

2006

Baldrige National Quality Program



# Criteria for Performance Excellence

ethics



leadership

competitiveness





# Baldrige National Quality Program

National Institute of Standards and Technology • Technology Administration • Department of Commerce

**To:** U.S. Organizations

**From:** Harry S. Hertz, Director  
Baldrige National Quality Program

**Subject:** Win the Baldrige Challenge

The Baldrige Criteria for Performance Excellence are about winning! They are about winning in your marketplace every day with a high-performing, high integrity, ethical organization. Every Baldrige Criteria user is a winner.

The Criteria help organizations respond to current challenges and address all the complexities of delivering today's results while preparing effectively for the future. The 2006 Criteria include 19 simple new questions, one for each of the Baldrige Criteria Items (see page 9). While the questions are simple, providing the answers is challenging and gets at the core of how your organization operates today and how you prepare for the future. How does your organization measure up?

Whether your organization is small or large, is involved in service or manufacturing, or has one office or multiple sites across the globe, the Criteria provide a valuable framework that can help you measure performance and plan in an uncertain environment. The Criteria can help you align resources with approaches, such as ISO 9000, Lean, a Balanced Scorecard, and Six Sigma; improve communication, productivity, and effectiveness; and achieve strategic goals.

How to begin that first Baldrige assessment? Take a few minutes and scan the questions in the Organizational Profile on pages 10 and 12. A discussion of the answers to these questions might be your first Baldrige assessment. For additional guidance, refer to our free booklet *Getting Started with the Baldrige Criteria for Performance Excellence*.

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

Even if you don't expect to win the Baldrige Award, submitting an Award application has valuable benefits. Every applicant receives a detailed feedback report based on an independent, external assessment conducted by a panel of specially trained and recognized experts.

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

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

- *Getting Started with the Baldrige Criteria for Performance Excellence*
- E-Baldrige Organizational Profile found on our Web site at [www.baldrige.nist.gov/eBaldrige/Step\\_One.htm](http://www.baldrige.nist.gov/eBaldrige/Step_One.htm)
- *Are We Making Progress?* and *Are We Making Progress as Leaders?*

Contact the Baldrige National Quality Program or visit our Web site for these and other educational materials.

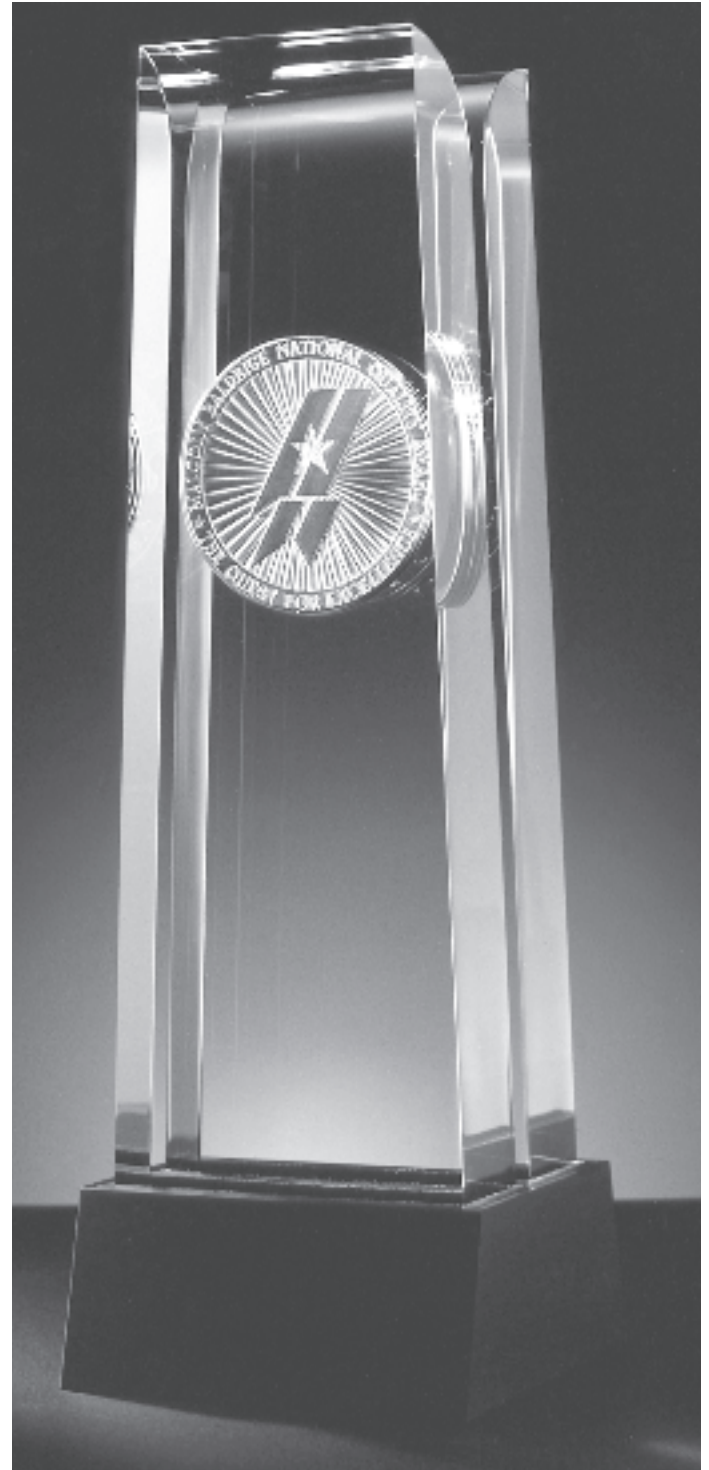
## THE QUEST FOR EXCELLENCE

### The Quest for Excellence® XVIII Conference

Each year, The Quest for Excellence, the official conference of the Malcolm Baldrige National Quality Award, provides a forum for Baldrige Award recipients to share their exceptional performance practices with worldwide leaders in business, education, health care, and nonprofit organizations. The Quest for Excellence XVIII will showcase the year 2005 Award recipients.

For the last 17 years, executives, managers, and quality leaders have come to this conference to learn how these role model organizations have achieved performance excellence. CEOs and other leaders from the Award recipient organizations give presentations covering all seven Categories of the Baldrige Criteria, their journey to performance excellence, and their lessons learned. At this three-day conference designed to maximize learning and networking opportunities, attendees will be able to interact with Award recipients.

The Quest for Excellence XVIII Conference will be held April 23–26, 2006, at the Hilton Washington in Washington, D.C. For further information, contact the Baldrige Program by mail: Baldrige National Quality Program, NIST, Administration Building, Room A600, 100 Bureau Drive, Stop 1020, Gaithersburg, MD 20899-1020; telephone: (301) 975-2036; fax: (301) 948-3716; or e-mail: [nqp@nist.gov](mailto:nqp@nist.gov). For a general overview of the Baldrige National Quality Program, visit its Web site: [www.baldrige.nist.gov](http://www.baldrige.nist.gov).



Crystal by Steuben

### The Malcolm Baldrige National Quality Award

The Award crystal, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black anodized aluminum with the Award recipient's name engraved on the base. A 22-karat gold-plated medallion is captured in the front section of the crystal. The medal bears the inscriptions "Malcolm Baldrige National Quality Award" and "The Quest for Excellence" on one side and the Presidential Seal on the other.

The President of the United States traditionally presents the Award at a special ceremony in Washington, D.C.

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

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Education and health care organizations should use the appropriate Criteria booklets for their respective sectors. See pages 63–64 for ordering information.

If you plan to apply for the Award in 2006, you also will need the *Baldrige Award Application Forms*, which can be downloaded at [www.baldrige.nist.gov/Award\\_Application.htm](http://www.baldrige.nist.gov/Award_Application.htm).

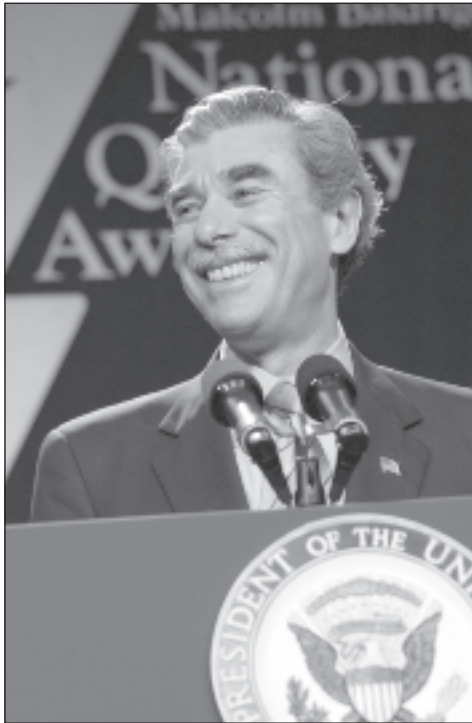
The first step in the Award application process is to provide the Eligibility Certification Package, which is due April 11, 2006. If you would like to recommend a senior member of your organization for the Board of Examiners, the package is due March 10, 2006.

Award Application Packages are due May 25, 2006, or May 11, 2006, if submitted on a CD.

**We are easy to reach. Our Web site is [www.baldrige.nist.gov](http://www.baldrige.nist.gov).**



## Baldridge National Quality Program Honors 2004 Award Recipients



On July 20, 2005, the four 2004 Baldridge Award recipients—The Bama Companies, Inc. (Bama); Texas Nameplate Company, Inc. (TNC); Kenneth W. Monfort College of Business (Monfort); and Robert Wood Johnson University Hospital Hamilton (RWJ)—were honored. Clockwise from the upper right, the photographs show (1) the Award crystal; (2) U.S. Secretary of Commerce Carlos M. Gutierrez, Bama CEO Paula Marshall-Chapman, Bama Chairman of the Board and Founder/Owner Lilah Marshall, TNC President and CEO R. Dale Crownover, TNC Vice President and General Counsel John L. Darrouzet, U.S. Vice President Richard B. Cheney, Monfort Dean Joe Alexander, Monfort Assistant Dean Tim Jares, RWJ President and CEO Christy Stephenson, and RWJ Chief Operating Officer Deborah Cardello; (3) Vice President Cheney; (4) Vice President Cheney and the Award recipients; (5) and Secretary Gutierrez.



## 2006 CRITERIA: CORE VALUES, CONCEPTS, AND FRAMEWORK

### Criteria Purposes

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

- to help improve organizational performance practices, capabilities, and results
- to facilitate communication and sharing of best practices information among U.S. organizations of all types
- to serve as a working tool for understanding and managing performance and for guiding organizational planning and opportunities for learning

#### Criteria for Performance Excellence Goals

The Criteria are designed to help organizations use an integrated approach to organizational performance management that results in

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

### Core Values and Concepts

The Criteria are built on the following set of interrelated Core Values and Concepts:

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing employees and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- social responsibility
- focus on results and creating value
- systems perspective

These values and concepts, described below, are embedded beliefs and behaviors found in high-performing organizations. They are the foundation for integrating key performance and operational requirements within a results-oriented framework that creates a basis for action and feedback.

#### Visionary Leadership

Your organization's senior leaders should set directions and create a customer focus, clear and visible values, and high

expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders should ensure the creation of strategies, systems, and methods for achieving performance excellence, stimulating innovation, building knowledge and capabilities, and ensuring organizational sustainability. The values and strategies should help guide all of your organization's activities and decisions. Senior leaders should inspire and motivate your entire workforce and should encourage all employees, including any volunteers, to contribute, to develop and learn, to be innovative, and to be creative. Senior leaders should be responsible to your organization's governance body for their actions and performance. The governance body should be responsible ultimately to all your stakeholders for the ethics, actions, and performance of your organization and its senior leaders.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and employee recognition. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

#### Customer-Driven Excellence

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, referral, retention and loyalty, and to business expansion. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace potential.

Value and satisfaction may be influenced by many factors throughout your customers' overall experience with your organization. These factors include your organization's customer relationships, which help to build trust, confidence, and loyalty.

Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, these factors contribute to your customers' view of your organization and thus also are important parts of customer-driven excellence. In addition, your organization's success in recovering from defects, service errors, and mistakes is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based on new or modified



offerings, combinations of product and service offerings, customization of offerings, multiple access mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. It demands listening to your customers. It demands anticipating changes in the marketplace. Therefore, customer-driven excellence demands awareness of developments in technology and competitors' offerings, as well as rapid and flexible responses to customer, environmental, and market changes.

### **Organizational and Personal Learning**

Achieving the highest levels of organizational performance requires a well-executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and significant change, leading to new goals and approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source ("root cause"); (4) is focused on building and sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant, meaningful change. Sources for learning include employees' and volunteers' ideas, research and development (R&D), customers' input, best practice sharing, and benchmarking.

Organizational learning can result in (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and

effectiveness in the use of all your resources; and (6) enhancing your organization's performance in fulfilling its societal responsibilities and its service to your community.

Employees' success depends increasingly on having opportunities for personal learning and on practicing new skills. In organizations that rely on volunteers, the volunteers' personal learning also is important, and their learning and skill development should be considered with employees'. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth and development. Such opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs and priorities. Education and training programs may benefit from advanced technologies, such as computer- and Internet-based learning and satellite broadcasts.

Personal learning can result in (1) more satisfied and versatile employees who stay with your organization, (2) organizational cross-functional learning, (3) the building of your organization's knowledge assets, and (4) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, innovative, and efficient—giving your organization marketplace sustainability and performance advantages and giving your employees satisfaction and motivation to excel.

### **Valuing Employees and Partners**

An organization's success depends increasingly on the diverse backgrounds, knowledge, skills, creativity, and motivation of all its employees and partners, including both paid employees and volunteers, as appropriate.

Valuing employees means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high-performance work practices tailored to employees with varying workplace and home life needs. Major challenges in the area of valuing employees include (1) demonstrating your leaders' commitment to your employees' success, (2) providing recognition that goes beyond the regular compensation system, (3) offering development and progression within your organization, (4) sharing your organization's knowledge so your employees can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages risk taking and innovation, and (6) creating a supportive environment for a diverse workforce.

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labor-management cooperation. Partnerships with employees might entail employee development, cross-training, or new work organizations, such as high-performance work teams. Internal partnerships also might involve creating network relationships among your work



units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and nonprofit or education organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners to address common issues.

Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method for employee development.

### **Agility**

Success in today's ever-changing, globally competitive environment demands agility—a capacity for rapid change and flexibility. E-business requires and enables more rapid, flexible, and customized responses. Organizations face ever-shorter cycles for the introduction of new/improved products and services, and nonprofit and governmental organizations are increasingly being asked to respond rapidly to new or emerging social issues. Major improvements in response times often require simplification of work units and processes or the ability for rapid changeover from one process to another. Cross-trained and empowered employees are vital assets in such a demanding environment.

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

All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

### **Focus on the Future**

In today's competitive environment, creating a sustainable organization requires understanding the short- and longer-term factors that affect your organization and marketplace. Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, employees, suppliers, partners, stockholders, the public, and your community.

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

### **Managing for Innovation**

Innovation means making meaningful change to improve an organization's products, services, programs, processes, and operations and to create new value for the organization's stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your operations and all processes. Organizations should be led and managed so that innovation becomes part of the learning culture. Innovation should be integrated into daily work and should be supported by your performance improvement system.

Innovation builds on the accumulated knowledge of your organization and its employees. Therefore, the ability to rapidly disseminate and capitalize on this knowledge is critical to driving organizational innovation.

### **Management by Fact**

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; supplier, employee, cost, and financial performance; and governance and compliance. Data should be segmented by, for example, markets, product lines, and employee groups to facilitate analysis.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and improvement. Analysis entails using data to determine trends, projections, and cause and effect that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, accomplishing change management, and comparing your performance with competitors' or with "best practices" benchmarks.



A major consideration in performance improvement and change management involves the selection and use of performance measures or indicators. *The measures or indicators you select should best represent the factors that lead to improved customer, operational, financial, and ethical performance. A comprehensive set of measures or indicators tied to customer and organizational performance requirements represents a clear basis for aligning all processes with your organization's goals.* Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

### **Social Responsibility**

An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product or service design stage is critical from the point of view of public responsibility. Design decisions impact your production processes and often the content of municipal and industrial waste. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement "beyond mere compliance." Organizations should stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization's governance body.

Practicing good citizenship refers to leadership and support—within the limits of an organization's resources—of publicly important purposes. Such purposes might include improving education and health care in your community, pursuing environmental excellence, practicing resource conservation, performing community service, improving industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes.

Managing social responsibility requires the use of appropriate measures and leadership responsibility for those measures.

### **Focus on Results and Creating Value**

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—customers, employees, stockholders, suppliers, partners, the public, and the community. By creating value for your key stakeholders, your organization builds loyalty, contributes to growing the economy, and contributes to society. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy explicitly should include key stakeholder requirements. This will help ensure that plans and actions meet differing stakeholder needs and avoid adverse impacts on any stakeholders. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.

### **Systems Perspective**

The Baldrige Criteria provide a systems perspective for managing your organization and its key processes to achieve results—performance excellence. The seven Baldrige Categories and the Core Values form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization-specific synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and builds on key business requirements, including your strategic objectives and action plans. Alignment means using the key linkages among requirements given in the Baldrige Categories to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment, so that the individual components of your performance management system operate in a fully interconnected manner.

These concepts are depicted in the Baldrige framework on page 5. A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on your results. A systems perspective also includes using your measures, indicators, and organizational knowledge to build your key strategies. It means linking these strategies with your key processes and aligning your resources to improve overall performance and satisfy customers and stakeholders.

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

## Criteria for Performance Excellence Framework

The Core Values and Concepts are embodied in seven Categories, as follows:

- 1 **Leadership**
- 2 **Strategic Planning**
- 3 **Customer and Market Focus**
- 4 **Measurement, Analysis, and Knowledge Management**
- 5 **Human Resource Focus**
- 6 **Process Management**
- 7 **Results**

The figure below provides the framework connecting and integrating the Categories.

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

### Organizational Profile

Your Organizational Profile (top of figure) sets the context for the way your organization operates. Your environment,

key working relationships, and strategic challenges serve as an overarching guide for your organizational performance management system.

### System Operations

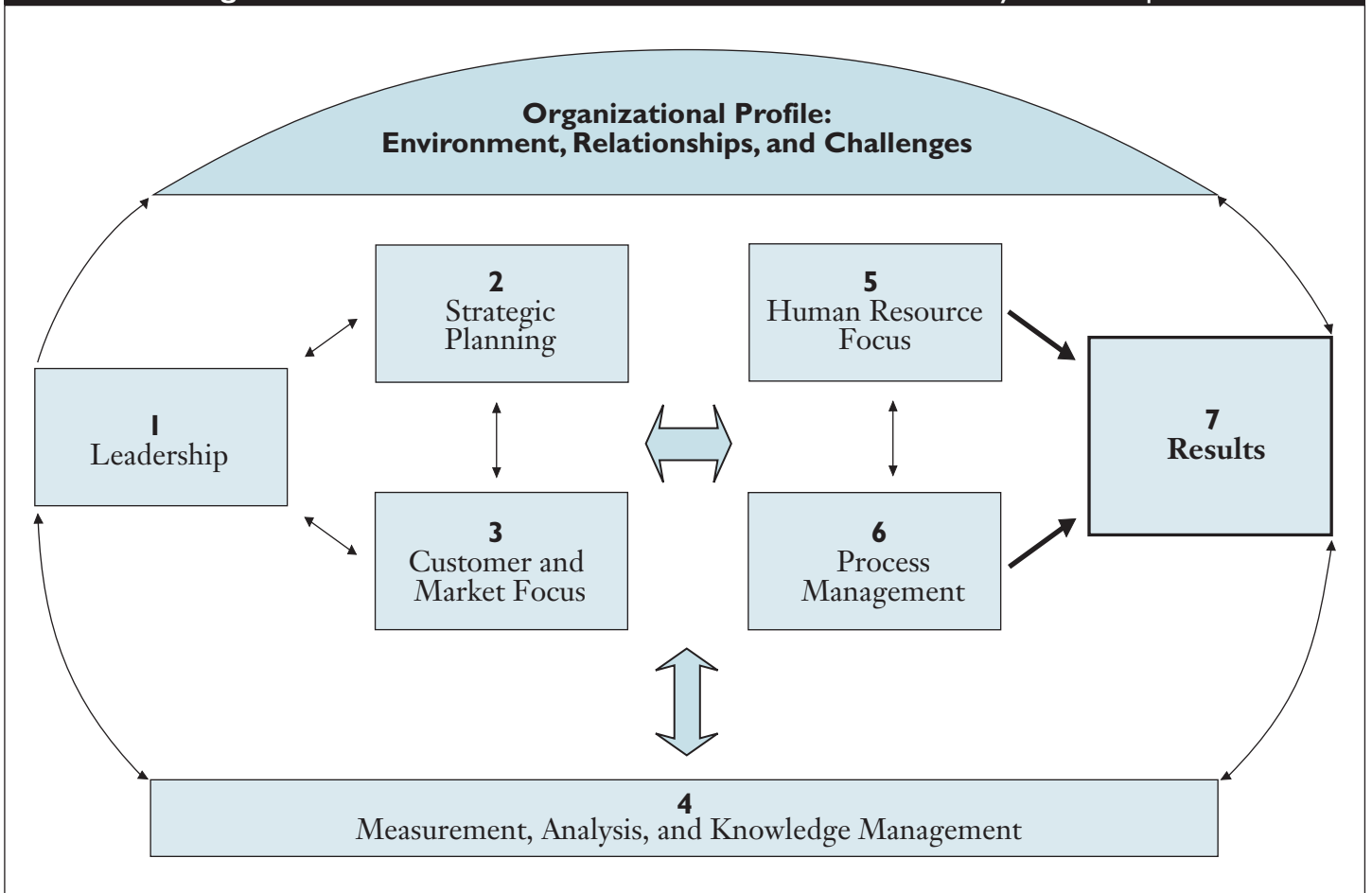
The system operations are composed of the six Baldrige Categories in the center of the figure that define your operations and the results you achieve.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders set your organizational direction and seek future opportunities for your organization.

