

2011–2012

# Criteria for Performance Excellence



# THE MALCOLM BALDRIGE NATIONAL QUALITY AWARD

## A Public-Private Partnership

Building active partnerships in the public sector—and among the private sector and all levels of government—is fundamental to the success of the Baldrige Performance Excellence Program in improving national competitiveness. Private-sector support for the program in the form of funds, volunteer efforts, and participation in public outreach continues to grow.

To ensure the continued growth and success of these partnerships, each of the following organizations plays an important role.

## Foundation for the Malcolm Baldrige National Quality Award

The Foundation for the Malcolm Baldrige National Quality Award was created to foster the success of the program. The foundation's main objective is to raise funds to permanently endow the award program.

Prominent leaders from U.S. organizations serve as foundation trustees to ensure that the foundation's objectives are accomplished. A broad cross section of organizations throughout the United States provides financial support to the foundation.

## National Institute of Standards and Technology

The National Institute of Standards and Technology (NIST), an agency of the U.S. Department of Commerce, manages the Baldrige Performance Excellence Program. NIST promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST carries out its mission in four cooperative programs, including the Baldrige Performance Excellence Program. The other three are the NIST laboratories, conducting research that advances the nation's technology infrastructure and is needed by U.S. industry to continually improve products and services; the Hollings Manufacturing Extension Partnership, a nationwide network of local centers offering technical and business assistance to smaller manufacturers; and the Technology Innovation Program, which provides cost-shared awards to industry, universities, and consortia for research on potentially revolutionary technologies that address critical national and societal needs.

## American Society for Quality

The American Society for Quality (ASQ) assists in administering the award program under contract to NIST. ASQ's vision is to make quality a global priority, an organizational imperative, and a personal ethic and, in the process, to become the community for all who seek quality concepts, technology, or tools to improve themselves and their world.

## Board of Overseers

The Board of Overseers advises the Department of Commerce on the Baldrige Performance Excellence Program. The board is appointed by the secretary of commerce and consists of distinguished leaders from all sectors of the U.S. economy.

The board evaluates all aspects of the program, including the adequacy of the Criteria and processes for determining award recipients. An important part of the board's responsibility is to assess how well the program is serving the national interest and, as needed, recommend changes and improvements to the secretary of commerce and to the director of NIST.

## Board of Examiners

The Board of Examiners evaluates award applications and prepares feedback reports. The Panel of Judges, part of the Board of Examiners, makes award recommendations to the director of NIST. The board consists of leading experts from U.S. businesses and education, health care, and nonprofit organizations. NIST selects members through a competitive application process. The current board consists of more than 575 members. Of these, 12 (who are appointed by the secretary of commerce) serve as judges, and approximately 90 serve as senior examiners. All members of the board must take part in an Examiner Preparation Course.

Board members also play a significant role in sharing information about the program. Their membership in hundreds of professional, trade, community, and state organizations helps them disseminate this information.

## Award Recipients

Award recipients are required to share information on their successful performance strategies with other U.S. organizations. However, recipients are not required to share proprietary information, even if such information was part of their award application. The principal mechanism for sharing information is The Quest for Excellence® Conference, held annually. Two regional conferences are also held annually to offer additional forums for sharing the applicants' best practices.

For more than 20 years, award recipients have demonstrated their commitment to improving U.S. competitiveness and furthering the U.S. pursuit of performance excellence by also generously sharing information with hundreds of thousands of companies, education organizations, health care organizations, government agencies, nonprofit organizations, and others. This sharing far exceeds expectations and program requirements. These efforts have encouraged many other organizations in all sectors of the U.S. economy to undertake their own performance improvement efforts.

## The Alliance for Performance Excellence

The Alliance for Performance Excellence (<http://www.baldrigepe.org/alliance>), a nonprofit national network, aims to enhance the success and sustainability of its member Baldrige-based programs. The Alliance's member organizations promote the use of the Baldrige Criteria; disseminate information on the Baldrige Award process and Baldrige concepts; serve as a feeder system for the national program, providing a significant number of examiners and award applicants; network with the Baldrige Performance Excellence Program and each other; and receive and use the Baldrige Criteria for Performance Excellence and other program and training materials from the national program.



# Baldrige Performance Excellence Program

National Institute of Standards and Technology • Department of Commerce

**To:** U.S. Organizations

**From:** Harry S. Hertz, Director  
Baldrige Performance Excellence Program

**Subject:** Why Is Baldrige Important for You Now?

Because the Baldrige Criteria for Performance Excellence are about you! Because they are about survival and sustainability in your marketplace with a high-performing, high-integrity organization. Because the Baldrige Criteria ask you all the right questions.

Is addressing all the Baldrige Criteria easy? No! But neither is achieving sustainable results in today's challenging environment. Will the Criteria help you think and act strategically? Yes. Will they help you align your processes and your resources? Yes. Will they help you engage your workforce and your customers? Yes. Are these worthwhile goals? You decide.

Whether your organization is small or large; is involved in service, manufacturing, government, or nonprofit work; and has one location or sites across the globe, the Criteria provide a valuable framework that can help you plan, perform, and measure results in an uncertain environment. The Criteria can help you decide on tools such as ISO 9000, Lean, a Balanced Scorecard, and Six Sigma.

How to begin that first Baldrige assessment? Take a few minutes and scan the questions in the Organizational Profile on pages 4–6. A discussion of the answers to these questions might be your first Baldrige assessment. For additional guidance, refer to our free booklet *Your Guide to Performance Excellence*.

Do you need to know what your employees and your senior leaders think? Or do you believe you have been making progress but want to accelerate or better focus your efforts? Try using our simple *Are We Making Progress?* and *Are We Making Progress as Leaders?* questionnaires. Organized by the seven Baldrige Criteria categories, they will help you check your progress on organizational goals and can improve communication among your workforce members and your leadership team.

Even if you don't expect to receive the Baldrige Award, submitting an award application has valuable benefits. Every applicant receives a detailed feedback report based on a rigorous evaluation conducted by a panel of specially trained experts.

The Criteria are in your hands . . . so is an incredible opportunity. Why not take advantage of that opportunity? When you turn these pages, you turn the corner toward performance excellence. If you want more information, please contact me at [baldrige@nist.gov](mailto:baldrige@nist.gov).

## Need some useful tools to begin the Baldrige challenge? Try using

- *Getting Started with the Baldrige Criteria*, available on our Web site at [http://www.nist.gov/baldrige/enter/self\\_started.cfm](http://www.nist.gov/baldrige/enter/self_started.cfm)
- *easyInsight: Take a First Step toward a Baldrige Self-Assessment*, available at [http://www.nist.gov/baldrige/publications/easy\\_insight.cfm](http://www.nist.gov/baldrige/publications/easy_insight.cfm)
- *Are We Making Progress?* and *Are We Making Progress as Leaders?* available at <http://www.nist.gov/baldrige/publications/progress.cfm>
- Optional Self-Analysis Worksheet (Word file to download), available at [http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)

Besides using these resources from the Baldrige Performance Excellence Program, visit <http://www.baldrigepe.org/alliance> to get support from Baldrige-based programs in your state or local area.

## THE QUEST FOR EXCELLENCE

### The 23rd and 24th Annual Quest for Excellence® Conferences

Each year, The Quest for Excellence, the official conference of the Malcolm Baldrige National Quality Award, provides a forum for Baldrige Award recipients to share their exceptional performance practices with worldwide leaders in business, education, health care, and nonprofit organizations. The 23rd Quest for Excellence will showcase the year 2010 award recipients, and the 24th Annual Quest for Excellence will feature the year 2011 award recipients.

Since 1988, executives, managers, and other leaders have come to this conference to learn how these role-model organizations have achieved performance excellence. Chief executive officers (CEOs) and other leaders from the award recipient organizations give presentations covering all seven categories of the Baldrige Criteria, their journey to performance excellence, and their lessons learned. At this three-day conference designed to maximize learning and networking opportunities, attendees will be able to interact with award recipients.

The conferences will be held April 3–6, 2011, at the Marriott Wardman Park Hotel in Washington, D.C., and April 15–18, 2012, at the same location. For further information, contact the Baldrige Program by mail: Baldrige Performance Excellence Program, NIST, Administration Building, Room A600, 100 Bureau Drive, Stop 1020, Gaithersburg, MD 20899-1020; telephone: (301) 975-2036; fax: (301) 948-3716; or e-mail: [baldrige@nist.gov](mailto:baldrige@nist.gov). For a general overview of the Baldrige Performance Excellence Program, visit the Baldrige Web site: <http://www.nist.gov/baldrige>.

### The Malcolm Baldrige National Quality Award

The President of the United States traditionally presents the award at a special ceremony in Washington, D.C. The award crystal, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black anodized aluminum, with the award recipient's name engraved on the base. A 22-karat gold-plated medallion is captured in the front section of the crystal. The medallion bears the name of the award and “The Quest for Excellence” on one side and the Presidential Seal on the other.



Crystal by Steuben

The Malcolm Baldrige National Quality Award logo and the phrases “The Quest for Excellence” and “Performance Excellence” are trademarks and service marks of the National Institute of Standards and Technology.

## CONTENTS

### The 2011–2012 Criteria for Performance Excellence

- 1 Criteria for Performance Excellence Framework
  - 3 Criteria for Performance Excellence—Item Listing
  - 4 Criteria for Performance Excellence
    - 4 Preface: Organizational Profile
    - 7 1 Leadership
    - 10 2 Strategic Planning
    - 13 3 Customer Focus
    - 16 4 Measurement, Analysis, and Knowledge Management
    - 18 5 Workforce Focus
    - 21 6 Operations Focus
    - 23 7 Results
- 

### About the Criteria

- 27 Changes from the 2009–2010 Criteria
  - 29 Criteria Response Guidelines
  - 34 Category and Item Descriptions
  - 49 Core Values and Concepts
  - 55 Key Characteristics of the Criteria
  - 56 Glossary of Key Terms
- 

### Scoring

- 66 Scoring System
  - 68 Process Scoring Guidelines
  - 69 Results Scoring Guidelines
- 

### Application Information

- 71 Applying for the Malcolm Baldrige National Quality Award
  - 72 Fees for the 2011 and 2012 Award Cycles
  - 73 Summary of Eligibility Requirements
- 
- 74 How to Obtain Baldrige Performance Excellence Program Materials
  - 76 Index of Key Terms
- 

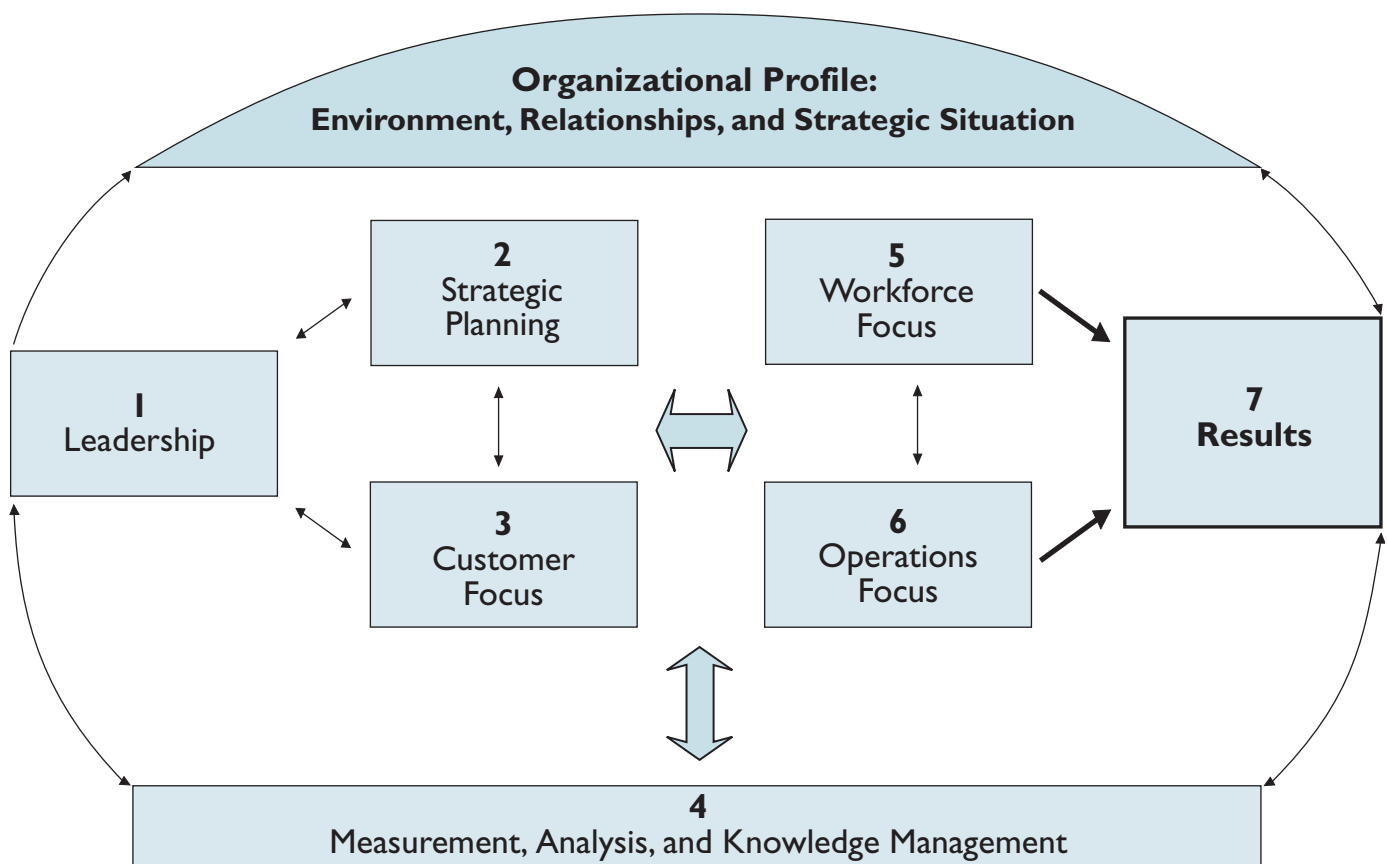
Education and health care organizations should use the appropriate Criteria booklets for their respective sectors. See pages 74–75 for ordering information.

If you plan to apply for the award in 2011 or 2012, you also will need the *Baldrige Award Application Forms*, which can be downloaded at [http://www.nist.gov/baldrige/publications/Award\\_Application.cfm](http://www.nist.gov/baldrige/publications/Award_Application.cfm).

The award application process consists of two steps: the first is to provide a completed Eligibility Certification Package, and the second is to submit a completed Award Application Package. See pages 71–73 for due dates and other information.

**We are easy to reach. Our Web site is <http://www.nist.gov/baldrige>.**

# Baldrige Criteria for Performance Excellence Framework A Systems Perspective



# CRITERIA FOR PERFORMANCE EXCELLENCE FRAMEWORK

The requirements of the Criteria for Performance Excellence are embodied in seven categories, as follows:

- 1 Leadership**
- 2 Strategic Planning**
- 3 Customer Focus**
- 4 Measurement, Analysis, and Knowledge Management**
- 5 Workforce Focus**
- 6 Operations Focus**
- 7 Results**

The figure on page iv provides the framework connecting and integrating the categories.

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

## Organizational Profile

Your Organizational Profile (top of figure) sets the context for the way your organization operates. Your organization's environment, key working relationships, and strategic situation—including competitive environment, strategic challenges and advantages, and performance improvement system—serve as an overarching guide for your organizational performance management system.

## Performance System

The performance system is composed of the six Baldrige categories in the center of the figure that define your processes and the results you achieve.

Leadership (category 1), Strategic Planning (category 2), and Customer 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.

Workforce Focus (category 5), Operations Focus (category 6), and Results (category 7) represent the results triad. Your organization's workforce and key operational processes accomplish the work of the organization that yields your overall performance results.

All actions point toward Results—a composite of product and process outcomes, customer-focused outcomes, workforce-focused outcomes, leadership and governance outcomes, and financial and market outcomes.

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 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 17 process and results items, each focusing on a major requirement. Item titles and point values are given on page 3. The item format is shown on page 29.

### 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.



# Baldridge Performance Excellence Program Honors the 2008 Award Recipients



On December 2, 2009, at a ceremony in Washington, D.C., the three 2008 Baldridge Award recipients were honored: Cargill Corn Milling North America (CCM) of Wayzata, Minnesota (manufacturing); Iredell-Statesville Schools (I-SS) of Statesville, North Carolina (education); and Poudre Valley Health System (PVHS) of Fort Collins, Colorado (health care). Clockwise from the upper left, the photographs show (1) U.S. Vice President Joe Biden; (2) U.S. Secretary of Commerce Gary Locke; (3) Secretary Locke, I-SS Chairman of

the Board of Education David W. Cash, I-SS Superintendent Brady Johnson, and Foundation for the Malcolm Baldridge National Quality Award Chair Joe Alexander; (4) Malcolm Hollensteiner, nephew of Malcolm Baldridge; (5) Secretary Locke, PVHS Director of Process Improvement Priscilla J. Nuwash, PVHS President/CEO Rulon F. Stacey, and Joe Alexander; and (6) Secretary Locke, CCM President Alan Willits, Cargill, Inc. Chairman and Chief Executive Officer Greg Page, and Joe Alexander.



## CRITERIA FOR PERFORMANCE EXCELLENCE—ITEM LISTING

<b>P</b>		<b>Preface: Organizational Profile</b>	
	P.1	Organizational Description	
	P.2	Organizational Situation	
<b>Categories and Items</b>			<b>Point Values</b>
<b>1</b>	<b>Leadership</b>		<b>120</b>
	1.1	Senior Leadership	70
	1.2	Governance and Societal Responsibilities	50
<b>2</b>	<b>Strategic Planning</b>		<b>85</b>
	2.1	Strategy Development	40
	2.2	Strategy Implementation	45
<b>3</b>	<b>Customer Focus</b>		<b>85</b>
	3.1	Voice of the Customer	45
	3.2	Customer Engagement	40
<b>4</b>	<b>Measurement, Analysis, and Knowledge Management</b>		<b>90</b>
	4.1	Measurement, Analysis, and Improvement of Organizational Performance	45
	4.2	Management of Information, Knowledge, and Information Technology	45
<b>5</b>	<b>Workforce Focus</b>		<b>85</b>
	5.1	Workforce Environment	40
	5.2	Workforce Engagement	45
<b>6</b>	<b>Operations Focus</b>		<b>85</b>
	6.1	Work Systems	45
	6.2	Work Processes	40
<b>7</b>	<b>Results</b>		<b>450</b>
	7.1	Product and Process Outcomes	120
	7.2	Customer-Focused Outcomes	90
	7.3	Workforce-Focused Outcomes	80
	7.4	Leadership and Governance Outcomes	80
	7.5	Financial and Market Outcomes	80
<b>TOTAL POINTS</b>			<b>1,000</b>

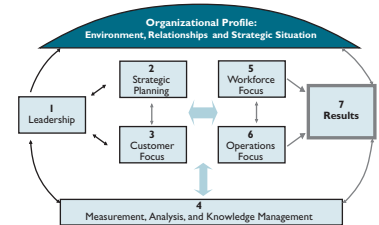
**Note:** The scoring system used with the Criteria items in a Baldrige assessment can be found on pages 66–70.

## CRITERIA FOR PERFORMANCE EXCELLENCE

### The 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 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 (you will be assessed using the Criteria requirements in relation to your organization's environment, relationships, influences, and challenges, as presented in your Organizational Profile); 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: What are your key organizational characteristics?

**Describe your organization's operating environment and your KEY relationships with CUSTOMERS, suppliers, PARTNERS, and STAKEHOLDERS.**

Within your response, include answers to the following questions:

#### a. Organizational Environment

- (1) **Product Offerings** What are your organization's main product offerings (see note 1 below)? What is the relative importance of each to your organizational success? What mechanisms do you use to deliver your products?
- (2) **VISION and MISSION** What are the distinctive characteristics of your organizational culture? What are your stated PURPOSE, VISION, VALUES, and MISSION? What are your organization's CORE COMPETENCIES and their relationship to your MISSION?
- (3) **WORKFORCE Profile** What is your WORKFORCE profile? What are your WORKFORCE or employee groups and SEGMENTS? What are their education levels? What are the KEY elements that engage them in accomplishing your MISSION and VISION? What are your organization's WORKFORCE and job DIVERSITY, organized bargaining units, KEY WORKFORCE benefits, and special health and safety requirements?
- (4) **Assets** What are your major facilities, technologies, and equipment?
- (5) **Regulatory Requirements** What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; industry standards; and environmental, financial, and product regulations?

#### b. Organizational Relationships

- (1) **Organizational Structure** 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) **CUSTOMERS and STAKEHOLDERS** What are your KEY market SEGMENTS, CUSTOMER groups, and STAKEHOLDER groups, as appropriate? What are their KEY requirements and expectations for your products, CUSTOMER support services, and operations? What are the differences in these requirements and expectations among market SEGMENTS, CUSTOMER groups, and STAKEHOLDER groups?
- (3) **Suppliers and PARTNERS** What are your KEY types of suppliers, PARTNERS, and COLLABORATORS? What role do these suppliers, PARTNERS, and COLLABORATORS play in the production and delivery of your KEY products and CUSTOMER support services? What are your KEY mechanisms for communicating with suppliers, PARTNERS, and COLLABORATORS? What role, if any, do these organizations play in implementing INNOVATIONS in your organization? What are your KEY supply-chain requirements?

## Notes:

**N1.** “Product offerings” and “products” (P.1a[1]) refer to the goods and services that your organization offers in the marketplace. Mechanisms for product delivery to your end-use customers might be direct or through dealers, distributors, collaborators, or channel partners. *Nonprofit organizations might refer to their product offerings as programs, projects, or services.*

**N2.** “Core competencies” (P.1a[2]) refers to your organization’s areas of greatest expertise. Your organization’s core competencies are those strategically important capabilities that are central to fulfilling your mission or provide an advantage in your marketplace or service environment. Core competencies frequently are challenging for competitors or suppliers and partners to imitate. Also, core competencies frequently preserve your competitive advantage.

**N3.** Workforce or employee groups and segments (including organized bargaining units; P.1a[3]) might be based on the type of employment or contract reporting relationship, location, tour of duty, work environment, family-friendly policies, or other factors.

**N4.** Customer groups (P.1b[2]) might be based on common expectations, behaviors, preferences, or profiles. Within a group there may be customer segments based on differences and commonalities. Your markets might be subdivided into market segments based on product lines or features, distribution channels, business volume, geography, or other factors that your organization uses to define related market characteristics.

**N5.** Customer group and market segment requirements (P.1b[2]) might include on-time delivery, low defect levels, safety, security, ongoing price reductions, leveraging of technology, rapid response, after-sales service, and multilingual

services. Stakeholder group requirements might include socially responsible behavior and community service. *For some nonprofit organizations, requirements also might include administrative cost reductions, at-home services, and rapid response to emergencies.*

**N6.** Communication mechanisms (P.1b[3]) should be two-way and in understandable language, and they might be in person, via e-mail, Web-based, or by telephone. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

**N7.** *Many nonprofit organizations rely heavily on volunteers to accomplish their work. These organizations should include volunteers in the discussion of their workforce (P.1a[3]).*

**N8.** *For nonprofit organizations, industry standards (P.1a[5]) might include industrywide codes of conduct and policy guidance. The term “industry” is used throughout the Criteria to refer to the sector in which you operate. For nonprofit organizations, this sector might be charitable organizations, professional associations and societies, religious organizations, or government entities—or a subsector of one of these.*

**N9.** *For some nonprofit organizations, governance and reporting relationships (P.1b[1]) might include relationships with major agency, foundation, or other funding sources.*

**N10.** *Customers (P.1b[2]) include the users and potential users of your products. In some nonprofit organizations, customers might include members, taxpayers, citizens, recipients, clients, and beneficiaries. Market segments might be referred to as constituencies.*

For additional description of this item, see pages 34–35.

## Information for Understanding All Criteria Items

For definitions of key terms presented throughout the Criteria and scoring guidelines text in **SMALL CAPS**, see the **Glossary of Key Terms** on pages 56–64.

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.

The items in the Baldrige Criteria are divided into three groups: the *Preface*, which defines your organizational environment; categories 1–6, which define your organization’s *processes*; and category 7, which contains your *results* for your organization’s processes. Only responses to the last two groups are scored during a Baldrige Award evaluation of an organization; the Organizational Profile items are used to provide context for the evaluation.

Item notes serve three purposes: (1) to clarify terms or requirements presented in an item, (2) to give instructions and examples for 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.

*A number of item notes include guidance specifically for nonprofit organizations. This information appears in italics.*

## P.2 Organizational Situation: What is your organization's strategic situation?

**Describe your organization's competitive environment, your KEY STRATEGIC CHALLENGES and ADVANTAGES, and your system for PERFORMANCE improvement.**

Within your response, include answers to the following questions:

### a. Competitive Environment

- (1) **Competitive Position** What is your competitive position? What are your relative size and growth in your industry or markets served? What are the numbers and types of competitors for your organization?
- (2) **Competitiveness Changes** What are any KEY changes taking place that affect your competitive situation, including opportunities for INNOVATION and collaboration, as appropriate?
- (3) **Comparative Data** What are your KEY available sources of comparative and competitive data from within your industry? What are your KEY available sources of comparative data from outside your industry? What limitations, if any, affect your ability to obtain these data?

### b. Strategic Context

What are your KEY business, operational, societal responsibility, and human resource STRATEGIC CHALLENGES and ADVANTAGES?

### c. PERFORMANCE Improvement System

What are the KEY elements of your PERFORMANCE improvement system, including your evaluation, organizational LEARNING, and INNOVATION PROCESSES?

## Notes:

**N1.** Strategic challenges and advantages (P.2b) might relate to technology, products, your operations, your customer support, your industry, globalization, your value chain, and people. Strategic advantages might include differentiators such as your price leadership, design services, innovation rate, geographic proximity, accessibility, and warranty and product options. *For some nonprofit organizations, differentiators also might include your relative influence with decision makers, ratio of administrative costs to programmatic contributions, reputation for program or service delivery, and wait times for service.*

**N2.** Performance improvement (P.2c) through learning and integration is an assessment dimension used in the scoring system to evaluate the maturity of organizational approaches and deployment (see pages 66–70). This question is intended to help you and the Baldrige examiners set an overall context for your approach to performance improvement. Approaches to performance improvement that are compatible with the systems approach provided by the Baldrige framework should

be related to your organization's needs and might include implementing a Lean Enterprise System, applying Six Sigma methodology, using ISO standards (e.g., 9000 or 14000), or employing other process improvement and innovation tools. A growing number of organizations have implemented specific processes for meeting goals in product and process innovation.

