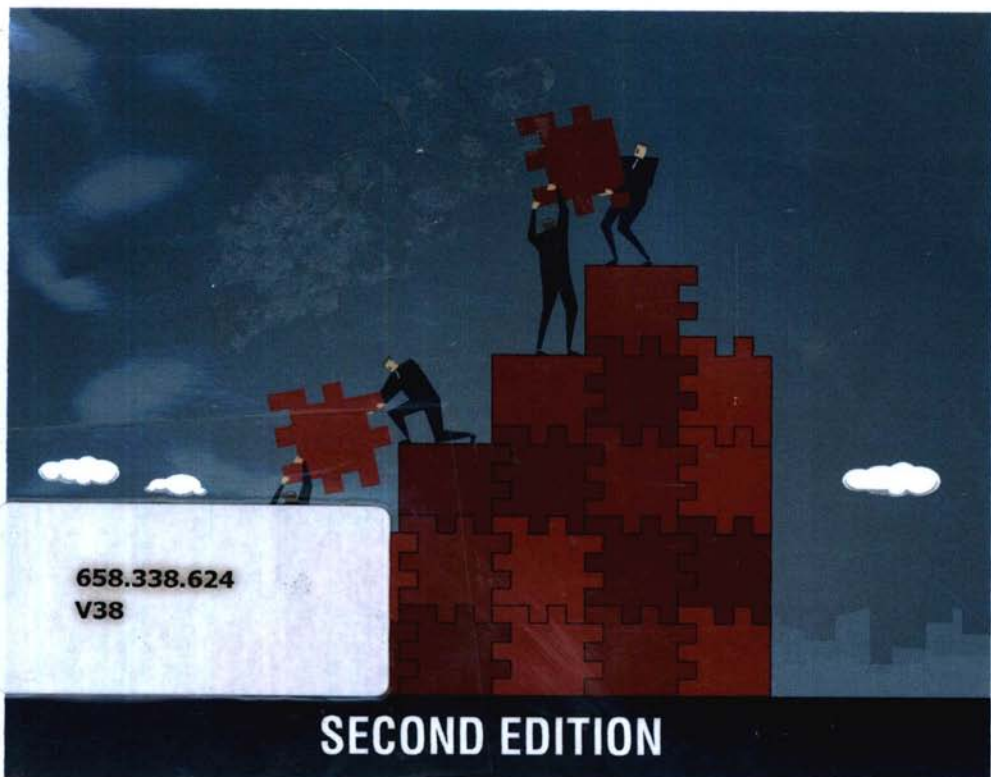


Baldrige

in Plain English

UNDERSTANDING PERFORMANCE EXCELLENCE



658.338.624
V38

SECOND EDITION

2017 – 2018 BALDRIGE EXCELLENCE BUILDER CRITERIA

John Vinyard

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Baldrige in Plain English

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Baldrige in Plain English

Understanding Performance Excellence

Second Edition
2017–2018

John Vinyard

ASQ Quality Press
Milwaukee, Wisconsin

American Society for Quality, Quality Press, Milwaukee, WI 53203

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Printed in the United States of America.

22 21 20 19 18 17 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data

Names: Vinyard, John, author.

Title: Baldrige in plain English: understanding performance excellence /
John Vinyard.

Description: Second Edition. | Milwaukee, Wisconsin : ASQ Quality Press,
[2017] | Revised edition of the author's *Baldrige for leaders*, [2016]

Identifiers: LCCN 2017001401 | ISBN 9780873899505 (softcover: alk. paper)

Subjects: LCSH: Malcolm Baldrige National Quality Award. | Total quality
management—United States. | Organizational effectiveness. | Performance.

Classification: LCC HD62.15 .V557 2017 | DDC 658.4/013—dc23

LC record available at <https://lccn.loc.gov/2017001401>

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Milwaukee, WI 53203-2914
E-mail: authors@asq.org

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Dedication

Dedicated to my wife, JoAnn Olson Vinyard.

*This book was her idea, and without her love and support
I would not have been able to dedicate the time
and attention to this effort.*

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Preface

Introduction

The *Baldrige Criteria for Performance Excellence (CPE)* model was created by Public Law 100-107, the Malcolm Baldrige National Quality Improvement Act, signed by President Reagan on August 20, 1987. The purpose of the legislation is to help improve the quality and productivity of American companies by promoting an awareness of performance excellence as an increasingly vital element in achieving a competitive edge.

Millions of copies of the Criteria have been distributed, and more than 1,600 organizations have applied for recognition at the national level since the award was created. Additionally, many thousands of organizations have applied for their local or state awards as a stepping-stone to applying for the award at the national level.

The award is managed by the Malcolm Baldrige National Quality Award (MBNQA) Office, under the National Institute of Standards and Technology (NIST), within the Department of Commerce.

The use of the CPE to improve performance has increased worldwide. This has spread not only to additional sectors such as education, healthcare, non-profit, and government organizations but also to organizations around the world. According to NIST there is an award program for all 50 states, and there are over 100 award programs across the world. A lead state program helps those states not covered by an award. In addition, approximately 79 award programs are located across the world. For example, in addition to the Deming Prize, there is a CPE-based award in Japan. Elements of the CPE are also used in the European Quality Award (EFQM) and Canadian Awards for Excellence (NIST, 2004 Presentation). Given the growth in both the types of organizations and the geography, we conclude that the CPE has truly become a global benchmark, and the CPE has become accepted as a worldwide standard for performance excellence.

For example, some of the fastest growing, most profitable, and largest companies in India are using the CPE as their basis for improvement. In some corporations, it is so pervasive that, if some of their division CEOs cannot score well on this scale, they are no longer allowed to use the corporate identity!

The definition of success for organizations of all types (profit seeking, non-profit, and government) is continuously changing and becoming increasingly complex. From the mid-1940s to the 1970s, the limited global competition allowed business leaders in the United States to focus mainly on financial results. The “party” ended sometime around 1980 when Xerox woke up to a situation where the Japanese were selling copiers in the United States for what it was costing Xerox to make them (Kotter & Heskett, 1992).

During the 1980s, quality became a key success factor and was directly linked to market and ultimately financial success. In the beginning, many proposed that producing high quality was simply too expensive. However, organizations eventually discovered that high quality resulted in reduced cost and increased market share. As the service industry and the knowledge worker industries in particular increased in size and importance, leaders discovered that talented passionate people are also a key to high quality and financial performance.

During the 1990s successful organizations became quite good at “connecting the dots” or as FedEx called it—“people, service, profit” (AMA, 1991). The bar is being raised once again to include sustainable results in three key areas: financial, environmental, and societal or as Elkington, Emerson, and Beloe (2006) call it—the triple bottom line.

Recently, and looking into the future, Truven (previously Thompson Reuters) stated: “According to the latest research, 65% of hospitals are likely to use the Baldrige Criteria for Performance Excellence as a systematic framework for performance improvement or as an internal assessment tool by 2018.”¹

Clearly, financial results alone are not enough to ensure a successful and sustainable organization. This is one of the reasons the holistic view of an organization, as represented by Baldrige, is attractive to these visionary organizations.

The CPE framework provides a high-level or “category” view of the holistic nature of the CPE. Within these 7 categories and the Organizational Profile there are 19 items. This book is written at the item level.

¹ http://truvenhealth.com/portals/2/assets/Baldrige_White_Paper_WEB2014.pdf

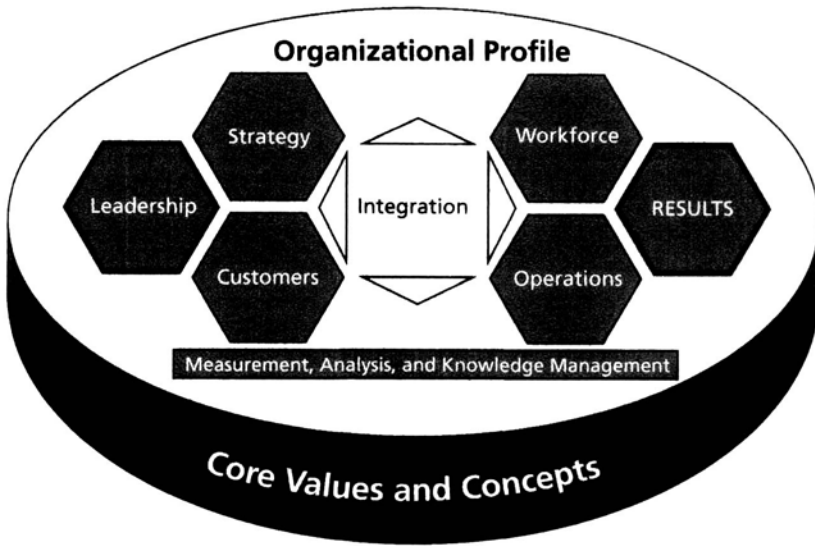


Figure 1 The CPE Framework

Source: NIST (2017–2018, p. 1)

For each item, the Baldrige Excellence Builder (BEB – Source NIST) questions (which are at a more macro level) are shown in the following format:



Baldrige Excellence Builder Questions

BEB Questions—*The Baldrige Excellence Builder (BEB) questions are the actual questions and notes (explanations). These are a subset of the full Criteria for Performance Excellence (CPE).*

This is provided through the courtesy of: The Baldrige Performance Excellence Program, National Institute of Standards and Technology (NIST), United States Department of Commerce, January 2017, Criteria for Performance Excellence, Gaithersburg, MD.

The terms in CAPS in the Criteria have definitions included in the glossary at the back of this book.

Reading the Criteria can be challenging; many people have difficulty understanding what all the elements mean on their first (or 10th?) reading. For those who become Baldrige examiners, the Criteria often “come alive” in their third year as an examiner. In that third year, the flow becomes clearer, the linkages make more sense, and the overall process is more evident. Many people and organizations, however, do not have three years to study and wait. Organizations entering this process need tools that can help them understand the CPE model and process quickly. This book is designed to make the process of understanding the CPE easier.

Following each selection of the CPE is a section with that particular part of the Criteria described as *Baldrige in Plain English*. This is an introduction to the basics of that particular area. It provides a common sense description of what the CPE questions are asking.



Baldrige in Plain English— With the Name of the Criteria Section

This is written as a *foundation* for understanding the Baldrige Criteria—hence the brick wall.

Following the Criteria, each section includes an introduction to the basics of the Area to Address. This is a common sense description of what the BEB in the particular *Area to Address* is trying to achieve. This explanation focuses on what the BEB actually means and what some organizations do, not just the questions in the BEB.

The focus is designed to help new and experienced users gain a better understanding of the BEB, the background as well as the meaning.

This book is a companion document with:

The Baldrige Users Guide: Eighth Edition

and

Baldrige for Leaders: Second Edition

All of these are published by ASQ Quality Press.

There are plenty of ways to run a business. We chose the Baldrige Framework as the basis for our business model. In hindsight, we have never regretted that decision—it has made us more successful and more sustainable.

LEE BUTLER, DON CHALMERS FORD, 2016 BALDRIGE RECIPIENT

Acknowledgements

The Malcolm Baldrige National Quality Award (Baldrige) began with a dream in the mid-1980s that ultimately resulted in legislation in 1987. Baldrige was designed to make U.S. organizations more competitive, but its impact has been worldwide.

Putting a book like this together reminds me of all the people who have really made a difference. This list of contributors starts with Curt Reimann, Harry Hertz, Bob Fangmeyer, and the entire Baldrige Team. These are some of the most professional and dedicated employees in our country. They are making a difference to our lives, our nation, and the quality of life for employees worldwide. The Baldrige Team is helping to improve our nation in a manner that will impact our children and grandchildren. These words were true when there were 40 staff members. They are even more true now that there are only 20 staff. Thank you.

Organizations that have embraced, and are using, the Criteria for Performance Excellence are more competitive in the marketplace and are better places to work. Those of us who have been fortunate enough to have worked closely with the NIST Baldrige Team have benefited every day from that association. Not only are they gifted professionals, but they tirelessly share their knowledge and experience to help others. They are always there for help or advice. I feel privileged to be their friend.

The use of this model is pivotal to organizational performance. At a time when many organizations want a handout from the government, I have not heard about any of those wanting a handout who are focused on the 11 core values of Baldrige, or who are using this model to try to turn their organizations around. I hope they see the value of the processes that Baldrige helps an organization to define, and the improved metrics those processes drive. That insight would help our nation and the world.

I also thank my office support staff—Jane Sonnet and Megan Jordan.

As with any list of acknowledgements, I know my list runs the risk of not mentioning someone who has been key to the development of my thoughts. In that vein, I thank all those who have worked with me over the years and who have shared their lessons, learning, knowledge, and wisdom. I feel those clients, coworkers, and friends are some of the most talented individuals in the world, and they are generous with their wisdom. Thank you, from my heart! I could not have written this without your excellence, your attitude of sharing, your friendship, and your help.

Organizational Profile

P.1 Organizational Description

P.1a ORGANIZATIONAL ENVIRONMENT

I don't want to be like every other car dealership. I want to lead the industry, that's why we chose the Baldrige framework.

GARY HOUSLEY, PRESIDENT, DON CHALMERS FORD,
2016 BALDRIGE RECIPIENT



Baldrige Excellence Builder Questions

What are your key organizational characteristics?

a. Organizational Environment

1. **Product Offerings:** What are your main product offerings*? What is the relative importance of each to your success? What mechanisms do you use to deliver your products?
2. **Mission, Vision, and Values:** What are your stated MISSION, VISION, and VALUES? What are your organization's CORE COMPETENCIES, and what is their relationship to your MISSION?
3. **Workforce Profile:** What is your WORKFORCE profile? What recent changes have you experienced in WORKFORCE composition or in your needs with regard to your WORKFORCE? What are:

- your WORKFORCE or employee groups and SEGMENTS?
- the educational requirements for different employee groups and SEGMENTS, and
- the KEY drivers that engage them in achieving your MISSION and VISION?

What are your organized bargaining units (union representation)? What are your organization's special health and safety requirements?

4. **Assets:** What are your major facilities, technologies, and equipment?
5. **Regulatory Requirements:** What is the regulatory environment within which you operate? What are the KEY applicable occupational health and safety regulations; accreditation, certification, or registration requirements; industry standards; and environmental, financial, and product regulations?

*For health care organizations, "product offerings" are health care services. For education organizations, "product offerings" are educational programs and services. See <http://www.nist.gov/baldrige/publications/criteria.cfm> for Baldrige frameworks tailored to the health care and education sectors.

NIST (2017–2018)



Baldrige in Plain English— Organizational Environment

The *Organizational Environment* portion of the Organizational Profile is focused on the internal aspects of the organization, including key product offerings (products and services); organizational culture; people; major technologies, equipment, and facilities; and the regulatory environment that the organization must operate within. The first question typically asks what the organization produces (for example, products and services). In the Criteria for Performance Excellence, NIST changed the definition of products: "'product offerings' and 'products' 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."

In many places in this book, the terms “products and services” are still used to remind the user that it is not just the products that are being addressed. Subsequent questions ask for a description of the internal characteristics of the organization. These descriptions will be used later to assess whether the organization is focusing on the most important aspects of their internal environment. For example, if there are several employee groups and one is in a nationwide shortage, the organization would be expected to take action to attract and retain employees in that particular group.

Product Offerings

Sometimes the identification of products, services, and operations is easy and straightforward, and sometimes it’s not. For example, for the local coffee shop entrepreneur, some might say that coffee is the central product, while others might say that a forum for the exchange of information is the primary product or service, and coffee is simply an enhancer. If the primary product is the latter, the coffee shop might offer free wireless Internet along with a variety of coffees and snacks. How these products and services are delivered is another decision. This portion of the Criteria also asks about the delivery mechanisms. How the products are delivered may have a significant impact on most of the organization’s actions, including communication, planning, deployment, measures, improvement cycles, and other actions. For the local coffee shop, delivery might be in the form of counter service, a drive-up window, and maybe even Internet ordering and mail delivery for coffee beans and accessories.

One of the key questions asked in this area has to do with “the relative importance of each (of the products or services) to your success” (NIST, 2017-2018, p.4). Without understanding the importance of each product and service (both now and in the future), an organization cannot make the right decisions or take the right risks and it may not succeed.

Mission, Vision and Values

The culture of the organization is a critical enabler to the organization’s direction and internal environment. If the culture is characterized by an open, collaborative, and creative operating style and is known for its innovation, then detailed procedures on information sharing might not fit. For example, at the local coffee shop, the desired environment may require a culture of teamwork focused on creating an atmosphere for information exchange, a place where as a customer, ‘everybody knows your name.’

The culture and purpose of the organization, along with its vision and values, help establish the areas of greatest importance to the organization’s success. Consider ownership, for example. If the owners

are the same as the customers, the central purpose of the organization may be different than if the owners are investors in a for-profit company. In this example, the cooperative type organization (where owners are customers) is typically focused on the greatest benefit to the members at the least expense.

The *mission* is the overall function of the organization, the *vision* is the desired future state, and the *values* are the guiding principles. Most organizations have lofty beliefs and values. The key, however, is the ability to turn these beliefs and values into actions and behaviors. To do this, some organizations have taken the values and translated them into behaviors that are expected of every employee in every transaction with every stakeholder. More advanced organizations have even taken the behaviors and expanded the definition of them to include behaviors that are not acceptable, and how you can recover if you demonstrate one of the unacceptable behaviors. Recovery from some behaviors, such as a breach of integrity, may not be possible.

Organizations that have hardwired the culture can clearly drive the mission, vision, and values:

- **Vision:** What do we want to be?
- **Mission:** What we will do to achieve the vision?
- **Values:** What are the beliefs we endorse and condone?

But, most organizations don't go further than this. Trust me—not everyone will synthesize these VMV the same way. These *must* be translated further into behaviors, tactics, and measures.

- **Behaviors:** What behaviors are/are not condoned?
- **Tactics:** How have you taught each behavior or how has the behavior been driven into the organization?
- **Measures:** How do you track each behavior in training or reality?

The organization should also be clear on its *core competencies* and their relationship to the mission. The core competencies drive the organization's competitiveness more than anything else. The organization should also be able to link core competencies to *success factors*, *strategic challenges*, *strategic objectives*, *strategic advantages*, *metrics tracked*, and *action plans*. See the glossary for the definition of each of these terms.

Workforce Profile

Now that we know what work is to be accomplished, as well as the culture (beliefs, norms, values, and behaviors) needed to accomplish it,

who is going to do the work? What type of employees does the organization use to accomplish the work? What is the breakdown of the knowledge, skills, and abilities required of the workforce? The employee demographics will impact the types and methods of measurement needed to find, acquire, develop, utilize, evaluate, and promote a workforce that is uniquely suited to the business. These demographics form the employee profile. However, the same types of employees, in different work environments, may have different requirements and may need to be classified differently. For example, an administrative assistant in an office environment will have different safety requirements than one in a factory. Also, we can control the work environment for a nurse in a hospital, but we may not be able to control the work environment for a home-care nurse.

For the local coffee shop, the workforce might consist of supervisors who are full-time employees and workers who are part-time employees and full-time students. The bigger question, of course, is what these two groups of employees need to be successful. The organization must understand the requirements for each position and employee group, so the steps necessary to meet those requirements can be included in the organization's plans.

Assets

After the work, the culture, and the employees are determined, the next questions are, "Where are we going to do the work, and what kind of equipment do you need?" Specifically, what are the organization's major technologies, equipment, and facilities—its assets? This will influence what is important to measure, how best to measure it, and how best to aggregate the data. The answer to this question, of course, varies widely depending on the type of business. A Fortune 100 "high tech" firm with operations around the world will have a very different answer to this question than the local coffee shop. The local coffee shop may only need a shop with furniture, some coffee-making equipment, and wireless Internet.

Regulatory Requirements

The last element of the organizational environment is the regulatory environment. What external rules and regulations must the organization comply with in order to do business? The regulatory environment is a key variable to understanding the most important measures in anticipating issues and preventing problems with areas of public well-being. This element, of course, is again very different for a nuclear power plant than it is for the local coffee shop down the street.

Most organizations are regulated by financial (IRS) and environmental (EPA) agencies, but it is also important to understand the regulatory agencies unique to the organization's industry. For example, a hospital is regulated by numerous groups and agencies that would not be important to an aerospace firm. Conversely, an aerospace firm may be regulated by Federal Aviation Administration (FAA) laws and regulations that would not apply to the hospital. Once again, these agencies are important because the training, measures, goals, objectives, required certifications, and actions should address the regulatory environment. The organization should seek to meet or exceed all regulations applicable to their industry and operations.