Human Resource Focus (Category 5), Process Management (Category 6), and Results (Category 7) represent the results triad. Your organization's employees and key processes accomplish the work of the organization that yields your overall performance results.

All actions point toward Results—a composite of product and service, customer and market, financial, and internal operational performance results, including human resource, governance, and social responsibility results.

### Baldrige Criteria for Performance Excellence Framework: A Systems Perspective



The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Results (Category 7). The two-headed arrows indicate the importance of feedback in an effective performance management system.



## System Foundation

Measurement, Analysis, and Knowledge Management (Category 4) are critical to the effective management of your organization and to a fact-based, knowledge-driven system for improving performance and competitiveness. Measurement, analysis, and knowledge management serve as a foundation for the performance management system.

## Criteria Structure

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address.

### Items

There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 9. The Item format is shown on page 55.

### Areas to Address

Items consist of one or more Areas to Address (Areas). Organizations should address their responses to the specific requirements of these Areas.

## KEY CHARACTERISTICS OF THE CRITERIA

### 1. The Criteria focus on results.

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

#### **Organizational performance areas:**

- (1) product and service outcomes
- (2) customer-focused outcomes
- (3) financial and market outcomes
- (4) human resource outcomes
- (5) organizational effectiveness outcomes, including key internal operational performance measures
- (6) leadership and social responsibility outcomes

The use of this composite of measures is intended to ensure that strategies are balanced—that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.

### 2. The Criteria are nonprescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe

- how your organization should be structured;
- that your organization should or should not have departments for quality, planning, or other functions; or
- that different units in your organization should be managed in the same way.

These factors differ among organizations, and they are likely to change as needs and strategies evolve.

The Criteria are nonprescriptive for the following reasons:

- (1) The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and demonstrate creative, adaptive, and flexible approaches for meeting requirements. Nonprescriptive requirements are intended to foster incremental and major (“breakthrough”) improvements, as well as basic change through innovation.
- (2) The selection of tools, techniques, systems, and organizational structure usually depends on factors such as business type and size, organizational relationships, your organization’s stage of development, and employee capabilities and responsibilities.
- (3) A focus on common requirements, rather than on common procedures, fosters understanding, communication, sharing, alignment, and integration, while supporting innovation and diversity in approaches.

### 3. The Criteria support a systems perspective to maintaining organization-wide goal alignment.

The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Organizational Profile, the Criteria, the Scoring Guidelines, and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from your organization’s processes and strategy. These measures tie directly to customer and stakeholder value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision making, or overly complex process management. Measures thereby serve both as a communications tool and as a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralized decision making.

A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

- (1) planning, including design of processes, selection of measures, and deployment of requirements
- (2) executing plans
- (3) assessing progress and capturing new knowledge, taking into account internal and external results
- (4) revising plans based on assessment findings, learning, new inputs, new requirements, and opportunities for innovation

### 4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions—Process and Results—and the key factors used to assess each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 performance-oriented requirements and relative to process and performance maturity as determined by the Scoring Guidelines. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described in the box above. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies, management systems, and types of organizations.



## CHANGES FROM THE 2005 CRITERIA

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

Each year, the decision whether to revise the Criteria must balance two important considerations. On one hand, there is a need for Criteria that are at the leading edge of validated management practice to help users address the increasingly complex challenges they face; on the other hand, there is a desire for Criteria that are stable to allow users continuity in their performance assessments. In 2005, the Baldrige Criteria were significantly revised to address the focused demands on senior leaders, the need for long-term (as well as short-term) organizational sustainability, the great challenges of innovating organizations (not just technology), the difficulty of *executing* new processes and strategic plans, and the benefits of improved alignment of all aspects of your management system with your results measurements. Recognizing the challenges for organizations to address these opportunities, the decision was made to make no substantive revisions to the Criteria for 2006.

The most significant changes in the Criteria booklet for 2006 are summarized as follows:

- The language throughout the Criteria booklet has been adjusted to better address nonprofit organizations, as well as for-profit businesses.
- Item Notes have been added that specifically address nonprofit organizations.
- Each Criteria Item title now includes a simple question that encompasses the central concept of the Item.
- “Employee” has been added to the Glossary of Key Terms.

Minor wording improvements have been made throughout the Criteria booklet.

### Criteria Language

On October 5, 2004, Public Law 108-320 was signed by President George W. Bush authorizing the establishment of a Baldrige nonprofit category, including government agencies and all other nonprofit organizations. In anticipation of future Award competitions that include nonprofit organizations, the 2006 Criteria for Performance Excellence have been modified to use language more suitable to for-profit businesses and nonprofit organizations.

### Item Notes

Some Item Notes have been modified, and some Item Notes have been added to specifically address concepts of importance to nonprofit organizations. This information is presented in *italics* in the Item Notes. Notes that address only nonprofit organizations have been placed at the end of the Notes for that Item.

### Criteria Item Titles

Each Criteria Item title now includes a simple question that addresses the basic requirements of the Item. This question identifies for Criteria users the most central concept or fundamental theme of the Item. Criteria users who have completed their Organizational Profile may choose to perform their first “complete” Baldrige assessment by responding to the 19 Item title questions, using the detailed content of the Criteria Item as an educational guide to understand the central concept more fully.

### Glossary of Key Terms

The term “employee” has specific meaning and significance in a Baldrige assessment. The term has been defined to help users better understand all the people who may be included as employees for a Baldrige assessment.

The descriptions of other terms in the Glossary have been revised to align better with the language changes to accommodate nonprofit organizations within the Criteria.

## 2006 CRITERIA FOR PERFORMANCE EXCELLENCE—ITEM LISTING

<b>P</b>	<b>Preface: Organizational Profile</b>	
	P.1 Organizational Description	
	P.2 Organizational Challenges	
	<b>2006 Categories and Items</b>	<b>Point Values</b>
<b>1</b>	<b>Leadership</b>	<b>120</b>
	1.1 Senior Leadership	70
	1.2 Governance and Social Responsibilities	50
<b>2</b>	<b>Strategic Planning</b>	<b>85</b>
	2.1 Strategy Development	40
	2.2 Strategy Deployment	45
<b>3</b>	<b>Customer and Market Focus</b>	<b>85</b>
	3.1 Customer and Market Knowledge	40
	3.2 Customer Relationships and Satisfaction	45
<b>4</b>	<b>Measurement, Analysis, and Knowledge Management</b>	<b>90</b>
	4.1 Measurement, Analysis, and Review of Organizational Performance	45
	4.2 Information and Knowledge Management	45
<b>5</b>	<b>Human Resource Focus</b>	<b>85</b>
	5.1 Work Systems	35
	5.2 Employee Learning and Motivation	25
	5.3 Employee Well-Being and Satisfaction	25
<b>6</b>	<b>Process Management</b>	<b>85</b>
	6.1 Value Creation Processes	45
	6.2 Support Processes and Operational Planning	40
<b>7</b>	<b>Results</b>	<b>450</b>
	7.1 Product and Service Outcomes	100
	7.2 Customer-Focused Outcomes	70
	7.3 Financial and Market Outcomes	70
	7.4 Human Resource Outcomes	70
	7.5 Organizational Effectiveness Outcomes	70
	7.6 Leadership and Social Responsibility Outcomes	70
	<b>TOTAL POINTS</b>	<b>1,000</b>

**Note:** The Scoring System used with the Criteria Items in a Baldrige assessment can be found on pages 51–54.

### Importance of Beginning With Your Organizational Profile

Your Organizational Profile is critically important because

- it is the most appropriate starting point for self-assessment and for writing an application;
- it helps you identify potential gaps in key information and focus on key performance requirements and results;
- it is used by the Examiners and Judges in application review, including the site visit, to understand your organization and what you consider important; and
- it also may be used by itself for an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, it is possible that the Organizational Profile can serve as your complete assessment, and you can use these topics for action planning.

## P Preface: Organizational Profile

The *Organizational Profile* is a snapshot of your organization, the KEY influences on HOW you operate, and the KEY challenges you face.

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

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

Within your response, include answers to the following questions:

#### a. Organizational Environment

- (1) What are your organization's main products and services? What are the delivery mechanisms used to provide your products and services to your CUSTOMERS?
- (2) What is your organizational culture? What are your stated PURPOSE, VISION, MISSION, and VALUES?
- (3) What is your EMPLOYEE profile? What are your categories and types of EMPLOYEES? What are their educational levels? What are your organization's workforce and job DIVERSITY, organized bargaining units, use of contract EMPLOYEES, and special health and safety requirements?
- (4) What are your major technologies, equipment, and facilities?
- (5) What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; relevant industry standards; and environmental, financial, and product regulations?

#### b. Organizational Relationships

- (1) What are your organizational structure and GOVERNANCE system? What are the reporting relationships among your GOVERNANCE board, SENIOR LEADERS, and parent organization, as appropriate?
- (2) What are your KEY CUSTOMER and STAKEHOLDER groups and market SEGMENTS, as appropriate? What are their KEY requirements and expectations for your products, services, and operations? What are the differences in these requirements and expectations among CUSTOMER and STAKEHOLDER groups and market SEGMENTS?
- (3) What role do suppliers, PARTNERS, and distributors play in your VALUE CREATION and KEY support PROCESSES? What role, if any, do they play in your organizational INNOVATION PROCESSES? What are your most important types of suppliers, PARTNERS, and distributors? What are your most important supply chain requirements?
- (4) What are your KEY supplier and CUSTOMER partnering relationships and communication mechanisms?

## Notes:

**N1.** Product and service delivery mechanisms to your customers (P.1a[1]) might be direct or through dealers, distributors, collaborators, or channel partners.

**N2.** Market segments (P.1b[2]) might be based on product or service lines or features, geography, distribution channels, business volume, or other factors that are important to your organization to define related market characteristics.

**N3.** Customer and stakeholder group and market segment requirements (P.1b[2]) might include on-time delivery, low defect levels, ongoing price reductions, electronic communication, rapid response, and after-sales service. *For some nonprofit organizations, requirements also might include administrative cost reductions, at-home services, rapid response to emergencies, and multilingual services.*

**N4.** Communication mechanisms (P.1b[4]) should be two-way and might be in person, via regular mail or e-mail, Web-based, or by telephone. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

**N5.** *While some nonprofit organizations offer products and services (P.1a[1]), many might appropriately interpret this phrase as programs or projects and services.*

For additional description of this Item, see page 37.

**N6.** *Customers (P.1a[1]) are the users and potential users of your products, programs, and services. In some nonprofit organizations, customers might include members, taxpayers, citizens, recipients, clients, and beneficiaries. Market segments might be referred to as constituencies.*

**N7.** *Many nonprofit organizations rely heavily on volunteers to supplement the work of their employees. These organizations should interpret employees (P.1a[3]) to mean employees and volunteers.*

**N8.** *For nonprofit organizations, relevant industry standards (P.1a[5]) might include “industry-wide” codes of conduct and policy guidance.*

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

**N10.** *For some nonprofit organizations, key suppliers and distributors (P.1b[3,4]) might include collaborators and collaborating organizations.*

For definitions of key terms presented throughout the Criteria and Scoring Guidelines text in SMALL CAPS/ SANS SERIF, see the Glossary of Key Terms on pages 65–71.

Frequently, several questions are grouped under one number (e.g., P.1a[3]). These questions are related and do not require separate responses. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

Item notes serve three purposes: (1) to clarify terms or requirements presented in an Item, (2) to give instructions on responding to the Item requirements, and (3) to indicate key linkages to other Items. In all cases, the intent is to help you respond to the Item requirements.

*A number of Items have notes that provide additional guidance specifically for nonprofit organizations. These nonprofit-specific notes appear in italics.*



## P.2 Organizational Challenges: What are your key organizational challenges?

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

Within your response, include answers to the following questions:

### a. Competitive Environment

- (1) What is your competitive position? What is your relative size and growth in your industry or markets served? What are the numbers and types of competitors and KEY collaborators for your organization?
- (2) What are the principal factors that determine your success relative to your competitors? What are any KEY changes taking place that affect your competitive situation, including opportunities for collaboration, as appropriate?
- (3) What are your KEY available sources of comparative and competitive data from within your industry? What are your KEY available sources of comparative data for analogous PROCESSES outside your industry? What limitations, if any, are there in your ability to obtain these data?

### b. STRATEGIC CHALLENGES

What are your KEY business, operational, and human resource STRATEGIC CHALLENGES? What are your KEY STRATEGIC CHALLENGES associated with organizational SUSTAINABILITY?

### c. PERFORMANCE Improvement System

How do you maintain an overall organizational focus on PERFORMANCE improvement, including organizational LEARNING? How do you achieve SYSTEMATIC evaluation and improvement of KEY PROCESSES?

## Notes:

**N1.** Principal factors (P.2a[2]) might include differentiators such as price leadership, design services, e-services, geographic proximity, accessibility, and warranty and product options. *For some nonprofit organizations, differentiators also might include relative influence with decision makers, ratio of administrative costs to programmatic contributions, past reputation for program or service delivery, and wait times for service.*

**N2.** Strategic challenges (P.2b) might include rapid technological change, disruptive technologies that rapidly revolutionize or make obsolete existing processes or products, reduced cycle times for product or service introduction, industry volatility, declining market share, the changing marketplace, mergers and acquisitions, global marketing and competition, customer retention, changing or emerging customer or regulatory requirements, employee retention, an aging workforce, competition from new nonprofit or for-profit organizations, and value chain integration.

**N3.** Performance improvement (P.2c) is an assessment dimension used in the Scoring System to evaluate the maturity of organizational approaches and deployment (see pages 51–54). This question is intended to help

you and the Baldrige Examiners set an overall context for your approach to performance improvement.

**N4.** Overall approaches to process improvement (P.2c) might include implementing a Lean Enterprise System, applying Six Sigma methodology, using ISO 9000:2000 standards, or employing other process improvement tools.

**N5.** *Nonprofit organizations frequently believe they are not in a competitive environment; however, they often must compete with other organizations and with alternative sources for similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.*

**N6.** *The term “industry” (P.2a[1]) is used throughout the Criteria to refer to the sector in which you operate. For nonprofit organizations, this sector might be charitable organizations, professional associations, or government or sub-sectors of one of these.*

**N7.** *For nonprofit organizations, the term “business” (P.2b) is used throughout the Criteria to refer to factors related to your main mission area or enterprise activity.*

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

## Page Limit

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

## I Leadership (120 pts.)

The **Leadership** Category examines HOW your organization's SENIOR LEADERS guide and sustain your organization. Also examined are your organization's GOVERNANCE and HOW your organization addresses its ethical, legal, and community responsibilities.

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

Process

**Describe HOW SENIOR LEADERS guide and sustain your organization. Describe HOW SENIOR LEADERS communicate with EMPLOYEES and encourage high PERFORMANCE.**

Within your response, include answers to the following questions:

**a. VISION and VALUES**

- (1) How do SENIOR LEADERS set organizational VISION and VALUES? How do SENIOR LEADERS deploy your organization's VISION and VALUES through your LEADERSHIP SYSTEM, to all EMPLOYEES, to KEY SUPPLIERS and PARTNERS, and to CUSTOMERS and other STAKEHOLDERS, as appropriate? How do their personal actions reflect a commitment to the organization's VALUES?
- (2) How do SENIOR LEADERS promote an environment that fosters and requires legal and ETHICAL BEHAVIOR?
- (3) How do SENIOR LEADERS create a SUSTAINABLE organization? How do SENIOR LEADERS create an environment for PERFORMANCE improvement, accomplishment of your MISSION and STRATEGIC OBJECTIVES, INNOVATION, and organizational agility? How do they create an environment for organizational and EMPLOYEE LEARNING? How do they personally participate in succession planning and the development of future organizational leaders?

**b. Communication and Organizational PERFORMANCE**

- (1) How do SENIOR LEADERS communicate with, empower, and motivate all EMPLOYEES throughout the organization? How do SENIOR LEADERS encourage frank, two-way communication throughout the organization? How do SENIOR LEADERS take an active role in EMPLOYEE reward and recognition to reinforce high PERFORMANCE and a CUSTOMER and business focus?
- (2) How do SENIOR LEADERS create a focus on action to accomplish the organization's objectives, improve PERFORMANCE, and attain your VISION? How do SENIOR LEADERS include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS in their organizational PERFORMANCE expectations?

#### Notes:

**N1.** Organizational vision (1.1a[1]) should set the context for strategic objectives and action plans, which are described in Items 2.1 and 2.2.

**N2.** A sustainable organization (1.1a[3]) is capable of addressing current business needs and possesses the agility and strategic management to prepare successfully for its future business and market environment. In this context, the concept of innovation includes both technological and organizational innovation to succeed in the future.

**N3.** A focus on action (1.1b[2]) considers both the people and the hard assets of the organization. It

includes ongoing improvements in productivity that may be achieved through eliminating waste or reducing cycle time, and it might use techniques such as Six Sigma and Lean Production. It also includes the actions to accomplish the organization's strategic objectives.

**N4.** Your organizational performance results should be reported in Items 7.1–7.6.

**N5.** *For nonprofit organizations that rely on volunteers to supplement the work of their employees, responses to 1.1b(1) also should discuss your efforts to communicate with, empower, and motivate the volunteer workforce.*

Item responses are assessed by considering the Criteria Item requirements; your key business factors presented in your Organizational Profile; and the maturity of your approaches, breadth of their deployment, and strength of your improvement process and results relative to the Scoring System. Refer to the Scoring System information on pages 51–54.

For additional description of this Item, see page 38.

## I.2 Governance and Social Responsibilities: How do you govern and address your social responsibilities? (50 pts.)

### Process

Describe your organization's GOVERNANCE system. Describe HOW your organization addresses its responsibilities to the public, ensures ETHICAL BEHAVIOR, and practices good citizenship.

Within your response, include answers to the following questions:

#### a. Organizational GOVERNANCE

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

#### b. Legal and ETHICAL BEHAVIOR

- (1) How do you address any adverse impacts on society of your products, services, and operations? How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner, including using resource-sustaining PROCESSES, as appropriate? What are your KEY compliance PROCESSES, MEASURES, and GOALS for achieving and surpassing regulatory and legal requirements, as appropriate? What are your KEY PROCESSES, MEASURES, and GOALS for addressing risks associated with your products, services, and operations?
- (2) How does your organization promote and ensure ETHICAL BEHAVIOR in all your interactions? What are your KEY PROCESSES and MEASURES OR INDICATORS for enabling and monitoring ETHICAL BEHAVIOR in your GOVERNANCE structure, throughout your organization, and in interactions with CUSTOMERS, PARTNERS, and other STAKEHOLDERS? How do you monitor and respond to breaches of ETHICAL BEHAVIOR?

#### c. Support of KEY Communities

How does your organization actively support and strengthen your KEY communities? How do you identify KEY communities and determine areas of emphasis for organizational involvement and support? What are your KEY communities? How do your SENIOR LEADERS and your EMPLOYEES contribute to improving these communities?

### Notes:

**N1.** Societal responsibilities in areas critical to your organization's ongoing success also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory and legal compliance (including the results of mandated financial audits) or environmental improvements through use of "green" technology or other means, should be reported as Leadership and Social Responsibility Results (Item 7.6).

