The California Council for Excellence

and the

The California Awards
for Performance Excellence

Present the 2008

CALIFORNIA CHALLENGE AWARD

And

CALIFORNIA PROSPECTOR AWARD™

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Dear CAPE Applicants,

Your interest in the California Awards for Performance Excellence (CAPE) indicates that you are seriously interested in leading your organization to higher levels of success, regardless of the type of organization you represent. On behalf of the CAPE Council, let me thank you for your interest and congratulate you on taking this step.

The CAPE program is California's equivalent to the Malcolm Baldrige National Quality Award. The CAPE Council administers the program in the same manner that the National Institute for Standards and Technology (NIST) administers the Baldrige program. While there are some small differences in the examination process the criteria are identical.

One of the most significant differences is that CAPE offers three levels of application. The California Challenge is the first level, the California Prospector the second, and the Eureka (for service organizations) or U.S. Senate Productivity (for manufacturing organizations) is the third level. Please review this application book to determine the level your organization will utilize as it progresses towards organizational excellence.

The CAPE program also offers an opportunity for the members of your organization to become familiar with the Baldrige concepts through participation in the program as Examiners. This knowledge can be used both for internal assessment purposes and for developing concepts and processes to improve your organization. The CAPE Council encourages you to take advantage of this hands-on experience and opportunity.

We believe that the Baldrige and CAPE programs can significantly improve your organization and provide the recognition you deserve when you have achieved the highest levels of organizational performance. The CAPE Council is committed to providing the best people and processes to help you in this approach to performance excellence.

Sincerely,

MaryAnn Pranke

MaryAnn Pranke
Chair
CAPE Council

About CCE:

The California Council for Excellence was established in 1992 as a non-profit, tax-exempt foundation. Our mission is to help California-based companies and organizations achieve world-class products and services through the principles and criteria of the Malcolm Baldrige National Quality Program. CCE is one of 42 state and local award programs across the nation that administers a "baby" Baldrige Award program.

CCE is governed by a Board of Directors and administered by a professional staff with offices located in San Diego, California. CCE also administers the California Team Excellence Awards (CTEA) program; provides consulting and training services for companies and government agencies; sponsors two annual conferences; and, conducts numerous training workshops relating to high performance and business results. We can be reached by telephone at 858-486-0400 or at our website, www.calexcellence.org.

About CAPE:

The California Awards for Performance Excellence is administered by the CAPE Council and includes over 200 volunteers. MaryAnn Pranke is the 2008 Chair of the CAPE Council. In 1994, CCE launched its first awards program based on the Malcolm Baldrige National Quality Program (MBNQP) criteria. That program, known as the California Quality Awards, matured into the CAPE program. The CAPE program consists of three levels – the California Challenge, the California Prospector Award, and the Eureka/U.S. Senate Productivity Awards. We also are honored each year to recommend to the Governor nominations for the Governor's Award for Overall Excellence. These awards are presented twice annually – at the CAPE Annual Conference in March/April in Southern California, and the CAPE Best Practices Conference in Northern California in September/October. To date, the California awards program has recognized over 220 companies and organizations for their commitment to performance excellence and demonstrated results based on the CAPE criteria.

The 2008 CAPE criteria are identical to the MBNQA 2008 criteria. The criteria consist of 7 Categories, 18 Items, and 32 Areas to Address. With each level of the CAPE process, an applicant is asked to provide more information in response to the criteria for that award. For example, The California Challenge asks an applicant to respond only to certain questions relating to the 7 Categories. The Prospector Award includes questions about the 7 Categories and the 19 Items. The Eureka Program and the U.S. Senate Productivity Award requires the applicant to respond to the full MBNQA criteria.

The CAPE Examination Process of Challenge and Prospector Applications:

The CAPE Council includes several committees that administer the CAPE program, train the volunteer examiners and judges, and promote the application process. California Challenge applications are reviewed by one senior Examiner and Prospector applications are reviewed by two senior Examiners, selected from the trained and certified Board of Examiners. Prospector applications are reviewed in a two stage process. In Stage 1 each examiner conducts an independent evaluation of the application and creates feedback identifying Strengths and Opportunities for Improvement. In Stage 2 the Examiners exchange feedback, come to consensus on Strengths and Opportunities for Improvement and create a Feedback Report. The Feedback Report is submitted to a Senior Advisor for a final review and then sent to the Applicant.

This process is slightly different than the process for CAPE Eureka and U.S. Senate Productivity Award applications. Please refer to that Criteria/Application book for an explanation of the appropriate process.

About the Malcolm Baldrige National Quality Program:

Named after the late Secretary of Commerce, the Baldrige Program was established on August 20, 1987 as an Act of Congress (Public Law 100-107) to forge a private-public partnership that would promote and recognize the improvement of business performance, quality, and productivity among American businesses. Today, the original law has been expanded to include healthcare and education as well.

California's Baldrige Award Winners:

CCE is proud to recognize eight companies in California that have won nine Baldrige Awards. They are: Solectron, Inc., a two-time MBNQA winner; Solar Turbines; Boeing Airlift & Tanker; Boeing Aerospace Support,; Adac Laboratories; Granite Rock; and 3M Dental Products; Premier, Inc.; and Sharp Healthcare.

We also recognize the Ritz-Carlton Hotel Company which operates several outstanding properties throughout our state; ST Microelectronics, which operates facilities in Southern California; and Motorola, which has operations in Carlsbad, CA.

2008 Award Schedule for the California Challenge and California Prospector Awards

The 2008 California Challenge and Prospector Award applications will be received and presented according to the following schedule:

EVENT 2008 DATES

★ Award Applications Available	April, 2008
★ Intent to Apply Due	1 Month Before Submission
★ Award Application Due	Within 30 Days of Letter of Intent
★ Application Review & Evaluation	8 Weeks From Receipt of Application
★ Awards Winners Announced	Quarterly

RECOGNITION CYCLES:

★ CAPE Awards Ceremony & Conference	April, 2009

For further information about the CAPE programs, please contact:

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CA 92074-1235

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Web: www.calexcellence.org

California
Challenge Award™

2008

Criteria and Application

THE CALIFORNIA CHALLENGE AWARD

2008 CALIFORNIA AWARDS FOR PERFORMANCE EXCELLENCE

Congratulations on taking the first step to becoming a best-in-class organization.

About the California Challenge Award
The Benefits of Participating

The California Challenge is a self-assessment recognition program designed and administered exclusively by the California Awards for Performance Excellence (CAPE). Our primary objective is to help your organization understand its strengths and opportunities for improvement as defined by the 2008 criteria of the Malcolm Baldrige National Quality Program.

The California Challenge Award criteria consists of an "Organizational Profile" plus seven major "Categories" that are common to all private and public sector organizations. These seven Categories are derived from the Malcolm Baldrige National Quality Award criteria. They are:

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

The Benefits of Participating

Companies and organizations that apply for the California Challenge Award will realize many important benefits. They include:

★ A thorough self-assessment of your strengths and opportunities for improvement based on the 2008 criteria from the Malcolm Baldrige National Quality Award. There is no higher standard for performance excellence than the Baldrige Award.

★ Use of the California Challenge logo in your advertising, correspondence, and letterhead.

★ Access to advanced training programs that will give your employees profound insights on how best-in-class organizations work and develop exceptional results, including one (1) free seat at our CAPE Examiner Training.

★ Recognition at a CAPE conference and public relations exposure for successfully completing the rigorous application process. This benefit includes one(1) free seat at the Awards Luncheon and special discount rates for your employees, partners, families, and other stakeholders.

★ Increased opportunities for customer loyalty by demonstrating your organization's commitment to excellence and quality service.

★ Accelerated change, growth, and improvement throughout your organization.

★ The opportunity for your people to be part of the solution through their participation on process improvement teams.

★ The opportunity to recommend candidates from your organization to become Certified Assessors or distinguished members of the CAPE Board of Examiners.

★ An appearance by the CAPE Chair to personally present your award at your site for the benefit of those employees and stakeholders who are not able to attend the Awards Conference.

Also, if your organization is a member of one of CAPE's Regional Councils for Excellence (RCE's), your organization will receive special recognition from the local RCE at their annual meeting. This way, you receive both statewide and local recognition.

How To Apply

Each applicant to the California Challenge must complete the **Intent to Apply** form and submit it to CAPE 30 days in advance of submitting your application. The Intent to Apply form requires the support of the applicant's senior executive as expressed by that person's signature.

The purpose of completing your **Intent to Apply** form is to allow the CAPE Board of Examiners to assemble an impartial Examiner Team that will review and judge your application. *Each application is treated confidentially.* Each examiner signs an affidavit stating he/she has no conflict of interest with your application or organization. Furthermore, each examiner assigned to your application agrees in writing to hold all information in your application in complete secrecy and confidentiality. In this regard, the CAPE Council follows the highest ethical standards as set forth by the Malcolm Baldrige National Quality Award program regarding confidentiality of application and removing any direct or implied conflicts of interest.

How to Proceed with your California Challenge Application:

How you proceed depends in part on the size of your organization. In a small organization, less than 50 employees or so, the senior executive or their designee may write the application with one or two helpers over a period of two to four weeks. In a large organization the senior executive will likely assign a team or teams to gather the information and draft the application over a period of one to three months (see steps below). In either case, having a Baldrige or CAPE trained examiner on staff greatly facilitates the application writing. In addition, CCE can provide a list of consultants qualified to assist in application preparation.

Use Project Management skills and tools in preparing your application. Define and agree on the scope, timetable and budget before you start, even if it is only two of you. If your organization is large, use the steps below, or some variation thereof.

We recommend a three-step process to ensure your organization receives the maximum benefit of completing this important process.

Step One. A Meeting Among Senior Management

The senior executive in your organization should gather his/her senior managers together to devise a strategy to complete the self-assessment exercise.