P.1b ORGANIZATIONAL RELATIONSHIPS

The price of greatness is responsibility.

WINSTON CHURCHILL



Baldrige Excellence Builder Questions

What are your key organizational characteristics?

b. Organizational Relationships

1. **Organizational Structure:** What are your organizational leadership structure and GOVERNANCE systems? 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 they play:

- in your WORK SYSTEMS, especially in producing and delivering your KEY products and CUSTOMER support services; and
- in enhancing your competitiveness?

What are your KEY mechanisms for two-way communication with suppliers, PARTNERS, and COLLABORATORS? What role, if any, do these organizations play in contributing and implementing INNOVATIONS in your organization? What are your KEY supply-chain requirements?

*For health care organizations, “customers” are the users of your health care services (e.g., patients, families, insurers, and other third-party payors). For education organizations, “customers” are the users of your educational programs and services (e.g., students and parents).

NIST (2017–2018)



Baldrige in Plain English— Organizational Relationships

With the internal environmental context of the organization established in (P.1a), the key relationships that impact the internal operations of the organization (P.1b) are reviewed.

Organizational Structure

The first question asks about the organizational structure and governance system. More specifically, what are the reporting relationships among the board of directors, senior leaders, and parent organization (if there is one)? Who are these people, what do they want, and how does the organization interact with them? The answer to these questions varies widely depending on size of the organization, the ownership structure, and the level of autonomy of the organization. For example, a single owner limited liability company (LLC) will have a very different board of directors than a publicly traded corporation.

Note: this area provides an opportunity to clearly describe a number of aspects of the organization including:

- The organization structure (chain of command)
- The relationships with other key groups (such as nursing shared governance councils or medical committees in health care)
- The parent organization (including key committees and shared services, as appropriate)
- Although it is not specifically asked for in the CPE, this is a good place to describe other factors that can help someone from the outside to understand the organization, such as:

Membership in key committees that are referenced in the application

Membership in key governing or leadership groups

Level of education or commitment of the leaders in the Baldrige Journey. (It is always interesting to assess an organization on performance excellence when its leaders have had little or no formal experience with the Criteria, processes, systems, or practices. It shows.)

Customers and Stakeholders

Key customer segments or groups are the second type of external relationships. These groups are typically determined by the differences in customer requirements. In other words, each segment should have different needs, wants, and desires; that's why it is in a separate customer segment.

The organization should prioritize customer needs, wants, and desires differently for each segment. For example, the local coffee shop might have several schemes for segmenting customers, including the "on-the-way-to-work" crowd, the traditional conversation crowd, and the technology crowd. The first two segments might not rate the wireless Internet as important to their experience, but the technology crowd probably would. The traditional conversation crowd might not rate speed of service as important, but the "on-the-way-to-work" crowd probably would. Thus, each segment may drink coffee and have similar coffee requirements (temperature, taste, etc.), but may have very different "experience" requirements. The processes used to segment customers should be described in Area 3.2.

The requirements for each segment should be reflected in the results reported in Area 7.1a (this is particularly true for health care applicants, many of which focus only on their clinical results in Item 7.1 and do not

report against customer requirements). Customer satisfaction, dissatisfaction, and loyalty (engagement) for each segment should be reported in Item 7.2.

Some organizations segment customers by their profitability or contribution to margin. For example, airlines often classify customers into cheap-fare infrequent leisure flyers; full-fare business flyers; and frequent flyers at various fares—the relationship mechanisms differ for each segment. Access to information, preferred seating, and so on varies with the status of the customer. The airlines spend less time impressing the infrequent super-saver passenger than they do the frequent business passenger. This strategy is simply a matter of allocating limited resources to areas having the greatest impact on the top line in a highly competitive environment. Service levels are appropriate for the price the consumer is willing to pay. Infrequent leisure travelers are generally not loyal to a particular airline; however, business travelers who are members of clubs and benefit from status programs are often very loyal.

Suppliers and Partners

Finally, suppliers are key to the quality of any organization's value chain. An old computer programmer saying warns, "Garbage in, garbage out." If suppliers do not provide quality products and services, then most organizations will not be able to provide excellence to their customers. An old supply chain saying warns, "We no longer compete company-to-company; we compete supply chain-to-supply chain."

What roles do suppliers and distributors play in your value-creation processes? This contribution to your success will be different for virtually every organization. Nevertheless, the effective integration of the supply chain into an organization's integrated value chain is critical in today's marketplace. For example, in a coffee shop, you can make lousy coffee from good beans, but you cannot make good coffee from lousy beans. In addition, if the Internet works only half the time then the experience for the technology crowd will suffer. Finally, how do you build relationships and communicate with customers and suppliers?

Supplier partners will be important to almost every organization in the next decade. As organizations excel at focusing on core competencies, they will increase their outsourcing of other functions. Therefore the need for relationship management with key suppliers, partners, and collaborators will grow. It is difficult, however, to successfully outsource key operations using the traditional *us vs. them* procurement processes and relationship techniques.

The future of the integrated supply chain network will require close relationships and increased sharing of information. The scope

and magnitude of your supplier, partner, and collaborator network will determine what is necessary to measure and how it can be used to improve performance of the entire supply chain system.

P.2 Organizational Situation

P.2a COMPETITIVE ENVIRONMENT

There is a tendency among some businesses to criticize and belittle their competitors. This is a bad procedure. Praise them. Learn from them. There are times when you can cooperate with them to their advantage and to yours! Speak well of them and they will speak well of you. You can't destroy good ideas. Take advantage of them.

GEORGE MATTHEW ADAMS



Baldrige Excellence Builder Questions

What is your organization's strategic situation?

a. Competitive Environment

1. **Competitive Position:** What is your competitive position? What are your relative size and growth in your industry or the markets you serve? How many and what types of competitors do you have?
2. **Competitiveness Changes:** What KEY changes, if any, are affecting your competitive situation, including changes that create opportunities for INNOVATION and collaboration, as appropriate?
3. **Comparative Data:** What KEY sources of comparative and competitive data are available from within your industry? What KEY sources of comparative data are available from outside your industry? What limitations, if any, affect your ability to obtain or use these data?



Baldrige in Plain English— Competitive Environment

The first two Areas to Address (in P.1) of the Organizational Profile focused on the organization itself—the organizational description and those areas they directly interface with such as customers, suppliers, and partners. The remaining three Areas to Address (in P.2) focus on the external environment in which the organization operates, and the methods used to continuously learn and improve to meet the challenges of that environment — the organizational situation.

Competitive Position

This begins with the organization’s standing in relation to its competitors. Who are its competitors? How fast is the market and industry growing? What success factors will determine who wins in the marketplace? How are the organization and its competitors doing against these key success factors? How does the organization know?

Experience has shown us that these are critical questions that are applicable to all organizations, even not-for-profit or governmental organizations. Even these organizations can be hurt competitively if they do not keep pace with the changes in the competition or changes in the required products and services.

Why are these questions important? In the for-profit free marketplace, the answers to these questions are critical when developing strategies to ensure continued success and sustainable results. For example, the local coffee shop’s position might be head-to-head competition with the local Starbucks. When Starbucks came to town, however, the customers loyal to the local coffee shop put bumper stickers on their cars that read “Friends don’t let friends drink Starbucks.” While Starbucks might make a fine cup of coffee, something else was at work here. The free wireless Internet at the local shop might have had something to do with it, but there were clearly other factors, including personal relationships between the customers and the owner of the local coffee shop. The good news may be that both coffee shops are thriving, perhaps because they serve different markets or customer groups. Each of them is focused on its particular product and service offerings and it is not trying to beat the other at their own game. A key question is how would each coffee shop know how it was doing vs. the other?

Years ago I worked with Boeing in Ft. Walton Beach, Florida. One of the history books about the region told the story of two movie theatres in town that were arch rivals. The owner of one theatre always ensured his son was first in line to buy a ticket at the competitor’s theatre every

morning. In the evening his son would run across town to buy the last ticket of the day. His dad would look at the two ticket numbers and calculate (through a sophisticated analysis technique called *subtraction* using the serial numbers on the tickets) how many customers his competitor had attracted that day. Nevertheless, some more sophisticated businesses don't even do this level of reconnaissance of their competitors. How can they make valid decisions if they don't know what their competitors are doing?

Competitiveness Changes

In previous years, the Criteria asked "What are the principal factors that determine your success relative to your competitors?" These were called *success factors*. We recommend that organizations do not lose sight of the success factors for their industry. In these few words, a question is asked that very few organizations can really answer: What are the few things anybody in your industry needs to be good at in order to succeed. The organization should benchmark other organizations that are the best at these things. These are the things the organization should invest in improving and these are the things leaders should consider as the *lifeline* of the organization. This need to understand what is critical to your success is also true in the not-for-profit world. For example, one of our clients stores 500,000 part numbers and processes thousands of shipments each week. They *must* be good at: 1) record accuracy, 2) storage discipline, 3) preparing orders for shipment, and 4) partnering with shipping and freight forwarding organizations. If they are not good at any one of these things, nothing else can make up for that shortcoming. Although *success factors* have been taken out of the Criteria, we think it is still a critical question, and can be very beneficial in helping an organization determine their strategic advantages.

The Criteria now asks about key changes taking place that affect competitiveness. This can help an organization identify the principal factors that determine success as a step toward recognizing the changes taking place and/or the opportunities for innovation and collaboration to favorably impact your competitiveness.

Comparative Data

Performance measures and competitive comparisons provide evidence to increase understanding of the competitive environment. Today's competitive environment requires advanced customer knowledge and understanding. It is one thing to understand the customers' stated wants and needs and it is quite another to understand what drives

their behavior and what they will actually pay for. If the organization understands what drives customer behavior better than its competitors, and aligns the organization's processes to address that behavior, it will often win in the marketplace. If you do not have comparative data, how do you know you are winning?

Performance measures can certainly be influenced by competitors. These are some of the areas of greatest importance for comparison. Comparisons help organizations and their leaders to understand gaps in performance and the magnitude of these gaps. They also help the organization to set realistic but meaningful targets.

The danger in comparisons is that they can limit the organization's improvement efforts, allowing it to only *catch up* with rather than *leap beyond* its competitors with innovative products, services, and processes. This is the comparison trap. Jim Collins warns that comparison is "the cardinal sin of modern life. It traps us in a game that we can't win. Once we define ourselves in terms of others, we lose the freedom to shape our own lives." Organizations are no different. Apple Inc. doesn't win in the marketplace because it is chasing its competitors' products and services. It wins by carving its own unique path and leading in the marketplace. Comparisons can help to drive an increased sense of urgency, but they need to be tempered with an understanding of the rate of change required to be a leader.

A competitive environment can be critical to future survival. It certainly will impact whether an organization merely *survives* or *thrives* in the future. Tang and Bauer, in their book *Competitive Dominance*, identify several competitive positions from "dead" to "follower" to "dominance." Knowledge of the competition and its performance, particularly through the customers' eyes, is key to developing strategies to overtake the competitor's position and dominate the market.

P.2b STRATEGIC CONTEXT

There are two ways of meeting difficulties: you alter the difficulties, or you alter yourself to meet them.

PHYLLIS BOTTOME



Baldrige Excellence Builder Questions

What is your organization's strategic situation?

b. Strategic Context

What are your KEY STRATEGIC CHALLENGES and ADVANTAGES in the areas of business, operations, societal responsibilities, and WORKFORCE?

NIST (2017–2018)



Baldrige in Plain English— Strategic Context

The strategic challenges focus on four main areas: 1) business challenges and advantages; 2) operational challenges and advantages; 3) societal responsibility challenges and advantages, and 4) workforce challenges and advantages. Strategic challenges are those things coming at the organization from the outside, things the organization does not control. The organization, however, must take internal action (normally through the strategic objectives and the associated action plans) to address these challenges if the organization is to remain competitive and sustainable. This is even true for nonprofit organizations. *Not-for-profit is a tax status, not a business model!*

The strategic advantages are the areas where the organization has a competitive advantage, and the factors that drive the competitive advantage are typically in the organizational objectives and are continuously strengthened and reviewed.

Business Challenges

Business challenges vary depending on the nature of the organization (i.e., for profit, nonprofit, government), but they often include how to keep black ink on the books! For example, local coffee shops are not the most highly capitalized firms in the country. Consequently, the business challenges are often focused on how to keep the cash flowing.

Operations Challenges

Operational challenges, on the other hand, generally focus on the organization's ability to meet the demands of the customers while

efficiently and safely meeting or exceeding regulatory requirements. This challenge can get even more complicated when there are multiple customer groups with a range of needs or demands. For example, at the coffee shop, satisfying the demands of the on-the-way-to-work crowd might be difficult when the line is also filled with other customer groups, such as the group that lingers for conversation and often orders food to go with their coffee.

Societal Responsibility Challenges

Societal responsibility challenges address the needs of the community (local, state, or national). For most organizations, these change frequently. Some of the changes are optional (supporting a local program), while others may be broader in scope and mandatory (nationally mandated programs).

Workforce Challenges

Finally, there are human resource challenges. These can be at the heart of what can make an organization thrive or struggle. For example, how does a coffee shop keep well-trained, motivated employees when the industry pay is relatively low and student workers graduate and create turnover on a regular basis?

Competitive Advantages

These are things the organization has been given, or has created, that provide an advantage in the competitive marketplace. This advantage could be internal (cost, schedule, or quality), or external (having to do with customer perception of value). For example, the local coffee shop had a geographic advantage before Starbucks moved to the neighborhood. No nearby competitor sold top-quality coffee. Once the geographic advantage was gone, the leaders of the local coffee shop needed to understand what else would drive customer behavior. That advantage (or differentiator) could be either products or services, but must be something that was valued by the customer.

P.2c PERFORMANCE IMPROVEMENT SYSTEM

There isn't a plant or business on earth that couldn't stand a few improvements—and be better for them. Someone is going to think of them. Why not beat the other fellow to it?

ROGER B. BABSON



Baldrige Excellence Builder Questions

What is your organization's strategic situation?

c. Performance Improvement System

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

NIST (2017–2018)



Baldrige in Plain English— Performance Improvement System

Performance Improvement System

This Area to Address focuses on the continuous improvement processes that are used throughout the organization. How does the organization systematically and continuously improve and stay current with the changing needs of the key stakeholders?

When we boil down the essence of most of the approaches to improvement, we find that they all follow the scientific method proposed by Shewhart and later refined by Deming. The scientific method includes four main steps or phases: plan, do, study, act (PDSA). The “study” step at one time was referred to as “check” (PDCA). This step, however, was changed by Deming to “study” to better reflect the meaning of the step, which is to study the results and learn from them as a basis for further action.

A few examples of applications of the PDSA cycle can include but certainly are not limited to these:

- Leadership System
- Strategy Development and Deployment
- The Performance Review Cycle
- The Employee Evaluation Cycle
- Organization Transformation (Baldrige Assessment and Improvement)
- Process Improvement (Continuous Process Improvement, Six Sigma, Lean).

These approaches, in order to create sustainable change, must incorporate culture, individual improvement, and information improvement, as needed. Any one of these without the others will not result in change that is lasting.

The improvement approach selected must be one that is understood and used throughout the organization. Although the Criteria do not ask for a *specific* type of improvement approach (such as plan-do-study-act), the examiners typically expect to understand what approach is used and why.

It is reasonable to use different approaches for different applications, but the reasons why each approach is used should be clear. Once the improvement approach or technique is understood, the Criteria specifically ask for the process used to maintain an overall focus on performance improvement.

- **Note:** Area to Address P.2c asks how the organization improves. Many organizations make one of two mistakes. Either they
1) describe improvement at such a high level that the reader cannot understand what the organization *specifically* does or
2) they list so many different types of improvement tools that the reader is confused as to what is used, when, and why.

It's key that performance improvement is used throughout any organization. It does not bode well for an organization if it is proud that it adopted a trendy technique early, has trained everybody, and nobody is using the technique. Everybody should be using the improvement techniques endorsed by the organization, not just a few employees.

Category 1—Leadership

1.1 Senior Leadership

1.1a VISION AND VALUES

As soon as a man climbs to a high position, he must train his subordinates and trust them. They must relieve him of all small matters. He must be set free to think, to travel, to plan, to see important customers, to make improvements, to do all the big jobs of leadership.

HERBERT N. CASSON



Baldrige Excellence Builder Questions

How do your senior leaders lead the organization?

a. Vision and Values

1. HOW do SENIOR LEADERS set your organization's VISION and VALUES?
2. HOW do SENIOR LEADERS' actions demonstrate their commitment to legal and ETHICAL BEHAVIOR?

NIST (2017–2018)



Baldrige in Plain English— Vision and Values

This Area to Address initiates an entire organization's focus on performance excellence as an effective business model (the Criteria for

Performance Excellence—CPE). If the leaders are not involved in the journey (the head of the organization and that person's direct reports), it will not work as a viable business model. They cannot delegate the commitment to the journey and expect anything tangible or valuable to happen down through the organization. Everyone down the organization knows what the leaders value—look at their calendars and see where they spend their time. This Area to Address starts with what the senior leaders believe, do, expect, and verify.

Setting Vision and Values

Clearly, senior leaders must define where the organization is headed, what they want the organization to be, the organization's values (and other beliefs), and acceptable behaviors during the journey. Frequently the shortcoming is not the lack of values, as many organizations have beautiful plaques on the wall touting a fairly routine set of values or beliefs. The shortcoming is the inability to translate the beliefs and values into behaviors and the lack of discipline to practice those behaviors every day in every transaction. (See the hierarchy to hardwire a culture shown in P.1a[2].) This is where the development of a leadership system is key. It is not intuitive what a 'systematic approach to lead' might include, but through a leadership system, the organization can begin to ensure that every leader, at every level, leads in the manner the senior leaders endorse.

The senior leaders must, at all times, model the behaviors they want to see throughout the organization. When senior leaders do that, they must also ensure that leaders at all levels in the organization act as role models 100% of the time if these foundational beliefs are to be taken seriously. If the leaders do not act as role models all of the time, the behaviors and culture changes they desire in the organization will not take place. Everyone clearly understands that what leaders say and what they do, or will tolerate, are two different things. As one Baldrige recipient CEO put it, "When I asked why the people were not making the changes necessary to transform the organization, the answer I got back was, 'We'll change when the CEO changes!'" Put more simply, a leader's actions *must* speak so loudly that nobody can hear what he or she is saying. No leader can get away with the old axiom "Do as I say, not as I do."

Promoting Legal and Ethical Behavior

All employees must understand what the organization stands for and believes. They must also understand their personal role and how they are expected to act. The organizational environment must foster, require, and measure legal, regulatory, and ethical compliance of each leader and employee.

After articulating foundational beliefs, leaders must set the direction for both short- and long-term time horizons. If the organization is to be effective and sustainable, leaders must make clear the overall direction and each group's or person's responsibilities for moving in the desired direction. Ensuring this sustainability is a key job of senior leadership (see 1.1c[1]). The direction must ensure that the organization will remain viable and sustainable operationally (short-term) and strategically (long-term).

Summary

All of Item 1.1 focuses on how senior leaders establish the culture. It outlines the actions senior leaders must model if they want the other layers of the organization to perform effectively. Leaders must also ensure that these actions are adopted. This is true for all of Item 1.1, and particularly true for Area to Address 1.1a, where the leaders establish a foundation for all other leadership responsibilities.

1.1b COMMUNICATION

It is an immutable law in business that words are words, explanations are explanations, promises are promises—but only performance is reality.

HAROLD S. GENEEN



Baldrige Excellence Builder Questions

How do your senior leaders lead the organization?

b. Communication

HOW do senior leaders communicate with and engage the entire workforce and key customers?

NIST (2017–2018)



Baldrige in Plain English— Communication

This Area asks how leaders communicate and how they are personally involved in engaging the workforce. This includes initiating frank two-way communication, communicating key decisions, ensuring that the

appropriate employees understand key decisions, and taking an active role in reward and recognition programs in a manner that reinforces high performance, a customer focus, and a business focus. The bottom line of 1.1b is a leader’s role in driving high performance.