**N2.** Transparency in operations (1.2a[1]) should include your internal controls on governance processes. *For those nonprofit organizations that serve as stewards of public funds, stewardship of those funds and transparency in operations are areas of emphasis.*

**N3.** Leadership performance evaluation (1.2a[2]) might be supported by peer reviews, formal performance

management reviews (5.1b), and formal or informal employee and other stakeholder feedback and surveys. *For some businesses and governmental organizations, external advisory boards might evaluate the performance of senior leaders and the governance board.*

**N4.** Measures or indicators of ethical behavior (1.2b[2]) might include the percentage of independent board members, measures of relationships with stockholder and nonstockholder constituencies, instances of ethical conduct breaches and responses, survey results on employee perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. They also might include evidence that policies, staff training, and monitoring systems are in place with respect to conflicts of interest and proper use of funds.



**N5.** Areas of community support appropriate for inclusion in 1.2c might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.

**N6.** The health and safety of employees are not addressed in Item 1.2; you should address these employee factors in Item 5.3.

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

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

## 2 Strategic Planning (85 pts.)

The *Strategic Planning* Category examines HOW your organization develops STRATEGIC OBJECTIVES and ACTION PLANS. Also examined are HOW your chosen STRATEGIC OBJECTIVES and ACTION PLANS are deployed and changed if circumstances require, and HOW progress is measured.

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

Process

Describe HOW your organization establishes its strategy and STRATEGIC OBJECTIVES, including HOW you address your STRATEGIC CHALLENGES. Summarize your organization's KEY STRATEGIC OBJECTIVES and their related GOALS.

Within your response, include answers to the following questions:

#### a. Strategy Development PROCESS

- (1) How does your organization conduct its strategic planning? What are the KEY PROCESS steps? Who are the KEY participants? How does your PROCESS identify potential blind spots? What are your short- and longer-term planning time horizons? How are these time horizons set? How does your strategic planning PROCESS address these time horizons?
- (2) How do you ensure that strategic planning addresses the KEY factors listed below? How do you collect and analyze relevant data and information pertaining to these factors as part of your strategic planning PROCESS:
  - your organization's strengths, weaknesses, opportunities, and threats
  - early indications of major shifts in technology, markets, competition, or the regulatory environment
  - long-term organizational SUSTAINABILITY and continuity in emergencies
  - your ability to execute the strategic plan

#### b. STRATEGIC OBJECTIVES

- (1) What are YOUR KEY STRATEGIC OBJECTIVES and your timetable for accomplishing them? What are your most important GOALS for these STRATEGIC OBJECTIVES?
- (2) How do YOUR STRATEGIC OBJECTIVES address the challenges identified in response to P.2 in your Organizational Profile? How do you ensure that your STRATEGIC OBJECTIVES balance short- and longer-term challenges and opportunities? How do you ensure that your STRATEGIC OBJECTIVES balance the needs of all KEY STAKEHOLDERS?

#### Notes:

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

**N2.** "Strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products, services, and markets; revenue growth via various approaches, including acquisitions, grants, and endowments; divestitures; new partnerships and alliances; and new employee or volunteer relationships. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers' or partners' markets, a low-cost producer, a market innovator, or a high-end or customized product or service provider.

**N3.** Your organization's strengths, weaknesses, opportunities, and threats (2.1a[2]) should address all factors that are key to your organization's future success, including the following, as appropriate: your customer and market needs, expectations, and opportunities; your competitive environment and your capabilities relative to competitors and comparable organizations; your product life cycle; technological and other key innovations or changes that might affect your products and services and how you operate, as well as the rate of that innovation; your human and other resource needs; your opportunities to redirect resources to higher-priority products, services, or areas; financial, societal, ethical, regulatory, technological, and other potential risks; changes in the national or global economy; partner and supply chain needs, strengths, and weaknesses; and other factors unique to your organization.

**N4.** Your ability to execute the strategic plan (2.1a[2]) also should address your organizational agility based on contingency plans or if circumstances require a shift in plans and rapid execution of new or changed plans.

**N5.** Strategic objectives that address key challenges (2.1b[2]) might include rapid response, customization, co-location with major customers or partners, specific joint ventures, virtual manufacturing, rapid innovation, ISO 9000:2000 or ISO 14000 registration, Web-based supplier and customer relationship management, and product and service quality enhancements. Responses to Item 2.1 should focus on your specific challenges—those most important to your ongoing

success and to strengthening your organization's overall performance.

**N6.** Item 2.1 addresses your overall organizational strategy, which might include changes in services, products, and product lines. However, the Item does not address product and service design; you should address these factors in Item 6.1, as appropriate.

For additional description of this Item, see page 40.

## 2.2 Strategy Deployment: How do you deploy your strategy? (45 pts.)

Process

**Describe HOW your organization converts its STRATEGIC OBJECTIVES INTO ACTION PLANS. Summarize your organization's ACTION PLANS and related KEY PERFORMANCE MEASURES OR INDICATORS. Project your organization's future PERFORMANCE ON these KEY PERFORMANCE MEASURES OR INDICATORS.**

Within your response, include answers to the following questions:

### a. ACTION PLAN Development and DEPLOYMENT

- (1) How do you develop and deploy ACTION PLANS to achieve your KEY STRATEGIC OBJECTIVES? How do you allocate resources to ensure accomplishment of your ACTION PLANS? How do you ensure that the KEY changes resulting from your ACTION PLANS can be sustained?
- (2) How do you establish and deploy modified ACTION PLANS if circumstances require a shift in plans and rapid execution of new plans?
- (3) What are your KEY short- and longer-term ACTION PLANS? What are the KEY changes, if any, in your products and services and your CUSTOMERS and markets, and how will you operate?
- (4) What are your KEY human resource plans that derive from your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?
- (5) What are your KEY PERFORMANCE MEASURES OR INDICATORS for tracking progress on your ACTION PLANS? How do you ensure that your overall ACTION PLAN measurement system reinforces organizational ALIGNMENT? How do you ensure that the measurement system covers all KEY DEPLOYMENT areas and STAKEHOLDERS?

### b. PERFORMANCE PROJECTION

For the KEY PERFORMANCE MEASURES OR INDICATORS identified in 2.2a(5), what are your PERFORMANCE PROJECTIONS for both your short- and longer-term planning time horizons? How does your projected PERFORMANCE compare with the projected PERFORMANCE of your competitors or comparable organizations? How does it compare with KEY BENCHMARKS, GOALS, and past PERFORMANCE, as appropriate? If there are current or projected gaps in PERFORMANCE against your competitors or comparable organizations, HOW will you address them?

### Notes:

**N1.** Strategy and action plan development and deployment are closely linked to other Items in the Criteria. The following are examples of key linkages:

- Item 1.1 for how your senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans;
- Category 4 for measurement, analysis, and knowledge management to support your key information

needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;

- Category 5 for your work system needs and employee education, training, and development needs, and for implementing human resource-related changes resulting from action plans;
- Category 6 for process requirements resulting from your action plans; and

- Item 7.6 for specific accomplishments relative to your organizational strategy and action plans.

**N2.** Deployment of action plans (2.2a[1]) might include key partners, collaborators, and suppliers.

**N3.** Measures and indicators of projected performance (2.2b) might include changes resulting from new

ventures; organizational acquisitions or mergers; new value creation; market entry and shifts; new legislative mandates, legal requirements, or industry standards; and significant anticipated innovations in products, services, and technology.

For additional description of this Item, see pages 40–41.



## 3 Customer and Market Focus (85 pts.)

The **CUSTOMER and Market Focus** Category examines HOW your organization determines the requirements, needs, expectations, and preferences of CUSTOMERS and markets. Also examined is HOW your organization builds relationships with CUSTOMERS and determines the KEY factors that lead to CUSTOMER acquisition, satisfaction, loyalty, and retention and to business expansion and SUSTAINABILITY.

### 3.1 Customer and Market Knowledge: How do you use customer and market knowledge? (40 pts.)

Process

Describe HOW your organization determines requirements, needs, expectations, and preferences of CUSTOMERS and markets to ensure the continuing relevance of your products and services and to develop new business opportunities.

Within your response, include answers to the following questions:

#### a. CUSTOMER and Market Knowledge

- (1) How do you identify CUSTOMERS, CUSTOMER groups, and market SEGMENTS? How do you determine which CUSTOMERS, CUSTOMER groups, and market SEGMENTS to pursue for current and future products and services? How do you include CUSTOMERS of competitors and other potential CUSTOMERS and markets in this determination?
- (2) How do you listen and learn to determine KEY CUSTOMER requirements, needs, and changing expectations (including product and service features) and their relative importance to CUSTOMERS' purchasing or relationship decisions? How do your determination methods vary for different CUSTOMERS or CUSTOMER groups? How do you use relevant information and feedback from current and former CUSTOMERS, including marketing and sales information, CUSTOMER loyalty and retention data, win/loss ANALYSIS, and complaint data for PURPOSES of planning products and services, marketing, making PROCESS improvements, and developing new business opportunities? How do you use this information and feedback to become more CUSTOMER-focused and to better satisfy CUSTOMER needs and desires?
- (3) How do you keep your listening and LEARNING methods current with business needs and directions, including changes in your marketplace?

#### Notes:

**N1.** Your responses to this Item should include the customer groups and market segments identified in P.1b(2).

**N2.** If your products and services are sold or delivered to end-use customers via other businesses or organizations (e.g., those that are part of your "value chain," such as retail stores, dealers, or local distributors), customer groups (3.1a[1]) should include both the end users and these intermediate organizations.

**N3.** "Product and service features" (3.1a[2]) refers to all the important characteristics of products and services and to their performance throughout their full life cycle and the full "consumption chain." This includes all customers' purchase and interaction experiences with your organization that influence purchase and relationship decisions. The focus should be on features that affect customer preference and loyalty—for example, those features that differentiate your products and services from competing offerings or

other organizations' services. Those features might include price, reliability, value, delivery, timeliness, ease of use, requirements for hazardous materials use and disposal, customer or technical support, and the sales relationship. Key product and service features and purchasing and relationship decisions (3.1a[2]) might take into account how transactions occur and factors such as confidentiality and security.

**N4.** Listening and learning (3.1a[2]) might include gathering and integrating survey data, focus group findings, Web-based data, and other data and information that affect customers' purchasing and relationship decisions. Keeping your listening and learning methods current with business needs and directions (3.1a[3]) also might include use of newer technology, such as Web-based data gathering.

**N5.** For additional considerations on products, services, customers, and the business of nonprofit organizations, see Item P.1, Notes 5 and 6, and Item P.2, Note 7.

For additional description of this Item, see page 41.

## 3.2 Customer Relationships and Satisfaction: How do you build relationships and grow customer satisfaction and loyalty? (45 pts.)

Process

Describe HOW your organization builds relationships to acquire, satisfy, and retain CUSTOMERS and to increase CUSTOMER loyalty. Describe also HOW your organization determines CUSTOMER satisfaction.

Within your response, include answers to the following questions:

### a. CUSTOMER Relationship Building

- (1) How do you build relationships to acquire CUSTOMERS, to meet and exceed their expectations, to increase loyalty and repeat business, and to gain positive referrals?
- (2) How do your KEY access mechanisms enable CUSTOMERS to seek information, conduct business, and make complaints? What are your KEY access mechanisms? How do you determine KEY CUSTOMER contact requirements for each mode of CUSTOMER access? How do you ensure that these contact requirements are deployed to all people and PROCESSES involved in the CUSTOMER response chain?
- (3) How do you manage CUSTOMER complaints? How do you ensure that complaints are resolved EFFECTIVELY and promptly? How do you minimize CUSTOMER dissatisfaction and, as appropriate, loss of repeat business? How are complaints aggregated and analyzed for use in improvement throughout your organization and by your PARTNERS?
- (4) How do you keep your APPROACHES to building relationships and providing CUSTOMER access current with business needs and directions?

### b. CUSTOMER Satisfaction Determination

- (1) How do you determine CUSTOMER satisfaction, dissatisfaction, and loyalty? How do these determination methods differ among CUSTOMER groups? How do you ensure that your measurements capture actionable information for use in exceeding your CUSTOMERS' expectations? How do you ensure that your measurements capture actionable information for use in securing your CUSTOMERS' future business and gaining positive referrals, as appropriate? How do you use CUSTOMER satisfaction and dissatisfaction information for improvement?
- (2) How do you follow up with CUSTOMERS on the quality of products, services, and transactions to receive prompt and actionable feedback?
- (3) How do you obtain and use information on your CUSTOMERS' satisfaction relative to their satisfaction with your competitors, other organizations providing similar products or services, and/or industry BENCHMARKS?
- (4) How do you keep your APPROACHES to determining satisfaction current with business needs and directions?

### Notes:

**N1.** Customer relationship building (3.2a) might include the development of partnerships or alliances with customers.

**N2.** Determining customer satisfaction and dissatisfaction (3.2b) might include use of any or all of the following: surveys, formal and informal feedback, customer account histories, complaints, win/loss analysis, and transaction completion rates. Information might be gathered on the Internet, through personal contact or a third party, or by mail.

**N3.** Customer satisfaction measurements (3.2b[1]) might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide useful information about specific product and service features, delivery, relationships, and transactions that affect customers' future actions—repeat business and positive referral.

**N4.** Other organizations providing similar products or services (3.2b[3]) might include other organizations with whom you don't compete but provide similar products and services in other geographic areas or to different populations of people.

**N5.** Your customer satisfaction and dissatisfaction results should be reported in Item 7.2.

**N6.** *For some nonprofit organizations (e.g., some government agencies or charitable organizations), customers may be assigned or may be required to use your organization, and relationships may be short term. For those organizations, relationship building (3.2a[1]) might be focused on meeting and exceeding expectations during the short-term relationship, resulting in positive comments to other people, including key stakeholders of your organization.*

For additional description of this Item, see page 42.

## 4 Measurement, Analysis, and Knowledge Management (90 pts.)

The *Measurement, ANALYSIS, and Knowledge Management* Category examines HOW your organization selects, gathers, analyzes, manages, and improves its data, information, and KNOWLEDGE ASSETS. Also examined is HOW your organization reviews its PERFORMANCE.

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

Process

Describe HOW your organization measures, analyzes, aligns, reviews, and improves its PERFORMANCE data and information at all LEVELS and in all parts of your organization.

Within your response, include answers to the following questions:

#### a. PERFORMANCE Measurement

- (1) How do you select, collect, align, and integrate data and information for tracking daily operations and for tracking overall organizational PERFORMANCE, including progress relative to STRATEGIC OBJECTIVES and ACTION PLANS? What are your KEY organizational PERFORMANCE MEASURES? How do you use these data and information to support organizational decision making and INNOVATION?
- (2) How do you select and ensure the EFFECTIVE use of KEY comparative data and information to support operational and strategic decision making and INNOVATION?
- (3) How do you keep your PERFORMANCE measurement system current with business needs and directions? How do you ensure that your PERFORMANCE measurement system is sensitive to rapid or unexpected organizational or external changes?

#### b. PERFORMANCE ANALYSIS and Review

- (1) How do you review organizational PERFORMANCE and capabilities? How do your SENIOR LEADERS participate in these reviews? What ANALYSES do you perform to support these reviews and to ensure that conclusions are valid? How do you use these reviews to assess organizational success, competitive PERFORMANCE, and progress relative to STRATEGIC OBJECTIVES and ACTION PLANS? How do you use these reviews to assess your organization's ability to rapidly respond to changing organizational needs and challenges in your operating environment?
- (2) How do you translate organizational PERFORMANCE review findings into priorities for continuous and breakthrough improvement and into opportunities for INNOVATION? How are these priorities and opportunities deployed to work group- and functional-level operations throughout your organization to enable EFFECTIVE support for their decision making? When appropriate, HOW are the priorities and opportunities deployed to your suppliers, PARTNERS, and collaborators to ensure organizational ALIGNMENT?

#### Notes:

**N1.** Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and whole organization levels.

**N2.** Comparative data and information (4.1a[2]) are obtained by benchmarking and by seeking competitive comparisons. "Benchmarking" refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization's industry. Competitive comparisons relate your organization's performance to that of competitors and other organizations providing similar products and services.

**N3.** Organizational performance reviews (4.1b[1]) should be informed by organizational performance measurement and guided by the strategic objectives and action plans

described in Items 2.1 and 2.2. The reviews also might be informed by internal or external Baldrige assessments.

**N4.** Analysis includes examining trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations intended to support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, analysis draws on all types of data: customer-related, financial and market, operational, and competitive.

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

**N6.** Your organizational performance results should be reported in Items 7.1–7.6.

For additional description of this Item, see pages 43–44.

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

Process

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

Within your response, include answers to the following questions:

### a. Data and Information Availability

- (1) How do you make needed data and information available? How do you make them accessible to EMPLOYEES, suppliers, PARTNERS, collaborators, and CUSTOMERS, as appropriate?
- (2) How do you ensure that hardware and software are reliable, secure, and user-friendly?
- (3) How do you ensure the continued availability of data and information, including the availability of hardware and software systems, in the event of an emergency?
- (4) How do you keep your data and information availability mechanisms, including your software and hardware systems, current with business needs and directions and with technological changes in your operating environment?

### b. Organizational Knowledge Management

How do you manage organizational knowledge to accomplish the following:

- the collection and transfer of EMPLOYEE knowledge
- the transfer of relevant knowledge from and to CUSTOMERS, suppliers, PARTNERS, and collaborators
- the rapid identification, sharing, and implementation of best practices

### c. Data, Information, and Knowledge Quality

How do you ensure the following properties of your data, information, and organizational knowledge:

- accuracy
- integrity and reliability
- timeliness
- security and confidentiality

### Notes:

**N1.** Data and information availability (4.2a) are of growing importance as the Internet, e-business, and e-commerce are used increasingly for business-to-business, organization-to-organization, and business-to-consumer interactions and as intranets become

more important as a major source of organization-wide communications.

**N2.** Data and information access (4.2a[1]) might be via electronic or other means.

For additional description of this Item, see page 44.

## 5 Human Resource Focus (85 pts.)

The *Human Resource Focus* Category examines HOW your organization's WORK SYSTEMS and your EMPLOYEE LEARNING and motivation enable all EMPLOYEES to develop and utilize their full potential in ALIGNMENT with your organization's overall objectives, strategy, and ACTION PLANS. Also examined are your organization's efforts to build and maintain a work environment and EMPLOYEE support climate conducive to PERFORMANCE EXCELLENCE and to personal and organizational growth.

### 5.1 Work Systems: How do you enable employees to accomplish the work of your organization? (35 pts.)

Process

Describe HOW your organization's work and jobs enable all EMPLOYEES and the organization to achieve HIGH PERFORMANCE. Describe HOW compensation, career progression, and related workforce practices enable EMPLOYEES and the organization to achieve HIGH PERFORMANCE.

Within your response, include answers to the following questions:

#### a. Organization and Management of Work

- (1) How do you organize and manage work and jobs, including skills, to promote cooperation, initiative, EMPOWERMENT, INNOVATION, and your organizational culture? How do you organize and manage work and jobs, including skills, to achieve the agility to keep current with business needs and to achieve your ACTION PLANS?
- (2) How do your WORK SYSTEMS capitalize on the diverse ideas, cultures, and thinking of your EMPLOYEES and the communities with which you interact (your EMPLOYEE hiring and your CUSTOMER communities)?
- (3) How do you achieve EFFECTIVE communication and skill sharing across work units, jobs, and locations?

#### b. EMPLOYEE PERFORMANCE Management System

How does your EMPLOYEE PERFORMANCE management system, including feedback to EMPLOYEES, support HIGH-PERFORMANCE WORK and contribute to the achievement of your ACTION PLANS? How does your EMPLOYEE PERFORMANCE management system support a CUSTOMER and business focus? How do your compensation, recognition, and related reward and incentive practices reinforce HIGH-PERFORMANCE WORK and a CUSTOMER and business focus?

#### c. Hiring and Career Progression

- (1) How do you identify characteristics and skills needed by potential EMPLOYEES?
- (2) How do you recruit, hire, and retain new EMPLOYEES? How do you ensure EMPLOYEES represent the diverse ideas, cultures, and thinking of your hiring community?
- (3) How do you accomplish EFFECTIVE succession planning for leadership and management positions? How do you manage EFFECTIVE career progression for all EMPLOYEES throughout the organization?

#### Notes:

**N1.** "Employees" refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include team leaders, supervisors, and managers at all levels. Contract employees supervised by a contractor should be addressed in Category 6. *For nonprofit organizations that also rely on volunteers, "employees" also refers to these volunteers.*

**N2.** "Your organization's work" refers to how your employees are organized or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, project teams, customer action teams, problem-solving teams, centers of excellence, functional units, remote workers

(e.g., at home), cross-functional teams, and departments—self-managed or managed by supervisors.

"Jobs" refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team.

**N3.** Compensation, recognition, and related reward and incentive practices (5.1b) include promotions and bonuses that might be based on performance, skills acquired, and other factors. *In some governmental organizations, compensation systems are set by law or regulation. Since recognition can include monetary and nonmonetary, formal and informal, and individual and group mechanisms, reward and recognition systems still permit flexibility.*

For additional description of this Item, see pages 44–45.