At this meeting, each of the seven Categories should be assigned to one or more key employees. This includes the Leadership Category. The senior executive should serve as an ex-officio member of each team, but not chair a team.

Also, a separate Application Writing Team should be formed with enough members to organize the thoughts and findings of the seven Category teams. The Application Writing Team should also write the Organizational Profile.

Each team should meet regularly until it has completed its assignment and responded thoroughly to each question herein. It is essential to hold each team to a pre-determined deadline.

Step Two. The Draft Application

When each of the seven Category teams has completed its work, the Application Writing Team swings into action. The Application Writing Team begins the task of assembling the various findings of each Category team and creating a succinct report within the limited number of pages.

Step Three. Consensus Meeting

When the Application Writing Team has completed its assignment, the senior executive should gather all the teams together for a day-long Consensus Meeting.

Your written response should be distributed at least five days prior to the meeting to allow each member enough time to read and critique it. *The purpose of this meeting is to reach consensus on the findings of the report, not to achieve a unanimous decision.* Therefore, both strengths and opportunities for improvement of the organization listed in the response are appropriate and encouraging. Remember that you are preparing a response for the CAPE Examiner Team to review.

The primary purpose of the CAPE Examiner Team is to help you improve your performance. Resist the temptation to "sugar-coat" your organization's weaknesses. It might help to know that most Baldrige Award-winning companies rarely score above the 60% range in these seven Categories.

When consensus is reached in all seven Categories, each member of your team is encouraged to sign your California Challenge response before it is mailed to CAPE.

Examination Team Review and Feedback Report

Upon receipt of your completed California Challenge application, the CAPE Examiner will thoroughly review your responses and prepare a written Feedback Report. This process will take approximately four to six weeks. The Feedback Report will include strengths and opportunities for improvement.

Recognition at the CAPE Awards Ceremony in Spring or Fall	Each applicant of the California Challenge who successfully completes this process will be formally recognized at *either* the Annual Awards Conference or Best Practices Conference. You may choose which conference based on geographic preference or your business calendar. The CAPE recognition includes media exposure, a beautiful award plaque from CAPE signifying your completion of the self-assessment process, and use of the California Challenge logo on your letterhead and advertising materials.
Application Fees	The application fee for the California Prospector Award is $1595. The fee for Education K-12 School/District applications is $750. This fee is due upon submission of your application. This fee covers all aspects of your application with the exception of an optional Executive Briefing following receipt of your Feedback Report.
Application Timetable	The California Challenge timetable is as follows: *Applicants seeking recognition at the Annual Conference in the Spring may submit their application between September 1 and February 1 of each year. Applicants seeking recognition at the annual Best Practices Conference in the fall may submit their application between February 1 and August 1 of each year.* Applicants may choose to be recognized at either the Best Practices Conference, which is traditionally held in Northern California, or the Annual CCE/CAPE Awards Conference, which is traditionally held in Southern California.
Application Length	The maximum length of the California Challenge application is 12 pages to address the seven Categories listed in the criteria, plus 5-pages for the Organizational Profile section. Please submit five (5) copies of your application to CCE with your application fee.
Questions or Comments	If you have any questions or comments about the California Challenge program, please call the CAPE Administrator at 858-486-0400 or you may fax us at 858-486-8595. We can also be reached by e-mail at cce@calexcellence.org.

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 workforce profile? What are your workforce or employee groups and segments? What are their key requirements and expectations? What are their education levels? What are your organization's workforce and job diversity, organized bargaining units, key benefits, and special health and safety requirements?
4) What are your major facilities, technologies, and equipment?
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 customers 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 are your most important types of suppliers, partners, collaborators, and distributors? What role do these suppliers, partners, collaborators, and distributors play in your work systems and the production and delivery of your key products and services? What role, if any, do they play in your organizational innovation processes? What are your most important supply chain requirements?
4) What are your key supplier and customer partnering relationship and communication mechanisms?

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

Describe your organization's competitive environment, your key strategic challenges and advantages, and your system for performance improvement.

Within your response, include answers to the following questions:

a) Competitive Environment

1) 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 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 innovation and 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 from outside your industry? What limitations, if any, are there in your ability to obtain these data?

b) Strategic Context

What are your key business, operational, and human resource strategic challenges and advantages? What are your key strategic challenges and advantages associated with organizational sustainability?

c) Performance Improvement System

What are the key elements of your performance improvement system, including your evaluation and learning processes?

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 business results.
- It is used by the Examiners and Judges in application review to understand your organization and what you consider important.
- 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.

Page Limits

The Organizational Profile should be limited to five pages. This section is not counted in the overall application page limit of 12 pages.

The Seven Categories of Performance Excellence:

Directions:
Using a maximum of twelve (12) pages in respond to the following seven Categories. Please focus on your "Processes" in Categories 1-6.

Typically, applicants will devote 1-1/2 pages per Category response in Categories 1-6. Category 7, Results, will require several pages in your response.

Please note that it is *not* necessary to discuss specific "Results" in Categories 1-6 since all "Results" can be listed in Category 7. You should plan to use 3-4 pages to discuss your Results in Category 7.

1. Leadership

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.

Issues to address in your California Challenge Application:

a) Describe how senior leaders guide and sustain your organization. Describe how senior leaders communicate with your workforce and encourage high performance.

b) Describe your organization's governance system. Describe how your organization addresses its responsibilities to the public, ensures ethical behavior, and practices good citizenship.

2. Strategic Planning

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.
Issues to address in your California Challenge Application:

a) Describe how your organization determines its strategic challenges and advantages. Describe how your organization establishes its strategy and strategic objectives to address these challenges and enhance its advantages. Summarize your organization's key strategic objectives and their related goals.

b) 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 relative to key comparisons on these performance measures or indicators.

3. Customer and Market Focus

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.

Issues to address in your California Challenge Application:

a) 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.

b) 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 and dissatisfaction.

Education and Health Care Applicant Note:
The Criteria for Education focuses on Students and Stakeholders in lieu of "Customers", and your responses to this Category should address the questions in this way. The Criteria for Health Care focuses on Patients, and Other Customers in lieu of "Customers, and your responses to this Category should address the questions in that way.

4. Measurement, Analysis, and Knowledge Management

The Measurement, Analysis, and Knowledge Management Category examines how your organization selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets and how it manages its information technology. The Category also examines how your organization reviews and uses reviews to improve its performance.

Issues to address in your California Challenge Application:

a) Describe how your organization measures, analyzes, aligns, reviews, and improves its performance through the use of data and information at all levels and in all parts of your organization. Describe how you systematically use the results of reviews to evaluate and improve processes.

b) Describe how your organization ensures the quality and availability of needed data, information, software, and hardware for your workforce, suppliers, partners, collaborators, and customers. Describe how your organization builds and manages its knowledge assets.

5. Workforce Focus

The Workforce Focus Category examines how your organization engages, manages, and develops your workforce to utilize its full potential in alignment with your organization's overall mission, strategy, and action plans. The Category examines your ability to assess workforce capability and capacity needs and to build a workforce environment conducive to high performance.

Issues to address in your California Challenge Application:

a) Describe how your organization engages, compensates, and rewards your workforce to achieve high performance. Describe how members of your workforce, including leaders, are developed to achieve high performance. Describe how you assess workforce engagement and use the results to achieve higher performance.

b) Describe how your organization manages workforce capability and capacity to accomplish the work of the organization. Describe how your organization maintains a safe, secure, and supportive work climate.

6. Process Management

The Process Management Category examines how your organization determines its core competencies and work systems and how it designs, manages, and improves its key processes for implementing those work systems to deliver customer value and achieve organizational success and sustainability. Also examined is your readiness for emergencies.

Issues to address in your California Challenge Application:

a) Describe how your organization determines its core competencies and designs its work systems and key processes to deliver customer value, prepare for potential emergencies, and achieve organizational success and sustainability.

b) Describe how your organization implements, manages, and improves its key work processes to deliver customer value and achieve organizational success and sustainability.

7. Results

The Results Category examines your organization's performance and improvement in all key areas – product and service outcomes, customer-focused outcomes, financial and market outcomes, workforce-focused outcomes, process-effectiveness outcomes, and leadership outcomes. Performance levels are examined relative to those of competitors and other organizations providing similar products and services.

Issues to address in your California Challenge Application:

a) 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.

b) Summarize your organization's key customer-focused results for customer satisfaction and customer-perceived value, including customer loyalty. Segment your results by product and service types and groups, customer groups, and market segments, as appropriate. Include appropriate comparative data.

c) Summarize your organization's key financial and marketplace performance results by customer or market segments, as appropriate. Include appropriate comparative data.

d) Summarize your organization's key workforce-focused results for workforce engagement and for your workforce environment. Segment your results to address the diversity of your workforce and to address your workforce groups and segments, as appropriate. Include appropriate comparative data.

e) Summarize your organization's key operational performance results that contribute to the improvement of organizational effectiveness, including your organization's readiness for emergencies. Segment your results by product and service types and groups, by processes and location, and by market segments, as appropriate. Include appropriate comparative data.

f) Summarize your organization's key governance and senior leadership results, including evidence of strategic plan accomplishments, ethical behavior, fiscal accountability, legal compliance, social responsibility and organizational citizenship. Segment your results by organizational units, as appropriate. Include appropriate comparative data.

California
Prospector Award™

2008

Criteria and Application

THE CALIFORNIA PROSPECTOR AWARD

2008 CALIFORNIA AWARDS FOR PERFORMANCE EXCELLENCE

Congratulations on taking the next step towards becoming a best-in-class organization.

About the California Prospector Award

The California Prospector Award is a short-form version of the California Awards for Performance Excellence program and the Malcolm Baldrige National Quality Award, which is sponsored annually by CCE.