**N3.** *Nonprofit organizations frequently are in a highly competitive environment; they often must compete with other organizations and with alternative sources for similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.*

**N4.** *For nonprofit organizations, the term "business" (P.2b) is used throughout the Criteria to refer to your main mission area or enterprise activity.*

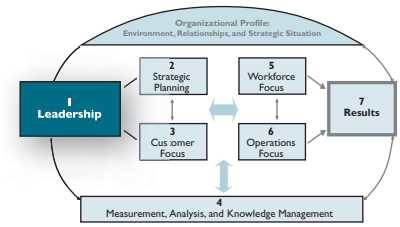
For additional description of this item, see page 35.

## Page Limit

For Baldrige Award applicants, the Organizational Profile is limited to five pages. These pages are not counted in the overall application page limit. Typing and formatting instructions for the Organizational Profile are the same as for the application. These instructions are given in the *Baldrige Award Application Forms*, which can be downloaded at [http://www.nist.gov/baldrige/publications/Award\\_Application.cfm](http://www.nist.gov/baldrige/publications/Award_Application.cfm).

# I Leadership (120 pts.)

The **Leadership** category examines HOW your organization's SENIOR LEADERS' personal actions guide and sustain your organization. Also examined are your organization's GOVERNANCE system and HOW your organization fulfills its legal, ethical, and societal responsibilities and supports its KEY communities.



## I.1 Senior Leadership: How do your senior leaders lead? (70 pts.)

Process

**Describe HOW SENIOR LEADERS' actions guide and sustain your organization. Describe HOW SENIOR LEADERS communicate with your WORKFORCE and encourage HIGH PERFORMANCE.**

Within your response, include answers to the following questions:

### a. VISION, VALUES, and MISSION

- (1) **VISION and VALUES** How do SENIOR LEADERS set your organization's VISION and VALUES? How do SENIOR LEADERS DEPLOY your organization's VISION and VALUES through your LEADERSHIP SYSTEM, to the WORKFORCE, to KEY SUPPLIERS and PARTNERS, and to CUSTOMERS and other STAKEHOLDERS, as appropriate? How do SENIOR LEADERS' actions reflect a commitment to the organization's VALUES?
- (2) **Promoting Legal and ETHICAL BEHAVIOR** How do SENIOR LEADERS' actions demonstrate their commitment to legal and ETHICAL BEHAVIOR? How do they promote an organizational environment that requires it?
- (3) **Creating a SUSTAINABLE Organization** How do SENIOR LEADERS create a SUSTAINABLE organization? How do SENIOR LEADERS achieve the following?
  - create an environment for organizational PERFORMANCE improvement, the accomplishment of your MISSION and STRATEGIC OBJECTIVES, INNOVATION, PERFORMANCE leadership, and organizational agility
  - create a WORKFORCE culture that delivers a consistently positive CUSTOMER experience and fosters CUSTOMER ENGAGEMENT
  - create an environment for organizational and WORKFORCE LEARNING
  - develop and enhance their leadership skills
  - participate in organizational LEARNING, succession planning, and the development of future organizational leaders

### b. Communication and Organizational PERFORMANCE

- (1) **Communication** How do SENIOR LEADERS communicate with and engage the entire WORKFORCE? How do SENIOR LEADERS achieve the following?
  - encourage frank, two-way communication throughout the organization
  - communicate KEY decisions
  - take an active role in reward and recognition programs to reinforce HIGH PERFORMANCE and a CUSTOMER and business focus
- (2) **Focus on Action** How do SENIOR LEADERS create a focus on action to accomplish the organization's objectives, improve PERFORMANCE, and attain its VISION? How do SENIOR LEADERS identify needed actions? How do SENIOR LEADERS include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS in their organizational PERFORMANCE expectations?

### Notes:

**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, market, and operating environment. Both external and internal factors are considered. In this context, the concept of innovation includes both technological and organizational innovation to help the organization succeed in the future.

A sustainable organization also ensures a safe and secure environment for the workforce and other key stakeholders. An organization's contributions to environmental, social, and economic systems beyond those of its workforce and immediate stakeholders are considered in its societal responsibilities (item 1.2).

**N3.** A focus on action (1.1b[2]) considers the strategy, the workforce, the work systems, and the assets of your organization. It includes taking intelligent risks and implementing innovations and ongoing improvements in productivity that

may be achieved through eliminating waste or reducing cycle time; it might use techniques such as Six Sigma and Lean. It also includes the actions to accomplish your organization's strategic objectives (see 2.2a[1]).

N4. Your organizational performance results should be reported in items 7.1–7.5.

N5. For nonprofit organizations that rely on volunteers to accomplish their work, responses to 1.1b(1) also should discuss your efforts to communicate with and engage the volunteer workforce.

For additional description of this item, see pages 35–36.

## I.2 Governance and Societal Responsibilities: How do you govern and fulfill your societal responsibilities? (50 pts.)

Process

Describe your organization's GOVERNANCE system and APPROACH to leadership improvement. Describe HOW your organization ensures legal and ETHICAL BEHAVIOR, fulfills its societal responsibilities, and supports its KEY communities.

Within your response, include answers to the following questions:

### a. Organizational GOVERNANCE

- (1) **GOVERNANCE System** How does your organization review and achieve the following KEY aspects of your GOVERNANCE system?
  - accountability for the management's actions
  - fiscal accountability
  - transparency in operations and selection of and disclosure policies for GOVERNANCE board members, as appropriate
  - independence in internal and external audits
  - protection of STAKEHOLDER and stockholder interests, as appropriate
- (2) **PERFORMANCE Evaluation** How do you evaluate the PERFORMANCE of your SENIOR LEADERS, including the chief executive? How do you use these PERFORMANCE evaluations in determining executive compensation? How do you evaluate the PERFORMANCE of members of your GOVERNANCE board, as appropriate? How do SENIOR LEADERS and your GOVERNANCE board use these PERFORMANCE reviews to advance their development and improve both their personal leadership EFFECTIVENESS and that of your board and LEADERSHIP SYSTEM, as appropriate?

### b. Legal and ETHICAL BEHAVIOR

- (1) **Legal and Regulatory Behavior** How do you address any adverse impacts on society of your products and operations? How do you anticipate public concerns with current and future products and operations? How do you prepare for these impacts and concerns in a proactive manner, including conserving natural resources and using EFFECTIVE supply-chain management 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 and operations?
- (2) **ETHICAL BEHAVIOR** How does your organization promote and ensure ETHICAL BEHAVIOR in all interactions? What are your KEY PROCESSES and MEASURES OF INDICATORS for enabling and monitoring ETHICAL BEHAVIOR in your GOVERNANCE structure, throughout your organization, and in interactions with CUSTOMERS, PARTNERS, suppliers, and other STAKEHOLDERS? How do you monitor and respond to breaches of ETHICAL BEHAVIOR?

### c. Societal Responsibilities and Support of Key Communities

- (1) **Societal Well-Being** How do you consider societal well-being and benefit as part of your strategy and daily operations? How do you contribute to the well-being of your environmental, social, and economic systems?
- (2) **Community Support** How does your organization actively support and strengthen your KEY communities? What are your KEY communities? How do you identify these communities and determine areas for organizational involvement, including areas related to your CORE COMPETENCIES? How do your SENIOR LEADERS, in concert with your WORKFORCE, contribute to improving these communities?

## Notes:

**N1.** Societal responsibilities in areas critical to your organization's ongoing marketplace success also should be addressed in Strategy Development (item 2.1) and in Operations Focus (category 6). Key results, such as results related to regulatory and legal requirements (including the results of mandated financial audits); reductions in environmental impacts through the use of "green" technology, resource-conserving activities, or other means; or improvements in social impacts, such as the global use of enlightened labor practices, should be reported as Leadership and Governance Outcomes (item 7.4).

**N2.** Transparency in operations of your governance system (1.2a[1]) should include your internal controls on governance processes. *For some nonprofit organizations, an external advisory board may provide some or all of the governance board functions. For those nonprofit organizations that serve as stewards of public funds, stewardship of those funds and transparency in operations are areas of emphasis.*

**N3.** Leadership performance evaluation (1.2a[2]) might be supported by peer reviews, formal performance management reviews, and formal or informal workforce and other stakeholder feedback and surveys. *For some nonprofit and government organizations, external advisory boards might evaluate the performance of senior leaders and the governance board.*

**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 workforce perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. They also might include evidence that policies, workforce training, and monitoring systems are in place with respect to conflicts of interest and proper use of funds.

**N5.** Areas of societal contributions and community support appropriate for 1.2c might include your efforts to improve the environment (e.g., collaboration to conserve the environment or natural resources); strengthen local community services, education, and health; and improve the practices of trade, business, or professional associations.

**N6.** The health and safety of your workforce are not addressed in item 1.2; you should address these workforce factors in item 5.1.

**N7.** *Nonprofit organizations should report in 1.2b(1), as appropriate, how they address the legal and regulatory requirements and standards that govern fundraising and lobbying activities.*

**N8.** *For some charitable organizations, societal contributions and support of key communities (1.2c) may occur totally through the mission-related activities of the organization. In such cases, it is appropriate to respond with any "extra efforts" through which you support these communities.*

For additional description of this item, see pages 36–37.

## Assessment of Item Responses

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 their deployment, and strength of your improvement process and results relative to the scoring system. Refer to the scoring system information on pages 66–70.

---

*I see the Baldrige process as a powerful set of mechanisms for disciplined people engaged in disciplined thought and taking disciplined action to create great organizations that produce exceptional results.*

—Jim Collins, author of *Good to Great: Why Some Companies Make the Leap . . . and Others Don't*

---

## 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 implemented and changed if circumstances require, and HOW progress is measured.

### 2.1 Strategy Development: How do you develop your strategy? (40 pts.)

Process

Describe HOW your organization establishes its strategy to address its STRATEGIC CHALLENGES and leverage its STRATEGIC ADVANTAGES. 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) **Strategic Planning PROCESS** 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? How do you determine your CORE COMPETENCIES, STRATEGIC CHALLENGES, and STRATEGIC ADVANTAGES (identified in your Organizational Profile)? 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) **Strategy Considerations** How do you ensure that strategic planning addresses the KEY elements 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, products, CUSTOMER preferences, competition, the economy, and the regulatory environment
  - long-term organizational SUSTAINABILITY, including needed CORE COMPETENCIES, and PROJECTIONS of your future PERFORMANCE and your competitors' or comparable organizations' future PERFORMANCE
  - your ability to execute the strategic plan

#### b. STRATEGIC OBJECTIVES

- (1) **KEY STRATEGIC OBJECTIVES** What are your KEY STRATEGIC OBJECTIVES and your timetable for accomplishing them? What are your most important GOALS for these STRATEGIC OBJECTIVES?
- (2) **STRATEGIC OBJECTIVE Considerations** How do your STRATEGIC OBJECTIVES achieve the following?
  - address your STRATEGIC CHALLENGES and STRATEGIC ADVANTAGES
  - address your opportunities for INNOVATION in products, operations, and your business model
  - capitalize on your current CORE COMPETENCIES and address the potential need for new CORE COMPETENCIES
  - balance short- and longer-term challenges and opportunities
  - consider and balance the needs of all KEY STAKEHOLDERS
  - enhance your ability to adapt to sudden shifts in your market conditions

#### Notes:

**N1.** "Strategy development" refers to your organization's approach to preparing for the future. Strategy development might utilize various types of forecasts, projections, options, scenarios, knowledge (see 4.2a for relevant organizational knowledge), or other approaches to envisioning the future for purposes of decision making and resource allocation. Strategy development might involve participation by key suppliers, distributors, partners, and customers. *For some nonprofit organizations, strategy development might involve participation by organizations providing similar services or drawing from the same donor population or volunteer workforce.*

**N2.** The term "strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products; redefinition of key customer groups or market segments; intelligent risks; new core competencies;

revenue growth via various approaches, including acquisitions, grants, and endowments; divestitures; new partnerships and alliances; and new employee or volunteer relationships. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers' or partners' markets, a low-cost producer, a market innovator, or a provider of a high-end or customized product or service. It also might be directed toward meeting a community or public need.

**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 requirements, expectations, and opportunities; your opportunities for innovation and role-model performance; your core competencies; your



competitive environment and your performance now and in the future 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 innovation; your workforce and other resource needs; your ability to capitalize on diversity; your opportunities to redirect resources to higher-priority products, services, or areas; financial, societal, ethical, regulatory, technological, security, and other potential risks and opportunities; your ability to prevent and respond to emergencies, including natural or other disasters; changes in the national or global economy; requirements for and strengths and weaknesses of your partners and supply chain; changes in your parent organization; and other factors unique to your organization.

**N4.** Your ability to execute the strategic plan (2.1a[2]) should address your ability to mobilize the necessary resources and knowledge. It 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 and advantages (2.1b[2]) might include rapid response, customization, co-location with major customers or partners, workforce capability and capacity, specific joint ventures, virtual manufacturing, rapid innovation, ISO quality or environmental systems registration, societal responsibility actions or leadership, Web-based supplier and customer relationship management, and product and service quality enhancements. Responses to item 2.1 should focus on your specific challenges and advantages—those most important to your ongoing success and to strengthening your organization's overall performance.

**N6.** Item 2.1 addresses your overall organizational strategy, which might include changes in product offerings and customer engagement processes. However, the item does not address product design or customer engagement strategies; you should address these factors in items 3.2 and 6.1, as appropriate.

For additional description of this item, see pages 37–38.

## 2.2 Strategy Implementation: How do you implement your strategy? (45 pts.)

Process

**Describe HOW your organization converts its STRATEGIC OBJECTIVES into ACTION PLANS. Summarize your organization's ACTION PLANS, HOW they are DEPLOYED, and KEY ACTION PLAN PERFORMANCE MEASURES or INDICATORS. Project your organization's future PERFORMANCE relative to KEY comparisons on these PERFORMANCE MEASURES or INDICATORS.**

Within your response, include answers to the following questions:

### a. ACTION PLAN Development and DEPLOYMENT

- (1) **ACTION PLAN Development** How do you develop your ACTION PLANS? What are your KEY short- and longer-term ACTION PLANS and their relationship to your STRATEGIC OBJECTIVES? What are the KEY planned changes, if any, in your products, your CUSTOMERS and markets, your suppliers and PARTNERS, and how you will operate?
- (2) **ACTION PLAN Implementation** How do you DEPLOY ACTION PLANS throughout the organization to your WORKFORCE and to KEY suppliers and PARTNERS, as appropriate, to achieve your KEY STRATEGIC OBJECTIVES? How do you ensure that the KEY outcomes of your ACTION PLANS can be sustained?
- (3) **Resource Allocation** How do you ensure that financial and other resources are available to support the accomplishment of your ACTION PLANS, while meeting current obligations? How do you allocate these resources to support the accomplishment of the plans? How do you manage the financial and other risks associated with the plans to ensure the financial viability of your organization?
- (4) **WORKFORCE Plans** What are your KEY human resource or WORKFORCE plans to accomplish your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS? How do the plans address potential impacts on your WORKFORCE members and any potential changes to WORKFORCE CAPABILITY and CAPACITY needs?
- (5) **PERFORMANCE MEASURES** What are your KEY PERFORMANCE MEASURES or INDICATORS for tracking the achievement and EFFECTIVENESS of 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?
- (6) **ACTION PLAN Modification** How do you establish and implement modified ACTION PLANS if circumstances require a shift in plans and rapid execution of new plans?

### b. PERFORMANCE PROJECTIONS

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 on these MEASURES or INDICATORS 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 or comparable organizations, HOW will you address them?

## Notes:

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 organizational direction
- 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, support your development of strategy, provide an effective basis for your performance measurements, and track progress relative to your strategic objectives and action plans
- category 5 for meeting your workforce capability and capacity needs, for workforce development and

learning system design and needs, and for implementing workforce-related changes resulting from action plans

- category 6 for changes to core competencies, work systems, and work process requirements resulting from your action plans
- item 7.1 for specific accomplishments relative to your organizational strategy and action plans

N2. Measures and indicators of projected performance (2.2b) might include changes resulting from new ventures; organizational acquisitions or mergers; new value creation; market entry and shifts; new legislative mandates, legal requirements, or industry standards; and significant anticipated innovations in products and technology.

For additional description of this item, see pages 38–39.

---

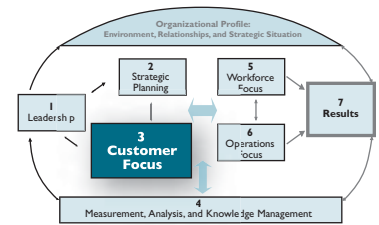
*The Baldrige Award Program is still one of the best in the entire maelstrom of awards. There's the Nobel Prize, the Oscars, and all that, but the Baldrige Award is right up there! It's inspiring. It's exciting. It makes us proud.*

—Letitia Baldrige, etiquette expert, former chief of staff for Jacqueline Kennedy, and sister of Malcolm Baldrige

---

## 3 Customer Focus (85 pts.)

The *CUSTOMER Focus* category examines HOW your organization engages its CUSTOMERS for long-term marketplace success. This ENGAGEMENT strategy includes HOW your organization listens to the VOICE OF ITS CUSTOMERS, builds CUSTOMER relationships, and uses CUSTOMER information to improve and identify opportunities for INNOVATION.



### 3.1 Voice of the Customer: How do you obtain information from your customers? (45 pts.)

Process

Describe HOW your organization listens to your CUSTOMERS and gains satisfaction and dissatisfaction information.

Within your response, include answers to the following questions:

#### a. CUSTOMER Listening

- (1) **Listening to Current CUSTOMERS** How do you listen to CUSTOMERS to obtain actionable information? How do your listening methods vary for different CUSTOMERS, CUSTOMER groups, or market SEGMENTS? How do you use social media and Web-based technologies to listen to CUSTOMERS, as appropriate? How do your listening methods vary across the CUSTOMER life cycle? How do you follow up with CUSTOMERS on the quality of products, CUSTOMER support, and transactions to receive immediate and actionable feedback?
- (2) **Listening to Potential CUSTOMERS** How do you listen to former CUSTOMERS, potential CUSTOMERS, and CUSTOMERS of competitors to obtain actionable information and to obtain feedback on your products, CUSTOMER support, and transactions, as appropriate?

#### b. Determination of CUSTOMER Satisfaction and ENGAGEMENT

- (1) **Satisfaction and ENGAGEMENT** How do you determine CUSTOMER satisfaction and ENGAGEMENT? How do these determination methods differ among CUSTOMER groups and market SEGMENTS, as appropriate? How do your measurements capture actionable information for use in exceeding your CUSTOMERS' expectations and securing your CUSTOMERS' ENGAGEMENT?
- (2) **Satisfaction Relative to Competitors** How do you obtain information on your CUSTOMERS' satisfaction relative to their satisfaction with your competitors? How do you obtain information on your CUSTOMERS' satisfaction relative to the satisfaction LEVELS of CUSTOMERS of other organizations providing similar PRODUCTS or to industry BENCHMARKS, as appropriate?
- (3) **Dissatisfaction** How do you determine CUSTOMER dissatisfaction? How do your measurements capture actionable information for use in meeting your CUSTOMERS' requirements and exceeding their expectations in the future?

#### Notes:

**N1.** The “voice of the customer” refers to your process for capturing customer-related information. Voice-of-the-customer processes are intended to be proactive and continuously innovative to capture stated, unstated, and anticipated customer requirements, expectations, and desires. The goal is to achieve customer engagement. Listening to the voice of the customer might include gathering and integrating various types of customer data, such as survey data, focus group findings, blog comments and other social media data, warranty data, marketing and sales information, and complaint data that affect customers' purchasing and engagement decisions.

**N2.** Use of social media and Web-based technologies to listen to customers (3.1a[1]) provides a newer mode of gathering insight into customer perceptions of all aspects of your involvement with them. Use of social media may include blogs moderated by your organization and unsolicited opportunities to learn based on social media outlets your organization does

not control, such as wikis, online forums, and blogs not moderated by your organization.

**N3.** The customer life cycle (3.1a[1]) begins in the product concept or pre-sale period and should include all stages of your involvement with the customer. This might include relationship building, the active business relationship, and an exit strategy, as appropriate.

**N4.** Determining customer satisfaction and dissatisfaction (3.1b) might include the use of any or all of the following: surveys, formal and informal feedback, customer account histories, complaints, field reports, win/loss analysis, customer referral rates, and transaction completion rates. Information might be gathered on the Web, through personal contact or a third party, or by mail. Determining customer dissatisfaction should be seen as more than reviewing low customer satisfaction scores. Dissatisfaction should be independently

determined to identify root causes and enable a systematic remedy to avoid future dissatisfaction.

N5. Determining relative customer satisfaction (3.1b[2]) may involve comparisons with competitors, comparisons with other organizations that deliver similar products in a noncompetitive marketplace, or comparisons achieved through trade or other organizations. Determining relative customer satisfaction also

may involve determining why customers chose your competitors over you.

N6. *For additional considerations on products and the business of nonprofit organizations, see item P.1, note 1, and item P.2, note 4.*

For additional description of this item, see pages 39–40.

### 3.2 Customer Engagement: How do you engage customers to serve their needs and build relationships? (40 pts.)

Process

Describe HOW your organization determines product offerings and communication mechanisms to support CUSTOMERS. Describe HOW your organization builds CUSTOMER relationships.

Within your response, include answers to the following questions:

#### a. Product Offerings and CUSTOMER Support

- (1) **Product Offerings** How do you identify CUSTOMER and market requirements for product offerings and services? How do you identify and innovate product offerings to meet the requirements and exceed the expectations of your CUSTOMER groups and market SEGMENTS (identified in your Organizational Profile)? How do you identify and innovate product offerings to enter new markets, to attract new CUSTOMERS, and to provide opportunities for expanding relationships with existing CUSTOMERS, as appropriate?
- (2) **CUSTOMER Support** How do you enable CUSTOMERS to seek information and CUSTOMER support? How do you enable them to conduct their business with you and provide feedback on your products and your CUSTOMER support? What are your KEY means of CUSTOMER support, including your KEY communication mechanisms? How do they vary for different CUSTOMERS, CUSTOMER groups, or market SEGMENTS? How do you determine your CUSTOMERS' KEY support requirements? How do you ensure that CUSTOMER support requirements are DEPLOYED to all people and PROCESSES involved in CUSTOMER support?
- (3) **CUSTOMER Segmentation** How do you use CUSTOMER, market, and product offering information to identify current and anticipate future CUSTOMER groups and market SEGMENTS? How do you consider CUSTOMERS of competitors and other potential CUSTOMERS and markets in this segmentation? How do you determine which CUSTOMERS, CUSTOMER groups, and market SEGMENTS to pursue for current and future products?
- (4) **CUSTOMER Data Use** How do you use CUSTOMER, market, and product offering information to improve marketing, build a more CUSTOMER-focused culture, and identify opportunities for INNOVATION?

#### b. Building CUSTOMER Relationships

- (1) **Relationship Management** How do you market, build, and manage relationships with CUSTOMERS to achieve the following?
  - acquire CUSTOMERS and build market share
  - retain CUSTOMERS, meet their requirements, and exceed their expectations in each stage of the CUSTOMER life cycle
  - increase their ENGAGEMENT with you
- (2) **Complaint Management** How do you manage CUSTOMER complaints? How does your CUSTOMER complaint management PROCESS ensure that complaints are resolved promptly and EFFECTIVELY? How does your CUSTOMER complaint management PROCESS enable you to recover your CUSTOMERS' confidence and enhance their satisfaction and ENGAGEMENT?

## Notes:

**N1.** “Customer engagement” refers to your customers’ investment in your brand and product offerings. Characteristics of engagement include customer retention and loyalty, customers’ willingness to make an effort to do business—and increase their business—with your organization, and customers’ willingness to actively advocate for and recommend your brand and product offerings.

**N2.** “Product offerings” and “products” refer to the goods and services that you offer in the marketplace. Product offerings (3.2a) should consider all the important characteristics of products and services and their performance throughout their full life cycle and the full “consumption chain.” The focus should be on features that affect customer preference and loyalty—for example, those features that differentiate your products from competing offerings or other organizations’ services. Those features might include price, reliability, value,

delivery, timeliness, ease of use, requirements for the use and disposal of hazardous materials, customer or technical support, and the sales relationship. Key product features also might take into account how transactions occur and factors such as the privacy and security of customer data. Your results on performance relative to key product features should be reported in item 7.1, and those concerning customer perceptions and actions (outcomes) should be reported in item 7.2.

**N3.** The goal of customer support (3.2a[2]) is to make your organization easy to do business with and responsive to your customers’ expectations.

**N4.** Building customer relationships (3.2b) might include the development of partnerships or alliances with customers.

For additional description of this item, see page 40.

---

*The veteran is the benefactor of what we provide . . . and I think that the Baldrige Program actually enabled us to transform the organization from being good to a great organization, one that is very high-performing.*

—Mike Sather, director of 2009 Baldrige Award recipient  
VA Cooperative Studies Program Clinical Research Pharmacy Coordinating Center

---

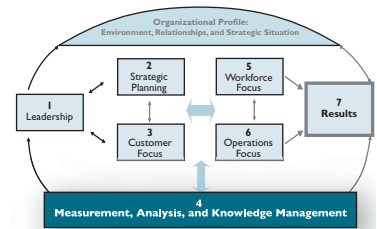
---

*We didn't apply the [Baldrige] concepts . . . to win an award. We did it to win customers. We did it to grow. We did it to prosper.*

—Earnest Deavenport, chairman and CEO of  
1993 Baldrige Award recipient Eastman Chemical Company

---

## 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 and HOW it manages its information technology. The category also examines HOW your organization uses review findings to improve its PERFORMANCE.

