

MANAGEMENT

How To Speak the Of Senior

In 50 Words Or Less

- **The language of upper management is very different from that of quality professionals.**
- **To have their suggestions heard and accepted, quality professionals need to learn management's financial vocabulary.**
- **There are seven steps you can take to help improve communication with management.**



Quality professionals can relate to the title of a popular book, *Men Are From Mars, Women Are From Venus*, except their bosses are from Mars, and many times they'd be tickled to be as close as Venus. Not only are quality people not speaking the same language as their bosses, but they have trouble deciding if their leaders are looking at the same world.

They see low hanging fruit so ripe even quality skeptics could pick it, but their CEO ignores it. They uncover a gap wide enough to cause a strategic detour, but senior management applies a temporary patch and plunges ahead. They present detailed analysis of a surefire opportunity, but the top executives snub it. They are the voices of common sense in a chaotic and disorganized world, and nobody—at least nobody important—gets it.

It doesn't have to be this way. "Quality people have the attitude that they are the only voices in the wilderness," said Roger Crosby, president and CEO of New York Fasteners, an industrial fastener distributor that won the 2002 New Jersey Governor's Award for Performance Excellence. "That's simply not the case. Leaders need quality people they respect, and then they need to listen to them."

Learn What's Important

According to several distinguished quality professionals, they earn that respect by aligning what they do with what's important to senior leaders and the organization. More often than not, what's important is financial performance.

"Senior people are impatient. The pressure they live under day to day doesn't give them time to get at root causes. They want problems fixed today. The customer is upset. The financial analysts are on their backs. Their boards of directors are on them," said Gary Floss, a business partner with BlueFire Partners, a strategic enterprise improvement consulting company. The attitude is, "Fix it. Don't bother me with the details."

Floss's quality career began at Control Data, where he went from

Language Management

by **Stephen George**

manufacturing to program manager to functional manager to division manager to vice president of quality. He joined Medtronic in 1998 as director of customer focused quality before moving to management consulting. He has been involved with the Baldrige Award for 13 years, serving on the panel of judges for three years. He is currently treasurer of ASQ's board of directors. Nearly four decades of quality experience have taught him what matters to the big boss. "The language of the front office is strongly financial," he said. "Quality professionals have to understand what real strategic issues the organization is facing. They've got to be sensitive to what's on the big boss's agenda."

Financial performance dominates that agenda. "What drives senior management?" asks Steven Hoisington, vice president for quality at Johnson Controls. "It's not quality. It's not customer satisfaction. It's financial performance. If you can't talk their language and convert stuff into what they relate to, you won't get their hearts and minds."

Hoisington was director of quality at Baldrige winner IBM Rochester before moving to Johnson Controls three years ago. He has been a Baldrige examiner for 10 years, is a certified Six Sigma Black Belt and is board chairman of the Wisconsin Forward Award. *Customer Centered Six Sigma*, a book he wrote with Earl Naumann, was among the top 10 ASQ Quality Press best sellers in 2002.

"Until you take the things you're working on and convert them to financial performance, you won't get buy-in," said Hoisington. "The first step I took when I came to Johnson Controls was to convert traditional quality and customer satisfaction measurements into financial performance measurements. The second thing I did was simplify the measurements and messages. Once you show the financial links through easy to understand metrics, you'll have senior management asking for the information."

Financial Performance Matters Most

Effective quality professionals such as Hoisington and Floss recognize that senior management decides what matters to the organization,





MANAGEMENT

and financial performance always matters. “Every organization knows what’s important to it, whether leaders codify it or not,” said John Friel, president and CEO of Medrad, a world market leader in medical devices that enable or enhance medical imaging procedures.

“The stuff you get rewarded for is viewed as good. If it’s purely bottom-line financial results, you have to speak that language and make that connection,” said Friel. “How do executives measure success? How do they report to shareholders? How do they describe a good or bad year? Whatever they use to define ‘good,’ the quality people have to show how what they are pitching aligns with it.”

Medrad communicates what is important to the company through its five corporate scorecard goals and top 12 initiatives. The scorecard goals address financial performance, but they also focus on growth, quality and productivity, customer satisfaction and employee growth and satisfaction. “I’ll listen to people when they can clearly show me or other senior staff how what they’re doing contributes directly to one of those initiatives or links to the five corporate goals,” said Friel. “If they say they’re going to do a quality project, it has to be tied to an initiative.”

