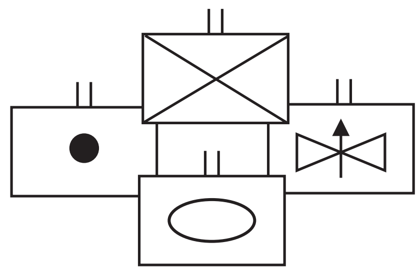
To assist you in finding comparative information and benchmarking, there is a great service available to all Army organizations, free of charge. This service is known as The Benchmarking Exchange (TBE). Headquarters, Army has purchased an Army site license for this service, Army-wide. While not a panacea for all organizations, it is certainly a place to find helpful information from counterparts in other government agencies as well as private industry, worldwide. Signing up as an Army user will enable you to send and receive queries to other subscribers about particular business processes as well as participate in surveys. It also serves as an enabler for professional relationship building. To become an Army user simply go the TBE website at http://www.benchnet.com/. From there click on "Join Existing Site Plan". Click on US Army and then fill out the user information.

The matrices on pages B4 - B7 do not yet reflect terminology consistent with the Modular Force structure. The assessment tools are, however, still valid regardless of whether organizations have transformed to the Modular Force or remain in a division structure.

The most important thing an organization can do is GET STARTED!

NOTES

EXAMPLE OF AN INITIAL SELF ASSESSMENT COMBAT ARMS

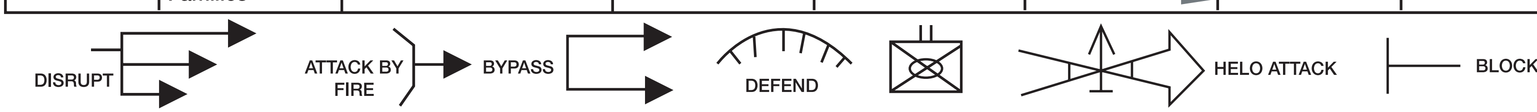


ASK YOURSELF

1. What do you do?
2. Why do you do it?
3. Does it support the mission (METL)?
4. Who do you do it for?
5. How well do you do it?
6. Can it be accomplished more efficiently by another source?
7. Do you measure it?
8. How can you do it better?

Leaders determine metrics for quality and performance improvements (goals).

CUSTOMERS	CUSTOMER REQUIREMENTS	PRODUCTS & SERVICES	KEY PROCESSES	INFO SYSTEMS	IN-PROCESS METRICS	RESULTS METRICS	BENCHMARKS
Division, Brigade or JTF Commander	Trained and ready units capable of conducting the full spectrum of military operations.	**OFFENSIVE OPS** - destroy or defeat an enemy to allow U.S. to impose will on the enemy and acheive decisive victory.	Leader development, trained and motivated soldiers, high equipment readiness standards	USR, periodic Readiness Reviews, Quarterly Training Briefs (QTB), training meetings, AAR process	Weapons qualifications, equipment readiness rates, CTT percentages, Soldier Readiness Program (SRP)	USR C-ratings, EXEVAL results, CTC "takehome" feedback, command inspection results	Comparisons to other like units (BDE, Division, other services).
		DEFENSIVE OPS - defeat enemy attack, develop conditions favorable for offensive operations.	Combat Training Centers (CTC), Emergency Drills (EDRE), CPXs, CALFEXs, FTXs				
		STABILITY OPS - promote and protect U.S. national interests by peacetime developmental, cooperative and coercive actions in response to crisis.	Squad, platoon, company and battalion collective training.				
		SUPPORT OPS - assist civil authorities (foreign and domestic) to relieve suffering.					
BN Soldiers	Quality of Life	CAN DEVELOP FOR INTERNAL CUSTOMERS (SOLDIERS)					
	Fitness						
	Families						

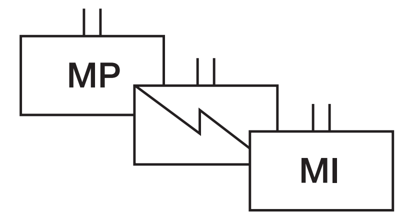


EXAMPLE OF AN INITIAL SELF ASSESSMENT COMBAT SUPPORT

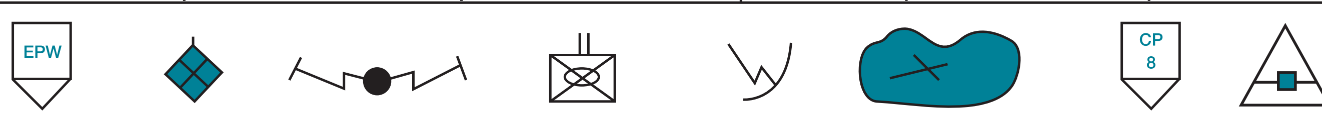
ASK YOURSELF

1. What do you do?
2. Why do you do it?
3. Does it support the mission (METL)?
4. Who do you do it for?
5. How well do you do it?
6. Can it be accomplished more efficiently by another source?
7. Do you measure it?
8. How can you do it better?

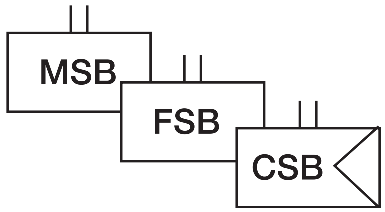
Leaders determine metrics for quality and performance improvements (goals).



CUSTOMERS	CUSTOMER REQUIREMENTS	PRODUCTS & SERVICES	KEY PROCESSES	INFO SYSTEMS	IN-PROCESS METRICS	RESULTS METRICS	BENCHMARKS
Division, Brigade or JTF Commander	Provide MILITARY INTELLIGENCE SUPPORT capable of supporting the full spectrum of military operations.	Disrupt enemy C4I, degrade enemy fire support and air defense nets, conduct ground reconnaisance and surveillance, collect electronic intelligence	Counter-Intelligence (CI), Prisoner-of-War Interrogation (PW), Long Range Surveillance (LRS), Analysis and Control (ACE)	TROJAN SPIRIT ASAS REMBASS AEPDS QUICKFIX	Decide, Detect, Deliver, Assess (D3A) process	HPT kill rate, accuracy of Battle Damage and Assessment (BDA), timely dissemination of enemy situation	Comparisons to other like units (BDE, division, other services)
	Provide SIGNAL SUPPORT capable of supporting the full spectrum of military operations.	COMSEC repair, voice, data and automation spt, secure and non-secure communications, FM/HF/LOS/TACSAT/MSE capability	Network connectivity, nodal location placement, COMSEC distribution	Signal Support Networks, LAN and servers, SAMS-1/2	FES, SEN & RAU setup time, network interruption time, equipment readiness rates	Uninterrupted secure and reliable communications support to customers	Comparisons to other like units (BDE, division, other services)
	Provide MILITARY POLICE SUPPORT capable of supporting the full spectrum of military operations.	Manuever & Mobility Support (MMS), Area Security (AS), Internment & Resettlement (I/R), Law & Order (L&O), Police Intelligence Operations (PIO)	Regulation enforcement, civilian control, force protection, EPW handling, criminal investigations, IPB	Blotter reports ASAS	ROE/ROI violations # citations issued # security breaches # EPW escape attempts # fratricide incidents	USR C-Ratings, EXEVAL results, CTC "takehome" feedback, CERTEX results, command inspection results	Comparisons to other like units (BDE, division, other services) local or HN law enforcement agencies
BN Soldiers	Quality of Life						
	Fitness	CAN DEVELOP FOR INTERNAL CUSTOMERS					
	Families						



EXAMPLE OF AN INITIAL SELF ASSESSMENT
COMBAT SERVICE SUPPORT

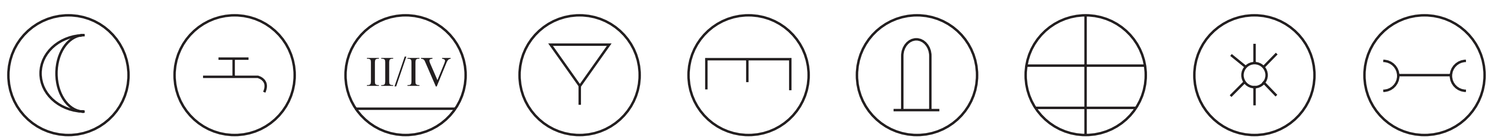


ASK YOURSELF

1. What do you do?
2. Why do you do it?
3. Does it support the mission (METL)?
4. Who do you do it for?
5. How well do you do it?
6. Can it be accomplished more efficiently by another source?
7. Do you measure it?
8. How can you do it better?

Leaders determine metrics for quality and performance improvements (goals).

CUSTOMERS	CUSTOMER REQUIREMENTS	PRODUCTS & SERVICES	KEY PROCESSES	INFO SYSTEMS	IN-PROCESS METRICS	RESULTS METRICS	BENCHMARKS
Brigade Combat Team (BCT)	Supply Support	Class I and Water-General Supplies-Fuel-Engineer Materiel-Ammunition-Class VII-and Repair Parts	Receive Store Protect Issue Retrograde	SARSS-1 SARSS-2 ULLS SAASMOD-ATP EXEVALS	10% inventory/location accuracy, Customer Wait Time, Demand Analysis, environmental accidents, PM checks	Order to ship time, receipt processing time, denial rates, 100% inventory/location accuracy, etc	DA Goals CASCOM Goals DISCOM Goals Goals & comparisons to other like units
	Maintenance Support	Organizational Maintenance Direct Support Maintenance (Armt, Missile, Automotive, Electronic) Recovery Operations	Repair and return to user, repair and return to SSA (RX program), Conduct PM Services, Recover equipment	SAMS-1 SAMS-2 ULLS	Shop backlog, Delinquent Services, Pacing Item deadline rates, PLL/ASL/Shop Stock zero balances	USR Readiness Rates, equipment availability, mean time between failure, Repair Cycle Time, Accident Rates	DA Goals CASCOM Goals DISCOM Goals Goals & comparisons to other like units
	Medical Support	Combat Health Support and TMC Support	Patient hold Patient treatment Patient evacuation	TAMMIS	DNBI Equipment readiness rates Accident Rates	USR Readiness Rates, Accident Rates; Soldier Readiness Program (SRP), CIP Results	USAMEDCOM Goals Surgeon General Goals
BN Soldiers	Force Protection						
	Quality of Life			CAN DEVELOP FOR INTERNAL CUSTOMERS			
	Fit						



EXAMPLE OF AN INITIAL SELF ASSESSMENT GARRISON COMMAND

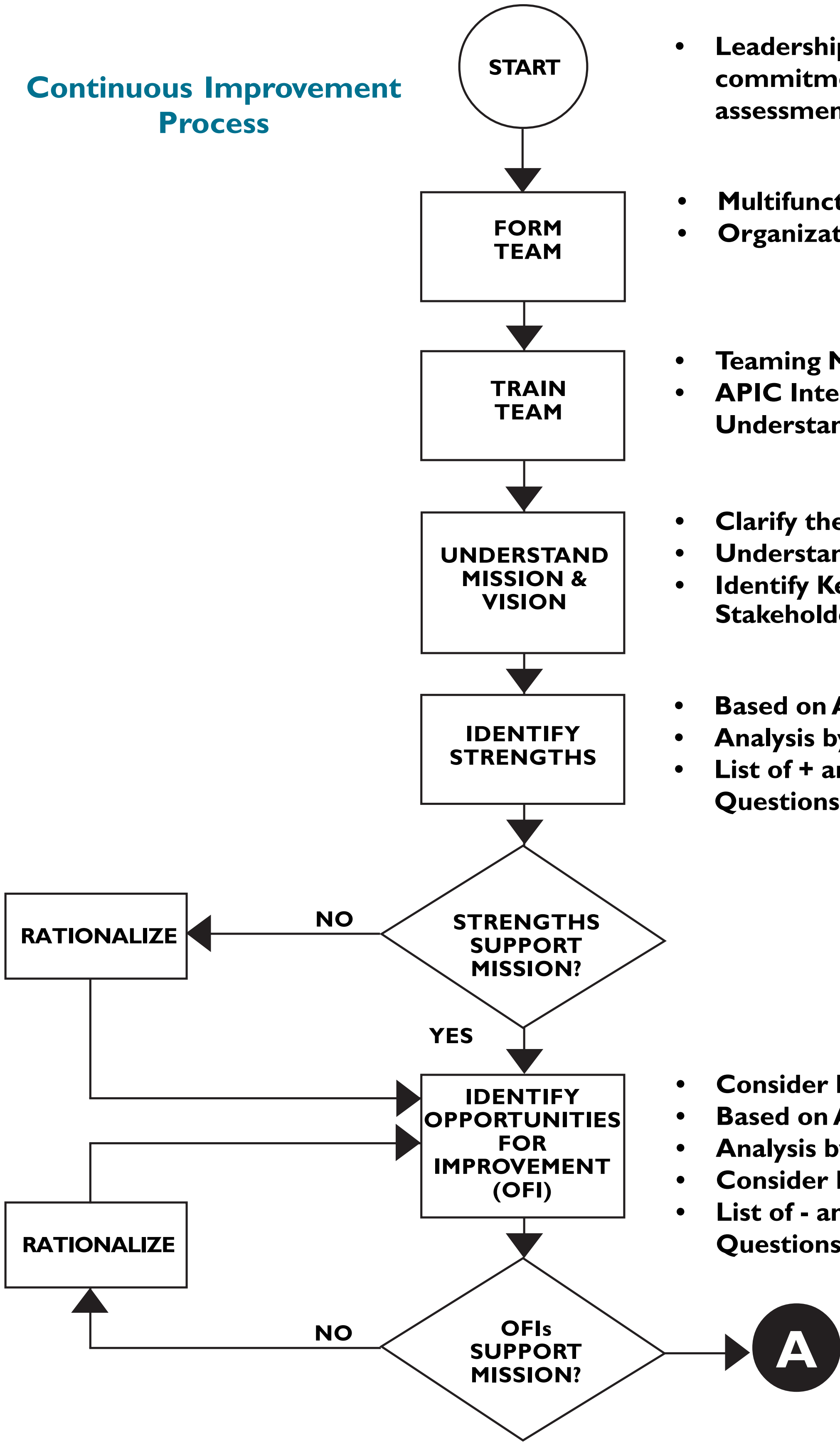
ASK YOURSELF

1. What do you do?
2. Why do you do it?
3. Does it support the mission (METL)?
4. Who do you do it for?
5. How well do you do it?
6. Can it be accomplished more efficiently by another source?
7. Do you measure it?
8. How can you do it better?

Leaders determine metrics for quality and performance improvements (goals).

CUSTOMERS	CUSTOMER REQUIREMENTS	PRODUCTS & SERVICES	KEY PROCESSES	INFO SYSTEMS	IN-PROCESS METRICS	RESULTS METRICS	BENCHMARKS
SOLDIERS	Available ranges and training aids proper working condition	**TRAINING SPT-** Range SPT TASC	Range scheduling, Range maintenance procedures, TASC equipment use rates	Range conference, Quarterly Training Briefs	Range utilization, range readiness, environmental mitigation	High tenant USRs T-rating, enviromental compliance, Installation Status Report (ISR) Rating	Other installations
SOLDIERS FAMILIES RETIREES VETERANS	On-time service adequately provided, affordable to units and individuals	**SERVICES-** Information Tech SPT Transportation SPT Supply SPT Maintenance SPT Utilities MWR	Repair return, receive store and issue, maintain network connectivity, shipping and receiving	SARSS-2AC SAMS-2 TCACCIS JOPES Customer surveys, Soldier retention rates (morale)	Shop backlog, delinquent services, deadline rates, PLL/ASL/Shop Stock zero balances, HHG delivery rates, service call cycle time	High tenant USRs rating, TMP readiness rates, uninterupted utility service, Installation Status Report (ISR) rating	Community service companies (power, water, telephone, sewer) other installations
SOLDIERS FAMILIES	Safe facilities, configured for intended use	**FACILITIES-** Facilities maintenance New construction Roads and grounds Installation housing	Contract management, housing utilization forecasting and scheduling, post upkeep	Installation Status Report (ISR), customer surveys, master plans, housing utilization database	Complaints, service order response time	High installation readiness, maximized housing utilization rates	Corps of Engineers State DOT HUD
COMMUNITY SOLDIERS FAMILIES	Compliance with applicable laws	**ENVIRONMENT-** Compliance Conservation Pollution prevention	Hazardous waste operations, environmental education, recycling and waste restoration, air program	Environmental assessments, environmental monitoring systems	Noise monitoring and complaints, spill response time, HAZMAT storage compliance and stockage levels	Increased mission readiness, ensured HAZMAT service ability, high product distribution ISO operational requirements	Army Environmental Center, EPA, OSHA, other installations

Continuous Improvement Process



- Leadership & Organizational commitment to initiate self-assessment

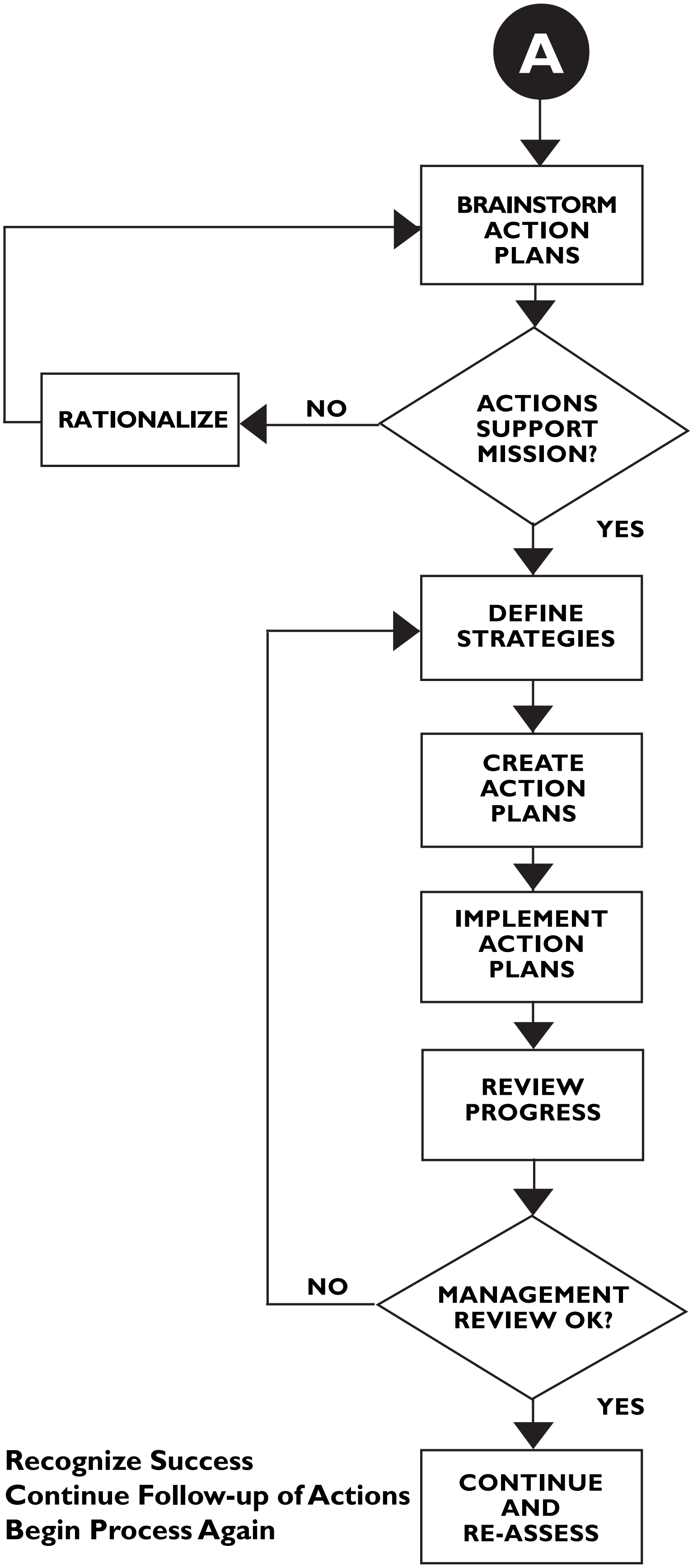
- Multifunctional Leadership Team
- Organizational Knowledge

- Teaming Methodology
- APIC Interpretation and Understanding

- Clarify the Mission & Vision
- Understand Core Competencies
- Identify Key Customers and Stakeholders

- Based on APIC
- Analysis by Criteria Questions
- List of + and ++ per Criteria Questions

- Consider Benchmarks
- Based on APIC
- Analysis by Criteria Question
- Consider Rationalized Strengths
- List of - and - - Per Criteria Questions



- "Manageable Few" - Low Hanging Fruit
- Actions: Verb & Noun
- Not Good Intentions
- To Be Sure, Ask How?
- Actions by Criteria Question

(EXAMPLE METHOD)

- Group Actions by Affinity
- Use Post-its
- Name Each Group as a Big Strategy (Verb and Noun)

- Identify Milestones
- Assign Responsibilities
- Agree on Timing
- Establish Follow-up System
- Integrate into Strategic Planning Process

- Just Do It!

- Plan, Do, Check/Study, Act
- Establish Timeline for Review
- Check Milestones

- Ensure Continuity with Mission Focus
- Checking the "Big Picture"
- Effectiveness of Actions
- Actions Taken
- Verify Effectiveness and ROI
- Did We Get What We Wanted?
- Is it Still Tied to the Mission & Vision?
- Ensure Alignment with Organizational Strategic Initiatives

- Recognize Success
- Continue Follow-up of Actions
- Begin Process Again

Appendix C - APIC Examples

Strategic Management and Innovations would like to thank the following organizations for generously providing examples of responses to the criteria that those organizations submitted in previous applications:

Space & Missile Defense Battle Lab (SMDBL)
Fort Stewart and Hunter Army Airfield
U.S. Army Armament, Research Development & Engineering Center (ARDEC)
Corps of Engineers, Rock Island District

Please note that these examples are provided to demonstrate a technique for assessment and responding to the criteria. The examples do not represent a 100% score.

Appendix C Contents

NOTES

1.0 Leadership

1.1 Organizational Leadership

1.1.a Senior Leadership Direction

1.1.a(1) Army values guide our corporate ethics. Our senior leaders reinforce these values as part of annual planning, during customer account visits, through ethics training, by making them a part of individual job performance plans, and by assessing potential employees' values during the selection process.

Our senior leaders set, deploy, communicate, review, and reinforce business directions and performance expectations to both our government and contractor workforce (our key suppliers) through the methods shown in Figure 1.1-1.

Validate or Refine During Planning Sessions	Deploy, Communicate, Review and Reinforce During Work Execution	
Performance relative to corporate values	Leading by personal example	Training and job performance reviews
Individual performance and development plans	Management by walking around	Senior leader customer account visits
Self-assessment improvement opportunities	PPBES/POM budget execution	Project and program evaluations
PPBES/POM budget requirements	Action item and suspense tracking	After action reviews
Procurement strategies and contract monitoring	Contract documents (supply chain mgt)	Performance feedback
Command requirements and guidance	Weekly staff meetings	SMDC's annual awards competition
SRS Balanced Scorecard measures	Internal governance evaluations	
Corporate governance requirements	Formal and informal meetings	
Value Creation and Key Support Processes		

Figure 1.1-1. Setting, Deploying, Communicating, Reviewing and Reinforcing Business Directions and Performance Expectations.

Our planning process serves as the principal method by which our short- and longer-term strategic directions and performance expectations are determined and acted upon by the organization—to include our suppliers and partners. Leading by example, management by walking around and program reviews are the principal ways in which we foster effective two-way communication. We also use SMDC's annual employee survey to evaluate leadership performance from the employees' perspective.

Our leaders create, balance, and maintain customer and stakeholder value expectations by directly involving customers and stakeholders in our value-creation processes through a relationship we refer to as cooperative innovation, or "co-innovation." The Armed Services have become increasingly oriented towards collaborative, Joint Operations, and our senior leaders have reoriented our focus to generate value (innovations) identifying potential cooperative opportunities with our customers, other battle labs and government agencies, academia, and commercial industry. Because co-innovation directly involves our customers, stakeholders, and suppliers, we are achieving high customer satisfaction levels and trends.

1.1.a.(2) Figure 1.1-2 summarizes many of the specific actions our senior leaders have taken to foster empowerment, innovation, agility, organizational and individual learning, and legal and ethical behavior. We fully accept risks and associated failures, as precursors to innovations. The power to act resides at the project team or direct customer interface level, and our leaders expect that power to be exercised ethically and responsibly. We use SMDC's Baldrige-based annual survey to validate our deployment success in these areas.

In 2004, our Director received the Presidential Meritorious Rank Award for fostering "an environment that rewards creativity while staying focused on serving the ultimate customer, the warfighter." This prestigious award is granted by the President to only 4 percent of the Senior Executives Government wide and recognizes outstanding leadership, integrity, and commitment to public service. The award referred to SMDBL as the "Premier Battle Lab in the Army." Official recognition of this magnitude, and at this level in the Federal Government, serves to further validate the effectiveness of our leadership system.

1.1.b Organizational Governance

Our governance system is described in P.1.b.(1) and Figures P.1-2 and P.1-4. Governance is primarily the purview of organizations external to us, most notably SMDC. Independent forms of governance are also provided by staff officers and senior leaders, the Army's Audit Agency and

Inspector General, similar DOD entities, the General Accounting Office (GAO), and others.

