

# Criteria for Performance Excellence

2013-2014



organizational profile  
leadership  
strategic planning  
customer focus  
measurement, analysis, and  
knowledge management  
workforce focus  
operations focus  
results

manufacturing  
service  
small business  
nonprofit



# Baldrige Performance Excellence Program

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To order copies of this publication or obtain other Baldrige Program products and services, contact

## Baldrige Performance Excellence Program

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

Telephone: (301) 975-2036

Fax: (301) 948-3716

E-mail: [baldrige@nist.gov](mailto:baldrige@nist.gov)

Web: <http://www.nist.gov/baldrige>

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# Contents

## **ii About the Criteria for Performance Excellence**

The Baldrige Criteria empower your organization to reach your goals, improve results, and become more competitive by aligning your plans, processes, decisions, people, actions, and results.

## **iv How to Use This Booklet**

You can use the material in this booklet as a reference, for self-assessment, or as the basis of an award assessment. Your experience with the Criteria will help you decide where to begin.

## **1 Criteria for Performance Excellence Framework and Structure**

The Criteria requirements are embodied in seven integrated, interconnected categories. The categories are subdivided into items and areas to address.

## **3 Criteria for Performance Excellence Items and Point Values**

## **4 Criteria for Performance Excellence**

4 Preface: Organizational Profile

7 1 Leadership

10 2 Strategic Planning

13 3 Customer Focus

16 4 Measurement, Analysis, and Knowledge Management

18 5 Workforce Focus

22 6 Operations Focus

24 7 Results

## **28 Scoring System**

Responses to Criteria items are scored on two evaluation dimensions: process and results.

32 Process Scoring Guidelines

33 Results Scoring Guidelines

## **34 How to Respond to the Criteria**

These guidelines explain how to respond most effectively to the Criteria item requirements.

## **37 Core Values and Concepts**

The core values and concepts are a set of embedded beliefs and behaviors found in high-performing organizations.

## **42 Changes from the 2011–2012 Criteria**

## **44 Glossary of Key Terms**

The glossary includes definitions of terms presented in SMALL CAPS in the Criteria and scoring guidelines.

## **52 Index of Key Terms**

## **On the Web**

**Category and Item Commentary** ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm))

This commentary on the Criteria provides additional examples and guidance.



# About the Criteria for Performance Excellence

*Is your organization doing as well as it could? How do you know? What and how should your organization improve or change?*

## In Your Organization

The Baldrige Criteria for Performance Excellence empower your organization—no matter the size or industry—to reach your goals, improve results, and become more competitive by aligning your plans, processes, decisions, people, actions, and results. Using the Criteria gives you a holistic assessment of where your organization is and where it needs to be. The Criteria give you the tools you need to examine all parts of your management system and improve processes and results while keeping the whole organization in mind.

The Criteria are a set of questions about seven critical aspects of managing and performing as an organization:

1. Leadership
2. Strategic planning
3. Customer focus
4. Measurement, analysis, and knowledge management
5. Workforce focus
6. Operations focus
7. Results

These questions work together as a unique, integrated performance management framework. Answering the questions helps you align your resources; identify strengths and opportunities for improvement; improve communication, productivity, and effectiveness; and achieve your strategic goals. As a result, you progress toward performance excellence:

- You deliver ever-improving value to your customers and stakeholders, which contributes to organizational sustainability.
- You improve your organization's overall effectiveness and capability.
- Your organization improves and learns.
- Your workforce members learn and grow.

## Nationwide

The Baldrige Criteria play three roles in strengthening U.S. competitiveness:

- They help improve organizational performance practices, capabilities, and results.
- They facilitate communication and sharing of best practices among U.S. organizations.
- They serve as a working tool for understanding and managing organizational performance, for guiding your strategic plan, and for providing opportunities to learn.



*My recommendation: implement the Baldrige-based Criteria into your business.  
No other single document can help build a long-term successful organization.*

*—Jerry R. Rose, Corporate Vice President, Cargill, Inc.*

## Globally

About 100 performance or business excellence programs exist around the globe; most use the Baldrige Criteria or criteria similar to Baldrige as their performance excellence models. The Baldrige Program is a member of the Global Excellence Model (GEM) Council (<http://www.efqm.org/en/tabid/209/default.aspx>), made up of the chief executives of national excellence models and award programs from around the world.

## The Criteria focus on results.

The Criteria focus on your results in the key areas of products and processes, customers, workforce, leadership and governance, and finance and markets. This composite of measures ensures that your strategies are balanced—that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.

## The Criteria are nonprescriptive and adaptable.

The Criteria do not prescribe how you should structure your organization. They do not say that your organization should or should not have departments for planning, ethics, quality, or other functions. They do not tell you to manage different units in your organization in the same way, and they let you choose the most suitable tools (e.g., Lean, Six Sigma, ISO 9000, a balanced scorecard) for facilitating your improvements.

The Criteria are nonprescriptive for these reasons:

**They focus on common needs rather than on common procedures.** This focus fosters understanding, communication, sharing, alignment, and integration while supporting innovative and diverse approaches.

**They focus on results, not procedures, tools, or organizational structure.** The Criteria encourage you to respond with creative, adaptive, and flexible approaches, fostering incremental and major (breakthrough) improvement through innovation. The tools, techniques, systems, and organizational structure you select usually depend on factors such as your organization's type and size, relationships, and stage of development, as well as the capabilities and responsibilities of your workforce and supply chain. These factors differ among organizations, and they are likely to change as your needs and strategies evolve.

## The Criteria support a systems perspective to align goals across your organization.

The Criteria build alignment across your organization by making connections between and reinforcing measures derived from your organization's processes and strategy. These measures tie directly to customer and stakeholder value and to overall performance. When you use these measures, you channel different activities in consistent directions with less need for detailed procedures, centralized decision making, or overly complex process management. Measures are therefore both a communication tool and a way to deploy consistent performance requirements. The resulting alignment ensures consistency of purpose across your organization while supporting agility, innovation, and decentralized decision making.

The systems perspective is embedded in the integrated structure of the Baldrige core values and concepts (page 37); the Organizational Profile (page 4); the Criteria (page 7); the scoring guidelines (pages 32–33); and the results-oriented, cause-effect, cross-process linkages among the Criteria items. This systems perspective requires dynamic linkages among Criteria items, particularly as your strategy and goals change over time. When you use the Criteria, feedback between your processes and your results leads to action-oriented cycles of improvement with four stages:

1. Designing and selecting effective processes, methods, and measures (approach)
2. Executing on your approach with consistency (deployment)
3. Assessing your progress and capturing new knowledge, including seeking opportunities for innovation (learning)
4. Revising your plans based on assessment findings and organizational performance, harmonizing processes and work-unit operations, and selecting better process and results measures (integration)



## The Criteria support goal-based diagnosis.

The Criteria items and the scoring guidelines make up a two-part diagnostic (assessment) system. When you assess your organization with the Criteria, you create a profile of strengths and opportunities for improvement based on your responses to 17 performance-oriented requirements (the Criteria items) on a continuum of process and performance maturity (the scoring guidelines).

In this way, assessing your organization with the Criteria leads to actions that improve performance in all areas. This useful management tool goes beyond most performance reviews and applies to a wide range of strategies, management systems, and types of organizations.

See “How to Use This Booklet” to learn more about how the Criteria help you guide your organization, improve performance, and achieve sustainable results. In addition, by taking the Baldrige journey, you become part of a national effort to improve America’s performance and its competitive standing in the world.

The Baldrige Criteria are here for you—and so is an incredible opportunity. Why not take advantage of that opportunity? Your employees, customers, board members, and other stakeholders—and the nation—will be better off.



## How to Use This Booklet

*Whether your organization is large or small or is in the manufacturing, service, or nonprofit sector, you can use the Baldrige Criteria for Performance Excellence for improvement. Your experience with the Criteria will help you decide where to begin.*

If your organization is in the education or health care sector, you should use the Education Criteria for Performance Excellence or the Health Care Criteria for Performance Excellence, respectively.

See <http://www.nist.gov/baldrige/publications/criteria.cfm> to obtain a copy.

## If you are just learning about the Criteria . . .

**Scan the questions in the Organizational Profile** (page 4), and see if you can answer them. Discussing the answers to these questions might be your first Baldrige self-assessment.

**Study the 11 Criteria core values and concepts** (page 37). They are a set of beliefs and behaviors that are embedded in the Baldrige Criteria and are found in high-performing organizations. Consider how your organization measures up in relation to the core values. Are there any improvements you should be making?

**Answer the questions in the titles of the 17 Criteria items** to reach a basic understanding of the Criteria and your organization’s performance.

**Look at the Criteria category titles, item titles, and area-to-address headings to see a simple outline of a holistic performance management system.** See if you are considering all of these dimensions in establishing your leadership system and measuring performance. If you need more explanation, read the questions that follow the headings.

**Use the Criteria and their supporting material as a general resource on organizational performance improvement.** Use the content in this booklet and online ([http://nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)) as a source of ideas about improving your organization. The material may help you think in a different way or give you a fresh frame of reference.

**Attend the Quest for Excellence® or a Baldrige regional conference.** These events highlight the role-model approaches of Baldrige Award recipients, which have used the Criteria to improve performance, innovate, and achieve world-class results. Workshops on Baldrige self-assessment are often offered in conjunction with these conferences.

**Consider becoming a Baldrige examiner.** Examiners receive valuable training and gain experience in understanding and applying the Criteria that they can use within their own organizations. See the Alliance for Performance Excellence (<http://www.baldrigepe.org/alliance>) for contact information for your state, local, or sector-specific program and “Become an Examiner” (<http://www.nist.gov/baldrige/examiners>) for information on the Malcolm Baldrige National Quality Award Board of Examiners.