The California Prospector Award adheres to the same criteria used in the Malcolm Baldrige national Quality Award (MBNQA). *However, the Prospector Award addresses only the seven Categories and 18 Items contained in the current MBNQA criteria.*

Here are our primary goals in offering the Prospector Award program:

1. CCE wants to help your organization address its strengths and opportunities for improvement as defined by the seven Categories and supporting 18 items listed in the MBNQA program. We believe this is the most comprehensive performance improvement criteria available to private and public sector organizations.
2. CAPE wants to help your organization take the next important step towards achieving performance excellence by completing the California Prospector Award application. Although the Prospector Award is a less rigorous review than the Eureka Award/U.S. Senate Productivity Award level, it sharpens your focus and significantly helps your organization move closer to mastering the full criteria set forth in our Level Three program.
3. Your organization will be formally recognized as a successful applicant of the California Prospector Award. Each year, at the Best Practices Conference and the annual CAPE Conference, we publicly salute winners of the California Prospector Awards.

   Also, if your organization is a member of one of CCE's Regional Councils for Excellence, your organization will receive special recognition from the local Regional Council for Excellence at their annual meeting. In this way you receive both statewide and local recognition!

The Benefits of Participating

Companies and organizations that apply for the California Prospector will realize many important benefits. They include:

★ A thorough self-assessment of your strengths and opportunities for improvement based on the most current criteria from the Malcolm Baldrige National Quality Award. There is no higher standard for performance excellence than the Baldrige Award.

★ Access to advanced training programs that will give your employees profound insights on how best-in-class organizations work and develop exceptional results, including one (1) free seat at our CAPE Examiner Training.

★ Recognition at a CAPE conference and public relations exposure for successfully completing the rigorous application process. This benefit includes one(1) free seat at the Awards Luncheon and special discount rates for your employees, partners, families, and other stakeholders.

★ Increased opportunities for customer loyalty by demonstrating your commitment to excellence and quality service.

★ Accelerated change, growth, and improvement in your organization.

★ The opportunity for your people to be part of the solution as well as process improvement teams.

★ Use of the California Prospector logo in your advertising, correspondence, and letterhead.

★ The opportunity to recommend candidates from your organization to serve as members of the CAPE Board of Examiners or be trained as Assessors.

★ An appearance by the CAPE Chair to personally present your award at your site for the benefit of those employees and stakeholders who are not able to attend the Awards Conference.

How to Apply

Each applicant of the California Prospector must complete the Intent to Apply form and submit it to CAPE 30 days in advance of your application. The Intent to Apply form requires the support of the applicant's senior executive as witnessed by that person's signature.

The purpose of completing your Intent to Apply form is to allow the CAPE Board of Examiners to assemble an impartial Examiner Team that will receive and review your application. *Each application is treated confidentially.*

Each examiner signs an affidavit stating he/she has no conflict of interest with your application or organization. Furthermore, each examiner assigned to your application agrees in writing to hold all information in your application in complete secrecy and confidentiality. In this regard, the CAPE Council follows the highest ethical standards as set forth by the Malcolm Baldrige National Quality Award program regarding confidentiality of application and removing any direct or implied conflicts of interest.

Recognition at a CAPE Awards Ceremony

Each applicant of the California Prospector who successfully completes this process will be formally recognized at either the annual CCE/CAPE Awards Conference in the Spring, or the Best Practices Conference held in the Fall. This recognition includes media exposure, a beautiful award plaque from CAPE signifying your completion of the Prospector Award program, and the use of the California Prospector logo on your letterhead and advertising materials for one year.

Application Fee	The application fee for the California Prospector Award is $1895. The fee for Education K-12 School/District applications is $1695. This fee is due upon submission of your application. This fee covers all aspects of your application with the exception of an optional Executive Briefing following receipt of your Feedback Report.
Application Timetable	The California Prospector timetable is as follows: Applicants seeking recognition at the Annual CCE/CAPE Awards Conference in Southern California in the Spring may submit their application between September 1 and February 1 of each year. Applicants seeking recognition at the annual Best Practices Conference in Northern California in the Fall may submit their application between February 1 and August 1 of each year.
Application Length	The California Prospector Application is limited to 25 pages plus a 5-page Organizational Profile. Please submit five (5) copies of your application to CCE with your application fee.
Questions or Comments	If you have any questions or comments about the Prospector Award program, please call us at (858) 486-0400 or you may FAX us at (858) 486-8595. We can also be reached by e-mail at cce@calexcellence.org.

The California Prospector Award Application Process

Your first step before completing the California Prospector Award application should be to develop a strategy and plan of action. CAPE recommends a three-step process to ensure your organization receives the maximum benefit when completing this award application.

Step 1.
A Meeting Among Senior Management

The senior executive in your organization should gather his/her senior managers together to devise a strategy to complete the self-assessment exercise.

At this meeting, each of the seven Categories should be assigned to one or more key employees. This includes the Leadership Category. The senior executive should serve as an ex-officio member of each team, but not chair a team.

Also, a separate Application Writing Team should be formed with enough members to organize the thoughts and findings of the seven Category teams. The Application Writing Team should also write the Organizational Profile Section. Each team should meet regularly until it has completed its assignment and responded thoroughly to each question herein. It is essential to hold each team to a pre-determined deadline.

Step 2.
The Draft Report

When each of the seven Category teams has completed its work, the Application Writing Team swings into action. The Application Writing Team begins the task of assembling the various findings of each Category team and creating a succinct report within the limited number of pages.

Step 3.
Consensus Meeting

When the Application Writing Team has completed its assignment, the senior executive should gather all the teams together for a day-long Consensus Meeting.

Your written response should be distributed at least five days prior to the meeting to allow each member enough time to read and critique it.

The purpose of this meeting is to reach consensus on the findings of the report, not to achieve an unanimous decision. Therefore, both strengths and opportunities for improvement of the organization listed in the response are appropriate and encouraged. Remember that you are preparing a response for the CAPE Examiner Team to review. The primary purpose of the CAPE Examiner Team is to help you improve your performance. Resist the temptation to "sugar-coat" your organization's weaknesses. It might help to know that most Baldrige Award-winning companies rarely score above the 60% range in these seven Categories. When consensus is reached in all seven Categories, each member of your team is encouraged to sign your application before it is mailed to CAPE.

Examination Team Review and Feedback Report

Upon receipt of your organization's application, the CAPE Examiner Team will thoroughly review your application and prepare a written Feedback Report. This process will take approximately four to six weeks. The Feedback Report will include strengths and opportunities for improvement.

Executive Briefing (Optional)

Upon written request, the Senior Examiner who led your application review process will present an Executive Briefing lasting up to four hours to your organization's application team. This service is optional to each applicant and requires a separate fee plus the payment of reasonable and customary travel expenses for the Senior Examiner. The fee is $1,500 per CAPE representative, plus travel expenses.

The California Prospector

The Second Level Program of the California Awards for Performance Excellence

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 workforce profile? What are your workforce or employee groups and segments? What are their key requirements and expectations? What are their education levels? What are your organization's workforce and job diversity, organized bargaining units, key benefits, and special health and safety requirements?
4) What are your major facilities, technologies, and equipment?
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 customers 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 are your most important types of suppliers, partners, collaborators, and distributors? What role do these suppliers, partners, collaborators, and distributors play in your work systems and the production and delivery of your key products and services? What role, if any, do they play in your organizational innovation processes? What are your most important supply chain requirements?
4) What are your key supplier and customer partnering relationship and communication mechanisms?

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

Describe your organization's competitive environment, your key strategic challenges and advantages, and your system for performance improvement.

Within your response, include answers to the following questions:

a) Competitive Environment

1) 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 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 innovation and 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 from outside your industry? What limitations, if any, are there in your ability to obtain these data?

b) Strategic Context

What are your key business, operational, and human resource strategic challenges and advantages? What are your key strategic challenges and advantages associated with organizational sustainability?

c) Performance Improvement System

What are the key elements of your performance improvement system, including your evaluation and learning processes?

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 business results.
- It is used by the Examiners and Judges in application review to understand your organization and what you consider important.
- 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.

Page Limits

The Organizational Profile should be limited to five pages. This section is not counted in the overall application page limit of 25 pages.

The Seven Categories of Performance Excellence:

Directions:

Using a maximum of twenty-five (25) pages in respond to the following seven Categories. Please focus on your "Processes" in Categories 1-6.

Typically, applicants will devote 2-3 pages per Category response in Categories 1-6. Category 7, Results, will require several pages in your response.

Please note that it is *not* necessary to discuss specific "Results" in Categories 1-6 since all "Results" can be listed in Category 7. You should plan to use 3-4 (or more) pages to discuss your Results in Category 7.

1. Leadership

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 ethical, legal, and community responsibilities.

Issues to Address in Your California Prospector Award Application:

1.1 Senior Leadership: How do your senior leaders lead?
Describe how senior leaders guide and sustain your organization. Describe how senior leaders communicate with your workforce and encourage high performance.

1.2 Governance and Social Responsibilities: How do you govern and address your social responsibilities?
Describe your organization's governance system. Describe how your organization addresses its responsibilities to the public, ensures ethical behavior, and practices good citizenship.

2. Strategic Planning

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.

Issues to Address in Your California Prospector Award Application:

2.1 Strategy Development: How do you develop your strategy?
Describe how your organization determines its strategic challenges and advantages. Describe how your organization establishes its strategy and strategic objectives to address these challenges and enhance its advantages. Summarize your organization's key strategic objectives and their related goals.

2.2 Strategy Deployment: How do you deploy your strategy?
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 relative to key comparisons on these performance measures or indicators.

3. Customer and Market Focus

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.

Issues to Address in Your California Prospector Award Application:

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

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.

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

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 and dissatisfaction.

Education and Health Care Applicant Note:

The Criteria for Education focuses on Students and Stakeholders in lieu of "Customers", and your responses to this Category should address the questions in this way. The Criteria for Health Care focuses on Patients, and Other Customers in lieu of "Customers, and your responses to this Category should address the questions in that way.