APIC Perspective	SRS Perspective	Senior Leader Enablers for the Workforce (Workplace Enhancement Actions)	Empowerment	Innovation	Agility	Learning	Legal-Ethical
Business	Stakeholders Customers	Empower to organize and serve on Integrated Project Teams (IPTs)	√	√	√	√	√
		Empower with the authority to manage programs and projects	√	√	√	√	√
		Hold teams and individuals accountable for the results	√	√	√		√
		Support ethics and values and associated training by example				√	√
		Provide open-forum meetings to discuss enablers, including ethics and values	√			√	√
		Encourage use of the ethics hot line waste, fraud, and abuse issues	√			√	√
		Promote customer contacts and complaint management at all levels	√	√	√	√	√
	Resources	Improve the PPBES marketing process	√	√	√	√	√
		Educate our workforce on the POM process	√	√	√	√	√
		Educate MDEP/BOS staff and managers on our products and capabilities			√	√	√
		Track and monitor budget executions; educate and update our workforce	√	√	√	√	√
Operational	Internal Processes	Speed up information flow and promote information sharing	√	√	√	√	√
		Conduct Baldrige-based self assessments and publish the results	√	√	√	√	√
		Encourage risk-tolerant decision-making, where failures can lead to innovations	√	√		√	√
		Support process simplification and improvement actions	√	√	√	√	
		Encourage the design of new processes	√	√	√	√	
Human Resource	Learning & Growth	Provide training and development opportunities			√	√	
		Conduct quarterly job performance and IDP review				√	√
		Recognize and reward high performance results	√	√	√	√	√
		Support professional conferences and symposia	√	√	√	√	

Figure 1.1-2. SMDBL Senior Leaders Workplace Environment Enhancement Actions.

Management Accountability

- Accountability: follows supervisory chain
- Focus: ethical and legal conduct
- Scope: business dealings and duty conduct
- Standard: no tolerance for improper conduct
- Oversight: SMDC BOD

Independence of Internal Audits

- Audit authority established by policy directive
- Only “disinterested party” auditors selected
- Audit activities are overt and scheduled
- Audit reports go to convening authority
- Transparency of findings and action items

Fiscal Accountability

- Accountability: follows supervisory chain
- Focus: ethical, legal, and appropriate conduct
- Scope: financial dealings and risk controls
- Standard: no fiscal stewardship shortfalls
- Oversight: SMDC Board of Directors, RM
- Focus: statements of assurance; financial, program, and contract reviews; mandatory training; financial disclosure statements, etc.

Independence of External Audits

- Audit authority established by public law
- Only “disinterested party” auditors selected
- Audit activities are overt and scheduled
- Audit reports go to convening authority
- Full and open cooperation, disclosure, and access guaranteed by our senior leaders
- Transparency of findings and action items
- Visibility: SMDC BOD and higher

Stakeholder Interests

- Transparency of operations
- Clear lines of accountability
- Full and open access to senior leaders
- Fraud, Waste, and Abuse Hot Line
- Key job performance plan focus area
- Fiscal and security stewardship
- Customer and employee needs met
- High visibility/interest areas
- National security interests
- Safety and health interests
- Equal opportunity interests
- Travel and credit card compliance
- Independence of auditors
- Unfettered access and reporting

Figure 1.1-3. Organizational Governance Factors.

These organizations help to ensure we effectively address such key aspects of our business as fiscal and security stewardship and our customer and employee needs. Figure 1.1-3 outlines our management and fiscal accountability, internal and external audit independence, and protection of stakeholder interests governance factors.

1.1.c. Organizational Performance Review

1.1.c.(1) As shown in Figures 1.1-4 and 1.1-5, we conduct formal and informal reviews where our leaders gauge organizational success in achieving short- and longer-term goals and objectives, and keep current with changing business needs. We emphasize opportunities to "co-innovate." We feel this collaborative approach is essential to our future success and works to the advantage of our customers, our co-innovation partners and our own organization.

Formal Internal Reviews	Formal External Reviews
Action planning	Financial reviews
Project reviews	Program/project reviews
Financial status reviews	Product reviews
After Action Reviews	Inspections and Audits
Customer visits/surveys	Compliance reviews
Product effectiveness	SMDC BOD oversight
SRS reviews	Staff/Management reviews
Independent Reviews	**Informal Ad Hoc Reviews**
Evaluations and audits	IPT/action officer reports
Special studies	Special studies
	Contingency evaluations

Figure 1.1-4. Organizational Reviews.

Organizational Success	Competitive Performance	Progress versus Short- and Longer-Term Goals	Addressing Changing Needs
• Milestones met and exit criteria satisfied • Project objectives fully achieved • Customer feedback favorable • Stakeholder assessments are favorable • Cost, schedule and technical performance aspects satisfied • Processes are efficient/effective • Organization structure, practices and processes support customer, stakeholder and employee needs • Business, technological and co-innovation opportunities identified and captured	• Performance levels meet or surpass established targets • Comparative analysis is used, when available, to set improvement goals • Customers evaluate our performance as better than others providing similar products/services • Stakeholders identify our performance as better than that of others • Potential co-innovation partners identified	• Progress reviewed vs. strategic goals/objectives and action plans • Performance analyses used to support reviews • Performance meets short- and longer-term goals and targets • If performance does not meet goals, analyses used to support corrective action decisions • Trends indicate positive, continuous improvement • High confidence in customer relationship and favorable referrals • Retain and attract new business and co-innovation partners	• Validate relevance of products and services to future customer needs • Improve future cost, schedule and technical performance • Assess priorities and competing commitments • Assess core capabilities versus future business needs • Address contingency requirements • Evaluate potential alternative courses of action • Simplify and improve value creation and support processes • Identify future technology, business and co-innovation opportunities

Figure 1.1-5. How Senior Leaders Use Reviews.

1.1.c.(2) Performance measures regularly tracked and reviewed by our senior leaders include: dollar amounts programmed, received and obligated; technical performance of our improvement and other initiatives tracked against established strategic and action plans; customer and employee feedback; changes in customer, employee, and business requirements; and the broad range of SRS BSC and other measures reflected in Categories 2 and 7. Our leaders regularly review this data and manage by exception. Rather than listing all of these measures, Figure 1.1-6 highlights our recent performance review determinations where additional action was directed by our leaders to enhance performance, as well as the actions taken to address them. These are not problem areas, but rather areas where we want to "raise the bar" even further. A case in point is our customer satisfaction set of measures. Customer satisfaction levels and trends presented in Item 7.1 show us to already be approaching very high levels.

Key Performance Measures	Recent Key Performance Finding	Actions
Customer satisfaction	Multi-level, multi-source feedback process desired; Increased customer focus desired	Senior leaders conduct annual customer account visits; Mail-in feedback developed
Verified requirements	Better knowledge of PPBES process desired	PPBES/POM training initiated
Funding received	Space capabilities in Army models and simulations desired	New M&S POM Line approved by HQDA; funds increased to support M&S efforts
Studies and analysis major decision impact	Improved Experimentation Process Action Team (EPAT) efficiency/effectiveness desired	Consultant retained to evaluate us from a business perspective
Validated requirements	Improved planning and analysis efforts desired	Review and update plans at least annually
Software Trouble Reports	Upgrades to data processing capabilities desired	Equipment re-use produces new capabilities
SMDBL CQA score	Better set of performance measures desired	Measures put in place and operating
Acquisition certification	Completion of all Level III acquisition certifications desired	Quarterly Level III training/certification reviews
Communications/teamwork	Increased communication and teamwork desired	Knowledge management system enhanced

Figure 1.1-6. Key Performance Measures, Recent Performance Review Findings, and Actions Taken by Senior Leaders.

1.1.c.(3) Senior leaders appoint and guide PLs/IPT leads to ensure effective performance review and feedback. Commercial supplier activities are addressed through contract modification/technical direction. We negotiate changes in support agreements to affect Government partner and supplier actions. Figure 1.1-7 shows how our senior leaders translate performance review and feedback information into prioritized actions to improve our operational and leadership systems.

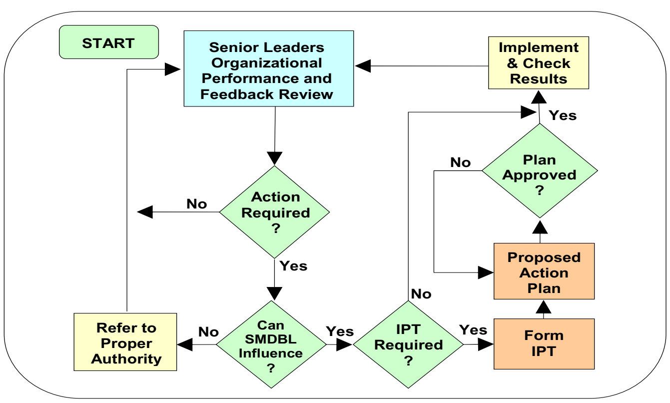


Figure 1.1-7. Translating Reviews Into Improvements.

1.1.c.(4) The SMDC BOD evaluates our senior leaders are individually and collectively and holds them accountable for everything our organization does or fails to do. The SMDC BOD also evaluates our organizational performance throughout the year using scheduled reviews and oversight proceedings, as well as through command inspections. These inspections concentrate on both organizational and individual performance across all activities, processes, procedures, and practices. SMDC functional staff elements also evaluate our practices and processes periodically for compliance. Figure 1.1-8 shows how our senior leaders use organization performance evaluation findings to improve both their own leadership effectiveness and our leadership system.

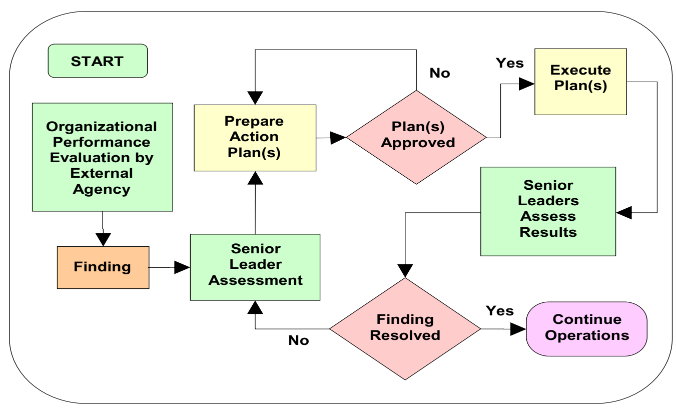


Figure 1.1-8. Evaluation-Driven Improvement Process.

The process relies on analysis of problems detected during the performance review and resulting action plans. Our senior leaders evaluate and approve the plans and oversee execution and feedback to ensure full resolution. This enables improvements in both the leadership system and our organization's operations.

1.2 Social Responsibility

1.2.a Responsibilities to the Public

1.2.a.(1) Our products and services are used almost exclusively by the military services or OGAs to deter armed conflict, to protect the vital interests of the United States and our allies, and to achieve rapid, decisive victory in the event of war. By extension, our military force's capabilities and readiness impact our society at large. We address these impacts by producing innovative DOTMLPF solutions along our product lines that meet our customer/stakeholder war fighting needs. We mitigate potential risks during development, production, deployment and support of our products and services by supervising our support contractors; by conducting project reviews; consulting government staff subject matter experts; and complying with statutory and regulatory requirements that govern our public responsibilities. Our goals are to meet all customer and stakeholder expectations and never breach public confidence.

Figure 1.2-1 summarizes potential public concerns, how we respond to those concerns and what our goals are within each area of concern. We are aided and advised by the SMDC functional staff (i.e., Public Affairs Office [PAO], Legal Affairs, Contracts Office, and by area-support activities such as the Redstone Arsenal Army Community Service [ACS] in Huntsville and through negotiated support agreements for our offices in Colorado Springs). Our Senior Leaders review community activities participation in command-approved events such as blood drives, the Combined Federal Campaign (CFC), and support rendered to other community events. From a MACOM perspective, our efforts are overseen by the SMDC BOD. Our operations are performed in controlled environments or office settings; we have no unusual risks associated with our products, service, or operations that could have controversial societal impacts.

Potential Public Concerns	SMDBL Response	Goals
Unsafe work environment	Safety monitors, spot inspections, employee training	No on-the-job injuries; no injuries while in-transit on official business
Fraud, waste, and abuse	Fund status reviews during staff meetings, employee training	No adverse reports upheld
Inequitable treatment of employees	Employee training program, Union consultations, open door policy	No adverse allegations upheld
Inadequate protection of Government property	Security monitors, random property inventories, employee training in property care and accountability	No discrepancies

Figure 1.2-1. SMDBL's Response and Goals Regarding Potential Public Concerns.

1.2.a.(2) Because the nature of our business does not inherently engender public concerns beyond those indicated in Figure 1.2-1, we believe our current approach is sufficient. As part our annual APIC self-assessment, Senior Leaders evaluate the potential for significant operating changes. If our products, services, or business practices should show increased risk for causing public concern, Senior Leaders will direct and oversee preparation of mitigation plans, coordinated with higher headquarters, customers, stakeholders, employees, and suppliers.

1.2.b Ethical Behavior

Our organization ensures ethical behavior in all our transactions and interactions by first ensuring that we do not hire or retain people who do not ascribe to our corporate values. We ensure all our employees and Leaders are trained in, and comply with, ethical standards and expectations. Attendance at annual training sessions is mandatory and we track it. Our Senior Leaders and SMDC BOD work in concert to set and communicate ethical standards and to ensure they are understood and maintained through the methods shown below in Figure 1.2-2.

Key Ethics Monitoring Processes	Measures/Indicators	
Compliance Processes	Internal Measures/Indicators	Governance Measures/Indicators
Mandatory annual ethics training attendance	100% attendance rate	BOD meetings/conferences
Annual Assurance Statements submission	100% on time, fully compliant statement	Command inspections
Annual Financial Disclosure Statements submission	100% on time, fully compliant statement	Training assessments
Level III Acquisition Certification Rate	100% certification of required positions	Acquisition Certification compliance
Ethics violations reported and substantiated	Zero substantiated violation reports	

Figure 1.2-2. Key Ethics Processes and Associated Measures/Indicators.

We also ensure acquisition personnel who require it, complete Level III acquisition certification to reinforce legal and ethical behavior. We track employee certifications in their Individual Development Plans (IDPs), Annual Training Plans (ATPs) and have recently established an employee training database to provide status to leadership. Their progress against these plans is reviewed during regular performance counseling, and non-completion may reflect on performance appraisals.

1.2.c Support of Key Communities.

Our key communities include our customers, stakeholders, partners, employees, and suppliers (Academia, OGA, and support contractors). We share common interests with these communities and selected them based on their past or current contributions to our programs or our contributions to theirs'. We seek to widen our constituencies by attending professional events, referrals from current members of our community, and, through identifying and pursuing co-innovation opportunities. Where possible, we establish mutually beneficial relationships within our communities of interest. For instance, SMDBL needs scientists and engineers to accomplish our mission and protect the public interest. We seek to acquire, train and retain the best, most qualified people possible. We began a program to influence high school curricula and attract students to hard-skilled engineering and science early in their school experience and provide them a direct track to Government service after college. SMDBL helped establish the High School "Adventures in Engineering" and "Engineering Teams Week" programs in partnership with a Huntsville pre-engineering magnet-high school. Our engineers and scientists now work directly with aspiring students through this program. SMDBL encourages college/university engineering students to participate in its engineering internships and cooperative educational program (CO-OP). This program envisions steering a high school student toward government service career, maintaining that influence through college, providing summer training and part-time employment, and then hiring the person upon graduation.

As a government organization, we are limited by law and regulation as to charitable and community involvement beyond officially-sanctioned activities. However, we actively encourage our employees to pursue such activities as might interest them. This approach is informal with regard to our employee participation to preclude undue influence or the appearance thereof. Figure 1.2-3 identifies some of the professional, educational, governmental, and civic organizations we support organizationally and/or individually.

Key Community	Organization/Activity
Professional	Space and Missile Defense Conferences
	Professional Organizations - Military
	Professional Organizations - Quality
	Professional Organizations - Technical
Educational	Auburn University Engineering Councils
	UAH M&S Certification Program
	High School Pre-Engineering Programs
Governmental	Army Well-being and Morale Programs
	Professional Symposia and Working Groups
	SMDBL Diversity Programs
Civic	Charitable Organizations
	Scouting programs
	Other Community Activities

Figure 1.2-3. SMDBL Community Support.

Appendix C - APIC Examples

2 STRATEGIC PLANNING

2.1 Strategy Development

2.1a Strategy Development Process

2.1.a(1) Overall Strategic Planning Process. The Army has committed itself to a massive paradigm transformation centered around agility, leanness and speed. This transformation in turn has challenged ARDEC and other suppliers to transform and change their approaches consistent with the changes of their primary customer.

ARDEC's own transformation from a product-centric to a function-centric organizational entity further incorporates this Army thrust. Success of this structure is dependant on quality processes to knit the organizational elements into an efficient and effective entity. To underscore that commitment, the Army has added the Balanced Scorecard Approach (BSC) to its strategic planning process and is driving this approach down through its subordinate organizations. This includes the Army Material Command and their Research Development and Engineering Command, of which ARDEC is a part.

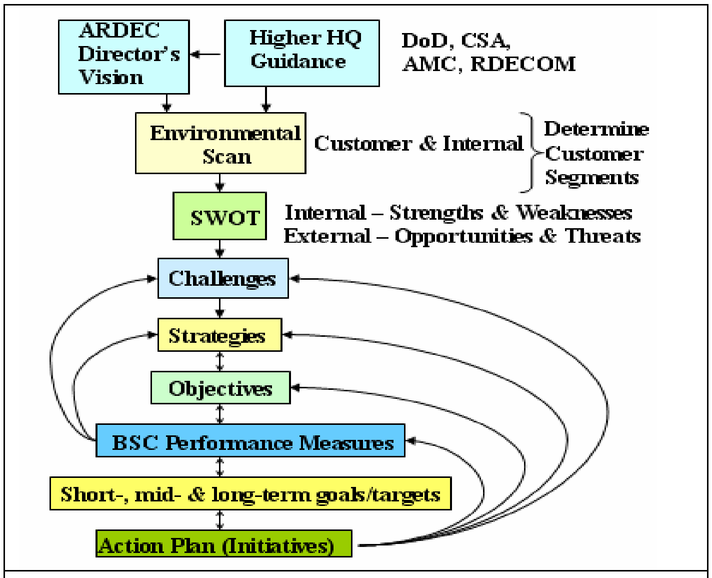


Figure 2.1-1 Strategic Planning Process

Our planning process includes top-down and bottom-up intelligence/idea flows, performance metrics agreed across the organization, and team/individual goal setting that aligns workforce effort with ARDEC strategy measured by the balanced scorecard.

This comprehensive process begins with a scan and in-depth assessment of the external environment, including future-oriented perspectives from higher level Commands and key customer groups, as well as input from our own competitive intelligence resources. This information is coupled with a multi-participant/level internal review of ARDEC's **S**trengths, **W**eaknesses and capabilities. Further discussion then synthesizes relevant **O**pportunities and **T**hreats, resulting in preliminary identification of various Strategic Challenges (Figure O-3). These are extensively debated and refined through additional broad-based discussion and ultimately crafted into ARDEC-wide Strategies. Our strategies help us then articulate long-term goals. These then drive subsequent enterprise-wide objective setting across all organizational levels, ensuring resource and effort alignment.

Key participants involved in strategy development include tier 1 and 2 leaders (see Section 1.1a (1)). Participant involvement and strategic plan construction is facilitated by a dedicated internal planning staff armed with a deliberate Strategic Planning Process Map. These trained facilitators ensure an open approach to dialogue and exchange of perspectives that appreciates and invites discipline, innovation and creativity.

ARDEC constructs three planning horizons: a long term view of five years, further broken down into a three year mid-range view and a one year short term view. In addition, several over-the-horizon lead time initiatives are projected as required. The three primary planning horizons are guided by the Action Plans of our overall Strategic Planning Process. Action plan initiatives are produced for all time intervals.

These multiple time horizons track with ARDEC and higher Command budget cycle planning realities and nicely compliment the strategic intent of the Balanced Scorecard system. Projecting multiple time intervals allows ARDEC to more readily adapt to government policy shifts and/or new defense initiatives driven by a changing economic, political, and geopolitical climate.

2.1.a(2) Key Factors. ARDEC's strategy planning process ensures the creation of a broad mosaic landscape, rich with input from multiple stakeholders both external to and within the organization. The process has been carefully crafted to place central focus on specific Baldrige criteria. ARDEC's strategic approach also benefits from recent consultancy assistance by Booz Allen Hamilton plus training and consultation with the Balanced Scorecard Collaborative. ARDEC's balanced scorecard process is based on the nationally renowned model developed in the 1990's by Kaplan and Norton. The Balanced Scorecard Collaborative was founded and is led by Kaplan and Norton.

# - Strategy	# - Objective	# - Measure (Each measure has associated Action Plan(s) w/initiatives)	# - Goal/Target/Timeframe
C1 - Rapidly Provide Armament Technology Solutions to the Soldier	C1.1 - Meet all program Requirements in C-S-P (cost, schedule, performance)	C.1.1.1 - Program Baseline Objectives – • Cost • Schedule • Performance	C1.1.1.1 – Short – 5% improvement in program requirements (C-S-P) over baseline year. Mid – 15% improvement in program requirements (C-S-P) over baseline year. Long – 25% improvement in program requirements (C-S-P) over baseline year.
P1 – Offset Operations Costs to DoD through Innovative Asset Management	P1.1 - Leverage EUL/ATC initiatives to offset base operations costs	P1.1.1 - Dollars/value generated	P1.1.1.1 – Short – offset operations costs by 7% (in FY03 $'s) by FY05 ($5M) Mid – Offset by 15% (in FY03 $'s) by FY07 ($10M) Long (Over the horizon) – Offset by 45% (in FY03 S's) by FY09 ($34M)
P2 – Be the Internationally Acknowledged Hub of 21st Century Armaments Core Competencies	P2.3 - Enhance ARDEC's International recognition/reputation as a leader in armaments technology	P2.3.4 - Number of Patents Awarded per 100 S&E Employees	P2.3.4.1 – Short – Achieve 60% of Identified Best in Class Patents per 100 S&E Employees by FY05 Mid - Achieve 85% of Identified Best in Class Patents per 100 S&E Employees by FY07 Long - Achieve 110% of Identified Best in Class Patents per 100 S&E Employees by FY09
P3 – Dominate the Armaments Market through Superior Performance	P3.1 - Sustain U.S. Force Overmatch Posture by assuring ARDEC products set world class standards for critical performance requirements	P3.1.1 - Percent of ARDEC's major fielded products "Best in Class" based on critical performance parameters	P3.1.1 – Short - 75% or better of key products within competency area are "Best In Class" by FY05 Mid -85% or better of key products within competency area are "Best In Class" by FY07 Long - 95% or better of key products within competency area are "Best In Class" by FY09
P3 - Dominate the Armaments Market through Superior Performance	P3.3 - Become the "Prime Mover" in Armament Disruptive Technologies	P3.3.1 - Percent of ARDEC S&T funding supporting Disruptive Technology R&D	P.3.3.1 – Short – 16% in FY09 Mid - 18% in FY09 Long - 20% in FY09
P3 - Dominate the Armaments Market through Superior Performance	P3.4 - Increase ARDEC's FY share of S&T (6.2 & 6.3 Tech Base) armament funding	P3.4.1 - ARDEC's dollar share of Army S&T funding vs. competitor 1 and competitor 2	P3.4.1.1 – Short – 40% by FY05 Mid – 45% by FY07 Long - Achieve largest share among three (ARDEC vs. 2 competitors) by FY09
L1 – Attract and retain a World Class Workforce	L1.3 - Replenish our workforce	L3.1.1 - Ratio of acceptances to job offers	L3.1.1.1 – Short - Ratio of acceptances to job offers made to acceptances increase 5% over FY04 baseline by FY05 Mid - Ratio increase by 15% over FY04 baseline by FY07 Long – Ratio increase by 25% over FY04 baseline by FY09
L1 – Attract and retain a World Class Workforce	L1. 4 - Provide employees with challenging work, adequate resources and effective leadership	L1.4.1 - Sustain an Employee Survey score reflective of a high level of employee satisfaction	L1.4.1.1 - Sustain an Employee Survey score of 70% or better

Figure 2.1-2 Sampling of Strategies, Objectives, Measures and Targets

These inputs assure a strong foundational baseline, promoting a best-in-class approach to objective, goal/target and metric/measure development. ARDEC's strategic planning process addresses the several key Baldrige factors in these ways:

a) Customer and Market Needs – A biennial SWOT (Strengths, Weaknesses, Opportunities, Threats) exercise factors in data from existing and likely future customers and is coupled with customer feedback to form a composite picture of market requirements. This information influences the content of our BSC metrics and provides valuable input to our Business Interface Office as they execute a dual function of marketing and customer support.

b) Competitive Environment – Our biennial environmental scan focuses on identifying our competitors in each major area of ARDEC capability. This data is folded into our SWOT exercise to bring market reality to our plans. A new Competitive Intelligence position has recently been integrated with our existing Foreign Intelligence Office to centralize global intelligence gathering to strengthen focus on our competitive environment. This intelligence group resides within ARDEC's Strategic Management Office, facilitating comparative information as input to the planning process.

c) Technology – ARDEC's strategic planning process recognizes and data-mines the internal interplay between several groups charged with continually defining where armaments/firepower technology is heading. These include the Business Interface Office (responsible for marketing and customer interface), Associate Technical Director for Technology/MANTECH (a special senior technical role), the Armament Systems Integration Center (charged with garnering ideas for and funding technology research) and the Armament Engineering Technology Center (technology research and development). Technology trends, emerging science, and unexpected disruptions to current science practice are identified by these collective groups and are incorporated into periodic plan revisions. This process with its continuous information flow enables ARDEC strategy to remain responsive and contemporary.

d) Strengths and Weaknesses – We have a long history in developing and updating SWOT analysis in light of our constantly changing environment driven by economic, political, and geopolitical events. One example is the new process of creating ARDEC's Strategic Facilities Master Plan (see Section 3.1a(1)). ARDEC's leadership consciously must focus on a holistic set of external environmental stimuli. As acknowledged, the most recent facilities plan has resulted in our organizational transformation. As another example, the current set of strategies depicted on our Strategy Map are the direct result of codifying, prioritizing and responding to these SWOT recognized influences.

e) Redirecting resources – Our previous organizational structure decentralized decision-making to the point where redirecting resources was more locally based and therefore un-coordinated across the enterprise. Under our new structure, a single Portfolio Management Office establishes a systemic process for assigning and redirecting ARDEC resources, especially highly discretionary assets. The process uses as its cornerstone the Strategic Plan, Action Plans and the Marketing Plan.

f) Governance – Residing within government, ARDEC is guided by relatively strict and specific laws, regulations and policies regarding the ethical, societal, financial and regulatory spheres. These are culturally embedded in our way of doing business and naturally assimilated into our Strategic Planning Process.

g) Economy - Variances in economic conditions are largely a result of geopolitical and domestic events to which we must respond rather than create or influence. We address this environment by assuring that our strategies and objectives allow for contingencies through a myriad of technological and/or economic alternative responses. This robust plate of options provides national and military leaders with strategic choices.

h) Unique Factors - The Department of Defense and Army Transformation initiatives are radically altering the nature of ARDEC's mission and the products and services we provide in ways not previously seen. Our ability to respond in time spans and physical mass radically challenges previously accepted design and production paradigms. "Lighter, faster, cheaper and more potent" are no longer blue-sky wish-list desires of our war fighter customers. Rather, they are imperatives dictated by new asymmetric warfare environments America now confronts. This new, uncertain, and changing state demands flexibility. Our leaders take higher levels of informed risk-based decisions in allocation of resources, selection of technical initiatives, and execution of product-producing activities. Our revised organization structure and newly improved Strategic Planning Process address this challenge by optimizing ARDEC's human, fiscal and capital resources through more centralized and focused channels monitored by systematic review processes.