## If you are ready to assess your organization with a Baldrige-based approach . . .

**Learn what your employees and senior leaders think.** Try *Are We Making Progress?* (<http://www.nist.gov/baldrige/publications/progress.cfm>) and *Are We Making Progress as Leaders?* ([http://www.nist.gov/baldrige/publications/progress\\_leaders.cfm](http://www.nist.gov/baldrige/publications/progress_leaders.cfm)). Organized by the seven Baldrige Criteria categories, these questionnaires help you check your progress on organizational goals and improve communication among your workforce members and leadership team.

**Identify gaps in your understanding of your organization** and compare your organization with others with *easyInsight: Take a First Step toward a Baldrige Self-Assessment* ([http://www.nist.gov/baldrige/publications/easy\\_insight.cfm](http://www.nist.gov/baldrige/publications/easy_insight.cfm)). This assessment is based on the Organizational Profile.

**Complete the Organizational Profile** (page 4). Have the members of your leadership team answer the questions. If you identify topics for which you have conflicting, little, or no information, you can use these topics for action planning. For many organizations, this approach serves as a first Baldrige self-assessment.

**Use the full set of Criteria questions as a personal guide to everything that is important in leading your organization.** You may discover blind spots that you have not considered or areas where you should place additional emphasis.

**Review the scoring guidelines** (pages 32–33). They help you assess your organizational maturity, especially when used in conjunction with “Steps toward Mature Processes” (page 30) and “From Fighting Fires to Innovation: An Analogy for Learning” (page 29).

**Do a self-assessment of one Criteria category in which you know you need improvement.** Answer the individual questions in the category yourself or with leadership team colleagues, referring to the item notes and the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)) to guide your thoughts. Then assess your strengths and opportunities for improvement, and develop action plans. Remember to build on your strengths as well as tackle your improvement opportunities. Be aware, though, that this kind of assessment does not reveal key linkages between your chosen category and the other Criteria items, and you may lose the systems perspective embodied in the seven integrated Criteria categories.

**Have your leadership team assess your organization.** At a retreat, have your leadership team develop responses to the seven Criteria categories, and record the responses. Then assess your strengths and opportunities for improvement, and develop action plans.

**Conduct a full Baldrige self-assessment.** Have your organization develop responses to the individual questions in the seven Criteria categories.

1. Identify the scope of the assessment: will it cover the entire organization, a subunit, a division, or a department?
2. Select seven champions, one for each Criteria category, to lead a team in preparing responses to the questions in the category. Have the champions write your Organizational Profile.
3. Form category teams. Have the members collect data and information to answer the questions in their respective categories, referring to the notes after each item and the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)) as guides.

4. Have the teams share their answers to the Criteria questions and identify common themes and missing linkages.
5. Have each category team create and communicate an action plan for improvement based on their answers (perhaps using the Self-Analysis Worksheet, [http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).
6. Have the seven champions and other senior leaders build an overall action plan based on overall organizational priorities.
7. Evaluate the self-assessment process, and identify possible improvements. Involve senior leaders, champions, and teams. The teams will need to collaborate to address questions that link the categories to each other.

**Contact your state, local, or sector-specific Baldrige-based award program** (see the Alliance for Performance Excellence, <http://www.baldrigepe.org/alliance>). Many programs provide networking opportunities, training, and self-assessment services in addition to an award program.

**Contact a Baldrige Award recipient.** Organizations that receive the Baldrige Award serve as performance improvement advocates, share their strategies, and serve as role models. Many undertake ongoing self-assessments of their organizations and can share their experiences with you. See <http://www.nist.gov/baldrige> for a list of award recipients and their contact information.

## If you are ready to apply for a Baldrige-based award . . .

**Apply to your state, local, or sector-specific Baldrige-based award program** (see the Alliance for Performance Excellence, <http://www.baldrigepe.org/alliance>). Even if you do not receive an award, submitting an application is an opportunity to have a team of experts examine your organization objectively and identify strengths and opportunities to improve. Use the feedback report you receive as a way to prioritize opportunities for building on strengths and addressing improvement needs. Use the feedback in your strategic planning process.

**Apply for the Malcolm Baldrige National Quality Award.** Once you receive the top-level award from an Alliance program (or meet alternate eligibility requirements), apply for the highest level of national recognition for performance excellence that a U.S. organization can receive: the Malcolm Baldrige National Quality Award.

Award applicants say that the Baldrige evaluation process is one of the best, most cost-effective, most comprehensive performance assessments you can find. They find high value in the process whether they receive the Baldrige Award or not. See <http://www.nist.gov/baldrige/enter/apply.cfm> for a description of the process for and benefits of applying for the Baldrige Award. In the Baldrige process, everyone is a learner.





# Criteria for Performance Excellence Framework and Structure

## Criteria for Performance Excellence Framework: A Systems Perspective

The **performance system** consists of the six categories in the center of the figure. These categories define your processes and the results you achieve.

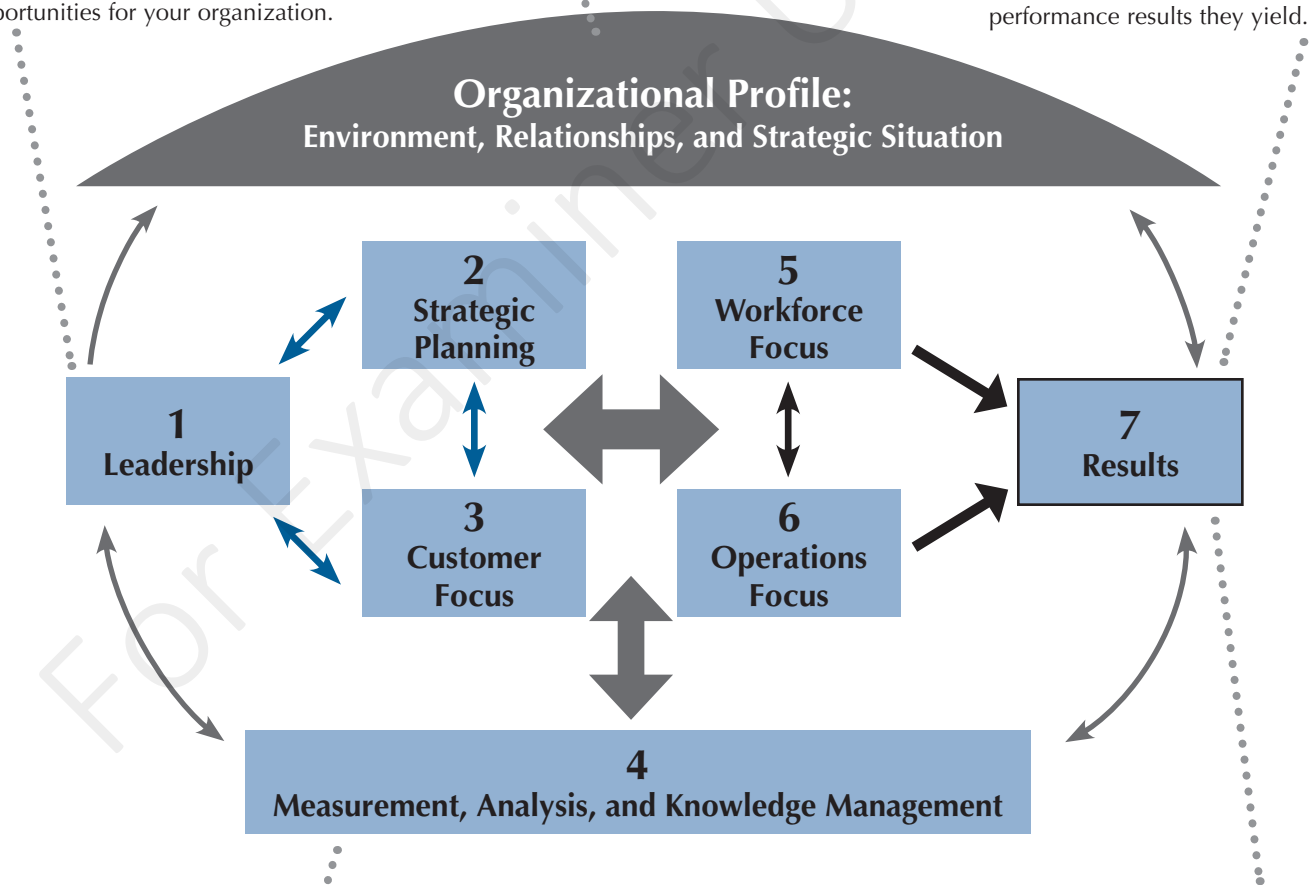
The **center horizontal arrow** shows the critical linkage between the leadership triad (categories 1, 2, and 3) and the results triad (categories 5, 6, and 7) and the central relationship between the Leadership and Results categories.

The **two-headed arrows** show the importance of feedback in an effective performance management system.

The **leadership triad** (**Leadership, Strategic Planning, and Customer Focus**) emphasizes the importance of a leadership focus on strategy and customers. Leaders set the direction and seek future opportunities for your organization.

The **Organizational Profile** sets the context for the way your organization operates. It serves as an overarching guide for your performance management system.

The **results triad** (**Workforce Focus, Operations Focus, and Results**) includes your workforce-focused processes, your key operational processes, and the performance results they yield.