There you have it. Work on what’s important to

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senior management, or you will suffer a frustrating career. “Line everything up with revenue or costs,” advises Kent Sterett, president of Premier Performance Network. “If you can’t quantify it, don’t do it. If you can’t figure out what it’s worth, don’t bother.”

Sterett has been a quality leader throughout his career, which began with Florida Power & Light (FPL) when it won the Deming Prize. He was instrumental in establishing the Baldrige Award and was an early member of the panel of judges. As the head of quality at QualTech, Union Pacific, Southern

Pacific, Fidelity and York International, he learned to speak the language of senior management. “Every place I’ve been since FPL, the senior people talked in terms of money,” he said.

It’s a language quality professionals may not speak fluently, but it’s one they need to learn. “A lot of times when I talk to senior management, the key phrase is not ‘Let’s do quality,’ but ‘Let’s improve performance, improve the bottom line and become a better organization,’” said Chuck Aubrey, vice president of performance excellence at Stat-a-Matrix. “While we know the discipline to achieve these things is quality, a lot of people have issues with that word. We need to understand what other topics or terms can catch people’s attention and intrigue them and don’t have any baggage attached.”

Show What Can Be Done Quickly

Aubrey understands what appeals to senior executives. He started the quality program at Banc One Corp. in the 1980s, worked for the Juran Institute in the mid-1990s and launched Six Sigma programs at American Express and Sears Roebuck before joining Stat-a-Matrix. An author, former Baldrige examiner and past president of ASQ, Aubrey believes one of the most important aspects of Six Sigma is its ability to serve the short-term financial needs of senior management.

“The goal of Six Sigma is to change the customer experience and do it fast, and to change the cash flow and do it fast,” said Aubrey. “We can finish significant projects in two or three months that produce immediate savings. We’re contributing every quarter to improving the customer experience and the revenue experience.”

Floss concurs. “One of the major flaws of quality departments was that they didn’t contribute to what’s important to the organization. They’d been working on the fringes but not contributing to the bottom line,” he said. “Six Sigma’s focus on getting financial people on board early is critically important, because successful quality efforts begin with results.”

Results most often mean cutting costs and increasing revenues. Quality professionals must tackle both to gain senior management’s attention. “We’ve always talked about the cost component of quality improvement, but when we talk about the top line, senior executives are even more excited

[because we're doing more] than just saving them money," said Aubrey. "The last year I was at American Express we contributed \$150 million to the company, and 40% of it was added revenue—pure profit."

Hoisington advocates showing a mathematical correlation between a quality initiative and expense reduction or revenue growth. Making that correlation requires intimate knowledge of key measures and what moves them. "At Johnson Controls, a one-

point increase in customer satisfaction equals \$13 million of additional revenue," he said. "And we get three times the revenue from very satisfied customers as we do from satisfied customers."

Follow These Seven Rules

Hoisington's analysis illustrates one of seven actions quality professionals can take to communicate more effectively with senior management:

1. **Prove.** Quality professionals have to prove the

Building a Better Letter

The *Fortune* 500 company in this example implemented Six Sigma projects to support a strategy to provide seamless, delightful service to its retail customers. The metrics for this strategy were to increase revenue by \$200 million, decrease costs by \$150 million and increase customer satisfaction from 87% "very satisfied" to 95% "very satisfied."

Project Summary

When customers have a complaint they believe is not being resolved, they sometimes write to the company seeking a response. This project sought to reduce the number of reply letters that were rated "fair" or "poor" on customer surveys.

Problem definition and measurements: Some customers said the reply letters they received lacked important quality attributes, such as responding to all the issues and demonstrating empathy. In addition, analysis indicated spending decreased significantly when customers rated these attributes as "poor."

Analysis: The Black Belt team determined the key customer criteria for letter quality by working with customer and market research data.

Improvement: The team then developed a new quality measurement instrument and training curriculum to help the customer representatives better understand and meet customer criteria.