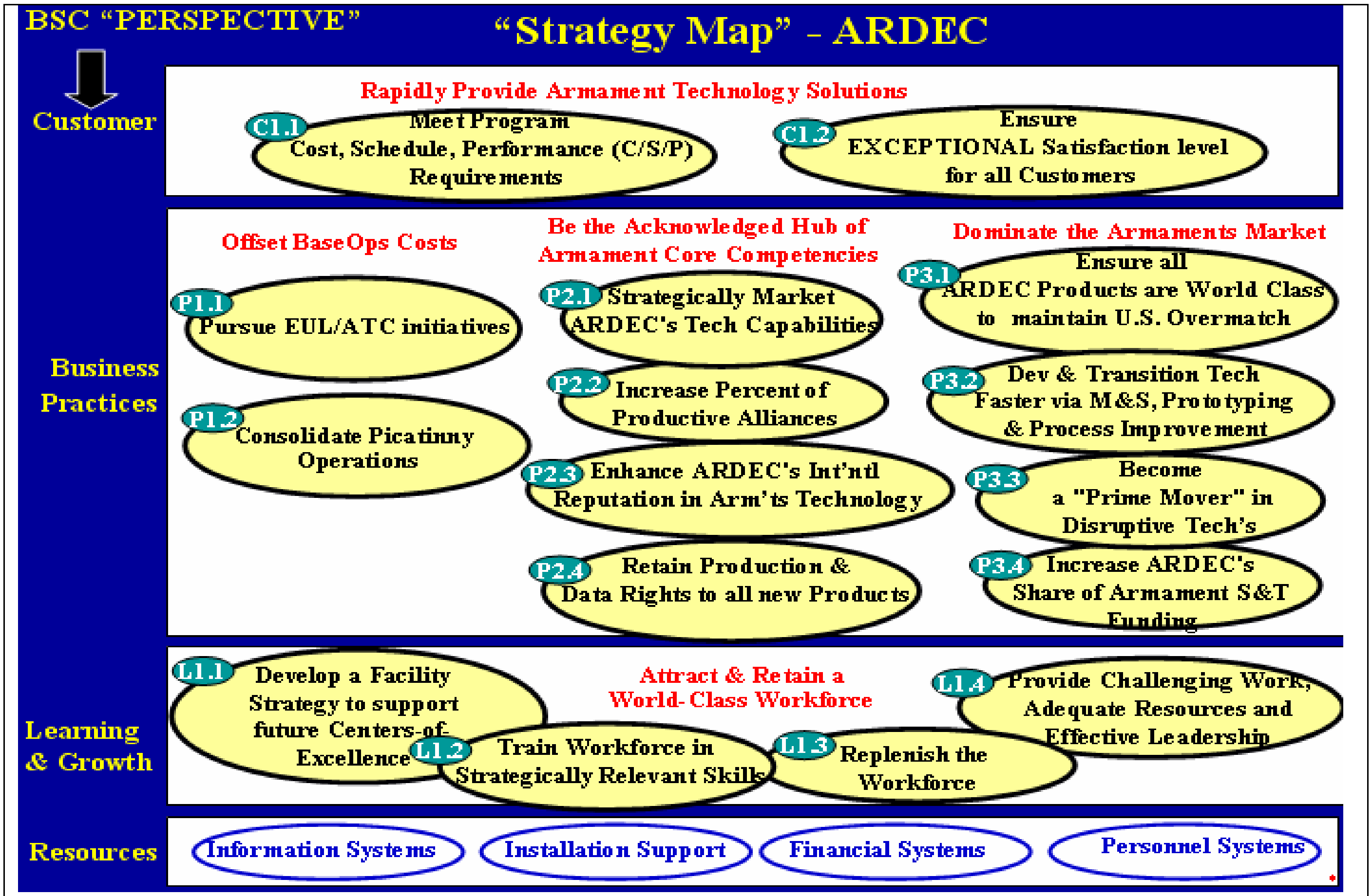


Figure 2.1-3 Strategy Map

2.1.b Strategic Objectives

2.1.b(1) Objectives and Timetable. Our Balanced Scorecard (BSC) is based on multiple perspectives as shown in Figure 2.1-3. BSC recognizes the interrelationships of four key perspectives: **R**esources, Business **P**ractices, **C**ustomer and **L**earning and Growth. At present, our BSC has five strategies (shown in red in Figure 2.1-3 with a two digit designation where the first digit matches the BSC perspective), sixteen objectives (shown with three digits, the first two linking to the strategy) and twenty-five measures (shown as four digits on Figure 2.1-2 where the first three link to the objective). While all objectives are key by the nature of being balanced, changes in our environment may cause a change in objectives which would be reflected in the BSC with the addition or deletion of key metrics.

A review of Figure 2.1-3 in conjunction with Figure 2.1-2 (which is a sampling of objectives and measures) links our objectives, measures and goals/targets/timeframes to the BSC driven by multiple stakeholder needs. This plan addresses both short, mid and longer term challenges through emphasis in the various plan interval documents (1 year, 3 year, 5 year and over the horizon).

2.1.b(2) Objectives and Challenges. As mentioned previously, our collaborative process prioritizes and time-phases the myriad of potential tactical and strategic initiatives open to ARDEC. In this process, initiatives from our action plans are balanced against available resources and strategic priority forming the basis for project alignment and prioritization. Figure O-3 lists current ARDEC's challenges and maps them to strategies and objectives on our Strategy Map (Figure 2.1-3). The format is immensely useful for portfolio alignment and prioritization.

In the formulation of our strategic objectives key stakeholder needs are considered during the environmental scan, SWOT and challenges steps. The Strategic Plan includes short, mid and long term targets, demonstrating a high level of plan element integration and prioritization.

2.2 Strategy Deployment

2.2.a Action Plan Development and Deployment

2.2a(1) Action Plans to Objectives. As noted in Figure 2.1-1 ARDEC's action plans and their initiatives flow directly from the strategies, objectives, measures and targets/goals. This process is a dynamic series of events. Tier 3 leaders, those frontline Competency Directors responsible for attaining results, create detailed action plans with initiatives for each measure/target to include dates, costs and milestone events. Portfolio Management, starting in FY05, will use the approved action plan initiatives to create an overall ARDEC Resource Allocation Plan. The full collection merging and approval of action plans is designed to resource specific initiatives with a return-on-investment focus, along with achieving the objectives depicted in the BSC.

The ARDEC Resource Allocation Plan consolidates the resources needed to achieve the objectives and is actively used for resource allocation. This ensures continuing alignment of the allocation of funds, people, and facilities with the action plans supporting the strategic goals and objectives. Starting in FY05, ARDEC leadership will meet three times a year for the Strategic Workout Session to review progress and relevance of all actions and initiatives. Efforts that appear divergent from planned strategy or are now at variance with newly changing external or customer requirements are analyzed and deviations are acted upon appropriately. Based on this analysis, efforts may be stopped and resources redeployed elsewhere. Short, mid and long-term targets and their achievement are reviewed to ensure that changes are not only sustained but improved upon.

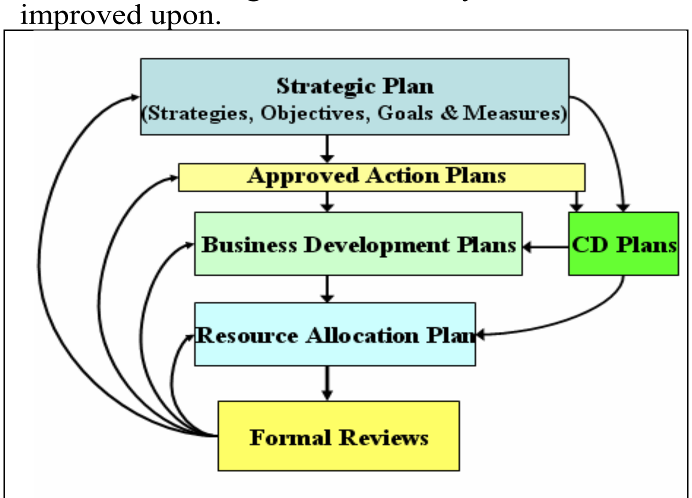


Figure 2.2-1 Plan and Review Linkages

2.2.a(2) Action Plans. As previously noted, all objectives are considered key with the BSC. Each objective in our BSC has short, mid and long term targets (see sampling in Figure 2.1-2) and an associated action plan with initiatives. An action plan is created for each measure by the entity responsible for results. The restructuring of our organization and the adoption of the Balanced Scorecard measurement process enhances the discipline of the ARDEC plans (see Figure 2.2-1) that now drive our strategic resource decisions, the products our IPTs develop and the customers to whom we market our products.

2.2.a(3) Human Resource Plans. As a high technology research and engineering organization, ARDEC's key strategic human resource goals center on attracting and retaining a fully competent, technically diverse workforce with contemporary skills relevant to provide customers with the products and services they demand. Each Competency Director identifies the particular skill sets required in his/her area in order to sustain robust competency. This is critically important to ARDEC in light of a decade long hiring freeze. This hiatus caused voids in key skill sets due to changes in personnel retirements, as well as a wave of changing technologies that threatened existing workforce knowledge and expertise. The ARDEC BSC contains three objectives with five measures which relate to training, hiring and employee satisfaction all of which have action plans to drive results (see Figure 7.4-9 Job Satisfaction).

These action plans are specifically tailored to address the short, mid and long-term needs of each competency area. Each Director then ensures that his/her plan is translated into individual developmental plans for each employee and are appropriately funded. Both management and employee are held accountable for successfully executing these developmental actions. The human resource development action plans are derived from the ARDEC strategic plan as well as the Business Plan.

2.2.a(4) Performance Measures. Figure 2.1-2 lists a representative sample of our twenty-five performance measures. Three times a year ARDEC leadership convenes Strategic Workout Sessions, multi-tier gatherings designed to achieve the following: assess progress against short, mid and long range targets; identify best practices for dispersal through the organization; identify areas of low performance with the aim of diagnosing shortfalls and offering remedies, and to continually assess the relevance and impact of documented strategies, objectives, initiatives and measures for our desired one, three, five year and over the horizon end-state.

Additionally, our BSC metrics cover stakeholders in the following measures: customer survey results (this survey captures customer feedback to ARDEC as shown in Figure 7.1-1 and customer feedback to several of our key suppliers although it is not shown in this figure); employee survey scores (see Figures 7.4-5 through 11 and 7.4-12 and 13); CRADAs and SBIRs (see Figure 7.3-5).

2.2.b Performance Projections. ARDEC has established short, mid and long range targets for our measures that reflect the levels of progress we expect to attain in reaching our five year end-state goals. Our emergency competitive intelligence function is specifically charged with mining relevant data on best-in-class performance, especially as it pertains to our product and service areas. Our thrice yearly workout sessions compliment these functions by critically reassessing our targets, especially in view of the dynamic environment that Army Transformation and volatile geo-political conditions have created.

Some areas of performance projections are: to become the nation's unquestioned leader in armament/firepower lethality, such that by FY09 we will have surpassed our competitors' share of the Army's Science and Technology funding allocation for lethality (see Figure 7.3-6); to radically reduce costs through streamlining our operations by targeting a facilities/base operations cost offset of 45%. This will be achieved partly through our innovative extended use lease initiative and consolidation of our real estate footprint (see Figure 7.5-9); to surpass our best-in-class competitor in the number of patents issued annually by at least 10% on a per capita basis (see Figure 7.5-8). Lastly, we aim to dominate the armaments market by assuring that 95% of our core products represent world class performance for key performance parameters that directly affect battlefield dominance (see Figures 7.2-1 through 7.2-8). All of these goals are intended to be achieved by the end of FY09.

Appendix C - APIC Examples

3.1 Customer and Market Focus

3.1 Customer and Market Knowledge.

3.1a. (1) The District uses its Strategic Planning Process, Project Managers, and the Outreach Team to determine and target customers, customer groups, and market segments. Our Customer & Market Knowledge Process (Figure 3.1-1) has eleven steps. Steps 1 through 5 are designed to allow us to determine and target customers and markets, consider competitor's customers, and other potential customers.

Step 1. Identify Current Products and Services. The Executive Steering Board (ESB) through the Strategic Planning Process (Figure 2.1-1, Review MVR Performance Foundation) systematically identifies our Products and Services. This decision process is highly influenced by federal laws and regulations which govern our services to the nation. Current Products and Services are identified in our Organizational Profile.

Step 2. Identify Key Customer Groups. Also, during the "Review MVR Performance Foundation" step of the Strategic Planning Process, the ESB identifies the key customers for each of our products and services. This determination is made based on current and projected work requests or inquiries, and federal laws and regulations that govern our customer base. Current key customers are identified in Figure P.1-1.

Step 3. Conduct Market Analysis (Internal and External). The Outreach Coordinator and the Outreach Team use a systematic process to rate each identified customer group. The Team rates (on a scale of 1-5) the relationship to our (Internal) Mission and Capability; and identifies and scores known or potential (External) Opportunities or Barriers. The customer group then receives a composite score.

Step 4. Identify Potential Markets. Using the market analysis the Outreach Team has determined to focus on underserved geographical areas (Iowa and Wisconsin); communities and basins with unresolved flood damage issues; communities and basins with unmet environmental challenges; customers and stakeholders dependent on our navigation infrastructure; and non-traditional customers (military). The components of our customer account planning include:

- Forming a "plan" (analysis & strategy) to develop a better business relationship
- Developing a team
- Visiting the customer to determine needs and develop business relationship
- Analyzing and capitalizing on opportunities
- Serving as the "One Door to the Corps" to meet technical/engineering service needs
- Managing the relationship

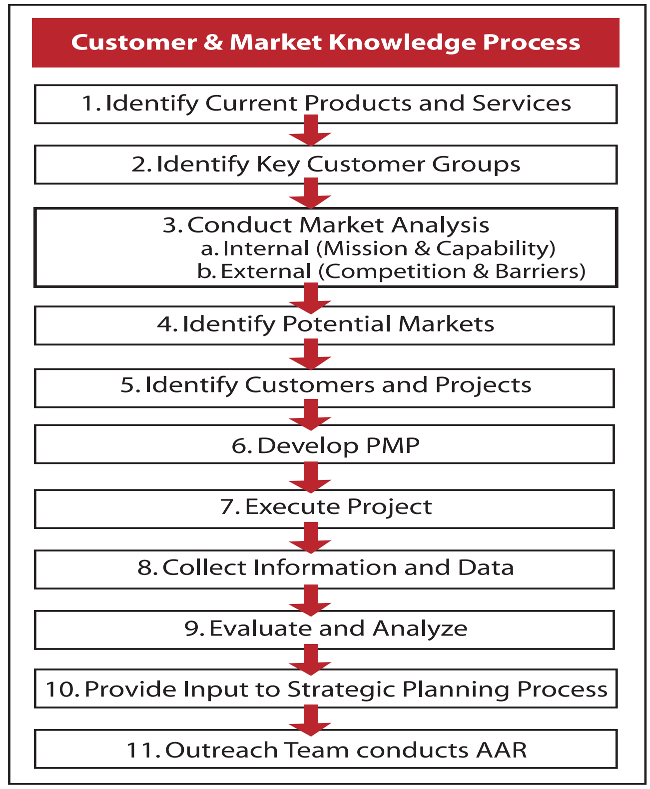


Figure 3.1-1 Customer and Market Knowledge Process

Step 5. Identify Customers and Projects. As each market is identified, key customers and potential projects are identified in each market. A Customer Profile is developed which allows for a systematic development and nurturing of customers. The profile embodies placing the customer front and center of our business, requires staying in touch with, and helping to satisfy the customer, and identifies means to measure the progress with each customer. Each Account Team identifies and works the following parts of their Plan:

- Goals
- Customer Listening Strategies
- Customer Profile (Includes Key Contact List)
- Financial Analysis
- IFBP (Issues, Features, Benefits, Proofs)
- Action List
- Information Needs List

3.1a.(2). Steps 6 through 10 provide us with a process to listen and learn from our customers, determine requirements and expectations, and use this information in our strategic and business planning processes.

Step 6. Develop Project Management Plan (PMP). At the outset of a project, a PMP is developed in order to establish clear lines of communication for the team and to establish responsibilities of each member of the team. At the initial kickoff meeting the team members, including the customer, meet to discuss the expected outcomes of the project and the expectations of each member of the team. As the project moves forward, the PMP is updated to reflect any changes in the project and/or the team. The development and use of the PMP allows us to listen and learn from our customers and determine their requirements and expectations.

Step 7. Execute Project. Upon signing the project cost share agreement, and receipt of funding, a project commences. The project is developed in accordance with the PMP, federal laws and Army regulations.

Step 8. Collect Information and Data. Customer data is collected throughout the project by the Project Manager (PM), the study team, and the Outreach Coordinator. Information such as history with the Corps, current actions, and current situation is collected in the customer profile.

At the end of each phase of a Project, (Reconnaissance, Feasibility, Pre-construction Engineering and Design, and Construction) the customer is provided a satisfaction survey. The customer is asked to evaluate nine attributes of performance, as well as overall performance on a scale of 1-10. This information is entered into the District Scorecard data base and analyzed by the Outreach Coordinator. (Figure 7.1-6)

Stakeholders are sent a stakeholder survey on annual basis to measure their level of satisfaction. The survey tracking data base is updated with information on the customer, when the survey was sent and when it was returned.

Step 9. Evaluate and Analyze. Project Manager feedback from customer interactions are reviewed monthly at the Project Review Board (PRB) and with senior leadership as needed.

The Outreach Coordinator enters the survey data into the District Scorecard data base and creates both a control chart to monitor monthly performance and an Importance/Performance chart to identify key attributes needing attention. All employees have access to this information.

Survey data is analyzed to discover the customers' key requirements, determine trends in customer satisfaction levels, and identify any significant problem projects. Results data can be segmented and analyzed by overall satisfaction, individual projects, by project phase, or by individual attribute.

As surveys are received and analyzed the results are used in several ways. Project results are sent to Project Managers. Overall results are presented to the Executive Steering Board. If a survey is received with exceptionally low scores or negative comments, or if the customer requests follow up, they are contacted by the Outreach Coordinator or the PM to better determine what the issues are and how they can be addressed.

Step 10. Provide Input to Strategic Planning Process. In March of each year (or more often if necessary) the Outreach Coordinator updates and presents customer survey results to the Executive Steering Board. (See Figure 2.1-2) The key attributes from the customer surveys are entered into the Strategic Inputs chart (see Figure 2.1-3) for consideration and analysis during the identification of strategic goals.

3.1a. (3) Step 11 of the Customer and Market Knowledge Process requires the Outreach Team to host an After Action Review (AAR). The After Action Review questions are defined in 1.1a(2). The results of the AAR allow the Outreach Team to keep their listening and learning methods current with business needs and directions.

3.2a. Customer Relationship Building

3.2a. (1) The Outreach team has identified three types of customers: Point, Liner and Area. Each type of customer requires different types and levels of relationship building and management. Each customer is categorized in order that the Outreach team can build a profile and determine what type of relationship to build with them.

Point customers are defined as customers who have a single project and may or may not have worked with the Corps of Engineers. They are also customers who have political influence. In order to meet the needs of these customers they are contacted on a regular basis by senior leadership and Project Managers (PM).

Linear customers are defined as customers who work with us on a variety of projects. They want to learn our processes. This type of customer requires management on several levels. Senior leadership of the District meets on a regular basis with senior management of the customer's organization. PMs and Study Managers communicate with their counterparts on a daily basis to keep them informed of project status and day to day work. Linear customers offer us the best opportunity for repeat work.

Area customers are those customers who like how the Corps of Engineers works and provide us with a good opportunity for repeat work. These customers work with District personnel on a day to day basis. These customers have direct lines of communication to District personnel in order to solve any issues they might have.

3.2a. (2) The District's key access mechanisms for customers to contact us is through Project Managers and District staff. Personal contact via visits, phone conversations, and Email, has always been the primary method of providing our customers with information and access to the organization.

The District has also developed a web site that allows customers to review our authorities and determine who to contact. Each authority has a contact person name, email and telephone number. There is also a number and email address for the Outreach Coordinator who will then direct the customer to the appropriate manager.

Each customer is provided a Point of Contact (POC). An example would be when we are working with the Illinois Department of Natural Resources. The District Commander will interact with the Director of the agency and the Project Manager will interact with field staff.

We also provide a system whereby recreation customers can contact and gain information about the Corps and its public facilities. Park rangers provide education programs and meet with many customers directly during the course of their duties. We also have a speaker's bureau that provides experts on various subjects to the public.

Our planning formulators have a public involvement program that educates our customers on the progress of our studies through newsletters, public meetings, forums, District web site, and other interactive methods. Additionally, our outreach program interfaces with the community and receives issues from community members.

Customer contact requirements are uniquely determined for each customer during the development of their Project Management Plan (PMP). The PMP is provided to all team members.

3.2a. (3) The majority of our customer complaints come to us via a letter from a congressional representative. All "congressionals" when received are assigned to the most appropriate person or persons for a response and entered into a suspense log. The Executive Assistant is responsible for this process and ensures timely responses are prepared and mailed. Complaints are aggregated and analyzed for the Strategic Planning process on an annual basis. (Input 8)

3.2a. (4) Our Project Managers, and our Outreach Team are required to conduct After Action Reviews (AARs) following significant events in their processes. These AARs allow PMs and the Outreach Team to keep their approaches to building relationships and providing customer access current with business needs and directions.

3.2b. Customer Satisfaction Determination

3.2b. (1) and (2) Each of our business processes uses a similar but specialized, customer satisfaction determination process.

Plan, Design & Deliver. As displayed in Figure 3.2-1, the Outreach Coordinator maintains the customer satisfaction process for the Plan, Design & Deliver customers. Customers are surveyed following each major project phase. (Figure 7.1-6)

Operate & Maintain. Customer surveys are distributed to our navigation customers and our recreation customers throughout the season. These survey processes are managed by the local Project Managers and fed into the District Scorecard. In addition, recreation customers are surveyed on a regular basis. (Figures 7.1-1 and 7.15)

Emergency Response. Emergency response customer satisfaction surveys are conducted both following major emergency events (i.e. floods) and during times of readiness (i.e. annual levee inspections). (See Figures 7.1-2 and 7.1-3)

Regulatory. Regulatory customers are surveyed via a phone survey following the completion of their permit application process. (See Figure 7.1-4)

3.2b. (3) The District inquires often of other Corps Districts to discover if and when they have produced any customer satisfaction data. Currently the Rock Island District is leading the way in the Mississippi Valley Division in the collection and use of customer satisfaction data. Benchmark data is challenging to find. Professional journals and Baldrige winners are used to discover best in class information.

3.2b. (4) As noted in Step 11 of the Customer and Market Knowledge Process, the Outreach Team hosts an After Action Review (AAR) at the end of each cycle. The After Action Review questions are defined in 1.1a(2). The results of the AAR allow the Outreach Team to keep their approach to determining satisfaction current with business needs and directions.

We also find that our home page on the Internet's World Wide Web not only provides extensive information to the many customers we serve, but allows us to monitor changes in sister Districts within the Corps.