The **system foundation** (**Measurement, Analysis, and Knowledge Management**) is critical to effective management and to a fact-based, knowledge-driven system for improving performance and competitiveness.

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

# Criteria for Performance Excellence Structure

The seven Baldrige Criteria for Performance Excellence categories are subdivided into items and areas to address.

## Items

There are 17 Criteria items (plus 2 in the Organizational Profile), each with a particular focus. These items are divided into three groups according to the kinds of information they ask for:

- The Preface (Organizational Profile) asks you to define your organizational environment.
- Process items (categories 1–6) ask you to define your organization's processes.
- Results items (category 7) ask you to report results for your organization's processes.

See page 3 for a list of item titles and point values.

## Item Notes

Item notes serve three purposes: (1) to clarify terms or requirements, (2) to give instructions and examples for responding, and (3) to indicate key linkages to other items. Item notes in italics pertain specifically to nonprofit organizations.

## Areas to Address

Each item includes one or more areas to address (labeled *a*, *b*, *c*, and so on).

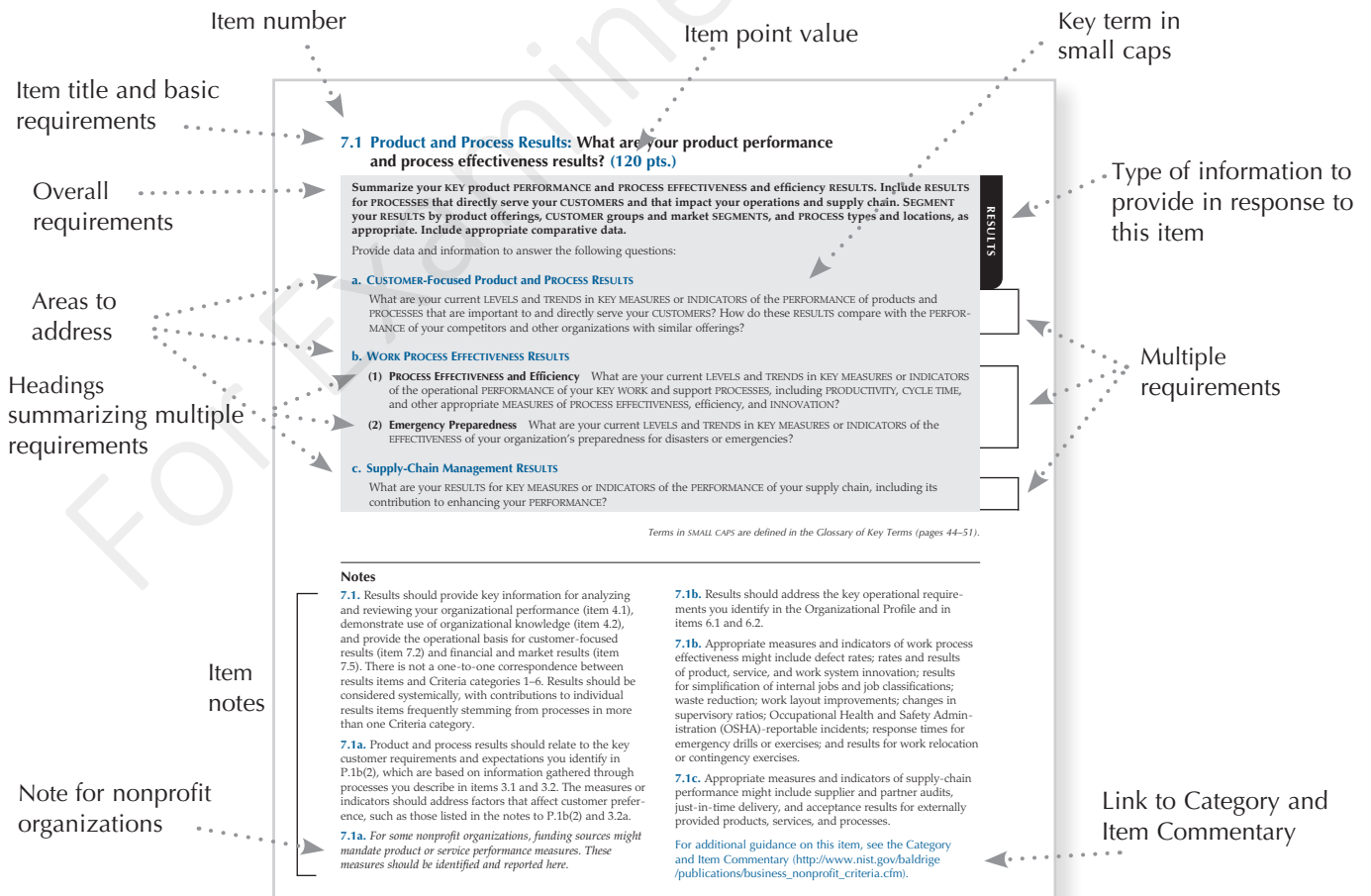
## Requirements

Item requirements are expressed as questions or statements in three levels:

- *Basic requirements* are expressed in the title question (e.g., "How do you obtain information from your customers?").
- *Overall requirements* are the topics in the first paragraph of the shaded box (e.g., "Describe how you listen to your customers and gain information on their satisfaction, dissatisfaction, and engagement.")
- *Multiple requirements* are the individual questions within each area to address.

## Key Terms

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).





# Criteria for Performance Excellence Items and Point Values

See pages 28–33 for the scoring system used with the Criteria items in a Baldrige assessment.

## **P** Preface: Organizational Profile

- P.1 Organizational Description
- P.2 Organizational Situation

## Categories and Items

## Point Values

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



# Criteria for Performance Excellence

## Begin with the Organizational Profile

The Organizational Profile is the most appropriate starting point for self-assessment and for writing an application. It is critically important for the following reasons:

- It helps you identify gaps in key information and focus on key performance requirements and results.
- You can use it as an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, use these topics for action planning.
- It sets the context for your responses to the Criteria requirements in categories 1–7.

## P Preface: Organizational Profile

The **Organizational Profile** is a snapshot of your organization, the KEY influences on HOW it operates, and the KEY challenges it faces.

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

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

In your response, answer the following questions:

#### a. Organizational Environment

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

#### b. Organizational Relationships

- (1) **Organizational Structure** What are your organizational structure and GOVERNANCE system? What are the reporting relationships among your GOVERNANCE board, SENIOR LEADERS, and parent organization, as appropriate?
- (2) **CUSTOMERS and STAKEHOLDERS** What are your KEY market SEGMENTS, CUSTOMER groups, and STAKEHOLDER groups, as appropriate? What are their KEY requirements and expectations of your products, CUSTOMER support services, and operations? What are the differences in these requirements and expectations among market SEGMENTS, CUSTOMER groups, and STAKEHOLDER groups?
- (3) **Suppliers and PARTNERS** What are your KEY types of suppliers, PARTNERS, and COLLABORATORS? What role do they play in your WORK SYSTEMS, especially in producing and delivering your KEY products and CUSTOMER support services? What role do they play in enhancing your competitiveness? What are your KEY mechanisms for communicating with suppliers, PARTNERS, and COLLABORATORS? What role, if any, do these organizations play in contributing and implementing INNOVATIONS in your organization? What are your KEY supply-chain requirements?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

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## Notes

**P.** Your responses to the Organizational Profile questions are very important. They set the context for understanding your organization and how it operates. Your responses to all other questions in the Baldrige Criteria should relate to the organizational context you describe in this Profile. Your responses to the Organizational Profile questions thus allow you to tailor your responses to all other questions to your organization's uniqueness.

**P.1a(1).** "Product offerings" and "products" are the goods and services you offer in the marketplace. Mechanisms for delivering products to your end-use customers might be direct or might be indirect, through dealers, distributors, collaborators, or channel partners. *Nonprofit organizations might refer to their product offerings as programs, projects, or services.*

**P.1a(2).** "Core competencies" are your organization's areas of greatest expertise. They are those strategically important capabilities that are central to fulfilling your mission or provide an advantage in your marketplace or service environment. Core competencies are frequently challenging for competitors or suppliers and partners to imitate and frequently preserve your competitive advantage.

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

**P.1a(3).** Organizations that also rely on volunteers to accomplish their work should include volunteers as part of their workforce.

**P.1a(5).** Industry standards might include industrywide codes of conduct and policy guidance. *In the Criteria, "industry" refers to the sector in which you operate. For nonprofit organizations, this sector might be charitable organizations, professional associations and societies, religious organizations, or government entities—or a subsector of one of these.* Depending on the regions in which you operate,

environmental regulations might include greenhouse gas emissions, carbon regulations and trading, and energy efficiency.

**P.1b(1).** *For some nonprofit organizations, governance and reporting relationships might include relationships with major funding sources, such as granting agencies or foundations.*

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

**P.1b(2).** Customer groups might be based on common expectations, behaviors, preferences, or profiles. Within a group, there may be customer segments based on differences and commonalities. You might subdivide your market into market segments based on product lines or features, distribution channels, business volume, geography, or other factors that you use to define a market segment.

**P.1b(2).** The requirements of your customer groups and market segments might include on-time delivery, low defect levels, safety, security, ongoing price reductions, leveraging of technology, rapid response, after-sales service, and multilingual services. The requirements of your stakeholder groups might include socially responsible behavior and community service. *For some nonprofit organizations, these requirements might also include administrative cost reductions, at-home services, and rapid response to emergencies.*

**P.1b(3).** Communication mechanisms should be two-way and use understandable language, and they might involve in-person contact, e-mail, the World Wide Web, or the telephone. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).