### 4.1 Measurement, Analysis, and Improvement of Organizational Performance: How do you measure, analyze, and then improve organizational performance? (45 pts.)

Process

Describe HOW your organization measures, analyzes, reviews, and improves its PERFORMANCE through the use of data and information at all levels and in all parts of your organization.

Within your response, include answers to the following questions:

#### a. PERFORMANCE Measurement

- (1) **PERFORMANCE MEASURES** How do you select, collect, align, and integrate data and information for tracking daily operations and overall organizational PERFORMANCE, including progress relative to STRATEGIC OBJECTIVES and ACTION PLANS? What are your KEY organizational PERFORMANCE MEASURES, including KEY short-term and longer-term financial MEASURES? How frequently do you track these MEASURES? How do you use these data and information to support organizational decision making and INNOVATION?
- (2) **Comparative Data** 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) **CUSTOMER Data** How do you select and ensure the EFFECTIVE use of VOICE-OF-THE-CUSTOMER data and information (including complaints) to support operational and strategic decision making and INNOVATION?
- (4) **Measurement Agility** How do you ensure that your PERFORMANCE measurement system is able to respond to rapid or unexpected organizational or external changes?

#### b. PERFORMANCE ANALYSIS and Review

How do you review organizational PERFORMANCE and capabilities? How do you use your KEY organizational PERFORMANCE MEASURES in these reviews? What ANALYSES do you perform to support these reviews and ensure that conclusions are valid? How do you use these reviews to assess organizational success, competitive PERFORMANCE, financial health, and progress relative to STRATEGIC OBJECTIVES and ACTION PLANS? How do you use these reviews to assess your organization's ability to respond rapidly to changing organizational needs and challenges in your operating environment?

#### c. PERFORMANCE Improvement

- (1) **Best-Practice Sharing** How do you use PERFORMANCE review findings to share lessons learned and best practices across organizational units and WORK PROCESSES?
- (2) **Future PERFORMANCE** How do you use PERFORMANCE review findings and KEY comparative and competitive data to project future PERFORMANCE?
- (3) **Continuous Improvement and INNOVATION** How do you use organizational PERFORMANCE review findings to develop priorities for continuous improvement and opportunities for INNOVATION? How are these priorities and opportunities DEPLOYED to work group and functional-level operations throughout your organization? When appropriate, HOW are the priorities and opportunities DEPLOYED to your suppliers, PARTNERS, and COLLABORATORS to ensure organizational ALIGNMENT?

#### Notes:

N1. Performance measurement (4.1a) is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and organizational 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 and other organizations providing similar products and services.

**N3.** Organizational performance reviews (4.1b) should be informed by organizational performance measurement and by performance measures reported throughout your Criteria item responses, and they should be 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.** Performance analysis (4.1b) includes examining performance trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations. Performance analysis should support your performance reviews, help determine root causes, and help set

priorities for resource use. Accordingly, such analysis draws on all types of data: customer-related, financial and market, operational, and competitive.

**N5.** The results of organizational performance analysis and review should contribute to your organizational strategic planning in category 2.

**N6.** Your organizational performance results should be reported in items 7.1–7.5.

For additional description of this item, see pages 40–42.

## 4.2 Management of Information, Knowledge, and Information Technology: How do you manage your information, organizational knowledge, and information technology? (45 pts.)

Process

Describe HOW your organization builds and manages its KNOWLEDGE ASSETS. Describe HOW your organization ensures the quality and availability of needed data, information, software, and hardware for your WORKFORCE, suppliers, PARTNERS, COLLABORATORS, and CUSTOMERS.

Within your response, include answers to the following questions:

### a. Data, Information, and Knowledge Management

- (1) **Properties** How do you manage your organizational data, information, and knowledge to ensure the following properties?
  - accuracy
  - integrity and reliability
  - timeliness
  - security and confidentiality
- (2) **Data and Information Availability** How do you make needed data and information available to your WORKFORCE, suppliers, PARTNERS, COLLABORATORS, and CUSTOMERS, as appropriate?
- (3) **Knowledge Management** How do you manage organizational knowledge to accomplish the following?
  - the collection and transfer of WORKFORCE knowledge
  - the transfer of relevant knowledge from and to CUSTOMERS, suppliers, PARTNERS, and COLLABORATORS
  - the rapid identification, sharing, and implementation of best practices
  - the assembly and transfer of relevant knowledge for use in your INNOVATION and strategic planning PROCESSES

### b. Management of Information Resources and Technology

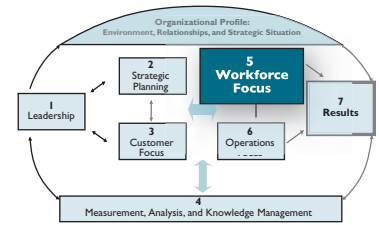
- (1) **Hardware and Software Properties** How do you ensure that hardware and software are reliable, secure, and user-friendly?
- (2) **Emergency Availability** In the event of an emergency, HOW do you ensure the continued availability of hardware and software systems and the continued availability of data and information to EFFECTIVELY serve CUSTOMERS and business needs?

#### Note:

**N1.** Data and information access (4.2a[2]) might be via electronic or other means.

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

## 5 Workforce Focus (85 pts.)



The **WORKFORCE Focus** category examines your ability to assess **WORKFORCE CAPABILITY** and **CAPACITY** needs and build a **WORKFORCE** environment conducive to **HIGH PERFORMANCE**. The category also examines **HOW** your organization engages, manages, and develops your **WORKFORCE** to utilize its full potential in **ALIGNMENT** with your organization's overall **MISSION**, strategy, and **ACTION PLANS**.

### 5.1 Workforce Environment: How do you build an effective and supportive workforce environment? (40 pts.)

Process

**Describe HOW your organization manages WORKFORCE CAPABILITY and CAPACITY to accomplish the work of the organization. Describe HOW your organization maintains a safe, secure, and supportive work climate.**

Within your response, include answers to the following questions:

#### a. WORKFORCE CAPABILITY and CAPACITY

- (1) **CAPABILITY and CAPACITY** How do you assess your **WORKFORCE CAPABILITY** and **CAPACITY** needs, including skills, competencies, and staffing levels?
- (2) **New WORKFORCE Members** How do you recruit, hire, place, and retain new members of your **WORKFORCE**? How do you ensure that your **WORKFORCE** represents the diverse ideas, cultures, and thinking of your hiring and **CUSTOMER** community?
- (3) **Work Accomplishment** How do you organize and manage your **WORKFORCE** to achieve the following?
  - accomplish the work of your organization
  - capitalize on the organization's **CORE COMPETENCIES**
  - reinforce a **CUSTOMER** and business focus
  - exceed **PERFORMANCE** expectations
  - address your **STRATEGIC CHALLENGES** and **ACTION PLANS**
- (4) **WORKFORCE Change Management** How do you prepare your **WORKFORCE** for changing **CAPABILITY** and **CAPACITY** needs? How do you manage your **WORKFORCE**, its needs, and your needs to ensure continuity, prevent **WORKFORCE** reductions, and minimize the impact of **WORKFORCE** reductions, if they do become necessary? How do you prepare for and manage periods of **WORKFORCE** growth?

#### b. WORKFORCE Climate

- (1) **Workplace Environment** How do you address workplace environmental factors, including accessibility, to ensure and improve **WORKFORCE** health, safety, and security? What are your **PERFORMANCE MEASURES** and improvement **GOALS** for each of these **WORKFORCE** needs? What are any significant differences in these factors and **PERFORMANCE MEASURES** or targets for different workplace environments?
- (2) **WORKFORCE Policies and Benefits** How do you support your **WORKFORCE** via policies, services, and benefits? **HOW** are these tailored to the needs of a diverse **WORKFORCE** and different **WORKFORCE** groups and **SEGMENTS**?

#### Notes:

**N1.** "Workforce" refers to the people actively involved in accomplishing the work of your organization. It includes your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. It includes team leaders, supervisors, and managers at all levels. People supervised by a contractor should be addressed in category 6 as part of your larger work systems. *For nonprofit organizations that also rely on volunteers, "workforce" includes these volunteers.*

**N2.** "Workforce capability" (5.1a) refers to your organization's ability to accomplish its work processes through the knowledge, skills, abilities, and competencies of its people. Capability may include the ability to build and sustain relationships with

your customers; innovate and transition to new technologies; develop new products, services, and work processes; and meet changing business, market, and regulatory demands.

"Workforce capacity" (5.1a) refers to your organization's ability to ensure sufficient staffing levels to accomplish its work processes and successfully deliver your products to your customers, including the ability to meet seasonal or varying demand levels.

**N3.** Workforce capability and capacity should consider not only current needs but also future requirements based on your strategic objectives and action plans reported in category 2.



N4. 5.1a(2) addresses only new workforce members. The retention of existing workforce members is considered in item 5.2, Workforce Engagement.

N5. Preparing your workforce for changing capability and capacity needs (5.1a[4]) might include training, education,

frequent communication, considerations of workforce employment and employability, career counseling, and outplacement and other services.

For additional description of this item, see page 43.

## 5.2 Workforce Engagement: How do you engage your workforce to achieve organizational and personal success? (45 pts.)

Process

Describe HOW your organization engages, compensates, and rewards your WORKFORCE to achieve HIGH PERFORMANCE. Describe HOW you assess WORKFORCE ENGAGEMENT and use the results to achieve higher PERFORMANCE. Describe HOW members of your WORKFORCE, including leaders, are developed to achieve HIGH PERFORMANCE.

Within your response, include answers to the following questions:

### a. WORKFORCE PERFORMANCE

- (1) **Elements of ENGAGEMENT** How do you determine the KEY elements that affect WORKFORCE ENGAGEMENT? How do you determine the KEY elements that affect WORKFORCE satisfaction? How are these elements determined for different WORKFORCE groups and SEGMENTS?
- (2) **Organizational Culture** How do you foster an organizational culture that is characterized by open communication, HIGH-PERFORMANCE WORK, and an engaged WORKFORCE? How do you ensure that your organizational culture benefits from the diverse ideas, cultures, and thinking of your WORKFORCE?
- (3) **PERFORMANCE Management** How does your WORKFORCE PERFORMANCE management system achieve the following?
  - support HIGH-PERFORMANCE WORK and WORKFORCE ENGAGEMENT
  - consider WORKFORCE compensation, reward, recognition, and incentive practices
  - reinforce a CUSTOMER and business focus and achievement of your ACTION PLANS

### b. Assessment of WORKFORCE ENGAGEMENT

- (1) **Assessment of ENGAGEMENT** How do you assess WORKFORCE ENGAGEMENT? What formal and informal assessment methods and MEASURES do you use to determine WORKFORCE ENGAGEMENT and WORKFORCE satisfaction? How do these methods and MEASURES differ across WORKFORCE groups and SEGMENTS? How do you use other INDICATORS, such as WORKFORCE retention, absenteeism, grievances, safety, and PRODUCTIVITY, to assess and improve WORKFORCE ENGAGEMENT?
- (2) **Correlation with Business RESULTS** How do you relate your WORKFORCE ENGAGEMENT assessment findings to KEY business RESULTS reported in category 7 to identify opportunities for improvement in both WORKFORCE ENGAGEMENT and business RESULTS?

### c. WORKFORCE and Leader Development

- (1) **LEARNING and Development System** How does your LEARNING and development system address the following factors for your WORKFORCE members and leaders?
  - your organization's CORE COMPETENCIES, STRATEGIC CHALLENGES, and accomplishment of its ACTION PLANS, both short-term and long-term
  - organizational PERFORMANCE improvement and INNOVATION
  - ethics and ethical business practices
  - CUSTOMER focus
  - their LEARNING and development needs, including those that are self-identified and those identified by supervisors, managers, and SENIOR LEADERS
  - the transfer of knowledge from departing or retiring WORKFORCE members
  - the reinforcement of new knowledge and skills on the job
- (2) **LEARNING and Development EFFECTIVENESS** How do you evaluate the EFFECTIVENESS and efficiency of your LEARNING and development system?
- (3) **Career Progression** How do you manage EFFECTIVE career progression for your entire WORKFORCE? HOW do you accomplish EFFECTIVE succession planning for management and leadership positions?

## Notes:

**N1.** “Workforce engagement” refers to the extent of workforce commitment, both emotional and intellectual, to accomplishing the work, mission, and vision of the organization.

**N2.** The characteristics of “high-performance work” environments (5.2a[2] and 5.2a[3]), in which people do their utmost for the benefit of their customers and for the success of the organization, are key to understanding an engaged workforce. These characteristics are described in detail in the definition of “high-performance work” on page 58.

**N3.** Compensation, recognition, and related reward and incentive practices (5.2a[3]) include promotions and bonuses that might be based on performance, skills acquired, and other factors. *In some government organizations, compensation systems are set by law or regulation. However, since recognition can include monetary and nonmonetary, formal and informal, and individual and group mechanisms, reward and recognition systems do permit flexibility.*

**N4.** Identifying improvement opportunities (5.2b[2]) might draw on your workforce-focused results presented in item 7.3 and might involve addressing workforce-related problems based on their impact on your organizational results reported in response to other category 7 items.

**N5.** Your organization may have unique considerations relative to workforce development, learning, and career progression. If this is the case, your response to 5.2c should include how you address these considerations. Your response should also consider the breadth of development opportunities your organization might use, including education, training, coaching, mentoring, and work-related experiences.

For additional description of this item, see pages 43–45.

---

*If you're considering your own Baldrige quest, please do that. I would encourage you to get your team and your leadership behind such a journey. It's a very rewarding journey. It really brings your team together, all of your employees. It builds upon success and allows you to strive for continuous improvement in delivering for your customer and then internally driving employee satisfaction and engagement.*

—Anthony Brancato, III, president of 2009 Baldrige Award recipient  
Honeywell Federal Manufacturing & Technologies, L.L.C.

---

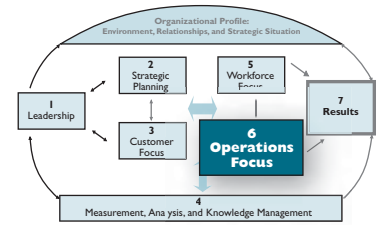
---

*When we open a new store we give every hourly employee 120 hours of training. Someone said, “What if you spend all that money and time and they leave?” And I said, “What if you don't and they stay?”*

—Pal Barger, chairman and founder of  
2001 Baldrige Award recipient Pal's Sudden Service

---

## 6 Operations Focus (85 pts.)



### 6.1 Work Systems: How do you design, manage, and improve your work systems? (45 pts.)

Process

Describe HOW your organization designs, manages, and improves its WORK SYSTEMS to deliver CUSTOMER VALUE, prepare for potential emergencies, and achieve organizational success and SUSTAINABILITY.

Within your response, include answers to the following questions:

#### a. WORK SYSTEM Design

- (1) **Design Concepts** How do you design and innovate your overall WORK SYSTEMS? How do you capitalize on your CORE COMPETENCIES? How do you decide which PROCESSES within your overall WORK SYSTEMS will be internal to your organization (your KEY WORK PROCESSES) and which will use external resources?
- (2) **WORK SYSTEM Requirements** How do you determine KEY WORK SYSTEM requirements, incorporating input from CUSTOMERS, suppliers, PARTNERS, and COLLABORATORS, as appropriate? What are the KEY requirements for these WORK SYSTEMS?

#### b. WORK SYSTEM Management

- (1) **WORK SYSTEM Implementation** What are your organization's WORK SYSTEMS? How do you manage and improve your WORK SYSTEMS to deliver CUSTOMER VALUE and achieve organizational success and SUSTAINABILITY?
- (2) **Cost Control** How do you control the overall costs of your WORK SYSTEMS? How do you prevent defects, service errors, and rework and minimize warranty costs or CUSTOMERS' PRODUCTIVITY losses, as appropriate? How do you minimize the costs of inspections, tests, and PROCESS or PERFORMANCE audits, as appropriate?

#### c. Emergency Readiness

How do you ensure WORK SYSTEM and workplace preparedness for disasters or emergencies? How does your disaster and emergency preparedness system consider prevention, management, continuity of operations, and recovery?

#### Notes:

N1. "Work systems" refers to how the work of your organization is accomplished. Work systems involve your workforce, your key suppliers and partners, your contractors, your collaborators, and other components of the supply chain needed to produce and deliver your products and business and support processes. Your work systems coordinate the internal work processes and the external resources necessary for you to develop, produce, and deliver your products to your customers and to succeed in your marketplace.

N2. Disasters and emergencies (6.1c) might be weather-related, utility-related, security-related, or due to a local or national emergency, including potential pandemics. Emergency considerations related to information technology should be addressed in item 4.2.

For additional description of this item, see page 45.

---

*To get the process exactly right is going to be cheaper and is going to be better.*

—Bob Galvin, chairman of 1988 Baldrige Award recipient Motorola

---

## 6.2 Work Processes: How do you design, manage, and improve your key work processes? (40 pts.)

Describe HOW your organization designs, manages, and improves its KEY WORK PROCESSES to deliver CUSTOMER VALUE and achieve organizational success and SUSTAINABILITY.

Within your response, include answers to the following questions:

### a. WORK PROCESS Design

- (1) **Design Concepts** How do you design and innovate your WORK PROCESSES to meet all the KEY requirements? How do you incorporate new technology, organizational knowledge, product excellence, and the potential need for agility into these PROCESSES? How do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and EFFECTIVENESS factors into these PROCESSES?
- (2) **WORK PROCESS Requirements** How do you determine KEY WORK PROCESS requirements? What are your organization's KEY WORK PROCESSES? What are the KEY requirements for these WORK PROCESSES?

### b. WORK PROCESS Management

- (1) **KEY WORK PROCESS Implementation** How do your KEY WORK PROCESSES relate to your WORK SYSTEMS? How does your day-to-day operation of these PROCESSES ensure that they meet KEY PROCESS requirements? What are your KEY PERFORMANCE MEASURES or INDICATORS and in-process MEASURES for the control and improvement of your WORK PROCESSES?
- (2) **Supply-Chain Management** How do you manage your supply chain? How do you ensure that suppliers you select are qualified and positioned to enhance your PERFORMANCE and CUSTOMER satisfaction? How do you evaluate supplier PERFORMANCE? How do you deal with poorly performing suppliers?
- (3) **PROCESS Improvement** How do you improve your WORK PROCESSES to achieve better PERFORMANCE, reduce variability, and improve products?

### Notes:

**N1.** Your key work processes (6.2a[2]) are your most important internal value creation processes and might include product design and delivery, customer support, supply-chain management, business, and support processes. Your key work processes are those that involve the majority of your organization's workforce members and produce customer, stakeholder, and stockholder value. "Projects" are unique work processes intended to produce an outcome and then go out of existence. Project management also may be applied to a work system challenge or opportunity.

**N2.** To improve process performance (6.2b[3]) and reduce variability, your organization might implement approaches

such as a Lean Enterprise System, the Six Sigma methodology, ISO quality system standards, the Plan-Do-Check-Act methodology, or other process improvement tools. These approaches might be part of your performance improvement system described in response to P.2c in the Organizational Profile.

**N3.** The results of improvements in product and process performance should be reported in item 7.1.

For additional description of this item, see pages 45–46.

---

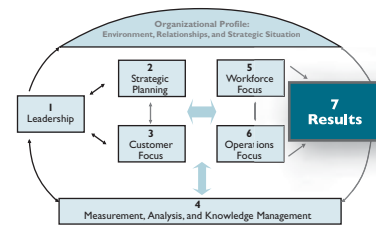
*The economic environment is difficult for Cargill Corn Milling, as it is difficult for many manufacturing companies today. But . . . by utilizing the processes and tools that we've learned from Baldrige, we're able to not only meet these challenges but actually excel in them.*

—Alan Willets, president of  
2008 Baldrige Award recipient Cargill Corn Milling

---

## 7 Results (450 pts.)

The **RESULTS** category examines your organization's **PERFORMANCE** and improvement in all **KEY** areas—product and **PROCESS** outcomes, **CUSTOMER**-focused outcomes, **WORKFORCE**-focused outcomes, leadership and **GOVERNANCE** outcomes, and financial and market outcomes. **PERFORMANCE LEVELS** are examined relative to those of competitors and other organizations with similar product offerings.



### 7.1 Product and Process Outcomes: What are your product performance and process effectiveness results? (120 pts.)

Results

**Summarize your organization's KEY product PERFORMANCE and PROCESS EFFECTIVENESS and efficiency RESULTS. Include PROCESSES that directly serve CUSTOMERS, strategy, and operations. SEGMENT your RESULTS by product offerings, by CUSTOMER groups and market SEGMENTS, and by PROCESS types and locations, as appropriate. Include appropriate comparative data.**

Provide data and information to answer the following questions:

#### a. CUSTOMER-Focused Product and PROCESS RESULTS

What are your current **LEVELS** and **TRENDS** in **KEY MEASURES** or **INDICATORS** of product and **PROCESS PERFORMANCE** that are important to and directly serve your **CUSTOMERS**? How do these **RESULTS** compare with the **PERFORMANCE** of your competitors and other organizations with similar offerings?

#### b. Operational PROCESS EFFECTIVENESS RESULTS

- (1) **Operational EFFECTIVENESS** What are your current **LEVELS** and **TRENDS** in **KEY MEASURES** or **INDICATORS** of the operational **PERFORMANCE** of your **KEY WORK SYSTEMS** and **PROCESSES**, including **PRODUCTIVITY**, **CYCLE TIME**, and other appropriate **MEASURES** of **PROCESS EFFECTIVENESS**, efficiency, and **INNOVATION**?
- (2) **Emergency Preparedness** What are your current **LEVELS** and **TRENDS** in **KEY MEASURES** or **INDICATORS** of the **EFFECTIVENESS** of your **WORK SYSTEM** and workplace preparedness for disasters or emergencies?

#### c. Strategy Implementation RESULTS

What are your **RESULTS** for **KEY MEASURES** or **INDICATORS** of the accomplishment of your organizational strategy and **ACTION PLANS**, including building and strengthening **CORE COMPETENCIES**?

#### Notes:

**N1.** Results reported in item 7.1 should provide key information for analysis and review of your organizational performance (item 4.1); demonstrate use of organizational knowledge (item 4.2); and provide the operational basis for customer-focused outcomes (item 7.2) and financial and market outcomes (item 7.5).

**N2.** Product and process results reported in 7.1a should relate to the key customer requirements and expectations identified 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 item P.1, note 5, and item 3.2, note 2.

**N3.** Results reported in 7.1b should address your key operational requirements as presented in the Organizational Profile and in items 6.1 and 6.2.

**N4.** Appropriate measures and indicators of operational process effectiveness (7.1b) might include audit, just-in-time delivery, and acceptance results for externally provided

products, services, and processes; supplier and partner performance; product, service, and work system innovation rates and results; simplification of internal jobs and job classifications; work layout improvements; changes in supervisory ratios; response times for emergency drills or exercises; and results for work relocation or contingency exercises.

**N5.** Measures or indicators of strategy and action plan accomplishment (7.1c) should address your strategic objectives and goals identified in 2.1b(1) and your action plan performance measures and projected performance identified in 2.2a(5) and 2.2b, respectively.

**N6.** *For some nonprofit organizations, product or service performance measures might be mandated by your funding sources. These measures should be identified and reported in your response to this item.*

For additional description of this item, see pages 46–47.

## 7.2 Customer-Focused Outcomes: What are your customer-focused performance results? (90 pts.)

Results

Summarize your organization's KEY CUSTOMER-focused RESULTS for CUSTOMER satisfaction, dissatisfaction, and ENGAGEMENT. SEGMENT your RESULTS by product offerings, 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) **CUSTOMER Satisfaction** What are your current LEVELS and TRENDS in KEY MEASURES OF INDICATORS of CUSTOMER satisfaction and dissatisfaction? How do these RESULTS compare with the CUSTOMER satisfaction LEVELS of your competitors and other organizations providing similar products?
- (2) **CUSTOMER ENGAGEMENT** What are your current LEVELS and TRENDS in KEY MEASURES OF INDICATORS of CUSTOMER ENGAGEMENT, including relationship building? How do these RESULTS compare over the course of your CUSTOMER life cycle, as appropriate?

### Notes:

N1. Customer satisfaction, dissatisfaction, engagement, and relationship-building results reported in this item should relate to the customer groups and market segments discussed in P.1b(2) and category 3 and to the listening and determination methods and data described in item 3.1.

N2. Measures and indicators of customers' satisfaction with your products relative to customers' satisfaction with competitors and comparable organizations (7.2a[1]) might include information and data from your customers and from independent organizations.

For additional description of this item, see pages 47–48.

## 7.3 Workforce-Focused Outcomes: What are your workforce-focused performance results? (80 pts.)

Results

Summarize your organization's KEY WORKFORCE-focused RESULTS for your WORKFORCE environment and for WORKFORCE ENGAGEMENT. SEGMENT your RESULTS to address the DIVERSITY of your WORKFORCE and to address your WORKFORCE groups and SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. WORKFORCE RESULTS

- (1) **WORKFORCE CAPABILITY and CAPACITY** What are your current LEVELS and TRENDS in KEY MEASURES of WORKFORCE CAPABILITY and CAPACITY, including staffing levels and appropriate skills?
- (2) **WORKFORCE Climate** What are your current LEVELS and TRENDS in KEY MEASURES OF INDICATORS of your WORKFORCE climate, including WORKFORCE health, safety, and security and WORKFORCE services and benefits, as appropriate?
- (3) **WORKFORCE ENGAGEMENT** What are your current LEVELS and TRENDS in KEY MEASURES OF INDICATORS of WORKFORCE ENGAGEMENT and WORKFORCE satisfaction?
- (4) **WORKFORCE Development** What are your current LEVELS and TRENDS in KEY MEASURES OF INDICATORS of WORKFORCE and leader development?

### Notes:

N1. Results reported in this item should relate to processes described in category 5. Your results should be responsive to key work process needs described in category 6 and to your organization's action plans and human resource or workforce plans described in item 2.2.

N2. Responses to 7.3a(3) should include measures and indicators identified in response to 5.2b(1).

N3. *Nonprofit organizations that rely on volunteers should include results for their volunteer workforce, as appropriate.*

For additional description of this item, see page 48.