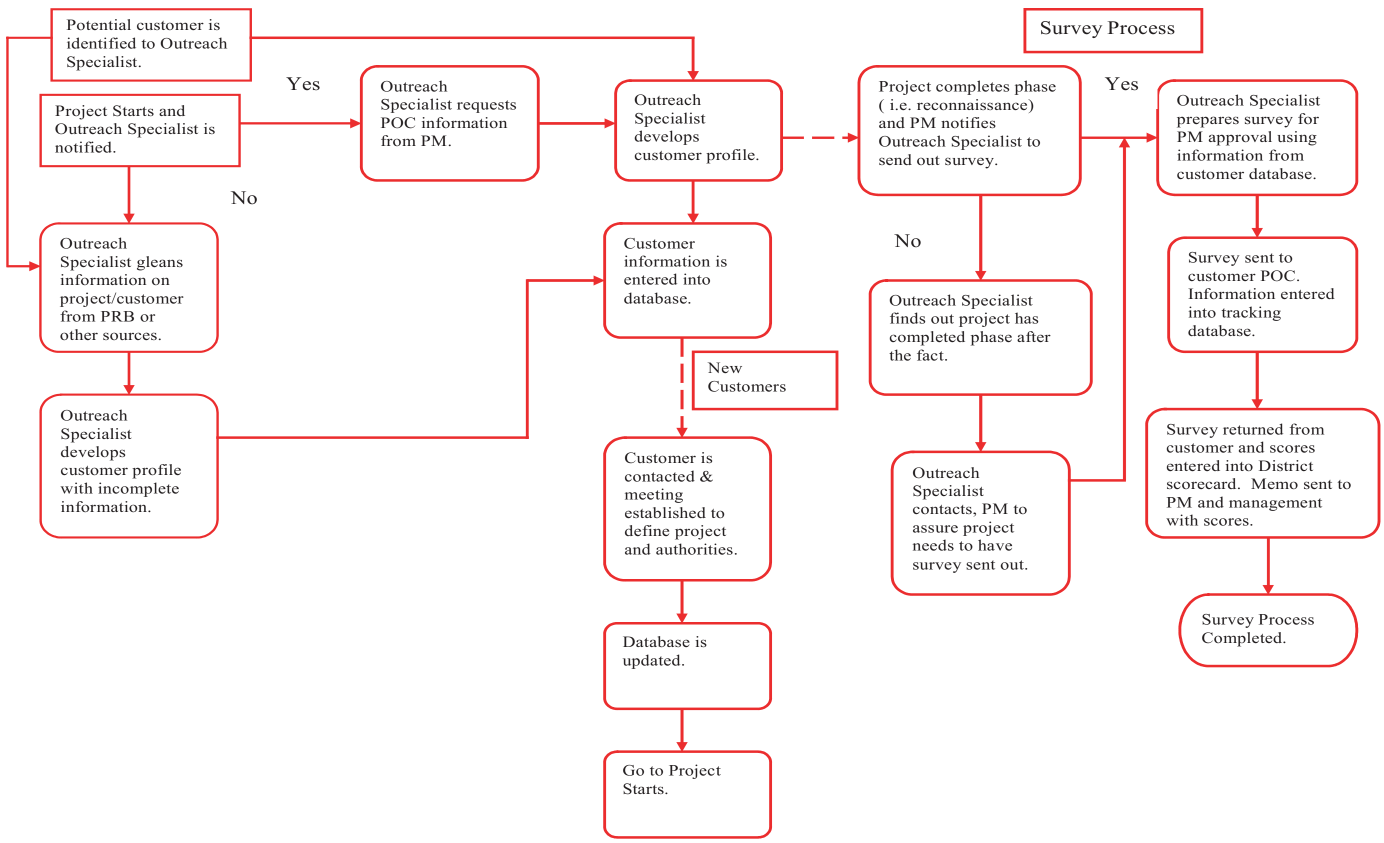


Figure 3.2-1 Customer Satisfaction Determination Process for the Plan, Design & Deliver Process

Appendix C - APIC Examples

"Warfighters' Station of C

4.0 MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT

4.1 Measurement and Analysis of Organizational Performance

4.1a Performance Measurement

(1) Selecting, Collecting, Aligning and Integrating Data and Information. We **select, collect, align, and integrate data and information** through the workings of our Performance Management and Measurement System (PMMS). The PMMS, Figure 1.1-2, is comprised of our Leadership, Executive Steering Committee (ESC), Quality Management Board's (QMBs), Customer Feedback Aggregation System (CFAS), Interactive Customer Evaluation (ICE) system, Listening and Learning posts (L&LP), Directorates, process owners, Continuous Improvement Team (CIT), Installation Business Office (IBO), and our customers, suppliers, and partners. These bodies work together in a synergistic manner that moves the Garrison forward toward achievement of our organizational goals. The PMMS is designed to help Leadership to understand, align, and improve performance at all levels and in all parts of the organization and to determine our future direction. The PMMS is a collective means of measuring performance, analyzing performance data and initiating changes that result in improvement of our daily processes' performance.

Information analysis forms the basis for all our **organizational decision-making and innovation** and our operational planning. (Step1) Our Senior Leaders set direction through our Installation Strategic Plan (ISP) Objectives (see Category 2). The QMBs then develop measures and competitive comparisons for process performance, and Action Plans for each Objective (Step 2). The measures are based upon key customer requirements and expectations. Process Owners collect performance, cost and customer satisfaction data, as well as competitive comparison and/or benchmark information (Step 3); analyze the data (Step 4); and present information for Director and Senior Leadership review at the appropriate PMMS forum(s) (Step 5). Daily operational checks of measures occur at all levels within our directorates.

The heart of the Garrison's PMMS is the QMBs/ESC process. The process is cyclic and results in a continuously refreshed and updated set of prioritized Actions to improve performance. Each of the QMBs (Training Support (TS), Power Projection and Readiness (PP&R), Well Being (WB), and Optimizing Resources (OR)) meets at least quarterly, as does the ESC.

At each QMB, Directors/Process Owners brief the performance status of Processes that fall under the QMB and the status of Action Plans. All QMB members monitor the Processes' performance through the information presented. The use of a QMB Chicklet Chart (see sample at Figure 1.1-4), enables QMB Leadership and members to quickly see the status of QMB Processes and Objectives. A color, based on our Color-Coding System, Figure 4.1-1, identifies the status of Processes, Objectives, and Action Plans. Leadership uses the logic of the color-coding system matrix to determine the overall Process rating. The rating of Objectives and/or Action Plans for a Process may differ from the rating of the Process itself. The slides in each QMB's PowerPoint presentation are hyper linked to additional slides containing pertinent backup information; hence, briefers can go into as much detail as necessary to inform leadership and QMB members about the Process or Objective. QMB briefers use this same process as they brief at the ESC.

COLOR-CODING SYSTEM

	KBD/Key Process	Objective	Action
G	Most/critical objectives are green	Most/critical measures are at or above standard	· Project funded/awarded. · Process in place and working
A	Neither green, nor red.	Neither green, nor red.	Neither green, red, nor black.
R	Most/critical objectives are red	Most/critical measures are below standard	Action is programmed but not funded. Significant obstacles.
B	N/A	N/A	Action not yet started. Still in infancy.

ROCK OF THE MARNE

Figure 4.11

For financial analysis, the Garrison uses the Service Based Costing (SBC) tool. SBC uses financial data to determine the cost of Process performance, the identification of opportunities for improvement, and the cost of improvement options. The SBC tool imports cost data from various financial reports and places that cost against the performance of a Process. The Garrison uses SBC to measure the cost-per-unit of output. Figure 4.1-2 depicts the SBC/Service Based Management (SBM) Financial Improvement Cycle.

SBC/SBM Financial Data Improvement Cycle
Step 1: Train/retrain employees
Step 2: Assign resources to activities
Step 3: Interview/validate previous data/mapping
Step 4: Input/make changes to model
Step 5: Quality assurance
Step 6: Generate cost reports
Step 7: Analysis of data
Step 8: Establish initiatives
Step 9: SBM comparison/initiatives
Step 10: Act on new initiatives
Step 11: Process begins again at Step 1

Figure 4.2

Customer satisfaction data is collected, as stated in Category 3, using the CFAS, ICE, and other survey systems. That information is reviewed and analyzed in the responsible directorate and briefed at the appropriate QMB and at the ESC, and is used to improve support facilities and programs.

We select and align measures primarily during our annual Strategic Planning Workshop, but also during the QMB/ESC process. The PMMS ensures that all measures align with the ISP and the Garrison's goals. Process Owners propose measures for a process at the Strategic Planning Workshop. Participants may decide not to change the measure(s) already in the ISP. Measures must earn group consensus that they will address customer requirements and expectations for the process and give needed information about process performance. We incorporate existing Army-wide measures, such as Installation Status Report (ISR) and Service Based Costing (SBC) measures, as applicable. Once included in the ISP, a measure influences operational decisions.

As an ongoing improvement, we are in the process of leveraging information technology to facilitate our response to the Installation Transformation challenge. We are developing and implementing an "Info-structure," the Fort Stewart Knowledge Management System, which will be a vast improvement in effective Knowledge Management. This is a "datafusion" of existing standard Army systems, stovepipe systems, and local unique systems, which will leverage personnel, logistics and financial information into best business practices. It will involve a common data dictionary of objects that we track, measure, analyze and report. We are currently in Phase Two of the three-phase project.

(2) Using Cost Management/Activity Based Costing (ABC) data to support operations and decision making. We began **using Cost Management/Activity Based Costing (ABC) data to support operations and Garrison decision-making** by building an ABC model for each activity involved in producing an output (step 1). Each directorate has had personnel attend ABC/OROS training to develop and build models for their directorates. All four of our major directorates, as determined by the Installation Management Agency (IMA), have models in place.

The second step was to populate the models with data. Once our directorates had populated their models, they began to analyze the data (step 3) to determine what drives the cost of each part of each activity. This information derived from the analyses allows managers to make decisions (step 4) on how to improve a process. For example, the DOIM used ABC data analysis to determine the cost of providing various telephone services to customers.

The IMA, beginning in FY04, is requiring quarterly Productivity Improvement Reviews (PIR) of Garrison directorate ABC data on the GC's Commander's Critical Information Requirements (CCIR). In preparation, Directors and managers from each directorate received ABC/PIR training in a workshop held by the SERO. We also hosted a SERO representative visit wherein they demonstrated the PIR and addressed and assisted directorate personnel with concerns regarding the PIR. We developed and established plans to improve the productivity of CCIR processes identified by Directors at our first PIR in Sep 03. The CCIR for FS/HAAF and the correlating ISR III performance measures are shown in Figure 4.1-3. Results for most of the measures are shown in Category 7.

(2) Selecting and Ensuring Effective Use of Comparative Data and Information. The Garrison **selects and ensures the effective use of key comparative information** and benchmarking data by using the Department of the Army Strategic Management and Innovation Division's <u>Ten Steps of Benchmarking</u> (Figure 4.1-4) as a guideline. Process Owners collect Process performance data based on process measures in the ISP. They compare their Process data and information to that of competitors or benchmarks, analyze the comparisons, and determine if modifying their Process will improve performance and/or customer service. The PMMS ensures that effective use is made of the information by requiring that comparative data be included on briefing charts used in the PMMS QMB/ESC process. Leadership uses the comparative data as one way to determine Process effectiveness and efficiency and directs changes as necessary.

COMMANDER"S CRITICAL INFORMATION REQUIREMENTS (CCII		
DIRECTORATE	**PERFORMANCE MEASURE**	**ISR III SERVICE NUMBER**
DOL	Ammunition supply services	23-01
	CIF First Time Fill Rate	25-01
	Maintenance Work Orders	27-01
DOIM	Communications	15
	Information Assurance	18
DCAS	Child and Youth	11
	Fitness, Recreation, and Libraries	12
	Business operations	13
DPW	Master Planning	54
	Real Property Demo	63
DPS	Fire and Emergency Response	68-01, 68-04
HAAF Garrison	Provide Unit Movement/ Deployment Support	28-04

Figure 4.13

Sources the Garrison uses for identifying best practices include: Libraries; Department of Commerce; Government Accounting Office (GAO) Studies; Congressional Reports; Government Performance Review Act (GPRA); National Performance Review (NPR); FORSCOM Home Page; Centurion, Army Communities of Excellence (ACOE), President's Quality Award (PQA), Georgia Oglethorpe Award, and Baldrige Award winners; video teleconferences; and others. Fort Stewart/HAAF also uses ISR data extensively in our PMMS. Another useful source of comparative data is the Army's Service Based Costing (SBC) web site. In use Army-wide, SBC data sets a standard for financial comparison so Senior Leaders may compare our process costs with like activities of other installations. Installation managers use SBC results to determine financial risks and benefits of different strategies or scenarios. The Army established the Army Management Structure Code (AMSCO) to align installation services (SBC) to funding. The PBAC reviews financial performance on a monthly basis in terms of operational requirements and reprograms funding as necessary to accomplish ISP goals.

TEN STEPS OF BENCHMARKING	
1	Define priorities and basis for comparison.
2	Determine measures of business excellence.
3	Identify whom to compare.
4	Flow chart and measure your process.
5	Compare to benchmark
6	Establish future goals.
7	Identify and communicate gaps and strengths.
8	Procure sponsorship.
9	Determine how to achieve results.
10	Adopt and adapt from the best and share your strengths.

Figure 4.14

In some instances, it is beneficial to make a site visit to a competitor installation or another organization to gather information. The Continuous Improvement Team (CIT) and personnel from several Directorates have visited other installations and industry to gather comparative data. The matrix at Figure 4.1-5 lists process improvements that resulted from these studies.

(4) Keeping Our Performance Measurement System Current. We **keep our PMMS current with business needs and direction** through an annual review of PMMS at our annual Strategic Planning Workshop, through review by Leadership in the ESC and QMB forums, and by review by the CIT. The PMMS is **sensitive and very responsive to rapid or unexpected organizational and external changes.**

Our PMMS was established in 1994 and has been validated and improved ever since. The most recent improvements are the incorporation of what used to be briefed at the quarterly Review and Analysis meetings into the appropriate QMBs; the use of the "Chicklet Charts" for showing the status of Key Business Drivers (KBDs), processes, and Performance Objectives; the more definitive agenda for the Strategic Planning Workshops; the creation of the ORQMB to manage Key Support and Key Business Processes; and the return to quarterly meetings in the QMB/ESC process to align the process with the new IMA Performance Information Review (PIR) reporting requirements. Each Commanding General of the Installation has signed the Charter for the Installation Strategic Planning and Performance Management and Measurement System (PMMS).

PROCESS IMPROVEMENTS		
BENCHMARKING/ COMPARATIVE STUDY	**ORGANIZATION FUNCTION STUDIED**	**ACTION PLAN**
Studied cost associated with on-post out-of- state colleges and compared the same service using in-state colleges.	Continuing Education	Needs Assessment conducted, Board of Regents briefed. Liberty Center established Aug 98.
Golf Courses. Study included: #Rounds played, Revenue/round, Expense/ round, NIBD/round, Maintenance	Golf operation	Studying FS course operation to identify ways to increase revenue and decrease expenses
Defense Automated Printing Service (DAPS)	Employee Empowerment	DAPS Permission Slip adapted and deployed to Installation Staff
Bowling Lanes study included: Lines, Revenue, Cost, NIBD	Bowling operation	Studying new processes to increase NIBD in one operation
DA Operation Be Fit	Physical Fitness Centers	Gyms presently at mid level rating – actions being developed to meet "premier" mark.
Food and Beverage study included: Snack bars, Bars	Food And Beverage Operation	Studying ways to decrease labor costs to increase revenue.

Figure 4.1-5

4.1b Performance Analysis

(1) Analysis to Support Senior Leader's Organizational Performance Review and Organizational Planning. The **analysis performed to support our Senior Leader's organizational performance review and strategic planning** occurs at several levels within the PMMS. First, Process Owners analyze Process performance by looking at performance trends, competitor comparisons, benchmark performance, cost/benefit information, and performance projections. Second, Process Owners brief Directors and/or make data and information available to them for their review and analysis. Third, the QMBs review the performance of Processes and Objective statuses. If the Process is not performing to standard, the QMB directs change or charters a PAT to analyze performance information and recommend possible improvements. Our PMMS allows Leadership to ascertain the overall fact-based health of our organization. Fourth, the information and data analyzed in the PMMS and reported at the QMBs and ESC link to the Key Processes, Key Business Processes, and Key Support Processes in the ISP. Fifth, persistent problems and new requirements, as well as the functionality of this analysis process, are addressed at the annual Strategic Planning Workshop, if not before then during the QMBs/ESC process.

(2) Communicating Results of Analysis. We **communicate the results of organizational-level analysis to Installation staff and stakeholders to enhance effective support of decision-making** via our modes of information deployment, Figure 4.1-6.

MODES OF INFORMATION DEPLOYMENT	
MODE	**FREQUENCY**
Executive Steering Committee (ESC)	Tri-annually
Quality Management Board (QMB)	Tri-annually
Continuous Improvement Team	Monthly
Intranet Home Pages	Daily
E-Mail, Public Folders	Daily
Bulletin Boards	Daily
After Action Reviews (AAR)	Quarterly
Unit Status Reports (USR)	Monthly
Readiness Review Board (RRB)	Quarterly
Installation Status Report (ISR)	Annually
Program Budget Advisory Committee (PBAC)	Quarterly
Commissary Council Meetings	Quarterly
Installation Morale Welfare Recreation Fund Council	Quarterly
Community Meeting	Monthly
Installation Master Planning Board	Quarterly
Installation Acquisition Planning Board	Quarterly
Installation Safety Council	Quarterly
Health Promotion Council	Quarterly
Local School Boards	Quarterly
State of the Garrison Briefs	Bi-Annual
Brown Bag With the Boss	Monthly
Marne TV	Daily
Frontline Newspaper	Weekly
Unit and Directorate Staff Meetings	Daily
Weekly Activities Report	Weekly

Marne Focus Coverage	Bi-Annual
New Employee Orientation	Quarterly
Strategic Planning Workshop	Annually
Embedding News Media Personnel in Training	Bi-Annually
Embedding Political Leadership in Training	Annually

Figure 4.16

We align the results of organizational-level analysis with key business results, strategic Objectives and Action Plans through the normal workings of the PMMS. Results are briefed to Senior Leaders at the QMBs and the ESC, and, as necessary and appropriate, result in decisions by the QMBs or ESC to address issues. Meetings are held throughout the Installation to inform staff of new and/or changed information. The meetings begin with Leadership and cascade down through mid-management and supervisors to front door staff. Meeting minutes are prepared and distributed. We ensure effective use of these results through our PMMS. Additionally, all stakeholders may review information via the Directorate Homepages on the Internet. Those with access can review information in the e-mail system Public Folders file located on the Intranet. The information in Public Folders and on websites includes, but is not limited to: Command Policy Letters, statutory and regulatory guidance to include all of the unclassified Fort Stewart Regulations, unit and directorate specific information, and automation technology assistance/information. These electronic media enable information to be shared instantaneously across the installation. Consequently, the QMB/ESC "team" is very focused on the performance of Processes and very receptive to information bearing on that performance. Process performance often crosses directorate lines. Action Plans often involve two or more directorates in the planning and/or execution phases. The PMMS ensures that all Garrison elements involved with a Process, Objective, or Action Plan are focused on successful performance because it supports an organizational goal or goals. The Directors, QMB Leadership, and ESC Leadership use analysis results to assess efforts to achieve Garrison goals and make appropriate adjustments or changes or initiatives to achieve continuous and/or breakthrough improvements in performance.

4.2 Information and Knowledge Management

4.2a Data and Information Availability

(1) Making Data and Information Available. We **make needed data available and accessible** to employees, supplier, partners, and customers by three methods, that are sometimes used separately and sometimes used together: (1) by sending the information out via e-mail as text or as an attachment to an e-mail, or by an e-mail hyper link to the electronic information location; (2) by placing the data on a website or in Public Folders accessible on the FS/HAAF Intranet, our Local Area Network (LAN); and (3) by sending the information out in paper media via the Installation distribution system. If the person seeking the information does not have Intranet access via an e-mail account, they can attain access the Intranet through the Fort Stewart Post Library, the Army Learning Centers, the Directorate of Information Management (DOIM) Publication Branch, and college computer labs. Paper-media copies of information are also deployed through the various forums of the PMMS and those copies cascade down through directorates to employees, supplier, partners, and customers, as appropriate. Directorates maintain bulletin boards to make information available. Other modes of information deployment, Figure 4.1-5, are also utilized. Within need-to-know limits, every stakeholder (leader, employee, supplier, partner and customer) has access to the information and data that they need for their work.

(2) Ensuring Hardware and Software Reliability, Security, and User Friendliness. The Fort Stewart/Hunter Army Airfield (FS/HAAF) DOIM ensures that our **hardware and software are reliable, secure, and user friendly** by testing hardware/software before utiliziation and deployment, by making proper first-time configurations, by following standard procedures, by interaction with unit and directorate IMOs at monthly meetings, by listening to feedback from customers, and by discussions at technical forums. Our Senior Leaders have specified a standardized recommended suite of office products for customers to purchase that are compatible with those in use throughout the Army. The Garrison purchases hardware and software from reputable sources and arranges for training classes to assist the workforce and customers in product use.

The DOIM also has the mission of ensuring the integrity and security of information passing over the Installation's Local Area Network (LAN), the e-mail network. The DOIM does this by providing a strong education/training program for systems administrators, information assurance officers and users; and by enforcing strong password authenticity policies and standing operating procedures (SOP) for LAN use by units, directorates, and activities. We guard against unauthorized intrusions into our LAN by employing an intrusion detection system that is monitored twenty-four hours-a-day, seven days-per-week, by the Regional Computer Emergency Response Team (RCERT). The DOIM has established a firewall and a "demilitarized zone" and has identified all systems connected to our LAN. All LAN users must comply with an Acceptable Use Policy, and all new operating systems must be certified. The DOIM uses a "push" system to enforce anti-virus program updates.

(3) Keeping Data and Information Availability Mechanisms Current. The DOIM **keeps our data and information availability mechanisms, to include software and hardware systems, current with business needs and directions** by searching, evaluating, and analyzing requirements in coordination with managers, users, and vendors. The DOIM conducts meticulous studies of current market trends and current and near-future products. The DOIM also looks at market experience with the technical aspects and usability of products. When the DOIM personnel make the analysis, they examine product efficiency, effectiveness, return on investment, total cost of ownwership, affordability, criticality, training requirements, long-term support and simplicity. The DOIM analyzes available software and hardware products and interacts constantly with customers concerning their needs as they relate to market trends. DOIM personnel also attend conferences, vendor demonstrations, and professional meetings where new hardware/software are introduced. Externally, the DOIM receives on-line direction from higher headquarters and regular feedback from their customers through satisfaction surveys and requirements meetings. The ORQMB monitors the DOIM's technology modernization efforts through briefings on ISP Performance Objective 4.4.1, "Optimize Information Technology Utility." Since 1996, the DOIM has had a

Strategic Plan. That Plan contains a detailed Action Plan. The Action Plan includes system capabilities, hardware, software, communication links, implementing organizations, funding history and plan, milestones, IT Metrics that apply, and performance measures.

4.2.b Organizational Knowledge

(1) Managing Organizational Knowledge. We capture, **collect and transfer employee knowledge** via our use of Intranet and Internet websites, PMMS meetings, minutes of PMMS and other meetings, command publications, standing operating procedures (SOP), written reports, In Process Reviews (IPR), Frontline artcles, Directorate newsletters, and various other staff coordination efforts such as Design Charrettes and decision papers. Transferring the knowledge occurs both actively and passively; actively through the normal communication channels related to the PMMS and/or the chain of command, passively through the media of which anyone can avail himself, i.e. the Frontline or the various websites. The Fort Stewart Knowledge Management System will eventually collect most, if not all, of this data and information and make it available

The **transfer of relevant knowledge from customers, suppliers, and partners** is accomplished through a variety of means. The PMMS encourages the transfer of relevant knowledge as part of the continuous QMB/ESC process. Because customers, suppliers, and partners are members of various QMB/ESC process bodies and on the Continuous Improvement Team (CIT), they can share informationvia paper media, briefings, electronic media, relevant discussions, etc. Suppliers and Partners have opportunities and channels based on contractual and written agreement obligations through which to transfer knowledge. Some contracts encourage contractor sharing of improvement/efficiency knowledge. Customers also attend a variety of Listening and Learning Posts where they can easily share knowledge.

Process owners, Directors, and/or QMB Leaders or members **identify a best practice** arrising from the effort to improve a process and the best practice could be based on innovation, successful benchmarking, competitive comparison, a PAT recommendation, and other improvement action. Such **best practices are shared** at the appropriate QMB and, if appropriate, at the ESC. The best practice then cascades through the workforce through the normal PMMS communication processes.

(2) Ensuring Timeliness, Reliability, Security, Accuracy, and Confidentiality. The DOIM ensures electronic data and information **reliability** by making recurring system back-ups, testing back-up files, using correct permission sets, and limiting access to hardware and software. Data **accuracy** and **timeliness** is the responsibility of the Process Owner and the Director responsible for the process. Data timeliness and accuracy is reviewed in the PMMS in the QMBs/ESC process, during the Strategic Planning Workshop, and in CIT meetings. Directorates have information management officers (IMO) and security managers who oversee automated program design, anti-virus programs and prevention, and ensure access for authorized personnel.