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

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

In your response, include answers to the following questions:

### a. Competitive Environment

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

### b. Strategic Context

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

### c. PERFORMANCE Improvement System

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

**P.2a.** Like for-profit businesses, nonprofit organizations are frequently in a highly competitive environment. Nonprofit organizations must often compete with other organizations and alternative sources of similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.

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

**P.2b.** Throughout the Criteria, "business" refers to a nonprofit organization's main mission area or enterprise activity.

**P.2c.** The Baldrige Scoring System (page 28) uses performance improvement through learning and integration as a dimension in assessing the maturity of organizational approaches and their deployment. This question is intended to set an overall context for your approach to performance improvement. The approach you use should be related to your organization's needs. Approaches that are compatible with the overarching systems approach provided by the Baldrige framework might include implementing a Lean Enterprise System, applying Six Sigma methodology, using Plan-Do-Check-Act (PDCA) methodology, using standards from the International Organization for Standardization (ISO; e.g., 9000 or 14000), using decision science, or employing other improvement tools.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

# 1 Leadership (120 pts.)

The **Leadership** category asks HOW SENIOR LEADERS' personal actions guide and sustain your organization. It also asks about your organization's GOVERNANCE system; HOW your organization fulfills its legal, ethical, and societal responsibilities; and HOW it supports its KEY communities.

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

**Describe HOW SENIOR LEADERS' personal actions guide and sustain your organization. Describe HOW SENIOR LEADERS create an environment for CUSTOMER ENGAGEMENT, INNOVATION, and HIGH PERFORMANCE. Describe HOW SENIOR LEADERS communicate with your WORKFORCE and KEY CUSTOMERS.**

In your response, include answers to the following questions:

### a. VISION, VALUES, and MISSION

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

### b. Communication and Organizational PERFORMANCE

- (1) **Communication** HOW do SENIOR LEADERS communicate with and engage the entire WORKFORCE and KEY CUSTOMERS? HOW do they encourage frank, two-way communication, including EFFECTIVE use of social media? HOW do they communicate KEY decisions? HOW do they take an active role in motivating the WORKFORCE, including participation in reward and recognition programs, to reinforce HIGH PERFORMANCE and a CUSTOMER and business focus?
- (2) **Focus on Action** HOW do SENIOR LEADERS create a focus on action that will achieve the organization's objectives, improve its PERFORMANCE, enable INNOVATION and INTELLIGENT RISK taking, and attain its VISION? HOW do SENIOR LEADERS identify needed actions? In setting expectations for organizational PERFORMANCE, HOW do SENIOR LEADERS include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

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

**1.1a(1).** Your organization's vision should set the context for the strategic objectives and action plans you describe in items 2.1 and 2.2.

**1.1a(3).** A sustainable organization is capable of addressing current business needs and, through agility and strategic management, is capable of preparing successfully for its future business, market, and operating environment. Both

external and internal factors should be considered. In the context of sustainability, the concept of innovation and taking intelligent risks includes both technological and organizational innovation to help the organization succeed in the future. A sustainable organization also ensures a safe and secure environment for its workforce and other key stakeholders. A sustainable organization is capable of addressing risks and opportunities arising from environmental considerations and climate change.

**1.1a(3).** Contributions to the sustainability of environmental, social, and economic systems beyond those of the workforce and immediate stakeholders are considered as part of an organization's societal responsibilities (item 1.2).

**1.1b(1).** Use of social media may include delivering periodic messages through internal and external Web sites, tweets, blogging, and customer and workforce electronic forums, as well as monitoring external Web sites and blogs and responding, when appropriate.

**1.1b(1).** *Nonprofit organizations that rely on volunteers to accomplish their work should also discuss efforts to communicate with and engage the volunteer workforce.*

**1.1b(2).** Senior leaders' focus on action considers your strategy, workforce, work systems, and assets. It includes taking intelligent risks and implementing innovations and ongoing improvements in productivity that may be achieved by eliminating waste or reducing cycle time; it might use techniques such as PDCA, Six Sigma, and Lean. It also includes the actions needed to achieve your strategic objectives (see 2.2a[1]).

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

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

Describe your organization's **APPROACH** to responsible **GOVERNANCE** and leadership improvement. Describe **HOW** you ensure legal and **ETHICAL BEHAVIOR**, fulfill your societal responsibilities, and support your **KEY communities**.

In your response, include answers to the following questions:

### a. Organizational **GOVERNANCE**

- (1) GOVERNANCE System** HOW does your organization review and achieve the following **KEY** aspects of its **GOVERNANCE** system?
  - Accountability for the management's actions
  - Fiscal accountability
  - Transparency in operations, selection of **GOVERNANCE** board members, and disclosure policies for those members, as appropriate
  - Independence and **EFFECTIVENESS** of internal and external audits
  - Protection of **STAKEHOLDER** and stockholder interests, as appropriate
  - Succession planning for **SENIOR LEADERS**
- (2) PERFORMANCE Evaluation** HOW do you evaluate the **PERFORMANCE** of your **SENIOR LEADERS**, including the chief executive? HOW do you use these **PERFORMANCE** evaluations in determining executive compensation? HOW do you evaluate your **GOVERNANCE** board members' **PERFORMANCE**, as appropriate? HOW do your **SENIOR LEADERS** and **GOVERNANCE** board use these **PERFORMANCE** evaluations to advance their development and improve both their own **EFFECTIVENESS** as leaders and that of your board and **LEADERSHIP SYSTEM**, as appropriate?

### b. Legal and **ETHICAL BEHAVIOR**

- (1) Legal and Regulatory Behavior** HOW do you address any adverse impacts of your products and operations on society? HOW do you anticipate public concerns with your current and future products and operations? HOW do you prepare for these impacts and concerns proactively, including through conservation of natural resources and **EFFECTIVE** supply-chain management **PROCESSES**, as appropriate? What are your **KEY** compliance **PROCESSES**, **MEASURES**, and **GOALS** for meeting and surpassing regulatory and legal requirements, as appropriate? What are your **KEY** **PROCESSES**, **MEASURES**, and **GOALS** for addressing risks associated with your products and operations?
- (2) ETHICAL BEHAVIOR** HOW do you promote and ensure **ETHICAL BEHAVIOR** in all interactions? What are your **KEY** **PROCESSES** and **MEASURES** or **INDICATORS** for enabling and monitoring **ETHICAL BEHAVIOR** in your **GOVERNANCE** structure, throughout your organization, and in interactions with your **WORKFORCE**, **CUSTOMERS**, **PARTNERS**, suppliers, and other **STAKEHOLDERS**? HOW do you monitor and respond to breaches of **ETHICAL BEHAVIOR**?

### c. Societal Responsibilities and Support of **KEY Communities**

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

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## Notes

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

**1.2.** The health and safety of your workforce are not addressed in this item; you should address these workforce factors in items 5.1 and 6.2.

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

**1.2a(2).** The evaluation of leaders’ performance might be supported by peer reviews, formal performance management reviews, and formal or informal feedback from and surveys of the workforce and other stakeholders. For some privately held businesses and nonprofit and government organizations, external advisory boards might evaluate the performance of senior leaders and the governance board.

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

**1.2b(2).** Measures or indicators of ethical behavior might include the percentage of independent board members, measures of relationships with stockholder and non-stockholder constituencies, instances of ethical conduct or compliance breaches and responses to them, survey results showing workforce perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. They might also include evidence that policies, workforce training, and monitoring systems for conflicts of interest and proper use of funds are in place.

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

**1.2c.** *Some charitable organizations may contribute to society and support their key communities totally through mission-related activities. In such cases, it is appropriate to respond with any “extra efforts” through which you support these communities.*

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 2 Strategic Planning (85 pts.)

The **Strategic Planning** category asks HOW your organization develops STRATEGIC OBJECTIVES and ACTION PLANS, implements them, changes them if circumstances require, and measures progress.

### 2.1 Strategy Development: How do you develop your strategy? (45 pts.)

Describe HOW your organization establishes a strategy to address its STRATEGIC CHALLENGES and leverage its STRATEGIC ADVANTAGES and STRATEGIC OPPORTUNITIES. Describe HOW your organization makes KEY WORK SYSTEM decisions. Summarize your organization's KEY WORK SYSTEMS and its KEY STRATEGIC OBJECTIVES and their related GOALS.

In your response, include answers to the following questions:

#### a. Strategy Development PROCESS

- (1) **Strategic Planning PROCESS** HOW do you conduct your strategic planning? What are the KEY PROCESS steps? Who are the KEY participants? What are your short- and longer-term planning horizons? HOW does your strategic planning PROCESS address these planning horizons? HOW does your strategic planning PROCESS address the need for organizational agility and operational flexibility?
- (2) **INNOVATION** HOW do you create an environment that supports INNOVATION? HOW do you identify STRATEGIC OPPORTUNITIES? HOW do you decide which STRATEGIC OPPORTUNITIES are INTELLIGENT RISKS for pursuing? What are your KEY STRATEGIC OPPORTUNITIES?
- (3) **Strategy Considerations** HOW do you collect and analyze relevant data and develop information on these KEY elements as part of your strategic planning PROCESS?
  - Your STRATEGIC CHALLENGES and STRATEGIC ADVANTAGES
  - Risks to your organization's SUSTAINABILITY
  - Potential blind spots in your strategic planning PROCESS and information
  - Your ability to execute the strategic plan
- (4) **WORK SYSTEMS and CORE COMPETENCIES** What are your KEY WORK SYSTEMS? HOW do you make WORK SYSTEM decisions? HOW do you decide which KEY PROCESSES will be accomplished by external suppliers and PARTNERS? HOW do those decisions consider your CORE COMPETENCIES and the CORE COMPETENCIES of potential suppliers and PARTNERS? HOW do you determine future organizational CORE COMPETENCIES?

