ADAC's quest for quality pays off with Malcolm Baldrige recognition

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Award caps vendor's four-year rise to prominence in nuclear medicine
Nuclear medicine vendor ADAC Laboratories last week finally fulfilled its three-year quest for the Malcolm Baldrige National Quality Award. The Milpitas, CA, firm received national recognition when it was named the recipient of the Baldrige medal for excellence in manufacturing.

The Malcolm Baldrige National Quality Award is given by the U.S. Department of Commerce every year to recognize excellence by U.S. companies. ADAC is the first healthcare company to receive the award since the Baldrige program presented the first awards in 1988. Since then, 28 companies have received Baldrige awards.

ADAC's award is the crowning achievement for a company that used the Baldrige criteria as a road map to execute a remarkable rise to prominence in the nuclear medicine industry.

ADAC's ascent began in 1992, when the vendor was emerging from a series of financial ups and downs that had plagued the company through the late 1980s and early 1990s (SCAN 12/26/90). ADAC's market share in the U.S. was 12% in 1990, making it the third or fourth largest nuclear medicine vendor, according to chairman and CEO David Lowe.

Lowe was promoted to president and COO of ADAC in February of 1992, and helped set ADAC on a course to achieve excellence by emulating the Baldrige criteria. "We established a massive benchmarking program where we stole shamelessly the best practices of other Baldrige winners," Lowe said. "We set a bold, audacious goal of winning the award, and frankly, when we announced that pursuit, people laughed at us."

ADAC gained momentum with the release of the Genesys Vertex, a variable-angle dual-head gamma camera, in 1992 (SCAN 12/16/92). ADAC and its market share prospered as the dual-head segment gained in popularity, and the firm maintained its technological edge with a series of innovations, the latest of which is its Molecular Coincidence Detection high-energy imaging technique (SCAN 6/19/96). The company now claims over a 50% market share in the U.S.

While ADAC's technology spearheaded its resurgence, the company's total quality management program and adherence to Baldrige criteria also showed results. The company has won the top rating for service satisfaction for the past four years in surveys by IMS America, and has a 93% customer retention rating in an industry with a 55% average.

The vendor came close to its goal of a Baldrige medal in 1994 and 1995, when it received site visits, but Baldrige recognition eluded it, until last week.

This year, ADAC joins three other firms as Baldrige recipients: Dana Commercial Credit of Toledo, OH, in the service category; Custom Research of Minneapolis in the small business category; and Trident Precision Manufacturing of Webster, NY, also in the small business category.

To win the award, ADAC was required to complete a 71-page questionnaire with 142 questions detailing its practices for improving quality and increasing customer satisfaction. The vendor also received a week-long site visit by Baldrige examiners in September.

The Baldrige committee cited several accomplishments achieved by ADAC. Among them are the following:

** Emphasis on customer satisfaction, which includes rules that require executives to take customer calls personally and spend 25% of their time with customers;
** Reductions in service cycle time, which measures the time required to get malfunctioning products back into operation, from 56 hours in 1990 to 17 hours;
** Tripling of revenues since 1990;
** Speed in bringing new products to market; and
Revenue per employee, which has risen from $200,000 in 1990 to almost $330,000 last year. ADAC sees its participation in the Baldrige competition as more than a public-relations coup: It provided the means to improve the company's business processes by comparing them with those of previous Baldrige winners.

"In the first two years, the big benefit from the award process was not an attempt to win a small piece of gold medal," Lowe said. "It was getting us feedback reports that highlighted the strengths of the company and its areas for improvement as it related to the Malcolm Baldrige criteria. Those areas for improvement allowed the organization to focus on key areas that made the company better."

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