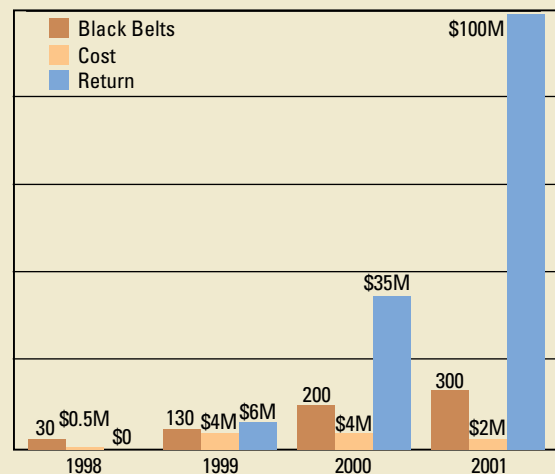
Control: Quality monitoring guidelines were established to prevent correspondence from being sent

without meeting all the customer criteria.

Results and benefits: Pilot results show "excellent" ratings increased by 49% and "poor" ratings decreased by 36%. This new methodology benefited not only letter ratings but phone transactions as well. As a result, the company realized an annualized benefit of \$404,000.

Figure 1 shows the progress made from project initiation in 1998 through 2001. The "cost" is the total investment in the program, and the "return" includes a bottom-line net cost savings of 60% and a top-line revenue lift of 40%.

FIGURE 1 Six Sigma Results





MANAGEMENT

need for specific improvements and then prove the likely value of the proposed improvements. Sterett proves the need through financial comparisons dear to the hearts of senior leaders (see Figure 2). “The trick is to pick the measures that can be reasonably changed, calculate the gap and ask if management thinks that, given the tools, resources and three years, it can reach the performance levels already proven possible by the competition,” said Sterett. “That’s very hard to say no to in an open meeting.”

To prove the value of a recommended approach, Aubrey uses examples from his experiences at different companies to show what was invested and what

was returned, with discussions of projects meaningful to that industry. The sidebar “Building a Better Letter” (p. 33) illustrates how a *Fortune* 500 financial services company increased its return on investment.

2. Coach. One of the frustrations senior leaders frequently face is how to translate goals, objectives and strategies into action. Quality professionals can help. “Show executives how you can take the strategic plan and move from strategies to measures to projects,” said Aubrey, “and then use that to show them how to take strategies and physically and financially make them work.”

Sterett’s approach is to develop a performance matrix that lists a company’s key short- and long-term strategies; the year’s focus areas linked to those strategies; the key performance indicators for each focus area; ownership for each indicator; and data for the year end target, previous year’s performance, quarterly target and current performance, and year-to-date and year-end value of the improvements in dollars. The matrix translates strategies into actions, measures and results.

“Taking that approach allows executives to really understand the whole project process,” said Aubrey. “They’re used to dealing with strategies and metrics, but it often gets fuzzy after that. When you can link strategies and metrics to the quality system with specific measures and results, it makes what you do more integrated with the overall management system.”

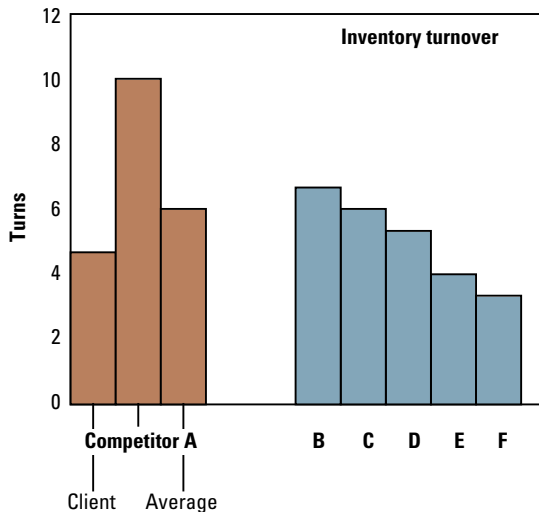
3. Influence. Coaching is just one way to influence senior management. In their interaction with executives, quality professionals have several opportunities to influence the executives’ agenda. Floss used operations reviews as a venue to hammer on the difference between fixing problems at the symptom level and getting at root causes by using the plan-do-check-act formula. “It requires constant pressure,” he said, “but when the big boss gets it, the senior staff starts asking different questions.”

Sterett influenced the review process by giving the executive in charge of a review a list of questions that were more process driven than results driven. “We put together briefing packages with a tab for each project and a sticky note on the opposite page with the questions [the executives] should ask,” he said.


Such tactics help change management’s behavior. As Sterett points out, “You can get people to intellectually buy into what you are doing, but changing

FIGURE 2 The Power of Financial Comparisons

This example was prepared for a tire manufacturer client and shows how it compares to six competitors and the average of those competitors.