#### b. STRATEGIC OBJECTIVES

- (1) **KEY STRATEGIC OBJECTIVES** What are your organization's KEY STRATEGIC OBJECTIVES and your timetable for achieving them? What are your most important GOALS for these STRATEGIC OBJECTIVES? What KEY changes, if any, are planned in your products, your CUSTOMERS and markets, your suppliers and PARTNERS, and your operations?
- (2) **STRATEGIC OBJECTIVE Considerations** HOW do your STRATEGIC OBJECTIVES
  - address your STRATEGIC CHALLENGES and leverage your CORE COMPETENCIES, STRATEGIC ADVANTAGES, and STRATEGIC OPPORTUNITIES;
  - balance the short- and longer-term time horizons; and
  - consider and balance the needs of all KEY STAKEHOLDERS?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*



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## Notes

**2.1.** This item deals with your overall organizational strategy, which might include changes in product offerings and customer engagement processes. However, you should describe the product design and customer engagement strategies in items 3.2 and 6.1, as appropriate.

**2.1.** “Strategy development” refers to your organization’s approach to preparing for the future. In developing your strategy, you might use various types of forecasts, projections, options, scenarios, knowledge (see 4.2a for relevant organizational knowledge), analyses, or other approaches to envisioning the future in order to make decisions and allocate resources. Strategy development might involve key suppliers, distributors, partners, and customers. *For some nonprofit organizations, strategy development might involve organizations providing similar services or drawing from the same donor population or volunteer workforce.*

**2.1.** The term “strategy” should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products; redefinition of key customer groups or market segments; new core competencies; revenue growth via various approaches, including acquisitions, grants, and endowments; divestitures; new partnerships and alliances; and new employee or volunteer relationships. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers’ or partners’ markets, a low-cost producer, a market innovator, or a provider of a high-end or customized product or service. It might also be directed toward meeting a community or public need.

**2.1a(2).** Strategic opportunities arise from outside-the-box thinking, brainstorming, capitalizing on serendipity, research and innovation processes, nonlinear extrapolation of current conditions, and other approaches to imagining a different future. The generation of ideas that lead to strategic opportunities benefits from an environment that encourages nondirected, free thought. Choosing which strategic opportunities to pursue involves considering relative risk, financial and otherwise, and then making intelligent choices (“intelligent risks”).

**2.1a(3).** Data and information might relate to customer and market requirements, expectations, and opportunities; your core competencies; the competitive environment and your performance now and in the future relative to competitors and comparable organizations; your product life cycle;

technological and other key innovations or changes that might affect your products and services and the way you operate, as well as the rate of innovation; workforce and other resource needs; your ability to capitalize on diversity; opportunities to redirect resources to higher-priority products, services, or areas; financial, societal, ethical, regulatory, technological, security, and other potential risks and opportunities; your ability to prevent and respond to emergencies, including natural or other disasters; changes in the local, national, or global economy; requirements for and strengths and weaknesses of your partners and supply chain; changes in your parent organization; and other factors unique to your organization.

**2.1a(3).** Your strategic planning should address your ability to mobilize the necessary resources and knowledge to execute the strategic plan. It should also address your ability to execute contingency plans or, if circumstances require, a shift in plans and rapid execution of new or changed plans.

**2.1a(4).** Decisions about work systems are strategic. These decisions involve protecting intellectual property and capitalizing on core competencies. Decisions about your work systems affect organizational design and structure, size, locations, profitability, and sustainability. In the most basic view of an organization, for example, the organization might define three generic work systems: one that addresses production of the product or service, one that engages the customer, and one that comprises systems that support production and customer engagement.

**2.1b(1).** Strategic objectives might address rapid response, customization, co-location with major customers or partners, workforce capability and capacity, specific joint ventures, virtual manufacturing, rapid or market-changing innovation, ISO quality or environmental systems registration, societal responsibility actions or leadership, social media and Web-based supplier and customer relationship management, and product and service quality enhancements. Responses should focus on your specific challenges, advantages, and opportunities—those most important to your ongoing success and to strengthening your overall performance.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 2.2 Strategy Implementation: How do you implement your strategy? (40 pts.)

Describe HOW you convert your STRATEGIC OBJECTIVES into ACTION PLANS. Summarize your ACTION PLANS, HOW you DEPLOY them, and your KEY MEASURES or INDICATORS of progress. Project your future PERFORMANCE on these MEASURES or INDICATORS relative to KEY comparisons.

In your response, include answers to the following questions:

### a. ACTION PLAN Development and DEPLOYMENT

- (1) **ACTION PLAN Development** HOW do you develop your ACTION PLANS? What are your KEY short- and longer-term ACTION PLANS, and what is their relationship to your STRATEGIC OBJECTIVES?
- (2) **ACTION PLAN Implementation** HOW do you DEPLOY your ACTION PLANS throughout the organization to your WORKFORCE and to KEY suppliers and PARTNERS, as appropriate, to ensure that you achieve your KEY STRATEGIC OBJECTIVES? HOW do you ensure that you can sustain the KEY outcomes of your ACTION PLANS?
- (3) **Resource Allocation** HOW do you ensure that financial and other resources are available to support the achievement of your ACTION PLANS while you meet current obligations? HOW do you allocate these resources to support the plans? HOW do you manage the financial and other risks associated with the plans to ensure your financial viability?
- (4) **WORKFORCE Plans** What are your KEY WORKFORCE plans to support your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS? HOW do the plans address potential impacts on your WORKFORCE members and any potential changes in WORKFORCE CAPABILITY and CAPACITY needs?
- (5) **PERFORMANCE MEASURES** What KEY PERFORMANCE MEASURES or INDICATORS do you use to track the achievement and EFFECTIVENESS of your ACTION PLANS? HOW do you ensure that your overall ACTION PLAN measurement system reinforces organizational ALIGNMENT?
- (6) **ACTION PLAN Modification** HOW do you establish and implement modified ACTION PLANS if circumstances require a shift in plans and rapid execution of new plans?

### b. PERFORMANCE PROJECTIONS

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

**2.2.** The development and deployment of your strategy and action plans are closely linked to other Criteria items. The following are examples of key linkages:

- Item 1.1: how your senior leaders set and communicate organizational direction
- Category 3: how you gather customer and market knowledge as input to your strategy and action plans and to use in deploying action plans
- Category 4: how you measure and analyze data and manage knowledge to support key information needs, support the development of strategy, provide an effective basis for performance measurements, and track progress on achieving strategic objectives and action plans
- Category 5: how you meet workforce capability and capacity needs, determine needs and design your workforce development and learning system, and

implement workforce-related changes resulting from action plans

- Category 6: how you address changes to your work processes resulting from action plans
- Item 7.1: specific accomplishments relative to your organizational strategy and action plans

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

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

### 3 Customer Focus (85 pts.)

The **CUSTOMER Focus** category asks HOW your organization engages its CUSTOMERS for long-term marketplace success, including HOW your organization listens to the VOICE OF THE CUSTOMER, builds CUSTOMER relationships, and uses CUSTOMER information to improve and to identify opportunities for INNOVATION.

#### 3.1 Voice of the Customer: How do you obtain information from your customers? (40 pts.)

Describe HOW you listen to your CUSTOMERS and gain information on their satisfaction, dissatisfaction, and ENGAGEMENT.

In your response, include answers to the following questions:

##### a. CUSTOMER Listening

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

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

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

#### Notes

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

**3.1.** For additional considerations on the products and business of nonprofit organizations, see the notes to P.1a(1) and P.2b.

**3.1a(1).** Social media and Web-based technologies are a growing mode of gaining insight into how customers perceive all aspects of your involvement with them. Use of social media may include monitoring comments on blogs you moderate and in social media outlets you do not control, such as wikis, online forums, and other blogs.

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

**3.1b.** You might use any or all of the following to determine customer satisfaction and dissatisfaction: surveys, formal and informal feedback, customer account histories, complaints, field reports, win/loss analysis, customer referral

rates, and transaction completion rates. You might gather information on the Web, through personal contact or a third party, or by mail. Determining customer dissatisfaction should be seen as more than reviewing low customer satisfaction scores. Dissatisfaction should be independently determined to identify root causes and enable a systematic remedy to avoid future dissatisfaction.

**3.1b(2).** Determining relative customer satisfaction may involve comparisons with competitors, comparisons with

other organizations that deliver similar products in a non-competitive marketplace, or comparisons obtained through trade or other organizations. Determining relative customer satisfaction may also involve determining why customers chose your competitors over you.

For additional guidance on this item, see the [Category and Item Commentary \(http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm\)](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm).