4. Measurement, Analysis, and Knowledge Management

The *Measurement, Analysis, and Knowledge Management* Category examines how your organization selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets and how it manages its information technology. The Category also examines how your organization reviews and uses reviews to improve its performance.

Issues to Address in Your California Prospector Award Application:

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

Describe how your organization measures, analyzes, aligns, reviews, and improves its performance through the use of data and information at all levels and in all parts of your organization. Describe how you systematically use the results of reviews to evaluate and improve processes.

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

Describe how your organization ensures the quality and availability of needed data, information, software, and hardware for your workforce, suppliers, partners, collaborators, and customers. Describe how your organization builds and manages its knowledge assets.

5. Workforce Focus

The *Workforce Focus* Category examines how your organization engages, manages, and develops your workforce to utilize its full potential in alignment with your organization's overall mission, strategy, and action plans. The Category examines your ability to assess workforce capability and capacity needs and to build a workforce environment conducive to high performance.

Issues to Address in Your California Prospector Award Application:

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

Describe how your organization engages, compensates, and rewards your workforce to achieve high performance. Describe how members of your workforce, including leaders, are developed to achieve high performance. Describe how you assess workforce engagement and use the results to achieve higher performance.

5.2 Workforce Environment: How do you build an effective and supportive workforce environment?

Describe how your organization manages workforce capability and capacity to accomplish the work of the organization. Describe how your organization maintains a safe, secure, and supportive work climate.

6. Process Management

The *Process Management* Category examines how your organization determines its core competencies and work systems and how it designs, manages, and improves its key processes for implementing those work systems to deliver customer value and achieve organizational success and sustainability. Also examined is your readiness for emergencies.

Issues to Address in Your California Prospector Award Application:

6.1 Work Systems Design: How do you design your work systems?

Describe how your organization determines its core competencies and designs its work systems and key processes to deliver customer value, prepare for potential emergencies, and achieve organizational success and sustainability.

6.2 Work Process Management and Improvement: How do you manage and improve your key organizational work processes?

Describe how your organization implements, manages, and improves its key work processes to deliver customer value and achieve organizational success and sustainability.

7. Results

The *Results* Category examines your organization's performance and improvement in all key areas – product and service outcomes, customer-focused outcomes, financial and market outcomes, workforce-focused outcomes, process-effectiveness outcomes, and leadership outcomes. Performance levels are examined relative to those of competitors and other organizations providing similar products and services.

Issues to Address in Your California Prospector Award Application:

7.1 Product and Service Outcomes: What are your product and service performance 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.

7.2 Customer-Focused Outcomes: What are your customer-focused performance results?
Summarize your organization's key customer-focused results for customer satisfaction and customer-perceived value, including customer loyalty. Segment your results by product and service types and groups, customer groups, and market segments, as appropriate. Include appropriate comparative data.

7.3 Financial and Market Outcomes: What are your financial and marketplace performance results?
Summarize your organization's key financial and marketplace performance results by customer or market segments, as appropriate. Include appropriate comparative data.

7.4 Workforce-Focused Outcomes: What are your workforce-focused performance results?
Summarize your organization's key workforce-focused results for workforce engagement and for your workforce environment. Segment your results to address the diversity of your workforce and to address your workforce groups and segments, as appropriate. Include appropriate comparative data.

7.5 Process Effectiveness Outcomes: What are your process effectiveness results?
Summarize your organization's key operational performance results that contribute to the improvement of organizational effectiveness, including your organization's readiness for emergencies. Segment your results by product and service types and groups, by processes and location, and by market segments, as appropriate. Include appropriate comparative data.

7.6 Leadership Outcomes: What are your leadership results?
Summarize your organization's key governance and senior leadership results, including evidence of strategic plan accomplishments, ethical behavior, fiscal accountability, legal compliance, social responsibility and organizational citizenship. Segment your results by organizational units, as appropriate. Include appropriate comparative data.

GENERAL INFORMATION

CALIFORNIA CHALLENGE AWARD™

CALIFORNIA PROSPECTOR AWARD™

2008 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
- facilitate communication and sharing of information on best practices among U.S. organizations of all types
- to serve as a working tool for understanding and managing performance and for guiding organizational planning and opportunities for learning.

Criteria for Performance Excellence Goals

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

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

Core Values and Concepts

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

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing workforce members and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- 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 defined values and strategies should help guide all of your organization's activities and decisions. Senior leaders should inspire, motivate, and encourage your entire workforce to contribute, to develop and learn, to be innovative, and to embrace change. Senior leaders should be responsible to your organization's governance body for their actions and performance. The governance body should be responsible ultimately to all your stakeholders for the ethics, actions, and performance of your organization and its senior leaders. Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communicating, coaching the workforce, developing future leaders, reviewing organizational performance, and recognizing members of your workforce. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

Customer-Driven Excellence

Performance and quality are judged by an organization's customers. Thus, your organization must take into account all product 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, and loyalty; to positive referrals; and, ultimately, 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 for 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 innovative offerings, combinations of product and service offerings, customization of offerings, multiple access mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. It demands close attention to the voice of the customer. 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 that includes sharing knowledge via systematic processes. Organizational learning includes both continuous improvement of existing approaches and significant change or innovation, leading to new goals and approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source ("root cause"); (4) is focused on building and sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant, meaningful change and to innovate. Sources for learning include employees' and volunteers' ideas, research and development (R&D), customers' input, best-practice sharing, and benchmarking.

Organizational learning can result in (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) developing new and improved processes or business models; (4) reducing errors, defects, waste, and related costs; (5) improving responsiveness and cycle time performance; (6) increasing productivity and effectiveness in the use of all your resources; and (7) enhancing your organization's performance in fulfilling its societal responsibilities and its service to your community.

The success of members of your workforce depends increasingly on having opportunities for personal learning and for practicing new skills. Leaders' success depends on access to these kinds of opportunities, as well. In organizations that rely on volunteers, the volunteers' personal learning also is important, and their learning and skill development should be considered with employees'.

Organizations invest in personal learning through education, training, and other opportunities for continuing growth and development. Such opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost effective way to cross-train and to better link training to your organizational needs and priorities. Education and training programs may have multiple modes, including computer- and Web-based learning and distance learning.

Personal learning can result in (1) a more engaged, satisfied, and versatile workforce that stays with your organization, (2) organizational cross-functional learning, (3) the building of your organization's knowledge assets, and (4) an improved environment for innovation. Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, innovative, and efficient—giving your organization marketplace sustainability and performance advantages and giving your workforce satisfaction and the motivation to excel.

Valuing Workforce Members and Partners

An organization's success depends increasingly on an engaged workforce that benefits from meaningful work, clear organizational direction, and performance accountability and that has a safe, trusting, and cooperative environment. Additionally, the successful organization capitalizes on the diverse backgrounds, knowledge, skills, creativity, and motivation of its workforce and partners.

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

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labor-management cooperation. Partnerships with members of your workforce might entail developmental opportunities, cross-training, or new work organizations, such as high-performance work teams. Internal partnerships also might involve creating network relationships among your work units or between employees and volunteers to improve flexibility, responsiveness, and knowledge sharing.

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

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

Agility

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

A cross-trained and empowered workforce is a vital asset in such a demanding environment. A major success factor in meeting competitive challenges is the design-to-introduction (product or service initiation) or innovation cycle time. To meet the demands of rapidly changing markets, organizations need to carry out stage-to-stage integration (such as concurrent engineering) of activities from research or concept to commercialization or implementation. All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in work systems, organization, quality, cost, 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, workforce, suppliers, partners, and stockholders; the public; and your community.

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

Managing for Innovation

Innovation means making meaningful change to improve an organization's products, services, programs, processes, operations, and business model 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 work systems and work processes. Organizations should be led and managed so that innovation becomes part of the learning culture. Innovation should be integrated into daily work and should be supported by your performance improvement system. Systematic processes for innovation should reach across your entire organization.

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

Management by Fact

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management.

Performance measurement should include customer, product, service, and process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; and governance and compliance outcomes. Data should be segmented by, for example, markets, product lines, and workforce groups to facilitate analysis.

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

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

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 the protection of public health, safety, and the environment. The 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 the 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 role-model organizational citizen also entails influencing other organizations, private and public, to partner for these purposes. Managing social responsibility requires the organization to use appropriate measures and leaders to assume responsibility for those measures.

Focus on Results and Creating Value

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—customers, your workforce, 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—and to strive for performance excellence. The seven Baldrige Criteria Categories, the Core Values, and the Scoring Guidelines form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization-specific synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and builds on key business requirements, including your core competencies, strategic objectives, action plans, and work systems. Alignment means using the key linkages among requirements given in the Baldrige Criteria Categories to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment, so that the individual components of your performance management system operate in a fully interconnected manner and deliver anticipated results.

A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on your results. A systems perspective also includes using your measures, indicators, core competencies, and organizational knowledge to build your key strategies. It means linking these strategies with your work systems and key processes and aligning your resources to improve overall performance and satisfy customers and stakeholders. Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.

2008 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. Workforce 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.