We allow no external connectivity to our LAN (**confidentiality**). Our Senior Leaders have placed command emphasis on protecting our LAN, and the DOIM makes both announced and unannounced inspections to ensure compliance. The DOIM works in coordination with the Installation Staff Judge Advocate and the U.S. Army Criminal Investigation Division (CID) to prosecute internal violators of LAN policy to the fullest extent possible.

The ORQMB and the ESC monitor ISP performance objective 4.4.1, "Optimize Information Technology Utility." The Performance Objective addresses information assurance (**security**) by measure 4.4.2.1, "Information Assurance IT Score."

The Directorate of Public Safety (DPS) Security Intelligence Division has the mission of ensuring paper-media **reliability** and **security**. The DPS provides quarterly training for all directorate security managers and unit S2 (Intelligence) officers that instructs them on complying with regulatory requirements, and it conducts one-on-one blocks of instruction for lower level civilian employees and soldiers on the same information. It also promulgates local policies and procedures on how to execute the requirements of the Army Information Security Program. The Security Intelligence Division performs announced and unannounced inspections and conducts preliminary inquiries in the event of a security violation or compromise of security information. The responsibility to ensure adequate physical protection of classified information, equipment, and material belongs to the Security Intelligence Division.

Appendix C - APIC Examples

U. S. Army Space and Missile Defense Battle Lab

Human Resource Focus

5.0 Human Resource Focus

5.1 Work Systems

5.1.a Organization and Management of Work

5.1.a.(1) Figure 5.1-1 provides a top-level view of our work system. We receive requirements and funding from our customers and stakeholders. Our senior leaders assign resources to our PLs and IPTs to meet these requirements. We also use contractor augmentation to support our operations where necessary. We deliver products and services to our customers who, in turn, provide us with feedback as to their quality and effectiveness. Feedback flows from our senior leaders and PL/IPT leads to our suppliers in the form of reports and findings and/or contract requirements. Feedback flows to and from our PLs and IPTs through program reviews, product and process measures, and from our customers in the form of AARs, satisfaction ratings, repeat business and positive referrals.

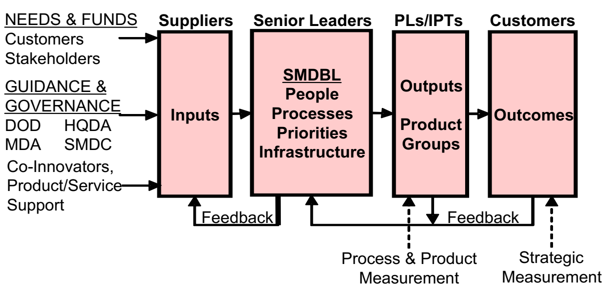


Figure 5.1-1 Top-Level Work System Overview

We use three methods to control our work:

Centralized program control: Our senior leaders manage work systems by assigning priorities and resources based on customer and stakeholder requirements, our short- and longer-term plans, command guidance, and our contingency plans. This also ensures the alignment of work with our strategic directions. Our leaders receive status reports from the program/task executors (PL/IPT leaders) as described in figure 4.1-2, and also check with customers, stakeholders and suppliers to verify that they are kept abreast of product/service development efforts. They evaluate individual and team effectiveness, efficiency and work progress, and adjust resources as needed.

Decentralized execution: Our work systems operate either entirely within a directorate (vertically-integrated work) or across directorate lines (horizontally-integrated work. If a product/service requires skills and expertise from two or more directorates, we use IPTs that work across directorate lines to address program needs.

Program and task requirements: PLs/IPT leads are empowered to execute their projects within the resources and priorities set by senior leaders. They make decisions and manage their work to ensure it is completed per cost, schedule and technical performance requirements. These teams have wide latitude to operate and deal directly with customers, stakeholders and suppliers. This fosters agility and empowers individuals and teams to embrace calculated risk-taking as a key business practice and precursor to innovation. It also drives open communication and puts the authority to act at the level closest to the customer.

5.1.a.(2) We capitalize on several diversity factors and processes within our work systems to enhance our performance:

Geographic: (Huntsville and Colorado Springs cultures and LNOs located with key stakeholders). Having LNOs onsite helps us to understand and be more responsive to our customer, and communicate better by viewing opportunities from the inside versus externally.

Skills and Job Requirements: Desired skills and talents are listed in job recruitment descriptions. Our Equal Employment Opportunity (EEO) office reviews all fill actions to ensure diversity is promoted. In addition to technical skills, we seek motivated, self-starters who share our organizational values and can work in an environment that fosters delegation and accountability. We seek to identify these qualities during interviews with prospective employees and through their references.

Teams: We benefit from the synergy of diverse skills, talents and cultures of our employees, customers and contractors in forming teams. Diverse teams help us to understand better and get closer to our customers, and to deliver them better products and services. The IPT is our most common, most powerful and most effective approach to capitalizing on the diversity of our workforce and contractor augmentees. We employ IPTs where requirements dictate a cross-functional approach to meeting our customers'/stakeholders' needs. We also ensure that we include our soldiers as key personnel as team members and/or leads. By the systematic deployment of IPTs as a preferred method of meeting cross-functional requirements, we have achieved very high performance ratings from our employees (Figures 7.4-3, 7.4-5, 7.4-6 and 7.5-9 to 7.5-12) and customers alike (Figures 7.1-1 through 7.1-9, 7.2-2 through 7.2-8).

5.1.a.(3) We use three key methods to achieve effective communication and skill sharing across our workforce and operating locations. Because we are a small organization, much of what we do in this endeavor is informal because it speeds the flow of information:

Chain of Command: Deputy Directors are located in both Huntsville and Colorado Springs to promote collaboration and information flow. They share and compare information formally and informally as a part of their daily business conduct.

Teams: Our projects use teams comprised of employees and contractors from both locations, and from other SMDC elements and external organizations. This practice promotes skill sharing and cross-directorate information flow.

Electronic Media Our Huntsville and Colorado Springs conference rooms support video teleconferencing (VTC) and other electronic media. We use VTC extensively for staff, all-hands and team meetings, and other collaborative sessions. We provide wireless communications to enhance communication, and use our Intranet to make information available to our workforce, and use the Army Knowledge Online (AKO) and SMDC shared drives to increase knowledge sharing, communication and collaboration. Our LNOs also make extensive use of electronic media to keep PL/IPT leads and senior leaders aware of customer/stakeholder matters of interest.

5.1.b Employee Performance Management System

High-performance work and a customer and business focus are key workforce performance objectives. Managers and supervisors discuss performance against these objectives each quarter, and provide individual feedback and guidance.

Figure 5.1-2 depicts our performance management system, while Figure 5.1-3 reflects the performance incentives we use to reward employees who deliver high-performance to customers and stakeholders.

Job Design and Work Performance Management Process
Phase I: Job Analysis. Supervisor and Employee: Review customer needs; determine job requirements, and employee job and career needs.
Phase II: Work Planning. Supervisor and Employee: Complete and approve job performance plan, including standards and objectives.
Phase III: Job Execution. Employee: Perform work and offer counseling input. Supervisor: Provide day-to-day feedback and quarterly counseling.
Phase IV: Performance Feedback. Employee: Offer job appraisal input. Supervisor: Provide performance appraisal and reward any superior work.

Figure 5.1-2 Employee Performance Management System

Compensation, Recognition, Rewards and Incentives	Military	Civilian	IPT	Contractor
Time-off awards	X	X	X	
Honorary awards	X	X	X	X
SMDBL coins	X	X	X	X
Contract evaluations				X
External programs	X	X	X	
Suggestion awards	X	X	X	
Performance evaluations	X	X		
Letters of appreciation	X	X	X	X
Quality step increases		X		
Monetary awards	X	X		
Team awards			X	X
Developmental assignments	X	X		
Special training	X	X		

Figure 5.1-3 Recognition, Rewards and Incentives

5.1.c. Hiring and Career Progression

5.1.c.(1) Our leaders determine the characteristics and skills needed by employees during strategic planning and project assessment sessions. We evaluate these requirements against existing expertise and skill sets, and projected personnel gains and losses to identify shortfalls and coordinate staffing requirements.

5.1.c.(2) We identify and document desired skills and requirements for a specific job or project based on Director/Division Chief assessment of technical and other specific skills needed; diversity; personal qualities that support our organizational values; compatibility with customers; and demonstrated performance in an environment that emphasizes independence of action and calculated risk taking. By hiring people who thrive in our work setting, we increase the chances for employee retention. We reinforce our commitment to these areas by allowing for failure to occur without repercussion provided that our organizational values have not been violated. In other words, we recognize that innovation is often preceded by missteps and we allow for those to occur without personal penalty.

Since we now have new GS, C4ISR and IO missions, we have reclassified some positions to provide internal expertise in these areas. We are also increasing our entry-level cadre through cooperative education positions (co-ops) and internships, as shown in Figure 5.1-4.

Additionally, we were also able to reduce our active duty military positions by 13 percent, thus freeing up those positions to fill traditional Army duties. This action supports ongoing DOD and Army programs to move soldiers to line units.

We also seek to attract engineers and technical skills to Government service through our Pre-Engineering Partnership Program with the Huntsville public school system. Figure 5.1-5 summarizes our recruiting, hiring and retention methods. We hire these employees through standard Federal Government personnel acquisition procedures. We seek to retain them through fair treatment, equity in opportunity, maximum encouragement to assume responsibilities, a commitment to training, development and growth.

Net Classification Changes 2003 vs. 2004	FY 03	FY 04
Engineers or Scientists (-5)	52	47
Operations Research Analysts (-1)	13	12
Program/Management Analysts (+1)	4	5
Military Analysts (No Change)	7	7
Information Technology (IT) Specialists (+2)	0	2
General Supply Specialist (+1)	0	1
Administrative/Clerical (No Change)	6	6
Interns (+3)	0	3
Cooperative Education Program (+4)	0	4
Military Positions (-2)	15	13
Total	97	100

Figure 5.1-4 SMDBL Position Reclassification Trends

5.1.c.(3) Pre-selection prohibitions preclude our having explicit succession plans. To meet our needs for having qualified successors, however, our leaders offer numerous opportunities to all employees to develop their skills and qualifications to make them more competitive for career progression. Our employee development program includes the actions shown in Figure 5.1-6.

Recruit	Hire	Retain
• Pre-Engineering partnership with Huntsville schools • Participate in job fairs • Maintain liaison with Colleges and Universities • Establish co-op and intern positions • Make use of the Civil Service recruiting processes • Promote SMDBL as a great place to work • Promote self-development as key to advancement • Observe diversity in recruiting process	• Civil Service hiring procedures • Hire from within if qualified to advance • Hire those with our organizational values • Use down-select process to increase chances of hiring the right person • Observe diversity in selection process • Offer permanent positions to eligible and proven interns and co-ops	• Retain those with our value system • Provide a great work environment • Foster contributions, learning, growth • Reward effectiveness and efficiency • Offer frequent performance counseling • Provide mentoring and teaching • Treat everyone equally and fairly • Act on SMDC Employee Survey data

Figure 5.1-5 Recruiting, Hiring and Retention Methods

Employee Development Actions	
Communicate future technical skills requirements	Advise employees on how to improve their competitiveness
Identify and publicize pathways to success	Develop resume and interview skills
Increase emphasis on mentoring and coaching	Analyze training needs and encourage self-development
Emphasize early development of leadership skills	Identify future management skills requirements
Offer developmental opportunities to employees	Encourage employees to network with their peers
Foster job rotation and cross training opportunities	Offer long-term training and graduate school opportunities

Figure 5.1-6 SMDBL Employee Development Actions

5.2 Employee Learning and Motivation

5.2.a. Employee Education, Training, and Development(1)-(6) Figure 5.2-1 shows our employee education, training and development process. This process is designed to meet our short and longer range performance and skills requirements while providing opportunities and incentives that support our employees' own career progression goals. As is the case with many of our processes, many parts are decentralized to the employee and supervisory level and depend on open and frequent communications between them.

Supervisors and employees perform a needs analysis to determine current and future customer needs, associated employee development plans, and mandatory training requirements. Supervisors and employees then analyze and determine desired education and training delivery options. Education and training are then received. Supervisors, in conjunction with feedback from customers and stakeholders, evaluate education and training effectiveness by observing changes in employee behavior and work contributions. Supervisors reinforce education and training through recognition of individual and team accomplishments, and provide further opportunities for skill sharing.

5.2.(b) Motivation and Career Development

One of our motivation techniques is to create a supportive work environment typified by self-direction, minimal oversight and full accountability for results. Honest mistakes that do not violate our organizational values are tolerated, used as learning tools and considered necessary to encourage initiative and innovation. This fact is part of our organizational culture and is explained when new employees are indoctrinated and emphasized throughout their tenure.

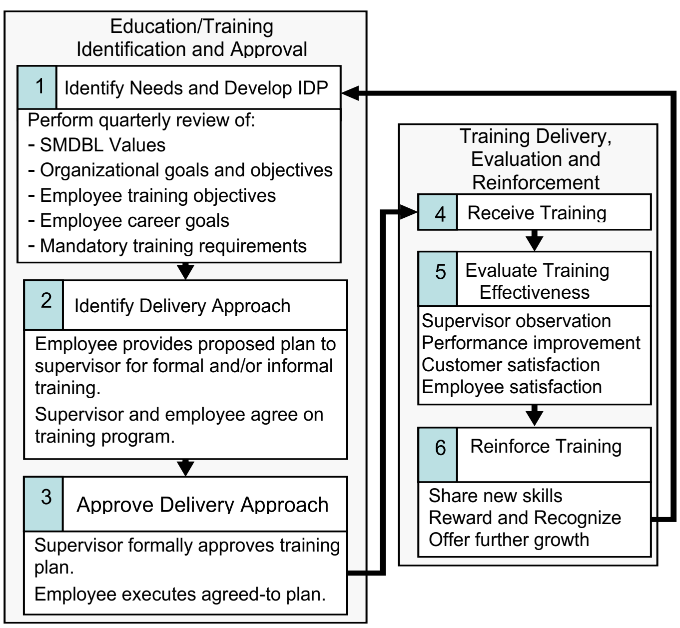


Figure 5.2-1 Education, Training and Development Process

Our leaders and supervisors accept these risks. Supervisors informally coach, counsel and teach employees during day-to-day operations. They also formally counsel employees every quarter. These formal sessions are characterized by two-way discussions designed to be honest, positive and conducive to giving and getting feedback. Employees review and adjust their career goals during these quarterly sessions. Employees also actively and freely seek advice from their peers and mentors. These interactions augment the formal training and development process described in Figure 5.2-1.

5.3. Employee Well –Being and Satisfaction

5.3.(a) Work Environment

5.3.a.(1) We work with SMDC subject matter experts on work-place health, safety ergonomics and security matters to provide a safe, healthy and secure working environment. These experts perform workplace inspections and ergonomic analyses that are augmented by our internal safety, security and ergonomics walkthroughs conducted by leaders and managers. Our employees report or correct any unsafe conditions they observe to their supervisors or to appointed safety officers.

We train specific individuals to render cardio-pulmonary resuscitation (CPR) and first aid. The names and locations of these individuals are prominently posted in work areas for easy access.

We encourage our employees to take advantage of the Command Health and Wellness Program that includes use of a fitness center and nutritional programs. In areas where there are numerous computers, we take special care to preclude electrical hazards. Our offices are all smoke free. Our key workplace environment measures are presented in Figure 5.3-1.

Work Place Environment Measures	
SMDC Employee Survey	Number health and fitness participants
Number of safety violations	Number of force protection issues
Number lost time injuries on the job	Number trained in CPR and first aid

Figure 5.3-1. Employee Workplace Environment Measures

There are significant differences in safety and security workplace factors associated with our participation in exercises, experiments and deployments. In such instances, our employees attend mandatory training that deals with health, safety and security requirements.

5.3.a.(2) We ensure workforce preparedness for emergencies and disasters by participating in emergency evacuation and fire drills. Plans are reviewed and discussed during staff and all-hands meetings, and are part of the orientation of new employees. After evacuation drills, we assess the effectiveness of arrival to our designated evacuation assembly area.

We maintain and protect information containing employee names, addresses, phone numbers and emergency points or contact. Division chiefs must account for their employees at all times during the duty day. We ensure business continuity beneficial to our employees and customers by providing for safe storage of operational and planning data.

We maintain continuity of operations by backing up our computer data to alternate sites and by maintaining duplicates of essential records.

5.3.b. Employee Support and Satisfaction

5.3.b.(1) Our employee satisfaction sensing and data sources are shown in Figure 5.3-2. The information we obtain from these sources helps us identify key factors impacting employee well-being, satisfaction and motivation. As part of our overall analyses, we evaluate the results by various employee categories and segments creating a flexible, employee-friendly work environment that meets individual, team and organizational needs. We do not segment our work areas beyond making accommodations for those with physical disabilities. Jobs may be differentiated by certain physical requirements as a condition of work, but these instances are quite rare.

5.3.b.(2) Our employees are kept informed on the services and benefits available to them and policies that govern how these services and benefits are accessed. If our workforce finds shortcomings in these policies, we take steps to correct any deficiencies within our control or request corporate governance assistance when needed. We promote two-way employee-supervisor communication behavior which has been very successful growing and maintaining very high employee satisfaction.

5.3.b.(3) As stated earlier, our employee satisfaction sensing measures are shown in Figure 5.3-2. These sources do not differ across the organization. However they may be segmented and analyzed along various segments of the workforce. For instance, supervisors evaluate employee turnover, absenteeism and grievances data, and report anomalies to our senior leaders.

Employee Satisfaction Sensing and Data Sources	
SMDC Employee Survey	Formal and informal complaints
Employee sensing sessions	Audit and inspection findings
Formal / informal discussions	Absenteeism and turnover rates
Counseling sessions	Open door policy
Leadership by walking around	Director / town hall meetings
Mentoring, teaching, coaching	Employee suggestions

Figure 5.3-2. Employee Satisfaction Sensing and Data Sources

5.3.b.(4) We analyze and evaluate our internal processes using customer feedback on our products, services and business practices to identify priorities for improving the work environment. We also use the SMDC annual employee survey as a source of employee feedback regarding their satisfaction with our workplace and our processes. The senior leader at each location is responsible to assess the key findings that relate to work environment and to correct discrepancies, or work with the appropriate organization to implement required improvements. Prioritization of any corrective actions depends on the potential impact on our operations and employees, and our capabilities to deliver our products and services to our customers.

Appendix C - APIC Examples

6 PROCESS MANAGEMENT

One key benefit of the 2003 reorganization of ARDEC is a renewed emphasis on the care and feeding of core business processes across our organization, our customers' organizations, and supplier and partner organizations. ARDEC business processes transform resources into value creating outcomes to meet customer requirements. Process performance is continually monitored through both quantitative and qualitative indicators. Our total performance and delivered product value is directly attributable to the effectiveness of these core business processes. Support processes are internally focused, providing administrative and transactional infrastructure to run our operation.

To frame ARDEC's process management activities in the business process area, our multi-tiered approach is described below:

In primary position is a process management team with overall staff responsibility for nurturing all of our business processes. This team is a component of the Strategic Management Office, a team that fosters a strong linkage between processes and ARDEC's strategic intent. For guidance they rely on a framework defined in a formal policy document called ARDEC Process Guidelines. These guidelines draw heavily from several well established and accepted industry standard approaches including ISO 9000, CMMI model criteria, and DMAIC/Six Sigma concepts. The process management team is a single unifying force within the multi-location ARDEC organization, ensuring consistency in business process design and redesign initiatives. The team is a source of information and counsel to process owners and functional teams. It also enables process integration across the wider organization as well as, monitoring and facilitating issue resolution when problems surface.

Each business process has a designated owner responsible for ensuring that their business process conforms to ARDEC Process Guidelines, fully addresses customer and stakeholder requirements, is properly coordinated as it intersects with other processes, and drives continuous improvement within ARDEC. It is assisted by expert support from the process management cadre with the SMO who are very versed practitioners of CMMI and ISO process standards.

Every Process Owner is assisted by a Tiger Team. Tiger Teams are cross-functional groups whose membership includes all key stakeholders to ensure varied perspectives are represented. Each Tiger Team has at least one member trained in Six Sigma or has easy access to such a resource. ARDEC has committed significant resources over the last several years to training and certifying employees in both Six Sigma (in FY01) and Lean Six Sigma (FY02 to date) methods. We have trained over 550 employees since initiating these programs in 2001 (see Figure 7.5-5).

Executive level sponsorship and advocacy for business processes is provided by the Quality Management Executive Council (QMEC) (see Section 1.1a(1)). This group's membership includes Tier 1, 2, 3 leaders with key customer and suppliers invited to attend. The group's primary purpose is to be a forum for discussion and continuous improvement across the organization.

Senior leaders are further institutionalizing our culture of continuous improvement and innovation through implementation of an "Enterprise Excellence" program. While this is just in beginning stages of implementation, executives are strongly committed to aggressive pursuit. They personally attend Lean Six Sigma Black Belt training, going beyond lip service to truly walk the walk. Enterprise Excellence brings together initiatives of an integrated Quality Management System, Voice of the Customer practices, and Lean/Six Sigma.

6.1 Value Creation Processes

6.1a Value Creation Processes

6.1a(1) Determination of Value Creation Processes. ARDEC's key value creation process requirements are rooted in policies and directives defined in DoD 5000 series, a set of overarching guidelines for the military acquisition cycle (see Figure O-1). Supporting this acquisition cycle is ARDEC's primary mission. Our key processes for creating and adding value are listed in Figure 6.1-1. Many of our key requirements and performance measures align with strategies, objectives and measures in our strategic plan (see Figure 2.1-2).

Each key business process has specific performance measures. ARDEC's overarching performance measures can be simply stated as cost, schedule, and performance. The value creation processes benefit our customers and stakeholders delivering our products to them - life cycle engineering of a broad spectrum of armament technologies and products. Efficient execution of key business processes provides our ultimate customers – the warfighter - with battlefield supremacy through technological overmatch capabilities. Though ARDEC does not operate as a for-profit organization, our ability to sustain and increase our business base is directly attributable to the success of our value creation processes as evidenced by our increasing revenue in Figure 7.3-1.

6.1a(2) Determination of Requirements. As mentioned, ARDEC's key value creation process requirements are determined from guidelines established in DoD 5000 and locally applied through our multi-component process management approach. These teams follow a robust methodology delineated in ARDEC's Process Guidelines. These guidelines include process requirement criteria and the "Define, Measure, Analyze, Improve, Control" (DMAIC) methodology (Figure 6.1-2). Use of the DMAIC methodology ensures that the requirements of our customers, suppliers and partners are considered early in the design of the process, specifically during the "Define" phase. Key stakeholders are members of Tiger Teams so that they can articulate their requirements in the presence of all interested parties.

Primary VCP	Sub-Process	Sub-sub-process	Key Requirements	Key Performance Measures(Tag)
IPT	System Engineering		Meet all program requirements	Cost, schedule, performance (C1.1.1.1)
IPT	System Engineering	Configuration Management	Lifecycle product management	Retain production & data rights to new products (P2.4.1.1)
IPT	System Engineering		Transition Technology Quickly	Actual vs. planned initiatives using prototyping (P3.2.2.1)
IPT	System Engineering	Modeling & Simulation (M&S)	Transition Technology Quickly	% of IPTs using M&S (P3.2.1.1)
Customer Relationship Management	Business Development	Tech Base	Prime mover in Disruptive Technologies (DT)	% ARDEC funding in DT (P3.3.1.1)
			Increase ARDEC's FY share of Tech Base	ARDEC's share vs. 2 competitors (P3.4.1.1)
Customer Relationship Management	Business Development	Make or Buy	Transition Technology Quickly	% successful bids (P3.2.3.1)
Strategic Planning	None	None	16 BSC objectives (see Fig. 2.1-2)	25 BSC measures (see Fig. 2.1-2, all)
Tech Transfer	None	None	Increase % of alliances	% of CRADAS, STOs, SBIRS that are revenue generating or technology transitioning (P2.2.1.1)
Material Release	None	None	Meet Materiel Authority and User Requirements (safety, suitability, supportability)	% Full Release

Figure 6.1-1 Key Value Creation Processes

This overall methodology requires a considerable amount of resources - people and time - senior management is actively involved in prioritization of these resources. Though processes existed prior to ARDEC's restucture, all processes, whether pre-existing or new, will use the DMAIC methodology to ensure proper coordination and compliance with ARDEC Process Guidelines. We are continuing to work our way through the remaining prioritized list of processes. Additionally, we are currently working to improve our guidelines through the incorporation of the *Lean* Six Sigma methodology - Define, Measure, Analyze, Lean and Control (DMALC). Use of this model will further enhance our processes' efficiency to achieve process optimization.

The value creation processes' key requirements are depicted in Figure 6.1-1.

6.1a(3) Design of Processes. ARDEC ensures that its business processes are designed to meet all key requirements through the use of the previously mentioned cross-functional Tiger Teams, the DMAIC methodology and system engineering approach (see Figure 3.1-3). The Armament Systems Integration Center, created as a result of the reorganization, is responsible for ensuring that we use a systems engineering approach on all programs and deploys standardized value creation processes throughout ARDEC.

The Strategic Management Office's process management team has organization wide responsibility for identification of new technology and industry best practices that can be applied to our process management approach. Once identified, promising technology is presented to the QMEC for approval and dissemination to all Process Owners and Tiger Teams.

As appropriate, any new inputs such as process improvement tools, organizational knowledge such as lessons-learned, updated DoD 5000 regulatory guidance or new automation techniques are incorporated in all processes through Process Owners and their Tiger Teams.