Clarity of direction is the foundation for deploying the organization’s direction from the top down to every employee. In fact, great leaders often see one of their most important roles as the clear and consistent communication of direction. Once the direction is set, leaders must ensure their performance expectations are clearly communicated throughout the organization to every employee, supplier, partner, owner, stakeholder, and in some cases to the community as a whole. Now, the CPE further asserts that an organization needs to understand the breadth and depth of their communications. Organizations need to understand: 1) which communication methods are two-way, 2) which methods are one-way, and 3), how leadership ensures that the two-way communication process is effective (by using measures or tangible validation).

It is implicit in high-performing organizations that leaders create a culture where all information, including bad news, can quickly ascend to the ears of leadership. That does not mean all leaders must take action themselves, because the best people may already be working on the problem. It does mean the organization communicates in an open and transparent manner. Problems are quickly communicated and addressed, and the “fix” to problems involves improving processes, not just blaming individuals.

1.1c MISSION AND ORGANIZATIONAL PERFORMANCE



Baldrige Excellence Builder Questions

How do your senior leaders lead the organization?

c. Mission and Organizational Performance

1. HOW do SENIOR LEADERS create an environment for success now and In the future?
2. HOW do SENIOR LEADERS create a focus on action that will achieve the organization’s MISSION?

NIST (2017–2018)



Baldrige in Plain English— Mission and Organizational Performance

In Area to Address 1.1a, the leaders established what is important in the organization, the organization's overall direction, and a culture focused on legal and ethical behavior and fostering high performance to ensure sustainability.

This Area to Address, 1.1c, follows these foundations with a description of leaders' roles and responsibilities in institutionalizing the culture. Leaders must provide the organization and employees with the leadership, communication, empowerment, and motivation needed to drive organizational performance down to the action level. As with Area to Address 1.1a, Area 1.1c discusses the responsibilities that senior leaders cannot delegate.

Creating an Environment for Success

Once leaders have established a foundation of beliefs, set the direction, and clearly established and communicated expectations, it is then their responsibility to create an environment where people can do their best in achieving their objectives.

Leaders need to implement specific processes to ensure that employees understand their level of empowerment and that they have the opportunity to improve, innovate, and learn. These processes must create an environment for organizational, personal, and workforce learning and innovation and competitive and role-model performance. To achieve this, leaders at every level of the organization must drive organizational agility. This can only be accomplished if those leaders use defined processes (and the associated decision Criteria within those processes), review performance, and drive actions at short intervals. One area where leaders must be role models is in the assessment and improvement of their personal leadership skills. If leaders do not try to improve themselves, why should anybody else try to improve? These senior leaders must also guide the development of future organizational leaders and participate in succession planning.

To be a short-term success, an organization must ensure it has:

- People
- Critical skills
- Money
- Data
- Facilities
- Equipment
- An environment of safety
- Supply chain

If one of these is missing, the organization will fail quickly. To be a long-term success, the leaders must embrace:

- Creation of an environment for the achievement of the mission
- Improvement of organizational performance and achieving the strategic objectives
- Performance leadership
- Organizational learning, and learning for people in the workforce
- Creation of a workforce culture that delivers a consistently positive customer experience and fosters customer engagement
- Creation of an environment for innovation and intelligent risk taking
- Organizational agility
- Participation in succession planning and the development of future organizational leaders

If one of these is missing, the organization will fail over the longer term.

Creating a Focus on Action

Leaders drive action. To do this, the CPE asks how leaders review performance, how they use these reviews to assess where they are, and how they decide what actions need to be taken on a short- and long-term basis. This organizational performance review itself is addressed in area 4.1b.

Leaders must ensure that the organizational-level objectives are translated to every team, at a minimum, preferably to every employee. Leaders must understand what actions are needed and ensure those actions:

- Are linked to the higher-level goals or objectives
- Flow down the organization effectively to actions at the lowest level
- Have sufficient resources allocated to them
- Are tracked and that appropriate changes are made based on actual performance (agility)
- Ultimately are achieved

During the process to establish the organization's objectives, leaders must understand the needs and expectations of all stakeholders. The goal is to develop generative solutions that create value for multiple stakeholders vs. simply reallocating resources among the stakeholders. Leaders must:

- Understand customer and stakeholder requirements
- Determine which requirements will be met (balance the overall value they will support)
- Plan the balance
- Resource the balance
- Deploy the balance
- Track achievement of the balance
- Adjust to ensure the achievement of the balance based on actual performance
- Achieve the balance
- Assess the impact of achieving the balance on customers and other stakeholders

New to the Criteria in recent years is *intelligent risk taking*. This is the ability to ensure that the appropriate analysis has taken place so leaders can manage with data (one of the Baldrige core values is management by fact). A complete definition is included in the glossary. Emphasis should be placed on innovation and driving discontinuous change at all levels of the organization.

1.2 Governance and Societal Responsibilities

1.2a ORGANIZATIONAL GOVERNANCE

The best and noblest lives are those which are set toward high ideals.

RENE' ALEMERAS



Baldrige Excellence Builder Questions

How do you govern your organization and fulfill your societal responsibilities?

a. Organizational Governance

1. HOW does your organization ensure responsible GOVERNANCE?
2. HOW do you evaluate the PERFORMANCE of your SENIOR LEADERS and your governance board?

NIST (2017–2018)



Baldrige in Plain English— Organizational Governance

Governance System

For governance to be effective, it is not enough to have slogans on the wall or policies and procedures that extol the importance of integrity, ethics, and values. The actual behavior that demonstrates these qualities should be implemented down to each and every employee and transaction. Governance has to be “role modeled” by every leader, every day. There are no “time outs” when a leader can act in a manner not befitting a role model.

At a conference where the Baldrige recipients tell their stories, one of them was asked how companies can ensure that “no employee ever does something wrong.” The Baldrige recipient’s answer was simple. “We can’t!” He went on to explain that leaders must establish a governance structure, metrics, training, systematic processes, and monitoring for compliance, each of which can be consistently evaluated and improved.

In the final analysis, however, individuals must execute the daily transactions every day. The system needs to be clear on appropriate work instructions so employees know how to do their job in an acceptable manner, clear on the rules, clear on both external and internal audits, and clear on the consequences of actions that do not fall within the acceptable guidelines.

Senior leaders must ensure that all employees—and particularly the leaders—are accountable for their actions, that they are accountable for the

strategic plans, that there is adequate fiscal accountability, that operations are transparent enough that they can be audited, and that all stakeholder and stockholder interests are effectively protected. To achieve these goals, the CPE asks how the organization ensures independence in external and internal audits. Finally, succession planning for senior leaders must emphasize the values and behaviors endorsed by the organization.

This is impacted by the selection of governance board members and disclosure policies for them. Both internal and external audits must be independent and effective.

While an organization or its leaders cannot eliminate the possibility of someone doing something wrong, they can reduce the likelihood. Governance, like all the other parts of categories 1 through 6, must be implemented through a systematic process—a process that is defined, measured, stabilized, and improved.

Performance Evaluation

Finally, the Criteria in this area asks how the organization evaluates leadership performance, including the performance and compensation of the chief executive, the governance board, and the oversight board or board of directors. In this manner, the examiners can understand how the board reviews performance and how they evaluate the board and their personal effectiveness. These need to be tangible measures, tracking and audits, with tangible actions taken to follow up on concerns or non-conformances.

These measures, reviews, and results should be used to advance the development of senior leaders and to improve their personal leadership effectiveness and that of their governance board and senior leaders. As with other parts of the business model, these improvements need to be systematic. In addition to the evaluation and improvement of the leadership groups, which are at the top of the organization, performance improvement needs to be inculcated into every leader at every level. This needs to be systematically achieved through the leadership system.

1.2b LEGAL AND ETHICAL BEHAVIOR

In the arena of human life the honors and rewards fall to those who show their good qualities in action.

ARISTOTLE



Baldrige Excellence Builder Questions

How do you govern your organization and fulfill your societal responsibilities?

b. Legal and Ethical Behavior

1. HOW do you address and anticipate legal, regulatory, and community concerns with your products and operations?
2. HOW do you promote and ensure ETHICAL BEHAVIOR in all interactions?

NIST (2017–2018)



Baldrige in Plain English— Legal and Ethical Behavior

Governance (Item 1.2a) addresses the appropriate transparency and checks and balances. Similarly, legal and ethical behavior needs 100% compliance and internal and external checks and balances.

Does the organization address public concerns, handle all transactions ethically, and support the key communities where it operates? In addition, does it ensure that all transactions of the organization meet the appropriate legal and ethical standards?

Legal and Regulatory Compliance

The first part of Area to Address 1.2b assesses whether or not the organization understands the “footprint” it leaves on the world it operates within. This section includes an organization’s understanding of its impact on the public and society from:

- The *products* the organization produces
- The *services* the organization renders and provides
- The organization’s *internal operations*, including the processes and materials used

In recent years, the Criteria for Performance Excellence (CPE) has turned its focus from merely meeting to anticipating and surpassing regulatory and legal requirements. This shift is most likely based on the belief that regulatory and legal requirements will not diminish over time but, quite possibly, will continue to become more stringent.

The CPE model challenges organizations to identify the key compliance processes and to determine how these processes are measured and how goals have been set. It recognizes how the organization understands these processes, measures, and goals and how it uses them to assess risk. Risks also need to be assessed for the organization's key products, services, and operations.

Moving from the current products, services, and operations to the future, CPE wants an organization to understand the process used to anticipate what could happen. The specific question starts with "How do you anticipate public concerns?" The CPE model identifies how the organization anticipates concerns and what the organization is doing to prepare for those concerns if they should occur. Being proactive is more favorable than being behind the regulatory power curve and trying to catch up once public concerns drive new regulations.

Ethical Behavior

The CPE focuses on establishing an ethical foundation throughout the organization. This starts with understanding the organizational culture [requested in the Organizational Profile, [(P.1a(2)]. It is further discussed in Area to Address 1.1a(1 & 2), which asks how leaders set and deploy organizational values.

Ethical behavior must be deployed throughout the entire organization at all times. As with other "how" questions, this area looks for a systematic process. The CPE wants to know how the processes are used, how well they are deployed, and how they are measured. Interestingly, the CPE does not ask for specific goals for ethical behavior. It may be assumed that any company would have a goal of no ethical violations. Nevertheless, actual ethical performance can be reported in Item 7.4 in the results category.

Ethical behavior is to be monitored throughout the organization. It is also to be monitored with key partners, including suppliers, customers, community, and others. In simple terms, the CPE wants to ensure that ethical behavior is everywhere all the time. Although this compliance is difficult for any company to guarantee, the CPE model looks for processes, measures, and checks and balances to ensure that processes have been effectively implemented and are effectively enforced.

1.2c SOCIETAL RESPONSIBILITIES

To give away money is an easy matter, and in any man's power. But to decide to whom to give it, and how large and when, and for what purpose and how, is neither in every man's power—nor an easy matter. Hence it is that such excellence is rare, praiseworthy, and noble.

ARISTOTLE



Baldrige Excellence Builder Questions

How do you govern your organization and fulfill your societal responsibilities?

c. Societal Responsibilities

1. HOW do you consider societal well-being and benefit as part of your strategy and daily operations?
2. HOW do you actively support and strengthen your KEY communities?

NIST (2017–2018)



Baldrige in Plain English— Societal Responsibilities

The CPE has evolved to include an increased emphasis on the three key dimensions of success now and in the future—economic, environmental, and societal. Elkington, Emerson, and Beloe (2006) call this the “triple bottom line.” Including these in the leadership category allows these concepts to permeate the organization’s systems including strategy, operations, scorecard, and so forth.

Organizations of all types are facing increasing pressures from a variety of stakeholders, including customers, employees, investors, and the public, to operate in ways that not only make money but also are good for the environment and society as a whole (Grant, 2007 and Latham, 2008). Many customers are making purchase decisions based on the environmental performance of products and services and on the environmental record of the company. Employees want to work for organizations that are “good citizens” and have a good environmental and societal record. Many investors now recognize the risks involved

with companies that have poor environmental practices. For example, profitability could change quickly for companies with a high carbon “footprint” if the government puts a price on carbon either through a carbon tax or a cap and trade system. To help investors assess the risk of companies, the Carbon Disclosure Project provides reports that describe the risks for each company, how well they are doing in addressing those risks, and their plans to improve. In addition, organizations are facing increasing pressures from a variety of influential organizations representing various stakeholder groups including the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC). What seems clear is that the bar is being raised once again and organizations are challenged with figuring out how to create value for multiple stakeholders.

Some have proposed that organizations simply cannot afford to do business in an environmentally sound way and still make money. This is the same argument that many proposed when U.S. companies were faced with competitors who were producing higher quality products and services and taking market share. Organizations eventually discovered that high quality resulted in reduced cost and increased market share. Many organizations that score high on the CPE maturity model have become quite good at “connecting the dots.” This same thinking used to improve the organization “system” to create value for employees, customers, and investors can be used to add additional stakeholders and requirements into the enterprise model and avoid the zero-sum game of reallocating resources from one stakeholder to another.

In support of key communities, many organizations list all of the activities that they participate in and support. As impressive as these laundry lists may be, they miss the point of the CPE. The CPE is looking for a process and decision criteria within it, used by the organization to address societal needs.

Societal Well-Being

When the CPE asks how the organization supports key communities, it is looking for a systematic set of steps that the organization follows to be proactive in their community support. This includes how the organization considers societal well-being and benefit as a part of the strategy, as well as how it is considered on a daily basis and as a part of daily operations. The CPE also emphasizes how the organization considers the environmental, social, and economic benefit of this support. Many organizations, however, simply prioritize the vast list of requests they receive from their community for ongoing support. The CPE, in seeking a process, is asking companies to be more proactive and less reactive in aligning community support with their organizational beliefs, needs, and interests.

This is typically clearer for health care organizations, which do a community needs assessment and have tools to measure the actual impact they have on community health.

Community Support

To establish the foundation for support of key communities, the Criteria seeks to understand how key communities are determined and how emphasis for organizational involvement is decided. Both of those questions require clear processes and decision criteria.

Most organizations identify key communities as the predominant communities in which they do business and in which their employees live. As simple as these decision criteria are, they do meet the criterion of being clear enough to support a process. Beyond deciding what the organization's key communities are, the Criteria asks for the organization to list them, and then discusses how the organization decides to become involved. Simple logic for community support would include questions such as the following:

- How does the organization decide what it wants to support?
- How does the organization decide whether or not a specific activity qualifies or is a match with what it wants to support?
- How does the organization listen to what is going on in the community in order to be proactive in implementing the use of their decision criteria?
- How does the organization decide whether or not a specific activity warrants senior executive involvement?

Area 1.2c is a key area where an organization needs to demonstrate a systematic process. Many organizations do not answer using processes, but only use examples of community support activities.

Once the overall systematic process is described, the laundry list of community activities no longer consists of an anecdotal examples, but rather examples of deployment of the systematic approach. It can also show how the organization has used the process and decision Criteria to support the community.

Category 2—Strategy

2.1 Strategy Development

2.1a STRATEGY DEVELOPMENT PROCESS

Wake Up! You are not just a bunch of departments! The output of the Strategic Planning Process should be effective integration of the external challenges with the internal capabilities. This should result in aligning both process capabilities and detailed actions to take you to the future.

WALT MATWIJEC



Baldrige Excellence Builder Questions

How do you develop your strategy?

a. Strategy Development Process

1. HOW do you conduct your strategic planning?
2. HOW does your strategy development PROCESS stimulate and incorporate INNOVATION?
3. HOW do you collect and analyze relevant data and develop information for your strategic planning PROCESS?
4. HOW do you decide which key processes will be accomplished by your workforce and which by external suppliers and partners?

NIST (2017–2018)



Baldrige in Plain English— Strategy Development Process

In 2.1 the organization establishes the strategy and begins to translate the direction set by the leaders into more specific goals and objectives. It is one of the few places in the CPE framework where a checklist of issues that need to be addressed is provided (in the Strategy Considerations in 2.1a[3]).

Strategic Planning Process

The Criteria starts by asking about the overall strategic planning process. Although all of these are not clearly called for in the Criteria, an organization's planning process should include a description of:

- The steps in the planning process
- Who is involved in these steps
- What is *not* asked in the Criteria, but details that will help you to explain your process:

What happens in each step

The inputs for each step

The outputs for each step

The documents used or generated in each step

The reviews or decisions in each step

The decision criteria used for the decisions made

The short- and longer-term time horizons should be clearly defined, including the rationale for choosing those planning timeframes. For example, the time horizons can be chosen to correspond to the organization's planning cycles, customer planning cycles, or other logical cycles (for example, market-based planning). Market-based reasons for choosing a planning cycle could include industry business cycles, technology cycles, or the time required to increase organizational capacity or capability. In addition, this should establish how the organization is meeting the internal or external strategic needs in the way they have established their planning horizons.

Innovation

Starting in the 2013–2014 Criteria, Baldrige began an increased emphasis on innovation. It is mentioned in leadership, planning,

and several other points (a count shows innovation being mentioned approximately a dozen times). This emphasis has continued into the 2017–2018 Criteria. Innovation is discontinuous improvement, and the implication of the Criteria changes is clear—innovation is the responsibility of everyone, while being led/role modeled by the senior leadership. In Item 2.1, the Criteria asks about strategic opportunities, what they are and how they are tracked, and about how leaders create an environment that supports innovation. Driving the decisions being made is the analysis performed to ensure that the decisions are intelligent (intelligent risks). The Criteria asks how the organization decides which strategic opportunities are intelligent risks for pursuing. Intelligent risks must be determined by effective analysis of the opportunities. All risks won't be adopted—some will.

Strategy Considerations

When addressing each of the factors to be considered during the planning process, the organization should do so in a manner clear enough for someone reading the assessment document to understand. For example, it is not sufficient to discuss customer and market needs in general terms; there should be a specific point where each of these factors is addressed in the planning process in a very clear manner.

The belief surrounding the planning process is that several factors need to be assessed during planning. If one of these is not effectively assessed (and the impact of the factor on the plan is not assessed), the implementation of the plan might be hindered by the inability of the organization to understand and respond to one of the factors they should have assessed during planning. These factors include:

- Your strategic challenges and strategic advantages (refer to P.2b)
- Potential changes in your regulatory environment and external business environment
- Potential blind spots in your strategic planning process and information
- Your ability to execute the strategic plan

One future success example within these strategy considerations could be if the organization assumes the workforce can support the new plan. But if leaders do not formally assess workforce capability and capacity, they may not realize that training and development are required and that this cannot be accomplished by the time the skills are needed. In this example, the development of those skills may not be a part of the overall plan, or may not be timely, and the plan implementation may fail.

Work Systems and Core Competencies

Determining your key work systems is a strategic decision, and the Criteria now wants to know what are the key work systems, and how you make key decisions, including:

- How do you make key work system decisions that facilitate the accomplishment of your strategic objectives?
- How do you decide which key processes will be accomplished by key suppliers and partners?
- How do your decisions consider your core competencies and the core competencies of potential suppliers and partners?
- How do you determine future core competencies?

Although the identification of key work processes and how they support the key work systems is not specifically asked for in the new Criteria, any organization assessing itself should clearly make such linkages. This should integrate with the description of work processes in Item 6.1.

2.1b STRATEGIC OBJECTIVES

If you can't describe your strategy in 20 minutes, simply and in plain language, you haven't got a plan. "But," people may say, "I've got a complex strategy. It can't be reduced to a page." That's nonsense. That's not a complex strategy. It's a complex thought about the strategy.

LARRY BOSSIDY



Baldrige Excellence Builder Questions

How do you develop your strategy?

b. Strategic Objectives

1. What are your organization's KEY STRATEGIC OBJECTIVES and timetable for achieving them?
2. HOW do your STRATEGIC OBJECTIVES achieve appropriate balance among varying and potentially competing organizational needs?

NIST (2017–2018)



Baldrige in Plain English— Strategic Objectives

This area is straightforward. It asks for strategic objectives, and when those strategic objectives will be accomplished. It is the output of Area to Address 2.1a.

Key Strategic Objectives

Under the strategic objectives, the CPE asks for the goals the organization hopes to achieve for the strategic objectives, and the timeframe for achieving them.