## 7.4 Leadership and Governance Outcomes: What are your senior leadership and governance results? (80 pts.)

Summarize your organization's KEY SENIOR LEADERSHIP and GOVERNANCE RESULTS, including those for fiscal accountability, legal compliance, ETHICAL BEHAVIOR, societal responsibility, and support of KEY COMMUNITIES. SEGMENT your RESULTS by organizational units, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. Leadership, GOVERNANCE, and Societal Responsibility RESULTS

- (1) **Leadership** What are your RESULTS for KEY MEASURES or INDICATORS of SENIOR LEADERS' communication and engagement with the WORKFORCE to DEPLOY VISION and VALUES, encourage two-way communication, and create a focus on action?
- (2) **GOVERNANCE** What are your KEY current findings and TRENDS in KEY MEASURES or INDICATORS of GOVERNANCE and fiscal accountability, internal and external, as appropriate?
- (3) **Law and Regulation** What are your RESULTS for KEY MEASURES or INDICATORS of achieving and surpassing regulatory and legal requirements?
- (4) **Ethics** What are your RESULTS for KEY MEASURES or INDICATORS of ETHICAL BEHAVIOR and of STAKEHOLDER trust in your organization's SENIOR LEADERS and GOVERNANCE? What are your RESULTS for KEY MEASURES or INDICATORS of breaches of ETHICAL BEHAVIOR?
- (5) **Society** What are your RESULTS for KEY MEASURES or INDICATORS of your organization's fulfillment of its societal responsibilities and your organization's support of its KEY COMMUNITIES?

### Notes:

**N1.** Responses to 7.4a(1) should address communication processes identified in item 1.1.

**N2.** Responses to 7.4a(2) might include financial statement issues and risks, important internal and external auditor recommendations, and the management's responses to these matters. *For some nonprofit organizations, results of IRS 990 audits also might be included.*

**N3.** Regulatory and legal results (7.4a[3]) should address requirements described in 1.2b. Workforce-related occupational health and safety results (e.g., Occupational Safety and Health Administration [OSHA] reportable incidents) should be reported in 7.3a(2).

**N4.** For examples of measures of ethical behavior and stakeholder trust (7.4a[4]), see item 1.2, note 4.

**N5.** Responses to 7.4a(5) should address your organization's societal responsibilities described in 1.2b(1) and 1.2c(1), as well as support of the key communities described in 1.2c(2). Measures of contributions to societal well-being might include reduced energy consumption; the use of renewable energy resources, recycled water, and alternative approaches to conserving resources (e.g., increased audio and video conferencing); and the global use of enlightened labor practices.

For additional description of this item, see page 48.

---

*One of the big things about process is you measure everything and you find you're not quite as good as what you thought you were. But more importantly, you find out specifically the areas you need to improve.*

—Edward Schultz, chairman and CEO of  
1996 Baldrige Award recipient Dana Commercial Credit Corporation

---

## 7.5 Financial and Market Outcomes: What are your financial and marketplace performance results? (80 pts.)

Results

Summarize your organization's KEY financial and marketplace PERFORMANCE RESULTS by market SEGMENTS or CUSTOMER groups, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. Financial and Market RESULTS

- (1) **Financial PERFORMANCE** What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of financial PERFORMANCE, including aggregate MEASURES of financial return, financial viability, or budgetary PERFORMANCE, as appropriate?
- (2) **Marketplace PERFORMANCE** What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of marketplace PERFORMANCE, including market share or position, market and market share growth, and new markets entered, as appropriate?

### Notes:

**N1.** Responses to 7.5a(1) should include aggregate measures of financial return, such as return on investment (ROI), operating margins, profitability, or profitability by market segment or customer group. Responses also should include measures of financial viability, such as liquidity, debt-to-equity ratio, days cash on hand, asset utilization, and cash flow. Measures should relate to the financial measures reported in 4.1a(1) and the financial management approaches described in item 2.2. For nonprofit organizations, additional measures might include

*performance to budget, reserve funds, cost avoidance or savings, administrative expenditures as a percentage of budget, and the cost of fundraising versus funds raised.*

**N2.** For nonprofit organizations, responses to 7.5a(2) might include measures of charitable donations or grants and the number of new programs or services offered.

For additional description of this item, see page 48.

---

*If you want sustainability in an organization, and you want to go from "great" to "really, really great," you've got to have some kind of a model . . . and Baldrige is that model! . . . MidwayUSA has benefitted tremendously from the Baldrige Criteria: Our sales are up over 20 percent per year over the last five years. Our profits are up over 40 percent per year for that same time. Customer satisfaction at 93 percent is at an all-time high. Employee satisfaction at 82 percent is at an all-time high also. All the winds are blowing in the right direction at MidwayUSA and it's all because of our efforts in engaging the Baldrige Criteria.*

—Larry Potterfield, CEO of  
2009 Baldrige Award recipient MidwayUSA

---

*For seven years in a row, we've improved customer satisfaction, we've improved occupancy, we've improved employee satisfaction, we've lowered employee departures [and] turnover, and we improved annually our profit.*

—Horst Schulze, president and CEO of  
1999 Baldrige Award recipient The Ritz-Carlton Hotel Company, L.L.C.



## CHANGES FROM THE 2009–2010 CRITERIA

The Criteria for Performance Excellence have evolved significantly over time to help organizations address a dynamic environment, focus on strategy-driven performance, and address concerns about customer and workforce engagement, governance and ethics, societal responsibilities, and long-term organizational sustainability. The Criteria have continually progressed toward a comprehensive, integrated systems perspective of organizational performance management.

The year-to-year changes to the Baldrige Criteria have been evolutionary. However, since the Baldrige Program's inception over 20 years ago, the changes to the Criteria have been revolutionary. They have evolved from having a specific focus on manufacturing quality to having a comprehensive strategic focus on overall organizational performance, competitiveness, and sustainability. With each update of the Criteria, the Baldrige Program must balance two important stakeholder considerations. On one hand, there is a need for the Criteria to be at the leading edge of validated management practice to help users address the increasingly complex challenges they face; on the other hand, there is a desire for the Criteria to remain stable in order to provide users with a basis for continuity in their performance assessments. Starting in 2009, the Baldrige Program moved to a formal two-year revision cycle for the Criteria. Since that two-year cycle continues to meet the dual demands on the Criteria stated above, we have decided to retain that approach, making these the 2011–2012 Criteria for Performance Excellence.

The most significant revisions to the Criteria this year address two areas of importance: (1) dealing with complexity in enterprise leadership and management, and (2) customer engagement.

Complexity is a fact of organizational life. To succeed in today's global, competitive, uncertain environment, organizations must accept complexity. The Baldrige Criteria are complex because achieving organizational sustainability in a global economy is complex. However, the Criteria provide a holistic frame of reference. While the Criteria require complex thinking, they also provide the path to clear identification of an organization's relevant issues and strategic advantages, followed by identification of key data, and then analyses for decision making. Handling complexity requires agility and the ability to execute with a sufficient degree of simplicity. One of the key foci for the current revisions is to help your organization achieve that simplicity in execution. Each group of questions (the numbered paragraphs in each item) now has a subhead that summarizes the content. With the outline formed by the category and item titles, titles for the areas to address, and these subheads, Criteria users now have a simple guide to performance excellence. All the significant aspects of a performance management system are covered in this outline, and the individual questions provide added guidance and details when you need those. We also have strengthened *the line of sight from strategic challenges and advantages to core*

*competencies, to strategy, and then to work systems and work processes.* This clear set of linkages should move an organization from the strategic environment in which it functions to the execution of its operations in a logical sequence. While each of these concepts is complex, the line of sight should simplify the execution. Strategy development in our global marketplace will increasingly require some degree of intelligent risk taking, which is introduced as a new consideration in 2011 to place all important considerations in the Criteria user's purview.

The concept of customer engagement has continued to receive increasing attention as organizations compete in the global marketplace and in competitive local markets. We have reorganized the flow of logic in the customer focus category to address this concept better. The responsibility for establishing an organizational culture that fosters customer engagement for mutual success and customer loyalty begins with the senior leadership and is a part of creating a sustainable organization. We have placed the responsibility for a customer-focused culture in the senior leadership item. Listening and learning from and about the customer has taken on new dimensions with the advent of wide-scale use of social media. This concept has been added to questions on how your organization listens to customers.

The most significant changes in the Criteria items and the Criteria booklet are summarized as follows:

- The number of areas to address has been reduced from 41 to 40, and the number of Criteria items has been reduced from 18 to 17, plus 2 in the Preface: Organizational Profile section.
- The question that appeared in numerous items about keeping systems current with changing business needs and directions has been removed from the Criteria. This topic should be covered in strategic planning and also is a sign of organizational maturity, which is reflected in the scoring guidelines as a function of learning and integration.

### Preface: Organizational Profile

- Item P.1, **Organizational Description**, no longer asks about managing supplier and partner relationships. Supply-chain management is now addressed in item 6.2.
- Item P.2, **Organizational Situation**, now includes societal responsibility as a factor to consider in your strategic challenges and advantages.

### Category I: Leadership

- Item 1.1, **Senior Leadership**, now includes a focus on creating a workforce culture that fosters customer engagement as a leadership responsibility.
- Item 1.2, **Governance and Societal Responsibilities**, asks how senior leader performance evaluations are used in determining executive compensation.

## Category 2: Strategic Planning

- This category has an enhanced focus on organizational agility to address a changing strategic environment.
- Item 2.1, **Strategy Development**, now asks how your strategic planning process considers projections of your and your competitors' future performance. The item also asks questions about your ability to adapt to sudden shifts in your market conditions.
- Item 2.2, now **Strategy Implementation**, specifically asks about the relationship of your action plans to your strategic objectives.

## Category 3: Customer Focus

- This category has been redesigned to enhance the flow of logic and incorporate the use of social media as a mechanism for listening to customers.
- Item 3.1, now **Voice of the Customer**, asks about how you listen to current and potential customers and how you determine customer satisfaction, dissatisfaction, and engagement.
- Item 3.2, now **Customer Engagement**, asks about your product offerings, customer support, customer segmentation, and use of customer data. These are important to building customer relationships, which is addressed in the second part of the item.

## Category 4: Measurement, Analysis, and Knowledge Management

- Item 4.1, **Measurement, Analysis, and Improvement of Organizational Performance**, now includes voice-of-the-customer data as a key component of organizational performance measurement. Use of customer data was previously addressed as a stand-alone factor in category 3. Performance improvement questions now ask about best-practice sharing and about use of performance review findings and comparative data to project future performance.

## Category 5: Workforce Focus

- This category has been reconfigured and simplified to enhance the flow of logic.
- Item 5.1, now **Workforce Environment**, includes preparing for periods of workforce growth as part of managing workforce capacity and capability.
- Item 5.2, now **Workforce Engagement**, includes customer focus as an element of workforce and leader development.

## Category 6: Operations Focus

- This category, now **Operations Focus**, has been renamed to focus on the operations that produce and support the delivery of your product offerings.

- Item 6.1, **Work Systems**, has been simplified to focus exclusively on work systems, including controlling costs of those systems.
- Item 6.2, **Work Processes**, specifically asks about the relationship of your work processes to your work systems. The item also asks about your supply-chain management processes.

## Category 7: Results

- This category has been aligned with the changes in categories 1–6 to encourage the measurement of important and appropriate results and also has been reduced from six items to five.
- Item 7.1, now **Product and Process Outcomes**, results from the combination of former items dealing with product outcomes and process outcomes. This change has been made for several reasons: (1) in service environments in particular, it is frequently difficult for organizations to separate process outcomes from the product outcomes, which are themselves processes; (2) it is important to relate processes to the ultimate goal of organizational sustainability through the delivery of your current and future product offerings; and (3) there is a desire to drive thinking on cause-effect relationships between strategic and operational processes and product outcomes.
- Item 7.3, now **Workforce-Focused Outcomes**, has been realigned to follow the flow of logic in category 5.
- Item 7.4, now **Leadership and Governance Outcomes**, more explicitly details leadership responsibilities for delivering key results.
- Item 7.5, now **Financial and Market Outcomes**, places this item last as the “bottom line” for many organizations.

## Glossary of Key Terms

- Several words in the Glossary of Key Terms section have had slightly updated definitions. There has been a particular effort to clarify the definition of performance projections.

## Results Scoring Guidelines

- The results scoring guidelines have been modified to align better with the item format and organizational maturity by addressing the basic, overall, and multiple requirements of results items. Also, performance projection expectations are now included only in the 90–100% scoring range.

# CRITERIA RESPONSE GUIDELINES

The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 17 process and results Criteria items. For organizations writing an application for the Baldrige Award, responding involves addressing 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

To respond most effectively to the Criteria items, your organization also will find it important to refer to the scoring guidelines (pages 68–69), which describe how organizations can demonstrate increasing accomplishment and improvement relative to the requirements of the Criteria items.

## General Guidelines

### I. 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 Baldrige examiners. You should become thoroughly familiar with the following sections:

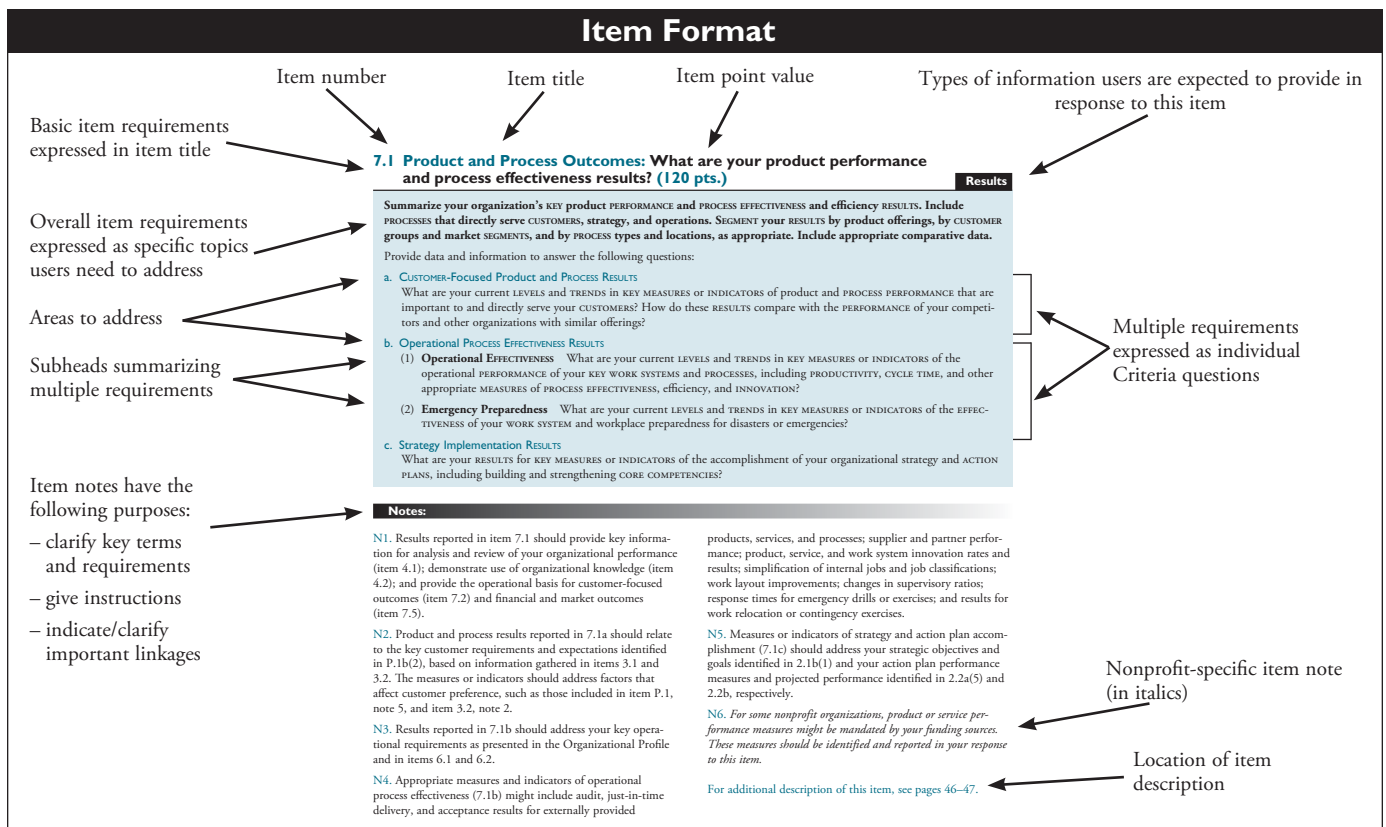
- Criteria for Performance Excellence (pages 4–26)
- Scoring System (pages 66–70)
- Glossary of Key Terms (pages 56–64)
- Category and Item Descriptions (pages 34–48)

### 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 for you to understand the multiple requirements contained in the areas to address. The item notes following the item requirements are an aid to understanding the areas to address. Each item and area to address is described in greater detail in the Category and Item Descriptions section (pages 34–48).

Each item is classified as either **process** or **results**, depending on the type of information required. Guidelines for responding to process items are given on pages 30–31. Guidelines for responding to results items are given on pages 32–33.

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 information



that addresses 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.

### 3. Refer to the scoring guidelines.

The evaluation of process and results item responses includes a review of the Criteria item requirements in combination with the scoring guidelines (pages 68–69). Specifically, as a complement to requirements of the process items (categories 1–6), the scoring guidelines address the maturity of your approaches, the breadth of deployment, the extent of learning, and integration with other elements of your performance management system. Similarly, as a complement to requirements of the results items (category 7), the scoring guidelines focus on the actual performance levels, the significance of the results trends, relevant comparative data, integration with important elements of your performance management system, and the strength of the improvement process. Therefore, you need to consider both the Criteria and the scoring guidelines as you prepare your responses to all items.

### 4. Understand the meaning of key terms.

Many of the terms used in the Criteria have meanings that may differ somewhat from standard definitions or definitions used in your organization. Terms printed in SMALL CAPS can be found in the Glossary of Key Terms beginning on page 56. Understanding these terms can help you accurately self-assess your organization and communicate your processes and results to those reviewing your responses and planning your improvement efforts.

### 5. 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—understand what is most relevant and important to your organization’s business and mission and to its performance. The questions in the Organizational Profile are on pages 4–6. The Organizational Profile is described in greater detail on pages 34–35.

## Guidelines for Responding to Process Items

Although the Criteria focus on key organizational 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' or comparable organizations', 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 contribute most to organizational performance improvement and contribute to key outcomes or performance 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 (see Scoring System, page 66).* 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, some of your performance measures, and some results reported in category 7 are expected to relate to the stated strategic objectives.

### 3. Write and review responses 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 knowledge sharing, thereby enabling 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, actions, and results 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 to your organization; (2) the Strategic Planning category (category 2), including the strategic objectives, action plans, and core competencies, should highlight areas of greatest focus and describe how deployment is accomplished; (3) the 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 Operations Focus category (category 6) should highlight the work systems and work 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 organizational performance.*

- Respond fully to item requirements.

Missing information will be interpreted as a gap in your performance management system. 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 also should be mutually reinforcing. It is appropriate to refer to the other responses rather than repeat information. In such cases, key process information should be given in the item requesting this information. For example, workforce development and learning systems should be described in item 5.2. Discussions about workforce development and learning 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. The 50-page application limit is designed to force your organization to consider what is most important in managing your enterprise and reporting your results.

## 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 organizational performance results.

Results reported should cover the most important requirements for your organization's success, highlighted in your Organizational Profile and in the Leadership, Strategic Planning, Customer Focus, Workforce Focus, and Operations Focus 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, rates of change, and the extent of deployment
- *comparisons* to show how results compare with those of other, appropriately selected organizations
- *integration* to show that all important results are included and segmented (e.g., by important customer, workforce, 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. However, a minimum of three historical data points generally is needed to ascertain a trend. Trends might span five or more years for some results. Trends should represent historic and current performance and not rely on projected (future) performance. 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 using ratios, that takes

into account size factors). For example, reporting safety trends in terms of lost workdays per 100 employees would be more meaningful than total lost workdays if the number of employees has varied over the time period or if you are comparing your results to those of organizations differing in size.

### 5. Incorporate results into the body of the text.

Discussion of results and the results themselves should be close together in a Baldrige Award application. *Trends that show a significant beneficial or adverse 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 on page 33.)

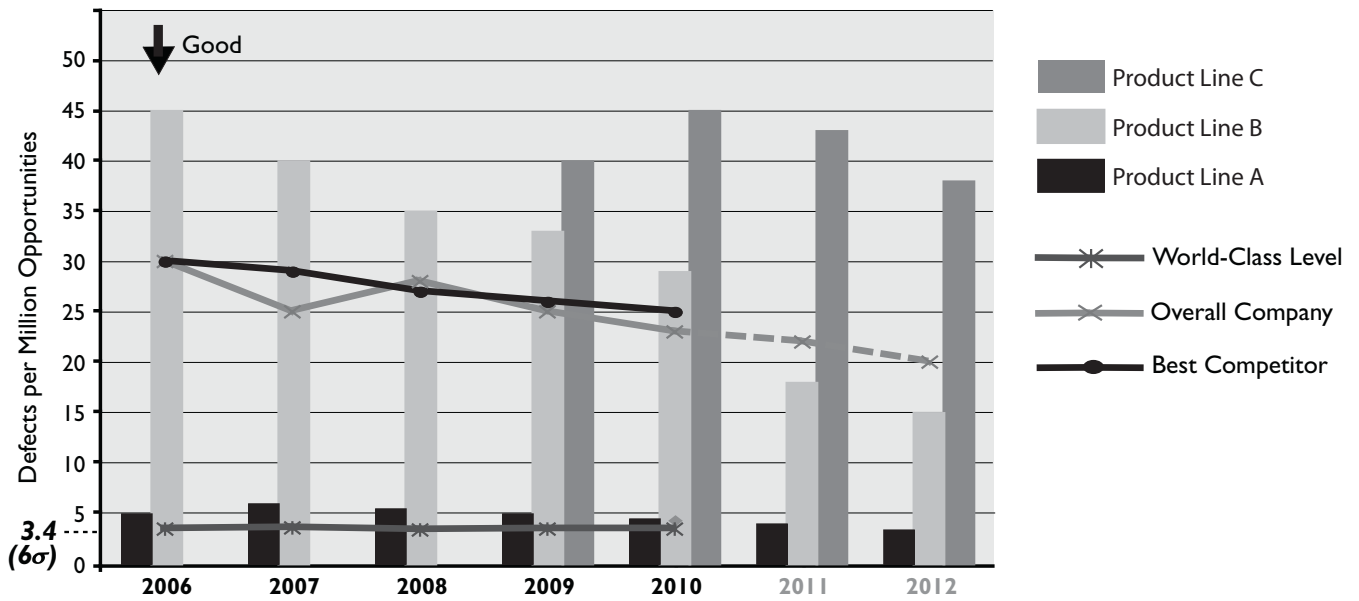
The graph shown on page 33 illustrates data an organization might present as part of a response to item 7.1, Product and Process Outcomes. In the Organizational Profile, the organization has identified Six Sigma as a key element of its performance improvement system. Defects per million opportunities is one of its measures.

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.
- Data levels and trends are reported for a key performance measure—defects per million opportunities.
- Results are presented for several years.
- An arrow indicates that a downward trend is good for this measure.



Figure 7.1-3 Defects per Million Opportunities



- Appropriate comparisons are shown clearly.
- The organization shows, using a single graph, that its three product lines are separately tracked.
- The organization projects improved performance, including discontinuous or breakthrough improvement in 2011 relative to prior performance for Product Line B. The text should explain this breakthrough change and might refer to critical learning from Product Line A as the basis for the projected change.
- Product Line A is the current performance leader—showing sustained high performance (at approximately 5 defects per million) and a slightly beneficial trend since 2007. Product Line B shows rapid improvement. Its performance is near that of the best industry competitor but trails Product Line A.
- Product Line C—identified in the application as a new product—is having early problems with defects but is projecting a turnaround. (The organization should briefly explain these problems.)
- The organization has projected improvements in the defect rates of all its product lines. Product Line C continues to lag behind the others; Product Line A is projected to meet its Six Sigma goals by the year 2012.

To help interpret the scoring guidelines for results items (page 69), 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 overall organization shows beneficial improvement trends sustained over time.

## CATEGORY AND ITEM DESCRIPTIONS

### 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 context, and your approach to performance improvement. Your Organizational Profile provides a framework for understanding your organization. It helps the Baldrige examiners and judges when reviewing your application to understand what you consider important. It also helps you to guide and prioritize the information you present in response to the Criteria items in categories 1–7.

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 vision, values, mission, core competencies, competitive environment, and strategic challenges and advantages, impact the way your organization is run and the decisions you make. As such, the Organizational Profile helps your organization better understand 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 on your organization’s management systems.

### *P.1 Organizational Description: What are your key organizational characteristics?*

#### **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 use of such terms as “purpose,” “vision,” “values,” “mission,” and “core competencies” varies 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.
- A clear identification and thorough understanding of your organization’s core competencies are central to organizational sustainability and competitive performance.





Executing your core competencies well is frequently a marketplace differentiator. Keeping your core competencies current with your strategic directions can provide a strategic advantage, and protecting intellectual property contained in your core competencies can support sustainability.

- The regulatory environment in which you operate places requirements on your organization and impacts how you run your organization. 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, regulations, and standards of practice 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 governance board and your parent organization. Board independence and accountability frequently are key considerations in the governance structure.
- In supplier-dependent organizations, suppliers play critical roles in processes that are important to running the business 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, process and product innovation, and customized manufacturing or services.

## ***P.2 Organizational Situation: What is your organization's strategic situation?***

### **Purpose**

This item addresses the competitive environment in which your organization operates, including your key strategic challenges and advantages. It also addresses how you approach performance improvement, including organizational learning and innovation processes. The aim is to understand your key organizational challenges and your system for establishing and preserving your competitive advantage.

### **Comments**

- Knowledge of an organization's strengths, vulnerabilities, and opportunities for improvement and growth is essential to the success and sustainability of the organization. With this knowledge, you can identify those products, processes, competencies, and performance attributes that are unique to your organization; those that set you apart from other organizations; those that help you to preserve your competitive advantage; and those that you must develop to sustain or build your market position.
- 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 key changes taking place.

