

# What are the Baldrige Criteria And Why Should I Care?

Excellent companies that sustain high performance aren't doing so by accident. They strive for excellence in all areas of their business. The Malcolm Baldrige Criteria for Performance Excellence is a framework that many companies are using to strive for excellence in these seven areas:

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

## How the Criteria Came into Existence

The United States Congress adopted the criteria and award program by in 1988. Congress named the award in honor of Malcolm Baldrige, a former Secretary of Commerce who died in a rodeo accident around the time the legislation was in passage. The award criteria have become the nation's premier award for business performance excellence and quality achievement. Two and a half million copies of the criteria are requested every year, even though only 76 companies have earned the national award during the period 1988 to 2007 because it is so stringent. Forty-three states and dozens of other countries have patterned award programs after the Baldrige using the same criteria. Eleven countries have patterned their national award programs after the Baldrige program.

The award is not easy to achieve for several reasons. The criteria focus on *ever improving* value to customers resulting in marketplace success and improvement of overall organizational effectiveness and capabilities. Each of the seven criteria above has a point value ranging from 85 to 450 with a total of 1,000 points possible. Generally, companies that earn the national award have scored 550 or more points. Business Results is weighted heaviest with 450 points, so you can see an organization cannot "fake it"! They must demonstrate beneficial improvement trends over several years with favorable comparisons to other excellent companies.

## Why Use the Baldrige Framework?

Organizations benefit from earning a prestigious award like this because it helps with marketing, sales and attracting high-caliber employees. Even more important than impressing customers and employees, organizations use the criteria because it improves their business. Here are some bold facts that might cause you to include Baldrige award winning companies in your stock portfolio:

- Baldrige winning publicly held companies outperformed the Standard & Poor stock index by 4.5 to 1 over a 10-year period.
- Applicants who did not earn the award but were good enough to receive a site visit by an examiner team outperformed the S&P by 2.8 to 1 over 10 years.

Professors from William and Mary College and the Georgia Institute of Technology studied 600 quality award winners for five years and found they had achieved: 44% higher stock price return, 48% higher growth in operating income, and 37% higher growth in sales compared to a control group.

Some well-known companies of the 76 that have earned the national Baldrige Award include:

- 3M Dental Products Division
- AT&T Universal Card Services, Consumer Communications Services, and Network Systems Groups (3 awards)
- Boeing (2 awards)
- Cadillac Motor Car Corporation
- Federal Express Corporation
- Granite Rock
- GTE Directories
- IBM
- Merrill Lynch Credit Corporation
- Motorola, Inc.
- Solar Turbines
- Solectron (two time winner)
- Texas Instruments
- The Ritz Carlton Hotel Company (two time winner)
- Westinghouse Electric Corporation Commercial Nuclear Fuel Division
- Xerox Corporation and Xerox Business Services

Many lesser-known organizations have earned the award too, ranging in size from thirty employees in an Alaska school district to hundreds of thousands employees.

### **It Started with Core Values**

The Association for Productivity and Quality, American Society for Quality, The U. S. Department of Commerce, and several large corporations conceived of the award

program in 1988 after studying the best run companies in the world. They discovered these common values in the companies, which are now the core values of the Baldrige Criteria:

1. Visionary leadership
2. Customer driven excellence
3. Organizational and personal learning
4. Valuing employees and partners
5. Agility
6. Focus on the future
7. Managing for innovation
8. Management by fact
9. Public responsibility and citizenship
10. Focus on results and value
11. Systems perspective

### **How to Evaluate an Organization using the Baldrige Criteria**

Evaluating an organization's performance on the Baldrige criteria uses these five aspects, which focus on good process management as the path to achieving good results.

Approach – the *methods or processes* used in the organization, their appropriateness to external and internal customer requirements, the effectiveness of those approaches, and the alignment of approaches with organizational purpose and strategic goals.