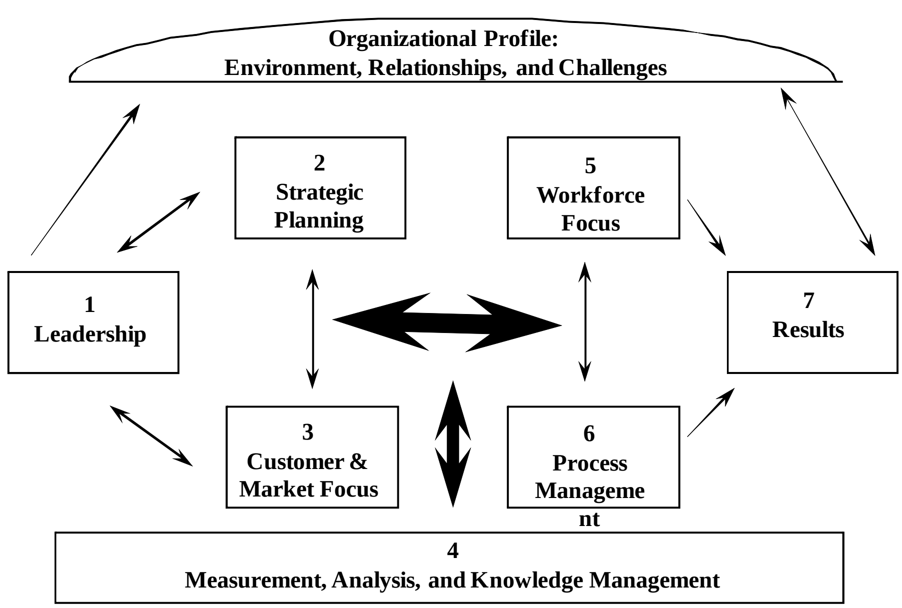
Your environment, key working relationships, and strategic challenges and advantages serve as an overarching guide for your operational performance management system.

Systems 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

Baldrige Criteria Framework



Workforce Focus (Category 5), Process Management (Category 6), and Results (Category 7) represent the results triad. Your organization's workforce 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 workforce, leadership, governance, and social responsibility results. 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 that 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.

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) workforce-focused outcomes
5) process effectiveness outcomes, including key operational performance results
6) leadership outcomes, including governance and social responsibility results

The use of this composite 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 non-prescriptive 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 planning, ethics, quality, 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 non-prescriptive 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. Non-prescriptive 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 the capabilities and responsibilities of your workforce.

3) A focus on common requirements, rather than on common procedures, fosters understanding, communication, sharing, alignment, and integration, while supporting innovation and diversity in approaches.

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

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

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

A systems perspective to goal alignment, particularly 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, learnings, 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 18 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 18 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 above. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies, management systems, and types of organizations.

GLOSSARY OF KEY TERMS

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management. As you may have noted, key terms are presented in SMALL CAPS/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".

Alignment

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

See also the definition of "integration".

Analysis

The term "analysis" refers to an examination of facts and data to provide a basis for effective decisions. Analysis often involves the determination of cause-effect relationships. Overall organizational analysis guides the management of work systems and work processes toward achieving key business results and toward attaining strategic objectives.

Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Effective actions depend on an understanding of relationships, derived from analysis of facts and data.

Anecdotal

The term "anecdotal" refers to process information that lacks specific methods, measures, deployment mechanisms, and evaluation, improvement, and learning factors. Anecdotal information frequently uses examples and describes individual activities rather than systematic processes.

An anecdotal response to how senior leaders deploy performance expectations might describe a specific occasion when a senior leader visited all of the organization's facilities. On the other hand, a systematic process might describe the communication methods used by all senior leaders to deliver performance expectations on a regular basis to all employee locations, the measures used to assess the effectiveness of the methods, and the tools and techniques used to evaluate and improve the communication methods.

See also the definition of "systematic".

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.

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.

Benchmarks

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

Benchmarks are one form of comparative data. Other comparative data organizations might use include industry data collected by a third party (frequently industry averages), data on competitors' performance, and comparisons with similar organizations that are in the same geographic area or that provide similar products and services in other geographic areas.

Capability, Workforce

See "workforce capability."

Capacity, Workforce

See "workforce capacity."

Collaborators

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

See also the definition of "partners".

Core Competencies

The term "core competencies" refers to your organization's areas of greatest expertise. Your organization's core competencies are those strategically important capabilities that provide an advantage in your marketplace or service environment. Core competencies frequently are challenging for competitors or suppliers and partners to imitate, and they provide a sustainable competitive advantage.

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

Customer

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

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

See the definition of "stakeholders" 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.

Diversity

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

The Baldrige Criteria refer to the diversity of your workforce hiring and customer communities. Capitalizing on both provides enhanced opportunities for high performance; customer, workforce, and community satisfaction; and customer and workforce 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 process is aligned with the organization's needs and how well the process is deployed or (2) the evaluation of the outcome of the measure used.

Empowerment

The term "empowerment" refers to giving people the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the "front line," where work-related knowledge and understanding reside.

Empowerment is aimed at enabling people to satisfy customers on first contact, to improve processes and increase productivity, and to improve the organization's performance results. An empowered workforce requires information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

Engagement, Workforce

See "workforce engagement."

Ethical Behavior

The term "ethical behavior" refers to how an organization ensures that all its decisions, actions, and stakeholder interactions conform to the organization's moral and professional principles. These principles should support all applicable laws and regulations and are the foundation for the organization's culture and values. They distinguish "right" from "wrong."

Senior leaders should act as role models for these principles of behavior. The principles apply to all people involved in the organization, from temporary 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 the workforce, shareholders, customers, partners, suppliers, and the organization's local community.

While some organizations may view their ethical principles as boundary conditions restricting behavior, well-designed and clearly articulated ethical principles should empower people to make effective decisions with great confidence.

Goals

The term "goals" refers to a future condition or performance level that one intends to attain. Goals can be both short- and longer-term. Goals are ends that guide actions. Quantitative goals, frequently referred to as "targets," include a numerical point or range. Targets might be projections based on comparative or competitive data. The term "stretch goals" refers to desired major, discontinuous (non-incremental) or "breakthrough" improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including

- clarifying strategic objectives and action plans to indicate how you will measure success
- fostering teamwork by focusing on a common end
- encouraging "out-of-the-box" thinking to achieve a stretch goal
- providing a basis for measuring and accelerating progress

Governance

The term "governance" refers to the system of management and controls exercised in the stewardship of your organization. It includes the responsibilities of your organization's owners/shareholders, board of directors, and senior leaders. Corporate or organizational charters, bylaws, and policies document the rights and responsibilities of each of the parties and describe how your organization will be directed and controlled to ensure (1) accountability to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders.

Governance processes may include the approval of strategic direction, the monitoring and evaluation of the CEO's performance, the establishment of executive compensation and benefits, succession planning, financial auditing, risk management, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

High-Performance Work

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

Approaches to high-performance work vary in form, function, and incentive systems. High-performance work focuses on workforce engagement. It frequently includes cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; the empowerment of your people, including self-directed responsibility; and input to planning. It also may include individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the "front line"; and effective use of performance measures, including comparisons.

Many high-performing organizations use monetary and nonmonetary incentives based on factors such as organizational performance, team and individual contributions, and skill building. Also, high-performance work usually seeks to align the organization's structure, core competencies, work, jobs, workforce development, and incentives.

How

The term "how" refers to the systems and processes that an organization uses to accomplish its mission requirements. In responding to "how" questions in the Process Item requirements, process descriptions should include information such as approach (methods and measures), deployment, learning, and integration factors.

Indicators

See "measures and indicators."

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 or the business model to more effectively accomplish the organization's work.

Integration

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

See also the definition of "alignment".

Integration is one of the dimensions considered in evaluating both Process and Results Items.

Key

The term "key" refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The Baldrige Criteria, for example, refer to key challenges, key plans, key work processes, and key measures—those that are most important to your organization's success. They are the essential elements for pursuing or monitoring a desired outcome.

Knowledge Assets

The term "knowledge assets" refers to the accumulated intellectual resources of your organization. It is the knowledge possessed by your organization and its workforce in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. Your workforce, software, patents, databases, documents, guides, policies and procedures, and technical drawings are repositories of your organization's knowledge assets. Knowledge assets are held not only by an organization but reside within its customers, suppliers, and partners, as well.

Knowledge assets are the "know-how" that your organization has available to use, to invest, and to grow. Building and managing its knowledge assets are key components for your organization to create value for your stakeholders and to help sustain a competitive advantage.

Leadership System

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

An effective leadership system respects the capabilities and requirements of workforce members and other stakeholders,

and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization's vision and values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organizational structure to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback, and improve.

Learning

The term "learning" refers to new knowledge or skills acquired through evaluation, study, experience, and innovation. The Baldrige Criteria include two distinct kinds of learning: organizational and personal. Organizational learning is achieved through research and development, evaluation and improvement cycles, workforce and stakeholder ideas and input, best-practice sharing, and benchmarking. Personal learning is achieved through education, training, and developmental opportunities that further individual growth.

To be effective, learning should be embedded in the way an organization operates. Learning contributes to a competitive advantage and sustainability for the organization and its workforce. For further description of organizational and personal learning.

Learning is one of the dimensions considered in evaluating Process Items.

Levels

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

Measures and Indicators

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

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

Mission

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

Multiple Requirements

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

Overall Requirements

The term "overall requirements" refers to the topics Criteria users need to address when responding to the central theme of an Item. Overall requirements address the most significant features of the Item requirements.

In the Criteria, the overall requirements of each Item are presented in one or more introductory sentences printed in bold.

Partners

The term "partners" refers to those key organizations or individuals 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.

See also the definition of "collaborators".

Performance

The term "performance" refers to outputs 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 the areas of rapid response to emergencies, at-home services, or multilingual services.

"Customer-focused performance" refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors. Examples include customer retention, complaints, and customer survey results.

"Financial and marketplace performance" refers to performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt-to-equity ratio, returns on assets, operating margins, performance to budget, the amount in reserve funds, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

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

Performance Excellence

The term "performance excellence" refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning.

The Baldrige Criteria for Performance Excellence 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 innovation 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, materials, and improvements in a defined series of steps or actions. Processes rarely operate in isolation and must be considered in relation to other processes that impact them. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

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

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

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

Productivity

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

Although the term often is applied to single factors, such as the workforce (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resource 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.

Segment

The term "segment" refers to a part of an organization's overall customer, market, product or service line, or workforce base. Segments typically have common characteristics that can be grouped logically. In Results Items, the term refers to disaggregating results data in a way that allows for meaningful analysis of an organization's performance. It is up to each organization to determine the specific factors that it uses to segment its customers, markets, products, services, and workforce.