### 3.2 Customer Engagement: How do you serve customers' needs to engage them and build relationships? (45 pts.)

**Describe HOW you determine product offerings and communication mechanisms to support your CUSTOMERS. Describe HOW you build CUSTOMER relationships.**

In your response, include answers to the following questions:

#### a. Product Offerings and CUSTOMER Support

- (1) **Product Offerings** HOW do you determine CUSTOMER and market requirements for product offerings and services? HOW do you identify and adapt product offerings to meet the requirements and exceed the expectations of your CUSTOMER groups and market SEGMENTS (identified in the Organizational Profile)? HOW do you identify and adapt product offerings to enter new markets, to attract new CUSTOMERS, and to create opportunities to expand relationships with current CUSTOMERS, as appropriate?
- (2) **CUSTOMER Support** HOW do you enable CUSTOMERS to seek information and support? HOW do you enable them to conduct business with you and give feedback on your products and CUSTOMER support? What are your KEY means of CUSTOMER support, including your KEY communication mechanisms? HOW do they vary for different CUSTOMERS, CUSTOMER groups, or market SEGMENTS? HOW do you determine your CUSTOMERS' KEY support requirements? HOW do you ensure that these requirements are DEPLOYED to all people and PROCESSES involved in CUSTOMER support?
- (3) **CUSTOMER Segmentation** HOW do you use information on CUSTOMERS, markets, and product offerings to identify current and anticipate future CUSTOMER groups and market SEGMENTS? HOW do you consider competitors' CUSTOMERS and other potential CUSTOMERS and markets in this segmentation? HOW do you determine which CUSTOMERS, CUSTOMER groups, and market SEGMENTS to emphasize and pursue for business growth?

#### b. Building CUSTOMER Relationships

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

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## Notes

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

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

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

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

**3.2b.** Building customer relationships might include developing partnerships or alliances with customers.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).



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

The **Measurement, ANALYSIS, and Knowledge Management** category asks HOW your organization selects, gathers, analyzes, manages, and improves its data, information, and KNOWLEDGE ASSETS; HOW it learns; and HOW it manages information technology. The category also asks HOW your organization uses review findings to improve its PERFORMANCE.

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

Describe HOW you measure, analyze, review, and improve organizational PERFORMANCE by using data and information at all levels and in all parts of your organization. Describe HOW your organization uses comparative and CUSTOMER data to support decision making.

In your response, include answers to the following questions:

#### a. PERFORMANCE Measurement

- (1) **PERFORMANCE MEASURES** HOW do you select, collect, align, and integrate data and information to use in tracking daily operations and overall organizational PERFORMANCE, including progress on achieving STRATEGIC OBJECTIVES and ACTION PLANS? What are your KEY organizational PERFORMANCE MEASURES, including KEY short-term and longer-term financial MEASURES? How frequently do you track these MEASURES? HOW do you use these data and information to support organizational decision making, continuous improvement, and INNOVATION?
- (2) **Comparative Data** HOW do you select and ensure the EFFECTIVE use of KEY comparative data and information to support operational and strategic decision making and INNOVATION?
- (3) **CUSTOMER Data** HOW do you select and ensure the EFFECTIVE use of VOICE-OF-THE-CUSTOMER and market data and information (including aggregated data on complaints) to build a more CUSTOMER-focused culture and to support operational and strategic decision making and INNOVATION? HOW do you use data and information gathered through social media, as appropriate?
- (4) **Measurement Agility** HOW do you ensure that your PERFORMANCE measurement system can respond to rapid or unexpected organizational or external changes?

#### b. PERFORMANCE ANALYSIS and Review

HOW do you review organizational PERFORMANCE and capabilities? HOW do you use your KEY organizational PERFORMANCE MEASURES in these reviews? What ANALYSES do you perform to support these reviews and ensure that conclusions are valid? HOW do your organization and its SENIOR LEADERS use these reviews to assess organizational success, competitive PERFORMANCE, financial health, and progress on achieving your STRATEGIC OBJECTIVES and ACTION PLANS? HOW do your organization and its SENIOR LEADERS use these reviews to assess your ability to respond rapidly to changing organizational needs and challenges in your operating environment? HOW does your GOVERNANCE board review the organization's PERFORMANCE and its progress on STRATEGIC OBJECTIVES and ACTION PLANS, if appropriate?

#### c. PERFORMANCE Improvement

- (1) **Best Practices** HOW do you identify organizational units or operations that are HIGH PERFORMING? HOW do you identify their best practices for sharing?
- (2) **Future PERFORMANCE** HOW do you use PERFORMANCE review findings (addressed in 4.1b) and KEY comparative and competitive data in projecting future PERFORMANCE? HOW do you reconcile any differences between these PROJECTIONS of future PERFORMANCE and PERFORMANCE PROJECTIONS developed for your KEY ACTION PLANS (addressed in 2.2b)?
- (3) **Continuous Improvement and INNOVATION** HOW do you use PERFORMANCE review findings (addressed in 4.1b) to develop priorities for continuous improvement and opportunities for INNOVATION? HOW do you DEPLOY these priorities and opportunities to work group and functional-level operations throughout your organization? When appropriate, HOW do you DEPLOY the priorities and opportunities to your suppliers, PARTNERS, and COLLABORATORS to ensure organizational ALIGNMENT?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

**4.1.** The results of organizational performance analysis and review should inform the strategic planning you describe in category 2.

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

**4.1a.** Data and information from performance measurement should be used to support fact-based decisions that set and align organizational directions and resource use at the work unit, key process, department, and organization levels.

**4.1a(2).** Comparative data and information are obtained by benchmarking and by seeking competitive comparisons. Benchmarking is identifying processes and results that represent best practices and performance for similar activities, inside or outside your industry. Competitive comparisons relate your performance to that of competitors and other organizations providing similar products and services. One source of this information might be social media or the Web.

**4.1b.** Organizational performance reviews should be informed by organizational performance measurement and

by performance measures reported throughout your Criteria item responses, and they should be guided by the strategic objectives and action plans you identify in items 2.1 and 2.2. The reviews might also be informed by internal or external Baldrige assessments.

**4.1b.** Performance analysis includes examining performance trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations. This analysis should support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, such analysis draws on all types of data: product performance, customer-related, financial and market, operational, and competitive. The analysis should also draw on publicly mandated measures, when appropriate.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

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

Describe HOW your organization manages and grows its KNOWLEDGE ASSETS and learns. Describe HOW you ensure the quality and availability of the data, information, software, and hardware needed by your WORKFORCE, suppliers, PARTNERS, COLLABORATORS, and CUSTOMERS.

In your response, include answers to the following questions:

### a. Organizational Knowledge

(1) **Knowledge Management** HOW do you

- collect and transfer WORKFORCE knowledge;
- transfer relevant knowledge from and to CUSTOMERS, suppliers, PARTNERS, and COLLABORATORS;
- share and implement best practices; and
- assemble and transfer relevant knowledge for use in your INNOVATION and strategic planning PROCESSES?

(2) **Organizational LEARNING** HOW do you use your knowledge and resources to embed LEARNING in the way your organization operates?

### b. Data, Information, and Information Technology

(1) **Data and Information Properties** HOW do you manage your organizational data and information to ensure their accuracy, their integrity and reliability, their timeliness, and their security and confidentiality?

(2) **Data and Information Availability** HOW do you make needed data and information available in a user-friendly format to your WORKFORCE, suppliers, PARTNERS, COLLABORATORS, and CUSTOMERS, as appropriate?

(3) **Hardware and Software Properties** HOW do you ensure that hardware and software are reliable, secure, and user-friendly?

(4) **Emergency Availability** In the event of an emergency, HOW do you ensure that hardware and software systems and data and information continue to be available to EFFECTIVELY serve CUSTOMERS and business needs?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Note

**4.2b(2).** Access to data and information might be via electronic or other means.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 5 Workforce Focus (85 pts.)

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

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

**Describe HOW you manage WORKFORCE CAPABILITY and CAPACITY to accomplish your organization's work. Describe HOW you maintain a supportive and secure work climate.**

In your response, include answers to the following questions:

#### a. WORKFORCE CAPABILITY and CAPACITY

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

#### b. WORKFORCE Climate

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

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## Notes

**5.1.** “Workforce” refers to the people actively involved in accomplishing your organization’s work. It includes permanent, temporary, and part-time personnel, as well as any contract employees you supervise. It includes team leaders, supervisors, and managers at all levels. People supervised by a contractor should be addressed in categories 2 and 6 as part of your larger work system strategy and your internal work processes. For organizations that also rely on volunteers, “workforce” includes these volunteers.

**5.1a.** “Workforce capability” refers to your organization’s ability to carry out its work processes through its people’s knowledge, skills, abilities, and competencies. Capability may include the ability to build and sustain relationships with customers; innovate and transition to new technologies; develop new products, services, and work processes; and meet changing business, market, and regulatory demands.

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

**5.1a.** Your assessment of workforce capability and capacity needs should consider not only current needs but also future requirements based on the strategic objectives and action plans you identify in category 2.

**5.1a(2).** This requirement refers only to new workforce members. The retention of existing workforce members is considered in item 5.2, Workforce Engagement.

**5.1a(4).** Preparing your workforce for changing capability and capacity needs might include training, education, frequent communication, consideration of workforce employment and employability, career counseling, and outplacement and other services.

**5.1b(1).** Workplace accessibility maximizes productivity by eliminating barriers that can prevent people with disabilities from working to their potential. A fully inclusive workplace is physically, technologically, and attitudinally accessible.

For additional guidance on this item, see the [Category and Item Commentary](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm) ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

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

Describe HOW you develop WORKFORCE members, managers, and leaders to achieve HIGH PERFORMANCE, including HOW you engage them in improvement and INNOVATION.

