



## 2012 Award Recipient

### Lockheed Martin Missiles and Fire Control

Lockheed Martin Missiles and Fire Control (MFC) designs, develops, manufactures, and supports advanced combat, missile, rocket, and sensor systems for the U.S. and foreign military. The company's workforce of 10,688 employees produces and delivers more than 100 products through 825 contracts in more than 60 countries. MFC is headquartered in the Dallas, Texas, area with a second major facility in Orlando, Fla. Additional facilities are located in nine U.S. states as well as Japan and the United Kingdom.

#### A Solid Manufacturing Market Share

- Believing that "performance is the objective," MFC maintains a major global market position in each of its key lines of business in a shrinking market. It has attained a leading market share and sustained growth over the past four years.
- Return on investment, a strategic measure for MFC, has grown at a 23 percent compound annual rate, faster than the industry-best competitor at 13.7 percent. Operating margin has had a compound annual growth rate of 6.2 percent over 11 years, better than the Standard & Poor's (S&P) 500 Capital Goods Manufacturing Index at 1.5 percent and the industry-best competitor at 0.2 percent.
- From 2006 to 2011, annual orders from repeat customers have increased by 32 percent and international orders have increased by almost 400 percent.

#### Process Efficiency, Strategic Planning Yield Results

- Using value-stream mapping, a Lean manufacturing technique for analyzing and designing the flow of materials and information required to bring a product or service to a consumer, MFC evaluated 8,500 processes from 2000 to 2012. This mapping represents 90 percent of the enterprise direct costs and 6 percent of indirect costs.
- Supplier on-time delivery has been essentially 100 percent since 2006, and overall supplier quality has been nearly 100 percent since 2007.
- Time reductions as a result of process and performance improvement programs have occurred in all lines of MFC's businesses, yielding an estimated saving of \$225 million annually.



#### Highlights

- Believing that "performance is the objective," MFC maintains a major global market position in each of its key lines of business in a shrinking market. It has attained a leading market share and sustained growth over the past four years.
- Time reductions as a result of process and performance improvement programs have occurred in all lines of MFC's businesses, yielding an estimated saving of \$225 million annually.
- Ratings for customer loyalty have improved 18 percent since 2007 and are best in class, with 100 percent of customers saying that they "definitely or probably would select MFC for future business." Additionally, MFC's customer ratings are more than 6 percent above the Department of Defense industry average and have improved even as the industry ratings have declined.
- In 2011, close to 85 percent of employees said that they were proud to work for MFC, exceeding the national benchmark of 82 percent. Retention, which MFC considers a measure of employee engagement, was 95 percent in 2011 and 94 percent in 2012.



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- MFC's "Procure to Pay" system allows buyers across programs and sites to make procurements and leverage their purchasing power efficiently. MFC uses a "make-or-buy" process to decide which processes will be internal or external, systematically considering factors such as strategic capability, competitive sensitivity, and potential impact on its brand.
- Business resilience—the ability of a company to continue operations without significant impact in the face of disruptions or threats (known as intrusions)—is enforced by MFC's Business Resiliency System. Despite an ever-growing number of intrusion events since 2007, the Business Resiliency System has remediated 100 percent of them. Compliance with information controls has been at 100 percent since 2007, and the number of controls has decreased from 242 in 2007 to 87 in 2012. Facility uptime has been at 100 percent since 2007, overcoming nearly 2,000 potential disruptions.
- MFC's nine-step Strategic Planning and Execution System (SPES) represents a robust, fact-based methodology for developing strategic and tactical action plans based on customer/market needs and other environmental assessments. The process allows for performance optimization and agility while promoting long-term sustainability and accountability. The SPES integrates metrics, work processes, and modeling and simulation to provide feedback for continuous learning.

### Ensuring That Customers Come First

- While experiencing a 1,000 percent growth in the number of annual deliveries over the past 11 years, MFC has achieved 99.4 percent on-time delivery.
- Ratings for customer loyalty have improved 18 percent since 2007 and are best in class, with 100 percent of customers saying that they "definitely or probably would select MFC for future business." Additionally, MFC's customer ratings are more than 6 percent above the Department of Defense industry average and have improved even as the industry ratings have declined.
- Through its Market Analysis Process and business capture methodology, MFC identifies customer and market requirements for its product offerings and services. Integrated Product Teams conduct formal reviews with customers, along with internal monthly and quarterly operational reviews, during each of a product's five life cycle stages—from capturing the business to fielding and support.

### Strength Built from Leadership and Teamwork

- In 2011, close to 85 percent of employees said that they were proud to work for MFC, exceeding the national benchmark of 82 percent. Retention, which MFC considers a measure of employee engagement, was 95 percent in 2011 and 94 percent in 2012.
- MFC organizes its workforce in a matrix structure to accomplish its goals and meet the changing needs of its customers. Throughout

each product's life cycle, cross-functional teams plan, design, develop, produce, and support the product.

- Senior leaders review performance with the Enterprise Excellence System framework that identifies gaps, and apply the eight-step Lockheed Martin "Path to Excellence Process" to remedy the gaps through improvement teams.
- MFC's Performance-Driven Leadership System bases performance evaluations of senior leaders on objectives, goals, and metrics that are aligned with the strategic plan. Performance evaluation is weighted 70 percent on meeting commitments and 30 percent on behaviors related to the company's mission, vision, and values.

### Quality Products Matched by Quality Character

- MFC's results for legal and regulatory compliance support the company's value to "do what's right." Zero critical regulatory actions have occurred since 2009, and the organization has an average 56 percent "superior" rating for security audits, far exceeding the industry average of 4 percent.
- MFC has had no findings from financial audits since 2009. Results for the customer's earned value management system audits have improved from 109 discrepancies in 2007 to zero in 2011 and 2012, earning MFC a "low-risk" rating from customers.
- To ensure ethical behavior at every site, all MFC employees receive annual ethics awareness training. Results from employee surveys show that MFC employees believe they are prepared to handle situations that might violate MFC's ethical conduct.
- MFC employees have donated more than \$11 million over five years to charities in their local communities.

#### For more information:

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#### Baldrige Performance Excellence Program

The Baldrige Program educates organizations of all sizes and from all sectors in organizational performance management and improvement. We also administer the Malcolm Baldrige National Quality Award. Our key services are to identify and recognize role-model organizations, share best management practices, and help organizations achieve best-in-class performance levels. We are the only public-private partnership and Presidential award program dedicated to improving U.S. organizations.

For more information on Baldrige, visit [www.nist.gov/baldrige](http://www.nist.gov/baldrige), call (301) 975-2036, or e-mail us at [baldrige@nist.gov](mailto:baldrige@nist.gov).