Process cycle time, productivity, cost control and other efficiency and effectiveness factors are taken into account by Process Owners and their Tiger Teams through application of the DMAIC methodology as appropriate to that processes' key requirements. A fundamental of the DMAIC process is using fact-based information for decision making which then enables the teams to more accurately address these factors.

New or redesigned business processes are implemented by the Process Owner and their Process Management Team. One of the key implementation steps is developing an appropriate user training plan. Teams identify the audience to be trained and the required level of proficiency. They also assist in the design of the training curriculum. Depending on the complexity of the work, some processes are simply documented with a process narrative and flow map posted on a web-based Process Training Tool site. Other more complex processes require formal training to include classroom and in-the-workplace training.

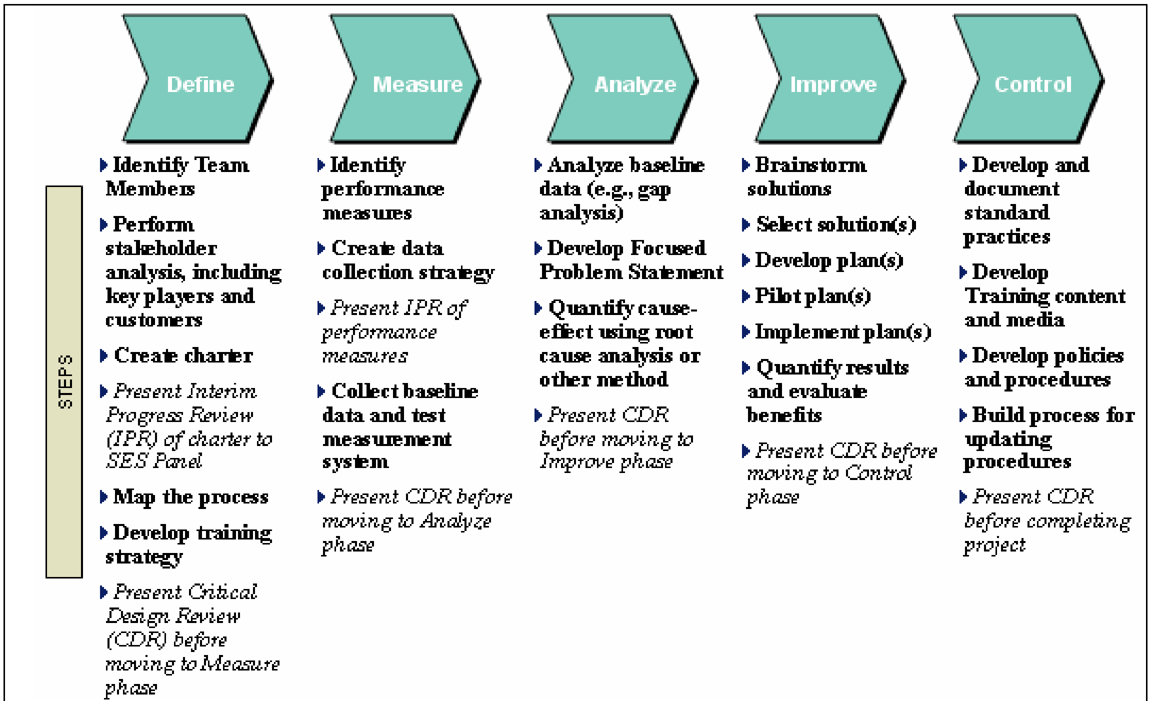


Figure 6.1-2 DMAIC Methodology

An SES Panel comprised of ARDEC's Senior Executive Service members, who represent ARDEC's major mission organizations, prioritize process projects, and review and approve the work of the Process Management Teams. These Teams present in-process-reviews and Critical Design Reviews to the SES Panel throughout the DMAIC methodology to ensure that the teams are following the Process Guideline and that where processes intersect, that proper coordination has been made and ensures processes are designed to meet all key requirements.

6.1a(4) Performance Measures. Key performance measures for our value creation processes are listed in Figure 6.1-1. Both key performance and in-process measures are defined during process design. Process Owners are responsible for monitoring the day-to-day operations of their process. One of the factors senior management insists upon is that each process has "red flag" or critical feedback points, which are in-process measures, at which an alert is sounded if there is a significant problem with a process or a key stakeholder expresses sufficient concern. Since the key stakeholders are participants on the Tiger Team as the process goes through the DMAIC process, that participation ensures that their input is used in managing the process as appropriate.

6.1a(5) Minimize Overall Cost. ARDEC minimizes overall costs associated with inspection, tests, audits, defects and rework by first correctly designing the process through a consensus driven, robust DMAIC process. Furthermore, excessive monitoring or rework activity is also minimized through systematic, standardized process training. Process owners also remain receptive to user feedback.

6.1a(6) Process Improvement. We use the DMAIC methodology to improve our value creation processes. Our processes are kept current with business needs and directions through the project management team's linkage to the Strategic Management Office. Additionally since key stakeholders are participants on Tiger Teams, they provide input as their business needs change. Process improvements are shared across the organization through the Quality Management Executive Council and as appropriate as lessons learned or best practices by Program Integrators (see Section 4.1a(1)).

6.2 Support Processes

6.2a Support Processes

6.2a(1) Determination of Support Processes. ARDEC's key support processes are determined to be the processes needed to complete our core mission but do not directly add value to the products being created. They represent the Resource perspective of our balanced scorecard (see Figure 2.1-3 and Section 4.1a(1)). Our key support processes are listed in Figure 6.2-1.

6.2a(2-6) Requirements, Design, Measures, Minimize Cost and Improvements. Our support process requirements are determined through the same methodology used for value creation processes as described in Section 6.1a(2). The key requirements for the support processes are listed in Figure 6.2-1. All aspects of designing, improving and controlling our key support processes are performed using the same methodology as our value creation processes described in Sections 6.1a(2-6).

Primary Support Process	Sub-Process	Key Requirements	Key Performance Measures (Tag)
Human Capital	Hiring/Retention	Replenish workforce	Ratio of job offers to acceptance (L1.3.1.1)
Human Capital	Workforce Development	Train/educate work force in relevant skills	% of skills on board (L1.2.1.1)
Procurement	Procurement Requirement Creation to Contract Award	Streamline Procurement Process	Time Required to Process Procurement Packages (Contract Cycle Time)
Financial Systems	Budget	Anticipate Sources & Uses of funding for the following year	Review ARDEC Statement of Operations (bi-monthly)
Process Management		Meet customer expectations consistently through efficient, linked processes	Increased Customer Satisfaction (C1.2.1.1); CMMI, ISO
Facilities/Equipment		Offset base ops costs	$ or value generated via EUL/ATC (P1.1.1.1)
		Consolidate footprint	Average admin. Space per employee (P1.2.1.1)

Figure 6.2-1 Key Support Processes

Appendix C - APIC Examples

7 BUSINESS RESULTS

As has been amply discussed in the preceding pages of this application, ARDEC's recent restructuring has significantly altered its organizational landscape, principally driven by the imperative to provide ever increasing levels of customer satisfaction in a complex and highly fluid business environment. Our past quality journey and intense external scrutiny occasioned by our prior Baldrige award applications has sensitized us to the reality that we often measured much, analyzed little and were often unresponsive to information flows and business outcomes. In that light, the Army's "corporate" decision to adopt the Balanced Scorecard approach has proven to be a beneficial improvement opportunity for us. We now recognize the vital few measures that constitute the most impactful relationship (from a results standpoint) to where we seek to be in 2009.

Our first true Balanced Scorecard has reduced our metrics set from 115 measures to 25 high-level indicators. These measures are our core business results, clustered about the scorecard's dimensions of stakeholder, business processes, learning and growth and resources, the latter area retaining its dashboard measure construction during the early stages of our new organizational alignment. Building on these four dimensions, five major strategies and 25 metrics, there are a series of action underlying objectives that drive this results-focused organization.

Our strategies include a greater reliance upon cutting edge technology in our product development efforts (P3), a stronger interaction with our external environment due to greater recognition that this century's emerging and highly sophisticated technologies demand broader and closer collaboration (P3), an imperative to husband our taxpayer owned resources to leverage their economic value to the hilt (P1), the premium that this information-driven society places on speed of development and execution (C1), and lastly the need to attract and retain a world class workforce to sustain outstanding organizational performance (L1).

In some instances we are venturing into uncharted waters as the deployment of the Balanced Scorecard concept forces us to define cause and effect relationships over the envisioned five year period. The scarcity of some of the baseline and trend data shown in this section only reinforces our trail blazing posture. In other instances, the trends and baseline are continuations of prior dashboard metric systems we have employed, differentiated now by the correlation to measurable end states we seek to attain by the year 2009.

7.1 Customer-Focused Results.

7.1a Customer-Focused Results.

7.1a(1). Customer Satisfaction and Dissatisfaction. Our quality journey, now spanning over a decade, has employed this metric as our guiding star throughout this period. It has become one of our 25 Balanced Scorecard metrics.

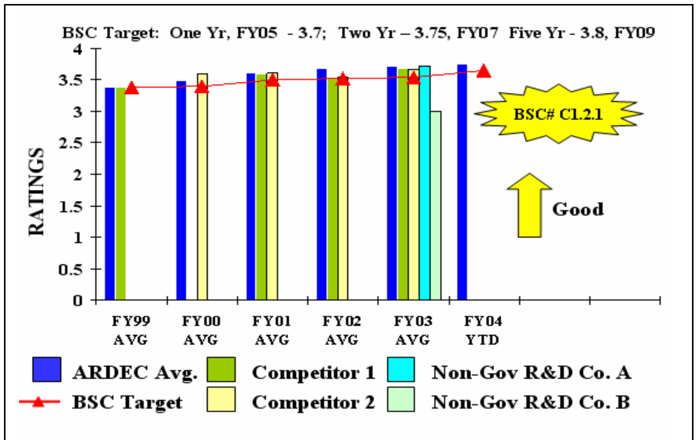


Figure 7.1-1 Customer Satisfaction Ratings

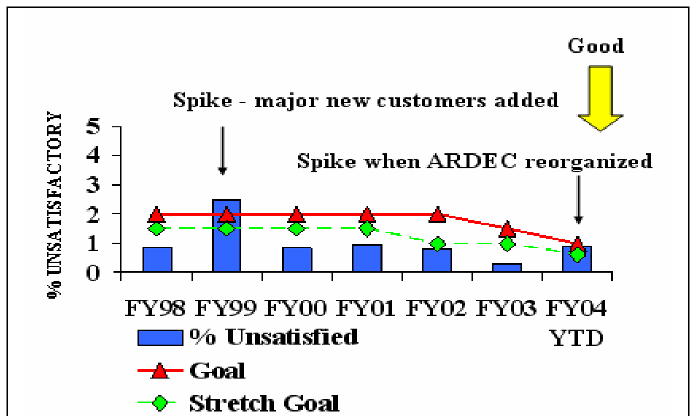


Figure 7.1-2 Unsatisfactory Customer Ratings

Figure 7.1-1 Our centralized quarterly customer rating (4 point scale) shows our high level and continued growth in overall customer satisfaction. This performance is contrasted with a major competitor. Our survey scale is: four (4) for exceptional, three (3) for fully satisfactory, two

(2) for marginal and one (1) for unacceptable. Customer ratings lower than 3 are unsatisfactory.

Figure 7.1-2 The percent unsatisfied reflects the number of numeric ratings less than 3 compared to the total number of numeric ratings received. Although there has been a slight spike as we have reorganized, unsatisfied ratings remain below 1%.

7.1a(2). Customer Perceived Value. The realities of the defense business are consolidation and paradoxically, increased competition. ARDEC does not enjoy a monopoly as an armaments supplier – we are extremely conscious of that fact, thus our strategy to dominate our market. Customer loyalty, while not an explicit Balanced Scorecard metric, is an important secondary indicator that provides real time signals in support of that goal.

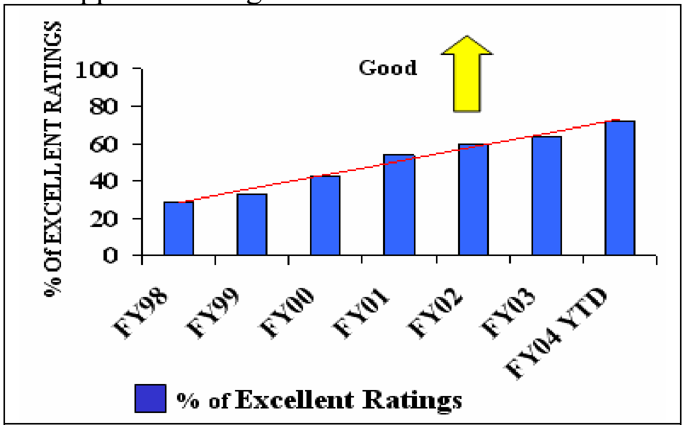


Figure 7.1-3 Customer Loyalty, Retention

Figure 7.1-3 Our highest level (4) on our quarterly survey includes input for repeat business and positive referral.

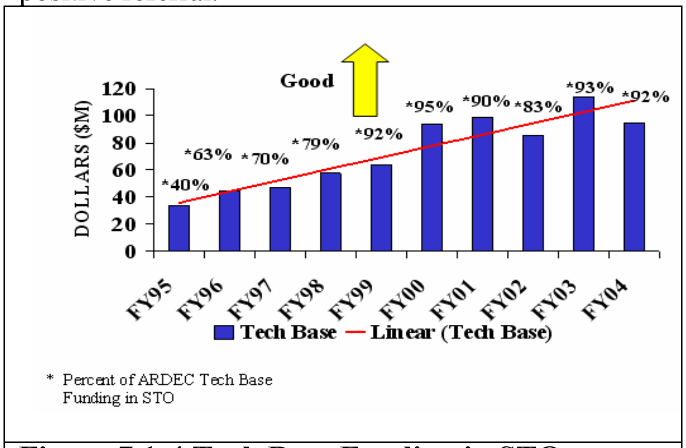


Figure 7.1-4 Tech Base Funding in STOs

Figure 7.1-4 ARDEC's technology base funding placed in approved Science and Technology Objectives (STOs) is an endorsement by the Department of Army, the warfighter and the product developers that they are committed to the products that ARDEC develops. Our percentage is one of the highest in the Army and has been over 90% during five of the last six years.

7.2 Product and Service Results. Product and service results are linked to the ARDEC vision "Our Products Radically Re-define Warfare, Enabling the American War Fighter to Dominate the Battlefield". Our results clearly validate world-class status in the Armaments community. Below are some of our products segmented by product line. The overall capabilities demonstrate significant increases; however, in some cases the reported results are classified. Comparison in the charts is made to multiple competitors' products of both known foreign military and U.S. Defense organizations. Exact performance values are omitted to protect classified or company private information.

REMOVED FROM PUBLIC RELEASE VERSION

7.3 Financial and Market Results. ARDEC is committed to reduce costs to our customers and taxpayers. We work diligently to increase our value to our customers by not only providing world class products, but also conscientiously containing costs by keeping our labor rates competitive and aggressively pursuing efficiencies through our Value Engineering program.

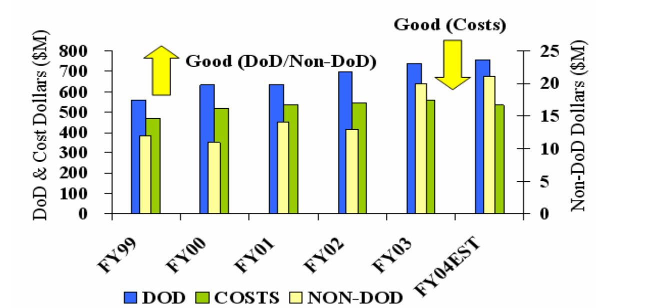


Figure 7.3-1 FY99-FY04 Revenue Analysis

Figure 7.3-1 ARDEC's revenue from both traditional (within DoD) and non-traditional (outside DoD) customer segments continues to increase while we continue to contain costs and show a healthy amount of surplus to carryover to the next year. Because of the delayed nature of congressional funding at the start of a fiscal year, a surplus provides the cushion to continue normal operations.

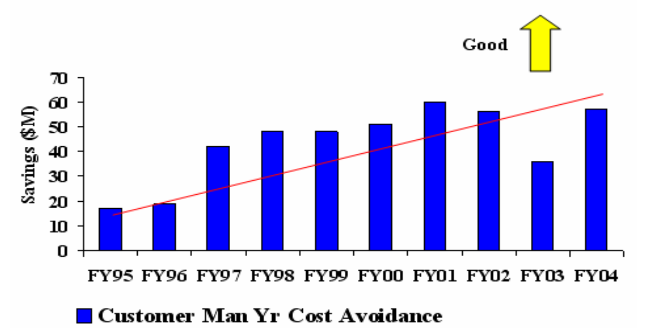


Figure 7.3-2 Man Year Cost Avoidance

Figure 7.3-2, 3 Two key areas of cost to our customers are our labor costs and the cost to produce our products. ARDEC has worked systematically to reduce costs to our customers. Cost avoidance is the difference between projected costs without improvements and actual cost. We have consistently shown labor cost avoidance during a ten year period.

Our downward trend in labor expenditures in FY03 was due to a variety of causes chief among them strategic investments in long term capital improvements.

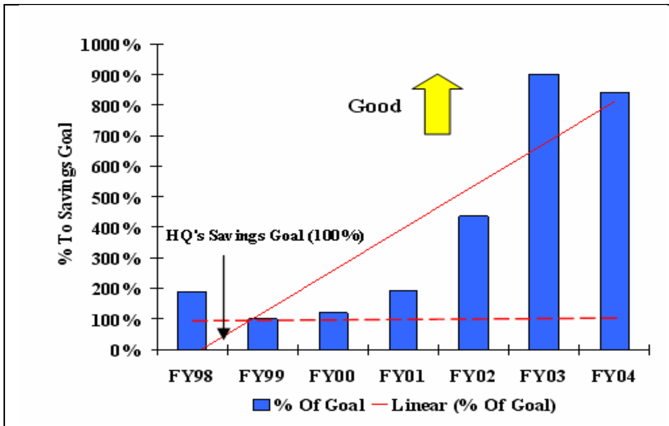


Figure 7.3-3 Value Engineering Savings

Figure 7.3-3 illustrates cost savings/avoidance in products by applying efficiencies. Application of a fully deployed Six Sigma program has resulted in large savings in FY03 of $55.3M and in FY04 of $67.3M. Our Value Engineering (VE) program has consistently far exceeded its external HQ's goal (dashed line). The HQ's goal is 1% per year of total dollars allotted.

Our VE program has recently been recognized by the Army Field Support Command as one of the services' best VE programs. In addition, ARDEC's VE work contributed significantly to the Program Executive Office (PEO) for Ammunition's recognition as DoD Organization of the Year for the Army.

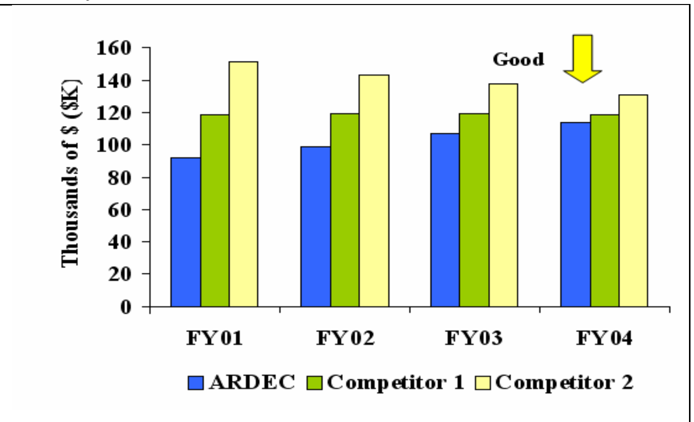


Figure 7.3-4 ARDEC Man Yr Cost Vs. Competitors

Figure 7.3-4 Of our two major competitors, ARDEC's man-year cost to our customers has consistently been the lowest realizing economic value to our customers. ARDEC has additional on-going initiatives to contain or lower costs as well.

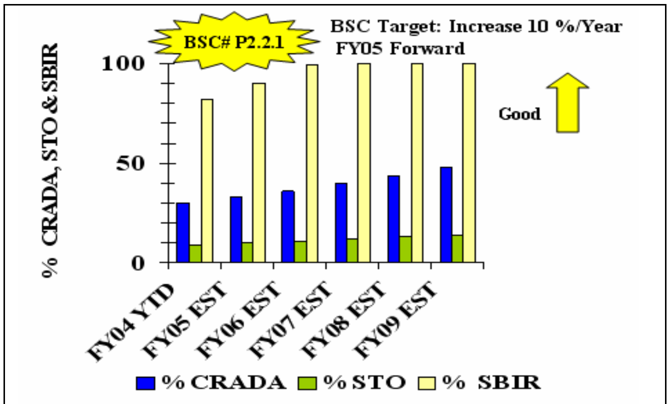


Figure 7.3-5 Tech/Revenue Sources

Figure 7.3-5 Cooperative Research and Development Agreements (CRADAs), Science and Technology Objectives (STOs) and Small Business Innovative Research (SBIRs) programs that are technology transferring or revenue generating illustrate market place performance.

- CRADAs are written legal agreements between one or more federal laboratories and one or more non-federal parties (non-traditional customers/partners) under which the Government, through its laboratories, provides personnel, facilities, equipment or other resources with or without reimbursement (but not funds to non-federal parties). The non-federal parties provide personnel, facilities, equipment, services, other resources and funds to conduct specific research or development efforts that are consistent with the agency's mission.

- SBIRS are contracted efforts with small businesses (non-traditional customers/partners) in response to Army needs.

- STOs are the highest priority efforts in the Army Science & Technology (S&T) program. A STO states a specific, measurable (by technical readiness levels), major technological advancement to be achieved by a specific fiscal year. STOs are also used to focus and stabilize Army S&T funding. All three are exploratory ventures which may or may not result in exploitable technology for future products or a revenue return. This is a Balanced Scorecard measure and only baseline data and projections are shown.

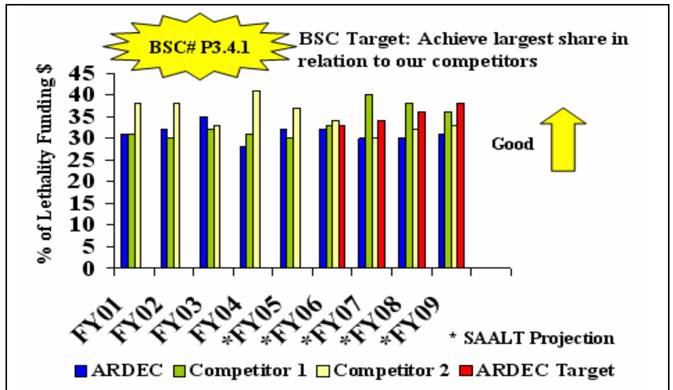


Figure 7.3-6 Share Army Lethality Funding

Figure 7.3-6 There is a limited amount of Army Science and Technology Funding. This drives a new Balanced Scorecard measure, ARDEC funding vs. our two technology competitors. Base line, Army projections, and ARDEC's targets are shown. We seek to provide more compelling research concepts to increase the Army's and ARDEC's share of this foundational business area. This funding represents approximately 20% or less of our DoD revenue shown in Figure 7.3-1. To achieve our strategic outcome of dominating the Armaments market, we defined this metric and its growth as a key BSC measure.

7.4 Human Resource Results. The Balanced Scorecard dimensions of Learning and Growth and Resources serve to underscore the criticality of employing, motivating, and nurturing high quality, skilled associates. Twenty-five % of our balanced scorecard metrics focus exclusively on these human resource measures based on the need to satisfy our key strategy of maintaining and growing a technically competent workforce. Training, mentorship and professional development are vital ingredients in the ARDEC recipe for career development. We segment our employee survey in multiple ways (ethnicity, gender, career program, newly hired) but have found over time that there are no significant differences in these segments (except for new hires).

Because of the importance that our newly hired employees (interns) provide to our challenges and success, the differences in survey responses are reviewed separately. On several questions the interns reported a decline in positive responses that is significant. The intern workforce is relatively small (17%), but key to ARDEC so we take this situation seriously regardless of the number of interns working with us. Figures 7.4-5, 7.4-7, 7.4-8 through 10, and 7.4-12 and 13 are all results collected via the employee survey.

7.4a(1) Work System Performance and Effectiveness.

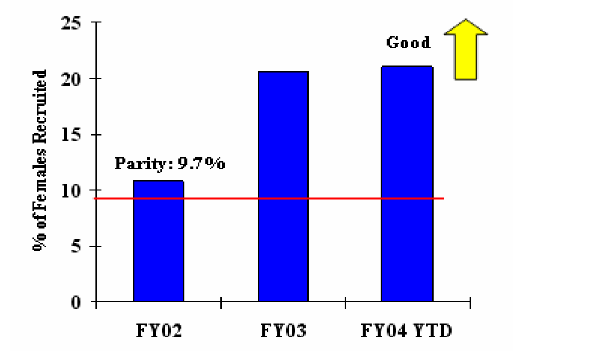


Figure 7.4-1 Female Recruitment

Figure 7.4-1, 2 Diversity in the workforce provides different ideas, cultures and thinking. These figures track and illustrate our minority recruitment improvement. Parity is shown as the percent of targeted group within our population at the beginning of each fiscal year.