In your response, include answers to the following questions:

### a. WORKFORCE PERFORMANCE

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

### b. Assessment of WORKFORCE ENGAGEMENT

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

### c. WORKFORCE and Leader Development

- (1) **LEARNING and Development System** HOW does your LEARNING and development system support the organization's needs and the personal development of your WORKFORCE members, managers, and leaders? HOW does the system
  - address your organization's CORE COMPETENCIES, STRATEGIC CHALLENGES, and achievement of its short-term and long-term ACTION PLANS;
  - support organizational PERFORMANCE improvement and INNOVATION;
  - support ethics and ethical business practices;
  - improve CUSTOMER focus;
  - ensure the transfer of knowledge from departing or retiring WORKFORCE members; and
  - ensure the reinforcement of new knowledge and skills on the job?
- (2) **EFFECTIVENESS of LEARNING and Development** HOW do you evaluate the EFFECTIVENESS and efficiency of your LEARNING and development system?
- (3) **Career Progression** HOW do you manage EFFECTIVE career progression for your WORKFORCE members? HOW do you carry out EFFECTIVE succession planning for management and leadership positions?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*



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## Notes

**5.2.** “Elements that affect workforce engagement” refer to the drivers of workforce members’ commitment, both emotional and intellectual, to accomplishing the organization’s work, mission, and vision.

**5.2a(2), 5.2a(3).** Understanding the characteristics of high-performance work environments, in which people do their utmost for their customers’ benefit and the organization’s success, is key to understanding and building an engaged workforce. These characteristics are described in detail in the definition of high-performance work (page 46).

**5.2a(3).** Compensation, recognition, and related reward and incentive practices include promotions and bonuses that might be based on performance, skills acquired, and other factors. Recognition can include monetary and non-monetary, formal and informal, and individual and group mechanisms. *In some government organizations, compensation systems are set by law or regulation; therefore, reward and recognition systems must use other options.*

**5.2b(2).** In identifying improvement opportunities, you might draw on the workforce-focused results you report in item 7.3. You might also address workforce-related opportunities based on their impact on the results you report in other category 7 items.

**5.2c.** Your response should include how you address any unique considerations for workforce development, learning, and career progression that stem from your organization. Your response should also consider the breadth of development opportunities you might offer, including education, training, coaching, mentoring, and work-related experiences.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 6 Operations Focus (85 pts.)

The **Operations Focus** category asks HOW your organization designs, manages, and improves its products and WORK PROCESSES and improves operational EFFECTIVENESS to deliver CUSTOMER VALUE and achieve organizational success and SUSTAINABILITY.

### 6.1 Work Processes: How do you design, manage, and improve your key products and work processes? (45 pts.)

Describe HOW you design, manage, and improve your KEY WORK PROCESSES to deliver products that achieve CUSTOMER VALUE and organizational success and SUSTAINABILITY. Summarize your organization's KEY WORK PROCESSES.

In your response, include answers to the following questions:

#### a. Product and PROCESS Design

- (1) **Design Concepts** HOW do you design your products and WORK PROCESSES to meet all KEY requirements? HOW do you incorporate new technology, organizational knowledge, product excellence, and the potential need for agility into these products and PROCESSES?
- (2) **Product and PROCESS Requirements** HOW do you determine KEY PRODUCT requirements? HOW do you determine KEY WORK PROCESS requirements? What are your organization's KEY WORK PROCESSES? What are the KEY requirements for these WORK PROCESSES?

#### b. PROCESS Management

- (1) **PROCESS Implementation** HOW does your day-to-day operation of WORK PROCESSES ensure that they meet KEY PROCESS requirements? What KEY PERFORMANCE MEASURES or INDICATORS and in-process MEASURES do you use to control and improve your WORK PROCESSES? How do these MEASURES relate to end-product quality and PERFORMANCE?
- (2) **Support PROCESSES** HOW do you determine your KEY support PROCESSES? What are your KEY support PROCESSES? HOW does your day-to-day operation of these PROCESSES ensure that they meet KEY business support requirements?
- (3) **Product and PROCESS Improvement** HOW do you improve your WORK PROCESSES to improve products and PERFORMANCE and reduce variability?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

#### Notes

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

**6.1a(2).** Your key work processes are your most important internal value-creation processes. They might include product design and delivery, customer support, and business processes. Your key work processes are those that involve the majority of your workforce and produce customer, stakeholder, and stockholder value. Projects are unique work processes intended to produce an outcome and then go out of existence.

**6.1b(2).** Your key support processes should support your value-creation processes. They might support leaders and other workforce members engaged in product design and

delivery, customer interactions, and business and enterprise management.

**6.1b(3).** To improve process performance and reduce variability, you might implement approaches such as a Lean Enterprise System, Six Sigma methodology, ISO quality system standards, PDCA methodology, decision sciences, or other process improvement tools. These approaches might be part of the performance improvement system you describe in P.2c in the Organizational Profile.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 6.2 Operational Effectiveness: How do you ensure effective management of your operations on an ongoing basis and for the future? (40 pts.)

Describe HOW you control costs, manage your supply chain, offer a safe workplace, prepare for potential emergencies, and innovate for the future to ensure EFFECTIVE operations and deliver CUSTOMER VALUE.

In your response, include answers to the following questions:

### a. Cost Control

HOW do you control the overall costs of your operations? HOW do you incorporate CYCLE TIME, PRODUCTIVITY, and other efficiency and EFFECTIVENESS factors into your WORK PROCESSES? HOW do you prevent defects, service errors, and rework and minimize warranty costs or CUSTOMERS' PRODUCTIVITY losses, as appropriate? HOW do you minimize the costs of inspections, tests, and PROCESS or PERFORMANCE audits, as appropriate? HOW do you balance the need for cost control with the needs of your CUSTOMERS?

### b. Supply-Chain Management

HOW do you manage your supply chain? HOW do you select suppliers and ensure that they are qualified and positioned to enhance your PERFORMANCE and your CUSTOMERS' satisfaction? HOW do you measure and evaluate your suppliers' PERFORMANCE? HOW do you provide feedback to your suppliers to help them improve? HOW do you deal with poorly performing suppliers?

### c. Safety and Emergency Preparedness

- (1) **Safety** HOW do you provide a safe operating environment? HOW does your safety system address accident prevention, inspection, root-cause ANALYSIS of failures, and recovery?
- (2) **Emergency Preparedness** HOW do you ensure that your organization is prepared for disasters or emergencies? HOW does your disaster and emergency preparedness system consider prevention, continuity of operations, and recovery?

### d. INNOVATION Management

HOW do you manage INNOVATION? HOW do you pursue the STRATEGIC OPPORTUNITIES that you determine are INTEL-LIGENT RISKS? HOW do you make the financial and other resources available to pursue these opportunities? HOW do you discontinue pursuing opportunities at the appropriate time to enhance support for higher-priority opportunities?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

**6.2b.** Feedback to suppliers should involve two-way communication, allowing suppliers to express what they need from you.

**6.2c(2).** Disasters and emergencies might be related to weather, utilities, security, or a local or national emergency. Emergency considerations related to information technology should be addressed in item 4.2.

**6.2d.** Your innovation management process should capitalize on strategic opportunities identified in 2.1a(2).

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 7 Results (450 pts.)

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

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

Summarize your KEY product PERFORMANCE and PROCESS EFFECTIVENESS and efficiency RESULTS. Include RESULTS for PROCESSES that directly serve your CUSTOMERS and that impact your operations and supply chain. SEGMENT your RESULTS by product offerings, CUSTOMER groups and market SEGMENTS, and PROCESS types and locations, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

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

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

#### b. WORK PROCESS EFFECTIVENESS RESULTS

(1) **PROCESS EFFECTIVENESS and Efficiency** What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY WORK and support PROCESSES, including PRODUCTIVITY, CYCLE TIME, and other appropriate MEASURES of PROCESS EFFECTIVENESS, efficiency, and INNOVATION?

(2) **Emergency Preparedness** What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the EFFECTIVENESS of your organization's preparedness for disasters or emergencies?

#### c. Supply-Chain Management RESULTS

What are your RESULTS for KEY MEASURES or INDICATORS of the PERFORMANCE of your supply chain, including its contribution to enhancing your PERFORMANCE?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

**7.1.** Results should provide key information for analyzing and reviewing your organizational performance (item 4.1), demonstrate use of organizational knowledge (item 4.2), and provide the operational basis for customer-focused results (item 7.2) and financial and market results (item 7.5). There is not a one-to-one correspondence between results items and Criteria categories 1–6. Results should be considered systemically, with contributions to individual results items frequently stemming from processes in more than one Criteria category.

**7.1a.** Product and process results should relate to the key customer requirements and expectations you identify in P.1b(2), which are based on information gathered through processes you describe in items 3.1 and 3.2. The measures or indicators should address factors that affect customer preference, such as those listed in the notes to P.1b(2) and 3.2a.

**7.1a.** For some nonprofit organizations, funding sources might mandate product or service performance measures. These measures should be identified and reported here.

**7.1b.** Results should address the key operational requirements you identify in the Organizational Profile and in items 6.1 and 6.2.

**7.1b.** Appropriate measures and indicators of work process effectiveness might include defect rates; rates and results of product, service, and work system innovation; results for simplification of internal jobs and job classifications; waste reduction; work layout improvements; changes in supervisory ratios; Occupational Health and Safety Administration (OSHA)-reportable incidents; response times for emergency drills or exercises; and results for work relocation or contingency exercises.

**7.1c.** Appropriate measures and indicators of supply-chain performance might include supplier and partner audits, just-in-time delivery, and acceptance results for externally provided products, services, and processes.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 7.2 Customer-Focused Results: What are your customer-focused performance results? (85 pts.)