Strategic Challenges and Advantages (P.2b)	Strategic Objectives (2.1b[1])	Long-Term Action Plans (2.2a[1])	Short-Term Action Plans (2.2a[1])
<ul style="list-style-type: none"> – Business – Operational – Human Resource 	<ul style="list-style-type: none"> – Goals (2.1b[1]) – Measures (not required, but suggested) 	<ul style="list-style-type: none"> – Projected competitor performance (2.2b) – Timeframe (2.2b) – Organization performance versus competitor (2.2b) – Timetable (specific dates not required) – Changes in products and services (2.2a[3]) – Measures or indicators (2.2a[5]) – Goals (not required) – Projections (in timeframe) (2.2b) 	<ul style="list-style-type: none"> – Projected competitor performance (2.2b) – Timeframe (2.2b) – Organization performance versus competitor (2.2b) – Timetable (specific dates not required) – Changes in products and services (2.2a[3]) – Measures or indicators (2.2a[5]) – Goals (not required) – Projections (in timeframe) (2.2b)

Strategic Objective Considerations

The organization should link the strategic objectives back to the strategic challenges identified in P.2b in the Organizational Profile. The overall logic flow suggests that strategic challenges (external) should drive strategic objectives (internal), which should drive strategic goals

and even down to action plans. The logic flow from the Organizational Profile to Item 2.1 to Item 2.2 is as follows:

- **Strategic Challenges:** Understanding what is coming at us from the outside that we must address but do not control
- **Success Factors:** Understanding what anybody in our business needs to excel at if they wish to remain competitive today. (This was eliminated by Baldrige, but the author feels it is still a valuable concept—if for no other reason than it helps an outsider to your industry better understand your business model.)
- **Strategic Advantages:** Understanding our organization’s strengths vs. competitors
 - **Strategic Opportunities:** Understanding what is happening in the marketplace (or internally), which is an opportunity the organization can leverage
 - **Strategic Objectives:** Understanding in what areas we will be stronger once our objectives are achieved

Organizations that understand these linkages have an advantage in developing competitive plans. Additionally, the Criteria focuses on how the organization addresses the opportunities for innovation in products, operations, and the business model. This includes understanding how the organization capitalizes on the current core competency and addresses the potential need for new core competencies.

The CPE asks several questions that relate to *balancing* the needs of all key stakeholders. This assumes the world is a multi-stakeholder environment. This begins with balancing the strategic objectives, the deployment of those objectives, short- and long-term timeframes, and balancing the needs of all stakeholders. Typically, organizations do not clearly address these issues. The most appropriate response is to describe how you ensure that the strategic objectives balance these factors using a systematic process. The systematic process used could include specific activities during particular timeframes or planning activities, as well as clear decision criteria for how the organization decides something and when it decides.

Note: “balancing” does not mean equal attention, equal resources, or equal results. Balancing means that the balance the organization (and the leaders) intended is the balance planned is the balance resourced is the balance achieved. For various organizations, the balance could be significantly different. For example, one organization could be a “cash cow” and the balance of the stakeholder focus would be to give the owners a very high return. Another organization could be in a growth phase and the emphasis could be on building capacity and capability. (Author’s definition)

Finally, the Criteria asks how the organization addresses the ability to adapt to sudden shifts in market conditions. This is similar to numerous other places where the Criteria assess the organizational ability to adjust actions when results or conditions change.

2.2 Strategy Implementation

2.2a ACTION PLAN DEVELOPMENT AND DEPLOYMENT

The essence of strategy is choosing what not to do.

MICHAEL PORTER



Baldrige Excellence Builder Questions

How do you implement your strategy?

- a. Action Plan Development and Deployment
 1. What are your KEY short- and longer-term ACTION PLANS?
 2. HOW do you DEPLOY your ACTION PLANS?
 3. HOW do you ensure that financial and other resources are available to support the achievement of your ACTION PLANS while you meet current obligations?
 4. What are your KEY WORKFORCE plans to support your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?
 5. What KEY PERFORMANCE MEASURES or INDICATORS do you use to track the achievement and EFFECTIVENESS of your ACTION PLANS?
 6. For these KEY PERFORMANCE MEASURES or INDICATORS, what are your PERFORMANCE PROJECTIONS for your short- and longer-term planning horizons?



Baldrige in Plain English— Action Plan Development and Deployment

Item 2.1 developed the strategic plan. Item 2.2 asks, “What do you do with the strategic plan?” Clearly it’s harder to deploy a plan than it is to develop a plan.

Action Plans

Specifically, the CPE asks “how” the organization develops action plans to achieve its strategic objectives. This typically involves the organization describing how it takes the highest level strategy and deploy it through each organizational level down to team goals or even individual goals. Later the Criteria will ask how you make changes in the action plans.

It then asks about the short- and longer-term action plans. These key action plans should be shown for each of the strategic objectives, and clearly linked to them.

Action Plan Implementation

The ability to directly link the top strategies (plans) down to actions has been described by Baldrige recipients as the most important thing they have accomplished. In recent years, several Baldrige recipients were asked what they would do differently if they could go through the journey again. A predominance of these winners indicated they would align the organization (top to bottom as discussed in Item 2.2) more quickly. “That is where the power is—to have everyone on the same page.”

Resource Allocation

Any organization must effectively allocate resources if plans are to be realized. Although the CPE specifically mentions financial resources, other resources that should be considered include data, people, critical skills, facilities, equipment, a safety environment, a supply chain, and possibly others that are unique to the organization’s competitiveness. This allocation should be in concert with the risk analysis performed by the organization to ensure that the risks associated with the plans are mitigated to ensure organizational sustainability.

After the Criteria addresses the development of action plans and the deployment of strategic objectives down to the action level, it seeks to understand how the organization ensures that changes resulting from these action plans can be sustained over the longer term. Once again, a description of a process, rather than detailed activities and best intentions, is necessary.

Workforce Plans

In addition, this Area to Address seeks to understand how the key human resource plans support the overall strategy of the organization. Although many organizations are reluctant to develop a human resource plan, it does not have to be overly complex. It should be a plan that considers factors such as skills needed, turnover, development of managerial and leadership skills, development of ethics and social value skills, and others.

The human resource plan should describe how those skills are going to be trained and developed into the organization.

These plans should be compatible with both the short- and longer-term strategic objectives and actions plans. Without the ability to develop people during the course of the year, the organization may be limited in its ability to achieve its strategic plan.

Performance Measures

All plans, goals, and objectives should have measures or indicators for tracking the achievement and effectiveness. These measures should reinforce alignment (up and down the organization). Additionally, they should address all key areas where the plans should be deployed. These are the performance measures that should be reviewed in 4.2b Performance Analysis and Review.

Performance Projections

This is the only place in the CPE where an organization can get credit for something it has not yet achieved. It asks for projections of performance that will be derived from the action plans, which are driven by the strategy. (Note: these linkages should be clear and should start in the Organizational Profile with the external strategic challenges.) Additionally, the CPE asks how the organization will know how its performance will compare to competitors during those same timeframes.

This Area to Address requires the organization to project its own performance, project the performance of competitors, and assess the comparison between the two at some point in the future (presumably at least at the end of each planning time frame). Additionally, the basis for these projections needs to be described in enough detail that the projections are clearly plausible. This means the typical “hockey stick” projections that say we are going to be the same in the near future, but “soon” things will get dramatically better. This is only possible if there are plans being implemented that can make things dramatically better.

Typically, organizations cannot provide direct competitive comparisons on a pure apples-to-apples basis. These comparisons, therefore, may have to come from industry knowledge or from common data points, which are infrequently gathered. It is important in 2.2b, however, to describe the process used to develop the projections and the assumptions that have been made in determining the organization's and the competitor's projections.

2.2b ACTION PLAN MODIFICATION

When you arrive at your future, will you blame your past?

ROBERT HALF



Baldrige Excellence Builder Questions

How do you implement your strategy?

b. 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?

NIST (2017–2018)



Baldrige in Plain English— Action Plan Modification

Finally, this Area to Address asks how the organization aligns overall action plans up to the strategic plan and how they are modified if circumstances require a shift in plans and rapid execution of new plans.

Simply stated, the Criteria for Performance Excellence (CPE) asks the organization to check the validity of the action plans and their ability to drive the achievement of the higher level organizational strategy, even if circumstances change. This is where even some high-performing organizations fail. They may have good strategy development, strategy deployment, and review of performance but as critical as those are, unless the organization has the ability to adjust quickly it may not remain competitive.

Recently I saw a health care organization whose number one competitor closed its downtown hospital. Without industrial espionage (which Baldrige *does not* require) they would not have been able to predict that move. They did, however, have the systems and ability to respond quickly.

A logical sequence of questions regarding action plan modification could be:

- **Performance Review:** How often do you review plan vs. actual?
- **Gap Analysis:** What are your systematic guidelines for what to do when there is a gap between plan and actual?
Are people at all levels trained and empowered to do this?
What happens if they don't do this?
- **Gap Closure:** How do you track performance to ensure the gap is closed?

In changing these action plans, everyone impacted must be systematically included. This means suppliers, partners, collaborators, and others whose actions impact the organization's ability to meet its strategic objectives and action plans.

Category 3—Customers

3.1 *Voice of the Customer*

3.1a CUSTOMER LISTENING

You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new.

STEVE JOBS



Baldrige Excellence Builder Questions

How do you obtain information from your customers?

a. Customer Listening

1. HOW do you listen to, interact with, and observe CUSTOMERS to obtain actionable information?
2. HOW do you listen to potential CUSTOMERS to obtain actionable information?

NIST (2017–2018)



Baldrige in Plain English— Customer Listening

This Area to Address focuses on how the organization listens to customers to understand their needs, wants, and desires in order to develop and improve products and services.

Current Customers

In the Organizational Profile the P.1b(2) criteria asks who the customer groups are and the requirements for each group. Customer segmentation is based on their requirements; customer targeting is how we sell to them; delivery is how we provide the products and services.

Within each segment, it is important to have an appropriate range of both formal and informal listening posts to fully understand customer requirements. These need to be current enough to give the organization an understanding of what can cause marketplace damage in time to fix the problem before the damage actually occurs. A few years ago social media and web-based technologies were introduced to help to ensure that information was easy for the customer to provide and thus timely. Throughout the 2017–2018 Criteria, the use of social media has been strengthened.

Listening posts may vary for each of the customer groups and across each stage of the customer life cycle (see 3.2b), as a customer (or potential customer) moves through the following relationship chain:

- Not knowing about the organization
- Knowing about the organization
- Trying the organization
- Liking the organization
- Being loyal to the organization
- Being an advocate for the organization

Once this listening is gathered, the key is how quickly and effectively appropriate actions are formulated, taken, verified, and improved.

Potential Customers

This same cycle of listening, planning, and action needs to be taken for former customers, potential customers, and customers of competitors. In all cases, the key is actionable information and the ability to measure the effectiveness of the actions taken.

Once the organization describes how information is gathered from the listening and learning techniques (Area to Address 3.1a), the question becomes “How is the information analyzed to determine, modify, or anticipate changes in customer needs for those product offerings?” This includes analysis of data from current customers, potential customers, future customers, and customers of competitors.

As with other Areas to Address in Category 3, the organization should consider customer needs during the life cycle of the customer. Although not stated, it is logical to assume that the organization also needs to understand the customer's needs during the product and service life cycles as well. This is particularly true for durable products. For example, our local coffee shop would not need to survey to understand customer needs at the beginning, middle, and end of drinking a cup of coffee. An automotive manufacturer, however, needs to understand the customer's needs (and maintenance and support requirements) during the various phases of a car's life.

A key question is how does the organization become more customer focused? (Some organizations use the term *customer-centric*.) Simply stated, if the organization understands what drives customer purchase behaviors, it can compete more effectively than if it does not have that understanding.

3.1b DETERMINATION OF CUSTOMER SATISFACTION AND ENGAGEMENT

There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.

SAM WALTON



Baldrige Excellence Builder Questions

How do you obtain information from your customers?

b. Determination of Customer Satisfaction and Engagement

1. HOW do you determine CUSTOMER satisfaction, dissatisfaction, and ENGAGEMENT?
2. HOW do you obtain information on CUSTOMER satisfaction with your organization relative to other organizations?

NIST (2017–2018)



Baldrige in Plain English— Determination of Customer Satisfaction and Engagement

Once the organization has developed its overall relationship with the customer, segmented the customers, and determined their needs and expectations, the CPE asks how the organization knows whether customers are satisfied, loyal, and engaged. This means asking whether the organization's customers value what the organization does enough to come back over and over, help the organization improve, and advocate for the organization and their products and services.

There is an understanding in the CPE community that satisfied customers may or may not return to buy products and services. Loyal customers, however, do return to repurchase products and services; hence the emphasis on *loyalty or engagement*. Engaged customers have an investment in, or commitment to, the organization's brand and product and service offerings, and are willing to take their time to help. In the final analysis, the CPE tries to help you correlate your actions (through the organization's processes) to what the customer values, what the customer will pay for, and how the customer behaves.

Satisfaction, Dissatisfaction, and Engagement

The CPE asks how the organization determines customer satisfaction or dissatisfaction and customer engagement (loyalty). These determination methods can and often should vary for different customers and customer groups. Organizations practice segmentation because customers have different needs and requirements. The CPE asks how an organization knows whether it is exceeding customer requirements (internal customer results data are shown in Item 7.1)—another way to drive customer loyalty—and whether they are able to “secure their future business” (customer engagement reported in Area to Address 7.2a[2]).

Determining dissatisfaction needs to be done early enough to capture actionable information, which can prevent the loss of a customer. The actions taken should improve the organization's ability to meet or exceed the customer's current and future requirements. It should be noted that low customer satisfaction is not the same as dissatisfaction. Dissatisfaction is an overt condition; the customer complains or asks the organization to take action to correct a condition the customer does not feel should continue.

The CPE asks for a description of the organization's relationship with the customer after providing products, services, or transactions (Area to Address 3.2). The classic example of this type of relationship is one where an employee contacts the customer by phone after the product or service is delivered in order to understand the customer's level of satisfaction with the overall transaction as well as satisfaction with the product or service. Today, social media is helping organizations accomplish this task.

Satisfaction Relative to Competitors

The CPE stretches the organization by asking how it obtains or uses information about customer satisfaction relative to the customer satisfaction of competitors or industry benchmarks. In some industries, this knowledge is difficult, if not impossible to gather. For example, in some governmental customer relationships (supplying to public sector customers), it is illegal to obtain and to have this information. In this instance, there is no expectation that the organization would attempt to gather the information.

The CPE does not expect an organization to perform any action that is not 100% honest and ethical. Nevertheless, some organizations have not considered benchmarking sources that could help them compare their performance to other high-performing groups. For example, organizations can ask customers how the organization ranks with their other suppliers. Even if customers will not disclose which of their suppliers perform at which levels, they may still reveal where an organization ranks in the pack.

Finally, in the past the CPE asked how the organization kept the survey methods, contact methods, or customer satisfactions and dissatisfaction methods current. Although not as clearly stated in the current Criteria, this is still a valid question. How do you know when the customer is tired of your surveys and how do you respond by updating your customer satisfaction processes?

3.2 Customer Engagement

3.2a PRODUCT OFFERINGS AND CUSTOMER SUPPORT

The purpose of a business is to create a customer.

PETER DRUCKER



Baldrige Excellence Builder Questions

How do you engage customers by serving their needs and building relationships?

- a. Product Offerings and Customer Support
 1. HOW do you determine product offerings?
 2. HOW do you enable CUSTOMERS to seek information and support?
 3. HOW do you determine your CUSTOMER groups and market SEGMENTS?

NIST (2017–2018)



Baldrige in Plain English— Product Offerings and Customer Support

In the Organizational Profile (P.1b[2]) the Criteria for Performance Excellence (CPE) asks who the customer groups are and asks about their requirements. Customer groups (*segments*) are determined based on customer requirements (customers with similar requirements are put into one customer group), as discussed in Area 3.2a(3). *Target* customer groups are based on how organizations sell to customers.

In some instances you may need to group your product offerings the same way your industry groups theirs or you will not have comparison or benchmark data with which to evaluate your own performance.

Product Offerings

Within these groupings, the Criteria asks how you identify the product offerings that will meet or exceed the needs and expectations of customers, and how you innovate those offerings. The CPE expects the organization to have a wide view of customers, including the consideration of customers of competitors, other potential customers, and previous customers of the organization.

Once you determine customer and market needs, how do you identify and adapt your product offerings to meet requirements and exceed expectations? Beyond this level of adaptation, how do you

adapt the offerings to new markets and new customers and create new opportunities to expand relationships?

These product offerings and the innovations should be structured so they provide opportunities to expand the relationship with the existing customers.

In simple terms:

- How do you *group* your customers? (*segmenting* based on their requirements)
 - How do you *sell* to those requirements? (your customer *targeting*)
 - » How do you *deliver* to those requirements? (your *facilities* or distribution channels)

Customer Support

In the overall relationship with the external customer, the CPE asks how the organization determines key mechanisms needed to support customer use of products and the access mechanisms customers need to seek information, conduct business, or complain. For example, many organizations provide 800 numbers, 24 x 7 hotlines, or even home phone numbers of key customer contact employees. The first step in this process is to determine key customer contact requirements—how do they want to be contacted and how do they want to contact the organization.

The CPE recognizes that each customer and customer group may have different contact requirements and different contact preferences. Some customers may wish to be contacted routinely, while others may wish to be left alone. How does the organization determine these customer preferences, and how does it ensure that all customer contact employees know these preferences? Quite frankly, this is a frequent shortcoming of many organizations. If you wish to have a relationship with a customer, you need to start by asking how they prefer to be contacted.

Another inherent part of this is how to train key customer contact employees. Although the Criteria is not explicit on this training requirement, it is difficult for customer contact to be systematic or for customer contact employees to help “increase loyalty and repeat business and to gain positive referrals” if customer contact employees do not systematically (and consistently) receive necessary training and knowledge reinforcement. In many organizations, however, some key customer contact groups are overlooked. For example, executives and support staff may not be included in customer contact training even though they often have frequent contact with customers. Executives, by virtue of their position, often feel as though they already have the

customer skills and knowledge required. Additionally, support staff members often spend a great deal of time in direct contact with customers, even if they are not always viewed as critical to the customer response chain and may not be trained in customer contact.

The CPE attempts to assess whether the organization understands what drives customer purchase behaviors. Simply stated, if the organization truly understands what drives customer purchase behaviors, it can compete more effectively in the marketplace than if it does not. Finally, 3.2a seeks to understand how the organization uses information and data from its listening and learning methods (and analysis performed) to identify when and how product offerings need to be updated or developed.

Customer Segmentation

In the Organizational Profile (P.1b[2]) the CPE asks who the customer groups are and what their requirements are. These customer requirements should be segmented by customer group, target customer segment, or market segment, as appropriate. Item 3.1 asks how the organization systematically listens to those segments and appropriate groupings to determine the drivers of customer satisfaction, customer loyalty, and customer engagement. This listening must include obtaining feedback on your products, services, and customer support. Listening may be different for each customer group and should be tailored for each group. There are certainly instances where tailoring the listening approach does not make sense, but typically there are many more instances where it does make sense. The listening methods need to be broader than the organization's current customers. For example, the organization can learn from listening to former customers, customers of competitors, and potential customers. Their requirements may expand the organization's view of what is needed, or what is possible.

3.2b CUSTOMER RELATIONSHIPS

The customer doesn't expect everything will go right all the time; the big test is what you do when things go wrong.

SIR COLIN MARSHALL



Baldrige Excellence Builder Questions

How do you engage customers by serving their needs and building relationships?

b. Customer Relationships

1. HOW do you build and manage CUSTOMER relationships?
2. HOW do you manage CUSTOMER complaints?

NIST (2017–2018)



Baldrige in Plain English— Customer Relationships

One of the key responsibilities of senior leadership is to create a customer-focused culture. If customers are not important to the senior leaders, why should they be important to anybody else? Check the leaders' calendars. Do they spend time with customers?

Years ago I remember sitting in a senior leader's office and hearing him say "At my level, I don't meet with customers. The leaders who report to me meet with them." I held my breath for several reasons: 1) He certainly was not role-modeling building a customer-focused culture. If customers were not important to him, why should they be important to anybody else in his organization? 2) How did he know what the customers really wanted? 3) He was viewing the customer relationship as a spectator sport and not a contact sport. 4) His corporate CEO (three levels up from him) spent 25% of his time with customers!

A customer-focused culture is composed of several organizational competencies: 1) understanding what the customer wants and needs; 2) consistently delivering what the customers want; 3) engaging the customers to understand your performance now and what will happen in their environment in the future; 4) aligning the culture and individual performance with the customers' interests; and 5) systematically building relationships with customers.