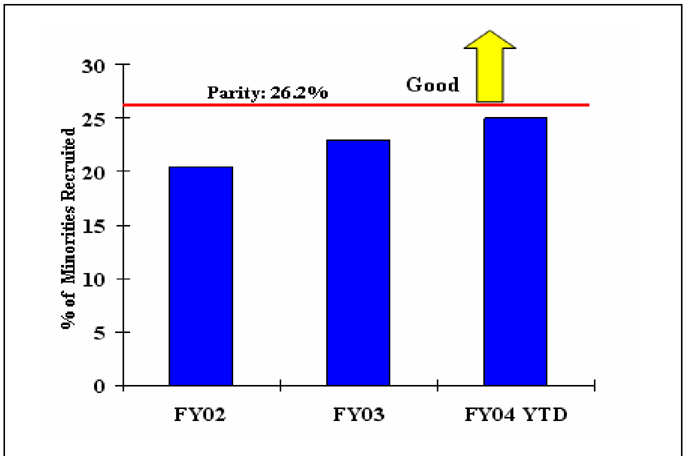


Figure 7.4-2 Minority Recruitment

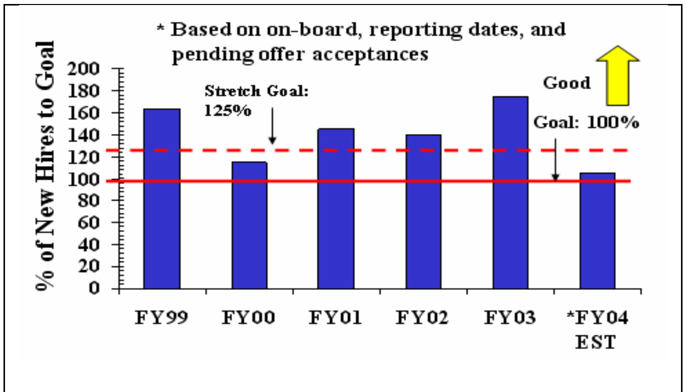


Figure 7.4-3 Engineering/Scientist New Hires

Figure 7.4-3 This figure supports one of our Balanced Scorecard objectives and is part of the measure of ratio of job offers to acceptances (see Figure 7.5-10. This directly supports one of our challenges and success factors of maintaining and growing our workforce.

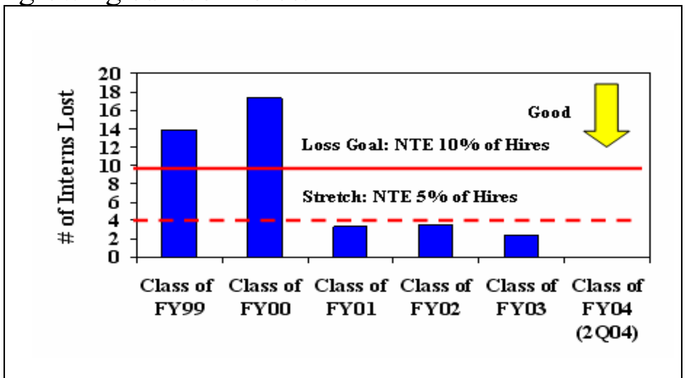


Figure 7.4-4 Intern Loss Rate

Figure 7.4-4 In FY00 it became apparent that the intern workforce turnover was running at an unacceptable rate. The ARDEC Cohort Team efforts are an extension of our Human Resource work system. In FY01 this team began intensive

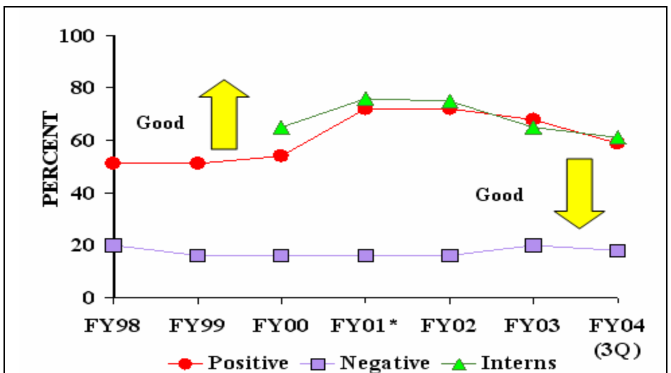


Figure 7.4-5 Leadership

studies to determine what actions could be taken to reverse the turnover trend and then took appropriate corrective action. Details of the studies are available on site.

Figure 7.4-5 Leadership metrics measure our workforce's perception of leadership performance. A drop has recently occurred in the positive responses. This is attributed to the massive change that occurred because of the reorganization.

Questions	Undecided Jan 2004	Positive Jan 2004	Undecided June 2004	Positive June 2004
Information on the new ARDEC is being Communicated	19.1%	65.5%	15.0%	77.2%
I understand Why ARDEC reorganized	26.8%	52.0%	8.0%	68.7%
ARDEC will be a better organization because of the reorganization	51.3%	33.0%	48.5%	39.2%
ARDEC will have more effective processes	51.4%	32.3%	49.5%	37.8%
Workgroups and Teams will be more effective	57.1%	18.7%	57.3%	23.2%
Proud to be a member of ARDEC	11.0%	85.3%	9.3%	87.9%

Figure 7.4-6 Sensing Survey Results

Figure 7.4-6 Our Sensing Survey tool is used to directly measure the effect of changes that occurred during our major reorganization across the workforce. Two surveys have been instituted: one during the reorganization in January 2004 and one in June 2004. Even in the limited time span of six months the positive responses have increased between surveys. A large portion of respondents still remain undecided on some of the teaming and process issues, however respondents overwhelmingly indicate they are proud to be a member of the ARDEC workforce.

7.4a(2) Employee Learning and Development.

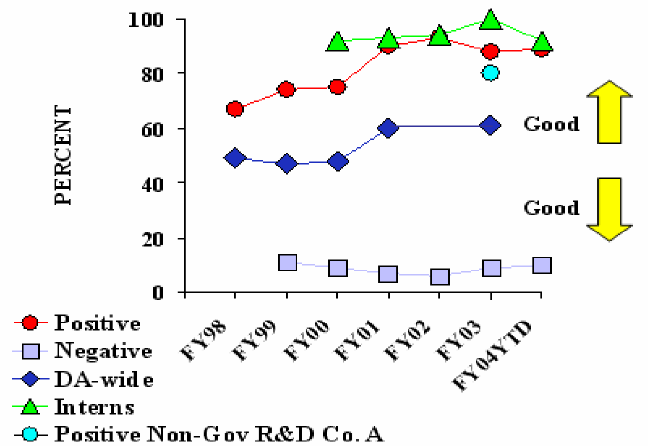


Figure 7.4-7 Effective Employee Training

Figure 7.4-7 ARDEC provides effective training so that employees can perform their jobs at a high level of performance. This figure represents the effectiveness of employee learning and growth and shows a continued positive trend in the Climate Survey ratings. ARDEC significantly exceeds the Department of the Army-wide (DA-wide) average ratings and exceeds the Company A benchmark. An additional Balanced Scorecard measure gauging the percent of required five year competencies/skill sets sustained on-board is currently under development.

7.4a(3) Employee Well-Being, Satisfaction, Dissatisfaction.

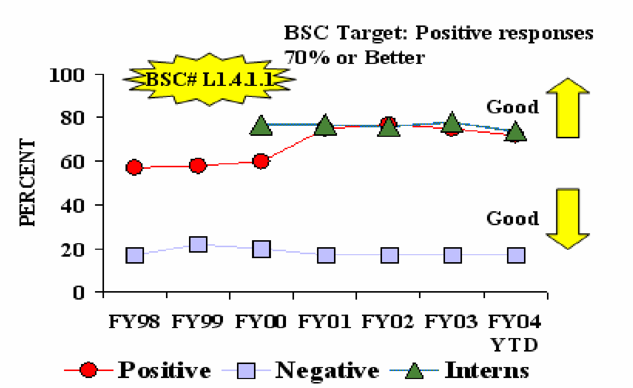


Figure 7.4-8 Employee Well-Being

Figure 7.4-8 shows a composite of the responses to twelve questions on the quarterly Employee Climate Survey.

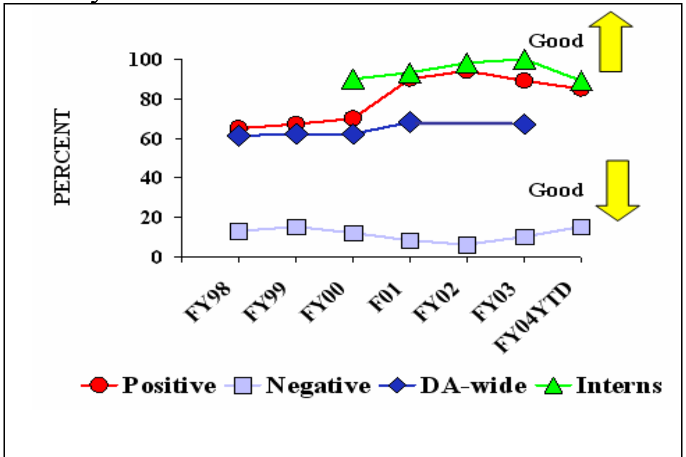


Figure 7.4-9 Job Satisfaction

Figure 7.4-9 breaks out job satisfaction as a specific entity. This composite is designed to summarize the current levels and trends in key indicators of employee well-being, satisfaction and dissatisfaction. Since FY98 the trend has shown continuous improvement, though in recent years the magnitude of improvement has been statistically minimal. This marginal level of improvement is attributed to a number of factors, most significant is that a number of externally influenced reorganizations and our commercial activities study contracted out part of our workforce and eliminated jobs. The slight downward trend in FY03 and YTD FY04 is attributed to preparation for our massive reorganization. A sensing survey to specifically monitor this situation is being used with associated actions to reverse this trend (survey results in Figure 7.4-6).

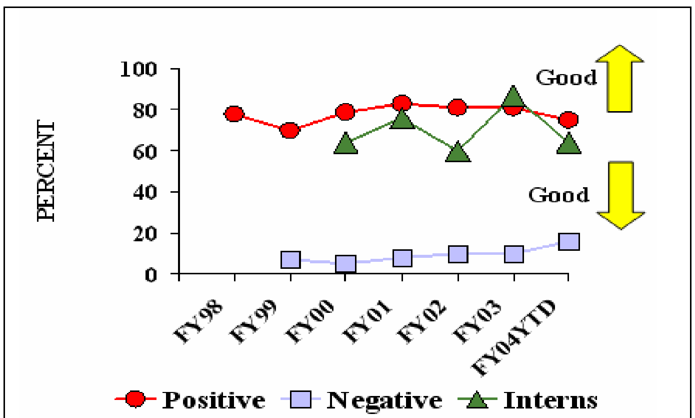


Figure 7.4-10 Participation in Team Efforts

Figure 7.4-10 In an effort to foster innovation and cooperation, participation on teams has greatly influenced overall job satisfaction ratings. Our cross-functional teams provide opportunities to learn new skills that encourage employees to achieve their full developmental potential. The decline in YTD FY04, especially with the interns, is attributed to our reorganization.

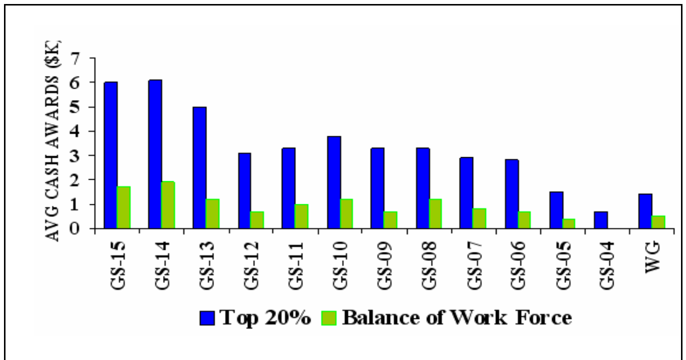


Figure 7.4-11 Average Cash Awards

Figure 7.4-11 ARDEC uses rewards and recognition to encourage a quality culture and to support our team-based environment. Over 80% of employees receive some type of monetary award. Those employees that contribute to the most important goals of ARDEC receive awards at least twice that of the remainder of the workforce.

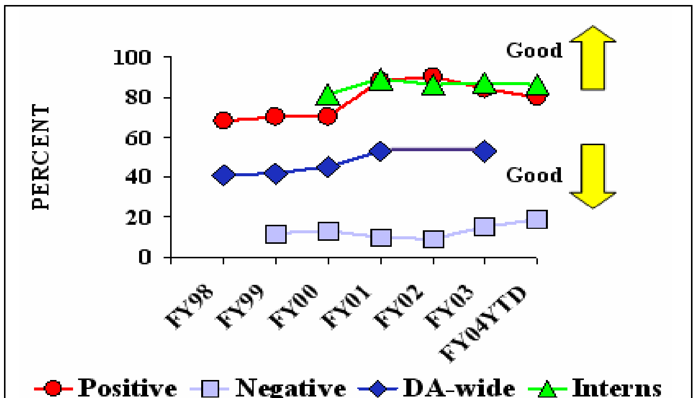


Figure 7.4-12 A Good Job Is Recognized

Figure 7.4-12 This figure shows that employees are being recognized when they do a good job. Ratings are improving and remain significantly above the Department of Army-wide (DA-wide) average.

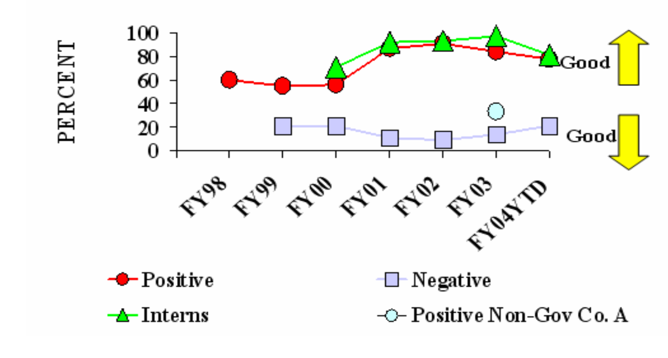


Figure 7.4-13 Effective Communication

Figure 7.4-13 Effective communication is vitally important to the overall well being of any workforce. During FYs 98-00, the low response ratings given to the statement – "Important information is communicated to me on time" were of great concern to the ARDEC leadership. The Motivation PAT was tasked with improving this area and as noted in figure 7.4-14 there is marked improvement in the general workforce satisfaction ratings since the implementation of a workforce communications plan in FY00. A slight increase in negative responses and lower positive responses is attributed to our reorganization. Intense efforts such as ARDEC's Strategic Communications Plan to communicate organizational change continue in an attempt to reverse this trend. The positive response significantly exceeds the Company A benchmark.

7.5 Organizational Effectiveness Results. The BSC is serving as an alignment tool in focusing the resources and energy of ARDEC such that we realize our strategic goal of dominating the world's armament market. We have targeted such areas as our Army's Science and Technology funding allocations (metric P3.4.1 and P3.3.1)), the composition and quality of our capital equipment and facilities complement (metric L1.1.1), the mission critical product introduction and standardization cycle time expectations (metric P3.2.4, P3.2.2, P3.2.1 and C1.1.1), our absolute and relative fiscal posture (metrics P1.1.1, P1.2.1, P3.2.3, P3.4.1) and the outreach to our external environment (metrics L1.2.2, P3.1.1, P2.3.4, P2.3.3, P2.3.2, P2.2.1, P2.1.1 and C1.2.1) as the key business results which will move us from being a highly visible and important player to one whose capability is universally recognized. While many of these metrics are still 'under construction', this section shows a sampling of these new metrics and others which are collected by the process owners.

7.5a(1). VCP and Supplier/Partner Effectiveness.

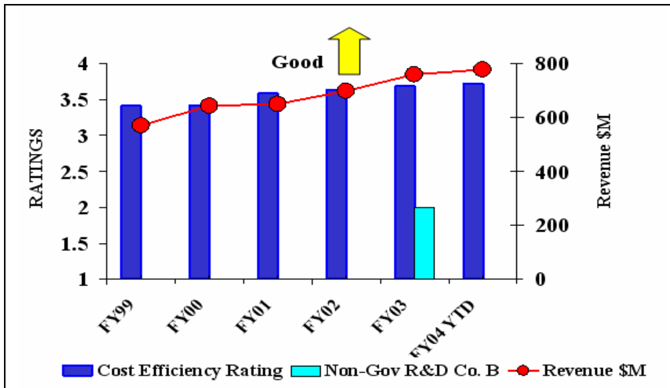


Figure 7.5-1 Cost Key Measure

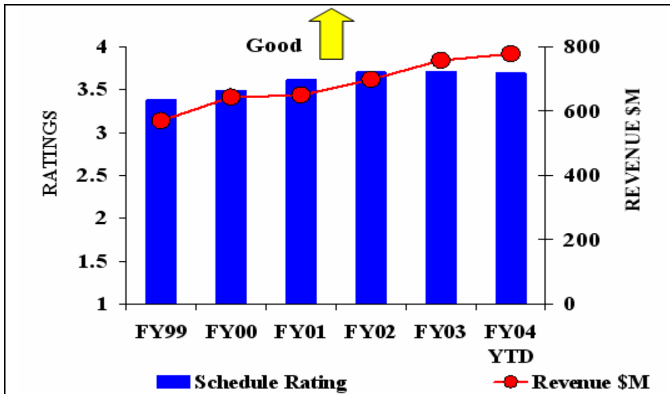


Figure 7.5-2 Schedule Key Measure

Figures 7.5-1,2,3 Our key business measures, Balanced Scorecard measures (Program Baseline Cost, Schedule and Performance Objectives) and a key performance measure of our IPT Value Creation Process are cost, schedule and performance. The three charts (figures 7.5-1,2,3) show our customer's perception of ARDEC's cost effectiveness, timeliness (schedule) and quality performance based on our quarterly customer survey four point scale. Comparative data is provided in Figure 7.1-1, but is not broken out in the figures below because our competitors do not share detailed information, only overall averages. Revenue is shown to illustrate our customer's affirmation of our performance. Performance against our key measures has greatly improved. Our IP process is moving toward a quantitative method for determination of C-S-P in the future. In FY03, our cost ratings significantly exceeded the Company B benchmark.

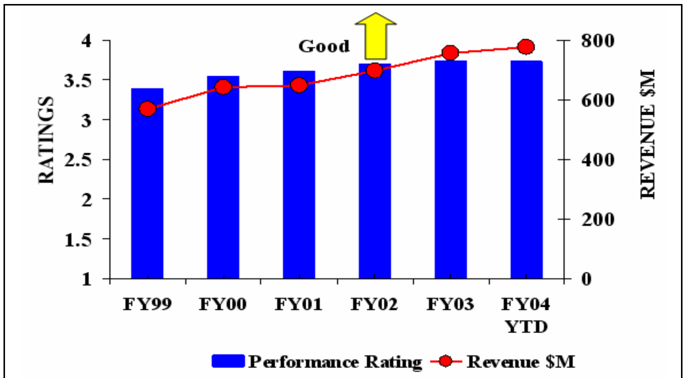


Figure 7.5-3 Performance Key Measure

Fiscal Year	Cost Benefit ($M)
FY01	$ 37.76
FY02	$ 1511.43
FY03	$ 670.12
FY04 (YTD)	$ 101.43
Total : $ 2320.74M	

Figure 7.5-4 Six Sigma Cost Savings

Figures 7.5-4, 5 Six Sigma is used by Tiger Teams that work on both Value Creation and

	Green Trained	Green Certified	Black Trained	Black Certified	Master Black
FY01	89	30	11	4	0
FY02	173	23	12	3	1
FY03	157	120	19	14	2
FY04 (YTD)	135	36	13	6	1

Figure 7.5-5 Six Sigma Training

Support processes to define, measure, analyze, improve and control processes. ARDEC has made a corporate commitment to Lean Six Sigma to embed continuous improvement and innovation in our culture. Although our process improvement activities yield numerous effectiveness and efficiency results (customer work year rates (Figure 7.3-2), product cost avoidance (Figure 7.3-3), base operations cost mitigation (Figure 7.5-9)), Six Sigma continues to be a shining star as shown in Figure 7.5-4. Figure 7.5-5 shows our increasing number of employees trained in Six Sigma.

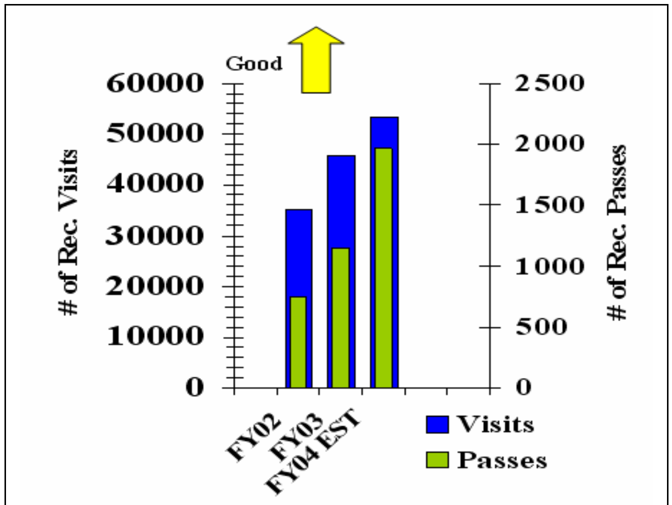


Figure 7.5-6 Sports and Fitness Center

Figures 7.5-6 and 7 depict supplier/partner performance. The illustrated Contracting Center and Sports and Fitness Center at Picatinny are suppliers. Cycle time is shown in Figure 7.5-7. Through intensive process improvement efforts such as Alpha contracting and electronic

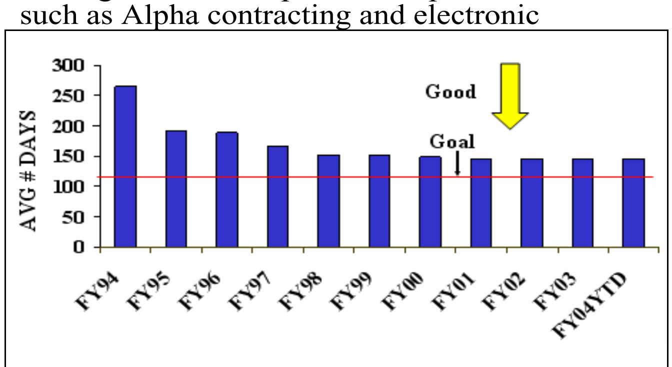


Figure 7.5-7 Contracting Cycle Time

commerce, cycle time was brought down from an average 265 days (FY94) to 145 days (FY02 to date), representing a 45% improvement. Figure 7.5-7 shows the dramatic increase in members and visits to the Sports and Fitness Center. Award money from prior Army competitions has been provided to increase and upgrade the equipment. Our surge in intern ranks, generally younger than the medial workforce age, has also increased utilization.

Also see Figures 7.3-5 and 7.3-6 which are VCP Key performance measures.

7.5a(2) Support Process Effectiveness.

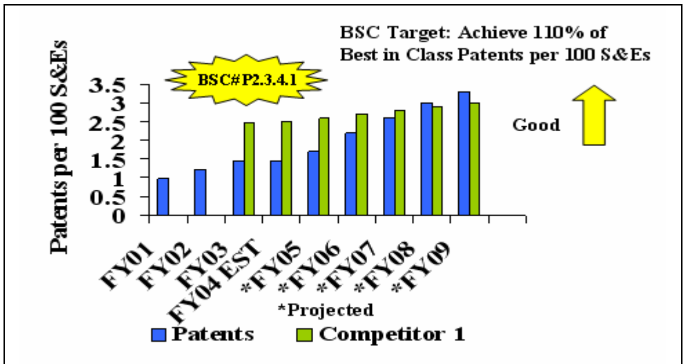


Figure 7.5-8 Patents

Figure 7.5-8 shows the number of patents awarded per 100 S&E employees. Although patents are not considered in themselves a 'key' support process, patents are one of our Balanced Scorecard metrics in support of our strategic objective to enhance ARDEC's international recognition/reputation as the leader in armaments technology.

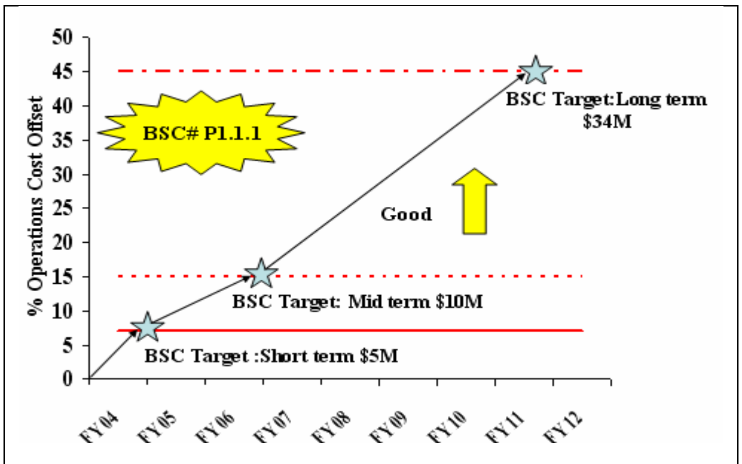


Figure 7.5-9 Operating Costs Offset

Figure 7.5-9 shows a Balanced scorecard metric which is also a support process (Facility/Equipment) key requirement and measure. This figure shows our targets to offset base operation costs through FY12 by dollars or value generated by our Enhanced Use Leasing.