- Sources of comparative and competitive data might include industry publications, benchmarking activities, annual reports for publicly traded companies and public organizations, conferences, local networks, and industry associations.
- Operating your organization in today's highly competitive marketplace means you are facing strategic challenges that can affect your ability to sustain performance and maintain your competitive position. These challenges might include your operational costs (e.g., materials, labor, or geographic location); expanding or decreasing markets; mergers or acquisitions by your organization and by your competitors; economic conditions, including fluctuating demand and local and global economic downturns; the cyclical nature of your industry; the introduction of new or substitute products; rapid technological changes; or new competitors entering the market. In addition, your organization may face challenges related to the recruitment, hiring, and retention of a qualified workforce.
- 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. In the past, such technologies have included personal computers replacing typewriters, cell phones challenging traditional and pay phones, fax machines capturing business from overnight delivery services, and e-mail and social media challenging all other means of communication. 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.

## **Leadership (Category I)**

Leadership addresses how your senior leaders' actions guide and sustain your organization, setting organizational vision, values, and performance expectations. Attention is given to how your senior leaders communicate with your workforce, enhance their leadership skills, participate in organizational learning and develop future leaders, create a focus on action, and establish an environment that encourages ethical behavior and high performance. The category also includes your organization's governance system and how your organization fulfills its legal, ethical, and societal responsibilities and supports its key communities.

### ***1.1 Senior Leadership: How do your senior leaders lead?***

#### **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 and how they practice these values. It focuses on your senior leaders' actions to create a sustainable, high-performing organization with a business, customer, and community focus.

## Comments

- Senior leaders' central role in setting values and directions, communicating, creating and balancing value for all stakeholders, and creating an organizational focus on action are key elements of this item. Success requires a strong orientation to the future and a commitment to improvement, innovation, and organizational sustainability. Increasingly, this requires creating an environment for empowerment, agility, and learning.
- In highly respected organizations, senior leaders are committed to establishing a culture of customer engagement, to developing the organization's future leaders, and to recognizing and rewarding contributions by members of the workforce. Senior leaders enhance their personal leadership skills. They participate in organizational learning, the development of future leaders, succession planning, and recognition opportunities and events that celebrate the workforce. Development of future leaders might include personal mentoring or participation in leadership development courses.

### **1.2 Governance and Societal Responsibilities:** *How do you govern and fulfill your societal responsibilities?*

#### **Purpose**

This item examines key aspects of your organization's governance system, including leadership improvement. It also examines how your organization ensures that everyone in the organization behaves legally and ethically and how your organization fulfills its societal responsibilities and supports its key communities.

#### **Comments**

- The organizational governance requirement addresses the need for a responsible, informed, transparent, and accountable governance or advisory body that can protect the interests of key stakeholders (including stockholders) in publicly traded, private, and nonprofit organizations. This body should have independence in review and audit functions, as well as a performance evaluation function that monitors organizational and CEOs' or chief administrators' performance.
- An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) all legal and regulatory requirements, and (3) risk factors. Ensuring high performance in these areas requires establishing appropriate measures or indicators that senior leaders track. Your organization should be sensitive to issues of public concern, whether or not these issues currently are embodied in laws and regulations. Role-model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.



- Public concerns that charitable and government organizations should anticipate might include the cost of programs and operations, timely and equitable access to their offerings, and perceptions about the organization's stewardship of its resources.
- This item addresses the conservation of natural resources. Conservation might be achieved through the use of "green" technologies, the replacement of hazardous chemicals with water-based chemicals, energy conservation, the use of cleaner energy sources, or the recycling of by-products or wastes.
- Societal responsibility implies going beyond a compliance orientation. Opportunities to contribute to the well-being of environmental, social, and economic systems and opportunities to support key communities are available to organizations of all sizes. The level and breadth of these contributions will depend on the size of your organization and your ability to contribute.
- Your organization's community involvement should include considering contributions in areas of your core competencies. Examples of organizational community involvement are 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 voluntary standards activities or sharing best practices to improve overall U.S. global competitiveness and the environment. Examples specifically for nonprofit organizations include partnering with other nonprofit organizations or businesses to improve overall performance and stewardship of public and charitable resources.

## Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning, implementation of plans, how adequate resources are ensured to accomplish the plans, how accomplishments are measured and sustained, and how plans are changed if circumstances require a change. 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. Decisions about your organizational core competencies are an integral part of organizational sustainability and therefore are key strategic decisions.

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 volatile economic conditions or disruptive technologies that can upset an otherwise fast-paced but more predictable marketplace. This category highlights the need to place a focus not only on developing your plans, but also on your capability to execute them.

The Baldrige Criteria emphasize three key aspects of organizational excellence. These aspects are important to strategic planning:

- Customer-driven excellence is a strategic view of excellence. The focus is on the drivers of customer engagement, new markets, and market share—key factors in competitiveness, profitability, and organizational sustainability.
- Operational performance improvement and innovation contribute 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 organizational 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 systems and learning initiatives with your organization's strategic directions, thereby ensuring that improvement and learning prepare you for and reinforce organizational priorities.

The Strategic Planning category examines how your organization

- determines its key strengths, weaknesses, opportunities, and threats; its core competencies; and its ability to execute your strategy
- optimizes the use of resources, ensures the availability of a skilled workforce, and bridges short- and longer-term requirements that may entail capital expenditures, technology development or acquisition, supplier development, and new partnerships or collaborations
- ensures that implementation will be effective—that there are mechanisms to communicate requirements and achieve alignment on three levels: (1) the organization and executive level, (2) the key work system and work process level, and (3) the work unit and individual job level

The requirements in the Strategic Planning category encourage strategic thinking and acting in order to develop a basis for a distinct competitive position in the marketplace. These requirements do not imply the need for formal planning 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 or innovation, compete for limited resources. In most cases, setting priorities depends heavily on a cost rationale. However, you also might have critical requirements, such as societal responsibilities, that are not driven by cost considerations alone.

### 2.1 *Strategy Development: How do you develop your strategy?*

#### **Purpose**

This item examines how your organization determines its core competencies, strategic challenges, and strategic advantages and establishes its strategic objectives to address its challenges and leverage its advantages. The aim is to 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 possible from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for the 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 businesses, for-profit and nonprofit organizations, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action but do not imply the need for formal planning departments, specific planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business, 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. How it competes also might involve decisions on taking intelligent risks in order to gain or retain a market leadership position. 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 and collaborative environment. This includes the ability to project your own future performance, as well as that of your competitors. Such projections help you to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of organization, the potential need for new core competencies, the maturity of markets, the pace of change, and competitive parameters (such as price, costs, or the innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive and collaborative environment.

## ***2.2 Strategy Implementation: How do you implement your strategy?***

### **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 successfully deployed for goal achievement.

### **Comments**

- This item asks how your action plans are developed and deployed to your workforce, key suppliers, and partners. The accomplishment of action plans requires resources and performance measures, as well as the alignment of the plans of your work units, suppliers, and partners. Of central importance is how you achieve alignment and consistency—for example, via work systems, work 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.

- Many types of analyses can be performed to ensure that financial resources are available to support the accomplishment of your action plans, while your organization also meets existing obligations. For current operations, these efforts might include the analysis of cash flows, net income statements, and current liabilities versus current assets. For investments to accomplish action plans, 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 action plan initiatives.
- Action plans should include human resource or workforce 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 workforce empowerment and decision making
  - initiatives to promote greater labor-management cooperation, such as union partnerships
  - a consideration of the impacts of outsourcing on your current workforce and initiatives
  - initiatives to prepare for future workforce capability and capacity needs
  - initiatives to foster knowledge sharing and organizational learning
  - the modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes
  - education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of an educated and skilled workforce, and the establishment of training programs on new technologies important to the future success of your workforce and your organization
- Projections and comparisons in this item are intended to improve your organization's ability to understand and track dynamic, competitive performance factors. Projected performance might include changes resulting from new business ventures, entry into new markets, the introduction of new technologies, product innovations, or other strategic thrusts that might involve a deliberate degree of risk. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to that of competitors or comparable organizations and relative to its own targets or

stretch goals. Such tracking serves as a key diagnostic tool for your organization's management to start, accelerate, or discontinue initiatives.

### Customer Focus (Category 3)

Customer Focus addresses how your organization seeks to engage your customers, with a focus on listening to and supporting customers, determining their satisfaction, offering the right products, and building relationships that result in loyalty through customers' investment in your brand and product offerings. The category stresses customer engagement as an important outcome of an overall learning and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, the voice of the customer provides meaningful information not only on your customers' views but also on their marketplace behaviors and how these views and behaviors may contribute to the sustainability of your organization in the marketplace.

#### 3.1 Voice of the Customer: How do you obtain information from your customers?

##### Purpose

This item examines your organization's processes for listening to your customers and determining their satisfaction and dissatisfaction. It also examines your processes for using these

data. The aim is to capture meaningful information in order to exceed your customers' expectations.

##### Comments

- Selection of voice-of-the-customer strategies depends on your organization's key business factors. Increasingly, organizations listen to the voice of the customer 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 purchasing or relationship decisions, win/loss analysis relative to competitors and other organizations providing similar products, and survey or feedback information.
- This item emphasizes how you obtain actionable information from customers. Information that is actionable can be tied to key product offerings and business processes and can be used to determine cost and revenue implications for setting improvement goals and priorities for change.
- In a rapidly changing technological, competitive, economic, and social environment, many factors may affect customer expectations and loyalty and your interface with customers in the marketplace. This makes it necessary to continually listen and learn. To be effective, listening and learning need to be closely linked with your organization's overall business strategy.



- Customers increasingly are turning to social media to voice their impressions of your products and customer support. This information may be provided through social interactions you mediate or through independent or customer-initiated means. All of these can be valuable sources of information for your organization. Organizations may need to become familiar with vehicles for monitoring and tracking this information.
- Knowledge of customers, customer groups, market segments, former customers, and potential customers allows your organization to tailor product offerings, to support and tailor your marketing strategies, to develop a more customer-focused workforce culture, to develop new business, and to ensure organizational sustainability.
- In determining customers' satisfaction and dissatisfaction, a key aspect is their comparative satisfaction with competitors, competing or alternative offerings, and/or organizations providing similar products. 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.

### **3.2 Customer Engagement: How do you engage customers to serve their needs and build relationships?**

#### **Purpose**

This item examines your organization's processes for identifying and innovating product offerings that serve your customers and markets; enabling customers to seek information and support; and using customer, market, and product offering information. The item also examines how you build relationships with your customers and manage complaints in order to retain customers and increase their engagement with you. The aim of these efforts is to improve marketing, build a more customer-focused culture, enhance customer loyalty, and identify opportunities for innovation.

#### **Comments**

- Customer engagement is a strategic action aimed at achieving such a degree of loyalty that the customer will advocate for your brand and product offerings. Achieving such loyalty requires a customer-focused culture in your workforce based on a thorough understanding of your business strategy and the behaviors and preferences of your customers.
- A relationship strategy may be possible with some customers but not with others. The relationship strategies you do have may need to be distinctly different for each customer, customer group, and market segment. They also may need to be distinctly different during various stages of the customer life cycle.
- Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to the setting of priorities for

process and product improvements. Successful outcomes require effective deployment of information throughout the organization.

## **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 improving 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 with 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, this category also includes such strategic considerations.

### **4.1 Measurement, Analysis, and Improvement of Organizational Performance: How do you measure, analyze, and then improve organizational performance?**

#### **Purpose**

This item examines your organization's selection 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 performance measurement, analysis, review, and improvement is to guide your organization's process management toward the achievement of key organizational results and strategic objectives, to anticipate and respond to rapid or unexpected organizational or external changes, and to identify best practices that may be shared.

#### **Comments**

- Alignment and integration are key concepts for successful implementation and use of your performance measurement system. They are viewed in terms of the extent and effectiveness of their use to meet your performance assessment and improvement needs and your strategy development and execution. Alignment and integration include how measures are aligned throughout your organization and how they are integrated to yield organization-wide data and information. Alignment and integration also include 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 their use are that (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, (3) comparing performance information frequently leads to a better understanding of your processes and their performance, and (4) comparative performance projections and competitors’ performance may reveal organizational challenges as well as areas where innovation is needed. Comparative information also may support business analysis and decisions relating to core competencies, partnering, and outsourcing.

- Your effective selection and use of comparative data and information require (1) the determination of needs and priorities, (2) criteria for seeking appropriate sources for comparisons—from within and outside your organization’s industry and markets, and (3) the 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 current performance but also projections of your future performance. It is anticipated that the review findings

will provide a reliable means to guide both improvements and opportunities for innovation that are tied to your organization’s key objectives, core competencies, success factors, and measures. Therefore, an important component of your organizational review is the translation of the review findings into actions that are deployed throughout your organization and to appropriate suppliers, partners, collaborators, 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 the following:
  - how product improvements correlate with key customer indicators, such as customer satisfaction, customer loyalty, 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 engagement
- improvement trends in key operational performance indicators, such as productivity, cycle time, waste reduction, new product introduction, and defect levels
- relationships among personal learning, organizational learning, and the value added per employee
- financial benefits derived from improvements in workforce safety, absenteeism, and turnover
- benefits and costs associated with education and training, including e-learning and other distance 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 workforce capability and capacity needs correlates with retention, motivation, and productivity
- cost and revenue implications of workforce-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 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 societal impact
- net earnings or savings derived from quality, operational, and workforce 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 loyalty
- cost and revenue implications of new market entry, including global market expansion
- market share versus profits
- trends in economic, market, and stakeholder indicators of value and the impact of these trends on 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. In addition, your historical performance, combined with assumptions about future internal and external changes, allows the development of your performance projections. These projections may serve as a key planning tool.
- Action depends on understanding causality among processes and between processes and results. 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 causality is often unclear.

#### **4.2 Management of Information, Knowledge, and Information Technology: How do you manage your information, organizational knowledge, and information technology?**

##### **Purpose**

This item examines how your organization ensures the quality and availability of needed data, information, software, and hardware for your workforce, suppliers and partners, collaborators, and customers, normally and in the event of an emergency. It also examines how your organization builds and manages its knowledge assets. The aim is to improve organizational efficiency and effectiveness and to stimulate innovation.

##### **Comments**

- Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The continued growth of electronic information within organizations' operations—as part of organizational knowledge networks, through the Web and social media, and in business-to-business, organization-to-organization, 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 business or organization networks, partnerships, 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.
- The focus of an organization's knowledge management is on the knowledge that people need to do their work; improve processes, products, and services; and develop innovative solutions that add value for the customer and the organization.
- One of the many issues facing organizations today is how to manage, use, evaluate, and share their ever-increasing



organizational knowledge. Leading organizations benefit from the knowledge assets of their workforce, customers, suppliers, collaborators, and partners, who together drive organizational learning and innovation.

- Organizations should carefully plan how they will continue to provide an information technology infrastructure, 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 the workforce, customers, suppliers, partners, and collaborators. The plans also should be coordinated with the organization's overall plan for business continuity (item 6.1).

## Workforce Focus (Category 5)

Workforce Focus addresses key workforce practices—those directed toward creating and maintaining a high-performance work environment and toward engaging your workforce to enable it and your organization to adapt to change and to succeed. The category covers your capability and capacity needs and your workforce support climate. Your workforce focus includes workforce engagement, development, and management, which should be addressed in an integrated way (i.e., aligned with your organization's strategic objectives and action plans).

To reinforce the basic alignment of workforce management with overall strategy, the Criteria also cover human resource or workforce planning as part of overall planning in the Strategic Planning category (category 2).

### 5.1 *Workforce Environment: How do you build an effective and supportive workforce environment?*

#### Purpose

This item examines your organization's workforce environment, your workforce capability and capacity needs, how you meet those needs to accomplish the work of your organization, and how you ensure a safe and supportive work climate. The aim is to build an effective environment for accomplishing your work and for supporting your workforce.

#### Comments

- All organizations, regardless of size, are required to meet minimum regulatory standards for workforce 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 people directly involved in the work, to ensure a safe working environment.
- Most organizations, regardless of size, have many opportunities to support their workforce. 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 ongoing access to services.

### 5.2 *Workforce Engagement: How do you engage your workforce to achieve organizational and personal success?*

#### Purpose

This item examines your organization's systems for engaging, developing, and assessing the engagement of your workforce, with the aim of enabling and encouraging all members of your workforce to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to address your core competencies, and to help accomplish your action plans and ensure organizational sustainability.

#### Comments

- High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, good communication and information flow, alignment with organizational objectives, customer focus, and rapid response to changing business needs and marketplace requirements. The focus of this item is on a workforce capable of achieving high performance.
- Many studies have shown that high levels of workforce engagement have a significant, positive impact on organizational performance. Research has indicated that engagement is characterized by performing meaningful work; having clear organizational direction and performance accountability; and having a safe, trusting, effective, and cooperative work environment. In many organizations, employees and volunteers are drawn to and derive meaning from their work because the work is aligned with their personal values.
- Factors inhibiting engagement should be understood and addressed by your organization. Understanding of these factors could be developed through workforce surveys, focus groups, blogs, or exit interviews with departing members of your workforce.
- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills. Compensation and recognition approaches also might include profit sharing; rewards for exemplary team or unit performance; and linkage to customer engagement measures, achievement of organizational strategic objectives, or other key organizational objectives.
- Depending on the nature of your organization's work, workforce responsibilities, and the stage of organizational and personal development, workforce development needs might vary greatly. These needs might include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; exceeding customer requirements; accomplishing process analysis and simplification; reducing waste and cycle time; working with and motivating volunteers; 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 computer skills.

- Learning and development opportunities might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as developmental assignments, coaching, or mentoring.
- To help people realize their full potential, many organizations use individual development plans prepared with each person that address his or her career and learning objectives.
- 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 and customers, how to listen to customers, how to recover from problems or failures, and how to effectively manage and exceed customer expectations.
- An organization's knowledge management system should provide the mechanism for sharing the knowledge of

its people 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 members of the workforce).

- Measures to evaluate the effectiveness and efficiency of your workforce and leader development and learning systems might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost-benefit analysis.
- Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure workforce engagement and high performance. Some examples of other factors to consider are effective problem and grievance resolution; development and career opportunities; the work environment and management support; workplace safety and security; the workload; effective communication, cooperation, and teamwork; job security; appreciation of the differing needs

of diverse workforce groups; and organizational support for serving customers.

- In addition to direct measures of workforce engagement through formal or informal surveys, some other indicators include absenteeism, turnover, grievances, and strikes.

## Operations Focus (Category 6)

Operations Focus addresses how the work of your organization is accomplished. It examines how your organization designs, manages, and improves its key work processes and the work systems of which they are a part. It stresses the importance of your core competencies and how you protect and capitalize on them for success and organizational sustainability. It calls specific attention to the need to prepare for potential emergencies and to ensure continuity of operations.

Efficient and effective work systems require effective design; a prevention orientation; and linkage to customers, suppliers, partners, and collaborators, as well as a focus on value creation for all key stakeholders; operational performance improvement; cycle time reduction; emergency readiness; and evaluation, continuous improvement, innovation, and organizational learning.

Work systems must also be designed in a way that allows your organization to be agile. 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 change from one product to another, rapid response to changing demands or market conditions, 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.

Cost and cycle time reduction may be achieved through Lean process management strategies. Defect reduction and improved product yield may involve Six Sigma projects. It is crucial to utilize key measures for tracking all aspects of your operations management.

### 6.1 Work Systems: How do you design, manage and improve your work systems?

#### Purpose

This item examines your organization’s overall approach to work system design, management, and improvement, capitalizing on your core competencies, with the aim of creating value for your customers, preparing for potential emergencies, and achieving organizational success and sustainability.

#### Comments

This item asks how you design your overall work systems and how you organize all of the work needed to produce your products. It draws a critical linkage to your core competencies, which frequently are underappreciated as key sources of organizational sustainability, competitive advantage, and marketplace respect.

- Many organizations need to consider requirements for suppliers, partners, and collaborators at the work system and work process 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.
- Efforts to ensure the continuity of operations in an emergency should consider all facets of your organization’s operations that are needed to provide your products to customers. The specific level of service that you will need to provide will be guided by your organization’s mission and your customers’ needs and requirements. For example, a public utility is likely to have a higher need for services than organizations that do not provide an essential function. Nonprofit organizations whose mission is to respond to emergencies will have a high need for service readiness. Your continuity of operations efforts also should be coordinated with your efforts to ensure data and information availability (item 4.2).

### 6.2 Work Processes: How do you design, manage, and improve your key work processes?

#### Purpose

This item examines the design, management, and improvement of your key work processes, with the aim of creating value for your customers, operating efficiently and effectively, and achieving organizational success and sustainability.

#### Comments

- Your key work processes include your product-related processes and those nonproduct business processes that are considered important to organizational success and growth by your senior leaders. These processes frequently relate to an organization’s core competencies, 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. For some nonprofit organizations, key business processes might include fundraising, media relations, and public policy advocacy. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.
- Your key work processes include those support processes that support your daily operations and your product delivery but are not usually designed in detail with the products. The support process requirements usually do not depend significantly on product characteristics. Support process design requirements usually depend significantly on your internal requirements, and they must be coordinated

and integrated to ensure efficient and effective linkage and performance. Support processes might include processes for finance and accounting, facilities management, legal services, human resource services, public relations, and other administrative services.

- Your design approaches could differ appreciably depending on the nature of your product offerings—whether the products are entirely new, are variants, or involve major or minor work process changes. You should consider the key requirements for your products. Factors that might need to be considered in work process design include safety, long-term performance, environmental impact, “green” manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or support options, supplier capability, and documentation. Effective design also must consider the cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and the redesign (“reengineering”) of those processes to achieve efficiency, as well as to meet changing customer requirements.
- Specific reference is made to in-process measurements and interactions with customers and suppliers. 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 technology and/or people. 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 is especially true of professional and personal services. Key process cycle times in some organizations may be a year or longer, which may create special challenges in measuring day-to-day progress and identifying opportunities for reducing cycle times, when appropriate.
- For many organizations, supply-chain management has become a key factor in achieving productivity and profitability goals and overall organizational success. Suppliers, partners, and collaborators are receiving increasing strategic attention as organizations reevaluate their core competencies. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and, for specific actions, to help them contribute to your organization’s improved overall operations. Supply-chain management might include processes for selecting suppliers,

with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.

- 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’ perspectives but also better financial and operational performance—such as productivity—from your other stakeholders’ perspectives. A variety of process improvement approaches are commonly used. Examples include (1) using the results of organizational performance reviews, (2) sharing successful strategies across your organization to drive learning and innovation, (3) performing process analysis and research (e.g., process mapping, optimization experiments, error proofing), (4) conducting technical and business research and development, (5) benchmarking, (6) using alternative technology, and (7) 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 a complete redesign (“reengineering”) of processes.

## Results (Category 7)

The Results category provides a results focus that encompasses your objective evaluation and your customers’ evaluation of your organization’s product offerings, as well as your evaluation of your key processes and process improvement activities; your customer-focused results; your workforce results; your governance, leadership system, and societal responsibility results; and your overall financial and market performance. 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, workforce, legal, ethical, societal, and financial indicators; and organizational and personal learning—are maintained. Category 7 thus provides “real-time” information (measures of progress) for evaluation and improvement of processes and products, in alignment with your overall organizational strategy. Item 4.1 calls for analysis and review of results data and information to determine your overall organizational performance and to set priorities for improvement.

### ***7.1 Product and Process Outcomes: What are your product performance and process effectiveness results?***

#### **Purpose**

This item examines your organization’s key product and operational performance results, which have the aim of demonstrating product and service quality and value that lead to customer satisfaction and engagement. This item also examines your organization’s other key process results not reported in items 7.2–7.5, which have the aim of demonstrating work system and work process effectiveness and efficiency.

## Comments

- This item places emphasis on measures of product performance that serve as indicators of customers' views and decisions relative to future interactions and relationships. These measures of product performance are derived from customer-related information gathered in items 3.1 and 3.2.
- Product measures appropriate for inclusion might be based on the following: internal quality measurements, field performance of products, defect levels, service errors, response times, and data collected from your customers by other organizations on ease of use or other attributes, as well as customer surveys on product and service performance.
- The correlation between product performance and customer indicators is 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 attributes and evidence of customer satisfaction and engagement. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of product offerings.
- Measures and indicators of process effectiveness and efficiency might include work system performance that demonstrates improved cost savings or higher productivity by using internal and/or external resources; reduced emission levels or energy consumption, 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; and improved performance of administrative and other support functions. Measures and indicators also might include business-specific indicators, such as innovation rates and increased use of product and process yields, Six Sigma initiative results, and acceptable product performance at the time of delivery; 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.
- This item encourages your organization to develop and include unique and innovative measures to track key processes and operational improvement. Unique measures should consider cause-effect relationships between operational performance and product quality or performance. All key areas of organizational and operational performance, including your organization's readiness for emergencies, should be evaluated by measures that are relevant and important to your organization.

- Because many organizations have difficulty determining appropriate measures, measuring progress in accomplishing their strategic objectives is a key challenge. Frequently, these progress measures can be discerned by first defining the results that would indicate end-goal success in achieving the strategic objective and then using that end-goal to define intermediate measures.

## 7.2 *Customer-Focused Outcomes: What are your customer-focused performance results?*

### Purpose

This item examines your organization's customer-focused performance results, which have the aim of demonstrating how well your organization has been satisfying your customers and engaging them in a long-term relationship, as appropriate.

### 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); customer advocacy for your brand and product offerings; and awards, ratings, and recognition from customers and independent rating organizations.

- This item places an emphasis on customer-focused results that go beyond satisfaction measurements, because customer engagement and relationships are better indicators and measures of future success in the marketplace and of organizational sustainability.

### **7.3 Workforce-Focused Outcomes: What are your workforce-focused performance results?**

#### **Purpose**

This item examines your organization's workforce-focused performance results, which have the aim of demonstrating how well your organization has been creating and maintaining a productive, caring, engaging, and learning environment for all members of your workforce.