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

Senior Leaders

The term "senior leaders" refers to an organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

Stakeholders

The term "stakeholders" refers to all groups that are or might be affected by an organization's actions and success. Examples of key stakeholders might include customers, the workforce, partners, collaborators, governing boards, stockholders, donors, suppliers, taxpayers, regulatory bodies, policy makers, funders, and local and professional communities.

See also the definition of "customer".

Strategic Advantages

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

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

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

Strategic Challenges

The term "strategic challenges" refers to those pressures that exert a decisive influence on an organization's likelihood of future success. These challenges frequently are driven by an organization's future competitive position relative to other providers of similar products 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 definitions of "strategic advantages" and "strategic objectives" for the relationship among strategic challenges, strategic advantages, and the strategic objectives an organization articulates to address its challenges and advantages.

Strategic Objectives

The term "strategic objectives" refers to an organization's articulated aims or responses to address major change or improvement, competitiveness or social issues, and business advantages. Strategic objectives generally are focused both externally and internally and relate to significant customer, market, product, 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" 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.

Sustainability considerations might include workforce capability and capacity, resource availability, technology, knowledge, core competencies, work systems, facilities, and equipment. In addition, sustainability has a component related to preparedness for real-time or short-term emergencies.

Systematic

The term "systematic" refers to approaches that are well-ordered, are repeatable, and use data and information so learning is possible. In other words, approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity.

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 historical (not projected) data points generally is needed to begin to ascertain a trend. More data points are needed to define a statistically valid trend. The time period for a trend is determined by the cycle time of the process being measured. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer time periods before meaningful trends can be determined.

Examples of trends called for by the Criteria include data related to product and service performance, customer and workforce satisfaction and dissatisfaction results, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

Value

The term "value" refers to the perceived worth of a product, 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 your workforce and the community.

Values

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

Vision

The term "vision" refers to the desired future state of your organization. The vision describes where the organization is headed, what it intends to be, or how it wishes to be perceived in the future.

Work Systems

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

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

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

Workforce Capability
The term "workforce capability" refers to your organization's ability to accomplish its work processes through the knowledge, skills, abilities, and competencies of its people.

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

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

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

In general, members of the workforce feel engaged when they find personal meaning and motivation in their work and when they receive positive interpersonal and workplace support.

An engaged workforce benefits from trusting relationships, a safe and cooperative environment, good communication and information flow, empowerment, and performance accountability. Key factors contributing to engagement include training and career development, effective recognition and reward systems, equal opportunity and fair treatment, and family friendliness.

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. It helps the Baldrige Examiners and Judges when reviewing your application to understand what you consider important. It also helps you to guide and prioritize the information you present in response to the Criteria Items in Categories 1–7.

The Organizational Profile provides your organization with critical insight into the key internal and external factors that shape your operating environment. These factors, such as the mission, vision, values, competitive environment, and strategic challenges and advantages, impact the way your organization is run and the decisions you make. As such, the Organizational Profile helps your organization better understand the context in which it operates; the key requirements for current and future business success and organizational sustainability; and the needs, opportunities, and constraints placed on your organization's performance management system.

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

- 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, including your key strategic challenges and advantages. 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, competencies, 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 are, how many you have, and their key characteristics is essential for determining what your competitive advantage is in your industry and marketplace. Leading organizations have an in-depth understanding of their current competitive environment, including 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 by your organization and by your competitors; economic conditions, including fluctuating demand and local and global economic downturns; the cyclical nature of your industry; the introduction of new or substitute products or services; rapid technological changes; or new competitors entering the market. In addition, your organization may face challenges related to the recruitment, hiring, and retention of a qualified workforce.
- A particularly significant challenge, if it occurs to your organization, is being unprepared for a disruptive technology that threatens your competitive position or your marketplace. In the past, such technologies have included personal computers replacing typewriters, cell phones challenging traditional and pay phones, fax machines capturing business from overnight delivery services, and e-mail 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, evaluate, and share their ever-increasing organizational knowledge. Leading organizations already benefit from the knowledge assets of their workforce, customers, suppliers, collaborators, and partners, who together drive organizational learning and improve performance.

Leadership (Category 1)

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 your workforce, develop future leaders, measure organizational performance, and create an environment that encourages ethical behavior and high performance. The Category also includes your organization's governance system and how your organization ensures ethical behavior and practices good citizenship.

1.1 Senior Leadership: How do your senior leaders lead?

Purpose

This Item examines the key aspects of your senior leaders' responsibilities. It examines how your senior leaders set and communicate the organization's vision and values and how they practice these values. It focuses on your senior leaders' actions to create a sustainable, high-performing organization with a business and customer focus.

Comments

- Senior leaders' 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 developing the organization's future leaders and to recognizing and rewarding contributions by members of the workforce. Senior leaders personally participate in the development of future leaders, in succession planning, and in recognition opportunities and events that celebrate the workforce. 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 responsibilities to the public, ensures that everyone in the organization behaves legally and ethically, and practices good citizenship.

Comments

- The organizational governance requirement addresses 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. This body should have independence in review and audit functions, as well as a performance evaluation function that monitors organizational and CEOs' or chief administrators' performance.

- An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) the observance of all legal and regulatory requirements, and (3) risk factors. Ensuring high performance in these areas requires establishing appropriate measures or indicators that senior leaders track in their performance reviews. Your organization should be sensitive to issues of public concern, whether or not these issues currently are embodied in laws and regulations. Role-model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.
- Public concerns that charitable and government organizations should anticipate might include the cost of 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, the replacement of hazardous chemicals with water-based chemicals, energy conservation, the use of cleaner energy sources, or the recycling of by-products or wastes.
- 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 adequate resources are ensured to accomplish the 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. 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 Category highlights the need to place a focus not only on developing your plans but also on your capability to execute them.

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

- Customer-driven 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 and innovation contribute to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability—including speed, responsiveness, and flexibility—represents an investment in strengthening your organizational fitness.
- Organizational and personal learning are necessary strategic considerations in today's fast-paced environment. The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work 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 a skilled workforce, and bridges short- and longer-term requirements that may entail capital expenditures, technology development or acquisition, supplier development, and new partnerships or collaborations; and ensures that deployment will be effective—that there are mechanisms to communicate requirements and achieve alignment on three levels: (1) the organization and executive level, (2) the key work system and work process level, and (3) the work unit and individual job level.

The requirements in the Strategic Planning Category encourage strategic thinking and acting in order to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply the need for formal planning systems and departments or specific planning cycles.* They also do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change or innovation, compete for limited resources. In most cases, setting priorities depends heavily on a cost rationale. However, you also might have critical requirements, such as 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 determines its strategic challenges and advantages and establishes its strategy and strategic objectives to address these challenges and enhance its advantages. The aim is to strengthen your overall performance, competitiveness, and future success.

Comments

- This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions— taking as long-term a view as appropriate and possible from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

- This Item is intended to cover all types of businesses, for-profit and nonprofit organizations, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action but do not imply the need for formal planning departments, specific planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business, it is still necessary to set and to test the objectives that define and guide critical actions and performance.

- This Item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization competes but also how it competes. *How it competes* presents many options and requires that you understand your organization's and your competitors' strengths and weaknesses, including your core competencies. 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 the innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive and collaborative environment.

2.2 Strategy 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 the plans of your work units, suppliers, and partners. Of central importance is how you achieve alignment and consistency—for example, via work systems, work processes, and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical for tracking performance.

- Many types of analyses can be performed to ensure adequate financial resources are available to support accomplishment of your action plans. For current operations, these efforts might include the analysis of cash flows, net income statements, and current liabilities versus current assets. For investments to accomplish action plans, the efforts might include analysis of discounted cash flows, return on investment (ROI), or return on invested capital (ROIC). The specific types of analyses will vary from organization to organization. These analyses should help your organization assess the financial viability of your current operations and the potential viability of and risks associated with your action plan initiatives.

- Action plans should include human resource plans that are aligned with and support your overall strategy.
- Examples of possible human resource plan elements are:
  - a redesign of your work organization and jobs to increase workforce empowerment and decision making;
  - initiatives to promote greater labor-management cooperation, such as union partnerships;
  - consideration of the impacts of outsourcing on your current workforce and initiatives;
  - 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 an educated and skilled workforce, and the establishment of training programs on new technologies important to the future success of your workforce and your organization.
- Projections and comparisons in this Item are intended to improve your organization's ability to understand and track dynamic, competitive performance factors. Projected performance might include changes resulting from new business ventures, entry into new markets, the introduction of new technologies, product or service innovations, or other strategic thrusts. 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.

Customer and Market Focus (Category 3)

Customer and Market Focus addresses how your organization seeks to understand the voice of the customer 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 (e.g., 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 obtain and use customer and market knowledge?

Purpose

This Item examines your organization's voice-of-the customer processes for gaining knowledge about the needs and desires of 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 voice-of-the-customer strategies depends on your organization's key business factors. Increasingly, organizations listen to the voice of the customer via multiple modes. Some frequently used modes include focus groups with key customers; close integration with key customers; interviews with lost and potential customers about their purchasing or relationship decisions; 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 and dissatisfaction, 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 and dissatisfaction, 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.

Measurement, Analysis, and Knowledge Management (Category 4)

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

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

Purpose

This Item examines your organization's selection, 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, review, and improvement 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 the extent and effectiveness of their 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 their use are that (1) your organization needs to know where it stands relative to competitors and to best practices, (2) comparative information and information obtained from benchmarking often provide the impetus for significant ("breakthrough") improvement or change, 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, partnering, and outsourcing.