## 5.2 Employee Learning and Motivation: How do you contribute to employee learning and motivate employees? (25 pts.)

Process

Describe HOW your organization's EMPLOYEE education, training, and career development support the achievement of your overall objectives and contribute to HIGH PERFORMANCE. Describe HOW your organization's education, training, and career development build EMPLOYEE knowledge, skills, and capabilities.

Within your response, include answers to the following questions:

### a. EMPLOYEE Education, Training, and Development

- (1) HOW do EMPLOYEE education and training contribute to the achievement of your ACTION PLANS? HOW do your EMPLOYEE education, training, and development address your KEY needs associated with organizational PERFORMANCE measurement, PERFORMANCE improvement, and technological change? HOW does your education and training APPROACH balance short- and longer-term organizational objectives with EMPLOYEE needs for development, ongoing LEARNING, and career progression?
- (2) HOW do EMPLOYEE education, training, and development address your KEY organizational needs associated with new EMPLOYEE orientation, DIVERSITY, ethical business practices, and management and leadership development? HOW do EMPLOYEE education, training, and development address your KEY organizational needs associated with EMPLOYEE, workplace, and environmental safety?
- (3) HOW do you seek and use input from EMPLOYEES and their supervisors and managers on education, training, and development needs? HOW do you incorporate your organizational LEARNING and KNOWLEDGE ASSETS into your education and training?
- (4) HOW do you deliver education and training? HOW do you seek and use input from EMPLOYEES and their supervisors and managers in determining your delivery APPROACHES? HOW do you use both formal and informal delivery APPROACHES, including mentoring and other APPROACHES, as appropriate?
- (5) HOW do you reinforce the use of new knowledge and skills on the job and retain this knowledge for long-term organizational use? HOW do you SYSTEMATICALLY transfer knowledge from departing or retiring EMPLOYEES?
- (6) HOW do you evaluate the EFFECTIVENESS of education and training, taking into account individual and organizational PERFORMANCE?

### b. Motivation and Career Development

HOW do you motivate EMPLOYEES to develop and utilize their full potential? HOW does your organization use formal and informal mechanisms to help EMPLOYEES attain job- and career-related development and LEARNING objectives? HOW do managers and supervisors help EMPLOYEES attain job- and career-related development and LEARNING objectives?

### Notes:

**N1.** Many organizations may have unique considerations relative to employee education, training, development, motivation, and career progression. If this is the case for your organization, your response to Item 5.2 should include how you address these considerations. *Nonprofit organizations may have unique considerations relative to the education, training, development, and motivation of volunteers. Nonprofit organizations may*

*need to be sensitive to stakeholder perceptions about how nonprofit dollars are spent, resulting in limitations on expenses for volunteer training-related activities.*

**N2.** Education and training delivery (5.2a[4]) might occur inside or outside your organization and involve on-the-job, classroom, computer-based, distance learning, or other types of delivery (formal or informal).

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

### 5.3 Employee Well-Being and Satisfaction: How do you contribute to employee well-being and grow employee satisfaction? (25 pts.)

Process

Describe how your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.

Within your response, include answers to the following questions:

#### a. Work Environment

- (1) How do you ensure and improve workplace health, safety, security, and ergonomics in a proactive manner? How do employees take part in these improvement efforts? What are your performance measures or improvement goals for each of these key workplace factors? What are the significant differences in these workplace factors and performance measures or targets if different employee groups and work units have different work environments?
- (2) How do you ensure workplace preparedness for disasters or emergencies?

#### b. Employee Support and Satisfaction

- (1) How do you determine the key factors that affect employee well-being, satisfaction, and motivation? How are these factors segmented for a diverse workforce and for different categories and types of employees?
- (2) How do you support your employees via services, benefits, and policies? How are these tailored to the needs of a diverse workforce and different categories and types of employees?
- (3) What formal and informal assessment methods and measures do you use to determine employee well-being, satisfaction, and motivation? How do these methods and measures differ across a diverse workforce and different categories and types of employees? How do you use other indicators, such as employee retention, absenteeism, grievances, safety, and productivity, to assess and improve employee well-being, satisfaction, and motivation?
- (4) How do you relate assessment findings to key business results to identify priorities for improving the work environment and employee support climate?

#### Notes:

**N1.** Specific factors that might affect your employees' well-being, satisfaction, and motivation (5.3b[1]) include effective employee problem or grievance resolution; safety factors; employees' views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; the work environment and other work conditions; management's empowerment of employees; information sharing by management; workload; cooperation and teamwork; recognition; services and benefits; communications; job security; compensation; and equal opportunity.

**N2.** Approaches for employee support (5.3b[2]) might include providing counseling, career development and employability services, recreational or cultural activities, nonwork-related education, day care, job rotation or sharing, special leave for family responsibilities or community service, home safety training, flexible work hours and location, outplacement, and retirement benefits (including extended health care).

**N3.** Measures and indicators of well-being, satisfaction, and motivation (5.3b[3]) might include data on safety and absenteeism; the overall turnover rate; the turnover rate for customer contact employees; employees' charitable contributions; grievances, strikes, and other job actions; insurance costs; workers' compensation claims; and results of surveys. Survey indicators of satisfaction might include employee knowledge of job roles, employee knowledge of organizational direction, and employee perception of empowerment and information sharing. Your results relative to such measures and indicators should be reported in Item 7.4.

**N4.** Identifying priorities (5.3b[4]) might draw on your human resource results presented in Item 7.4 and might involve addressing employee problems based on their impact on your business results.

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

## 6 Process Management (85 pts.)

The **PROCESS Management** Category examines the KEY aspects of your organization's PROCESS management, including KEY product, service, and organizational PROCESSES for creating CUSTOMER and organizational VALUE and KEY support PROCESSES. This Category encompasses all KEY PROCESSES and all work units.

### 6.1 Value Creation Processes: How do you identify and manage your key processes? (45 pts.)

Process

Describe HOW your organization identifies and manages its KEY VALUE CREATION PROCESSES for delivering CUSTOMER VALUE and achieving organizational success and growth.

Within your response, include answers to the following questions:

#### a. VALUE CREATION PROCESSES

- (1) How does your organization determine its KEY VALUE CREATION PROCESSES? What are your organization's KEY product, service, and business PROCESSES for creating or adding VALUE? How do these PROCESSES contribute to profitability, SUSTAINABILITY, and organizational success, as appropriate?
- (2) How do you determine KEY VALUE CREATION PROCESS requirements, incorporating input from CUSTOMERS, suppliers, PARTNERS, and collaborators, as appropriate? What are the KEY requirements for these PROCESSES?
- (3) How do you design these PROCESSES to meet all the KEY requirements? How do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these PROCESSES? How do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and EFFECTIVENESS factors into the design of these PROCESSES? How do you implement these PROCESSES to ensure they meet design requirements?
- (4) What are your KEY PERFORMANCE MEASURES OR INDICATORS used for the control and improvement of your VALUE CREATION PROCESSES? How does your day-to-day operation of these PROCESSES ensure meeting KEY PROCESS requirements? How are in-process MEASURES used in managing these PROCESSES? How is CUSTOMER, supplier, PARTNER, and collaborator input used in managing these PROCESSES, as appropriate?
- (5) How do you minimize overall costs associated with inspections, tests, and PROCESS OR PERFORMANCE audits, as appropriate? How do you prevent defects, service errors, and rework, and minimize warranty costs, as appropriate?
- (6) How do you improve your VALUE CREATION PROCESSES to achieve better PERFORMANCE, to reduce variability, to improve products and services, and to keep the PROCESSES current with business needs and directions? How are improvements and lessons learned shared with other organizational units and PROCESSES to drive organizational LEARNING and INNOVATION?

#### Notes:

**N1.** Your key value creation processes are those most important to “running your business” and maintaining or achieving a sustainable competitive advantage. They are the processes that involve the majority of your organization's employees and produce customer, stakeholder, and stockholder value. They include the processes through which your organization adds the greatest value to its products and services. They also include the business processes most critical to adding value to the organization itself, resulting in success and growth.

**N2.** Key value creation processes differ greatly among organizations, depending on many factors. These factors include the nature of your products and services, how they are produced and delivered, technology

requirements, customer and supplier relationships and involvement, outsourcing, the importance of research and development, the role of technology acquisition, information and knowledge management, supply chain management, mergers and acquisitions, global expansion, legislative mandates, and sales and marketing. Responses to Item 6.1 should be based on the most critical requirements and processes for your products, services, and business.

**N3.** To achieve better process performance and reduce variability, you might implement approaches such as a Lean Enterprise System, Six Sigma methodology, use of ISO 9000:2000 standards, or other process improvement tools.

N4. To provide as complete and concise a response as possible for your key value creation processes, you might want to use a tabular format identifying the key processes and the attributes of each as called for in questions 6.1a(1)–6.1a(6).

N5. The results of improvements in product and service performance should be reported in Item 7.1. All other process performance results should be reported in Item 7.5.

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

## 6.2 Support Processes and Operational Planning: How do you identify and manage your support processes and accomplish operational planning? (40 pts.)

Process

Describe HOW your organization manages its KEY PROCESSES that support your VALUE CREATION PROCESSES. Describe your PROCESSES for financial management and continuity of operations in an emergency.

Within your response, include answers to the following questions:

### a. Support PROCESSES

- (1) How does your organization determine its KEY support PROCESSES? What are your KEY PROCESSES for supporting your VALUE CREATION PROCESSES?
- (2) How do you determine KEY support PROCESS requirements, incorporating input from internal and external CUSTOMERS, suppliers, PARTNERS, and collaborators, as appropriate? What are the KEY requirements for these PROCESSES?
- (3) How do you design these PROCESSES to meet all the KEY requirements? How do you incorporate new technology, organizational knowledge, and the potential need for agility into the design of these PROCESSES? How do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and EFFECTIVENESS factors into the design of these PROCESSES? How do you implement these PROCESSES to ensure they meet design requirements?
- (4) What are your KEY PERFORMANCE MEASURES OR INDICATORS used for the control and improvement of your support PROCESSES? How does your day-to-day operation of KEY support PROCESSES ensure meeting KEY PERFORMANCE requirements? How are in-process MEASURES used in managing these PROCESSES? How is CUSTOMER, supplier, PARTNER, and collaborator input used in managing these PROCESSES, as appropriate?
- (5) How do you minimize overall costs associated with inspections, tests, and PROCESS OR PERFORMANCE audits, as appropriate? How do you prevent defects, service errors, and rework?
- (6) How do you improve your support PROCESSES to achieve better PERFORMANCE, to reduce variability, and to keep the PROCESSES current with business needs and directions? How are improvements and lessons learned shared with other organizational units and PROCESSES to drive organizational LEARNING and INNOVATION?

### b. Operational Planning

- (1) How does your organization ensure adequate financial resources are available to support your operations? How do you determine the resources needed to meet current financial obligations? How do you ensure adequate resources are available to support major new business investments, as appropriate? How do you assess the financial risks associated with your current operations and major new business investments?
- (2) How do you ensure continuity of operations in the event of an emergency?

### Notes:

N1. Your key support processes (6.2a) are those that are considered most important for support of your organization's value creation processes, employees, and daily operations. These might include facilities management, legal, human resource, project management, and administration processes.

N2. An emergency (6.2b[2]) might be weather-related, utility-related, or due to a local or national emergency.

N3. Your financial management results should be reported in Item 7.3. Other results related to your key support processes and operational planning should be reported in Item 7.5.

For additional description of this Item, see pages 48–49.

## 7 Results (450 pts.)

The **RESULTS** Category examines your organization's PERFORMANCE and improvement in all KEY areas—product and service outcomes, CUSTOMER satisfaction, financial and marketplace PERFORMANCE, human resource outcomes, operational PERFORMANCE, and leadership and social responsibility. PERFORMANCE LEVELS are examined relative to those of competitors and other organizations providing similar products and services.

### 7.1 Product and Service Outcomes: What are your product and service performance results? (100 pts.)

Results

Summarize your organization's KEY product and service PERFORMANCE RESULTS. SEGMENT your RESULTS by product and service types and groups, CUSTOMER groups, and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

**a. Product and Service RESULTS**

What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of product and service PERFORMANCE that are important to your CUSTOMERS? How do these RESULTS compare with the PERFORMANCE of your competitors and other organizations providing similar products and services?

#### Notes:

**N1.** Product and service results reported in this Item should relate to the key product, program, and service features identified as customer requirements or expectations in P.1b(2), based on information gathered in Items 3.1 and 3.2. The measures or indicators should address factors that affect customer preference, such as those included in Item P.1, Note 3, and Item 3.1, Note 3.

**N2.** For some nonprofit organizations, product or service performance measures might be mandated by your funding sources. These measures should be reported and identified in your response to this Item.

For additional description of this Item, see page 49.



## 7.2 Customer-Focused Outcomes: What are your customer-focused performance results? (70 pts.)

Results

Summarize your organization's KEY CUSTOMER-focused RESULTS, including CUSTOMER satisfaction and CUSTOMER-perceived VALUE. SEGMENT your RESULTS by product and service types or groups, CUSTOMER groups, and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. CUSTOMER-Focused RESULTS

- (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of CUSTOMER satisfaction and dissatisfaction? How do these RESULTS compare with the customer satisfaction levels of your competitors and other organizations providing similar products and services?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of CUSTOMER-perceived VALUE, including CUSTOMER loyalty and retention, positive referral, and other aspects of building relationships with CUSTOMERS, as appropriate?

### Notes:

**N1.** Customer satisfaction and dissatisfaction results reported in this Item should relate to the customer groups and market segments discussed in P.1b(2) and Item 3.1 and to the determination methods and data described in Item 3.2.

For additional description of this Item, see page 49.

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

## 7.3 Financial and Market Outcomes: What are your financial and market results? (70 pts.)

Results

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

Provide data and information to answer the following questions:

### a. Financial and Market RESULTS

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

### Notes:

**N1.** Responses to 7.3a(1) might include aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by market or customer segment, liquidity, debt-to-equity ratio, value added per employee, and financial activity measures. Measures should relate to the financial management approaches described in Item 6.2.

For additional description of this Item, see pages 49–50.

*For nonprofit organizations, additional measures might include performance to budget, reserve funds, cost avoidance or savings, administrative expenditures as a percentage of budget, and cost of fundraising versus funds raised.*

**N2.** *For nonprofit organizations, responses to 7.3a(2) might include measures of charitable donations or grants and the number of new programs or services offered.*

## 7.4 Human Resource Outcomes: What are your human resource results? (70 pts.)

### Results

Summarize your organization's KEY human resource RESULTS, including WORK SYSTEM PERFORMANCE and EMPLOYEE LEARNING, development, well-being, and satisfaction. SEGMENT your RESULTS to address the DIVERSITY of your workforce and the different types and categories of EMPLOYEES, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Human Resource RESULTS

- (1) What are your current LEVELS and TRENDS in KEY MEASURES OR INDICATORS of WORK SYSTEM PERFORMANCE and EFFECTIVENESS?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES of EMPLOYEE LEARNING and development?
- (3) What are your current LEVELS and TRENDS in KEY MEASURES OR INDICATORS of EMPLOYEE well-being, satisfaction, and dissatisfaction?

### Notes:

**N1.** Results reported in this Item should relate to activities described in Category 5. Your results should be responsive to key process needs described in Category 6 and to your organization's action plans and human resource plans described in Item 2.2.

**N2.** Appropriate measures and indicators of work system performance and effectiveness (7.4a[1]) might include simplification of jobs and job classifications, job rotation, work layout improvement, employee retention and internal promotion rates, and changing supervisory ratios.

For additional description of this Item, see page 50.

**N3.** Appropriate measures and indicators of employee learning and development (7.4a[2]) might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training rates.

**N4.** For appropriate measures of employee well-being and satisfaction (7.4a[3]), see Item 5.3 Notes.

**N5.** *Nonprofit organizations that rely on volunteers to supplement the work of their employees should include results for their volunteer workforce, as appropriate.*

## 7.5 Organizational Effectiveness Outcomes: What are your organizational effectiveness results? (70 pts.)

Results

Summarize your organization's KEY operational PERFORMANCE RESULTS that contribute to the improvement of organizational EFFECTIVENESS. SEGMENT your RESULTS by product and service types and groups and by market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. Organizational EFFECTIVENESS RESULTS

- (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY VALUE CREATION PROCESSES? Include PRODUCTIVITY, CYCLE TIME, supplier and PARTNER PERFORMANCE, and other appropriate MEASURES of EFFECTIVENESS and efficiency.
- (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your other KEY PROCESSES? Include PRODUCTIVITY, CYCLE TIME, supplier and PARTNER PERFORMANCE, and other appropriate MEASURES of EFFECTIVENESS and efficiency.

### Notes:

**N1.** Results reported in Item 7.5 should address your key operational requirements as presented in the Organizational Profile and in Items 6.1 and 6.2. Include results not reported in Items 7.1–7.4.

**N2.** Results reported in Item 7.5 should provide key information for analysis and review of your

organizational performance (Item 4.1) and should provide the operational basis for product and service outcomes (Item 7.1), customer-focused outcomes (Item 7.2), and financial and market outcomes (Item 7.3).

For additional description of this Item, see page 50.

## 7.6 Leadership and Social Responsibility Outcomes: What are your leadership and social responsibility results? (70 pts.)

### Results

Summarize your organization's KEY GOVERNANCE, SENIOR LEADERSHIP, and social responsibility RESULTS, including evidence of ETHICAL BEHAVIOR, fiscal accountability, legal compliance, and organizational citizenship. SEGMENT your RESULTS by organizational units, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

#### a. Leadership and Social Responsibility RESULTS

- (1) What are your RESULTS for KEY MEASURES OR INDICATORS of accomplishment of your organizational strategy and ACTION PLANS?
- (2) What are your RESULTS for KEY MEASURES OR INDICATORS of ETHICAL BEHAVIOR and of STAKEHOLDER trust in the SENIOR LEADERS and GOVERNANCE of your organization? What are your RESULTS for KEY MEASURES OR INDICATORS of breaches of ETHICAL BEHAVIOR?
- (3) What are your KEY current findings and TRENDS in KEY MEASURES OR INDICATORS of fiscal accountability, both internal and external, as appropriate?
- (4) What are your RESULTS for KEY MEASURES OR INDICATORS of regulatory and legal compliance?
- (5) What are your RESULTS for KEY MEASURES OR INDICATORS of organizational citizenship in support of your KEY communities?

#### Notes:

**N1.** For examples of measures of ethical behavior and stakeholder trust (7.6a[2]), see Item 1.2, Note 4.

**N2.** Responses to 7.6a(3) might include financial statement issues and risks, important internal and external auditor recommendations, and management's responses to these matters. *For some nonprofit organizations, results of IRS 990 audits also might be included.*

For additional description of this Item, see page 50.

**N3.** Regulatory and legal compliance results (7.6a[4]) should address requirements described in 1.2b.

Employee-related occupational health and safety results (e.g., OSHA-reportable incidents) should be reported in 7.4a(3).

**N4.** Organizational citizenship results (7.6a[5]) should address support of the key communities discussed in 1.2c.

## BALDRIGE APPLICATION SELF-ANALYSIS WORKSHEET (OPTIONAL)

(not to be submitted with your Baldrige application)

While insights gained from external Examiners or reviewers are always helpful, you know your organization better than they will. You are currently in an excellent position to identify your organization's key strengths and key opportunities for improvement (OFIs). Having just completed your responses to the Baldrige Criteria questions, you can accelerate your improvement journey by doing a self-analysis.

Use this optional worksheet to list your key strengths and key OFIs. Start by identifying one or two strengths and one or two OFIs for each Criteria Category. For those of high importance, establish a goal and a plan of action.

An electronic copy of this worksheet is available in Microsoft Word format at [www.baldrige.nist.gov/Word\\_files/Optional\\_Worksheet\\_Bus.doc](http://www.baldrige.nist.gov/Word_files/Optional_Worksheet_Bus.doc).

Criteria Category	Importance High, Medium, Low	For High-Importance Areas			
		Stretch (Strength) or Improvement (OFI) Goal	What Action Is Planned?	By When?	Who Is Responsible?
<b>Category 1—Leadership</b>					
<i>Strength</i>					
1.					
2.					
<i>OFI</i>					
1.					
2.					
<b>Category 2—Strategic Planning</b>					
<i>Strength</i>					
1.					
2.					
<i>OFI</i>					
1.					
2.					
<b>Category 3—Customer and Market Focus</b>					
<i>Strength</i>					
1.					
2.					
<i>OFI</i>					
1.					
2.					