#### **Comments**

- 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 workforce climate and engagement. These factors might include the extent of training, retraining, or cross-training to meet capability and capacity needs; the extent and success of self-direction; the extent of union-management partnering; or the extent of volunteer involvement in process and program activities.
- Results reported for indicators of workforce capacity and capability might include staffing levels across organizational units and certifications to meet skill needs. Additional factors may include organizational restructuring, as well as job rotations designed to meet strategic directions or customer requirements.
- Results measures reported for indicators of workforce engagement and satisfaction might include improvement in local decision making, organizational culture, and workforce knowledge sharing. Input data, such as the number of cash awards, might be included, but the main emphasis should be on data that show effectiveness or outcomes. For example, an outcome measure might be increased workforce retention resulting from establishing a peer recognition program or the number of promotions that have resulted from the organization's leadership development program.

### **7.4 Leadership and Governance Outcomes: What are your senior leadership and governance results?**

#### **Purpose**

This item examines your organization's key results in the areas of senior leadership and governance, which have the aim of demonstrating a fiscally sound, ethical organization that fulfills its societal responsibilities and supports its key communities.

#### **Comments**

- Independent of an increased national focus on issues of governance and fiscal accountability, ethics, 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.
- Results reported should include environmental, legal, and regulatory compliance; results of oversight audits by government or funding agencies; and noteworthy achievements in these areas, as appropriate. Results also should include organizational contributions to societal well-being and benefit and support for key communities.
- If your organization has received sanctions or adverse actions under law, regulation, or contract during the past five years, the incidents and their current status should be summarized.

### **7.5 Financial and Market Outcomes: What are your financial and marketplace performance results?**

#### **Purpose**

This item examines your organization's key financial and market results, which have the aim of demonstrating your financial sustainability and your marketplace achievements.

#### **Comments**

- Measures reported in this item are those usually tracked by senior leadership on an ongoing basis to assess your organization's financial performance and viability.
- In addition to the measures included in item 7.5, note 1, appropriate financial measures and indicators might include revenues, budgets, profits or losses, cash position, net assets, debt leverage, cash-to-cash cycle time, earnings per share, financial operations efficiency (collections, billing, receivables), and financial returns. Marketplace performance measures might include measures of business growth, new products and markets entered, or the percentage of revenues derived from new products. For nonprofit organizations, marketplace performance measures might also include charitable donations and grants received.

## CORE VALUES AND CONCEPTS

### Criteria Purposes

The Criteria are the basis for conducting organizational self-assessments, for making Baldrige Awards, and for giving feedback to applicants. In addition, the Criteria have three important roles in strengthening U.S. competitiveness:

- to help improve organizational performance practices, capabilities, and results
- to facilitate communication and sharing of information on best practices among U.S. 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 provide organizations with an integrated approach to organizational performance management that results in

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

### Core Values and Concepts

The Criteria are built on the following set of interrelated core values and concepts:

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing workforce members and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- societal 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 performance and operational 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 organizational values, and high expectations for the workforce. 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 defined values and strategies should help guide all your organization's activities and decisions. Senior leaders should inspire and encourage your entire workforce to contribute, to develop and learn, to be innovative, and to embrace meaningful change. 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, communicating, coaching the workforce, developing future leaders, reviewing organizational performance, and recognizing members of your workforce. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.



## Customer-Driven Excellence

Performance and quality are judged by an organization's customers. Thus, your organization must take into account all product features and characteristics and all modes of customer access and support that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, and loyalty; to positive referrals; and, ultimately, to business sustainability. 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 experience with your organization. These factors include your organization's customer relationships, which help to build trust, confidence, and loyalty.

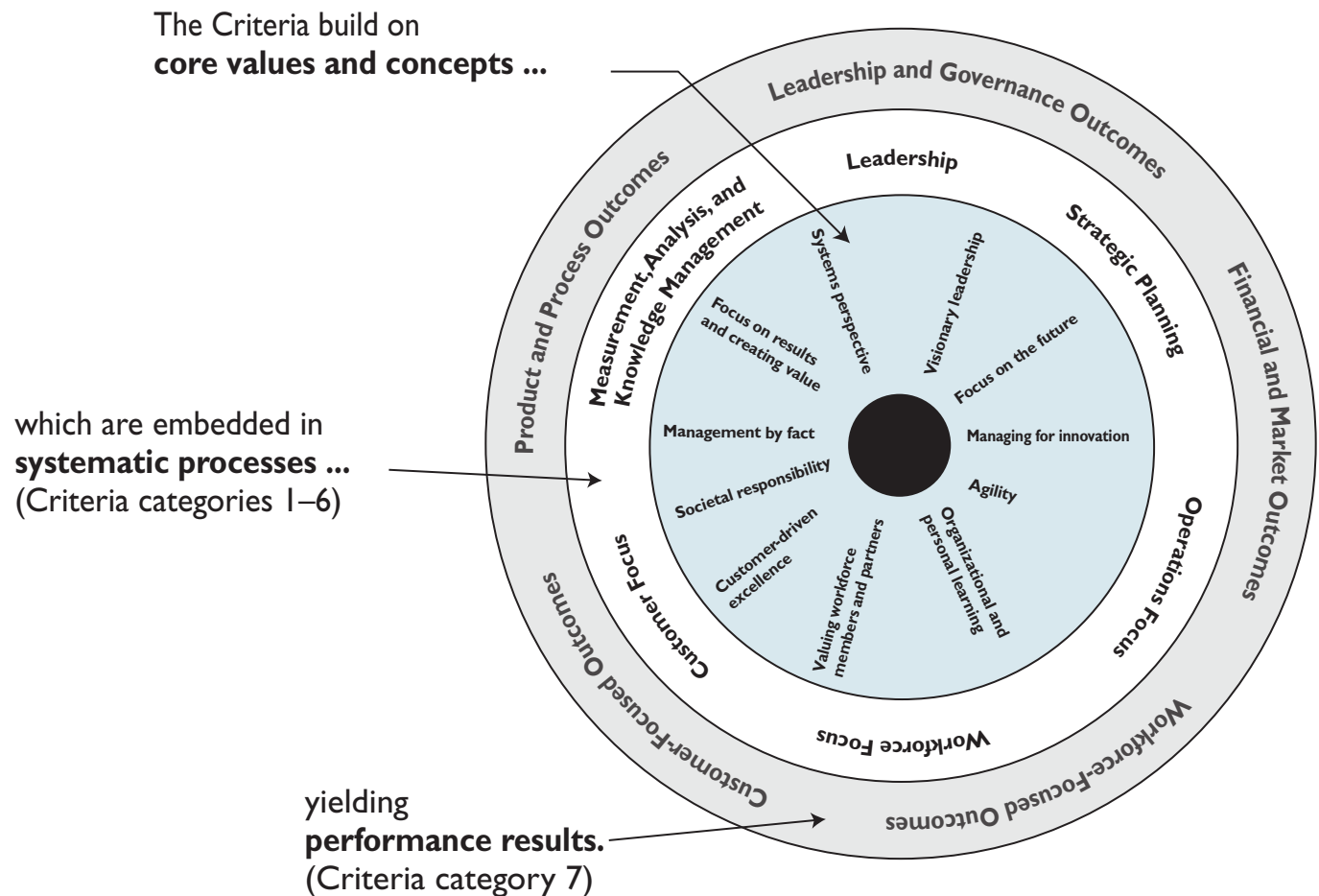
Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, these factors contribute to your customers' view of your organization and thus also are

important parts of customer-driven excellence. In addition, your organization's success in recovering from defects, service errors, and mistakes is crucial for retaining customers and engaging customers for the long term.

A customer-driven organization addresses not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate the organization from its competitors. Such differentiation may be based on innovative 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 engagement. It demands close attention to the voice of the customer. It demands anticipating changes in the marketplace. Therefore, customer-driven excellence demands a customer-focused culture and organizational agility.

# The Role of Core Values and Concepts





## Organizational and Personal Learning

Achieving the highest levels of organizational performance requires a well-executed approach to organizational and personal learning that includes sharing knowledge via systematic processes. Organizational learning includes both continuous improvement of existing approaches and significant change or innovation, 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 and to innovate. Sources for learning include employees’ and volunteers’ 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 customer services; (2) developing new business opportunities; (3) developing new and improved processes or business models; (4) reducing errors, defects, waste, and related costs; (5) improving responsiveness and cycle time performance; (6) increasing productivity and effectiveness in the use of all your resources; and (7) enhancing your organization’s performance in fulfilling its societal responsibilities.

The success of members of your workforce depends increasingly on having opportunities for personal learning and for practicing new skills. Leaders’ success depends on access to these kinds of opportunities, as well. In organizations that rely on volunteers, the volunteers’ personal learning also is important, and their learning and skill development should be considered with employees’. Organizations invest in 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 cross-train and to better link training to your organizational needs and priorities. Education and training programs may have multiple modes, including computer- and Web-based learning and distance learning.

Personal learning can result in (1) a more engaged, satisfied, and versatile workforce that stays 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 but also toward being more responsive, adaptive, innovative, and efficient—giving your organization marketplace sustainability and performance advantages and engaging your workforce to increase satisfaction and the motivation to excel.

## Valuing Workforce Members and Partners

An organization’s success depends increasingly on an engaged workforce that benefits from meaningful work, clear

organizational direction, and performance accountability and that has a safe, trusting, and cooperative environment. Additionally, the successful organization capitalizes on the diverse backgrounds, knowledge, skills, creativity, and motivation of its workforce and partners.

Valuing the people in your workforce means committing to their engagement, satisfaction, development, and well-being. Increasingly, this involves more flexible, high-performance work practices tailored to varying workplace and home life needs. Major challenges in the area of valuing members of your workforce include (1) demonstrating your leaders’ commitment to their 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 workforce can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages intelligent 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 members of your workforce might entail developmental opportunities, cross-training, or work organizations such as high-performance work teams. Internal partnerships also might involve creating network relationships among your work units or between employees and volunteers to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education or community 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 customer support services. Also, partnerships might permit the blending of your organization’s core competencies or leadership capabilities with the complementary strengths and capabilities of partners to address common issues. Such partnerships may be a source of strategic advantage for your organization.

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 workforce development.

## Agility

Success in today’s ever-changing, globally competitive environment demands agility—a capacity for rapid change and flexibility. Organizations face ever-shorter cycles for the introduction of new/improved products, and nonprofit and government organizations are increasingly being asked to respond rapidly to new or emerging social issues. Major improvements in response times often require new work systems, simplification of work units and processes, or the

ability for rapid changeover from one process to another. A cross-trained and empowered workforce is a vital asset in such a demanding environment.

A major success factor in meeting competitive challenges is the design-to-introduction (product or service feature initiation) or innovation cycle time. To meet the demands of rapidly changing markets, organizations need to carry out stage-to-stage integration (such as concurrent engineering) of activities from research or concept to commercialization or implementation.

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 work systems, organization, quality, cost, supply-chain integration, productivity, and sustainability in a challenging economy.

### **Focus on the Future**

Ensuring an organization's sustainability requires understanding the short- and longer-term factors that affect your organization and marketplace. The pursuit of sustained growth and performance leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, workforce, suppliers, partners, and stockholders; the public; and your community.

Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, changing economic conditions, workforce development and hiring needs, the increasingly global marketplace, technological developments, changes in customer and market segments, new business models, evolving regulatory requirements, changes in community and societal expectations and needs, and strategic moves by competitors. Strategic objectives and resource allocations need to accommodate these influences. A focus on the future includes developing your leaders, workforce, and suppliers; accomplishing effective succession planning; creating opportunities for innovation; and anticipating societal responsibilities and concerns.

### **Managing for Innovation**

Innovation means making meaningful change to improve an organization's products, services, programs, processes, operations, and business model to create new value for the organization's stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation may involve taking intelligent risks. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your operations and all work systems and work 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. Systematic processes for innovation should reach across your entire organization.

Innovation builds on the accumulated knowledge of your organization and its people. 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 process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; and governance and compliance outcomes. Data should be segmented by, for example, markets, product lines, and workforce groups to facilitate analysis.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, improvement, and innovation. 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, accomplishing 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 societal performance. A comprehensive set of measures or indicators tied to customer and organizational performance requirements provides a clear basis for aligning all processes with your organization's goals.* Measures and indicators may need to support decision making in a rapidly changing environment. Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

### **Societal Responsibility**

An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to consider societal well-being and benefit. Leaders should be role models for your organization in focusing on ethics and the protection of public health, safety, and the environment. The protection of health, safety, and the environment includes any impact of your organization's operations, as well as the life cycles of your products. 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 the information and support needed to maintain public awareness, safety, and confidence.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these

and related requirements as opportunities to excel “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.

“Societal well-being and benefit” refers to leadership and support—within the limits of an organization’s resources—of the environmental, social, and economic systems in the organization’s sphere of influence. Such leadership and support might include improving education, health care, and other

services in your community, pursuing environmental excellence, being a role model for socially important issues, practicing resource conservation, performing community service and charity, improving industry and business practices, and sharing nonproprietary information. For a role-model organization, leadership also entails influencing other organizations, private and public, to partner for these purposes.

Managing societal responsibilities requires the organization to use appropriate measures and leaders to assume 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—your customers, workforce, stockholders, suppliers, and partners; the public; and the community. By creating value for your key stakeholders, your organization builds loyalty, contributes to growing the economy, and contributes to society. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy explicitly should 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 Baldrige Criteria provide a systems perspective for managing your organization and its key processes to achieve results—and to strive for performance excellence. The seven Baldrige Criteria categories, the core values and concepts, and the scoring guidelines 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 on key business attributes, including your core competencies, strategic objectives, action plans, and work systems. Alignment means using the key linkages among requirements given in the Baldrige Criteria 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 and deliver anticipated results.

These concepts are depicted in the Baldrige Criteria framework on page iv. 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 results. A systems perspective also includes using your measures, indicators, core competencies, and organizational knowledge to build your key strategies. It means linking these strategies with your work systems and key processes and aligning your resources to improve your overall performance and your focus on customers and stakeholders.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.



# KEY CHARACTERISTICS OF THE CRITERIA

## 1. The Criteria focus on results.

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

### Organizational performance areas:

- (1) product and process outcomes
- (2) customer-focused outcomes
- (3) workforce-focused outcomes
- (4) leadership and governance outcomes
- (5) financial and market outcomes

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 the following:

- how your organization should be structured
- that your organization should or should not have departments for planning, ethics, quality, or other functions
- 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 through innovation.
- (2) The selection of tools, techniques, systems, and organizational structure usually depends on factors such as the organization type and size, organizational relationships, your organization’s stage of development, and the capabilities and responsibilities of your workforce.
- (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, cross-process 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 and stakeholder 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 as strategy and goals change over time, requires dynamic linkages among Criteria items. In the Criteria, action-oriented cycles of improvement take place via feedback between processes and results.

The improvement cycles have four, clearly defined stages:

- (1) planning, including design of processes, selection of measures, and deployment of requirements (**approach**)
- (2) executing plans (**deployment**)
- (3) assessing progress and capturing new knowledge, including seeking opportunities for innovation (**learning**)
- (4) revising plans based on assessment findings, harmonizing processes and work unit operations, and selecting better measures (**integration**)

## 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 17 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 17 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, management systems, and types of organizations.

## 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 Criteria for Performance Excellence and scoring guidelines.

The general format in presenting glossary definitions is as follows: The first sentence contains a concise definition of the term. Subsequent sentences in the first paragraph elaborate on and further delineate the term. Any subsequent paragraphs provide examples, descriptive information, or key linkages to other Criteria information.

### 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 all departments and work units. Deployment also might 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 work unit and team training in setting priorities based on costs and benefits. Organizational-level analysis and review likely would emphasize productivity growth, cost control, and quality.

See also the definition of “strategic objectives” on page 62.

### Alignment

The term “alignment” refers to consistency of plans, processes, information, resource decisions, actions, results, and analyses 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” on page 59.

### 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 the management of work systems

and work processes 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, and 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 of the organization’s 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 organizational locations and workforce members, the measures used to assess the effectiveness of the methods, and the tools and techniques used to evaluate and improve the communication methods.

See also the definition of “systematic” on page 63.

### Approach

The term “approach” refers to the methods used by an organization to address the Baldrige Criteria item requirements. Approach includes the appropriateness of the methods to the item requirements and to the organization’s operating environment, as well as how effectively the methods are used.

Approach is one of the dimensions considered in evaluating process items. For further description, see the scoring system on pages 66–70.

### 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 (e.g., your approach for strategy development for item 2.1). In the Criteria, the basic requirements of each item are presented as the item title question. This presentation is illustrated in the item format shown on page 29.

### 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 to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) 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 that are in the same geographic area or that provide similar products and services in other geographic areas.

## Capability, Workforce

See “workforce capability” on page 64.

## Capacity, Workforce

See “workforce capacity” on page 64.

## Collaborators

The term “collaborators” refers to those organizations or individuals who cooperate with your organization to support a particular activity or event or who cooperate on an intermittent basis when short-term goals are aligned or are the same. Typically, collaborations do not involve formal agreements or arrangements.

See also the definition of “partners” on page 60.

## Core Competencies

The term “core competencies” refers to your organization's areas of greatest expertise. Your organization's core competencies are those strategically important capabilities that are central to fulfilling your mission or provide an advantage in your marketplace or service environment. Core competencies frequently are challenging for competitors or suppliers and partners to imitate, and they may provide a sustainable competitive advantage. Absence of a needed organizational core competency may result in a significant strategic challenge or disadvantage in the marketplace.

Core competencies may involve technology expertise, unique service offerings, a marketplace niche, or a particular business acumen (e.g., business acquisitions).

## Customer

The term “customer” refers to actual and potential users of your organization's products, programs, or services (referred to as “products” in the Criteria). Customers include the end users of your products, as well as others who might be their immediate purchasers or users. These others might include distributors, agents, or organizations that further process your product as a component of their product. The Criteria address customers broadly, referencing current and future customers, as well as the customers of your competitors.

Customer-driven excellence is a Baldrige core value embedded in the beliefs and behaviors of high-performing organizations. Customer focus impacts and should integrate an organization's strategic directions, its work systems and work processes, and its business results.

See the definition of “stakeholders” on page 62 for the relationship between customers and others who might be affected by your products.

## Customer Engagement

The term “customer engagement” refers to your customers' investment in or commitment to your brand and product offerings. It is based on your ongoing ability to serve their needs and build relationships so they will continue using your products. Characteristics of customer engagement include customer retention and loyalty, customers' willingness to make an effort to do business with your organization, and customers' willingness to actively advocate for and recommend your brand and product offerings.

## 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 and overall performance. “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 a Baldrige Criteria item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant work units throughout the organization.

Deployment is one of the dimensions considered in evaluating process items. For further description, see the scoring system on pages 66–70.

## Diversity

The term “diversity” refers to valuing and benefiting from personal differences. These differences address many variables and may include race, religion, color, gender, national origin, disability, sexual orientation, age and generational differences, education, geographic origin, and skill characteristics, as well as differences in ideas, thinking, academic disciplines, and perspectives.

The Baldrige Criteria refer to the diversity of your workforce hiring and customer communities. Capitalizing on both provides enhanced opportunities for high performance; customer, workforce, and community satisfaction; and customer and workforce engagement.

## Effective

The term “effective” refers to how well a process or a measure addresses its intended purpose. Determining effectiveness requires (1) the evaluation of how well the process is aligned with the organization's needs and how well the process is

deployed or (2) the evaluation of the outcome of the measure used.

## Empowerment

The term “empowerment” refers to giving people 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 people to satisfy customers on first contact, to improve processes and increase productivity, and to improve the organization’s performance results. An empowered workforce requires information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

## Engagement, Customer

See “customer engagement” on page 57.

## Engagement, Workforce

See “workforce engagement” on page 64.

## 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 of conduct. These principles should support all applicable laws and regulations and are the foundation for the organization’s culture and values. They distinguish “right” from “wrong.”

Senior leaders should act as role models for these principles of behavior. The principles apply to all people involved in the organization, from temporary members of the workforce to members of the board of directors, and they need to be communicated and reinforced on a regular basis. Although the Baldrige Criteria do not prescribe that all organizations use the same model for ensuring 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 the workforce, shareholders, customers, partners, suppliers, and the organization’s local community.

Well-designed and clearly articulated ethical principles should empower people to make effective decisions with great confidence. Some organizations also may view their ethical principles as boundary conditions restricting behavior that otherwise could have adverse impacts on their organizations and/or society.

## Goals

The term “goals” refers to a future condition or performance level that one intends or desires to attain. Goals can be both short- 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 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 you will measure success
- fostering teamwork by focusing on a common end
- encouraging “out-of-the-box” thinking (innovation) to achieve a stretch goal
- providing a basis for measuring and accelerating progress

See also the definition of “performance projections” on page 61.

## 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 owners/shareholders, board of directors, and senior leaders. Corporate or organizational charters, bylaws, 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 to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders. Governance processes may include the approval of strategic direction, the monitoring and evaluation of the CEO’s performance, the establishment of executive compensation and benefits, succession planning, financial auditing, risk management, 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 focuses on workforce engagement. It frequently includes cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; the empowerment of your people, including self-directed responsibility; and input to planning. It also may include 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-performing organizations use monetary and nonmonetary incentives based on factors such as organizational performance, team and individual contributions, and skill building. Also, high-performance work usually seeks to align the organization’s structure, core competencies, work, jobs, workforce development, and incentives.

## How

The term “how” refers to the systems and 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.

## Indicators

See “measures and indicators” on page 60.

## Innovation

The term “innovation” refers to making meaningful change to improve products, processes, or organizational effectiveness and to create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, product, or business model that is either new or new to its proposed application. The outcome of innovation is a discontinuous or breakthrough change in results, products, or processes.

Successful organizational innovation is a multistep 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 a change in approach or outputs. It could include fundamental changes in organizational structure or the business model 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 analyses 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” on page 56.

Integration is one of the dimensions considered in evaluating both process and results items. For further description, see the scoring system on pages 66–70.

## Key

The term “key” refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The Baldrige Criteria, for example, refer to key challenges, key plans, key work processes, and key measures—those that are most important to your 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 workforce in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. Your workforce, software, patents, databases, documents, guides, policies and procedures, and technical drawings are repositories of your 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 your stakeholders and to help sustain a competitive advantage.

## Leadership System

The term “leadership system” refers to how leadership is exercised, formally and informally, throughout the organization; it is the basis for and the way key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision making; two-way communication; selection and development of leaders and managers; and reinforcement of values, ethical behavior, directions, and performance expectations.

An effective leadership system respects the capabilities and requirements of workforce members and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization’s vision and values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organizational 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, workforce and stakeholder 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 and sustainability for the organization and its workforce. For further description of organizational and personal learning, see the related core value and concept on page 51.

Learning is one of the dimensions considered in evaluating process items. For further description, see the scoring system on pages 66–70.

## 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, programs, projects, 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. However, some users of these terms prefer “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).

## 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 or core 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. This presentation is illustrated in the item format shown on page 29.

Even high-performing, high-scoring users of the Criteria are not likely to be able to address all the multiple requirements with equal capability or success.

## 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. This presentation is illustrated in the item format shown on page 29.

## 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.

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.

See also the definition of “collaborators” on page 57.

## Performance

The term “performance” refers to outputs and their outcomes obtained from processes, products, and customers that permit the organization to evaluate and compare its results relative to performance projections, standards, past results, goals, and the results of other organizations. Performance can be expressed in nonfinancial and financial terms.

The Baldrige Criteria address four types of performance: (1) product, (2) customer-focused, (3) operational, and (4) financial and marketplace.

“Product 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. For nonprofit organizations, “product performance” examples might include program and project performance in the areas of rapid response to emergencies, at-home services, or multilingual services.

“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.

“Operational performance” refers to workforce, leadership, organizational, and ethical performance relative to effectiveness, efficiency, and accountability measures and indicators. Examples include cycle time, productivity, waste reduction, workforce turnover, workforce cross-training rates, regulatory compliance, fiscal accountability, strategy accomplishment, and community involvement. Operational performance might be measured at the work unit level, key work process level, and organizational level.

“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, performance to budget, the amount in reserve funds, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

## 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 and stakeholders, contributing to organizational sustainability; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning. The Baldrige 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 should be based on an understanding of past performance, rates of improvement, and assumptions about future internal changes and innovations, as well as assumptions about changes in the external environment that result in internal changes. Thus performance projections can serve as a key tool in both management of operations and strategy development and implementation.

Performance projections are a statement of expected future performance. Goals are a statement of desired future performance. Performance projections for competitors or similar organizations may indicate challenges facing your organization and areas where breakthrough performance or innovation is needed. Where breakthrough performance or innovation is intended, performance projections and goals may overlap.

See also the definition of “goals” on page 58.

## 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, materials, and improvements in a defined series of steps or actions. Processes rarely operate in isolation and must be considered in relation to other processes that impact them. 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. Such service processes also require guidance to the providers of those services on handling contingencies related to the possible actions or behaviors of those served.

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 Baldrige scoring system, your 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 on pages 66–70.

## Productivity

The term “productivity” refers to measures of the efficiency of resource use.

Although the term often is applied to single factors, such as the workforce (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 trade-offs—is beneficial.

## Projections, Performance

See “performance projections” on this page.

## 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 its setting of values. Purpose is generally broad and enduring. Two organizations in different 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 a Baldrige 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 on pages 66–70.

## Segment

The term “segment” refers to a part of an organization’s overall customer, market, product offering, or workforce base.

Segments typically have common characteristics that can be grouped logically. 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 workforce.

Understanding segments is critical to identifying the distinct needs and expectations of different customer, market, and workforce groups and to tailoring product offerings to meet their needs and expectations. As an example, market segmentation might be based on distribution channels, business volume, geography, or technologies employed. Workforce segmentation might be based on geography, skills, needs, work assignments, or job classifications.

## 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 might include customers, the workforce, partners, collaborators, governing boards, stockholders, donors, suppliers, taxpayers, regulatory bodies, policy makers, funders, and local and professional communities.

See also the definition of "customer" on page 57.

## Strategic Advantages

The term "strategic advantages" refers to those marketplace benefits that exert a decisive influence on an organization's likelihood of future success. These advantages frequently are sources of an organization's current and future competitive success relative to other providers of similar products. Strategic advantages generally arise from either or both of two sources: (1) core competencies, which focus on building and expanding on an organization's internal capabilities, and (2) strategically important external resources, which are shaped and leveraged through key external relationships and partnerships.

When an organization realizes both sources of strategic advantage, it can amplify its unique internal capabilities by capitalizing on complementary capabilities in other organizations.