Relationship Management

With these foundational processes in place, the organization needs to be able to build and manage relationships with existing customers in order to:

- Acquire new customers
- Build market share
- Retain customers
- Meet customer requirements
- Exceed customer expectations
- Increase customer engagement

This needs to be done systematically in each stage of the customer and product or service life cycle. Through these processes, the organization should be able to increase customer satisfaction by meeting the customer's stated and unstated requirements. This, in turn, should drive customer loyalty, which should then drive customer engagement.

Complaint Management

Complaints are key! All organizations have complaints. If you agree with that premise then you can group organizations into three buckets:

1. Organizations that know what the complaints are and are taking action on them.
2. Organizations that know what the complaints are but are not taking action on them.
3. Organizations that do not know what the complaints are.

Complaints are a great opportunity to increase customer loyalty. Studies have shown that customers with complaints that are quickly and effectively addressed are 40% more loyal (not just satisfied—*loyal!*) than customers who never complained. One company we worked with does not use a *Complaint Form*. They have a *Customer Loyalty Opportunity* form instead. That has helped to change the internal attitude about complaints.

The CPE asks how the organization uses the complaint system to drive customer engagement. A simple way to view complaints uses the following questions:

- Are all complaints captured (both formal and informal)?
- Once captured, is the complaint addressed?
- If the complaint is not addressed in a timely manner, is the complaint escalated within the organization?
- Is the complaint closed with the customer?
- Does the way the complaint is addressed and closed with the customer drive increased:
 - Customer confidence?
 - Customer satisfaction?
 - Customer loyalty?
 - Customer engagement?
- Are all parties that contributed to the complaint (including suppliers, partners, and collaborators) aware of the complaint and responsible for correcting its root cause? This should include:
 - Ensuring the responsible parties know about the complaint
 - Ensuring the responsible parties fix the root cause of the complaint
- Is the complaint data aggregated, analyzed, and used to drive improvement actions? For example, when added up several small complaints may constitute an overall concern that the company should address. Unless both formal and informal complaints are collected, aggregated, and analyzed, the smaller complaints may not reach the attention of the leaders who can initiate action.

Category 4—Measurement, Analysis, and Knowledge Management

4.1 Measurement, Analysis, and Improvement of Organizational Performance

4.1a PERFORMANCE MEASUREMENT

A strong conviction that something must be done is the parent of many bad measures.

DANIEL WEBSTER



Baldrige Excellence Builder Questions

How do you measure, analyze, and then improve organizational performance?

a. Performance Measurement

1. HOW do you track data and information on daily operations and overall organizational PERFORMANCE?
2. HOW do you select comparative data and information to support fact-based decision making?
3. HOW do you select VOICE-OF-THE-CUSTOMER and market data and information?
4. HOW do you ensure that your PERFORMANCE measurement system can respond to rapid or unexpected organizational or external changes?

NIST (2017–2018)



Baldrige in Plain English— Performance Measurement

In many ways measurement and information are the bloodstream that flows within the performance excellence model of any organization. Although Categories 1-6 focus on several hundred *hows* that require processes, these processes cannot be effective without performance measures. These measures must include both in-process and outcome (end-of-process) measures.

Performance Measures

Performance measurement begins with establishing the criteria that will be used to select performance measures and data. Many organizations have not consciously thought about this decision. Consequently, much of the data they collect and use evolves informally or is established on a case by case basis without clear criteria. The CPE model challenges the organization to take a more systematic approach, one that includes a repeatable data selection process and explicit criteria. Basic criteria are:

- **Required data:** Data may be required by regulatory agencies, governmental groups, higher level authority either internal or external to the organization, the organization's policies, industry standards, or others. Simply stated, if an organization is required to collect specific data, then it should collect those data.
- **Actionable data:** By using this data, an organization can understand what actions need to be taken.

Other more complex data selection criteria can include the two criteria above plus:

- Data can be collected with integrity
- Data are easy to collect
- Data are meaningful to the owner of the data or the organization
- Data are understood by the users of the data
- Data are available at the source of the data or area to be monitored.

Although data selection criteria are not specifically requested by the CPE (the Criteria question is "How do you select..."), answering this question allows an organization to more easily understand why it is collecting data and integrate its data collection process with how it actually uses the data.

Comparative Data

Another approach is how the organization collects, selects, and uses key comparative data. High-performing organizations drive a comparative mindset throughout. They use comparisons not only at the highest level to make organization-wide decisions, but they also compare to make decisions at all levels.

Sometimes inexperienced examiners will write feedback to the organization that indicates that there should be a benchmark for virtually everything. This is usually impractical. Some comparisons are simply not available. The most important things to benchmark are the areas the organization must be successful at, as described in P.2a and P.2b in the Organizational Profile. If these are the factors that drive organizational success, then this is what the organization should fully understand through benchmarking.

Baldrige Award applications frequently discuss the organization's benchmarking processes. Few applications, however, describe the following components in their comparison selection and use process:

1. When the organization determines that performance (or other characteristic) is not what they wish
2. How the organization decides a comparison is needed
3. How the organization decides what data need to be compared
4. How the organization decides what other groups or organizations to compare against
5. The process the organization uses to collect comparative data (this is frequently called the *benchmarking process*)
6. How comparative data are analyzed once they are gathered
7. How the analysis is turned into an action plan
8. How the action plan is implemented
9. How performance metrics are monitored to ensure that desired changes are achieved
10. How corrective actions are taken if performance levels do not improve

The fundamental question in the above sequence is whether the data drive meaningful action.

Customer Data

The customer-focused organization starts with the senior leaders, in Item 1.1. If they don't set a customer agenda, then it doesn't exist. Several

places in Category 3 discuss the collection and use of customer-focused data. This part of the CPE asks how you select and ensure the effective use of the customer-focused data that you collect (including complaints). This includes how the data are used in strategic and operational decision making and innovation.

Measurement Agility

Once data have been gathered and analyzed and have driven improvement, the CPE ask how the performance measurement system is kept current with changing business needs. Once again, this systematic process needs to ensure that the organization's data collection, tracking, and decision processes can move at least as quickly as the external changes influencing the organization. This includes responding to unexpected organizational or external changes, and changing the measures accordingly. The key thought is that high performing organizations use data, analysis, performance reviews, and course corrections to respond to rapidly changing organizational needs. This ability makes the organization more competitive.

Once data are selected, collected, aligned, and integrated, leaders and employees throughout the organization need to use the data and information to support decisions. The CPE core value of *management by fact* is a key concept underlying Category 4.

4.1b PERFORMANCE ANALYSIS AND REVIEW

"Management" means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folklore and superstition, and of cooperation for force.

PETER DRUCKER



Baldrige Excellence Builder Questions

How do you measure, analyze, and then improve organizational performance?

b. Performance Analysis and Review

HOW do you review your organization's PERFORMANCE and capabilities?

NIST (2017–2018)



Baldrige in Plain English— Performance Analysis and Review

Once data selection and performance measurement (as described in 4.1a) are completed, analysis is used as the tool to translate raw data into actions. The CPE addresses this analysis at the most senior level of the organization because senior leaders review organizational performance and take actions that can impact the achievement of the organization's strategic plans. Nevertheless, high-performing organizations also have the ability to perform similar analysis at every organizational level.

While the CPE focuses on the highest levels of the organization, it does ask how the results of those analyses are deployed to the work group and functional levels within the organization so that every level of the organization can effectively support the decisions made at higher levels. Performance analysis is the key tool to translate data into usable or actionable information. The organization needs to then use this information to help drive actions to improve.

Once performance is measured and the results are analyzed, the Criteria asks how organizational performance is reviewed, how senior leaders participate, and how do they use the reviews to:

- Assess:
 - Organizational success
 - Competitive performance
 - Progress on achieving strategic objectives and action plans
- Respond rapidly to:
 - Organizational needs
 - Challenges in the operating environment
 - Need for transformational change in organizational structure and work systems

In high-performing organizations, however, the senior leaders spend the majority of their time on *changing* the business, not *running* the business. Sure those senior leaders review performance and make course corrections. They are intimately familiar with the current performance of the organization, and may spend one or two days a week reviewing the past performance. That is not, however, where they spend the majority of their time. The *change the business* activities may absorb up to 80% of a senior leader's time in a high-performing organization.

Recently one of my clients in a Baldrige winning small business (150 employees) took issue with the above paragraph. His point was, “In a business our size, I spend 80+% of my time running the business, because I am the only one leading my team.” Clearly Brad was right and the above paragraph is more appropriate for a larger organization, or (at a minimum) it must be tailored for the individual situation.

Whereas each organization is different, leaders should spend more time planning the future than anyone else in the organization.

4.1c PERFORMANCE IMPROVEMENT

Become addicted to constant and never-ending self improvement.

ANTHONY J. D'ANGELO



Baldrige Excellence Builder Questions

How do you measure, analyze, and then improve organizational performance?

c. Performance Improvement

1. HOW do you project your organization's future PERFORMANCE?
2. HOW do you use findings from PERFORMANCE reviews (addressed in question 4.1b) to develop priorities for continuous improvement and opportunities for INNOVATION?

NIST (2017–2018)



Baldrige in Plain English— Performance Improvement

Once performance measures are identified and data collected, analyzed, and reviewed, the next thing to ask is how does this process

help improve the organization? The CPE focuses on two aspects of improvement: future performance and continuous improvement and innovation.

Future Performance

The ability to project future results should be included along with the performance reviews. Some high-performing organizations report the current results, but also project the performance for each key metric at the end of the evaluation period. This helps them to understand the cyclical nature of the business, and what actions need to be taken to achieve the final desired results. This can help keep the organization focused during a high performing period, and ensure that the organization does not become complacent if a down cycle is predictable. In both cases, the organization's progress toward a goal may not be linear, and the cycles incurred need to be understood and adjusted for with appropriate plans and actions.

Continuous Improvement and Innovation

The CPE also asks how the organization translates the performance review findings into priorities for continuous (ongoing) and breakthrough improvements. This process to translate the reviews into improvement actions should be visible in the senior leadership meeting notes. Do they ask for analysis? Do they ask for action to be taken? Do they understand the level at which breakthroughs have to be supported? Do they drive continuous improvement to all levels of the organization?

The Criteria also asks how the leaders foster innovation and the alignment of these reviews and the related actions and course corrections with suppliers and partners. This, as with all other aspects of the organizational focus, needs to be done through a systematic process. This process should typically start externally with the customer listening and learning posts, which should tell the organization how much innovation is expected, wanted, or needed.

4.2 Information and Knowledge Management

4.2a DATA AND INFORMATION

Technology is dominated by two types of people: those who understand what they do not manage, and those who manage what they do not understand.



Baldrige Excellence Builder Questions

How do you manage your information and your organizational knowledge assets?

a. Data and Information

1. HOW do you verify and ensure the quality of organizational data and information?
2. HOW do you ensure the availability of organizational data and information?

NIST (2017–2018)



Baldrige in Plain English— Data and Information

Most of Area 4.2a should be viewed from the point of view of the user of data rather than from that of the IT department. An evaluation of user needs should start (obviously) with the users. This, however, is not always the case. The IT department may feel they know what users want/need or that users already have what they need. The proof is whether or not users have the right data at the right time, and the right access.

Quality

Area 4.2a(1) asks how an organization ensures the following properties of their data and other information: accuracy, validity, integrity, reliability, and currency. The Criteria are asking for ten things (2x5).

To effectively address these characteristics all solutions, including practices and methods, must be designed to address the individual user's requirements. While some methods or practices may impact more than one characteristic, the details of how each is addressed should be explicit and clear. Unfortunately, organizations will often attempt to answer this part of the Criteria with a vague over-arching statement that does not specifically address the processes, methods, and technology used to achieve each characteristic. Additionally, when answering this question, the differences between organizational data and information should be addressed.

Availability

A critical part of the CPE is how the organization makes the needed data and information available to those who are involved with the organization. This should be addressed from the point of view of the users of data. Do they have what they need? And how do you give them the access required? Making data available to the users of the data includes also making it available to suppliers, partners, collaborators, and customers, although they may need less data than internal employees need.

Data and information availability is the ability of the organization to put data and information in the hands of individuals who need it to run the business as well as of those who are working to change the business. Ensuring data and information availability can include both automated and mechanical means so everyone has the data and information they need when they need it.

Although IT may drive the processes to ensure that hardware and software are reliable, secure, and user-friendly, the ultimate judge of whether the organization is achieving its hardware and software availability and friendliness goal is the user's opinion. As such, this process needs to start with the user's requirements and end with the user's satisfaction.

The Criteria asks how the organization ensures that hardware and software will be available to those who are running the business (and to the appropriate suppliers and partners) in the event of an emergency? The simple question is, "Are our data and systems backed up in case something happens?" Some organizations can answer this for their large systems, but do not have effective back-up for other types of data, which are manual or on portable computers. Both of these media can have critical data that would hurt the organization if lost. Finally, how does the organization keep the data and information availability mechanisms current?

4.2b ORGANIZATIONAL KNOWLEDGE

Everybody gets so much information all day long that they lose their common sense.

GERTRUDE STEIN



Baldrige Excellence Builder Questions

How do you manage your information and your organizational knowledge assets?

b. Organizational Knowledge

1. HOW do you build and manage organizational knowledge?
2. HOW do you share best practices in your organization?
3. HOW do you use your knowledge and resources to embed learning in the way your organization operates?

NIST (2017–2018)



Baldrige in Plain English— Organizational Knowledge

This focuses on the data, information, and knowledge management system to support the analysis/review of performance to improve organizational performance and share those improvements.

Knowledge Management

Managing organizational knowledge includes systems, collection of data, analysis, knowledge management, sharing of best practices, and decisions based on the data. These, however, cannot be effective if the data cannot be relied upon. This Area to Address focuses on being able to rely on the data. After several Baldrige recipients demonstrated an ability to leverage organizational knowledge for competitive advantage, knowledge management was officially added to the Criteria. In its ultimate form, knowledge management means that anything known to one person in the organization *should be usable by all people in the organization*. Within that framework, the CPE asks how an organization collects and transfers employee knowledge. As with other parts of the CPE, it's important to employ a process with clear steps and decision Criteria. The two components of this process—collection and transfer—are handled separately by most organizations. Some organizations have an excellent ability to collect data and develop world-class databases. In some cases, however, their ability to transfer it to the employees who

need the data is insufficient. Clearly, the effective use of organizational knowledge to accomplish increased performance requires both collection and the use of knowledge.

The CPE also asks how the organization transfers relevant knowledge from customers, suppliers, and partners. This process is certainly more difficult across organizational, and often contractual, lines. As with any process, the examiners will be looking for the process steps, the decision criteria, and the metrics to know the process is a success. Most organizations collect best practices in some form. The CPE requires not only the identification of best practices, but effective sharing as well. Some high-performing companies have the ability to measure the impact of this sharing of best practices.

Best Practices

Sharing best practices leverages lessons learned in one part of the organization to improve the entire organization. This means if one group improves, it has the systematic ability to share with others who can benefit from the improvement. This ability to share can be initiated during performance reviews when one group performs better than others. It simply is not acceptable to outperform your peers and not do something to help them systematically get better by using the techniques you found to be helpful.

Ideally, the performance review process and improvement projects include a step that requires sharing of the gain.

Organizational Learning

When an individual learns something, the CPE calls it personal learning. 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.

Category 5—Workforce

5.1 Workforce Environment

5.1a WORKFORCE CAPABILITY AND CAPACITY

An employee will give their all, as long as they feel valued and respected.

AMY ARMSTRONG



Baldrige Excellence Builder Questions

How do you build an effective and supportive workforce environment?

- a. Workforce Capability and Capacity
 - 1. HOW do you assess your WORKFORCE CAPABILITY and CAPACITY needs?
 - 2. HOW do you recruit, hire, place, and retain new WORKFORCE members?
 - 3. HOW do you prepare your WORKFORCE for changing CAPABILITY and CAPACITY needs?

NIST (2017–2018)



Baldrige in Plain English— Workforce Capability and Capacity

Capability and Capacity

This area to address begins by identifying the capabilities (skills) the organization needs and how much of each capability is required (capacity equals the numbers of employees with the appropriate skills). The capability assessment can include the skills and competencies needed, and the capacity assessment can include staffing ratios or levels. Key questions include: How does the organization assess its current workforce capability and capacity? How does the organization know what they will need in the future regarding workforce capability and capacity?

New Workforce Members

How does the organization find the right people and ensure they are brought on board? Once the organization determines what is required, how does it hire, develop, and keep new employees? This can include new employee orientation, what some organizations call “on-boarding.” Additionally, how do you ensure that your recruiting represents the same mix of ideas, cultures, and thinking of your hiring community? This view of diversity can be market focused. For example, if your customer base has a wide range of backgrounds, experiences, needs, and expectations, you need to have an employee base with that same diversity in order to be able to effectively serve your customers.

Workforce Change Management

How do you make changes that are necessary, and prepare your workforce? As changes occur in organizational needs, particularly as they impact workforce capacity and capability, the organization needs to have a systematic process that addresses those needs and their impact on the workforce. Where the workforce size has to be changed—increased or decreased—there should be a process that can ramp up if capability and capacity needs to be increased, or minimize the impact of workforce reductions if the overall workload decreases. For example, many organizations use temporary employees to minimize the impact of a potential downturn. If the downturn occurs, they reduce the use of temporary employees to protect the jobs of their permanent workforce.

Work Accomplishment

How do you get the required work done? Once you have identified the needs and have the right employees on board, the CPE asks for a

description of the process to manage and organize work to capitalize on the organization's core competencies. In simple terms, how do you assure that the right person and team are doing the right work?

These individual competencies, and how they are applied to the work, should be managed in a way that drives a competitive advantage. Additionally, the CPE asks how the organization reinforces a customer and business focus, presumably at all levels of the organization, to exceed the performance expectations and goals at each level.

Finally, the CPE addresses how the organization integrates its strategic challenges (externally at the highest level) all the way down to detailed action plans, particularly as business needs change.

5.1b WORKFORCE CLIMATE

The superior man, when resting in safety, does not forget that danger may come. When in a state of security he does not forget the possibility of ruin. When all is orderly, he does not forget that disorder may come. Thus his person is not endangered, and his states and all their clans are preserved.

CONFUCIUS



Baldrige Excellence Builder Questions

How do you build an effective and supportive workforce environment?

b. Workforce Climate

1. HOW do you ensure workplace health, security, and accessibility for the WORKFORCE?
2. HOW do you support your WORKFORCE via services, benefits, and policies?

NIST (2017–2018)



Baldrige in Plain English— Workforce Climate

This focuses on the work environment an organization creates for its employees. Is the environment safe and secure and is the organization prepared for short- and long-term emergencies or disasters?

Workplace Environment

Baldrige applications frequently discuss the tracking of health, safety, and security issues on a reactive basis rather than taking proactive steps to prevent the safety issues. Proactive steps can include safety or ergonomics audits, security audits, health assessments, and tracking near misses. Near misses are incidents in which no one was hurt, but the potential for harm exists if the same circumstance occurred again. In other words, they were lucky. This is typically a leading indicator of future accidents.

Another aspect of work environment protection is how employees participate in improving the work environment and how the organization measures its performance. Additionally, the CPE asks for performance measures and the levels or targets the organization is attempting to achieve.

Workforce Benefits and Policies

In the Organizational Profile, an employee profile is requested. Differences in employee group needs should be addressed. For example, if one group of employees is required to drive to customer locations and another group is not, the first group may have vastly different workplace needs. Those differences should be clearly described. Tailoring to the needs of a diverse workforce and different work groups and segments is critical. We must understand needs before we can effectively address them.

To accomplish this, high-performing organizations have listening posts to help them understand what policies and benefits are common or needed and they employ a systematic process to determine whether a proposed policy or benefit is desirable from the organizational viewpoint and whether the policy of benefit is good business.

5.2 Workforce Engagement

5.2a WORKFORCE ENGAGEMENT AND PERFORMANCE

The secret of joy in work is contained in one word—excellence. To know how to do something well is to enjoy it.

PEARL BUCK



Baldrige Excellence Builder Questions

How do you engage your workforce to achieve a high-performance work environment?

a. Workforce Engagement and Performance

1. HOW do you foster an organizational culture that is characterized by open communication, HIGH PERFORMANCE, and an engaged WORKFORCE?
2. HOW do you determine the KEY drivers of WORKFORCE ENGAGEMENT?
3. HOW do you assess WORKFORCE ENGAGEMENT?
4. HOW does your WORKFORCE PERFORMANCE management system support HIGH PERFORMANCE and WORKFORCE ENGAGEMENT?