Criteria Category	Importance High, Medium, Low	For High-Importance Areas			
		Stretch (Strength) or Improvement (OFI) Goal	What Action Is Planned?	By When?	Who Is Responsible?
Category 4—Measurement, Analysis, and Knowledge Management					
Strength					
1.					
2.					
OFI					
1.					
2.					
Category 5—Human Resource Focus					
Strength					
1.					
2.					
OFI					
1.					
2.					
Category 6—Process Management					
Strength					
1.					
2.					
OFI					
1.					
2.					
Category 7—Results					
Strength					
1.					
2.					
OFI					
1.					
2.					



## 2006 CRITERIA: CATEGORY AND ITEM DESCRIPTIONS

### Preface: Organizational Profile

The Organizational Profile provides an overview of your organization. The profile addresses your operating environment, your key organizational relationships, your competitive environment and strategic challenges, and your approach to performance improvement. Your Organizational Profile provides a context for understanding your organization and for guiding and prioritizing the information you present in response to the Criteria Items in Categories 1–7.

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

##### **Purpose**

This Item addresses the key characteristics and relationships that shape your organizational environment. It also addresses your organization's governance system. The aim is to set the context for your organization and for your responses to the Criteria requirements in Categories 1–7.

##### **Comments**

- The Organizational Profile provides your organization with critical insight into the key internal and external factors that shape your operating environment. These factors, such as the mission, vision, values, competitive environment, and strategic challenges, impact the way your organization is run and the decisions you make. As such, the Organizational Profile helps your organization better understand the context in which it operates; the key requirements for current and future business success and organizational sustainability; and the needs, opportunities, and constraints placed on your organization's performance management system.
- Use of such terms as “purpose,” “vision,” “mission,” and “values” varies depending on the organization, and some organizations may not use one or more of these terms. Nevertheless, you should have a clear understanding of the essence of your organization, why it exists, and where your senior leaders want to take the organization in the future. This clarity enables you to make and implement strategic decisions affecting the future of your organization.
- The regulatory environment in which you operate places requirements on your organization and impacts how you run your organization. Understanding this environment is key to making effective operational and strategic decisions. Further, it allows you to identify whether you are merely complying with the minimum requirements of applicable laws, regulations, and standards of practice or exceeding them, a hallmark of leading organizations.
- Leading organizations have well-defined governance systems with clear reporting relationships. It is important to clearly identify which functions are performed by senior

leaders and, as applicable, by your governance board and your parent organization. Board independence and accountability frequently are key considerations in the governance structure.

- In supplier-dependent organizations, suppliers play critical roles in processes that are important to running the business and to maintaining or achieving a sustainable competitive advantage. Supply chain requirements might include on-time or just-in-time delivery, flexibility, variable staffing, research and design capability, and customized manufacturing or services.

#### *P.2 Organizational Challenges: What are your key organizational challenges?*

##### **Purpose**

This Item addresses the competitive environment in which your organization operates and the key strategic challenges that your organization faces. It also addresses how you approach performance improvement and organizational learning. The aim is to understand your key organizational challenges and your system for maintaining a sustainable advantage.

##### **Comments**

- Knowledge of an organization's strengths, vulnerabilities, and opportunities for both improvement and growth is essential to the success and sustainability of the organization. With this knowledge, you can identify those products, service and program offerings, processes, and performance attributes that are unique to your organization; those that set you apart from other organizations; and those that help you to sustain your competitive advantage.
- Understanding who your competitors and collaborators are, how many you have, and their key characteristics is essential for determining what your competitive advantage is and what your collaborative opportunities are in your industry and marketplace. Leading organizations have an in-depth understanding of their current competitive and collaborative environment, including the factors that affect day-to-day performance and factors that could impact future performance.
- Sources of comparative and competitive data might include industry journals and other publications, benchmarking activities, annual reports for publicly traded companies and public organizations, conferences, local networks, and industry associations.
- Operating your organization in today's highly competitive marketplace means you are facing many strategic challenges that can affect your ability to sustain performance and maintain your competitive position. These challenges might include your operational costs (e.g., materials,



labor, or geographic location); expanding or decreasing markets; mergers or acquisitions both by your organization and by your competitors; economic conditions, including fluctuating demand and economic downturns both local and global; the cyclical nature of your industry; the introduction of new or substitute products or services, possibly based on a disruptive technology; rapid technological changes; or new competitors entering the market. In addition, your organization may face challenges related to the recruitment, hiring, and retention of qualified employees or volunteers.

- A particularly significant challenge, if it occurs to your organization, is being unprepared for a disruptive technology that threatens your competitive position or your marketplace. Examples of such technologies include personal computers replacing typewriters, cell phones challenging traditional and pay phones, fax machines capturing business from overnight delivery services, and e-mail challenging all other means of correspondence. Today, organizations need to be scanning the environment inside and outside their immediate industry to detect such challenges at the earliest possible point in time.
- One of the many issues facing organizations today is how to manage, use, and share their ever-increasing organizational knowledge. Leading organizations already benefit from the knowledge assets of their employees, customers,

suppliers, collaborators, and partners, who together drive organizational learning and improve performance.

## Leadership (Category I)

Leadership addresses how your senior leaders guide and sustain your organization, setting organizational vision, values, and performance expectations. Attention is given to how your senior leaders communicate with employees, develop future leaders, and create an environment that encourages ethical behavior and high performance. The Category also includes your organization's governance system, its legal and ethical responsibilities to the public, and how your organization supports its community.

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

#### Purpose

This Item examines the key aspects of your senior leaders' responsibilities. It examines how your senior leaders set and communicate the organization's vision and values. It focuses on your senior leaders' actions to create and sustain a high-performance organization.

#### Comments

- Senior leadership's central role in setting values and directions, communicating, creating and balancing value for all stakeholders, and creating an organizational bias for action are the focus of this Item. Success requires a strong orientation to the future and a commitment to improvement, innovation, and organizational sustainability. Increasingly, this requires creating an environment for empowerment, agility, and learning.
- In highly respected organizations, senior leaders are committed to the development of the organization's future leaders and to the reward and recognition of employee performance. Senior leaders personally participate in the development of future leaders, in succession planning, and in employee recognition opportunities and events. Development activities for future leaders might include personal mentoring or participation in leadership development courses.

### 1.2 Governance and Social Responsibilities: How do you govern and address your social responsibilities?

#### Purpose

This Item examines key aspects of your organization's governance system. It also examines how your organization fulfills its public responsibilities, how your senior leaders ensure that you behave legally and ethically, and how your senior leaders and employees encourage and practice good citizenship.

#### Comments

- The organizational governance requirement is intended to address the need for a responsible, informed, and accountable governance or advisory body that can protect

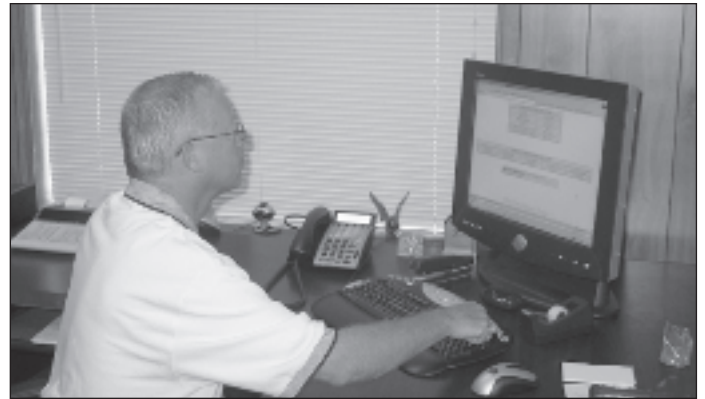


the interests of key stakeholders (including stockholders) in publicly traded, private, and nonprofit organizations. It should have independence in review and audit functions. It also should have a performance evaluation function that monitors organizational and CEO or chief administrator performance.

- An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) legal and regulatory requirements, and (3) risk factors. Addressing these areas requires establishing appropriate measures or indicators that senior leaders track in their performance reviews. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in laws and regulations. Role model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.
- Public concerns that charitable and government organizations should anticipate might include the cost of products, programs, and services; timely and equitable access to products, programs, and services; and perceptions about the organization's stewardship of its resources.
- This Item addresses the use of resource-sustaining processes. These processes might include the use of "green" technologies, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or recycling of by-products or wastes.
- Social responsibility implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities might include encouraging and supporting your employees' community service.
- Examples of organizational community involvement include partnering with schools and school boards to improve education; partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as sharing best practices to improve overall U.S. global competitiveness and the environment. Examples specifically for nonprofit organizations include partnering with other nonprofit organizations or businesses to improve overall performance and stewardship of public and charitable resources.

## Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning, deployment of plans, how plans are changed if circumstances require a change, and how accomplishments are measured and sustained. The Category stresses that long-term organizational sustainability and your competitive



environment are key strategic issues that need to be integral parts of your organization's overall planning.

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

- Customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, customer loyalty, new markets, and market share—key factors in competitiveness, profitability, and organizational sustainability.
- Operational performance improvement contributes to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability—including speed, responsiveness, and flexibility—represents an investment in strengthening your organizational fitness.
- Organizational and personal learning are necessary strategic considerations in today's fast-paced environment. The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes and learning initiatives with your organization's strategic directions, thereby ensuring that improvement and learning prepare you for and reinforce organizational priorities.

The Strategic Planning Category examines how your organization

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



The requirements in the Strategic Planning Category encourage strategic thinking and acting—to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* They also do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change, compete for limited resources. In most cases, setting priorities depends heavily on a cost rationale. However, you also might have critical requirements, such as public responsibilities, that are not driven by cost considerations alone.

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

#### Purpose

This Item examines how your organization sets strategic directions and develops your strategic objectives to guide and strengthen your overall performance, competitiveness, and future success.

#### Comments

- This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions—taking as long term a view as appropriate and possible from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.
- This Item is intended to cover all types of businesses, for-profit and nonprofit organizations, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action but do not imply planning departments, specific planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business situation, it is still necessary to set and to test the objectives that define and guide critical actions and performance.
- This Item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization competes but also how it competes. *How it competes* presents many options and requires that you understand your organization's and your competitors' strengths and weaknesses. Although no specific time horizons are included, the thrust of this Item is sustained competitive leadership.

- An increasingly important part of strategic planning is projecting the future competitive and collaborative environment. Such projections help to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of organization, maturity of markets, pace of change, and competitive parameters (such as price, costs, or innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive and collaborative environment.
- While many organizations are increasingly adept at strategic planning, plan execution is still a significant challenge. This is especially true given market demands to be agile and to be prepared for unexpected change, such as disruptive technologies that can upset an otherwise fast-paced but more predictable marketplace. This Item and Item 2.2 highlight the need to place a focus not only on developing your plans but also on your capability to execute them.

### 2.2 Strategy Deployment: How do you deploy your strategy?

#### Purpose

This Item examines how your organization converts your strategic objectives into action plans to accomplish the objectives. It also examines how your organization assesses progress relative to these action plans. The aim is to ensure that your strategies are successfully deployed for goal achievement.

#### Comments

- This Item asks how your action plans are developed and deployed. Accomplishment of action plans requires resources and performance measures, as well as the alignment of work unit and supplier and partner plans. Of central importance is how you achieve alignment and consistency—for example, via key processes and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical for tracking performance.
- Key changes in your products and services or customers and markets might include Web-based or e-commerce initiatives integrated within or separate from your current business.
- Action plans should include human resource plans that are aligned with and support your overall strategy.
- Examples of possible human resource plan elements are
  - a redesign of your work organization and jobs to increase employee empowerment and decision making;
  - initiatives to promote greater labor-management cooperation, such as union partnerships;

- initiatives to foster knowledge sharing and organizational learning;
  - modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes; or
  - education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and establishment of training programs on new technologies important to your future success.
- Projections and comparisons in this Item are intended to improve your organization's ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to that of competitors or comparable organizations and relative to its own targets or stretch goals. Such tracking serves as a key diagnostic management tool.
- In addition to improvement relative to past performance and the projected performance of competitors or comparable organizations, projected performance might include changes resulting from new business ventures, entry into new markets, introduction of new technologies, product or service innovations, or other strategic thrusts.

### Customer and Market Focus (Category 3)

Customer and Market Focus addresses how your organization seeks to understand the voices of customers and of the



marketplace, with a focus on meeting customers' requirements, needs, and expectations; delighting customers; and building loyalty. The Category stresses relationships as an important part of an overall listening, learning, and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on your customers' views but also on their marketplace behaviors—repeat business and positive referrals—and how these views and behaviors may contribute to the sustainability of your organization in the marketplace.

#### 3.1 Customer and Market Knowledge: How do you use customer and market knowledge?

##### Purpose

This Item examines your organization's key processes for gaining knowledge about your current and future customers and markets, with the aim of offering relevant products and services; understanding emerging customer requirements, needs, and expectations; and keeping pace with marketplace changes and changing ways of doing business.

##### Comments

- In a rapidly changing technological, competitive, and social environment, many factors may affect customer preference and loyalty and your interface with customers in the marketplace. This makes it necessary to continually listen and learn. To be effective, listening and learning need to be closely linked with your organization's overall business strategy.
- Knowledge of customer groups and market segments allows your organization to tailor listening and learning strategies and offerings, to support and tailor your marketing strategies, to develop new business, and to ensure organizational sustainability.
- A relationship strategy may be possible with some customers but not with others. Differing relationships may require distinctly different listening and learning strategies.
- Selection of listening and learning strategies depends on your organization's key business factors. Increasingly, organizations interact with customers via multiple modes. Some frequently used modes include focus groups with key customers; close integration with key customers; interviews with lost and potential customers about their purchase or relationship decisions; use of the customer complaint process to understand key product and service attributes; win/loss analysis relative to competitors and other organizations providing similar products or services; and survey or feedback information, including information collected on the Internet.

### 3.2 Customer Relationships and Satisfaction: How do you build relationships and grow customer satisfaction and loyalty?

#### Purpose

This Item examines your organization's processes for building customer relationships and determining customer satisfaction, with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

#### Comments

- This Item emphasizes how you obtain actionable information from customers. Information that is actionable can be tied to key product, service, and business processes and be used to determine cost and revenue implications for setting improvement goals and priorities for change.
- Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to the setting of priorities for process, product, and service improvements. Successful outcomes require effective deployment of information throughout the organization.
- In determining customers' satisfaction, a key aspect is their comparative satisfaction with competitors, competing or alternative offerings, and/or organizations providing similar products or services. Such information might

be derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness and organizational sustainability.

- Changing business needs and directions might include changing modes of customer access, such as the Internet. In such cases, key contact requirements might include online security for customers and access to personal, online assistance.

### Measurement, Analysis, and Knowledge Management (Category 4)

The Measurement, Analysis, and Knowledge Management Category is the main point within the Criteria for all key information about effectively measuring, analyzing, and reviewing performance and managing organizational knowledge to drive improvement and organizational competitiveness. In the simplest terms, Category 4 is the "brain center" for the alignment of your organization's operations with its strategic objectives. Central to such use of data and information are their quality and availability. Furthermore, since information, analysis, and knowledge management might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.





#### 4.1 *Measurement, Analysis, and Review of Organizational Performance: How do you measure, analyze, and review organizational performance?*

##### **Purpose**

This Item examines your organization's selection, management, and use of data and information for performance measurement, analysis, and review in support of organizational planning and performance improvement. The Item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of measurement, analysis, and review is to guide your organization's process management toward the achievement of key organizational results and strategic objectives and to anticipate and respond to rapid or unexpected organizational or external changes.

##### **Comments**

- Alignment and integration are key concepts for successful implementation of your performance measurement system. They are viewed in terms of extent and effectiveness of use to meet your performance assessment needs. Alignment and integration include how measures are aligned throughout your organization and how they are integrated to yield organization-wide data and information. Alignment and integration also include how performance measurement requirements are deployed by your senior leaders to track work group and process-level performance on key measures targeted for organization-wide significance or improvement.
- The use of comparative data and information is important to all organizations. The major premises for use are (1) your organization needs to know where it stands relative to competitors and to best practices, (2) comparative information and information obtained from benchmarking often provide the impetus for significant ("breakthrough") improvement or change, and (3) comparing performance information frequently leads to a better understanding of your processes and their performance. Comparative information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.
- Your effective selection and use of comparative data and information require (1) determination of needs and priorities, (2) criteria for seeking appropriate sources for comparisons—from within and outside your organization's industry and markets, and (3) use of data and information to set stretch goals and to promote major, nonincremental ("breakthrough") improvements in areas most critical to your organization's competitive strategy.
- The organizational review called for in this Item is intended to cover all areas of performance. This includes not only how well you currently are performing but also how well you are moving toward the future. It is anticipated

that the review findings will provide a reliable means to guide both improvement and opportunities for innovation that are tied to your organization's key objectives, success factors, and measures. Therefore, an important component of your organizational review is the translation of the review findings into an action agenda sufficiently specific for deployment throughout your organization and to your suppliers, partners, collaborators, and key customers.

- Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely depending on your type of organization, size, competitive environment, and other factors. Examples of possible analyses include
  - how product and service quality improvement correlates with key customer indicators, such as customer satisfaction, customer retention, and market share
  - cost and revenue implications of customer-related problems and effective problem resolution
  - interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction
  - improvement trends in key operational performance indicators, such as productivity, cycle time, waste reduction, new product introduction, and defect levels
  - relationships among employee and organizational learning and value added per employee
  - financial benefits derived from improvements in employee safety, absenteeism, and turnover
  - benefits and costs associated with education and training, including e-learning opportunities
  - benefits and costs associated with improved organizational knowledge management and sharing
  - the relationship between knowledge management and innovation
  - how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity
  - cost and revenue implications of employee-related problems and effective problem resolution
  - individual or aggregate measures of productivity and quality relative to competitors' performance
  - cost trends relative to competitors' trends
  - relationships among product and service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee

- allocation of resources among alternative improvement projects based on cost/benefit implications or environmental and community impact
  - net earnings or savings derived from quality, operational, and human resource performance improvements
  - comparisons among business units showing how quality and operational performance improvement affect financial performance
  - contributions of improvement activities to cash flow, working capital use, and shareholder value
  - profit impacts of customer retention
  - cost and revenue implications of new market entry, including global market entry or expansion
  - cost and revenue, customer, and productivity implications of engaging in or expanding e-commerce or e-business and use of the Internet and intranets
  - market share versus profits
  - trends in economic, market, and stakeholder indicators of value and the impact of these trends on organizational sustainability
- Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes that close alignment is needed between your analysis and your organizational performance review and between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision making is based on relevant data and information.
- Action depends on understanding cause-effect connections among processes and between processes and results or outcomes. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for improvement are limited and cause-effect connections often are unclear.

#### **4.2 Information and Knowledge Management: How do you manage organizational information and knowledge?**

##### **Purpose**

This Item examines how your organization ensures the availability of high-quality, timely data and information for all your key users—employees, suppliers and partners, collaborators, and customers. It also examines how your organization builds and manages its knowledge assets. The aim is to improve organizational efficiency, effectiveness, and innovation.

##### **Comments**

- Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The expanding use of electronic

information within organizations' operations, as part of organizational knowledge networks, from the Internet, and in business-to-business, organization-to-organization, and business-to-consumer communications, challenges organizational abilities to ensure reliability and availability in a user-friendly format.

- Data and information are especially important in business or organization networks, alliances, and supply chains. Your responses to this Item should take into account this use of data and information and should recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.
- Organizations should carefully plan how they will continue to provide data and information in the event of either a natural or man-made disaster. These plans should consider the needs of all of the organization's stakeholders, including employees, customers, suppliers, partners, and collaborators. The plans also should be coordinated with the organization's overall plan for business continuity (Item 6.2).
- The focus of an organization's knowledge management is on the knowledge that people need to do their work; improve processes, products, and services; keep current with changing business needs and directions; and develop innovative solutions that add value for the customer and the organization.

#### **Human Resource Focus (Category 5)**

Human Resource Focus addresses key human resource practices—those directed toward creating and maintaining a high-performance workplace and toward developing employees to enable them and your organization to adapt to change. The Category covers human resource development and management requirements in an integrated way (i.e., aligned with your organization's strategic objectives and action plans). Your human resource focus includes your work environment and your employee support climate.

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

#### **5.1 Work Systems: How do you enable employees to accomplish the work of your organization?**

##### **Purpose**

This Item examines your organization's systems for work and jobs; communication; and employee compensation, career progression, performance management, recognition, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change, contributing to organizational sustainability.