See the definitions of "strategic challenges" and "strategic objectives" below for the relationship among strategic advantages, strategic challenges, and the strategic objectives an organization articulates to address its challenges and advantages.

## 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. 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 or technological changes; or financial, societal, and other risks or needs. Internal strategic challenges may relate to an organization's capabilities or its human and other resources.

See the definitions of "strategic advantages" and "strategic objectives" on this page for the relationship among strategic challenges, strategic advantages, and the strategic objectives an organization articulates to address its challenges and advantages.

## Strategic Objectives

The term "strategic objectives" refers to an organization's articulated aims or responses to address major change or improvement, competitiveness or social issues, and business advantages. Strategic objectives generally are focused both externally and internally and relate to significant customer, market, product, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what an organization must achieve to remain or become competitive and ensure long-term sustainability. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

See the definition of "action plans" on page 56 for the relationship between strategic objectives and action plans and for an example of each.

## Sustainability/Sustainable

The term "sustainability" refers to your organization's ability to address current business needs and to have the agility and strategic management to prepare successfully for your future business, market, and operating environment. Both external and internal factors need to be considered. The specific combination of factors might include industrywide and organization-specific components.

Sustainability considerations might include workforce capability and capacity, resource availability, technology, knowledge, core competencies, work systems, facilities, and equipment. Sustainability might be affected by changes in the marketplace and customer preferences, changes in the financial markets, and changes in the legal and regulatory environment. In addition, sustainability has a component related to day-to-day preparedness for real-time or short-term emergencies.

In the context of the Baldrige Criteria, the impact of your organization's products and operations on society and the contributions you make to the well-being of environmental, social, and economic systems are part of your organization's overall societal responsibilities. Whether and how your organization addresses such considerations also may affect its sustainability.

## Systematic

The term “systematic” refers to approaches that are well-ordered, 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. For use of the term, see the scoring guidelines for process items on page 68.

## Trends

The term “trends” refers to numerical information that shows the direction and rate of change for an organization’s results or the consistency of its performance over time. Trends provide a time sequence of organizational performance.

A minimum of three historical (not projected) data points generally is needed to begin to ascertain a trend. More data points are needed to define a statistically valid 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 time periods before meaningful trends can be determined.

Examples of trends called for by the Criteria include data related to product performance, customer and workforce satisfaction and dissatisfaction results, 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, 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 groups value and then deliver value to each group. This frequently requires balancing value for customers and other stakeholders, such as your workforce and the community.

## Values

The term “values” refers to the guiding principles and behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce the desired culture of an organization. Values support and guide the decision making of every workforce member, helping the organization accomplish its mission and attain its vision in an appropriate manner. Examples of values might include demonstrating integrity and fairness in all interactions, exceeding customer expectations, valuing individuals and diversity, protecting the environment, and striving for performance excellence every day.

## 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.

## Voice of the Customer

The term “voice of the customer” refers to your process for capturing customer-related information. Voice-of-the-customer processes are intended to be proactive and continuously innovative to capture stated, unstated, and anticipated customer requirements, expectations, and desires. The goal is to achieve customer engagement. Listening to the voice of the customer might include gathering and integrating various types of customer data, such as survey data, focus group findings, warranty data, and complaint data, that affect customers’ purchasing and engagement decisions.

## Work Processes

The term “work processes” refers to your most important internal value creation processes. They might include product design and delivery, customer support, supply chain management, business, and support processes. They are the processes that involve the majority of your organization’s workforce and produce customer, stakeholder, and stockholder value.

Your key work processes frequently relate to your core competencies, to the factors that determine your success relative to competitors, and to the factors considered important for business growth by your senior leaders.

## Work Systems

The term “work systems” refers to how the work of your organization is accomplished. Work systems involve your workforce, your key suppliers and partners, your contractors, your collaborators, and other components of the supply chain needed to produce and deliver your products and your business and support processes. Your work systems coordinate the internal work processes and the external resources necessary for you to develop, produce, and deliver your products to your customers and to succeed in your marketplace.

Decisions about work systems are strategic. These decisions involve protecting and capitalizing on core competencies and deciding what should be procured or produced outside your organization in order to be efficient and sustainable in your marketplace.

## Workforce

The term “workforce” refers to all people actively involved in accomplishing the work of your organization, including paid employees (e.g., permanent, part-time, temporary, and telecommuting employees, as well as contract employees supervised by the organization) and volunteers, as appropriate. The workforce includes team leaders, supervisors, and managers at all levels.

## Workforce Capability

The term “workforce capability” refers to your organization’s ability to accomplish its work processes through the knowledge, skills, abilities, and competencies of its people.

Capability may include the ability to build and sustain relationships with your customers; to innovate and transition to new technologies; to develop new products and work processes; and to meet changing business, market, and regulatory demands.

## Workforce Capacity

The term “workforce capacity” refers to your organization’s ability to ensure sufficient staffing levels to accomplish its work processes and successfully deliver your products to your customers, including the ability to meet seasonal or varying demand levels.

## Workforce Engagement

The term “workforce engagement” refers to the extent of workforce commitment, both emotional and intellectual, to accomplishing the work, mission, and vision of the organization. Organizations with high levels of workforce engagement are often characterized by high-performing work environments in which people are motivated to do their utmost for the benefit of their customers and for the success of the organization.

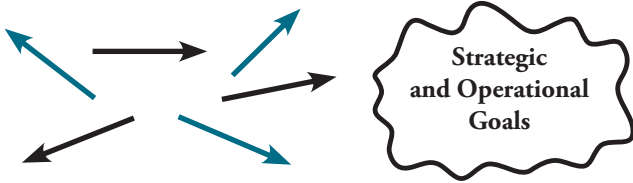
In general, members of the workforce feel engaged when they find personal meaning and motivation in their work and when they receive positive interpersonal and workplace support. An engaged workforce benefits from trusting relationships, a safe and cooperative environment, good communication and information flow, empowerment, and performance accountability. Key factors contributing to engagement include training and career development, effective recognition and reward systems, equal opportunity and fair treatment, and family-friendliness.



## Steps Toward Mature Processes

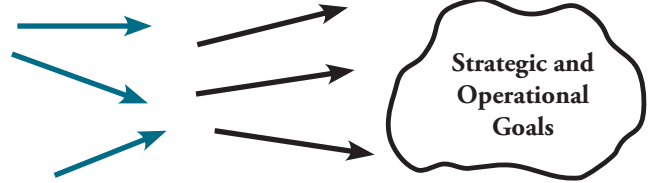
### An Aid for Assessing and Scoring Process Items

#### (1) Reacting to Problems (0–25%)



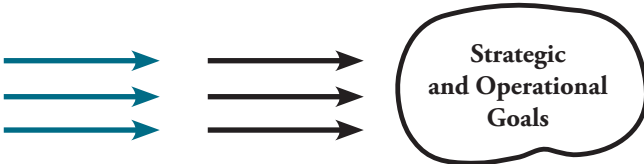
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

#### (2) Early Systematic Approaches (30–45%)



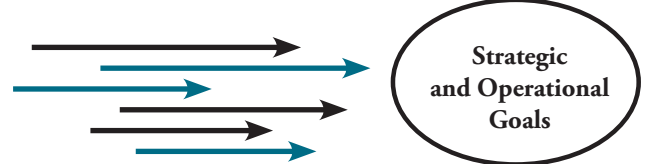
The organization is at the beginning stages of conducting operations by processes with repeatability, evaluation and improvement, and some early coordination among organizational units. Strategy and quantitative goals are being defined.

#### (3) Aligned Approaches (50–65%)



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 (70–100%)



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 the sharing of information and knowledge. Processes and measures track progress on key strategic and operational goals.



## SCORING SYSTEM

The scoring of responses to Criteria items and Baldrige 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 pages 68–69.

### 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 (ADLI).

“Approach” refers to

- the methods used to accomplish the process
- the appropriateness of the methods to the item requirements and the organization’s operating environment
- the effectiveness of your 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 (executed) 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 refinements and innovations 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 the Organizational Profile and other process items
- your measures, information, and improvement systems are complementary across processes and work units
- your plans, processes, results, analyses, 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 7.1–7.5 (category 7). The four factors used to evaluate results are levels, trends, comparisons, and integration (LeTCI).

“Levels” refers to

- your current level of performance

“Trends” refers to

- the rate of your performance improvements or the sustainability of good performance (i.e., the slope of trend data)
- the breadth (i.e., the extent of deployment) of your performance results

“Comparisons” refers to

- your performance relative to appropriate comparisons, such as competitors or organizations similar to yours
- your performance relative to benchmarks or industry leaders

“Integration” refers to the *extent* to which

- your results measures (often through segmentation) address important customer, product, market, process, and action plan performance requirements identified in your Organizational Profile and in process items
- your results include valid indicators of future performance
- your results are harmonized across processes and work units to support organization-wide goals

### Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and 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, and integration are linked to emphasize that descriptions of approach should always indicate the deployment—consistent with the *specific requirements* of the item and your organization. As processes mature, their description also should indicate how cycles of learning (including innovation), as well as integration with other processes and work units, occur. Although the ADLI factors are linked, feedback to Baldrige Award applicants reflects strengths and opportunities for improvement in any or all of these factors.



Results items call for data showing performance levels, trends, and relevant comparisons for key measures and indicators of organizational performance, and integration with key organizational requirements. Results items also call for data on the breadth of the performance results reported. 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 on overall performance, taking into account the four results factors (LeTCI).

### “Importance” as a Scoring Consideration

The two evaluation dimensions described previously are central to evaluation and feedback. A 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, 3.2, 5.1, 5.2, and 6.1. Your key customer requirements, competitive environment, workforce needs, 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 the item response. Also, responses should reflect what is important to the 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 ADLI (process) factors *or* the LeTCI (results) factors for the chosen scoring range. An organization’s achievement level is based on a holistic view of either the four process or the 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, 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 good levels of performance, beneficial trends, and appropriate comparative data for the results areas covered in the item and *important* to the organiza-

## PROCESS SCORING GUIDELINES

SCORE	PROCESS (for use with categories 1–6)
0% or 5%	<ul style="list-style-type: none"> <li>■ No SYSTEMATIC APPROACH to item requirements is evident; information is ANECDOTAL. (A)</li> <li>■ Little or no DEPLOYMENT of any SYSTEMATIC APPROACH is evident. (D)</li> <li>■ An improvement orientation is not evident; improvement is achieved through reacting to problems. (L)</li> <li>■ No organizational ALIGNMENT is evident; individual areas or work units operate independently. (I)</li> </ul>
10%, 15%, 20%, or 25%	<ul style="list-style-type: none"> <li>■ The beginning of a SYSTEMATIC APPROACH to the BASIC REQUIREMENTS of the item is evident. (A)</li> <li>■ 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)</li> <li>■ Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L)</li> <li>■ The APPROACH is ALIGNED with other areas or work units largely through joint problem solving. (I)</li> </ul>
30%, 35%, 40%, or 45%	<ul style="list-style-type: none"> <li>■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC REQUIREMENTS of the item, is evident. (A)</li> <li>■ The APPROACH is DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D)</li> <li>■ The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident. (L)</li> <li>■ The APPROACH is in the early stages of ALIGNMENT with your basic organizational needs identified in response to the Organizational Profile and other process items. (I)</li> </ul>
50%, 55%, 60%, or 65%	<ul style="list-style-type: none"> <li>■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL REQUIREMENTS of the item, is evident. (A)</li> <li>■ The APPROACH is well DEPLOYED, although DEPLOYMENT may vary in some areas or work units. (D)</li> <li>■ A fact-based, SYSTEMATIC evaluation and improvement PROCESS and some organizational LEARNING, including INNOVATION, are in place for improving the efficiency and EFFECTIVENESS of KEY PROCESSES. (L)</li> <li>■ The APPROACH is ALIGNED with your overall organizational needs identified in response to the Organizational Profile and other process items. (I)</li> </ul>
70%, 75%, 80%, or 85%	<ul style="list-style-type: none"> <li>■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the MULTIPLE REQUIREMENTS of the item, is evident. (A)</li> <li>■ The APPROACH is well DEPLOYED, with no significant gaps. (D)</li> <li>■ Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING, including INNOVATION, are KEY management tools; there is clear evidence of refinement as a result of organizational-level ANALYSIS and sharing. (L)</li> <li>■ The APPROACH is INTEGRATED with your current and future organizational needs identified in response to the Organizational Profile and other process items. (I)</li> </ul>
90%, 95%, or 100%	<ul style="list-style-type: none"> <li>■ An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE REQUIREMENTS of the item, is evident. (A)</li> <li>■ The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D)</li> <li>■ Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING through INNOVATION are KEY organization-wide tools; refinement and INNOVATION, backed by ANALYSIS and sharing, are evident throughout the organization. (L)</li> <li>■ The APPROACH is well INTEGRATED with your current and future organizational needs identified in response to the Organizational Profile and other process items. (I)</li> </ul>

tion’s business or mission. Higher scores reflect better trends and levels of performance, stronger comparative performance, and broader coverage and integration with the requirements of the business or mission.

Baldrige Award applicants do not receive a single, final score as part of their feedback. They receive a scoring range for each

Criteria item, and they receive scores in two overall bands: one for process items and one for results items. The descriptors for these scoring bands portray the organization’s overall progress and maturity in the process and the results dimensions. The scoring band descriptors are available on the Baldrige Web site.

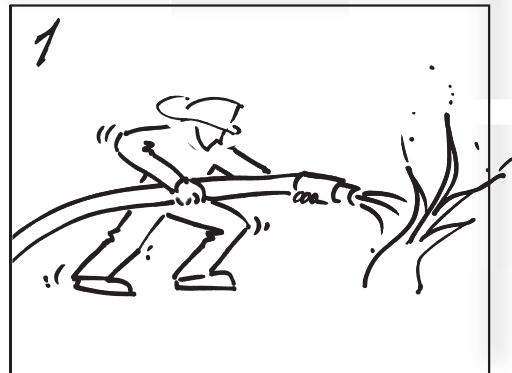
## RESULTS SCORING GUIDELINES

SCORE	RESULTS (for use with category 7)
<b>0% or 5%</b>	<ul style="list-style-type: none"> <li>■ There are no organizational PERFORMANCE RESULTS and/or poor RESULTS in areas reported. (Le)</li> <li>■ TREND data either are not reported or show mainly adverse TRENDS. (T)</li> <li>■ Comparative information is not reported. (C)</li> <li>■ RESULTS are not reported for any areas of importance to the accomplishment of your organization’s MISSION. (I)</li> </ul>
<b>10%, 15%, 20%, or 25%</b>	<ul style="list-style-type: none"> <li>■ A few organizational PERFORMANCE RESULTS are reported, responsive to the BASIC REQUIREMENTS of the item, and early good PERFORMANCE LEVELS are evident. (Le)</li> <li>■ Some TREND data are reported, with some adverse TRENDS evident. (T)</li> <li>■ Little or no comparative information is reported. (C)</li> <li>■ RESULTS are reported for a few areas of importance to the accomplishment of your organization’s MISSION. (I)</li> </ul>
<b>30%, 35%, 40%, or 45%</b>	<ul style="list-style-type: none"> <li>■ Good organizational PERFORMANCE LEVELS are reported, responsive to the BASIC REQUIREMENTS of the item. (Le)</li> <li>■ Some TREND data are reported, and a majority of the TRENDS presented are beneficial. (T)</li> <li>■ Early stages of obtaining comparative information are evident. (C)</li> <li>■ RESULTS are reported for many areas of importance to the accomplishment of your organization’s MISSION. (I)</li> </ul>
<b>50%, 55%, 60%, or 65%</b>	<ul style="list-style-type: none"> <li>■ Good organizational PERFORMANCE LEVELS are reported, responsive to the OVERALL REQUIREMENTS of the item. (Le)</li> <li>■ Beneficial TRENDS are evident in areas of importance to the accomplishment of your organization’s MISSION. (T)</li> <li>■ Some current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of good relative PERFORMANCE. (C)</li> <li>■ Organizational PERFORMANCE RESULTS are reported for most KEY CUSTOMER, market, and PROCESS requirements. (I)</li> </ul>
<b>70%, 75%, 80%, or 85%</b>	<ul style="list-style-type: none"> <li>■ Good to excellent organizational PERFORMANCE LEVELS are reported, responsive to the MULTIPLE REQUIREMENTS of the item. (Le)</li> <li>■ Beneficial TRENDS have been sustained over time in most areas of importance to the accomplishment of your organization’s MISSION. (T)</li> <li>■ Many to most TRENDS and current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of leadership and very good relative PERFORMANCE. (C)</li> <li>■ Organizational PERFORMANCE RESULTS are reported for most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements. (I)</li> </ul>
<b>90%, 95%, or 100%</b>	<ul style="list-style-type: none"> <li>■ Excellent organizational PERFORMANCE LEVELS are reported that are fully responsive to the MULTIPLE REQUIREMENTS of the item. (Le)</li> <li>■ Beneficial TRENDS have been sustained over time in all areas of importance to the accomplishment of your organization’s MISSION. (T)</li> <li>■ Evidence of industry and BENCHMARK leadership is demonstrated in many areas. (C)</li> <li>■ Organizational PERFORMANCE RESULTS and PROJECTIONS are reported for most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements. (I)</li> </ul>

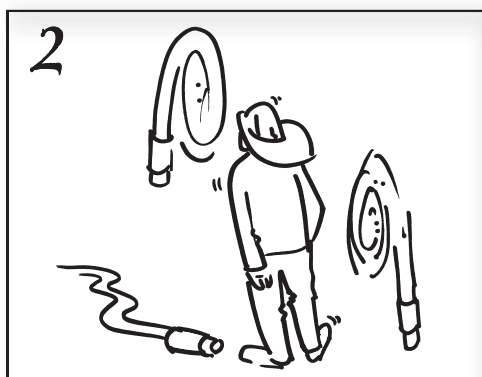
# An Analogy for Learning: From Fighting Fires to Innovation

Learning is an essential attribute of high-performing organizations and, therefore, a critical concept in performance excellence. It is a key term used throughout the Criteria booklet and is one of the four scoring factors used to assess the maturity of an organization's processes (pages 66 and 68, scoring system and scoring guidelines).

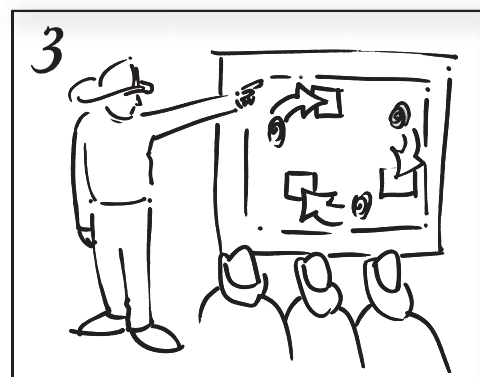
Effective, well-deployed organizational learning can help an organization improve from the early stages of reacting to problems (0–5% in the scoring guidelines) to the highest levels of organization-wide improvement, refinement, and innovation (70–100%). The firefighting analogy illustrated here depicts a progression through the levels of maturity for this scoring dimension.



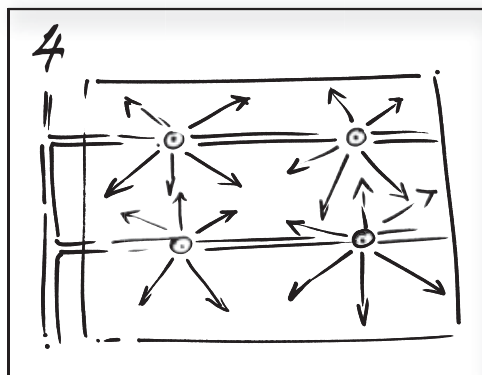
**Reacting to the problem:**  
Run with the hose and put out the fire.  
(0–5%)



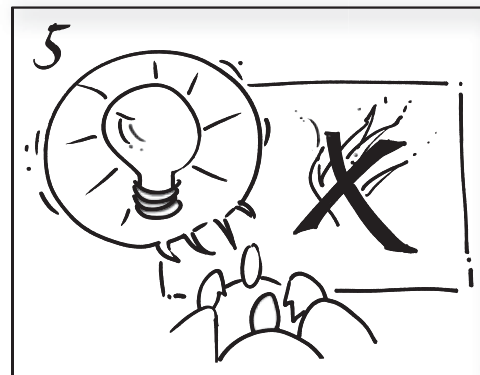
**General improvement orientation:**  
Install more fire hoses to get to the fires quickly and reduce their impact.  
(10–25%)



**Systematic evaluation and improvement:**  
Evaluate which locations are most susceptible to fire. Install heat sensors and sprinklers in those locations.  
(30–45%)



**Learning and strategic improvement:**  
Install systemwide heat sensors and a sprinkler system that is activated by the heat preceding fires.  
(50–65%)



**Organizational analysis and innovation:**  
Use fireproof and fire-retardant materials. Replace combustible liquids with water-based liquids. Sensors and sprinklers become the secondary line of protection, with prevention the primary approach for protection.  
(70–100%)

# APPLYING FOR THE MALCOLM BALDRIGE NATIONAL QUALITY AWARD

The Malcolm Baldrige National Quality Award is the highest level of national recognition for performance excellence that a U.S. organization can receive. The award promotes

- awareness of performance excellence as an increasingly important element in competitiveness
- the sharing of information on successful performance strategies and on the benefits derived from using these strategies

Organizations apply for the award in one of six eligibility categories:

- manufacturing
- service
- small business
- education
- health care
- nonprofit

Up to 18 awards may be given across the six eligibility categories each year. Whatever your award eligibility category, you will need the *Baldrige Award Application Forms* before applying. You can download the document, as well as fillable Microsoft Word forms, from [http://www.nist.gov/baldrige/publications/award\\_application.cfm](http://www.nist.gov/baldrige/publications/award_application.cfm).

## Application Process

Applying for the award is a two-step process:

- **Submit an eligibility certification package.** In the first part, you certify that your organization meets eligibility requirements.
- **Submit an award application package.** In the second part, you submit an award application (on CD or on

paper) that addresses the Criteria for Performance Excellence (pages 4–26).

You should use the Criteria in this booklet only if your organization is applying in the business eligibility categories (manufacturing, service, or small business) or the nonprofit eligibility category. If you apply in the education or health care eligibility category, your application should address the Education Criteria for Performance Excellence or the Health Care Criteria for Performance Excellence, respectively. For information on ordering or downloading *Education Criteria for Performance Excellence* and *Health Care Criteria for Performance Excellence* booklets, see pages 74–75 or <http://www.nist.gov/baldrige/publications>.

If your organization files an eligibility certification package, you may nominate a senior member of your staff to serve on the Board of Examiners for the Malcolm Baldrige National Quality Award. To reserve a place on the board for a staff member, submit your eligibility certification package by March 1, 2011, for the 2011 award cycle and by February 28, 2012, for the 2012 award cycle. For other due dates, see the box below. For detailed information on the eligibility certification package, the award application package, deadlines, and fees, see the *Baldrige Award Application Forms*, which can be downloaded at [http://www.nist.gov/baldrige/publications/award\\_application.cfm](http://www.nist.gov/baldrige/publications/award_application.cfm).

## Application Review

A team from the Board of Examiners, which adheres to strict rules regarding conflict of interest, reviews each award application against the Criteria for Performance Excellence using the following process:

- **Independent and Consensus Review:** Members of the Board of Examiners review the application (1) independently and (2) as a team led by a senior or alumni examiner.

### Application Deadlines for the 2011 and 2012 Award Cycles

	<u>2011</u>	<u>2012</u>
<b>Eligibility certification packages</b>		
With a nomination to the Board of Examiners	March 1	February 28
Without a nomination to the Board of Examiners	April 12	April 3
<b>Award application packages</b>		
Submitted on CD	May 3	May 1
Submitted on paper	May 17	May 15

For fees related to applying for the Baldrige Award, see the *Baldrige Award Application Forms* booklet ([http://www.nist.gov/baldrige/publications/award\\_application.cfm](http://www.nist.gov/baldrige/publications/award_application.cfm)).

- **Site Visit Review:** Higher-scoring organizations receive site visits.
- **Judges' review:** The Panel of Judges conducts final reviews and recommends award recipients.

The identity of all applicant organizations remains confidential unless they receive the award. The Baldrige Program treats all information submitted by applicants as strictly confidential and has numerous protocols and processes in place to protect the organizations and help ensure the integrity of the award.

## Award Recipients

Award recipients may publicize and advertise their awards. Recipients are expected to share information about their successful performance strategies with other U.S. organizations.

## Fees for the 2011 and 2012 Award Cycles

Information on current fees related to applying for the Malcolm Baldrige National Quality Award is available at [http://www.nist.gov/baldrige/publications/award\\_application.cfm](http://www.nist.gov/baldrige/publications/award_application.cfm). Note: the program anticipates a rise in fees in the 2012 award cycle, as well as possible increases thereafter. Such increases would be based on related changes in the Consumer Price Index.

## Feedback to Applicants

Feedback is one of the most important parts of the Baldrige Award process; it provides a pathway for improvement.

At the conclusion of the review process, each award applicant receives a feedback report—a written assessment by an evaluation team of leading U.S. experts. The report contains an applicant-specific listing of strengths and opportunities for improvement based on the Criteria. Used by organizations in their strategic planning, the feedback report helps organizations focus on their customers and improve overall performance.

Feedback reports are mailed at various times during the award cycle based on the stage of review an applicant reaches in the evaluation process. Strict confidentiality is observed at all times and in every aspect of application review and feedback.

**If your organization is applying in either the education or the health care category, refer to the appropriate sector-specific Criteria booklet. For ordering information, see pages 74–75 or <http://www.nist.gov/baldrige/publications>.**



## SUMMARY OF ELIGIBILITY REQUIREMENTS

Organizations that are headquartered in the United States, including U.S. subunits of foreign organizations, may apply for the award. For eligibility purposes, overseas U.S. military installations and embassies do not constitute U.S. territories.

To be eligible, your organization must

- have existed for at least one year
- have the operational practices associated with all of its major organizational functions available for examination in the United States or its territories
- be able to share information on the seven Criteria categories at your organization's U.S. facilities and The Quest for Excellence® Conference.