NIST (2017–2018)



Baldrige in Plain English— Workforce Engagement and Performance

Just as Category 3 evaluated the customer segments, determined the requirements for each segment, and determined how the internal processes of the organization could be aligned to meet those requirements, Category 5 does many of the same tasks for the workforce.

Organizational Culture

Once the organization has determined the key factors in workforce engagement, the Criteria goes on to ask how the organization establishes a culture that will effectively address those factors. Those factors should be aligned to drive high performance and a motivated workforce. These factors could include: 1) salary; 2) benefits; 3) culture; and 4) ability to benefit from the diverse ideas, cultures and thinking of the workforce. The CPE proposes that customers, partners, and collaborators have a wide range of experiences, needs, and expectations. Unless an organization has a workforce with this same breadth and depth, the organization may not be able to understand customer requirements or be able to meet needs in a way that will drive long-term performance or loyalty.

Once the above processes have been established to understand what drives workforce engagement and to align the workplace to address those factors, the CPE asks how the organization empowers the workforce.

Drivers of Engagement

The logic flow of workforce engagement begins in area 5.2a, which asks how the organization systematically determines the key factors that will encourage workforce engagement. Although workforce loyalty is not specifically discussed in the CPE, loyalty should be assumed to be included as a step along the way to engagement. The results for workforce loyalty factors, such as absenteeism and voluntary turnover, are reported in Item 7.3 Workforce—Focused Results.

Area 5.2a asks what *process* the organization uses to determine the different needs, requirements, and satisfaction and engagement factors for the various workforce groups or segments that were reported in the Organizational Profile.

A number of organizations conduct a workforce survey and then hold focus group meetings to discuss and understand the survey results. This is an ineffective technique (it does have some value, but at a minimum it is insufficient to fully understand the drivers of workforce engagement). This approach assumes that the individuals in the focus groups:

- Represent the entire organization
- Remember why they answered every question during the survey
- Understand the interrelationships between all of the questions on the survey
- Will be honest and fully forthcoming in the focus group discussions

A methodology shown to be successful to understand the drivers of engagement, and cause and effect, is to conduct a regression analysis on the answers given by very satisfied and very dissatisfied employees. What are the top issues each liked and did not like?

Assessment of Engagement

The assessment of workforce engagement can be a combination of both formal and informal methods. Regardless of whether they are formal or informal, the organization should work toward developing as objective and quantifiable methods as possible. If assessment methods differ across workforce groups and segments, the process to define these differences should be clearly defined. It is acceptable for one process to be used for all workforce groups or different processes to be used for each workforce group. The CPE asks why that decision was made and the steps for making the decision.

Where other indicators such as workforce retention, absenteeism, grievances, safety, and productivity, give the organization insights into the workforce engagement, the processes to collect and use these indicators should also be used.

Performance Management

The workforce performance management system needs to be a systematic process that focuses on enabling and driving high-performance work and workforce engagement. The process may be different for different workforce segments and different levels in the organization, but all workforce segments should: (a) understand what is required of them; (b) understand their own goals; (c) understand their performance against those goals; (d) understand course correction and adjustments as they are made and the impact on their goals and actions; and (e) understand the linkage of their performance to compensation, reward, recognition, and incentives. Finally, the workforce system should reinforce a customer and business focus as it aligns action plans with the overall organizational goals and objectives.

The CPE specifically seeks to understand how the Workforce Performance System supports:

- High performance work
- Workforce engagement
- Workforce compensation, reward (not only monetary), recognition, and incentive practices

- Intelligent risk taking to achieve innovation
- A customer focus
- A business focus
- The achievement of action plans

Not only does the performance management system need to be linked to the organization's goals (as discussed in Item 2.2), but it should also be linked to the overall development and growth of employees. Once employees clearly understand their goals and objectives, have the tools to perform, and have leadership support, the performance management system should link and align compensation, recognition, and related rewards and incentive practices to the individual's and the team's performance.

Reward and recognition is an area in which most organizations have a tremendous opportunity for improvement. Even high-performing organizations can improve further by more effectively aligning reward and recognition with the performance of the individual and aligning the performance of the individual with the objectives, goals, and direction of the organization.

Most organizations have some form of non-monetary reward and recognition, but this is typically an area of significant opportunity for improvement. As organizations increase the alignment of their reward and recognition of employees, including increases in non-monetary reward and recognition, the impact can be significant in its favorable effect on overall organizational performance. In the end, the goal is to align every employee's efforts with the efforts of the overall company. The performance management system is one of the major tools used to achieve that alignment.

5.2b WORKFORCE AND LEADER DEVELOPMENT

A little learning is a dangerous thing, but a lot of ignorance is just as bad.

BOB EDWARDS



Baldrige Excellence Builder Questions

How do you engage your workforce to achieve a high-performance work environment?

- b. Workforce and Leader Development
1. HOW does your LEARNING and development system support the organization's needs and the personal development of your WORKFORCE members, managers, and leaders?
 2. HOW do you evaluate the EFFECTIVENESS and efficiency of your learning and DEVELOPMENT SYSTEM?
 3. HOW do you manage career progression for your WORKFORCE and your future leaders

NIST (2017–2018)



Baldrige in Plain English— Workforce and Leader Development

The concept of a performance management system (PMS) was discussed in Area to Address 5.2a. The PMS identifies areas for employee development that are inputs to the workforce and leader development system. The workforce and leader development system addresses how individuals improve, assesses their improvement, and integrates their improvement with their career progression.

Learning and Development System

The manner in which workforce learning and development aligns to core competencies, strategic challenges, and goals and objectives should be deployed all the way down to short- and longer-term action plans. Additionally, workforce development should consider:

- Organizational core competencies, strategic challenges, and achievement of:
 - Short-term plans
 - Long-term plans

- Organizational performance improvement
- Organizational change
- Innovation
- Ethics and ethical business practices
- Customer focus
- The transfer of knowledge from departing or retiring workforce members
- The reinforcement of new knowledge and skills on the job

One of the above questions asks how knowledge is transferred from departing or retiring workers. As with other aspects of the Criteria, this should be achieved through the use of a systematic process. Frequently organizations do not identify knowledge unique in each person that must be transferred, or they employ a transition plan that limits the amount of time a replacement works with a departing employee. This is not a process, and if the necessary knowledge is not defined, it certainly will not be effectively transferred.

Leader development follows many of the same basic tenets of workforce development such as identifying core competencies, tying development to organizational performance, and ensuring that breadth and depth of development needed is achieved. In addition, leadership development should align with other parts of an organization, such as the leadership system discussed in Item 1.1. First, each of the characteristics in the leadership system must be a part of the leadership development process and the characteristics expected in leaders should be a part of the leadership evaluations. If not, leaders will not know how to lead in a consistent way and will not understand that the leadership attributes described in the leadership system are expectations of their personal leadership style. Second, leaders must be taught to develop people and taught to develop the processes (organizational learning) within their span of control. Finally, leaders must be role models at all levels. If the leader is not a role model, then those individuals who look up to that leader will not feel they are expected to act as role models either.

Learning and Development Effectiveness

Once training of the workforce and leadership is accomplished, the organization has a responsibility to evaluate the effectiveness of its development and learning systems. This can impact not only the individuals trained, but also organizational performance. That linkage and impact are quantified in some high-performing organizations. Typically organizations will, at a minimum, ask for the reactions and

feedback of those who attended the training. Some organizations actually assess the learning that took place through tests and examinations.

It is one thing to have knowledge and another to be able to apply that knowledge on the job. Consequently, some organizations assess the impact of training on job performance. Finally, the most advanced organizations link the impact to performance on the job with overall enterprise performance measures associated with the overall strategy. The cost in both time and money increases as the organization implements more advanced assessment methods. Consequently, some organizations use the more expensive methods for only a few key or expensive training events. For more on the four levels of assessment, search the internet on the key words *Kirkpatrick Model*.

Career Progression

The organization has a responsibility to help employees manage career progression. This does not mean that every employee should have an explicit career path mapped out, including their next three positions. This is common in some technical paths such as the steps of a nursing ladder as nurses develop in tenure and skill, but most organizations have found that to be a low value-added activity. However, succession plans should be in place for the highest levels of the organization, with associated development plans for each of the leaders on the succession plan. At all levels, employees should have the following knowledge of their job, their performance, and their potential:

- An understanding of their current job requirements
- An understanding of their current performance versus the job requirements (and the gap)
- Access to education, training, or experience to close the gap
- An understanding of the difference between their current job performance and the job they desire (and the gap)
- Access to education, training, or experience to close the gap
- An understanding and belief that once they receive the training, education, or experience required for the job they desire that the job selection process will be fair

Employee education, training, and development should link to the organization's strategic plan. The impact of people and employee capabilities were considered in the early stages of developing the strategic plan. The human resource plan was considered during the deployment of the strategy into action plans, leaving this portion of the CPE to address

the specific development and training of leaders and the workforce to implement those plans. This plan begins with aggregating the training requirements at the highest levels in the organization so that the organization can directly link education and training to the achievement of action plans. The overall training and development plans must be deployed throughout the organization to link and align individual actions with short- and long-term organizational objectives.

An employee's education starts with employee orientation. While no longer specifically required by the CPE, orientation is necessary if employees are to systematically learn the culture and necessary tools. This orientation should typically address the culture of the organization, its values and beliefs, and what employees have to do to grow into productive members of the organization. At a recent orientation I attended, the leader spent a great deal of time and went into a lot of detail to describe the beliefs and culture. He went on to say, "If you think about this and it does not fit you, be honest with yourself; you probably don't fit here."

New employees should understand the same skills and tools that all other employees understand so that they can use those skills to solve problems, progress within the culture, or improve organizational performance.

Motivation and career development starts with the needs and expectations of leaders and employees and focuses on how the organization helps them achieve their development objectives through both formal and informal techniques. In the past few years, the CPE has asked about succession planning at all levels of the organization. Very few organizations truly plan for the succession of anyone except top leaders or those with critical skills.

The organization has the responsibility to ensure that all employees have the opportunity to progress in their careers. The Criteria asks how the organization accomplishes effective succession planning for leadership and management positions and asks how an organization manages effective career progression for all employees throughout the organization. The organization should post all job openings so that eligible candidates have the opportunity to apply for all positions for which they are qualified and for which they have an interest.

Category 6—Operations

6.1 Work Processes

6.1a PRODUCT AND PROCESS DESIGN

You cannot be excellent at something unless it is documented and systematically improved at a rate faster than your competition.

LEE BUTLER



Baldrige Excellence Builder Questions

How do you design, manage, and improve your key products and work processes?

a. Product and Process Design

1. HOW do you determine KEY product and WORK PROCESS requirements?
2. What are your organization's key WORK PROCESSES?
3. HOW do you design your products and WORK PROCESSES to meet requirements?

NIST (2017–2018)



Baldrige in Plain English— Product and Process Design

This area focuses on how the organization designs its products and key work processes, including key design concepts and developing product and process requirements.

The term *work process* refers to how the work of your organization is accomplished. Work processes support the work systems discussed in Item 2.1—Strategy Development. These involve your workforce, key suppliers and partners, contractors, collaborators, and the supply chain needed to produce and deliver your products and your business and support processes. For example, a health care organization may have inpatient, outpatient, and emergency department *work systems*. Each of these *work systems* could be supported by the underlying *work processes* of:

1. Welcome patients
2. Register patients
3. Diagnose illness
4. Treat patients
5. Educate patients
6. Discharge patients
7. Follow up after discharge

Work processes coordinate the internal work processes and the external resources necessary to develop, produce, and deliver products to customers and to succeed in the marketplace. Decisions about work systems are strategic (Item 2.1—Strategy Development). These decisions involve protecting and capitalizing on organizational core competency and deciding what should be procured or produced outside the organization in order to be efficient and sustainable in the marketplace.

Note: It is helpful to understand the definitions of systems and processes prior to addressing Category 6. These can be found in the glossary. Additional definitions critical to this understanding—provided by the author, and not supported by the CPE—include: *systematic process, enterprise systems model, guidance systems, support systems, blind spots*, and many others.

Over the years, the CPE has used several different approaches to describe the process management category. This description has included terms such as *core processes, product and services processes, supplier processes, business processes, value creation processes, support processes*, and others.

- **Key Work Processes:** These are the key processes in the creation of products or services consumed by your external customers or those processes that are most critical to achieving your intended outcome.
- **Work Processes:** All processes. A subset of these is all other processes in the organization beyond the key work processes. Sometimes the using organizations—as some call them, the internal customers—refer to these processes as the “enabling processes.” These processes support (or enable) other processes that produce the products and services for external customers.

Area to Address 6.1a asks how the organization designs its key work processes including design concepts and how it identifies the work process requirements.

Determination of Product and Process Requirements

Processes are made up of multiple steps where something occurs; they include: 1) inputs; 2) outputs; 3) requirements; and 4) resources.

Overall work process requirements can start with inputs from the work systems as well as from customers, suppliers, partners, collaborators, and possibly others. The output of the process must meet what is expected by the customer of the process (the downstream process and the higher-level system). If it is a key work process, typically the customer will be external. If it is a support process, typically the customer will be internal. In both cases, however, customer requirements must be systematically determined and the process must be designed to meet those requirements.

Key Work Processes

A clear understanding or picture of an enterprise system (key systems and their relationships) facilitates the identification of key work system requirements and the lower work process requirements. The key to clarity in this case is simplicity. In too many cases, the organization describes itself in terms so complex that nobody, either internal or external, can understand the key systems and processes, the inputs, outputs.

To describe the organization simply, the author recommends that an organization develop a one-page graphical description of its business, called an Enterprise Systems Model or stadium chart. (It’s called a stadium chart because it describes the entire business as one view above the stadium.) This works for all sectors, including business, health care, and even government or not-for-profit. This model can also be the basis for the organization’s approach to process management. For example, the

one-page description shows many of the key components of the business that can be broken down further into the various levels of processes. These high-level systems can be broken down to the lower-level processes (typically broken down two or three more levels). See the glossary for Enterprise Systems Model.

Design Concepts

This part of the CPE assumes that the overall work systems have been designed and the work processes within that system need to be designed. This is the level where actual work is performed. Additionally, the CPE wants the organization to understand how these processes contribute to delivering customer value. This presupposes that the customer value requested from the organization is aligned with the key work processes, which are aligned to the core competencies. To achieve the work necessary, every core competency should be addressed by one or more key work processes to drive that core competency throughout the organization. Once the alignment of processes to delivering customer value is established, the processes must also drive profitability and sustainability as well as overall organizational success.

The first part of this area to address focuses on the product, work process design, and key considerations. Work process design typically includes an analysis of the overall work system being supported, and the role of the process in that system. The first key consideration is how to design the products and work processes to help achieve and/or leverage the organization's core competencies. This was identified in the context section (Organization Profile). Core competencies refer to the organization's area(s) of greatest expertise. These are those competencies that are strategically important and provide a sustainable competitive advantage in the market place or service environment.

These core competencies should have some alignment to the principal factors that determine the organization's success relative to its competitors (success factors). These factors were discussed in the Organizational Profile in Item P.2. The core competencies should also be linked to the organization's mission (for example, this is what we have to be good at to achieve our mission), competitive environment (for example, this is how you achieve a competitive advantage), and action plans (for example, this is specifically what you will do to achieve the competitive advantage). Anyone evaluating the organization would expect to see significant investments in improving or maintaining the capabilities within each of the core competencies.

6.1b PROCESS MANAGEMENT AND IMPROVEMENT

Real success is finding your lifework in the work that you love.

DAVID MCCULLOUGH



Baldrige Excellence Builder Questions

How do you design, manage, and improve your key products and work processes?

b. Process Management and Improvement

1. HOW does your day-to-day operation of WORK PROCESSES ensure that they meet KEY PROCESS requirements?
2. HOW do you determine your KEY support PROCESSES?
3. HOW do you improve your WORK PROCESSES to improve products and PERFORMANCE, enhance your CORE COMPETENCIES, and reduce variability?

NIST (2017–2018)



Baldrige in Plain English— Process Management and Improvement

This part of the CPE assumes that the key work systems have been identified (2.1a[4]) and have been designed (6.1a[3]), and that those work processes have been focused on the core competencies of the organization. The question asked in 6.1b is “How are the work systems managed and improved?”

Process Implementation

The stadium chart (Enterprise Systems Model—see the glossary) should show the systems, how they relate to each other, how they

leverage the core competencies, and how they deliver customer value. This presupposes that the creation and delivery of customer value is aligned with the key work systems that drive the achievement of the core competencies. Once the alignment of systems to delivering customer value is established, the systems must also drive profitability and sustainability as well as overall organizational success.

How do you ensure that the work systems are managed and improved to deliver customer value and organizational success as defined by the multiple stakeholders? Organizational success implies that the organization is sustainable—economical, societal, and environmental. A high-performing organization must be high performing in all three areas.

Support Processes

The systems that drive customer value are work systems or key work systems, but these must be supported by at least two other types of systems—systems that guide (see *Guidance Systems* in the glossary) and systems that support (see *Support Systems* in the glossary). These are not described by the Criteria for Performance Excellence (CPE), but are key to understanding the organization and an enterprise-wide view of the interrelationship of all systems. All systems are supported by lower-level processes. The support systems are supported by support processes, which the CPE does ask about.

The CPE asks 1) how you determine what your key support processes are, 2) what their requirements are, and 3) how you ensure that you meet their requirements on a daily basis. This is achieved by 1) understanding the needs of your work processes, 2) working with the internal customer of the support system to define the requirements, measures and deliverables, and 3) tracking the metrics to ensure that they are being achieved (output measures) and that the processes are in control (in-process measures).

Product and Process Improvement

In the Organizational Profile (P.2c) a question was asked: “What are the key elements of the organization’s performance improvement system, including the evaluation and learning process?” This question feeds directly into Area to Address 6.1b(3), which asks how you improve your work processes to improve products and performance and reduce variation. Better performance can include both continuous improvement and breakthroughs (see Area 6.2d) and can be improvement in any aspect of the organization. Typical areas for improvement include cost, cycle time, variation, schedule, and quality.

The improvements in the processes, however, should be improvements that the customer or the stakeholders of the process—both internal and external—value. As discussed earlier, all processes should have a process owner—somebody who is responsible for the caretaking and improvement of the process. Process owners should have the responsibility to define, measure, stabilize, and improve the process. In improving the work processes, specific tools should be used. This does not mean that the organization must use only one improvement tool. Where several tools are used, however, it should be clear where and why each tool is used.

To drive these improvements, there should be input from the users of the output from the process. Where conditions change, or where the user wants a change in the output, the process improvement should be responsive to those differences and should keep the process current with the changing needs. Finally, where improvements are achieved, there should be a systematic process to understand who could learn from this improvement and to ensure that the improvement is understood by those individuals or groups. Some high-performing organizations also track the value of the improvements made in this manner.

6.1c SUPPLY-CHAIN MANAGEMENT

To the degree one company integrates its supply chain better, and continuously improves it more rapidly than its competitors... It creates a competitive advantage for itself and the entire chain.

MIKE KATZORKE



Baldrige Excellence Builder Questions

How do you design, manage, and improve your key products and work processes?

c. Supply-Chain Management

HOW do you manage your supply chain?

NIST (2017–2018)



Baldrige in Plain English— Supply-Chain Management

This area asks how the organization manages and improves work processes including the supply chain. The way the supply chain processes are planned, managed, and improved should be as rigorous as if they were internal.

Once the internal and external processes are designed and aligned to the work systems, it's important to ask several questions: "How does the organization implement the processes to ensure that all key customer and stakeholder requirements are met?" and "How does the organization ensure that the work processes are stable?" This refers to minimizing costs associated with inspection. If the processes are in control then they do not have to be inspected as often. To keep the processes current, the processes should be able to incorporate new technology, new organizational knowledge (through knowledge management), and the level of agility or innovation required by the customers or by the marketplace.

As with the controls in Item 6.1, these processes need to be extended to the supply base. Although some organizations do not rely on suppliers to a significant degree, most organizations cannot thrive without a healthy supply chain feeding them.

As one leader stated, "You no longer compete *company-to-company*, you compete *supply chain-to-supply chain*."

