



[Smeal Home](#) > [Research](#) > [Center for Management of Technological and Organizational Change](#)

[Research](#)

[CMTOC](#)

[Forums](#)

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[Research](#)

[Support](#)

[Structure](#)

Penn State Smeal CMTOC Highlights of the Forum: Fortieth Meeting

"Measuring Performance: The Essential Key to Continuous Quality Improvement"

Larry Kishpaugh, Manager,
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Corning's Telecommunications Products Division (TPD), also a winner of the 1995 Malcolm Baldrige National Quality Award, employs 1600 persons and is the youngest and most profitable Division within Corning, Inc. TPD serves as the benchmark for quality products within Corning. Its primary product is optical fiber. Larry Kishpaugh's presentation outlined TPD's business model and its components:

- Strategic Management
- Leadership
- Information Management
- Human Resource Management
- Product and Service Process Management
- Customer Focus and Satisfaction

This model integrates the values of people, process, and technology to obtain customer satisfaction. Overall, the model outlined by Kishpaugh is compatible with the Baldrige criteria. The model follows Kishpaugh's assertion that every effective business model starts with strategic management and leadership.

Prior to pursuing the Baldrige Award, there was no leadership process definition at TPD. Robert Forest, the division president, decided to pursue the Baldrige Award in 1989. Because of a late start, TPD's initial Baldrige attempt was little more than filing an application. Although TPD's attempt was eventually rejected, the Baldrige committee visited the Corning site and provided valuable feedback. Hence, the initial attempt was a net gain. TPD realized that its business practice was not systematic and its model was incomplete and nearly useless. TPD reacted by adopting the Baldrige criteria as its business model. Prior to 1989, TPD was very profitable and thus considered itself very successful despite a lack of process definition. The 1989 Baldrige evaluation stated that changes in process management were needed prior to future award consideration. TPD started with defining its strategic management process and continued with defining its leadership. Robert Forest, the division president, led the leadership definition effort.

Kishpaugh defined strategic management as the centerpiece of an effective leadership system. The leadership process at TPD is composed of three stages: (1) strategy development, (2) planning, and (3) strategy deployment. Process success is contingent upon management clearly defining the organization's vision and mission. Another prerequisite for success is the ability of management to execute its developed strategy and continually review its business priorities.

Once the leadership process is outlined, operational processes must be defined. Process management change does not require structural change, it requires change in execution. TPD segmented all processes into four categories (1) leadership, (2) vital processes, (3) core business processes, and (4) manufacturing, support, and similar processes. Although ISO 9000 outlines each of these process definitions, TPD did not believe that ISO 9000 certification added significant

value to its customers. However, it believed the Baldrige criteria added such value. This difference was primarily based on industry conditions. TPD's primary product, optic fiber, was competing with copper cable. In order to get industry to transfer from copper to optic fiber, the value of optic fiber must significantly exceed that of copper. Therefore, quality levels of six-sigma or higher must be met. TPD believed that the Baldrige criteria not only outlined process improvements, but provided the framework required to produce a product substantially better than copper cable.

A prominent reason for TPD's 1989 Baldrige rejection was the lack of a customer complaint system. High profit levels prevented TPD from recognizing a need for a system utilizing customer feedback. A sufficient customer feedback system represents an opportunity to obtain the additional information required to execute any continuous improvement model. The model developed by objectives and metrics that TPD defined serves as a framework for both customer and supplier relationships. The model used these criteria and actions to create a customer value assessment, promote customer contact, and develop a customer database. These components in turn were used to develop a corrective action process, a customer initiative process, and a commercial portfolio.

The Integrated Strategy Model presently in place at TPD maintains four functional strategies and four strategic initiatives. These model components are:

Functional Strategies

Commercial
Technology
Manufacturing
Human Resources

Strategic Initiatives

Customer Satisfaction
Affordable Capacity
Markets of Choice
Lowest Cost Producer

The strategic initiatives utilized by TPD are comparable to the non-negotiable strategy components utilized by fellow 1995 Baldrige winner, Armstrong Building Products Operations (BPO) and are traceable to the Baldrige criteria. TPD's Integrated Strategy Model also incorporates its division values: People, Process, and Technology.

The integrated strategic model has been applied to all TPD functions including human resources. The application to HR yields the following model:

Valued Individual ----> Effective Employee -----> Effective Organization

TPD's effective implementation of the Baldrige criteria across all functions led to winning the 1995 Malcolm Baldrige National Quality Award. More important for stockholders, however, TPD has shown the ability to develop and execute management processes, which leads to determining and executing effective strategies, and ultimately results in sustained profit levels.

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