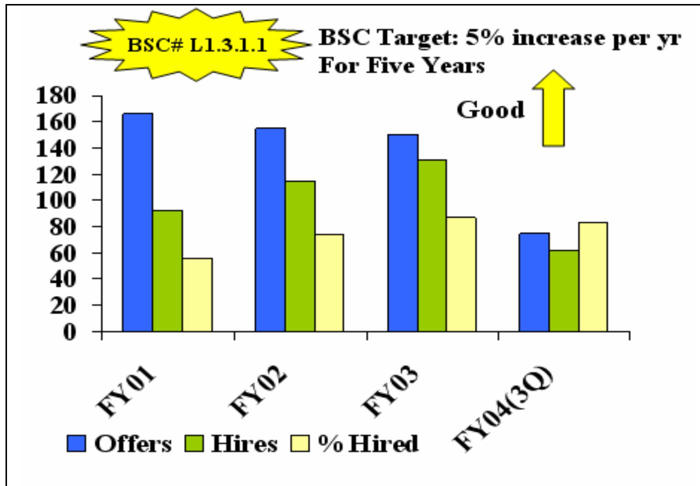


Figure 7.5-10 Acceptances to Job Offers

Figure 7.5-10 shows another Balanced Scorecard metric support process key requirement and measure for Human Capital. This figure shows the ratio of job offers to acceptance as we work to replenish our workforce.

7.5a(3) Measures of Organizational Strategic and Action Plans. Results for seven of the twenty-five key measures are contained in Sections 7.1, 7.3, 7.4 and 7.5.

Figure Number	BSC Measure
7.1-1	C1.2.1
7.3-5	P2.2.1
7.3-6	P3.4.1
7.4-8	L1.4.1.1
7.5-8	P2.3.4.1
7.5-9	P2.2.1
7.5-10	L1.3.1.1

Figure 7.5-11 Seven Key Measure Results

Figure 7.5-11 shows the figure number and the BSC measure (Customer, Process, Learning or Resource) tag for each BSC measure illustrated in Section 7. All our BSC measures have associated action plans.

7.6 Governance and Social Responsibility. ARDEC works within a highly regulated framework of federal rules and regulations. In many cases, governance or compliance is ensured by a system of checks and balances with internal and external audits. ARDEC internally has both an Inspector General (IG) office as well as Internal Review and Audit Compliance (IRAC) office, both of whom conduct internal audits and coordinate external audits.

	FY01	FY02	FY03	FY04 YTD
Total Competed Internal Audits	17	32	31	25
Number of Audits w/o Findings	14	18	26	23
Number of Findings	3	25	5	16
Percent of Corrected Findings	100%	100%	100%	100%
Number of Material Weaknesses	0	0	0	0
Total Completed External Audits	7	3	3	1
Number of Audits w/o Findings	6	3	3	1
Number of Findings	1	0	0	0
Percent of Corrected Findings	*	N/A	N/A	N/A
Number of Material Weaknesses	0	0	0	0

Figure 7.6-1 IRAC Audits

7.6a(1) Fiscal Accountability Figure 7.6-1 shows the results of our internal audits conducted by our Internal Review and Audit Compliance office plus external audits. Audits result in: findings (considered minor), material weaknesses (major or systemic problems), or none. Audits are conducted on a variety of subjects with the majority on fiscal accountability. The one external finding in Figure 7.6-1 was addressed to ARDEC, but the recommendations made were directed at higher headquarters.

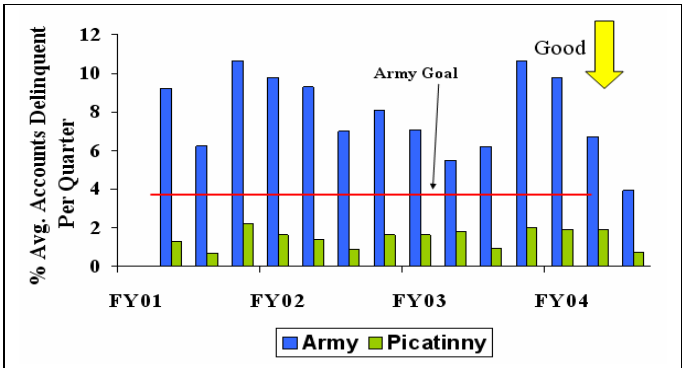


Figure 7.6-2 Travel Card Delinquencies

Figure 7.6-2 shows travel card delinquencies. We closely track delinquencies in travel card payments and take prompt action to ensure accounts are paid. 100% of delinquent accounts are eventually paid. There have been no instances of reportable fraud. The card purchase volume for FY04 year to date (3Q) was over $5.7 M.

7.6a(2) Ethical Behavior/Stakeholder Trust.

	Most Can be Trusted	Can't Be Too Careful with Them
People Who Run Small Businesses	75%	22%
Military Officers	73%	24%
CEOs of Large Corporations	23%	73%
Car Dealers	15%	81%

Figure 7.6-3 Stakeholder Trust

Figure 7.6-3 shows the results of a July 2002 USA Today/Gallop Poll. Military officers are in senior positions both within Army and ARDEC and have a great influence over our business and its compliance.

	FY01	FY02	FY03	FY04 YTD
Number of Instances of Government Purchase Card Fraud	0	0	0	0
Reportable Ethics Violations	0	0	0	0

Figure 7.6-4 Fraud/Ethics Violations

Figure 7.6-4 The second credit card used by ARDEC is the IMPAC Government Purchase Card (GPC) for office supplies, and one time services. All purchases for each card holder must be approved by an "Approving official". There have been no instances of fraud by credit card holders or approvers and no reportable ethics violations in any of the actions of our employees. We had $34M of purchases using this program in FY03.

	FY01	FY02	FY03	FY04 YTD
Personnel Grievances				
Filed	4	1	3	6
Settled	3	1	1	1
Denied	1		2	2
Pending				3
Equal Opportunity Complaints				
Number of Complaints	2	1	1	2
Number Resolved	2	1	1	1
Number Pending				1
Number of Findings of Discrimination	0	0	0	0

Figure 7.6-5 Grievances and Complaints

Figure 7.6-5 Most grievances arise from misunderstandings or disputes that can be settled promptly and satisfactorily on an informal basis at the immediate supervisory level. However, disagreements occasionally arise among employees that cannot be resolved at this first level. A grievance procedure provides an avenue to settle those disputes. A denied grievance means that a grievance hearing official has decided that the employee did not have a strong enough case to prevail.

The desired outcome for complaints is resolution, either informally or formally. The EEO Office, with the involved parties, works to obtain a solution that is agreeable to all concerned in order to maintain a working environment that is conducive to a productive and cohesive work environment.

7.6a(3) Regulatory and Legal Compliance.

	FY01	FY02	FY03	FY04 YTD
Number of Contractual Actions	1856	1707	1862	1225
Value of Contracts	$1.195B	$903M	$1.5B	$1.038B
Number of Protests	2	0	2	3
Number of Protests Sustained	0		0	1

Figure 7.6-6 Contractual Legal Actions

Figure 7.6-6 The nature of ARDEC's business involves many contractual actions of high dollar value, not including purchase card amounts.
We work diligently to follow contractual rules and regulations. A protest is filed when a bidder feels the rules or regulations have not been followed.

	FY01	FY02	FY03	FY04 YTD
AMC Inspections	1	3	3	1
Number of Inspections w/o Findings	1	3	3	1
TACOM Inspections	1	0	1	0
Number of Inspections w/o Findings	1	0	1	0
Quick Reaction Assessments	6	3	5	2
Number of Recommendations	10	4	8	4
Percent of Recommendations Implemented	100%	100%	100%	100%
Assistance Requests	52	46	80	102
Number of Recommendations	40	35	60	76
Percent of Recommendations Implemented	100%	100%	100%	100%

Figure 7.6-7 Inspector General Inspections

Figure 7.6-7 illustrates Quick Reaction Assessments that are inspections not scheduled on an annual basis but instead based on an identified need on a specific topic. They are narrow in scope and focused on a specific problem area. Assistance Requests are requests for assistance, complaints, or allegations of wrongdoing. Corrective action is usually recommended for both.

7.6a(4) Organizational Citizenship and Support of Key Communities.

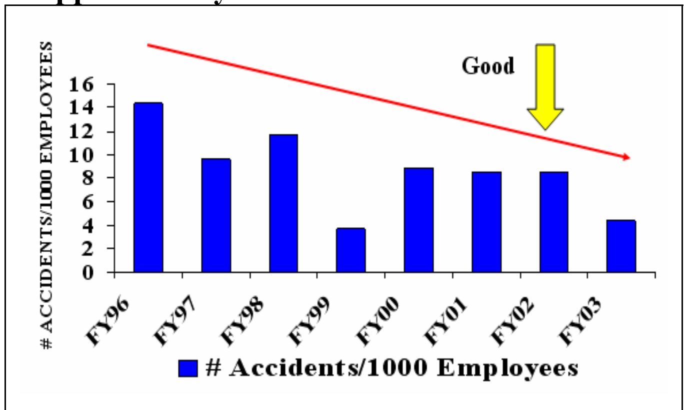


Figure 7.6-8 Accident Rate

Figure 7.6-8 shows our employee lost time accident rate. The Picatinny Safety Office helps us focus on safety through organization safety coordinators.

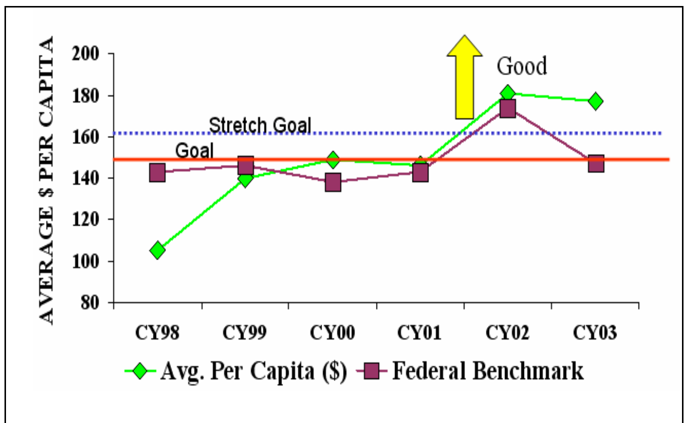


Figure 7.6-9 CFC Campaign

Figure 7.6-9 Our employees give back to the community through their support of our annual charity drive – The Combined Federal Campaign. We benchmark our results with another large federal facility in our state. This generosity was recognized by an award from the United Way for the total number of participants and the amount of their contributions.

	FY02	FY03
Annual Donations to Army Emergency Relief Fund	$6,121	$7,116
Leave Transfer Donations	4,811 hrs	4,974 hrs
Volunteer Time Donated	6,803 hrs	10,680 hrs
Number of Donations		
Toys for Tots	162,127	205,355
Warm Hugs Blanket Drive	220	780

Figure 7.6-10 Donations

Figure 7.6-10 shows other ways our employees support the community.

	FY02	FY03	FY04 YTD
Number of Instances of Complaints by the Community	2	5	8

Figure 7.6-11 Public Complaints

Figure 7.6-11 shows the number of community complaints. Picatinny, where the majority of our employees work, is in densely populated northwest New Jersey. Many of our residential neighbors are close, giving rise to noise complaints related to the armaments testing we do on site. This year weather with a number of consecutive days of thick cloud cover has contributed to the number of complaints. Sound travels greater distances on these cloudy days.

Appendix D - Army Award Programs

Army Communities of Excellence Program (ACOE)

Introduction to ACOE

The Army Communities of Excellence Program (ACOE) uses the Army Performance Improvement Criteria (APIC) as the basis for evaluation and submission in the ACOE award competition. ACOE focuses on improvement in services and facilities, in working and living conditions and the environment. The result is renewed sense of pride and accomplishment in every member of the community. The byproduct of this program is designed to increase performance and productivity as the Army focuses its resources toward the common goal of readiness. Installation management supports the readiness of our fighting forces and its concepts are an integral part of the APIC.

The appendix is to be used as guidance for installations to additionally focus on activities that are not defined by the criteria in its present form.

The following installation management system and supporting reports/results have been emphasized in the appendix.

Activity Based Costing (ABC) ***Item 4.1****/Page D-2:* Activity Based Costing is a requirement to participation in the ACOE Award program and many questions have come about on how to demonstrate the use of ABC in the ACOE application. At a minimum, the submission should address one Item within the criteria that demonstrates the installations' efforts in ABC.

The following databases contain data that are critical elements to different reports delivered to higher headquarters for decisions that effect the operations of installations. The intent is to understand use of the databases and to focus on the integrity, accuracy and completeness of installation specific data to create accurate reports for decision-making at installation and higher headquarters.

- Real Property Plans and Analysis Systems (RPLANS) ***Item 4.2*** (Page *D-2)*
- Army Station and Installation Plan (ASIP) ***Item 4.2*** *(Page D-3)*
- Real Property Inventory (RPI***) Item 4.2*** (P*age D-3)*
- Geographic Information System (GIS***) Item 4.2*** *(Page D-3)*

The guidance given focuses on the Items in Category 4.0 of the criteria and should prompt the installation to include specific text on how these systems are handled along with all other data systems controlled by the installation.

IMA Contact Point

For further information on eligibility requirements, application procedures and the ACOE Award Criteria, please contact:

Army Communities of Excellence Program Manager

Headquarters, Installation Management Agency
Commercial Phone: (703) 602-2748
DSN: 332-2748
Email: rosye.faulk@hqda.army.mil
URL: http://www.hqda.army.mil/acsimweb/ops/ops.shtml

Activity Based Costing

Guidance for understanding how ABC is used within the community is included in Item 4.1 a. (2). It is incorporated within the criteria item to demonstrate how and where ABC could be addressed as an element of the criteria.

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

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.)

Describe how your organization measures, analyzes, aligns, reviews and improves its PERFORMANCE 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 is Cost Management/Activity Base Costing (ABC) data used to support operations and installation/ community management decision making?

(3) How do you select and ensure the EFFECTIVE use of KEY comparative data and information to support operational and strategic decision making and INNOVATION?

(4) 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: *Refer to the notes for Item 4.1 in the body of the APIC criteria*

RPLANS, ASIP, RPI and GIS

Note N3 gives guidance to which data/reports/databases need to be considered when reviewing the installations information management capabilities. Emphasis is specific here as these data areas feed into specific reports such as the Installation Status Report (ISR) used at higher headquarters. It is also a decision support tool that can improve management and decision- making for Garrison Commanders.

4.2 Information and Knowledge Management (45 pts.)

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 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 ensusre 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.

N3. (4.2c) should address key installation databases such as RPLANS, ASIP, RPI and GIS**.**

Army Performance Excellence Award (APEA)

Background

The Army Performance Excellence Award (APEA) was established as the Army's capstone award program, in August 2003. The APEA program is managed and administered by the Headquarters, Department of the Army. The program is open to all Army organizations, installation and non-installation. The APEA, as the capstone award program, does not replace any Army functional award program such as the Army Communities of Excellence (ACOE) or other MACOM award program. The process or pathway by which those organizations, whose applications are submitted to those Army functional award programs, may participate in the APEA program is depicted in the Figure on page D-6.

The APEA also serves as the single Army conduit by which any Army organization may participate in any non-Army performance excellence award program, such as the Malcolm Baldrige National Quality Award (MBNQA) program administered by the National Institute of Standards and Technology (NIST). The Army Performance Improvement Criteria (APIC) provides the framework for the APEA award process.

Award Program Purpose

The Program:

- Recognizes Army organizations that improve their overall performance and capabilities. The organizations demonstrate a sustained trend in providing high-quality products and services, resulting in effective use of taxpayer dollars;
- Promotes sharing of the best management techniques, strategies and performance practices among all Army organizations, as well as other government agencies and the private sector;
- Provides a model for organizations to assess their overall performance in delivering continuous value for customers; and
- Provides a systematic, disciplined approach to change by providing a framework or tool for conducting assessments, analysis, training and performance improvement planning.

The Program's Awards

The APEA includes three award levels: Gold, Silver, and Bronze. Recognized high-performing Army organizations will receive these awards on an annual basisWinners of the Army Performance Excellence awards demonstrate mature approaches to performance excellence that are well deployed throughout their organizations. They have documented world-class results and sustained performance improvement over several years.

The Army Performance Improvement Criteria

The Army Performance Improvement Criteria (APIC) are closely aligned with the Malcolm Baldrige National Quality Award Criteria (MBNQA), with several modifications to reflect the Army environment. The close alignment with the MBNQA promotes cooperation and exchange of information between public and private sector organizations, and sets the same high standards of excellence for both Army and business.

Organization Eligibility and Process

Basic eligibility requirements are covered in detail in the APEA Program Guidance in the Eligibility & Awards Category Chapter. All organizations meeting the minimum employee requirements are eligible to submit to the APEA Progam. Army installations that are eligible to compete in the ACOE program will continue to follow the guidance provided by the Assistant Chief of Staff, Installation Management and HQ Installation Management Agency (IMA). Non-installations will submit their applications through their MACOM point of contact. Depending on total number of applicants, a maximum amount may be imposed to each MACOM.

Each organization applying for the APEA Program is required to provide three trained APIC examiners for the annual Board of Examiners the Fall of 2005.

Review and Evaluation Process

- Board of Examiners: A team of examiners convene to review and score applications
- Site Visits: Applicants selected by Board of Examiners receive site visits
- Judges Panel: Final selections for APEA Program

Board of Examiner Responsibilities

The Board of Examiners evaluates applications and prepares feedback reports. This Board will convene sometime in the fall of this year. Examiners are also expected to participate in site visits for selected applications, following the Board review. Examiners visit the site for purposes of clarification and verification of issues found during the Board evaluation process.

Feedback Reports

Each applicant receives a feedback report at the conclusion of the Board of Examiners review process. The feedback report is a written assessment by an evaluation team of quality experts. Strict confidentiality is observed at all times during the application review and feedback.

The feedback report contains an applicant-specific listing of strengths and opportunities for improvement based on the Criteria. Feedback reports help organizations focus on their customers and improve overall performance. Feedback is one of the most important parts of the APEA Program process; it provides a pathway for improvement.

Site Visits

Site visits clarify information and verify significant strengths and oportunities for improvement identified in the application as well as deployment of practices.

Judges Panel

Based on the results of the site visit feedback, a panel of independent judges selects the winners for the three APEA awards: Gold, Silver, and Bronze.

Award Recipient Responsibilities

Award recipients are required to share information on their successful performance and quality strategies with other organizations. APEA Program recipients are committed to improve competitiveness and further the Army's pursuit of performance excellence. Their efforts can encourage other organizations in all sectors of the Army to undertake their own performance improvement efforts.

For more detailed instructions and information regarding the APEA program, please consult the APEA program guidance manual published separately.

HQDA Contact Point and Submission of Applications

For further information on eligibility requirements, application procedures and the Award Criteria, please contact:

Office of the Chief of Staff, Army
Strategic Management & Innovations
1550 Crystal Drive, Crystal Square 2, Suite 1001
Arlington, VA 22202
Commercial Phone: (703) 607-1325 or (703) 602-3843
DSN: 327-1325 or 322-3843
Email: leadingchange@hqda.army.mil
URL: http://www.hqda.army.mil/leadingchange/

APEA Eligibility and Awards Categories

The Secretary of the Army established the Army Performance Excellence Award Program with a recommendation for an annual $5M monetary recognition. A Panel of Judges selects winners for each of the award levels based on evaluations of the written applications and the results of site visits. A standard of excellence is the ultimate criterion for selecting award winners.

Award Categories and proposed monetary awards :

GOLD: ($3M)
SILVER: ($1.5M)
BRONZE: ($500K)

General Eligibility

To apply to the Award Program, an organization must meet the following conditions:

- Be part of the Department of the Army;
- Have no fewer than 100 full-time employees with waivers considered;
- Be autonomous, with its own defined mission; and
- Provide products and/or services to customers outside the organization or be an administrative or support organization for a higher-level Army organization.

Eligibility of Previous Award Recipients

The guidelines for previous award recipient's eligibility is as follows:

- Winners of the Gold award are **not** eligible to compete for **two** (2) subsequent years. Silver and Bronze winners are encouraged to reapply each year.
- An organization and any of its sub-components may not compete in the Army Performance Excellence Award Program during the same year (e.g., an installation and one of its directorates).

Limitations of Submissions

This subject will be addressed annually in guidance from Headquarters, Department of the Army. Limits will be set to encourage organizations to select the best nominations. The Army Performance Excellence Award Program is not intended to substitute for internal agency organizational assessments.

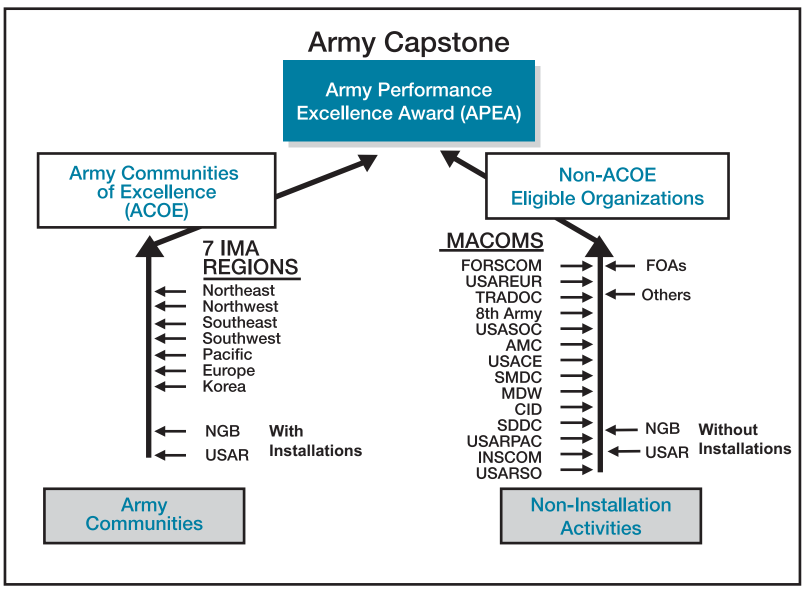
Evaluation Process

Examiner teams from the public and private sectors evaluate the applications and develop feedback reports. Points are assigned to the written descriptions of each Criteria Item, based on the scoring guidelines.

This graph depicts the channels through which Army organizations submit applications for performance excellence recognition. Army installations must submit applications through the ACOE program, as instructed in the ACOE policy. Non-installation organizations submit their application to the APEA Program at HQDA through their MACOM. ***USAR and NGB organizations that do not operate installations or compete as 'installations' through the ACOE program, may submit applications through the ARNG and USAR.***

Dependent upon the number of potential applications to the APEA program, as identified in Letters of Intent, MACOMS may be required to perform a selection process so as not to exceed the maximum number of applications imposed.

For more detailed instructions and information regarding the APEA program, please consult the APEA program guidance manual published separately.



Training Opportunities

"We cannot improve without training, we cannot plan without training."

There are numerous training opportunities for organizations who seek a systematic approach to organizational self-assessment. The Army Performance Improvement Criteria (APIC), a Baldrige-based criteria, provides the basis for the Army Performance Excellence Award (APEA) Program. **Each organization applying for the APEA is required to provide three trained APIC Examiners for the annual Board of Examiners in the Fall of 2005.**

Listed below are the Army's premier training centers that provide quality APIC training. Encourage all organizations to visit the associated web sites to coordinate training of your organization's employees. Other certification programs will also qualify potential examiners for duty at the Board of Examiners, e.g. Baldrige certification and other State Certification programs who utilize the MBNQA criteria. Check with the APEA Program Manager for approval.

The National Guard Professional Education Center (NGPEC)

Organizational Readiness Training Center

Courses

Facilitator Course	ORTC-010
Practitioners Course	ORTC-030
Consultant Course	ORTC-050
Strategic Planners Course	ORTC-110
Performance Msmnt & Practical Appl (PMAPA)	ORTC-200
APIC Examiners Certification Course	ORTC-201
APIC Self Assessment Course	ORTC-202
Strategic Readiness System Course	ORTC-SRS

Contact Information

Program Director
Chief, ORTC
Comm: (501) 212-4623, DSN 962-4623,
Brian.Niday@pec.ngb.army.mil

http://pub.ngpec.org

Mail: Commandant, National Guard Professional Education Center
Attn: Organizational Readiness Training Center (ORTC)
Camp Robinson
North Little Rock, AR 72118
COMM: 501-212-4626
DSN: 962-4626

United States Army Logistics Management College (ALMC)

Total Army Quality (TAQ) Education Program

Courses

Army Performance Improvement Criteria (APIC)	ALMC-AA
Putting Customers First	ALMC-PI
Team Facilitation	ALMC-TF
Whatever It Takes	ALMC-WI
TAQ Special Topics Seminars Four Roles of Leadership Changing Roles of Mgrs and Supv Basic/Advanced Facilitator Taking Charge of Change What Matters Most	ALMC-ST
Seven Habits of Highly Effective People	ALMC-H7

Contact Information

Program Director,
Performance Improvement Curriculum
Comm: (804) 765-4762, DSN 539-4762, FAX – 4648
ellisp@lee.army.mil or taq@lee.army.mil

http://www.almc.army.mil/SED/TAQ

Mail: Commandant, US Army Logistics Management College
ATTN: ATSZ-ZMD (TAQ)
Bldg P-12500
2401 Quarters Road
Fort Lee, VA 23801-1705

Office of the Chief of Staff, Army
Vice Director of the Army Staff
Strategic Management and Innovations Branch
1550 Crystal Drive
Crystal Square 2, Suite 1001
Arlington, VA 22202

www.hqda.army.mil/leadingchange/APIC