Supply-Chain Management

The CPE asks how you manage your supply chain. This is an area that over the years has gone in and out of the Criteria. For some organizations the supply chain is pivotal to even short-term sustainability. For other organizations it is not as significant and does not need to be as robustly addressed. Where a robust supply chain is critical to an organization the following questions should be answered:

- How do you appropriately include your supply chain in your strategic planning process? (This is key since plans must be supported by the suppliers.)
- How you determine when to buy and when to make?
- How do you qualify the supplier and determine who to buy from?
- How do you track supplier performance?
- How you help suppliers improve their performance?
- What do you do if a supplier is performing poorly?

Most organizations have suppliers and partners they rely on to deliver their products and services. Many of them, however, do not fully embed these organizations into their culture. Additionally, most don't look to the supplier to bring them the best practices from their breadth of experience and client base. This is an obvious opportunity to improve performance.

6.1d INNOVATION MANAGEMENT

Great leaders make it safe for others to innovate.

JORGE BARBA



Baldrige Excellence Builder Questions

How do you design, manage, and improve your key products and work processes?

d. Innovation Management

HOW do you pursue opportunities for INNOVATION?

NIST (2017–2018)



Baldrige in Plain English— Innovation Management

The Criteria itself (not including the notes and other portions of the Criteria booklet) mentions innovation 10 times as follows:

Organizational Profile

P.1b(3) Suppliers and Partners

P.2a(2) Competitiveness Changes

Category 1—Leadership

1.1c(1) Creating a Successful Organization

Category 2—Strategic Planning

2.1a(2) Innovation

Category 4—Measurement, Analysis, and Knowledge Management

4.1c(2) Continuous Improvement and Innovation

4.2b(1) Knowledge Management

Category 5—Workforce Focus

5.2a(4) Performance Management

5.2b(1) Learning and Development System

Category 6—Operations Focus

6.1d Innovation Management

Category 7—Results

7.1b(1) Process Effectiveness and Efficiency

Few topics are addressed so frequently in the CPE as innovation.

Key players in the Baldrige office have stated that *innovation is both a process and a culture*. This duality is clearly reflected in the Criteria. This Area to Address (6.2d) describes innovation as a process. (What is your process to manage innovation?) Other parts of the CPE also address it as a process. (Area 4.2b[1] states “assemble and transfer relevant knowledge for use in your innovation and strategic planning processes.” In Category 1, Leadership, it is treated as a culture when the Criteria asks how leaders “cultivate innovation.”

The CPE asks how you manage innovation and how innovation comes from strategic opportunities that are analyzed to determine the appropriate risks (called intelligent risks). Once a potential innovation is identified, the CPE asks how you make the appropriate resources available.

All innovations, strategic opportunities, and risks need to be effectively vetted to ensure that they are reasonable.

6.2 Operational Effectiveness

6.2a PROCESS EFFICIENCY AND EFFECTIVENESS

Opportunity is missed by most people because it is dressed in overalls and looks like work.

THOMAS EDISON



Baldrige Excellence Builder Questions

How do you ensure effective management of your operations?

a. Process Efficiency and Effectiveness

HOW do you control the overall costs of your operations?

NIST (2017–2018)



Baldrige in Plain English— Process Efficiency and Effectiveness

Although the Criteria focuses heavily on work processes, all systems and processes must be effectively designed, managed—meaning kept under control—and improved. Each of these phases must consider the overall control and outputs, both initially and long-run.

Cost Control

Work systems, work processes, and other types of systems and processes (such as those used for guidance and support—see glossary for definitions) need to be designed to achieve what the customers and the stakeholders of those systems and processes require. This design must include controls on factors such as cycle time, productivity, and other efficiency and effectiveness factors. The overall focus can be described as cost, schedule, and quality. To do this the design and operation of the systems and processes must prevent defects, service errors, and rework.

To minimize warranty costs, customer productivity losses, inspection/test costs, and process/performance audits, processes and systems need to have in-process measures. Through the tracking of these measures, the systems and processes need to be kept in control.

The Criteria for Performance Excellence (CPE) is non-prescriptive and will never require a specific technique such as statistical process control (SPC), but having short-interval in-process measures are critical to not having to “inspect-in-quality” after a product or service is provided.

The essence of this portion of the Criteria is control, not artificially reducing the number of inspectors or audits without a methodology of ensuring the appropriate characteristics are maintained upstream of the outcome measures for the systems or processes.

Furthermore, incorporating cycle time, productivity, cost control, and other efficiency and effectiveness factors into the design of the processes, the organization should have the ability to link those characteristics back to the customer listening and learning posts (as described in Item 3.1a) to ensure that these flexibility and productivity factors meet customer and/or marketplace requirements.

6.2b MANAGEMENT OF INFORMATION SYSTEMS

Everything must be made as simple as possible. But not simpler.



Baldrige Excellence Builder Questions

How do you ensure effective management of your operations?

b. Management of Information Systems

1. HOW do you ensure the reliability of your information systems?
2. HOW do you ensure the security and cybersecurity of sensitive or privileged data and information?

NIST (2017–2018)



Baldrige in Plain English— Management of Information Systems

Reliability

This reviews how the organization manages electronic and other data and information to ensure that it is reliable. The other characteristics of data and information management are addressed in Item 4.1a(1,2). This, as with other aspects of information management, should start with the users of the data. Their needs should be defined and the ongoing (and new) programs, software, and hardware should be validated by the users to ensure they consider the data reliable.

Security and Cybersecurity

This reviews how the organization manages electronic and other data and information to ensure that it is secure and confidential and that only the appropriate people have access. This includes ensuring cyber security.

Managing cybersecurity includes protecting against the loss of sensitive information about employees, customers, and organizations; protecting intellectual property; and protecting against the financial, legal, and reputational aspects of breaches.

There are many sources for general and industry-specific cybersecurity standards and practices. Many are referenced in the Framework for Improving Critical Infrastructure Cybersecurity (<http://www.nist.gov/cyberframework>). The Baldrige Cybersecurity Excellence Builder

(<https://www.nist.gov/baldrige/products-services/baldrige-cybersecurity-initiative>) is a self-assessment tool incorporating the concepts of the Cybersecurity Framework and the Baldrige systems perspective.

6.2c SAFETY AND EMERGENCY PREPAREDNESS

Action springs not from thought, but from a readiness for responsibility.

G. M. TREVELYAN



Baldrige Excellence Builder Questions

How do you ensure effective management of your operations?

c. Safety and Emergency Preparedness

1. HOW do you provide a safe operating environment?
2. HOW do you ensure that your organization is prepared for disasters or emergencies?

NIST (2017–2018)



Baldrige in Plain English— Safety and Emergency Preparedness

Safety

The CPE wants to ensure that the workplace is safe, secure, and ergonomic. Specifically, it asks how you provide a safe operating environment, including prevention, inspection root-cause analysis, and recovery.

Business Continuity

The CPE asks how the organization ensures that its work systems and workplace preparedness are adequate to survive and operate during disasters or emergencies. This includes prevention, management, and continuity of operations and /or recovery. To ensure the overall operational

(short-term) sustainability of the organization, the organization will require the factors described in 1.1c(1).

An organization needs to assess:

- Prevention of disasters or emergencies
- Management of disasters or emergencies
- Continuity of operations when a disasters or emergency occurs
- Recovery from a disaster or emergency

More strategically, the factors noted in 1.1c(1) address longer-term sustainability issues. Although the Criteria does not cover all of these factors, it can serve an organization well to take an integrated view of emergency readiness and preparedness. This will ensure that the organization does not look at just a single aspect of emergency readiness. For example, most organizations have a comprehensive IT disaster plan. Although this may help the organization protect its data, the organization can still be crippled if a critical aspect of the supply chain cannot deliver crucial products or services. The key issue is protecting stakeholders (for example, protecting customers so they will receive the products or services from the organization and protecting employees so they will have ongoing employment).

Category 7—Results

7.1 Product and Process Results

7.1a CUSTOMER-FOCUSED PRODUCT AND SERVICE RESULTS

It is quality rather than quantity that matters.

SENECA (5 BC–65 AD)



Baldrige Excellence Builder Questions

What are your product performance and process effectiveness results?

a. Customer-focused product and service RESULTS

What are your RESULTS* for your products and your CUSTOMER service processes?

* For the Health Care Criteria, key clinical outcomes are also asked for here.

NIST (2017–2018)



Baldrige in Plain English— Customer-Focused Product and Service Results

These results measure how the organization performs against the external customer's requirements (as reported in Area P.1b[2] in the Organizational Profile). The product and service results reported here are the proxies for customer satisfaction, and if they are understood

should correlate to customer satisfaction, loyalty, and engagement. Because customer satisfaction measures are often lagging, these product and service measures provide timely feedback to help manage internal processes. Considering the requirements identified in the Customer Focused Items (3.1 and 3.2), what product and service characteristics, if done well, will result in a satisfied customer? For example, the customer might define quality and on-time delivery with no defects as an important service characteristic. This customer request might translate into percentage delivered on time, average variance of delivery times, and number of defects per product found during final inspection, all measurable by the organization. The product and service results should directly correlate with the customer's satisfaction results.

Customer satisfaction and purchase behavior are the ultimate measures of product and service quality; however, customer satisfaction (reported in 7.2a) often lags behind the actual delivery of the products and services (7.1a). Consequently, customer satisfaction is often not timely enough to be used to control the quality of the products and services. An organization needs early warning proxies for customer satisfaction. These proxies come in the form of tracking the organizational performance against the characteristics of the products and services that determine customer behavior. The processes to determine these requirements are reported in Item 3.1, and the requirements themselves are reported in the Organizational Profile in P.1a(1). Data reported here should align to what was listed in the Organizational Profile for each customer requirement within each customer segment.

Note for the Health Care Criteria: In addition to the Item 7.1 requirements noted above, the CPE for Health Care Criteria also asks, "What are your current levels and trends in key measures or indicators of health care outcomes...."

Unfortunately, we have seen some health care applicants provide *only* health care outcomes and not the internal measures that respond to the Customer's (Patient's) Requirements shown in Area P.1b(2) in the Organizational Profile. While these clinical outcomes are critical for any health care organization, they do not answer the full breadth and depth of what Area to Address 7.1a asks.

The answer to P.1b(2) gives an organization the ability to understand how it is meeting/not meeting what is important to customers (patients), which should correlate to satisfaction, loyalty, and engagement. If it does not correlate, the organization does not fully understand the customer's requirements. Clinical outcomes alone cannot create this alignment.

7.1b WORK PROCESS EFFECTIVENESS RESULTS

Change is the constant, the signal for rebirth, the egg of the Phoenix.

CHRISTINA BALDWIN



Baldrige Excellence Builder Questions

What are your product performance and process effectiveness results?

b. Work Process Effectiveness Results

1. What are your PROCESS EFFECTIVENESS and efficiency RESULTS?
2. What are your emergency preparedness RESULTS?

NIST (2017–2018)



Baldrige in Plain English— Work Process Effectiveness Results

Once an organization has identified what the customers want, the next question requires identification of the necessary internal support products, services, and processes needed to enable the key outcomes. High-performing organizations have a strong ability to identify the internal indicators used to control and improve the key product and service processes. These internal process performance indicators are important to the organization, but very often the customer could not care less about them. For example, the buyer of a house does not care less about them. For example, the buyer of a house does not care whether the house's foundation is finished on time. The buyer wants a high-quality house that is move-in ready when promised. The builder, however, knows that the probability of the house being ready to move into on time is dramatically increased if the foundation is finished on time. Thus, completing the foundation on time would be an in-process measure that the builder might use to ensure meeting the end-of-process measures that are important to the customer.

Process Effectiveness and Efficiency

The products and services provided to external customers by an organization are outputs of the organization's system of processes, including the outputs of both the key work processes and all other processes. This Area to Address focuses on the predictors of product and service quality reported in 7.1a. Results reported should include the key measures for performance of the work systems, including productivity, cycle time, and other measures of process efficiency (in-process measures), effectiveness (end-of-process measures), and innovation (if valued by the customer of the process). It also is essential to report key output measures of internal processes that enable or support the processes that provide the products and services provided to external customers as well as output measures of the key work processes. These measures, as well as others, should be used to proactively manage the organization's processes and to evaluate their overall performance. The 2017–2018 CPE added cybersecurity.

Safety and Emergency Preparedness

Results reported against emergency preparedness should include the key indicators and measures for the achievement of the planning and mitigation of workplace preparedness for disasters or emergencies. This should show the factors addressed as important in 6.2c(2)—Business Continuity.

7.1c SUPPLY-CHAIN MANAGEMENT RESULTS

Amateurs discuss tactics, professionals discuss logistics.

NAPOLEON



Baldrige Excellence Builder Questions

What are your product performance and process effectiveness results?

c. Supply-Chain Management Results

What are your supply-chain management RESULTS?

NIST (2017–2018)



Baldrige in Plain English— Supply-Chain Management Results

Once an organization has identified what the customers want, the next question requires identification of the necessary internal *and external* support products, services, and processes needed to enable the key outcomes. High-performing organizations have a strong ability to identify the suppliers they need and to integrate those suppliers into the full supply chain. Without this ability, many organizations may be ignoring over 50% of their total cost. This means the suppliers must be effectively rationalized into the entire value chain, and become a seamless part of planning, deployment, management, and improvement.

Unless an organization truly understands the impact of suppliers, it may put the business at risk in a manner from which it is difficult to recover. For example, a strong trend in the United States has been to offshore many products and services. Studies have shown, however, that some of these outsourcing decisions have ignored factors that contribute as much as 20% of the total cost. Clearly these decisions can put at risk some of the key factors that drove the decision to outsource, and may even put the competitiveness of the organization at risk.

7.2 Customer Results

7.2a CUSTOMER-FOCUSED RESULTS

However beautiful the strategy, you should occasionally look at the results.

WINSTON CHURCHILL



Baldrige Excellence Builder Questions

What are your customer-focused performance results?

a. Customer-Focused Results

1. What are your CUSTOMER satisfaction and dissatisfaction RESULTS?
2. What are your CUSTOMER ENGAGEMENT RESULTS?

NIST (2017–2018)



Baldrige in Plain English— Customer-Focused Results

How satisfied are your customers? Are they more satisfied today than they were yesterday? How satisfied are your competitors' customers? These three questions are the validation questions for how well an organization is creating and delivering products and services that meet and exceed customer expectations, as well as how that performance is viewed by customers. Immediate customer feedback, however, is often impractical. Thus, formal and informal tools are needed to assess customer satisfaction and resulting loyalty.

Customer Satisfaction

The customer-focused results reported in 7.2a validate the performance of the organization from the perspective of the customer and sometimes from the perspective of the customer's customer. Regardless of whether the organization collects revenue for its services, provides the service free of charge, or uses tax dollars, the primary beneficiaries of the key work processes are, for the purposes of this area, customers that are external to the organization.

Why measure customer perceptions and purchase behaviors? One reason is to validate the product and service measures (7.1a) used to determine the quality of the output of the key work processes. An organization determines customer requirements, translates those requirements into product and service features, and then measures how well the products and services meet those requirements.

An organization knows that it has truly understood customer requirements only after it has measured satisfaction, dissatisfaction, and behavior of the customer (7.2a). These should be compared to the performance levels of your competitors and of other organizations providing similar products or services.

Customer Engagement

The ultimate objective is not just customer satisfaction. Customer satisfaction should lead to customer loyalty. If it does not, then the organization does not understand customer requirements (reported in 7.1a). An organization does not want happy customers who leave; they want happy customers who stay. These are known as loyal customers. Loyal customers can then become advocates for the organization's products and services. These are known as engaged customers.

The data presented here should be reflective of the customer relationship-building processes described in Area to Address 3.2b. As

with most results, these should be compared to the performance levels of competitors and of other organizations providing similar products or services.

7.3 Workforce Results

7.3a WORKFORCE-FOCUSED RESULTS

Your most precious possession is not your financial assets. Your most precious possession is the people you have working there, and what they carry around in their heads, and their ability to work together.

ROBERT REICH



Baldrige Excellence Builder Questions

What are your workforce-focused performance results?

- a. Workforce-Focused Results
 1. What are your WORKFORCE CAPABILITY and CAPACITY RESULTS?
 2. What are your WORKFORCE climate RESULTS?
 3. What are your WORKFORCE ENGAGEMENT RESULTS?
 4. What are your WORKFORCE and leader development RESULTS?

NIST (2017–2018)



Baldrige in Plain English— Workforce-Focused Results

Process performance is important but it seldom occurs without an engaged workforce. People measures are an important input and predictor of process performance and, in some situations, customer satisfaction. Included in this area might be indicators of employee

satisfaction, learning, and performance. Are the employee results good? Are they getting better? How does this organization's employee results compare to those of its competitors or organizations in the same business? Are their employees more or less satisfied? Who is getting better faster?

Area to Address 7.3a measures the multiple aspects of the people component of the organization. Product and service quality measures are not the only proxies of customer satisfaction. Heskett, Sasser, and Schlesinger (1997) link key people measures such as capability, satisfaction, and loyalty with productivity and services quality, which is linked to customer satisfaction and, in turn, revenue growth. Others have a HR scorecard aligned with and supporting the overall organizational strategy.

Workforce Capability and Capacity

The organization needs to have a process to determine the skills required (capability) and the numbers of people required (capacity). The measures for these should reflect the results tracked from the process.

Workforce Climate

The culture described in the Organizational Profile (P.1a) and reflected in the Workforce Climate (5.1b) should be tracked in the results reported here. At a minimum, this should include the current levels and trends in key measures or indicators of health, safety, security, and services and benefits.

Workforce Engagement

The *people* results should be comprehensive enough to provide a clear picture of the overall status of the workforce and should also provide insight into the various segments of the workforce. As with the other measures discussed in this book, the human resource measures should include both leading and lagging measures. Measures should include how the organization knows the workforce is engaged and satisfied.

Workforce Development

The development of the workforce and the leaders should be reported. At a minimum, this includes leading and lagging measures of development. Measures should include how the organization knows the workforce is developing, increasing capability and capacity.

7.4 Leadership and Governance Results

7.4a LEADERSHIP, GOVERNANCE, AND SOCIETAL RESPONSIBILITY RESULTS

Leadership is based on inspiration, not domination; on cooperation, not intimidation.

WILLIAM ARTHUR WOOD



Baldrige Excellence Builder Questions

What are your senior leadership and governance results?

- a. Leadership, Governance, and Societal Responsibility Results
 1. What are your RESULTS for SENIOR LEADERS' communication and engagement with the WORKFORCE and CUSTOMERS?
 2. What are your RESULTS for GOVERNANCE accountability?
 3. What are your legal and regulatory RESULTS?
 4. What are your RESULTS for ETHICAL BEHAVIOR?
 5. What are your RESULTS for societal well-being and support of your KEY communities?

NIST (2017–2018)



Baldrige in Plain English— Leadership, Governance and Societal Responsibility Results

While it is critically important to satisfy customers and empower the workforce, these measures are incomplete.

Performance excellence is only sustainable if the organization is operating in a way that is consistent and in the interest of the communities in which it operates as well as the public at large. Consider the company that pollutes the town's water supply. Eventually, the reaction from the local community will make it difficult for the business to profitably operate.

If the executives act unethically, trust with the employees, customers, partners, and investors will be destroyed. Without trust and support from these key stakeholders, the processes, no matter how fancy, will fail to produce sustainable results.

This area focuses on how well the organization achieves a range of results in several important areas:

Leadership:

- Communication
- Engagement
- Deployment of vision and values
- Communication
- Action focus

Governance:

- Governance
- Fiscal accountability
- Internal and external measures

Law and Regulation:

- Surpassing legal requirements
- Surpassing regulatory requirements

Ethics:

- Ethical behavior
- Stakeholder trust in senior leaders
- Stakeholder trust in governance
- Key indicators of breaches in ethical behavior

Society:

- Fulfillment of societal responsibilities
- Support of the community
- Contributions to community health (for the Health Care Criteria)
- Favorable impact on the community

7.4b STRATEGY IMPLEMENTATION RESULTS

Leaders establish the vision for the future and set the strategy for getting there.

JOHN P. KOTTER



Baldrige Excellence Builder Questions

What are your senior leadership and governance results?

b. Strategy Implementation Results

What are your RESULTS for the achievement of your organizational strategy and ACTION PLANS?