## Comments

- High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing business needs and requirements of the marketplace. The focus of this Item is on a workforce capable of achieving high performance. In addition to enabled employees and proper work system design, high-performance work requires ongoing education and training, as well as information systems that ensure proper information flow.
- Work and job factors for your consideration include simplification of job classifications, cross-training, job rotation, use of teams (including self-directed teams), and changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment of trust, knowledge sharing, and mutual respect.
- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and to peer evaluations.
- Compensation and recognition approaches also might include profit sharing and rewards for exemplary team or unit performance. Compensation and recognition might be linked to customer satisfaction and loyalty measures and to the achievement of organizational strategic objectives or other key organizational objectives.
- The requirements of high-performance work, coupled with the challenges of labor markets, necessitate attention to succession planning and hiring profiles. This should include and capitalize on diversity factors. Employee hiring and career progression planning should consider both internal and external candidates, with a focus on the future sustainability and growth of the organization.

### 5.2 *Employee Learning and Motivation: How do you contribute to employee learning and motivate employees?*

#### Purpose

This Item examines the education, training, and on-the-job reinforcement of knowledge and skills of your organization's workforce. It also examines your organization's systems for motivation and employee career development, with the aim of meeting the ongoing needs of employees and a high-performance workplace.

## Comments

- Depending on the nature of your organization's work, employees' responsibilities, and the stage of organiza-



- tional and personal development, education and training needs might vary greatly. These needs might include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; meeting customer requirements; accomplishing process analysis and simplification; reducing waste and cycle time; working with and motivating volunteers; and setting priorities based on strategic alignment or cost/benefit analysis. Education needs also might include advanced skills in new technologies or basic skills, such as reading, writing, language, arithmetic, and computer skills.
- Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as other types of delivery. Training also might occur through developmental assignments within or outside your organization.
- When you evaluate education and training, you should seek effectiveness measures as a critical part of the evaluation. Such measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/benefit analysis of the training.
- Although this Item does not specifically ask you about training for customer contact employees, such training is important and common. It frequently includes learning critical knowledge and skills in the following areas: your products, services, and customers; how to listen to customers; how to recover from problems or failures; and how to effectively manage or meet customer expectations or needs.
- An organization's knowledge management system should provide the mechanism for sharing the knowl-



edge of employees and the organization to ensure that high-performance work is maintained through transitions. Each organization should determine what knowledge is critical for its operations and should then implement systematic processes for sharing this information. This is particularly important for implicit knowledge (i.e., knowledge personally retained by your employees).

- To help employees realize their full potential, many organizations use individual development plans prepared with each employee that address his or her career and learning objectives.
- Factors inhibiting motivation should be understood and addressed by your organization. Further understanding of these factors could be developed through employee surveys or exit interviews with departing employees.

### 5.3 *Employee Well-Being and Satisfaction: How do you contribute to employee well-being and grow employee satisfaction?*

#### **Purpose**

This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the well-being, satisfaction, and motivation of all employees while recognizing their diverse needs. It also examines your organization's capabilities for handling emergencies or disasters, with the aim of employee protection and workplace safety.

#### **Comments**

- Most organizations, regardless of size, have many opportunities to contribute to employees' well-being, satisfaction, and motivation. Some examples of services, facilities,

activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; nonwork-related education; day care; special leave for family responsibilities and community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services. In many nonprofit organizations, both employees and volunteers are drawn to, and derive satisfaction from, their work because the work is aligned with their personal values.

- All organizations, regardless of size, are required to meet minimum regulatory standards for workplace safety; however, high-performing organizations have processes in place to ensure that they not only meet these minimum standards but go beyond a compliance orientation. This includes designing proactive processes, with input from employees directly involved in the work, to ensure a safe working environment.
- Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are effective employee problem and grievance resolution; employee development and career opportunities; work environment and management support; workplace safety and security; workload; effective communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.
- In addition to direct measures of employee satisfaction and well-being through formal or informal surveys, some other



indicators include safety, absenteeism, turnover, grievances, strikes, Occupational Safety and Health Administration (OSHA) reportables, and workers' compensation claims.

## Process Management (Category 6)

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management: effective design; a prevention orientation; linkage to customers, suppliers, partners, and collaborators and a focus on value creation for all key stakeholders; operational and financial performance; cycle time; and evaluation, continuous improvement, and organizational learning.

Agility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In the simplest terms, "agility" refers to your ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your organization's strategy and markets, agility might mean rapid change from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Agility also increasingly involves decisions to outsource, agreements with key suppliers, and novel partnering arrangements. Flexibility might demand special strategies, such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Cost and cycle time reduction often involve Lean process management strategies. It is crucial to utilize key measures for tracking all aspects of your overall process management.

### 6.1 Value Creation Processes: How do you identify and manage your key processes?

#### Purpose

This Item examines your organization's key product, service, and business processes, with the aim of creating value for your customers and other key stakeholders, and improving your marketplace and operational performance.

#### Comments

- This Item calls for information on the management and improvement of key value creation processes. The information required includes a description of the key processes, their specific requirements, and how performance relative to these requirements is determined and maintained. Increasingly, these requirements might include the need for agility—speed and flexibility—to adapt to change.
- Your design approaches could differ appreciably depending on the nature of your products and services—whether the products and services are entirely new, are variants, or involve major or minor process changes. You should consider the key requirements for your products and services. Factors that might need to be considered in design

include safety, long-term performance, environmental impact, "green" manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or service options, supplier capability, and documentation. Effective design also must consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning ("re-engineering") those processes to achieve efficiency, as well as to meet changing customer requirements.

- Your key business processes are those nonproduct and nonservice processes that are considered most important to organizational success and growth by your senior leaders. These processes frequently relate to an organization's strategic objectives and critical success factors. Key business processes might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing, mergers and acquisitions, global expansion, project management, and sales and marketing. For some nonprofit organizations, key business processes might include fundraising, media relations, and public policy advocacy. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.
- For many organizations, supply chain management is a growing factor in achieving productivity and profitability goals and overall organizational success. Suppliers, partners, and collaborators are receiving increasing strategic attention as organizations re-evaluate their core functions. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and, on specific actions, also to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection, with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.
- Many organizations need to consider requirements for suppliers, partners, and collaborators at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but it also might offer a means to significantly reduce unit costs and time to market.
- This Item calls for information on the incorporation of new technology. This could include e-technology for sharing information with suppliers, partners, and collaborators; communicating with customers; and giving them continuous (24/7) access and automated information transfer from in-service products requiring maintenance in the field.

- Specific reference is made to in-process measurements and customer and supplier interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance. Achieving expected performance frequently requires setting in-process performance levels or standards to guide decision making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail allowing for specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services. Key process cycle times in some organizations may be a year or longer, which may create special challenges in measuring day-to-day progress and identifying opportunities for reducing cycle times, when appropriate.

- This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspectives but also better financial and operational performance—such as productivity—from your other stakeholders' perspectives. A variety of process improvement approaches are commonly used. These approaches include (1) sharing successful strategies across your organization to drive learning and innovation, (2) performing process analysis and research (e.g., process mapping, optimization experiments, error proofing), (3) conducting technical and business research and development, (4) benchmarking, (5) using alternative technology, and (6) using information from customers of the processes—within and outside your organization. Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign (“re-engineering”) of processes.

## 6.2 Support Processes and Operational Planning: How do you identify and manage your support processes and accomplish operational planning?

### Purpose

This Item examines your organization's key support processes and your operational planning with respect to financial management and planning for the continuity of



operations. The aim is to improve your overall operational performance.

### Comments

- Your support processes are those that support your daily operations and your product and service delivery but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly on product and service characteristics. Support process design requirements usually depend significantly on your internal requirements, and they must be coordinated and integrated to ensure efficient and effective linkage and performance. Support processes might include processes for finance and accounting, facilities management, legal services, human resource services, public relations, and other administrative services.
- This Item calls for information on how your organization evaluates and improves the performance of your key support processes and shares information with other organizational units to drive learning and innovation. Four approaches frequently used are (1) process analysis and research, (2) benchmarking, (3) use of alternative technology, and (4) use of information from customers of the processes. Together, these approaches offer a wide range of possibilities, including minor process modification and complete redesign (“re-engineering”) of processes.
- Many types of analyses can be performed to ensure adequate financial resources are available to support current operations and new business investments and to assess their financial risks. For current operations, these efforts might include the analysis of cash flows, net income statements, and current liabilities versus current assets. For business investments, the efforts might include analysis of discounted cash flows, return on investment (ROI), or return on invested capital (ROIC). The specific types of analyses will vary from organization to organization.



These analyses should help your organization assess the financial viability of your current operations and the potential viability of and risks associated with your new business initiatives.

- Efforts to ensure the continuity of operations in an emergency should consider all facets of your organization's operations that are needed to provide products or services to customers. You should consider both your value creation and your key support processes in your planning. The specific level of service that you will need to provide will be guided by your organization's mission and your customers' needs and requirements. For example, a public utility will likely have a higher need for services than organizations that do not provide an essential function. Nonprofit organizations whose mission is to respond to emergencies will have a high need for service readiness. Your continuity of operations efforts also should be coordinated with your efforts to ensure data and information availability (Item 4.2) and workplace preparedness (Item 5.3).

## Results (Category 7)

The Results Category provides a results focus that encompasses your objective evaluation and your customers' evaluation of your organization's products and services, your overall financial and market performance, your human resource results, your leadership system and social responsibility results, and results of all key processes and process improvement activities. Through this focus, the Criteria's purposes—superior value of offerings as viewed by your customers and the marketplace; superior organizational performance as reflected in your operational, human resource, legal, ethical, and financial indicators; and organizational and personal learning—are maintained. Category 7 thus provides “real-time” information (measures of progress) for evaluation and improvement of processes, products, and services, in alignment with your overall organizational strategy. Item 4.1 calls for analysis and review of results data and information to determine your overall organizational performance and to set priorities for improvement.

### 7.1 *Product and Service Outcomes: What are your product and service performance results?*

#### Purpose

This Item examines your organization's key product and service outcomes, with the aim of delivering product and service quality that leads to customer satisfaction, loyalty, and positive referral.

#### Comments

- This Item places emphasis on measures of product and service performance that serve as indicators of customers' views and decisions relative to future interactions and relationships. These measures of product and service performance are derived from customer-related information gathered in Items 3.1 and 3.2.

- Product and service measures appropriate for inclusion might be based on the following: internal quality measurements, field performance of products, defect levels, service errors, response times, and data collected from your customers by other organizations on ease of use or other attributes, as well as customer surveys on product and service performance.
- The correlation between product and service performance and customer indicators is a critical management tool with multiple uses: (1) defining and focusing on key quality and customer requirements; (2) identifying product and service differentiators in the marketplace; and (3) determining cause-effect relationships between your product and service attributes and evidence of customer satisfaction and loyalty, as well as positive referrals. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of product or service offerings.

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

#### Purpose

This Item examines your organization's customer-focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and has developed loyalty, repeat business, and positive referrals, as appropriate.

#### Comments

- This Item focuses on all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints, complaint management, effective complaint resolution, and warranty claims; customer-perceived value based on quality and price; customer assessment of access and ease of use (including courtesy in-service interactions); and awards, ratings, and recognition from customers and independent rating organizations.
- This Item places an emphasis on customer-focused results that go beyond satisfaction measurements because loyalty, repeat business, and longer-term customer relationships are better indicators and measures of future success in the marketplace and of organizational sustainability.

### 7.3 *Financial and Market Outcomes: What are your financial and market results?*

#### Purpose

This Item examines your organization's key financial and market results, with the aim of understanding your financial sustainability and your marketplace challenges and opportunities.

## Comments

- Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization's financial performance.
- Appropriate financial measures and indicators might include revenues, budgets, profits or loss, net assets, cash-to-cash cycle time, earnings per share, and financial returns. Marketplace performance measures might include market position; market share; measures of business growth; charitable donations and grants; new products, programs, or services and markets entered (including e-markets and exports); or the percentage of revenues derived from new products, programs, or services.

### 7.4 *Human Resource Outcomes: What are your human resource results?*

#### Purpose

This Item examines your organization's human resource results, with the aim of demonstrating how well your organization has been creating and maintaining a productive, learning, and caring work environment for all employees.

## Comments

- Results measures reported for work system performance might include improvement in job classification, job rotation, work layout, and local decision making. Results reported might include input data, such as the extent of training, but the main emphasis should be on data that show effectiveness or outcomes. An example of such an outcome measure might be the productivity enhancements or cost savings resulting from the redesign of work processes by work teams.
- Results reported might include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons might be appropriate. Organization-specific factors are those you assess for determining your work system performance and your employees' well-being and satisfaction. These factors might include the extent of training or cross-training, the extent and success of self-direction, or the extent of volunteer involvement in process and program activities.

### 7.5 *Organizational Effectiveness Outcomes: What are your organizational effectiveness results?*

#### Purpose

This Item examines your organization's other key operational performance results not reported in Items 7.1–7.4, with the aim of achieving organizational effectiveness and process efficiency.

## Comments

- This Item encourages your organization to develop and include unique and innovative measures to track key

processes and operational improvement. All key areas of organizational and operational performance should be evaluated by measures that are relevant and important to your organization.

- Measures and indicators of operational effectiveness and efficiency might include reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators, such as cycle times, production flexibility, lead times, set-up times, and time to market; improved performance of administrative and other support functions; business-specific indicators, such as innovation rates and increased use of e-technology, product and process yields, Six Sigma initiative results, and delivery performance to request; supply chain indicators, such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; and third-party assessment results, such as ISO 9001 audits.

### 7.6 *Leadership and Social Responsibility Outcomes: What are your leadership and social responsibility results?*

#### Purpose

This Item examines your organization's key results in the areas of leadership and societal responsibilities, with the aim of maintaining a fiscally sound, ethical organization that is a good citizen in its communities.

## Comments

- Because of a lack of appropriate measures, a key challenge for many organizations is measuring their progress in accomplishing their strategic objectives. Frequently, these progress measures can be discerned by first defining the results that would indicate end-goal success in achieving the strategic objective and then using that measure to define intermediate measures.
- Independent of an increased national focus on issues of governance, ethics, and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct. Governance bodies and senior leaders should track relevant performance measures on a regular basis and emphasize this performance in stakeholder communications.
- Results reported should include environmental, legal, and regulatory compliance; results or oversight audits by governmental or funding agencies; and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.
- If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and their current status should be summarized.

## SCORING SYSTEM

The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on two evaluation dimensions: (1) Process and (2) Results. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on pages 52–53.

### Process

“Process” refers to the methods your organization uses and improves to address the Item requirements in Categories 1–6. The four factors used to evaluate process are Approach, Deployment, Learning, and Integration (A-D-L-I).

“Approach” refers to

- the methods used to accomplish the process
- the appropriateness of the methods to the Item requirements
- the effectiveness of your use of the methods
- the degree to which the approach is repeatable and based on reliable data and information (i.e., systematic)

“Deployment” refers to the *extent* to which

- your approach is applied in addressing Item requirements relevant and important to your organization
- your approach is applied consistently
- your approach is used by all appropriate work units

“Learning” refers to

- refining your approach through cycles of evaluation and improvement
- encouraging breakthrough change to your approach through innovation
- sharing refinements and innovations with other relevant work units and processes in your organization

“Integration” refers to the *extent* to which

- your approach is aligned with your organizational needs identified in other Criteria Item requirements
- your measures, information, and improvement systems are complementary across processes and work units
- your plans, processes, results, analyses, learning, and actions are harmonized across processes and work units to support organization-wide goals

### Results

“Results” refers to your organization’s *outputs and outcomes* in achieving the requirements in Items 7.1–7.6. The four factors used to evaluate results are

- your current level of performance
- rate (i.e., slope of trend data) and breadth (i.e., how

widely deployed and shared) of your performance improvements

- your performance relative to appropriate comparisons and/or benchmarks
- linkage of your results measures (often through segmentation) to important customer, product and service, market, process, and action plan performance requirements identified in your Organizational Profile and in Process Items

## Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and data you are expected to furnish relative to the two evaluation dimensions given above.

The two types of Items are designated as

1. Process

**Process**

2. Results

**Results**

In Process Items, Approach-Deployment-Learning-Integration are linked to emphasize that descriptions of approach should always indicate the deployment—consistent with the *specific requirements* of the Item. As processes mature, their description also should indicate how cycles of learning, as well as integration with other processes and work units, occur. Although the Approach-Deployment-Learning-Integration factors are linked, feedback to Award applicants reflects strengths and opportunities for improvement in any or all of these factors.

Results Items call for data showing performance levels, improvement rates, and relevant comparative data for key measures and indicators of organizational performance. Results Items also call for data on breadth of performance improvements. This is directly related to deployment and organizational learning; if improvement processes are widely shared and deployed, there should be corresponding results. A score for a Results Item is thus a composite based on overall performance, taking into account the rate and breadth of improvements and their importance to the Item requirements and your business or mission. (See next paragraph.)

## “Importance” as a Scoring Consideration

The two evaluation dimensions described previously are critical to evaluation and feedback. However, another critical consideration in evaluation and feedback is the *importance* of your reported process and results to your key business factors. The areas of greatest importance should be identified in your Organizational Profile and in Items such as 2.1, 2.2, 3.1, 5.1, and 6.1. Your key customer requirements, competitive environment, key strategic objectives, and action plans are particularly important.



## Assignment of Scores to Your Responses

The following guidelines should be observed in assigning scores to Item responses.

- All Areas to Address should be included in your Item response. Also, responses should reflect what is important to your organization.
- In assigning a score to an Item, first decide which scoring range (e.g., 50 percent to 65 percent) is most descriptive of the organization's achievement level as presented in the Item response. "Most descriptive of the organization's achievement level" can include some gaps in one or more of the A-D-L-I (process) factors *or* results factors for the chosen scoring range. An organization's achievement level is based on a holistic view of either the four process or four results factors in aggregate and not on a tallying or averaging of independent assessments against each of the four factors. Assigning the actual score *within* the chosen range requires evaluating whether the Item response is closer to the statements in the next higher or next lower scoring range.
- A Process Item score of 50 percent represents an approach that meets the overall requirements of the Item, that is deployed consistently and to most work units covered by the Item, that has been through some cycles of improvement and learning, and that addresses the key organizational needs. Higher scores reflect greater achievement, demonstrated by broader deployment, significant organizational learning, and increased integration.
- A Results Item score of 50 percent represents a clear indication of improvement trends and/or good levels of performance with appropriate comparative data in the results areas covered in the Item and *important* to the organization's business or mission. Higher scores reflect better improvement rates and/or levels of performance, better comparative performance, and broader coverage and integration with the requirements of your business or mission.