	Leader	Average
Performance targets	10.05	5.53
Gap	5.72	1.20
Change in inventory		
From	\$503,200,000	\$503,200,000
To	\$224,925,373	\$408,981,649
Reduction	\$278,274,627	\$94,218,351
Income gain	7% interest	7% interest
	\$19,479,224	\$6,595,285
Net gain	\$12,661,496	\$4,286,935
Increase in earnings per share	\$0.05	\$0.02
Increase in stock price	\$0.70	\$0.24



habits is harder.” He advises quality professionals to identify opportunities where they can help senior executives absorb the tenets of quality management. Prepare review briefing packages. Involve them in quality related training as presenters. Provide them with talking points for staff meetings. In the process of making them more effective leaders, you will make them more receptive to a systematic approach to continuous improvement.

4. Partner. “I tell quality professionals that for this process to permeate the organization, they need senior management on board, but to get it started they need at least one senior manager,” said Aubrey. Ideally, your ally should be the CEO. Failing that, any executive will do.

Sterett recommends approaching the chief financial officer. “Ask what you can do. You’ve got all this stuff going on; it would be logical to focus on the greatest need. Ask for guidance. It will be the rare financial officer who won’t give you something, and that something will be about driving up revenues or driving down costs. Start there.”

5. Pilot. Gain an ally, and initiate a project that targets improvement in an area critical to the organization. “Pilot the project in [your ally’s] area with two or three teams,” said Aubrey. “Apply the approach, have success and use that as leverage throughout the organization.”

“Solve a problem in a way that satisfies customers and gets to the root causes,” said Floss, “and then use that as a teaching case.”

6. Benchmark. In the rarified world of senior management, executives often welcome the chance to learn from other executives. When Medrad embarked on its quality journey in the late ‘80s, it sent executives to the quality champions of the day. “One guy went to FedEx, another to Xerox,” said Friel. “I went to Milliken, and that’s when I got hooked. Somebody at Milliken asked me, ‘If you have the highest market share in the industry and the highest customer satisfaction and can charge the highest prices, how would that make you feel?’ I realized this is about more than improving product quality and reliability: It’s about business excellence.”

Sterett remembers 20 members of FPL’s management team visiting 22 Japanese companies and a number of American companies. At Southern Pacific he took the senior executives to a half-dozen high

performance companies, then brought the senior executives of key customers, suppliers and partners to Southern Pacific’s management meetings.

7. Align. Communication between quality professionals and senior management becomes easier when all speak the same language. That language is whatever senior leadership wants it to be, and that

You can get people to intellectually buy into what you are doing, but changing habits is harder.

means financial performance terminology will likely dominate the vocabulary. The list varies by company, but some of the most common phrases are:

- Share price.
- Market value.
- Revenues.
- Earnings per share (EPS).
- Growth rate.
- Net profit margin.
- Price/earnings ratio (P/E).
- Return on earnings (ROE).
- Return on assets (ROA).
- Return on investment (ROI).
- Earnings before interest, taxes, depreciation and amortization (EBITDA).

By translating quality initiatives into top- and bottom-line results, you can become fluent in the native executive tongue.

Beyond this translation, quality professionals can work to align the processes and systems that influence behavior with their goals and those of senior management. “There’s a strong need to create one conversation in the organization,” said Floss. “I often encounter two conversations: how business is doing and how quality is doing. The quality professional has to work hard to merge those into one ‘Big Q’ conversation.”

“A major step we took at Medrad was to tie compensation, bonuses and gain sharing to our five corporate goals,” said Friel. “One of my senior people told me, ‘I always thought employee satisfaction was

important, but now that you're paying me for it, I know it's important.' What you put in your bonus plans is what you're saying is really important."

In other words, communication ceases to be an issue when everyone is working on the same things and speaking the same language. Since senior management sets the organization's agenda, quality professionals must learn what that agenda is and how their work can visibly support it. The goal is to merge the interests of senior leaders and quality leaders into a single, cohesive agenda that moves the organization toward its goals.

"We have our goals, our processes, our continuous improvement focus. We've got that loop going on," said Friel. "It's really about performance excellence all the time, and that changes the role of the quality professionals. They're not coming up with extra stuff to do now. They don't have to be quality missionaries. We've got the religion."

Such a single-minded focus puts senior executives and quality professionals on the same page—which is a far cry from feeling like they're on different planets.

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