NIST (2017–2018)



Baldrige in Plain English— Strategy Implementation Results

This area focuses on the results achieved from the implementation of action plans identified in Area to Address 2.2a. While improving results are reported in the trends throughout the results Items 7.1 through 7.5, this area asks for results specific to the effectiveness of the action plans. These results include the projections provided in Area to Address 2.2b[1].

While one would expect the improvement trends related to strategy to be found in all results areas, this area focuses on how well the organization achieves the results related to the implementation of the action plans identified in 2.2a and the related projections identified in 2.2b. These results include key measures or indicators of:

- The accomplishment of the organizational strategic goals and objectives—2.1a.
- The accomplishment of the organizational action plans. This should be focused at the organizational level, or for key plans—2.2a and related performance projections—2.2b.
- The building and strengthening of the organization’s core competencies.

The metrics shown can be a combination of both leading and lagging indicators. While these results are not the central purpose of the organization, they are essential aspects that determine overall success. An organization cannot succeed merely by performing well on these metrics. To perform poorly on one or more of these metrics, however, may spell disaster.

7.5 *Financial and Market Results*

7.5a **FINANCIAL AND MARKET RESULTS**

Poor is the man who does not know his own intrinsic worth and tends to measure everything by relative value. A man of financial wealth who values himself by his financial net worth is poorer than a poor man who values himself by his intrinsic self-worth.

SIDNEY MADWED



Baldrige Excellence Builder Questions

What are your results for financial viability?

a. Financial and Market Results

1. What are your financial PERFORMANCE RESULTS?
2. What are your marketplace PERFORMANCE RESULTS?

NIST (2017–2018)



Baldrige in Plain English— Financial and Market Results

These measure the outcome of how well the organization produces products, delivers services, and creates a positive customer experience by measuring the customer's purchase behavior through revenue and growth. This also shows how well the organization can control its costs and thus its overall profit. When considered over the long term, these provide a reasonably good indication of the organization's

performance—at least for commercial for-profit organizations. These results include aggregate measures of financial return and economic value. For marketplace performance, these results also include market share or position, business growth, and new markets entered. This shows the combined effectiveness of the value creation processes (revenue) with the efficiency of the processes (expenses).

Financial Performance

Financial measures also determine how efficient the organization is at creating and delivering products and services. Financial measures are the ultimate validation of both process effectiveness and efficiency. Like customer satisfaction, however, they are lagging measures and are often not so useful for managing the processes and people to ensure future organizational performance.

Marketplace Performance

This item also looks at marketplace performance. Is the market share growing or shrinking? Market share trends are rarely a stand-alone number. For example, if the organization has a dominate market share, it may be world-class in all that it does, but still not be able to hold market share if enough competitors enter, and/or if competitors take irrational actions such as dumping products on the marketplace below cost.

Glossary

Key Terms

This glossary defines and briefly describes terms used throughout this book that are important to performance management concepts. The majority of this glossary was taken directly from the Baldrige Criteria (NIST, 2017–2018, pp. 47–54). The definitions have been slightly edited and some definitions were added for use with this book.

Where the term being defined is in italics (or where part of the definition is in italics), the italicized part of the definition has been provided by the author (or Wikipedia), and is not endorsed by the Baldrige Office.

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.

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.

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.

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.

Balancing Value

A key challenge to an organization will frequently include balancing the differing expectations of the various stakeholder groups. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy, which is normally in the environmental scan phase of strategy development, should explicitly include key stakeholder requirements. This will help the organization develop strategies along with the associated plans and actions that are aligned to maximize overall stakeholder benefit and to achieve what the leaders of the organization intended to achieve.

This does not mean that all stakeholders will get anything they want. It does mean that the leadership needs to start with stakeholder requirements and determine the most effective/innovative way to serve the needs of multiple stakeholders. During planning, the balance intended by the leaders between stakeholder requirements and how they will/will not be met should be linked to the beliefs of the organization (for example mission, vision, values), and the needs of the multiple stakeholders. The balance intended should be the balance planned, the balance resourced, the balance deployed, the balance reviewed (during performance reviews), and the balance achieved.

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 (for example 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.

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 (non-incremental) 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 competitor’ performance, and comparisons with similar organizations that are in the same geographic area or that provide similar products and services in other geographic areas.

Big Data

For all organizations, turning data into knowledge and knowledge into useful strategic insights is the real challenge of big data. While the volume of data an organization must assimilate and use in decision making may vary widely, all organizations are faced with using data from different sources and of varying quality. This presents challenges in data validation, frequently exacerbated when the data being validated include numerics, text, and video or other formats. Organizations must deal increasingly with more sophisticated data analytics and issues of data integrity. Challenges to cybersecurity enhance the pressures on organizations and increase the need for organizational sophistication. User demands increase the need for speed and availability of data. In 2015, the Criteria incorporated an enhanced focus on data analytics, data integrity, and cybersecurity.

Blind Spot

The term “blind spot” refers to an area that is not being addressed by the organization, an obscuration of the visual field (or environmental scan) during the planning and implementation of actions. A particular blind spot is the place in the visual field that is not being addressed. If an organization does not address a blind spot, there is some level of risk to the organization or to organizational performance. A blind spot could potentially interfere with organizational performance and strategy.

Blind spots can be something the organization is unaware of, something it is aware of, or even something it understands. In any event, however, a decision to act to remove or mitigate the blind spot has not been made, and actions have not been taken.

Once a decision to act is made, the organization should monitor the progress of the actions to determine whether the intended effect of removing or mitigating the risk has occurred. If action is not taken, the organization may still want to monitor the blind spot to ensure that the level of risk a blind spot represents, does not change to an unacceptable level. For example, a known blind spot can be something the organization is aware of but for which it has not taken risk-mitigation action because of a conscious leadership decision that the risk is acceptable. In some cases, an organization may not know what to do about a known blind spot; in other cases, the organization cannot do anything about them.

Areas of risk the organization is not aware of are called unknown blind spots. Frequently these are addressed with the use of specific external experts who can make the organization aware of risks that were previously unknown.

Change Management

Organizational change is difficult and generally disruptive to the organization and its people. It requires dedication and commitment. The strategic imperatives and decisions about change have been a focus of past updates to the Criteria. The roadblock many organizations face is that designing change is much easier than the dedication and commitment required to implement, fully deploy, and sustain change. Revisions to the 2017–2018 Criteria emphasize the ability to accomplish these tactical aspects of change.

Climate Change

While some organizations have a greater opportunity than others to contribute to eliminating the sources of climate change, no organization is immune to its impacts. This is true of all types and sizes of businesses, nonprofit organizations, and government entities. Increasingly severe storms, massive snows, flooding, and power outages potentially affect supply chains, the ability to work, productivity, and the ability to move around. These events increase the need for aid from social service and government agencies. For all organizations, the impacts of climate change are about managing risk, making choices, and building acceptable redundancies and alternatives into performance management systems, while not building overcapacity and wasteful systems. These contingencies are addressed in the 2017–2018 Criteria.

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 “partners.”

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 that 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. Core competencies may involve technology expertise, unique service offerings, a marketplace niche, or particular business acumen, for example 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 addresses 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, work processes, and business results.

Customer Engagement

The term “customer engagement” refers to customer 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 that customers will continue using your products. Characteristics of customer engagement include customer retention and loyalty, customer willingness to make an effort to do business with your organization, and customer willingness to actively advocate for and recommend your brand and product offerings.

Customer Group

Customer groups might be based on common expectations, behaviors, preferences, or profiles. Within a group there may be customer segments based on differences and commonalities. For most purposes, the term “customer group” in the Criteria has replaced the term “customer segment.”

Customer Segment

The term “customer group” in the Criteria has replaced the term “customer segment” in previous versions of the Criteria. See the definition of “Segment” and the definition of “Customer Group.”

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.”

Diversity

The term “diversity” refers to valuing and benefiting from personal differences. These differences address many variables, including race, religion, color, gender, national origin, disability, sexual orientation, age and generational preferences, 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.

Embedded Core Belief

A term used by some organizations to describe the one belief that is so key that it is at the top of every thought, process, plan, measure, and action. This is part of an organization’s DNA. This is beyond core values. The embedded core belief helps give an organization a singular focus on something that is key to their short- and longer-term survivability or differentiation.

For example—survivability: In a heavy industrial environment, an embedded core belief might be safety. To violate this could mean loss of life.

For example—differentiation: In a business that is not typically known for honest business dealings, the organization could differentiate itself with “integrity” as an embedded core belief. To violate this could mean loss of brand image and differentiation in the marketplace.

An embedded core belief is, typically, an area where very little, if any, empowerment is given. You do not consciously violate the embedded core belief and stay with the organization. If this intentionally happens, the disconnect between the organizational beliefs and a chosen personal behavior would be too great.

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.

Enterprise Systems Model

The term “enterprise systems model” (ESM) refers to a depiction of the flow of an organization showing the major systems. These include the work systems that refer to how the work of your organization is accomplished (see the definition of “work systems”); the guidance systems, which refer to how the work of your organization (in your work systems) is directed, led, and managed (see the definition of “guidance systems”); and the support systems, which refer to how the work of your organization (in your work systems) is supported (see the definition of “support systems”).

An enterprise systems model is frequently used to show how the work of the organization is delivered to the external customer, and how it is led and supported. Typically listening to the external customer is an input to the guidance systems, which can change how the organization is guided.

An enterprise systems model can be broken down to: 1) individual systems; 2) processes under each of the systems; and 3) one or more levels of sub-processes down to an appropriate level. Each system or process is typically owned by an individual in the organization who has the responsibility to define, measure, stabilize, and improve it (see the definition of Systematic Process).

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. 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. They need to be communicated and reinforced on a regular basis. Although there is no universal model for 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. While some organizations may view their ethical principles as boundary conditions restricting behavior, well-designed and clearly articulated ethical principles should empower people to make effective decisions with great confidence.

Goals

The term “goals” refers to a future condition or performance level that one intends 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 (non-incremental) 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 or innovation to achieve a stretch goal
- Providing a basis for measuring and accelerating progress

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.

Guidance Systems

The term “guidance systems” refers to how the work of your organization (in your work systems) is directed, led, and managed. Guidance systems are typically internal to the organization. These systems can include systems for leadership, planning, governance, legal, ethical, community support, and improvement. Guidance systems will direct, lead or manage your workforce, your key suppliers and partners, your contractors, your collaborators, and other components of the supply chain needed to support the work systems which produce and deliver your products and services.

Guidance systems may also be called management systems, but are not the same as a leadership system, which is only one of the guidance systems needed.

Health Care Services

All services delivered by your organization that involve professional clinical/medical judgment, including those delivered to patients and to the community. Health care services also include services that are not considered clinical or medical, such as admissions, food services, and billing.

High-Performance

Ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time. High performance results in improved service and value for customers and other stakeholders.

Approaches to high performance vary in their form, their function, and the incentive systems used. High performance stems from and enhances workforce engagement. It involves cooperation between the management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; empowerment of your people, including personal accountability; and workforce input into planning. It may involve learning and building individual and organizational skills; learning from other organizations; creating flexible job design and work assignments; maintaining a flattened organizational structure where decision making is decentralized and decisions are made closest to the front line; and effectively using performance measures, including comparisons. Many organizations encourage high performance with monetary and nonmonetary incentives based on factors such as organizational performance, team and individual contributions, and skill building. Also, approaches to high performance usually seek to align your 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. *Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as "anecdotal information."*

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.

Integration is one of the dimensions considered in evaluating both Process and Results Items. For further description, see the “Scoring System.” See also the definition of “alignment.”

Intelligent Risk

Opportunities for which the potential gain outweighs the potential harm or loss to your organization’s sustainability if you do not explore them. Taking intelligent risk requires a tolerance for failure and an expectation that innovation is not achieved by initiating only successful endeavors. At the outset, organizations must invest in potential successes while realizing that some will lead to failure.

The acceptable degree of intelligent risk will vary by the pace and level of threat and opportunity in the industry. In a rapidly-changing industry with constant introductions of new products, processes, or business models, there is an obvious need to invest more resources in intelligent risk than in a stable industry. In the latter, organizations must monitor and explore growth potential and change but, most likely, with a less significant commitment of resources. See also “strategic opportunities.”

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, refers 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 knowledge assets is essential 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.

The term "leader," as it is used in reference to the leadership system, refers to all leaders at any level in the organization. This is not limited to the top leaders (the head of the organization and that person's direct reports, who are referred to as "senior leadership"), but includes every leader supervising at least one other person. In some organizations key positions are considered leaders even if they do not supervise, and in other organizations all employees are considered leaders.

Learning

The term "learning" refers to new knowledge or skills acquired through evaluation, study, experience, and innovation. The Baldrige Criteria includes 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.”

Learning is one of the dimensions considered in evaluating Process Items. For further description, see the “Scoring System.”

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 does 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 (for example, 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. For example, 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.

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.

Partners

The term “partners” refers to those key organizations or individuals 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.”

Patient

The person receiving health care, including preventive, promotional, acute, chronic, rehabilitative, and all other services in the continuum of care. Other terms used for patient include member, consumer, client, and resident

Performance

The term “performance” refers to outputs and their outcomes obtained from processes, products, and customers that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance can be expressed in nonfinancial and financial terms. The Baldrige Criteria addresses four types of performance: (1) product, (2) customer-focused, (3) financial and marketplace, and (4) operational.

“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.

“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.

“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, and community involvement. Operational performance might be measured at the work unit level, key work process level, and organizational level.

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 provides a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts.

The definition of success is a moving target. Success for organizations of all types (profit seeking, nonprofit, and government) is constantly changing and increasingly complex. From the mid-1940s to the 1970s, the limited global competition allowed business leaders in the United States to focus mainly on financial results. The party ended around 1980 when Xerox woke up to a situation where the Japanese were selling copiers in the United States for what it was costing Xerox to make them (Kotter & Heskett, 1992). During the 1980s, quality became a key success factor and was directly linked to market and ultimately financial success. In the beginning, many proposed that high quality was simply too expensive. However, we eventually discovered that high quality equaled reduced cost and increased market share or, as Phillip Crosby wrote in a book by the same title, quality is free! As the service industry and

in particular the knowledge worker industries increased in size and importance, they discovered that talented passionate people are also a key to high quality and financial performance. During the 1990s, successful organizations became quite good at “connecting the dots” or, as FedEx called it—“people, service, profit” (AMA, 1991). The bar is being raised once again to include sustainable results in three key areas: financial, environmental, and societal—the triple bottom line (Elkington, Emerson, and Beloe, 2006).

Performance Projections

The term “performance projections” refers to estimates of future performance. Projections may be inferred from past performance, may be based on competitors’ or similar organizations’ performance that must be met or exceeded, may be predicted based on changes in a dynamic environment, or may be goals for future performance. Projections integrate estimates of your organization’s rate of improvement and change, and they may be used to indicate where breakthrough improvement or innovation is needed. While performance projections may be set to attain a goal, they also may be predicted levels of future performance that indicate the challenges your organization faces in achieving a goal. Thus, performance projections serve as a key management planning tool.

Process

The term “process” refers to linked activities with the purpose of producing a product (or service) for a customer (user) within or outside your 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 the delivery of services, particularly those that directly involve customers, process is used more generally to spell out what delivering that service entails, possibly including a preferred or expected sequence. If a sequence is critical, the process needs to include information that helps customers understand and follow the sequence. Such service processes also require guidance for service providers on handling contingencies related to customers’ possible actions or behaviors.

In knowledge work, such as strategic planning, research, development, and analysis, process does not necessarily imply a formal sequence of steps. Rather, process implies general understandings of competent performance in such areas as timing, options to include, evaluation, and reporting. Sequences might arise as part of these understandings.

Process is one of the two dimensions evaluated in a Baldrige-based assessment. This evaluation is based on four factors: approach, deployment, learning, and integration. For further description, see the Scoring System.

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.

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.

RCD

The term “RCD” is used for mapping processes. It stands for really crummy draft.

If someone is asked to map a process, they may stress out and not deliver the process map in a reasonable time (or even over an extended time). If you tell them, however, “I only need a really crummy draft (RCD),” they can often map a process very quickly. Once the RCD is developed, it can be modified and improved quickly, giving a finished result in less time, and with more participation (and ownership), than if one person was tasked to develop a perfect process map.

Results

Outputs and outcomes achieved by your 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. Results are on the two dimensions evaluated in a Baldrige-based assessment. This evaluation is based on four factors: levels, trends, comparisons, and integration. For further description, see the “Scoring System.”

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.”

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” 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” 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” for the relationship between strategic objectives and action plans and for an example of each.

Strategic Opportunities

The term “strategic opportunities” refers to prospects that arise from outside-the-box thinking, brainstorming, capitalizing on serendipity,

research and innovation processes, nonlinear extrapolation of current conditions, and other approaches to imagining a different future.

The generation of ideas that lead to strategic opportunities benefits from an environment that encourages non-directed, free thought. Choosing which strategic opportunities to pursue involves consideration of relative risk, financial and otherwise, and then making intelligent choices (intelligent risks).

See action plans for the relationship between strategic objectives and action plans and for an example of each. See also “intelligent risks.”

Support Systems

The term “support systems” refers to how the work of your organization in your work systems is supported. Support systems can be internal to the organization or external (such as a corporate HR department providing HR services for a division, or subcontracting your IT). Support systems may involve your workforce, your key suppliers and partners, your contractors, your collaborators, and other components of the supply chain needed to support the work systems that produce and deliver your products and services. Support systems, by themselves, cannot ensure that an organization is a success. They are critical systems, however, and, if not effectively planned, integrated, and executed, can ensure that the organization fails.

Sustainability

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 industry-wide 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.

Operational sustainability typically includes the organization verifying that risks associated with money, data, facilities, equipment, workforce, critical skills, and supply chain have been mitigated, or that contingency/recovery plans are in place. Strategic sustainability will depend upon these same factors, plus the effectiveness of the strategy and the quality of leadership and leadership development.

According to the Brundtland Commission, "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

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."

Systematic Process

A systematic process, typically, is a process where the steps undertaken are:

Defined: *how the organization does something. The steps are defined to a level where all parties involved and/or outsiders can understand the sequence of activities, who is involved, and what happens in each step.*

Measured: *each of the steps has measures. These can be in-process measures or end-of-process measures, which indicate whether and/or the entire process is on track.*

Stabilized: *this means that each step of the process and/or the entire process is reliable or repeatable, and can give consistent results to the organization.*

Improved: *each of the processes has improvement and feedback cycles. Each time you go through the process there is a learning cycle that can be used at the beginning of that process the next time it is repeated.*

Transformational Change

The term "transformational change" refers to a fundamental shift in the operations, services, or approach of an organization. A transformational change may not require a shift in the mission, vision, or values of an organization, but typically does require a shift in the focus, plans, measures, or behaviors. This shift in the culture of an organization is a result in a change in the strategy and processes that the organization has used in the past. A transformational change is designed to be organization-wide and is enacted over a period of time.

Transparency (from Wikipedia© for Corporate Transparency)

The term “corporate transparency” describes the extent to which a corporation’s actions are observable by outsiders. This is a consequence of regulation, local norms, and the set of information, privacy, and business policies concerning corporate decision making and operations openness to employees, stakeholders, shareholders, and the general public. From the perspective of outsiders, transparency can be defined simply as the perceived quality of intentionally shared information from the corporation.

Recent research suggests there are three primary dimensions of corporate transparency: information disclosure, clarity, and accuracy. To increment transparency, corporations infuse greater disclosure, clarity, and accuracy into their communications with stakeholders. For example, governance decisions to voluntarily share information related to the firm’s ecological impact with environmental activists indicate disclosure; decisions to actively limit the use of technical terminology, fine print, or complicated mathematical notations in the firm’s correspondence with suppliers and customers indicate clarity; and decisions to not bias, embellish, or otherwise distort known facts in the firm’s communications with investors indicate accuracy. The strategic management of transparency therefore involves intentional modifications in disclosure, clarity, and accuracy to accomplish the firm’s objectives.

Trends

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

Generally, a minimum of three historical (not projected) data points 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 (for example, 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.

About the Author

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John is the managing partner and co-founder of Genitect, an organizational diagnosis, design, and transformation firm with offices in Atlanta and New York.

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*2008. The William E. Smith Institute for Association Research

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Quality Press
600 N. Plankinton Ave.
Milwaukee, WI 53203-2914
E-mail: authors@asq.org

The Global Voice of Quality™

ID 18 1004 5664
ISBN 9780873899505

ISBN: 978-0-87389-950-5



9 780873 899505

H1526

Printed in the United States of America