## SCORING GUIDELINES

### For Use With Categories I–6

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



## SCORING GUIDELINES

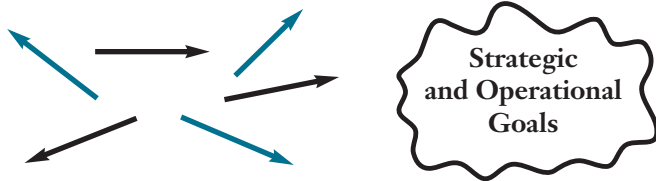
### For Use With Category 7

SCORE	RESULTS
<b>0% or 5%</b>	<ul style="list-style-type: none"> <li>There are no organizational PERFORMANCE RESULTS or poor RESULTS in areas reported.</li> <li>TREND data are either not reported or show mainly adverse TRENDS.</li> <li>Comparative information is not reported.</li> <li>RESULTS are not reported for any areas of importance to your organization's KEY MISSION or business requirements.</li> </ul>
<b>10%, 15%, 20%, or 25%</b>	<ul style="list-style-type: none"> <li>A few organizational PERFORMANCE RESULTS are reported; there are some improvements and/or early good PERFORMANCE LEVELS in a few areas.</li> <li>Little or no TREND data are reported.</li> <li>Little or no comparative information is reported.</li> <li>RESULTS are reported for a few areas of importance to your organization's KEY MISSION or business requirements.</li> </ul>
<b>30%, 35%, 40%, or 45%</b>	<ul style="list-style-type: none"> <li>Improvements and/or good PERFORMANCE LEVELS are reported in many areas addressed in the Item requirements.</li> <li>Early stages of developing TRENDS are evident.</li> <li>Early stages of obtaining comparative information are evident.</li> <li>RESULTS are reported for many areas of importance to your organization's KEY MISSION or business requirements.</li> </ul>
<b>50%, 55%, 60%, or 65%</b>	<ul style="list-style-type: none"> <li>Improvement TRENDS and/or good PERFORMANCE LEVELS are reported for most areas addressed in the Item requirements.</li> <li>No pattern of adverse TRENDS and no poor PERFORMANCE LEVELS are evident in areas of importance to your organization's KEY MISSION or business requirements.</li> <li>Some TRENDS and/or current PERFORMANCE LEVELS—evaluated against relevant comparisons and/or BENCHMARKS—show areas of good to very good relative PERFORMANCE.</li> <li>Organizational PERFORMANCE RESULTS address most KEY CUSTOMER, market, and PROCESS requirements.</li> </ul>
<b>70%, 75%, 80%, or 85%</b>	<ul style="list-style-type: none"> <li>Current PERFORMANCE is good to excellent in most areas of importance to the Item requirements.</li> <li>Most improvement TRENDS and/or current PERFORMANCE LEVELS are sustained.</li> <li>Many to most reported TRENDS and/or current PERFORMANCE LEVELS—evaluated against relevant comparisons and/or BENCHMARKS—show areas of leadership and very good relative PERFORMANCE.</li> <li>Organizational PERFORMANCE RESULTS address most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.</li> </ul>
<b>90%, 95%, or 100%</b>	<ul style="list-style-type: none"> <li>Current PERFORMANCE is excellent in most areas of importance to the Item requirements.</li> <li>Excellent improvement TRENDS and/or sustained excellent PERFORMANCE LEVELS are reported in most areas.</li> <li>Evidence of industry and BENCHMARK leadership is demonstrated in many areas.</li> <li>Organizational PERFORMANCE RESULTS fully address KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.</li> </ul>

## Steps Toward Mature Processes

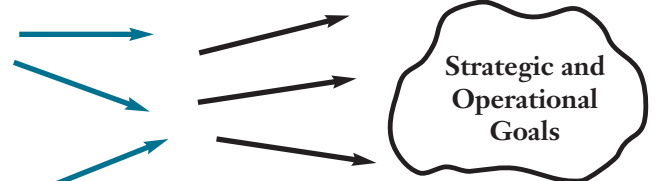
### An Aid for Scoring Process Items

#### (1) Reacting to Problems



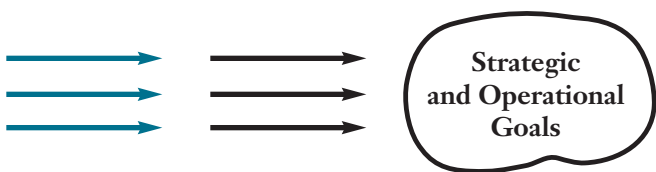
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

#### (2) Early Systematic Approaches



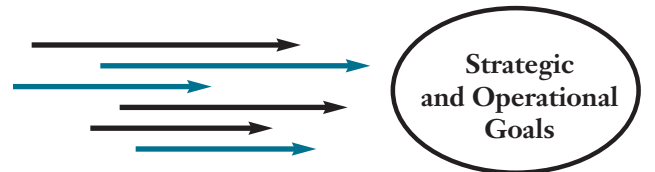
The organization is at the beginning stages of conducting operations by processes with repeatability, evaluation and improvement, and some early coordination among organizational units. Strategy and quantitative goals are being defined.

#### (3) Aligned Approaches



Operations are characterized by processes that are repeatable and regularly evaluated for improvement, with learnings shared and with coordination among organizational units. Processes address key strategies and goals of the organization.

#### (4) Integrated Approaches



Operations are characterized by processes that are repeatable and regularly evaluated for change and improvement in collaboration with other affected units. Efficiencies across units are sought and achieved through analysis, innovation, and sharing. Processes and measures track progress on key strategic and operational goals.



## 2006 CRITERIA RESPONSE GUIDELINES

The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 19 Criteria Items. Writing an application for the Baldrige Award involves responding to these requirements in 50 or fewer pages.

The guidelines are presented in three parts:

- (1) General Guidelines regarding the Criteria booklet, including how the Items are formatted
- (2) Guidelines for Responding to Process Items
- (3) Guidelines for Responding to Results Items

### General Guidelines

#### 1. Read the entire Criteria booklet.

The main sections of the booklet provide a full orientation to the Criteria, including how responses are to be evaluated for self-assessment or by Award Examiners. You should become thoroughly familiar with the following sections:

- Criteria for Performance Excellence (pages 9–33)
- Scoring System (pages 51–54)
- Glossary of Key Terms (pages 65–71)
- Category and Item Descriptions (pages 37–50)

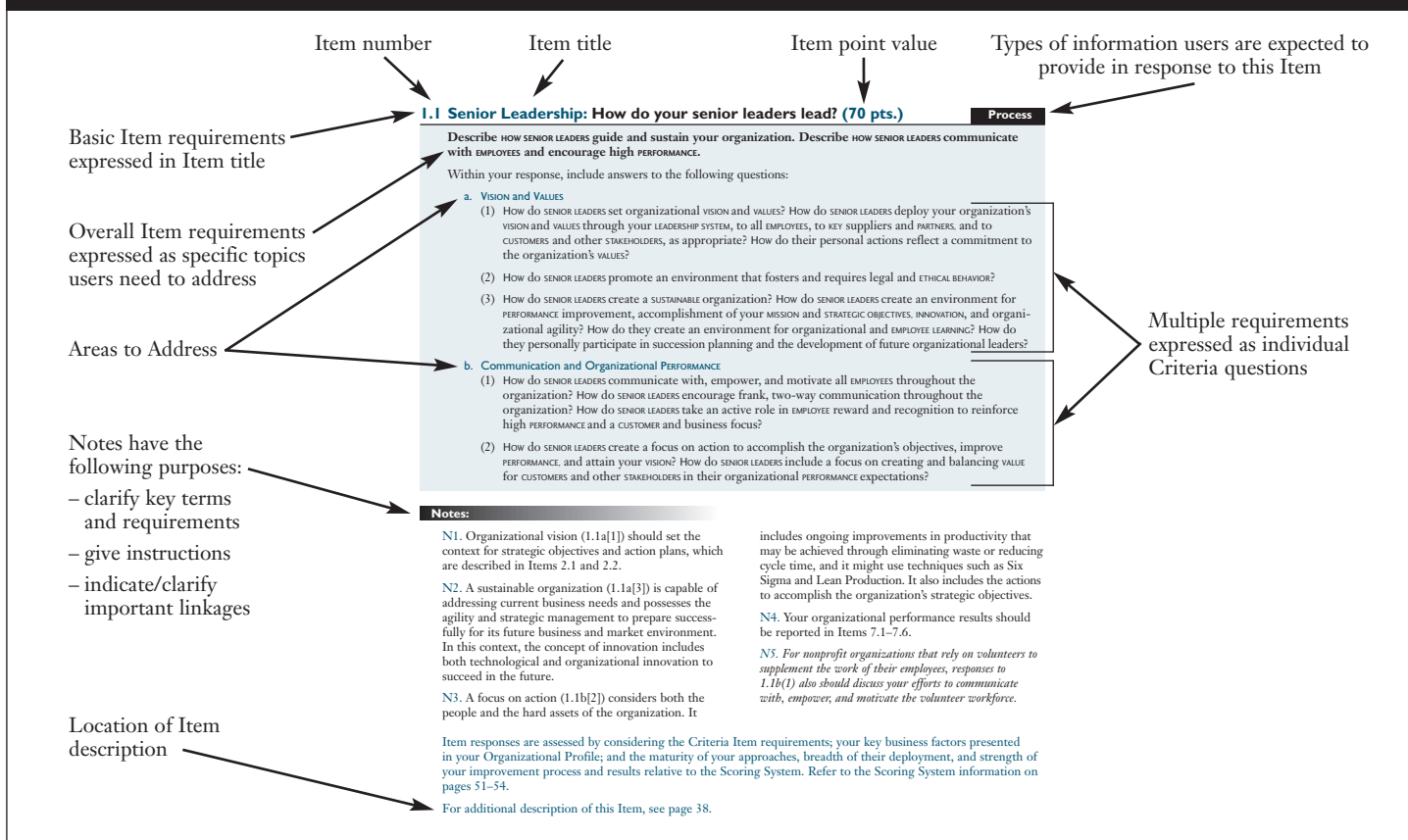
#### 2. Review the Item format and understand how to respond to the Item requirements.

The Item format (see figure below) shows the different parts of Items, the role of each part, and where each part is placed. It is especially important to understand the multiple requirements contained in the Areas to Address. The Item Notes are an aid to help you understand the Areas to Address. Each Item and Area to Address is described in greater detail in the Category and Item Descriptions section (pages 37–50).

Each Item is classified as either **Process** or **Results**, depending on the type of information required. Guidelines for responding to Process Items are given on pages 56–57. Guidelines for responding to Results Items are given on pages 57–58.

Item requirements are presented in question format. Some of the requirements in the Areas to Address include multiple questions. Responses to an Item should contain responses that address all questions; however, each question need not be answered separately. Responses to multiple questions within a single Area to Address may be grouped, as appropriate to your organization. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

### Item Format







### 3. Start by preparing the Organizational Profile.

The Organizational Profile is the most appropriate starting point. The Organizational Profile is intended to help everyone—including organizations using the Criteria for self-assessment, application writers, and reviewers—to understand what is most relevant and important to your organization’s business and mission and to its performance. The questions to address in responding to the Organizational Profile are on pages 10–12. The Organizational Profile is described in greater detail on pages 37–38.

### Guidelines for Responding to Process Items

Although the Criteria focus on key organizational performance results, these results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than your competitors’ or comparable organizations’, it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of Process Items is to permit diagnosis of your organization’s *most important* processes—the ones that yield fast-paced organizational performance improvement and contribute to key outcomes or performance results. Diagnosis and feedback depend heavily on the content and completeness of your Item responses. For this reason, it is important to respond to these Items by providing your *key* process information. Guidelines for organizing and reviewing such information follow.

#### 1. Understand the meaning of “how.”

Process Items include questions that begin with the word “how.” *Responses should outline your key process information that addresses approach, deployment, learning, and integration (see page 51).* Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as “anecdotal information.”

#### 2. Understand the meaning of “what.”

Two types of questions in Process Items begin with the word “what.” The first type of question requests basic information on key processes and how they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit diagnosis or feedback. The second type of question requests information on *what* your key findings, plans, objectives, goals, or measures are. These latter questions set the context for showing alignment and integration in your performance management system. For example, when you identify key strategic objectives, your action plans, human resource development plans, some of your performance measures, and some results reported in Category 7 are expected to relate to the stated strategic objectives.

#### 3. Write and review response(s) with the following guidelines and comments in mind.

##### ■ Show that approaches are systematic.

Systematic approaches are repeatable and use data and information to enable learning. In other words, approaches are systematic if they build in the opportunity for evaluation, improvement, innovation, and sharing, thereby permitting a gain in maturity.

##### ■ Show deployment.

Deployment information should summarize how your approaches are implemented in different parts of your organization. Deployment can be shown compactly by using tables.

##### ■ Show evidence of learning.

Processes should include evaluation and improvement cycles, as well as the potential for breakthrough change. Process improvements should be shared with other appropriate units of the organization to enable organizational learning.

##### ■ Show integration.

Integration shows alignment and harmonization among processes, plans, measures, and actions that generate organizational effectiveness and efficiencies.

##### ■ Show focus and consistency.

There are four important considerations regarding focus and consistency: (1) the Organizational Profile should make clear what is important; (2) the Strategic Planning Category, including the strategic objectives and action plans, should highlight areas of greatest focus and describe how deployment is accomplished;



(3) descriptions of organizational-level analysis and review (Item 4.1) should show how your organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight processes that are key to your overall performance. *Showing focus and consistency in the Process Items and tracking corresponding measures in the Results Items should improve organizational performance.*

■ Respond fully to Item requirements.

Missing information will be interpreted as a gap in your process. All Areas to Address should be addressed. Individual questions within an Area to Address may be addressed individually or together.

**4. Cross-reference when appropriate.**

As much as possible, each Item response should be self-contained. However, responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses rather than to repeat information. In such cases, key process information should be given in the Item requesting this information. For example, employee education and training should be described in detail in Item 5.2. Discussions about education and training elsewhere in your application would then reference but not repeat details given in your Item 5.2 response.

**5. Use a compact format.**

Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flowcharts, tables, and “bullets” to present information concisely.

**6. Refer to the Scoring Guidelines.**

Considerations in the evaluation of Process Item responses include the Criteria Item requirements and the maturity of your approaches, breadth of deployment, extent of learning, and integration with other elements of your performance management system, as described in the Scoring Guidelines (page 52). Therefore, you need to consider both the Criteria and the Scoring Guidelines.

## Guidelines for Responding to Results Items

The Criteria place a major emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

**1. Focus on the most critical organizational performance results.**

Results reported should cover the most important requirements for your organization’s success, highlighted in your Organizational Profile and in the Strategic Planning, Customer and Market Focus, and Process Management Categories.

**2. Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data:**

- *performance* levels that are reported on a meaningful measurement scale
- *trends* to show directions of results and rates of change
- *comparisons* to show how results compare with those of other, appropriately selected organizations
- *breadth and importance of results* to show that all important results are included and segmented (e.g., by important customer, employee, process, and product line groups)

**3. Include trend data covering actual periods for tracking trends.**

No minimum period of time is specified for trend data. Trends might span five years or more for some results. Time intervals between data points should be meaningful for the specific measure(s) reported. For important results, new data should be included even if trends and comparisons are not yet well established.

**4. Use a compact format—graphs and tables.**

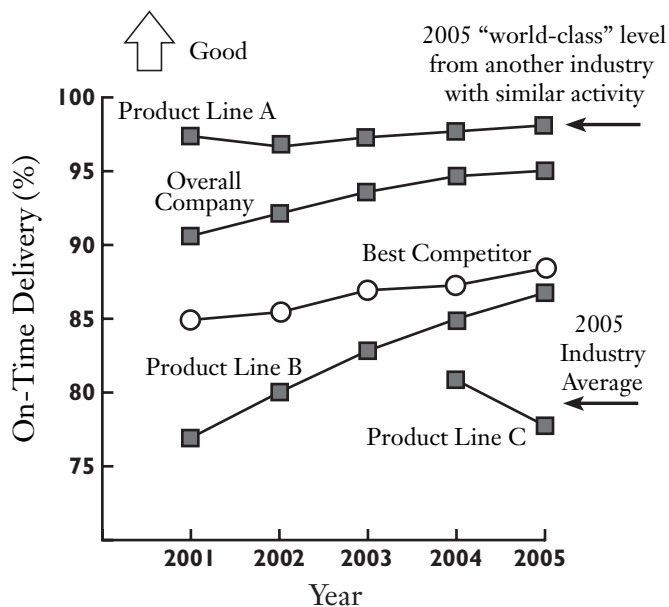
Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be “normalized” (i.e., presented in a way, such as use of ratios, that takes into account various size factors). For example, reporting safety trends in terms of lost work days per 100 employees would be more meaningful than total lost work days if the number of employees has varied over the time period or if you are comparing your results to organizations differing in size.

**5. Integrate results into the body of the text.**

Discussion of results and the results themselves should be close together in an Award application. *Trends that show a significant positive or negative change should be explained.* Use figure numbers that correspond to Items. For example, the third figure for Item 7.1 would be Figure 7.1-3. (See the example in the figure that follows.)



**Figure 7.1-3 On-Time Delivery Performance**



The graph shown above illustrates data an organization might present as part of a response to Item 7.1, Product and Service Outcomes. In the Organizational Profile, the organization has indicated on-time delivery as a key customer requirement.

The graph illustrates a number of characteristics of clear and effective results reporting.

- A figure number is provided for reference to the graph in the text.
- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key customer requirement—on-time delivery.
- Results are presented for several years.
- An arrow indicates that an upward trend is good for this measure.
- Appropriate comparisons are clearly shown.
- The organization shows, using a single graph, that its three product lines are separately tracked for on-time delivery.

To help interpret the Scoring Guidelines (page 53), the following comments on the graphed results would be appropriate:

- The current overall organizational performance level is excellent. This conclusion is supported by the comparison with industry competitors and with a “world-class” level.

- The organization shows excellent improvement trends.
- Product Line A is the current performance leader—showing sustained high performance (on-time delivery) and a slightly positive trend. Product Line B shows rapid improvement. Its delivery schedule is near that of the best industry competitor but trails the “world-class” level.
- Product Line C—identified in the application as a new product—is having early problems with on-time delivery. (The organization should explain briefly these early problems.)

#### 6. Refer to the Scoring Guidelines.

Considerations in the evaluation of Results Item responses include the Criteria Item requirements and the significance of the results trends, actual performance levels, relevant comparative data, alignment with important elements of your performance management system, and strength of the improvement process relative to the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines (page 53).



## APPLYING FOR THE MALCOLM BALDRIGE NATIONAL QUALITY AWARD

The Malcolm Baldrige National Quality Award is an annual Award to recognize U.S. organizations for performance excellence.

### Award Purpose

The Award promotes

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

### Award Participation

The Award eligibility categories include

- manufacturing businesses
- service businesses
- small businesses

- education organizations
- health care organizations

Copies of the Education and Health Care Criteria booklets are available, and ordering information can be found on pages 63–64.

Up to three awards may be given in each category each year. Depending on the number of employees, up to five subunits of a single parent may apply for the Award during the same Award cycle.

To participate in the Award process, an organization must submit an application package that addresses the Criteria for Performance Excellence (pages 9–33).

### Application Requirements

Applying for the Award is a two-step process. A brief description of these steps is provided on page 60. Detailed information on the requirements and contents of the Eligibility Certification Package and the Application

## FEES FOR THE 2006 AWARD CYCLE

Award Category	Eligibility Fee	Application Fee*	Supplemental Section Fee (if applicable)**	Site Visit Fee Usual Range (if applicable)***
Manufacturing	\$150	\$5,000	\$2,000	\$20,000–\$35,000
Service	\$150	\$5,000	\$2,000	\$20,000–\$35,000
Small Business	\$150	\$2,000	\$1,000	\$10,000–\$17,000
Education Nonprofit	\$150	\$ 500	\$ 250	\$ 1,500
Education For-profit >500 faculty/staff	\$150	\$5,000	\$2,000	\$20,000–\$35,000
Education For-profit 500 or fewer faculty/staff	\$150	\$2,000	\$1,000	\$10,000–\$17,500
Health Care >500 staff	\$150	\$5,000	\$2,000	\$20,000–\$35,000
Health Care 500 or fewer staff	\$150	\$2,000	\$1,000	\$10,000–\$17,500

\* An additional processing fee of \$1,250 is required for applications submitted on a CD.

\*\* Supplemental sections are **not** applicable for applicants with (a) a single performance system that supports all of their product and/or service lines and (b) products and services that are essentially similar in terms of customers and/or users, technology, types of employees, and planning.

### \*\*\* Site Visit Review Fee

This fee is paid only by applicants receiving site visits. The fee is set when visits are scheduled and is dependent on a number of factors, including the number of sites to be visited, the number of Examiners assigned, and the duration of the visit.

The site visit fee for applicants with more than 500 employees in the manufacturing, service, for-profit education, and health care sectors usually ranges between \$20,000 and \$35,000. The site visit fee for small businesses, for-profit education organizations with 500 or fewer faculty/staff, and health care organizations with 500 or fewer staff is approximately one-half that rate. In 2006, the site visit fee for nonprofit education organizations is \$1,500. The site visit fee for all organizations is due to ASQ two weeks after completion of the site visit.

Package, due dates, and fees is provided in the *Baldrige Award Application Forms*, which can be downloaded at [www.baldrige.nist.gov/Award\\_Application.htm](http://www.baldrige.nist.gov/Award_Application.htm).

### **Step 1, Eligibility Certification Package**

Organizations filing an Eligibility Certification Package may nominate one senior member of their staff to serve on the Board of Examiners. Organizations that wish to reserve a place on the board for a staff member must submit their Eligibility Certification Packages by March 10, 2006. If an organization chooses not to nominate someone to the board, the due date for the Eligibility Certification Package is April 11, 2006.

### **Step 2, Application Package**

The Application Package may be submitted in either CD/PDF format or on paper.

If submitted in CD/PDF format, the Application Package must be postmarked no later than May 11, 2006. If submitted on paper, 25 copies of the Application Package must be postmarked no later than May 25, 2006.

### **Application Review**

Applications are reviewed and evaluated by members of the Board of Examiners, who adhere to strict rules regarding conflict of interest, using the following process:

- Stage 1 - independent review and evaluation by at least six members of the board
- Stage 2 - consensus review and evaluation for applicants that score well in Stage 1
- Stage 3 - site visits to applicants that score well in Stage 2  
Judges' review and recommendations of Award recipients

### **Feedback to Applicants**

Each Award applicant receives a feedback report at the conclusion of the review process. The feedback report is a written assessment by an evaluation team of leading U.S. experts.

The feedback report contains an applicant-specific listing of strengths and opportunities for improvement based on the Criteria. Used by companies, education organizations, and health care organizations as part of their strategic planning processes, the feedback report helps organizations focus on their customers and improve overall performance. Feedback is one of the most important parts of the Baldrige Award process; it provides a pathway for improvement.