Deployment – the *extent* to which the approaches are applied in all work units systematically and over time. When an organization adopts an approach or process, full deployment is needed in every appropriate department in order for the intended impact to occur. When a team of Baldrige examiners visits an applicant for the award, they ask employees at all levels about the organization's mission, vision and values, key approaches serving customers,

and key internal processes to check for deployment.

When The Ritz Carlton Company first won the Baldrige award in 1992, it became noted for the excellent deployment of its commitment to customer satisfaction. Every employee to whom the examiner team spoke knew the company's credo, "Ladies and gentlemen serving ladies and gentlemen" and could say exactly how their job role contributed to customer satisfaction – even the people washing dishes in the kitchen and maids cleaning rooms.

Learning – refining your process through cycles of *evaluation* and improvement, *sharing* of refinements and innovation within your organization.

Integration – how well your approach is *aligned* with your organizational needs, the *complementary* nature of measures, information and improvement systems across processes and work units, and *harmonization* across processes and work units to support organization-wide goals.

Results – the *outcomes* in achieving the organization's purposes relative to past performance, relative to competitors and other relevant benchmarks, and the rate of improvement. Applicants must show data on their performance over time in financial and market effectiveness, human resource focus, customer focus, operational effectiveness and efficiency, and achievement of strategic objectives. In addition to showing trend data, companies must show comparisons to external organizations so that it's clear how good they are relative to appropriate benchmarks.

An organization prepares a 50 page application citing their approaches in categories 1 through 6 and their results in

category 7. Several trained examiners independently review and score the application. Then, they reach consensus on a score in each category. Finally, they visit the applicant to verify and clarify the information presented in the application. If warranted, the company earns an award. (Most do not!)

To achieve high scores, organizations must show appropriate approaches (processes) that are well-deployed with systematic evaluation and improvement activities, and measurable, ever-improving results.

### What each Category is About

The Baldrige criteria do not prescribe what an organization should do. Instead, the organization must determine customer needs and requirements and appropriate strategies and action plans.

1. Leadership. How the senior leaders guide and sustain the organization; organizational governance; ethical, legal, and community responsibilities.
2. Strategic Planning. How the organization develops strategic objectives and action plans; how they are deployed and changed if circumstances require; how progress is measured.
3. Customer and Market Focus. How the organization determines requirements, needs, expectations and preferences of customers and markets. How relationships are built with customers; determination of factors that lead to customer acquisition, satisfaction, loyalty, and retention, and to business expansion and sustainability.

4. Measurement, Analysis, & Knowledge Management. How the organization selects, gathers, analyzes, and manages and improves its, data, information, and knowledge assets. How it manages information technology, how organization reviews are conducted and used to improve overall performance.
5. Workforce Focus. How the organization engages, manages, and develops the workforce to utilize its full potential in alignment with the overall mission, strategy, and action plans; the organization's ability to assess workforce capability and capacity needs and build a workforce environment conducive to high performance.
6. Process Management. How the organization determines its core competencies and work systems; how it designs, manages and improves its key processes for implementing those work systems to deliver customer value and achieve success and sustainability; readiness for emergencies.
7. Business Results. The 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.

#### **How to Learn More**

You can download the Baldrige Criteria at [www.quality.nist.gov](http://www.quality.nist.gov). Select the Business, Healthcare, or Education Criteria. You can begin your journey to excellence by applying for your state's award program. Visit the Alliance for Performance Excellence webpage to learn about your state and local programs at: <http://www.baldrigepe.org/alliance>.

For assistance getting started through an assessment or workshop, contact Leading Excellence. We're here to guide you and make the Criteria easily understood.

Leading Excellence President, Karen Trisko, has served as a National Award Program senior examiner (2001, 2003, 2004 and 2005), National examiner (2000), Chair of California's Baldrige Award program, judge, senior examiner, examiner, and trainer consistently over the past 16 years. She has used the Criteria to improve organizations where formerly and currently employed, written applications for awards, led internal performance improvement initiatives, and guided many organizations to better results.