- Your effective selection and use of comparative data and information require (1) the determination of needs and priorities, (2) criteria for seeking appropriate sources for comparisons—from within and outside your organization's industry and markets, and (3) the use of data and information to set stretch goals and to promote major, non-incremental ("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, core competencies, 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 improvements correlate 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 personal learning, organizational learning, and the value added per employee
    - financial benefits derived from improvements in workforce safety, absenteeism, and turnover
    - benefits and costs associated with education and training, including e-learning and other distance learning opportunities
    - benefits and costs associated with improved organizational knowledge management and sharing
    - the relationship between knowledge management and innovation
    - how the ability to identify and meet workforce capability and capacity needs correlates with retention, motivation, and productivity
    - cost and revenue implications of workforce-related problems and effective problem resolution

- individual or aggregate measures of productivity and quality relative to competitors' performance
- cost trends relative to competitors' trends
- relationships among product 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 workforce performance Improvements
- comparisons among business units showing how quality and operational performance improvement affect financial performance
- contributions of improvement activities to cash flow, working capital use, and shareholder value
- profit impacts of customer retention
- cost and revenue implications of new market entry, including global market expansion
- market share versus profits
- trends in economic, market, and stakeholder indicators of value and the impact of these trends on organizational sustainability

- Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes that close alignment is needed between your analysis and your organizational performance review and between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision making is based on relevant data and information.
- 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 Management of Information, Information Technology, and Knowledge: ***How do you manage your information, information technology, and organizational knowledge?***

Purpose

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

Comments

- Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The continued growth of electronic information within organizations' operations—as part of organizational knowledge networks, 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, partnerships, and supply chains. Your responses to this Item should take into account this use of data and information and should recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.
- Organizations should carefully plan how they will continue to provide an information technology infrastructure, data, and information in the event of either a natural or manmade disaster. These plans should consider the needs of all of the organization's stakeholders, including the workforce, customers, suppliers, partners, and collaborators. The plans also should be coordinated with the organization's overall plan for business continuity (Item 6.1).
- 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.

Workforce Focus (Category 5)

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

To reinforce the basic alignment of workforce 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 Workforce Engagement: ***How do you engage your workforce to achieve organizational and personal success?***

Purpose

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

Comments

- High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, good communication and information flow, alignment with organizational objectives, customer focus, and rapid response to changing business needs and marketplace requirements. The focus of this Item is on a workforce capable of achieving high performance.
- Many studies have shown that high levels of workforce engagement have a significant, positive impact on organizational performance. Research has indicated that engagement is characterized by performing meaningful work; having organizational direction, performance accountability, and an efficient work

environment; and having a safe, trusting, and cooperative environment. In many nonprofit organizations, employees and volunteers are drawn to and derive meaning from their work because the work is aligned with their personal values.

- Factors inhibiting motivation should be understood and addressed by your organization. Further understanding of these factors could be developed through workforce surveys or exit interviews with departing members of your workforce.
- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and to peer evaluations.
- Compensation and recognition approaches also might include profit sharing; rewards for exemplary team or unit performance; and linkage to customer satisfaction and loyalty measures, achievement of organizational strategic objectives, or other key organizational objectives.
- Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure workforce engagement and high performance. Some examples of other factors to consider are effective problem and grievance resolution; development and career opportunities; the work environment and management support; workplace safety and security; the workload; effective communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.
- In addition to direct measures of workforce satisfaction through formal or informal surveys, some other indicators include absenteeism, turnover, grievances, and strikes.
- Depending on the nature of your organization's work, workforce responsibilities, and the stage of organizational and personal development, workforce development needs might vary greatly. These needs might include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; 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 the effectiveness of workforce and leader development and learning systems, measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/benefit analysis.
- 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 knowledge of its people and the organization to ensure that high-performance work is maintained through transitions. Each organization should determine what knowledge is critical for its operations and should then implement systematic processes for sharing this information. This is particularly important for implicit knowledge (i.e., knowledge personally retained by members of the workforce).
- To help people realize their full potential, many organizations use individual development plans prepared with each person that address his or her career and learning objectives.

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

Purpose

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

Comments

- Most organizations, regardless of size, have many opportunities to support their workforce. Some examples of services, facilities, activities, and other opportunities are personal and career counseling, career development and employability services, recreational or cultural activities, formal and informal recognition, non-work-related education, day care, special leave for family responsibilities and community service, flexible work hours and benefits packages, outplacement services, and retiree benefits, including extended health care and ongoing access to services.
- 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 people directly involved in the work, to ensure a safe working environment.

Process Management (Category 6)

Process Management is the focal point within the Criteria for your key work systems and work processes. Built into the Category are the central requirements for identification and management of your core competencies to achieve efficient and effective work 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 performance; cycle time; emergency readiness; 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, or 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 Work Systems Design: How do you design your work systems?

Purpose

This Item examines your organization's core competencies, work systems, and design of work processes, with the aim of creating value for your customers, preparing for potential emergencies, and achieving organizational success and sustainability.

Comments

- This Item calls for information on your key work processes. The information required includes a description of the key work processes and their specific requirements. Increasingly, these requirements might include the need or 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 the cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and the redesign ("re-engineering") of those processes to achieve efficiency, as well as to meet changing customer requirements.
- Your key work processes include those non-product and non-service business processes that are considered important to organizational success and growth by your senior leaders. These processes frequently relate to an organization's core competencies, strategic objectives, and critical success factors. Key business processes might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing, mergers and acquisitions, global expansion, project management, and sales and marketing. For some nonprofit organizations, key business processes might include fundraising, media relations, and public policy advocacy. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.
- Your key work processes include those support processes that support your daily operations and your product 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.

- 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 reevaluate their core competencies. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and, on specific actions, to help them contribute to your organization's improved work systems. Supply chain management might include processes for selecting suppliers, with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.
- Many organizations need to consider requirements for suppliers, partners, and collaborators at the work system and work process design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if some of your organization's products use parts, equipment, and facilities that also 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, as well as communicating with customers, including giving them continuous (24/7) access and automated information transfer from in-service products requiring maintenance in the field.
- 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 all your key work 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 is likely to have a higher need for services than organizations that do not provide an essential function. Nonprofit organizations whose mission is to respond to emergencies will have a high need for service readiness. Your continuity of operations efforts also should be coordinated with your efforts to ensure data and information availability (Item 4.2).

6.2 Work Process Management and Improvement: ***How do you manage and improve your key organizational work processes?***

Purpose

This Item examines the implementation, management, and improvement of your key work processes, with the aim of creating value for your customers and achieving organizational success and sustainability.

Comments

- 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 a complete redesign ("re-engineering") of processes.

Results (Category 7)

The Results Category provides a results focus that encompasses your objective evaluation and your customers' evaluation of your organization's products and services, your overall financial and market performance, your workforce 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, workforce, legal, ethical, and financial indicators; and organizational and personal learning—are maintained. Category 7 thus provides "realtime" 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 and value that lead to customer satisfaction, customer loyalty, and positive referrals.

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 marketplace performance 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 and viability.
- In addition to the measures included in Item 7.3, Note 1, appropriate financial measures and indicators might include revenues, budgets, profits or losses, cash position, net assets, debt leverage, cash-to-cash cycle time, earnings per share, financial operations efficiency (collections, billing, receivables), and financial returns. Marketplace performance measures might include measures of business growth; charitable donations and grants received; new products, programs, or services and markets entered (including Web-based markets and exports); or the percentage of revenues derived from new products, programs, or services.

7.4 Workforce-Focused Outcomes: What are your workforce-focused performance results?

Purpose

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

Comments

- Results measures reported for indicators of workforce engagement and satisfaction might include improvement in local decision making, organizational culture, and workforce or leader development. Input data, such as the extent of training, might be included, but the main emphasis should be on data that show effectiveness or outcomes. For example, an outcome measure might be increased workforce retention resulting from establishing a peer recognition program or the number of promotions that have resulted from the organization's leadership development program.
- Results reported might include generic or organization specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons might be appropriate. Organization-specific factors are those you assess for determining your workforce engagement and climate. These factors might include the extent of training, retraining, or cross-training to meet capability and capacity needs; the extent and success of self-direction; the extent of union-management partnering; or the

extent of volunteer involvement in process and program activities.

7.5 Process Effectiveness Outcomes: What are your process 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 work system and work process effectiveness and 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, including your organization's readiness for emergencies, should be evaluated by measures that are relevant and important to your organization.

- Measures and indicators of process effectiveness and efficiency might include work system performance that demonstrates improved cost savings or higher productivity by using internal and/or external resources; reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators, such as cycle times, production flexibility, lead times, set-up times, and time to market; and improved performance of administrative and other support functions. They also might include business-specific indicators, such as innovation rates and increased use of product and process yields, Six Sigma initiative results, and acceptable product performance at the time of delivery; supply chain indicators, such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; and third-party assessment results, such as ISO 9001 audits.

7.6 Leadership Outcomes: What are your leadership results?

Purpose

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

Comments

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

- 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 of oversight audits by government 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.

The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 18 Criteria Items. For organizations writing an application for the Baldrige Award, responding involves addressing these requirements in 50 or fewer pages.

The guidelines are presented in three parts:
(1) General Guidelines regarding the Criteria booklet, including how the Items are formatted
(2) Guidelines for Responding to Process Items
(3) Guidelines for Responding to Results Items

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 Baldrige Examiners.
You should become thoroughly familiar with the following sections:

- Criteria for Performance Excellence
- Glossary of Key Terms
- Category and Item Descriptions

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 following the Item requirements 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. Each Item is classified as either **Process** or **Results,** depending on the type of information required. Item requirements are presented in question format. Some of the requirements in the Areas to Address include multiple questions. Responses to an Item should contain information that addresses all questions; however, each question need not be answered separately. Responses to multiple questions within a single Area to Address may be grouped, as appropriate to your organization. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

3. Understand the meaning of key terms.

Many of the terms used in the Criteria have meanings that may differ somewhat from standard definitions or definitions used in your organization. Terms printed in SMALL CAPS/SANS SERIF can be found in the Glossary of Key Terms. Understanding these terms can help you accurately communicate your processes and results to those reviewing your responses.