Eligibility rules for the business and nonprofit categories are summarized here. For summaries of education and health care eligibility rules, see the respective Criteria booklets.

### Eligibility Categories

#### Business

Eligible for-profit businesses include publicly or privately owned corporations, joint ventures, sole proprietorships, partnerships, and holding companies in three categories:

- **Manufacturing organizations** that produce and sell manufactured products or manufacturing processes, or produce agricultural, mining, or construction products
- **Service organizations** that provide or sell services
- **Small businesses** that have 500 or fewer paid employees; are engaged in manufacturing and/or the provision of services; and are discrete, independent entities

#### Nonprofit

Nonprofit and government organizations including local, state, and federal government agencies; trade associations; charitable organizations; social service agencies; credit unions; and professional societies are eligible to apply in this category.

An education or health care organization may choose to apply in the education or health care category, using the Education Criteria for Performance Excellence or the Health Care Criteria for Performance Excellence, or, as appropriate, in

the service, small business, or nonprofit category, using the Criteria for Performance Excellence (the Business/Nonprofit Criteria).

If you have a question about eligibility, see the complete description of eligibility requirements in the Baldrige Award Application Forms ([http://www.nist.gov/baldrige/publications/award\\_application.cfm](http://www.nist.gov/baldrige/publications/award_application.cfm)) or call the Baldrige Performance Excellence Program at (301) 975-2036.

### Eligibility Restrictions

#### Parent Organizations and Subunits

The larger organization that holds or has control of a subunit is the “parent”—the highest level of an organization that is eligible to apply for the award. To be eligible, subunits must be recognizable as discrete entities; be easily distinguishable from the parent and its other subunits; be self-sufficient enough to be examined in all seven Criteria categories; have a clear definition of “organization” reflected in their literature; and function as business or operational entities, not as activities assembled to write an award application.

A subunit and its parent may not both apply for awards in the same year. Depending on the number of employees, up to five subunits of a single parent organization may apply for the award during the same award cycle.

#### Award Recipients

Award recipients are ineligible to apply for the award again for five years. However, they may submit award applications to receive feedback only during those five years. After five years, recipients may apply for the award or, if they wish, for feedback only.

Similarly, if a subunit with more than 50 percent of the total employees of the parent receives an award, the parent organization and all its subunits are ineligible to apply for the award for five years. They may submit award applications to receive feedback only during those five years. If any subunit of an organization receives an award, that subunit and all its subunits are ineligible to apply for the award for five years, but they may also submit award applications to receive feedback during those five years.

## HOW TO OBTAIN BALDRIGE PERFORMANCE EXCELLENCE PROGRAM MATERIALS

**Note: If you are planning to apply for the award, you will need the *Baldrige Award Application Forms* in addition to the *Criteria* booklet.**

### Criteria for Performance Excellence and Award Application Forms

#### Individual Copies

You may download the *Criteria* booklets and the Baldrige Award Application Forms from <http://www.nist.gov/baldrige>. Individual copies of the *Criteria* booklets and paper copies of the Baldrige Award Application Forms are available free of charge from

Baldrige Performance Excellence Program  
National Institute of Standards and Technology  
Administration Building, Room A600  
100 Bureau Drive, Stop 1020  
Gaithersburg, MD 20899-1020  
Telephone: (301) 975-2036  
Fax: (301) 948-3716  
E-Mail: [baldrige@nist.gov](mailto:baldrige@nist.gov)

#### Bulk Orders

Packets of ten copies of the *Criteria* booklets are available for \$39.95 per packet (plus shipping and processing) from the American Society for Quality (ASQ). (See “Ordering from ASQ” on page 75.)

*2011–2012 Criteria for Performance Excellence* (referred to as the Business/Nonprofit *Criteria*)—Item Number T1535

*2011–2012 Education Criteria for Performance Excellence*—Item Number T1534

*2011–2012 Health Care Criteria for Performance Excellence*—Item Number T1536

### Baldrige Educational Materials

Each year, the Baldrige Performance Excellence Program develops materials to train members of the Board of Examiners and share information on the successful performance excellence strategies of award recipients. The following items are samples of these materials. For the full list, see <http://www.nist.gov/baldrige>.

#### Case Study Packets

Case study packets contain a case study (a fictional Baldrige Award application), a scorebook, a feedback report, and an executive summary. When used with the related *Criteria for Performance Excellence* booklet, the case studies are valuable resources to Baldrige Award applicants and other *Criteria* users. They illustrate the award application, review, and feedback process; show the format and general content of an application; and furnish information on scoring. Case study packets based on fictional organizations from the business, nonprofit, health care, and education sectors are available in PDF format from <http://www.nist.gov/baldrige/publications>. The following are a few examples of these case study packets:

**2010 Nonprofit Case Study Packet: NuGrain Laboratories** (based on the *2009–2010 Criteria for Performance Excellence*)

**2009 Education Case Study Packet: Nightingale College of Nursing** (based on the *2009–2010 Education Criteria for Performance Excellence*)

**2008 Manufacturing Case Study Packet: Novel Connect** (based on the *2008 Criteria for Performance Excellence*)

**2007 Nonprofit Case Study Packet: Share Food** (based on the *2007 Criteria for Performance Excellence*)

**2006 Health Care Case Study Packet: Arroyo Fresco Community Health Center** (based on the *2006 Health Care Criteria for Performance Excellence*)

**2005 Business Case Study Packet: Landmark Dining, Inc.** (based on the *2005 Criteria for Performance Excellence*)

**2004 Education Case Study Packet: Sandy Hill School District** (based on the *2004 Education Criteria for Performance Excellence*)

**2003 Business Case Study Packet: GeoOrb Polymers, North America** (based on the *2003 Criteria for Performance Excellence*)

**2002 Health Care Case Study Packet: CapStar Health System** (based on the *2002 Health Care Criteria for Performance Excellence*)

**2001 Business Case Study Packet: TriView National Bank** (based on the *2001 Criteria for Performance Excellence*)



## Ordering from ASQ

ASQ offers four convenient ways to order:

- For fastest service, call toll-free (800) 248-1946 in the United States and Canada (in Mexico, dial toll-free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) your ASQ member number ready.
- Fax your completed order form to ASQ at (414) 272-1734.
- Mail your order to ASQ Customer Care Center, P.O. Box 3005, Milwaukee, WI 53201-3066.
- Order online: <http://www.asq.org>.

### Payment

Payment options include check, money order, U.S. purchase order, Visa, MasterCard, or American Express. Payment must be made in U.S. currency; checks and money orders (payable to ASQ) must be drawn on a U.S. financial institution. All international orders must be prepaid.

## Shipping and Processing

Order Amount	U.S.	Canada	Outside U.S./Canada
Up to \$34.99	\$ 4.25	\$ 9.25	25% of order amount
\$35.00–\$99.99	6.50	11.50	
\$100.00 or more	12.50*	17.50*	

*\*If actual shipping charges exceed \$12.50 (\$17.50 Canadian), ASQ will invoice you for the additional expense.*

- Orders within the continental United States and Canada will be shipped by UPS when available.
- Your credit card will not be charged until your items are shipped. Shipping and processing are charged once, up front, for the entire order.
- Please allow one to two weeks for U.S. delivery and six to eight weeks for international delivery.

**The Baldrige Performance Excellence Program welcomes your comments on the Criteria or any of the Baldrige Award processes. Please address your comments to**

2011–2012 Criteria for Performance Excellence  
Baldrige Performance Excellence Program  
National Institute of Standards and Technology  
Administration Building, Room A600  
100 Bureau Drive, Stop 1020  
Gaithersburg, MD 20899-1020

E-Mail: [baldrige@nist.gov](mailto:baldrige@nist.gov)  
Web Site: <http://www.nist.gov/baldrige>

## INDEX OF KEY TERMS

Note: Page number references to “C2” and “C3” refer to the inside front cover and inside back cover, respectively.

### A

achievement level, 61, 67  
action plans, 7, 10–12, 16–19, 23–24, 28, 31, 38, 43, 54, 56, 58, 62, 67, 69  
actionable information, 13, 39  
agility, 7, 11, 16, 22, 27–28, 36, 45, 49–51, 55, 62  
alignment, 11, 16, 18, 31, 37–38, 40, 42–44, 46, 54–56, 59, 65–66, 68  
American Society for Quality (ASQ), C2, 74–75  
analysis, 1, 3, 12–13, 16–17, 23, 28, 31, 38–44, 46, 52, 56, 61–62, 65, 68  
anecdotal, 31, 56, 68  
approach, 6, 8–10, 22, 25–27, 30–31, 34, 37–38, 43, 45, 49–51, 55–59, 61, 63, 65–66, 68; *see also* systematic approach  
areas to address (areas), 1, 27, 29, 31, 67  
assessment, 3–4, 6, 9, 17, 19, 27, 29–30, 40, 47–48, 55, 61, 72, C3  
award cycle, 71–73  
award recipients, C2, 2, 72, 74, C3

### B

basic requirements; *see* requirements  
benchmark(s), 11, 13, 16, 35, 40, 46, 51–52, 56–57, 60, 66, 69  
best practices, 16–17, 37, 40, 49, 51–52, 56, 60  
Board of Examiners, C2, 71, 74, C3  
Board of Overseers, C2  
business category, 71, 73

### C

capability; *see* workforce capability  
capacity; *see* workforce capacity  
categories  
– award eligibility categories, 71, 73, C3  
– Criteria categories, 1, 3, 5, 28, 30, 32, 34, 50, 54, 66, 68–69, 71, 73  
change management, 18, 52

collaborators, 4–5, 16–17, 21, 41–43, 45–46, 57, 60, 62–63  
community  
– hiring and customer, 18, 57  
– service, 5, 43, 53  
comparative data, 6, 16, 23–26, 30, 40–41, 57, 69  
compensation and recognition, 8, 19–20, 27, 38, 43  
competitors, 5–6, 10–11, 13–14, 16, 23–24, 31, 33, 35, 38–42, 50, 52, 57, 61, 63, 66  
complaint, 13–14, 40, 47–48, 50, 60, 63  
compliance  
– legal, 8–9, 25, 48  
– regulatory, 8–9, 25, 48, 60  
confidentiality, 17, 72  
conflict of interest, 9, 71  
continuous improvement, 16, 20, 45, 51  
core competencies, 4–5, 8, 10, 12, 18–19, 21, 23, 31, 34–38, 41, 43, 45–46, 51, 54, 57, 59–60, 62, 63  
core values and concepts, 49–51, 54–55  
Criteria for Performance Excellence, 1, 3–4, 27, 29, 49, 56, 61, 71, 73–75, C3  
Criteria Response Guidelines, 29  
critical success factors, 45  
“customer,” 57  
– customer-driven excellence, 37, 49–50, 57  
– engagement, 3, 7, 11, 13–14, 24, 36–37, 39–40, 43, 48, 50, 57–58, 63  
– listening, 13, 24, 27, 39, 63; *see also* voice of the customer  
– loyalty, 15, 27, 39–42, 50, 54, 57  
– retention, 15, 47, 50, 57, 60  
– satisfaction, 13–14, 22, 24, 26, 39, 41, 46–47, 60  
– support, 4, 6, 13–15, 22, 28, 40, 51, 63  
cycle time, 8, 22–23, 42–43, 45–46, 48, 51–52, 57–58, 60–61, 63

### D

deployment, 6, 9, 11–12, 30–32, 40, 55–57, 59, 61, 66–68  
distance learning, 42, 44, 51  
distributors, 5, 10, 57  
diversity, 4, 11, 24, 55, 57, 63

### E

e-learning, 42  
Education Criteria for Performance Excellence, 71, 73–74  
“effective,” 57  
eligibility, 71, 73  
employee; *see also* workforce  
– contract, 18, 63  
empowerment, 36, 38, 58, 64  
engagement; *see* workforce engagement  
ethics (ethical behavior), 7–9, 19, 25, 35–36, 48–49, 52–53, 55, 58–59  
excellence; *see* performance excellence

### F

feedback, C2, 1, 9, 13–14, 31, 39, 49, 55, 59, 66–67, 69, 72–74  
fees, 71–72  
financial performance, 26, 42, 46, 48, 52, 60–61, 63  
fiscal accountability, 8, 25, 48, 60  
focus on results and creating value, 49, 54  
focus on the future, 49, 52  
Foundation for the Malcolm Baldrige National Quality Award, C2, C3

### G

gap, 4, 11, 31, 67–68  
goals, 6, 8, 10–11, 18, 23, 31, 33, 39, 41, 46, 51–52, 55–61, 65–66; *see also* quantitative goals and stretch goals  
governance, 1, 3–5, 7–9, 23, 25, 34–36, 46, 48–49, 52–53, 55, 58

- H**
- Health Care Criteria for Performance Excellence, 71, 73–74
  - high performance, 7, 18–19, 33, 35–36, 43–44, 57
  - high-performance work, 19–20, 43–44, 51, 58–59
  - “how,” 31, 59
  - human resource plans, 6, 11, 24, 38, 43, 46; *see also* workforce plans
- I**
- improvement
    - “breakthrough,” 31, 33, 41, 55–56, 58–60, 66
    - continuous, 16, 20, 45, 51
    - discontinuous (nonincremental), 33, 56, 58–59
  - indicators; *see* “measures and indicators”
  - individual development plans, 44
  - innovation, C2, 6–7, 10–11, 13–14, 16–17, 19, 23, 31, 35–38, 40–43, 45–47, 49, 51–52, 55, 58–59, 61, 65–66, 68, 70; *see also* managing for innovation
  - integration, 6, 30–32, 39–40, 52, 54–56, 59, 61, 66–69
  - intelligent risks, 7, 10, 38, 51–52
  - ISO, 6, 11, 22, 47
  - item requirements; *see* requirements
  - items, 1, 3, 5, 7–8, 11–12, 17, 20, 23, 29–34, 46–47, 55–57, 59–60, 62–63, 66–69, 74–75
- K**
- “key,” 59
  - key factors, [4, 6], 9–10, 18, 36–37, 46, 55, 63–64, 67
  - knowledge assets, 16–17, 42–43, 51, 59
  - knowledge management, 1, 3, 12, 16–17, 28, 40, 42, 44–45
- L**
- leadership
    - competitive, 38
    - visionary, 49
  - leadership system, 7–8, 46, 59
  - Lean Enterprise System, 6, 22, 45
- “learning,” 59–60, 66
- organizational and personal learning; *see* organizational learning
- “levels,” 60, 66
- linkages, 1, 5, 12, 29, 45–46, 54–56
- listening and learning, 39; *see also* customer listening
- M**
- Malcolm Baldrige National Quality Award, C2, ii, 2, 71–72, C3
  - management by fact, 49
  - managing for innovation, 49, 52
  - maturity (organizational learning), 6, 9, 30–31, 38, 51, 55, 59, 63, 69–70
  - measurement, C2, 1, 3, 11–12, 16–17, 28, 32, 40, 46, 52, 60–61, 63
  - “measures and indicators,” 60
  - mentoring, 20, 36, 44
  - mission, 4–7, 9, 18, 20, 30, 34, 45, 57–60, 63–64, 69
  - multiple requirements; *see* requirements
- N**
- National Institute of Standards and Technology, C2, 74–75
  - nonprofit category, 71, 73, C3
- O**
- opportunities for improvement (OFIs), 19–20, 35, 55, 61, 66, 72; *see also* strengths
  - organizational
    - and personal learning, 37, 46, 49, 51, 60–61
    - culture, 4, 7, 14, 19, 27, 36, 40, 48, 50, 58, 63
    - knowledge, 10, 17, 22–23, 40, 42–43, 54
  - Organizational Profile, 1, 3–6, 9–10, 14, 22–23, 30–32, 34, 55, 66–68
  - overall requirements; *see* requirements
- P**
- partners, 4–5, 7–8, 10–11, 16–17, 21, 38, 41–43, 45–46, 49, 51–52, 54, 57–60, 62–63; *see also* valuing workforce members and partners
- “performance,” 60; *see also* results
- customer-focused, 23, 47, 60
  - excellence, C2, 39, 49, 54, 61, 63, 70–71
  - financial and marketplace, 26, 48, 60–61, 63; *see also* financial performance
  - management, 1, 9, 19, 30–31, 36, 49, 52, 54, 56, 59, 61
  - operational, 23, 37, 42, 45–47, 52, 60, 63; *see also* results, process effectiveness
  - product, 23, 46–47, 60, 63
  - projections, 11, 41–42, 58, 60–61
  - workforce, 19, 42
- “process,” 61, 66
- processes
- business processes, 39, 45
  - support processes, 21–22, 45, 63
  - work process design, 22, 28, 45–46
  - work process management, 22, 28, 45
  - work processes, 3, 16, 18, 21–22, 31, 37–38, 45, 52, 56–59, 63–64
- productivity, 7, 19, 21–23, 37, 40, 42, 46–47, 51–52, 56, 58, 60–61, 63
- projections, 10–11, 17, 28, 38, 41–42, 52, 58, 60–61, 69; *see also* performance projections
- proprietary information, C2
- Public Law 100-107, C3
- “purpose,” 61
- Q**
- quantitative goals, 58, 65
  - Quest for Excellence Conference, C2, ii, 73, C3
- R**
- recruitment, 35, 56
  - regulatory environment, 4, 10, 35, 62
  - requirements
    - basic, 56, 68–69
    - item, 5, 9, 29–31, 56, 59–60, 66, 68–69
    - multiple, 29, 60, 68–69
    - overall, 60, 68–69
  - resource allocation, 10–11, 37, 52, 62
  - resource conservation, 8–9, 25, 36, 52–53

“results,” 61, 66; *see also* performance  
*and* focus on results and creating value  
 – business, 19, 56–57  
 – customer-focused, 24, 46, 48  
 – financial and market, 26, 48  
 – leadership and governance, 25, 48  
 – process effectiveness, 23, 46–47  
 – product, 23, 46–47  
 – workforce-focused, 20, 24, 48  
 rework, 21  
 risks, 7–8, 10–11, 25, 37–38, 52, 62  
 role-model organization, 10, 36, 53

## S

safety  
 – workforce, 4, 9, 19, 24–25, 42–43, 48  
 – workplace, 18, 44  
 sanctions, 48  
 scoring guidelines, 5, 29–33, 54–56, 63, 68–70  
 scoring range, 67, 69  
 scoring system, 3, 6, 9, 29, 31, 56–57, 59–61, 66, 70  
 segment, 5, 10, 13–14, 18–19, 26, 40, 61–62, 66  
 senior leaders, 4, 7–9, 12, 19, 25, 34–36, 40, 45, 48–49, 54, 56, 58, 62–63  
 Six Sigma, 6, 8, 22, 32–33, 45, 47  
 social media, 13, 35, 40, 42  
 societal responsibility, 3, 6, 11, 25, 35, 46, 49, 53  
 stakeholders, 4, 7–8, 10–11, 22, 25–27, 36, 43, 45–46, 49, 52, 54–55, 57–59, 61–63  
 strategic advantages, 6, 10, 27, 35, 37, 62  
 strategic challenges, 1, 6, 10, 18–19, 34–35, 37, 62  
 strategic objectives, 7–8, 10–12, 16–18, 23, 31, 37–38, 40, 43, 45, 47, 51, 54, 56, 58, 62, 67  
 strengths, 10–11, 35, 37–38, 51, 55, 61, 66, 72; *see also* opportunities for improvement (OFIs)  
 stretch goals, 39, 41, 58  
 succession planning, 7, 19, 36, 52, 58  
 suppliers, 4–5, 7–8, 10–11, 16–17, 21–22, 35, 38, 41–43, 45–46, 51–52, 54, 57–59, 62, 63  
 supply-chain management, 8, 22, 27–28, 45–47, 63

sustainability, 10, 21–22, 26, 34–37, 39–40, 42–43, 45, 48–52, 60–62, 66  
 sustainable, 7, 35, 57, 62–63  
 systematic, 14, 31, 44, 51, 56, 63, 66, 68  
 systematic approach, 31, 65, 68; *see also* approach  
 systems perspective, 27, 49, 54, 55

## T

technology, 3, 5–6, 9–10, 12, 16–17, 21–22, 35, 37, 42–43, 45–46, 57, 59, 62  
 trend data, 32, 66, 69  
 “trends,” 63, 66

## V

value, 6–7, 12, 15, 21–22, 29–30, 36, 42, 45–46, 48–52, 54–55, 57, 59–61, 63  
 value added, 42, 61  
 value creation, 12, 22, 45, 63; *see also* focus on results and creating value  
 values, 1, 4, 7, 25, 34–36, 43, 49, 54–55, 58–59, 61, 63

valuing workforce members and partners, 49, 51  
 vision, 4, 7, 20, 25, 34–35, 58–59, 63–64  
 visionary leadership; *see* leadership  
 voice of the customer, 3, 13, 28, 39, 50, 63

## W

waste reduction, 42, 52, 60  
 “what,” 31  
 “workforce,” 18, 63; *see* valuing workforce members and partners  
 – capability, 11–12, 18, 24, 38, 42–43, 57, 62, 64  
 – capacity, 11–12, 18–19, 24, 28, 38, 42–43, 48, 57, 64  
 – engagement, 3, 19, 24, 27–28, 43–45, 48, 57–58, 64  
 – plans, 11, 24, 38  
 – turnover, 26, 42, 45, 48, 60  
 “work processes,” 63  
 work systems, 3, 7, 12, 18, 21–23, 31, 37–38, 43, 45, 51–52, 54, 56–57, 62–63







## THE BALDRIGE PERFORMANCE EXCELLENCE PROGRAM AND ITS IMPACTS

*The Malcolm Baldrige National Quality Award was created by Public Law 100-107 and signed into law on August 20, 1987. Public Law 100-107 led to the creation of a new public-private partnership. Principal support for the program comes from the Foundation for the Malcolm Baldrige National Quality Award, established in 1988.*

*The award is named for Malcolm Baldrige, who served as secretary of commerce from 1981 until his death in 1987. His managerial excellence contributed to long-term improvement in the efficiency and effectiveness of government.*

*In 2010, as a result of a branding study, the program's name was changed to the Baldrige Performance Excellence Program.*

On August 20, 1987, President Ronald W. Reagan signed the "Malcolm Baldrige National Quality Improvement Act of 1987," establishing a program that many credit with making quality a national priority and helping to revitalize the U.S. economy during the 1990s. Today, the Baldrige Performance Excellence Program and the Baldrige Award recipients are imitated and admired worldwide. More than 30 states and many countries, including Japan, have programs modeled after Baldrige. In particular, the Baldrige Criteria for Performance Excellence are widely used as an assessment and improvement tool. Millions of print and electronic copies of the Criteria have been distributed.

In 1999, categories for education and health care were added to the original three categories: manufacturing, service, and small business. In 2007, a nonprofit category was added.

Impacts of the program have been far-reaching:

- Since the Baldrige Program's inception in 1987, there have been nearly 1,500 applicants for the Malcolm Baldrige National Quality Award. These applicants have received vigorous evaluations by the Board of Examiners, using the Criteria for Performance Excellence.
- Through 2009, 84 award recipients have been selected across six categories: 28 manufacturing companies, 15 service companies, 19 small businesses, 8 education organizations, 11 health care organizations, and 3 nonprofit organizations.
- There are more than 35 active state and local, regional, and sector-specific quality award programs based in states throughout the country. All of these programs are modeled to some degree after the Baldrige Performance Excellence Program, and their award criteria are based on the Criteria for Performance Excellence.
- From 1996 to 2009, 45 of the 60 Baldrige Award recipients were previous winners in state award programs.
- Since 1991, there have been nearly 11,800 applications for state and local quality awards.
- Since 1988, the Baldrige Program has trained about 8,800 examiners. Since 1991, the state and local programs have trained more than 39,000 examiners.
- The Quest for Excellence conferences have reached approximately 21,300 attendees over the Baldrige Program's history.

*The Baldrige Program thanks the following 2008 and 2009 award recipients for the use of the photographs in this booklet: Cargill Corn Milling (2008, manufacturing); Honeywell Federal Manufacturing & Technologies, LLC (2009, manufacturing); MidwayUSA (2009, small business); and the VA Cooperative Studies Program Clinical Research Pharmacy Coordinating Center (2009, nonprofit).*

**Baldrige Performance Excellence Program  
National Institute of Standards and Technology  
United States Department of Commerce**

Administration Building, Room A600  
100 Bureau Drive, Stop 1020  
Gaithersburg, MD 20899-1020

Telephone: (301) 975-2036 • Fax: (301) 948-3716  
E-Mail: [baldrige@nist.gov](mailto:baldrige@nist.gov) • Web Site: <http://www.nist.gov/baldrige>

The National Institute of Standards and Technology (NIST), an agency of the U.S. Department of Commerce, manages the Baldrige Performance Excellence Program. NIST has a 100-plus-year track record of serving U.S. industry, science, and the public with a mission and approach unlike any other agency of government. That mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST carries out its mission in four cooperative programs, including the Baldrige Performance Excellence Program. The other three are the NIST laboratories, conducting research that advances the nation's technology infrastructure and is needed by U.S. industry to continually improve products and services; the Hollings Manufacturing Extension Partnership, a nationwide network of local centers offering technical and business assistance to smaller manufacturers; and the Technology Innovation Program, which provides cost-shared awards to industry, universities, and consortia for research on potentially revolutionary technologies that address critical national and societal needs.

Call the Baldrige Program or visit our Web site for

- tools to help you improve the performance of your organization
- information on applying for the Baldrige Award
- information on becoming a Baldrige examiner
- profiles of Baldrige Award recipients
- individual copies of the Criteria for Performance Excellence—Business/Nonprofit, Education, and Health Care
- case studies and other Baldrige educational materials

**American Society for Quality**

600 North Plankinton Avenue  
Milwaukee, WI 53203

Telephone: (800) 248-1946 • Fax: (414) 272-1734  
E-Mail: [asq@asq.org](mailto:asq@asq.org) • Web Site: <http://www.asq.org>

By making quality a global priority, an organizational imperative, and a personal ethic, the American Society for Quality (ASQ) becomes the community for all who seek quality technology, concepts, or tools to improve themselves and their world. ASQ administers the Malcolm Baldrige National Quality Award under contract to NIST.

Contact ASQ to order

- bulk copies of the Criteria
- award recipients DVDs

T1535