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

### **Award Recipients**

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

**Eligibility Certification Packages with a nomination  
to the Board of Examiners due—March 10, 2006**

**Eligibility Certification Packages without a nomination  
to the Board of Examiners due—April 11, 2006**

**Award Application Packages submitted on a CD due—May 11, 2006**

**Award Application Packages submitted on paper due—May 25, 2006**

**If your organization is applying in either the education or health care category, refer to the appropriate sector-specific Criteria booklet and the *Baldrige Award Application Forms*. (See pages 63–64.)**

## SUMMARY OF BUSINESS ELIGIBILITY CATEGORIES AND RESTRICTIONS

### Important Facts About Applying for the Award

- Criteria contained in this booklet should be used only for the business eligibility categories (manufacturing, service, and small business). Applicants in the education and health care eligibility categories should use the *Education Criteria for Performance Excellence* and the *Health Care Criteria for Performance Excellence* booklets, respectively.
- The following is a summary of the eligibility rules for the business categories. Summaries of the eligibility rules for the education and health care categories are in their respective Criteria booklets. For-profit education or health care organizations may apply under the service or small business categories, as appropriate, using these Criteria or under the health care or education categories, using their respective Criteria. If there is a question on eligibility, check the complete eligibility rules in the *Baldrige Award Application Forms* or call the Baldrige National Quality Program Office at (301) 975-2036.
- Whatever your Award eligibility category, you will need the *Baldrige Award Application Forms* before proceeding. You can download the document from our Web site at [www.baldrige.nist.gov/Award\\_Application.htm](http://www.baldrige.nist.gov/Award_Application.htm).

The following is a summary of the eligibility rules for the business categories. Summaries of the eligibility rules for the education and health care categories are in their respective Criteria booklets.

### Basic Eligibility

Public Law 100-107 established the three business eligibility categories for the Award: manufacturing, service, and small business. Any for-profit business and some subunits headquartered in the United States or its territories, including U.S. subunits of foreign companies, may apply for the Award.

Eligibility is intended to be as open as possible. For example, publicly or privately owned organizations, domestic or foreign-owned entities, joint ventures, corporations, sole proprietorships, and holding companies may apply. Not eligible in the business category are local, state, and federal government agencies; trade associations; professional societies; and nonprofit organizations.

### Business Award Eligibility Categories

**Manufacturing:** Companies or some subunits (see section below on subunits) that produce and sell manufactured products or manufacturing processes, and producers of agricultural, mining, or construction products

**Service:** Companies or some subunits (see section below on subunits) that sell services

**Small Business:** Companies or some subunits engaged in manufacturing and/or the provision of services that have 500 or fewer employees

### Eligibility of Subunits

A subunit is a unit or division of a larger organization. The larger organization that owns, holds, or has organizational or financial control of a subunit is the “parent.” A parent is the highest level of an organization that would be eligible to apply for the Award. Subunits of companies in the manufacturing or service eligibility categories might be eligible. To be eligible, the manufacturing or service subunit must have more than 500 employees, or have more than 25 percent of the employees of the parent, or be separately incorporated and distinct from other subunits of the parent, or have been independent prior to being acquired by its parent. In the last case, it must continue to operate largely independently under its own identity.

The subunit must be self-sufficient enough to be examined in all seven Criteria Categories, and it must be a discrete business entity that is readily distinguishable from other parts of the parent organization. It cannot be primarily an internal supplier to other units in the parent company or perform only support functions (e.g., sales, distribution, legal services).

### Other Restrictions on Eligibility

**Location:** An applicant is eligible only if the operational practices associated with all of its major organizational functions are examinable in the United States or its territories. For eligibility purposes, overseas U.S. military installations and embassies do not constitute U.S. territories. If some of an applicant’s activities are performed outside its immediate organization (e.g., by overseas components, a parent organization, or other subunits), the applicant must ensure that

- in the event of a site visit, the appropriate personnel and materials will be available for examination in the United States to document operational practices in all major organizational functions; and
- in the event the applicant receives the Award, the applicant will be able to share information on the seven Criteria Categories at The Quest for Excellence Conference and at its U.S. facilities. Sharing beyond The Quest for Excellence Conference is on a voluntary basis.

**Multiple-Application Restrictions:** A subunit and its parent may not both apply for Awards in the same year. In some cases, more than one subunit of a parent may apply. If the *parent* organization, including all of its subunits, has

- 0–1,000 employees, one applicant per parent per eligibility category may apply
- 1,001–20,000 employees, two applicants per parent per eligibility category may apply

- more than 20,000 employees, two applicants per parent per eligibility category for the first 20,000, plus one per 20,000 or fraction thereof above 20,000 per parent per category, may apply

In no case can more than five applications (all Award categories combined) be submitted from the same parent organization in the same year.

**Future Eligibility Restrictions:** If an organization or a subunit that has over 50 percent of the total employees of the parent receives an Award, the organization and all its subunits are ineligible to apply for another Award for a period of five years. If a subunit receives an Award, that subunit and all its subunits are ineligible to apply for another Award for a period of five years. After five years, Award recipients are eligible to reapply for the Award or to apply “for feedback only.”

## Eligibility Forms

Potential applicants must certify their eligibility prior to applying for the Award. Potential applicants for the 2006 Award are encouraged to submit their Eligibility Certification Packages as soon as possible but no later than April 11, 2006. In order to reserve a place on the Board of Examiners for a member of your organization’s senior staff, the package must be submitted no later than March 10, 2006. The forms and necessary information are contained in the *Baldrige Award Application Forms*.



## HOW TO OBTAIN COPIES OF BALDRIGE NATIONAL QUALITY PROGRAM MATERIALS

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

### Individual Copies

Individual copies of the Criteria booklets may be obtained free of charge from

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

In addition, the Criteria booklets and the *Baldrige Award Application Forms* may be downloaded from our Web site at [www.baldrige.nist.gov/Criteria.htm](http://www.baldrige.nist.gov/Criteria.htm) and [www.baldrige.nist.gov/Award\\_Application.htm](http://www.baldrige.nist.gov/Award_Application.htm), respectively.

### Bulk Orders

Multiple copies of the *2006 Criteria for Performance Excellence* booklets may be ordered in packets of 10 for \$39.95 plus shipping and handling from the American Society for Quality (ASQ).

2006 Business Criteria—Item Number T1510  
2006 Education Criteria—Item Number T1511  
2006 Health Care Criteria—Item Number T1512

### How to Order

ASQ offers four convenient ways to order:

- For fastest service, call toll free (800) 248-1946 in the United States and Canada (in Mexico, dial toll free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) ASQ member number ready.
- Or fax your completed order form to ASQ at (414) 272-1734.
- Or mail your order to ASQ Customer Care Center, P.O. Box 3005, Milwaukee, WI 53201-3066.
- Or order online by accessing ASQ's Web site at [www.asq.org](http://www.asq.org).

### Payment

Your payment options include check, money order, U.S. purchase order, VISA, MasterCard, or American Express. Payment must be made in U.S. currency; checks and money orders must be drawn on a U.S. financial institution. All

international orders must be prepaid. Please make checks payable to ASQ.

### Shipping Fees

The following shipping and processing schedule applies to all orders within the United States and Canada.

Order Amount	U.S. Charges	Canadian Charges
Up to \$34.99	\$ 4.25	\$ 9.25
\$35.00–\$99.99	6.50	11.50
Over \$100.00	12.50*	17.50*

- There is a shipping and processing charge of 25 percent of the total order amount for shipments outside the United States and Canada.
- Orders shipped within the continental United States and Canada where UPS service is available will be shipped by UPS.
- Please allow one to two weeks for delivery. International customers, please allow six to eight weeks for delivery.
- Your credit card will not be charged until your items are shipped. Shipping and processing are charged one time, up front, for the entire order.

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

### Baldrige Educational Materials

Each year, the Baldrige National Quality Program develops materials for training members of the Board of Examiners and for sharing information on the successful performance excellence strategies of the Award recipients. The following items are samples of the educational materials that are available.

#### Case Study Packets

Case study packets contain a case study and five additional documents: an executive summary, the related *Criteria for Performance Excellence* booklet, the case study scorebook, the case study feedback report, and a blank *Baldrige Scorebook*. The case studies, when used with the Criteria, are valuable resources to Award applicants and other users of the Criteria. They illustrate the Award application and review process and provide examples of how to respond to the Criteria requirements and format an application. Together, the case study packet documents furnish information on scoring, the examination processes, and much more. A variety of case study packets are available. The 2002, 2003, 2004, and 2005 case study packets are available only online. Case study packets from prior years are available online and in hard copy. For ordering information, see the next page.

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

Available in e-format (PDF version) at  
[www.baldrige.nist.gov/Landmark.htm](http://www.baldrige.nist.gov/Landmark.htm)

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

Available in e-format (PDF version) at  
[www.baldrige.nist.gov/Sandy\\_Hill.htm](http://www.baldrige.nist.gov/Sandy_Hill.htm)

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

Available in e-format (PDF version) at  
[www.baldrige.nist.gov/GeoOrb.htm](http://www.baldrige.nist.gov/GeoOrb.htm)

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

Available in e-format (PDF version) at  
[www.baldrige.nist.gov/CapStar.htm](http://www.baldrige.nist.gov/CapStar.htm)

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

Available in e-format (PDF version) at  
[www.baldrige.nist.gov/TriView.htm](http://www.baldrige.nist.gov/TriView.htm)

## Award Recipients DVD

The Award recipients DVD is a valuable resource for gaining a better understanding of performance excellence and quality achievement. The DVD provides background information on the Baldrige National Quality Program, highlights from the annual Award ceremony, and interviews with representatives from the Award recipients' organizations. Information on the 2005 Award recipients DVD is provided below.

2005—Item Number T1513                      \$35.00  
(Available May 2006)

## How to Order Educational Materials

To order a case study packet developed prior to 2002, bulk orders of the 2006 Criteria booklets, or the Award recipients DVD, contact

ASQ Customer Care Center  
P.O. Box 3005  
Milwaukee, WI 53201-3066  
Telephone: (800) 248-1946  
Fax: (414) 272-1734  
E-mail: [asq@asq.org](mailto:asq@asq.org)  
Web site: [www.asq.org](http://www.asq.org)

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

2006 Criteria for Performance Excellence  
Baldrige National Quality Program  
National Institute of Standards and Technology  
Administration Building, Room A600  
100 Bureau Drive, Stop 1020  
Gaithersburg, MD 20899-1020

or E-mail: [nqp@nist.gov](mailto:nqp@nist.gov)  
or Web site: [www.baldrige.nist.gov](http://www.baldrige.nist.gov)

## GLOSSARY OF KEY TERMS

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management. As you may have noted, key terms are presented in SMALL CAPS/SANS SERIF every time they appear in the Categories and Scoring Guidelines sections of this Criteria booklet.

### Action Plans

The term “action plans” refers to specific actions that respond to short- and longer-term strategic objectives. Action plans include details of resource commitments and time horizons for accomplishment. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective, organization-wide understanding and deployment are possible. In the Criteria, deployment of action plans includes creating aligned measures for all departments and work units. Deployment also might require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans could entail designing efficient processes and creating an accounting system that tracks activity-level costs, aligned for the organization as a whole. Deployment requirements might include work unit and team training in setting priorities based on costs and benefits. Organizational-level analysis and review likely would emphasize productivity growth, cost control, and quality.

See also the definition of “strategic objectives” on pages 70–71.

### Alignment

The term “alignment” refers to consistency of plans, processes, information, resource decisions, actions, results, and analysis to support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals. It also requires the use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See also the definition of “integration” on page 67.

### 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 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/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 employee locations, the measures used to assess 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 the effectiveness of their use.

Approach is one of the dimensions considered in evaluating Process Items. For further description, see the Scoring System on pages 51–54.

### Basic Requirements

The term “basic requirements” refers to the topic Criteria users need to address when responding to the most central concept of an Item. Basic requirements are the fundamental theme of that Item (e.g., your approach for strategy development for Item 2.1). In the Criteria, the basic requirements of each Item are presented as the Item title question. This presentation is illustrated in the Item format shown on page 55.

### Benchmarks

The term “benchmarks” refers to processes and results that represent best practices and performance for similar activities, inside or outside an organization’s industry. Organizations engage in benchmarking to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) or “breakthrough” improvement.

Benchmarks are one form of comparative data. Other comparative data organizations might use include industry data collected by a third party (frequently industry averages), data on competitors’ performance, and comparisons with

similar organizations in the same geographic area or that provide similar products and services in other geographic areas.

## Customer

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

Customer-driven excellence is a Baldrige Core Value embedded in the beliefs and behaviors of high-performance organizations. Customer focus impacts and should integrate an organization’s strategic directions, its value creation processes, and its business results.

See the definition of “stakeholders” on page 70 for the relationship between customers and others who might be affected by your products, programs, or services.

## Cycle Time

The term “cycle time” refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness and overall performance. “Cycle time” refers to all aspects of time performance. Cycle time improvement might include time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time.

## Deployment

The term “deployment” refers to the *extent* to which an approach is applied in addressing the requirements of a Baldrige Criteria Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant work units throughout the organization.

Deployment is one of the dimensions considered in evaluating Process Items. For further description, see the Scoring System on pages 51–54.

## 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, 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 employee hiring and customer communities. Capitalizing on both provides enhanced opportunities for high performance; customer, employee, and community satisfaction; and customer and employee loyalty.

## 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 approach is aligned with the organization’s needs and how well the approach is deployed or (2) the evaluation of the outcome of the measure used.

## Employee

The term “employee” refers to all people who contribute to the delivery of an organization’s products and services, including paid employees (e.g., permanent, part-time, temporary, and contract employees supervised by the organization) and volunteers, as appropriate. Employees include team leaders, supervisors, and managers at all levels.

## Empowerment

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

## 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 define “right” from “wrong.”

Senior leaders should act as role models for these principles of behavior. The principles apply to all individuals involved in the organization, from employees to members of the board of directors, and 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 employees, 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 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, by-laws, 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 stakeholders and other owners/shareholders, (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 CEO performance, the establishment of executive compensation and benefits, succession planning, financial auditing, risk management, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders’ and the larger society’s trust and to organizational effectiveness.

## High-Performance Work

The term “high-performance work” refers to work processes used to systematically pursue ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time performance. High-performance work results in improved service for customers and other stakeholders.

Approaches to high-performance work vary in form, function, and incentive systems. High-performance work frequently includes cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; self-directed responsibility and employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the “front line”; and effective use of performance measures, including comparisons. Many high-performance work systems use monetary and nonmonetary incentives based on factors such as organizational performance, team and individual contributions, and skill building. Also, high-performance work usually seeks to align the organization’s structure, work, jobs, employee development, and incentives.

## How

The term “how” refers to the 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.

## Innovation

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

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 change in approach or outputs. It could include fundamental changes in organizational structure to more effectively accomplish the organization’s work.

## Integration

The term “integration” refers to the harmonization of plans, processes, information, resource decisions, actions, results, and analyses to support key organization-wide goals. Effective integration goes beyond alignment and is achieved when the individual components of a performance management system operate as a fully interconnected unit.

See also the definition of “alignment” on page 65.

Integration is one of the dimensions considered in evaluating Process Items. For further description, see the Scoring System on pages 51–54.

## Key

The term “key” refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The Baldrige Criteria, for example, refer to key challenges, key plans, key 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 employees in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. Employees, software, patents, databases, documents, guides, policies and procedures, and technical drawings are repositories of an organization’s knowledge assets. Knowledge assets are held not only by an organization but reside within its customers, suppliers, and partners as well.

Knowledge assets are the “know how” that your organization has available to use, to invest, and to grow. Building and managing its knowledge assets are key components for your organization to create value for your stakeholders and to help sustain 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; 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 employees and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization’s vision and values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organizational structure to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback, and improve.

## Learning

The term “learning” refers to new knowledge or skills acquired through evaluation, study, experience, and innovation.

The Baldrige Criteria include two distinct kinds of learning: organizational and personal. Organizational learning is achieved through research and development, evaluation and improvement cycles, employee 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 for the organization and its employees. For further description of organizational and personal learning, see the related Core Value and Concept on page 2.

Learning is one of the dimensions considered in evaluating Process Items. For further description, see the Scoring System on pages 51–54.

## Levels

The term “levels” refers to numerical information that places or positions an organization’s results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

## Measures and Indicators

The term “measures and indicators” refers to numerical information that quantifies input, output, and performance dimensions of processes, products, programs, projects, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term “indicator” (1) when the measurement relates to performance but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction but not a direct measure of it) and (2) when the measurement is a predictor (“leading indicator”) of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

## Mission

The term “mission” refers to the overall function of an organization. The mission answers the question, “What is this organization attempting to accomplish?” The mission might define customers or markets served, distinctive competencies, or technologies used.

## Multiple Requirements

The term “multiple requirements” refers to the individual questions Criteria users need to answer within each Area to Address. These questions constitute the details of an Item’s requirements. They are presented in black text under each

Item's Area(s) to Address. This presentation is illustrated in the Item format shown on page 55.

## Overall Requirements

The term “overall requirements” refers to the topics Criteria users need to address when responding to the central theme of an Item. Overall requirements address the most significant features of the Item requirements. In the Criteria, the overall requirements of each Item are presented in one or more introductory sentences printed in bold. This presentation is illustrated in the Item format shown on page 55.

## Partners

The term “partners” refers to those key organizations or individuals who are working in concert with your organization to achieve a common goal or to improve performance. Typically, partnerships are formal arrangements for a specific aim or purpose, such as to achieve a strategic objective or to deliver a specific product or service.

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.

## Performance

The term “performance” refers to output results and their outcomes obtained from processes, products, and services 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 address four types of performance: (1) product and service, (2) customer-focused, (3) financial and marketplace, and (4) operational.

“Product and service 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 and service performance” examples might include program and project performance in 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, amount of reserve

funds, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

“Operational performance” refers to human resource, leadership, organizational, and ethical performance relative to effectiveness, efficiency, and accountability measures and indicators. Examples include cycle time, productivity, waste reduction, employee turnover, employee cross-training rates, regulatory compliance, fiscal accountability, and community involvement. Operational performance might be measured at the work unit level, key 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 provide a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts.

## Performance Projections

The term “performance projections” refers to estimates of future performance. Projections 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 change is needed. 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 the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a defined series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way (i.e., to spell out what must be done, possibly including a preferred or expected sequence). If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Such service processes also require guidance to the providers of those

services on handling contingencies related to the possible actions or behaviors of those served.

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

In the Baldrige Scoring System, process achievement level is assessed. This achievement level is based on four factors that can be evaluated for each of an organization's key processes: Approach, Deployment, Learning, and Integration. For further description, see the Scoring System on pages 51–54.

## Productivity

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

Although the term often is applied to single factors, such as staffing (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 tradeoffs—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.

## Results

The term “results” refers to outputs and outcomes achieved by an organization in addressing the requirements of a Baldrige Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements. For further description, see the Scoring System on pages 51–54.

## Segment

The term “segment” refers to a part of an organization's overall customer, market, product or service line, or employee 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, services, and employees.

Understanding segments is critical to identifying the distinct needs and expectations of different customer, market, and employee groups and to tailoring products, services, and programs to meet their needs and expectations. As an example, market segmentation might be based on geography, distribution channels, business volume, or technologies employed. Employee segmentation might be based on geography, skills, needs, work assignments, or job classification.

## 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, employees, partners, governing boards, stockholders, donors, suppliers, taxpayers, policy makers, funders, and local and professional communities.

See also the definition of “customer” on page 66.

## 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 or services. 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, service, 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 definition of “strategic objectives” that immediately follows for the relationship between strategic challenges and the strategic objectives an organization articulates to address key challenges.

## 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, service, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what an organization must achieve to remain or become competitive and ensure long-term sustainability. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

See the definition of “action plans” on page 65 for the relationship between strategic objectives and action plans and for an example of each.

## 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.

In addition to responding to changes in the business, market, and operating environment, sustainability also has a component related to preparedness for real-time or short-term emergencies.

## Systematic

The term “systematic” refers to approaches that are well-ordered, 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 on pages 52–53.

## 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.

A minimum of three data points generally is needed to begin to ascertain a trend. More data points are needed to define a statistically valid trend. The time period for a trend is determined by the cycle time of the process being measured. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer time periods before meaningful trends can be determined.

Examples of trends called for by the Criteria include data related to product and service performance, customer and employee 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, service, 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 employees and the community.

## Value Creation

The term “value creation” refers to processes that produce benefit for your customers and for your organization. They are the processes most important to “running your business”—those that involve the majority of your employees and that generate your products, services, and positive business results for your key stakeholders, including your stockholders.

## 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 employee, 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 employees 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.

## Work Systems

The term “work systems” refers to how your employees are organized into formal or informal units to accomplish your mission and your strategic objectives; how job responsibilities are managed; and your processes for communication and employee hiring, performance management, compensation, recognition, and succession planning. Organizations design work systems to align their components to enable and encourage all employees to contribute effectively and to the best of their ability.





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