4. 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.

Guidelines for Responding to Process Items

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

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

1. Understand the meaning of "how."

Process Items include questions that begin with the word "how." *Responses should outline your key process information that addresses approach, deployment, learning, and integration.* 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 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 knowledge 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, actions, and

results that generate organizational effectiveness and efficiencies.

- Show focus and consistency. There are four important considerations regarding focus and consistency: (1) the Organizational Profile should make clear what is important; (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) the descriptions of organizational-level analysis and review (Item 4.1) should show how your organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight core competencies and work processes that are key to your overall performance. *Showing focus and consistency in the Process Items and tracking corresponding measures in the Results Items should improve organizational performance.*
- Respond fully to Item requirements. Missing information will be interpreted as a gap in your performance management system. All Areas to Address should be addressed. Individual questions within an Area to Address may be addressed individually or together.

4. Cross-reference when appropriate.

As much as possible, each Item response should be self-contained. However, responses to different Items also should be mutually reinforcing. It is then appropriate to refer to the other responses rather than repeat information. In such cases, key process information should be given in the Item requesting this information. For example, workforce and leader development and learning systems should be described in Item 5.1. Discussions about workforce and leader development and learning elsewhere in your application would then reference but not repeat details given in your Item 5.1 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. 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, Workforce 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
- *trends* to show directions of results, rates of change, and the extent of deployment
- *comparisons* to show how results compare with those of other, appropriately selected organizations
- *integration* to show that all important results are included and segmented (e.g., by important customer, workforce, process, and product line groups).

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

No minimum period of time is specified for trend data. However, a minimum of three historical data points generally is needed to ascertain a trend. Trends might span five or more years for some results. Trends should represent historic and current performance and not rely on projected (future) performance. Time intervals between data points should be meaningful for the specific measure(s) reported. For important results, new data should be included even if trends and comparisons are not yet well established.

4. Use a compact format—graphs and tables.

Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be "normalized" (i.e., presented in a way, such as using ratios, that takes into account size factors). For example, reporting safety trends in terms of lost 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. Incorporate 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 beneficial or adverse change should be explained.*

Use figure numbers that correspond to Items. For example, the third figure for Item 7.1 would be Figure 7.1-3. (See the example in the figure on this page).

The graph shown on this page 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.

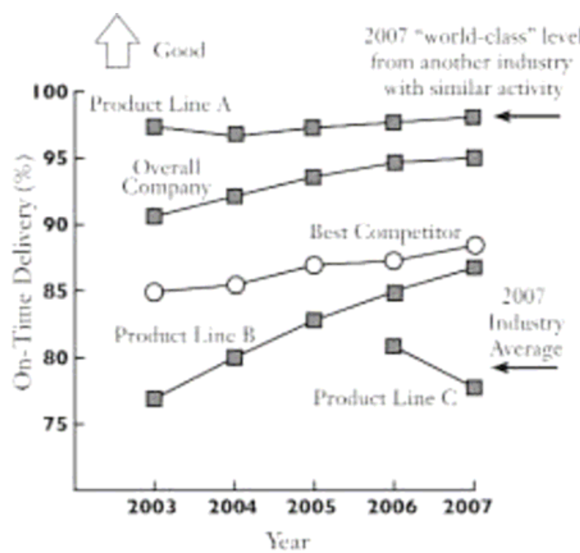
- A figure number is provided for reference to the graph in the text.
- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key customer requirement— on-time delivery.
    - Results are presented for several years.
    - An arrow indicates that an upward trend is good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

lines are separately tracked for on time delivery.

The following comments on the graphed results would be appropriate:

- The current overall organizational performance level is excellent. This conclusion is supported by the comparison with industry competitors and with a "world-class" level.
- The overall organization shows beneficial improvement trends sustained over time.
- 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 briefly explain these problems.)

Figure 7.2-3 On Time Delivery Performance



Format Requirements

Application reports must meet the page limit, typing, and format requirements indicated below:

A. The Organizational Profile for the application report is limited to the equivalent of five (5) single-sided pages. If the Organizational Profile exceeds the five-page limit, the excess pages will be counted as part of the page count for the Responses to the Criteria.

B. In the application report, the Responses addressing the Criteria, Challenge applications are limited to the equivalent of twelve (12) single-sided pages, and Prospector applications are limited to the equivalent of twenty-five (25) single-sided pages, which must include all pictures, graphs, figures, tables, and charts. The responses must contain the same Category numerical designations as the 2007 Criteria.

C. Examiners must base their evaluations solely on information contained within the application report. Please do not add links to information on intranet or Web sites.

D. If the Responses to the Criteria exceed the noted page limits, the applicant's Official Contact Point will be asked to identify which pages will be removed.

E. Paper size: standard 8 1/2 x 11 inches.

F. Font Size:
   - fixed pitch font of 12 or fewer characters per inch OR
   - proportional spacing font of point size 10 or Larger

A typical document produced in Times New Roman 10 point font will satisfy this requirement.

G. Line Spacing: Equivalent of two points of lead between lines.

H. Font Style: Any font style may be used that meets the font size and line spacing requirements, but Helvetica and Times New Roman or equivalent styles are preferred.

I. Type used in picture captions, graphs, figures, and data tables must also meet the requirements for font size and line spacing. If the table or graph is reduced from its original size for inclusion, applicants must use larger type sizes in preparing the original so that the reduced material in the application report meets the font size requirements.

J. Format
   1. The number of lines per page must not exceed 60, including the page headings. A blank line separating paragraphs is counted as a line.
   2. Margins of at least 3/4 inch on the side of the page that is bound or fastened and at least ½ inch on the opposite side of the page are preferred.
   3. Pages set up in a two-column format are preferred. Pages may be printed on both sides.
   4. Text pages should have portrait orientation. Graphs, figures, and data tables may have either portrait or landscape orientation.

INTENT TO APPLY FORM

The following organization intends to submit an application for the California Awards for Performance Excellence™ Program.

INFORMATION:

Organization:			
Contact Name:			
Title:			
Address:			
City:			
State:		Zip code:	
Phone:		Fax:	
Email address:			

Application Level (Please Check One):

	Challenge
	Prospector
	Eureka
	U.S. Senate Productivity Award (manufacturing companies only)

Application Category (please check one):

	Large Service (over 200 employees)
	Small Service (under 200 employees)
	Large Manufacturing (over 200 employees)
	Small Manufacturing (under 200 employees)
	Education
	Health Care
	Government
	Military
	Non-Profit

California Council for Excellence
1235 PO Box, Poway, CA 92074
Phone: 858-486-0400
Fax: 858-486-8595
e-mail: cce@calexcellence.org Home Page: www.calexcellence.org

CAPE Award Application Form

1.

Applicant Name

Address

City State Zip

2. APPLICATION CATEGORY

(Check one)

- ☐ Large Manufacturing (over 200 employees)
- ☐ Small Manufacturing (under 200 employees)
- ☐ Large Service (over 200 employees)
- ☐ Small Service (under 200 employees)
- ☐ Non-Profit
- ☐ Education
- ☐ Government
- ☐ Military
- ☐ Healthcare

3. CRITERIA BEING USED

- ☐ Challenge
- ☐ Prospector

4. HIGHEST RANKING OFFICIAL

Name of your highest ranking official:

Title

Address

City State Zip

Telephone Fax

Email

5. OFFICIAL POINT OF CONTACT

Name

Title

Address

City State Zip

Telephone Fax

Email

6. AWARD APPLICATION COPIES

Please submit five (5) copies of your Challenge or Prospector award application and one (1) copy on a CD-R (not CD-RW).

7. ETHICS STATEMENT AND SIGNATURE OF THE AUTHORIZING OFFICAL

I state and attest that to the best of my knowledge, no untrue statement of a material fact is contained in this Application Package, and no omission of a material fact that I am legally permitted to disclose and that affects my organization's ethical and legal practices has been made. This includes but is not limited to sanctions and breaches.

I understand that I must notify CAPE if our status changes in any of these areas during the next 12 months; and, that we may be asked to revalidate this Ethics Statement during the 12 months."

I understand that CAPE Examiners are authorized to use cell phones, and cordless phones to discuss your application. Examiners are also allowed to transfer information via e-mail, fax, and hard mail while following stringent confidentiality procedures.

X ______________________

Highest Ranking Official

Date

Please send application copies to:

California Council for Excellence
PO Box 1235
Poway, CA 92074

For Express or Overnight Packages:
13604 Midland Road
Poway, CA 92064

Note: This form must be copied and included as part of your application. Please place this page immediately after your application cover page. Thank You. Questions? Call CCE at 858.486.0400.

2008 CAPE AWARD APPLICATION FEES & PAYMENT

Confidential Information
Please do not include this form in your application in order to ensure the payment information is not disseminated to Examiners. You may include this form with payment in the same package with your bound application reports, or you may fax or email to CCE. Please contact CCE at (858) 486-0400, for any questions.

Payment Amount:

☐ $1,595: Challenge
☐ $ 750: Challenge / Education K-12
☐ $1,895: Prospector
☐ $1,695: Prospector / Education K-12

Please indicate which method of payment will be provided:

☐ Check (enclosed)
☐ Wire Transfer
☐ American Express
☐ Money Order
☐ Visa
☐ MasterCard

Check or Money Order:
Please make your check or money order payable to the California Council for Excellence.

Note: Please contact CCE before sending wire transfer: (858) 486-0400.

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Credit Card Number

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Expiration Date

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Today's Date

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Billing Address for Credit Card

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Authorized Signature

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For Express or Overnight Packages:
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Poway, CA 92064

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Fax: (858) 486-8595 **Email: cce@calexcellence.org**

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