Summarize your KEY CUSTOMER-focused RESULTS, including those for CUSTOMER satisfaction and ENGAGEMENT. SEGMENT your RESULTS by product offerings, CUSTOMER groups, and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

### a. CUSTOMER-Focused RESULTS

- (1) **CUSTOMER Satisfaction** What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of CUSTOMER satisfaction and dissatisfaction? How do these RESULTS compare with those of your competitors and other organizations providing similar products?
- (2) **CUSTOMER ENGAGEMENT** What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of CUSTOMER ENGAGEMENT, including those for building CUSTOMER relationships? How do these RESULTS compare over the course of your CUSTOMER life cycle, as appropriate?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

### Notes

**7.2.** Results for customer satisfaction, dissatisfaction, engagement, and relationship building should relate to the customer groups and market segments you identify in P.1b(2) and category 3 and to the listening and determination methods and data you report in item 3.1.

**7.2a(1).** For customers' satisfaction with your products relative to satisfaction with those of competitors and

comparable organizations, measures and indicators might include information and data from your customers, from competitors' customers, and from independent organizations.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

## 7.3 Workforce-Focused Results: What are your workforce-focused performance results? (85 pts.)

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

Provide data and information to answer the following questions:

### a. WORKFORCE RESULTS

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*



## Notes

**7.3.** Results reported in this item should relate to the processes you report in category 5. Your results should also respond to the key work process needs you report in category 6 and to the action plans and workforce plans you report in item 2.2.

**7.3.** Organizations that rely on volunteers should report results for their volunteer workforce, as appropriate.

**7.3a(3).** Responses should include results for the measures and indicators you identify in 5.2b(1).

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

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

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

Provide data and information to answer the following questions:

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

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

### b. Strategy Implementation RESULTS

What are your RESULTS for KEY MEASURES or INDICATORS of the achievement of your organizational strategy and ACTION PLANS, including taking INTELLIGENT RISKS and building and strengthening CORE COMPETENCIES?

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Notes

**7.4a(1).** Responses should relate to the communication processes you identify in item 1.1.

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

**7.4a(3).** Legal and regulatory results should relate to the requirements you report in 1.2b. Workforce-related occupational health and safety results (e.g., OSHA-reportable incidents) should be reported in 7.1b(1) and 7.3a(2).

**7.4a(4).** For examples of measures of ethical behavior and stakeholder trust, see the note to 1.2b(2).

**7.4a(5).** Responses should relate to the societal responsibilities you report in 1.2b(1) and 1.2c(1), as well as the support

of the key communities you report in 1.2c(2). Measures of contributions to societal well-being might include those for reduced energy consumption, the use of renewable energy resources and recycled water, reduction of carbon footprint, waste reduction and utilization, alternative approaches to conserving resources (e.g., increased audio and video conferencing), and the global use of enlightened labor practices.

**7.4b.** Measures or indicators of strategy and action plan achievement should relate to the strategic objectives and goals you report in 2.1b(1) and the action plan performance measures and projected performance you report in 2.2a(5) and 2.2b, respectively.

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).

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

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

Provide data and information to answer the following questions:

### a. Financial and Market RESULTS

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

### Notes

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

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

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

For additional guidance on this item, see the Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm)).



# Scoring System

*The scoring of responses to Baldrige Criteria for Performance Excellence items is based on two evaluation dimensions: process (categories 1–6) and results (category 7).*

To score Criteria responses, consider the following information relative to the item requirements and the scoring guidelines (pages 32–33):

- The key business factors presented in the Organizational Profile
- The maturity of the approaches, the breadth of their deployment, and the strengths of the learning and improvement process and of the results presented

## Scoring Dimensions

### Process

*Process* refers to the methods your organization uses and improves to address the requirements in categories 1–6. The four factors used to evaluate process are *approach*, *deployment*, *learning*, and *integration* (ADLI). Baldrige-based feedback reflects strengths and opportunities for improvement in these factors. A score for a process item is a composite based on overall performance, taking into account the four process factors.

**Approach** comprises

- the methods used to carry out the process,
- the appropriateness of these methods to the item requirements and your operating environment,
- the effectiveness of your use of the methods, and
- the degree to which the approach is repeatable and based on reliable data and information (i.e., systematic).

**Deployment** is the extent to which

- your approach is applied in addressing item requirements that are relevant and important to your organization,
- your approach is applied consistently, and
- your approach is used by all appropriate work units.

**Learning** comprises

- the refinement of your approach through cycles of evaluation and improvement,
- the encouragement of breakthrough change to your approach through innovation, and
- the sharing of refinements and innovations with other relevant work units and processes in your organization.

See “From Fighting Fires to Innovation” on the next page, which illustrates a progression through the levels of maturity for this scoring dimension.

**Integration** is the extent to which

- your approach is aligned with the organizational needs identified in the Organizational Profile and other process items;
- your measures, information, and improvement systems are complementary across processes and work units; and
- your plans, processes, results, analyses, learning, and actions are harmonized across processes and work units to support organization-wide goals.

In scoring process items, keep in mind that approach, deployment, learning, and integration are linked. Descriptions of approach should always indicate the deployment—consistent with the specific requirements of the item and your organization. As processes mature, the description should also show cycles of learning (including innovation), as well as integration with other processes and work units (see “Steps toward Mature Processes,” page 30).

### Results

*Results* are the outputs and outcomes your organization achieves in meeting the requirements in category 7. The four factors used to evaluate results are *levels*, *trends*, *comparisons*, and *integration* (LeTICI). A score for a results item is a composite based on overall performance, taking into account the four results factors.

**Levels** are

- your current performance on a meaningful measurement scale.

**Trends** comprise

- your rate of performance improvement or continuation of good performance (i.e., the slope of data points over time) and
- the breadth (i.e., the extent of deployment) of your performance results.

**Comparisons** comprise

- your performance relative to that of other, appropriate organizations, such as competitors or organizations similar to yours, and
- your performance relative to benchmarks or industry leaders.

## From Fighting Fires to Innovation: An Analogy for Learning

Learning is an essential attribute of high-performing organizations. Effective, well-deployed organizational learning can help an organization improve from the early stages of reacting to problems to the highest levels of organization-wide improvement, refinement, and innovation.

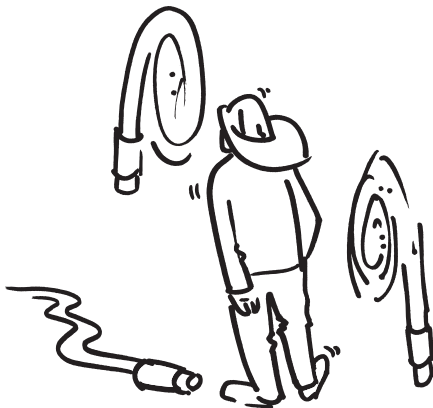
1



### Reacting to the problem (0–5%)

Run with the hose and put out the fire.

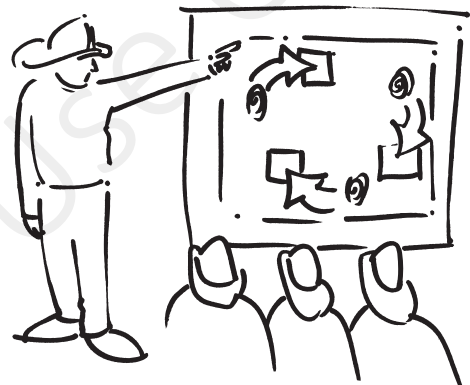
2



### General improvement orientation (10–25%)

Install more fire hoses to get to the fires quickly and reduce their impact.

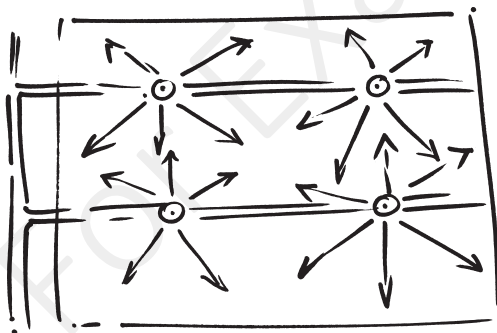
3



### Systematic evaluation and improvement (30–45%)

Evaluate which locations are most susceptible to fire. Install heat sensors and sprinklers in those locations.

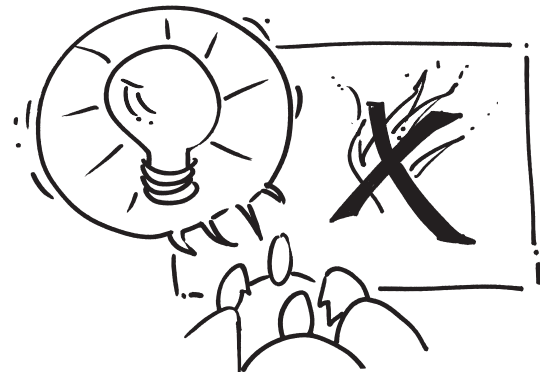
4



### Learning and strategic improvement (50–65%)

Install systemwide heat sensors and a sprinkler system that is activated by the heat preceding fires.

5



### Organizational analysis and innovation (70–100%)

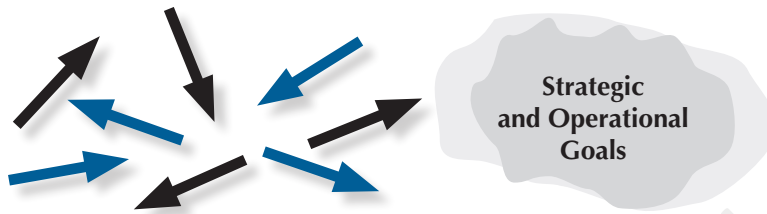
Use fireproof and fire-retardant materials. Replace combustible liquids with water-based liquids. Prevention is the primary approach for protection, with sensors and sprinklers as the secondary line of protection.

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## Steps toward Mature Processes

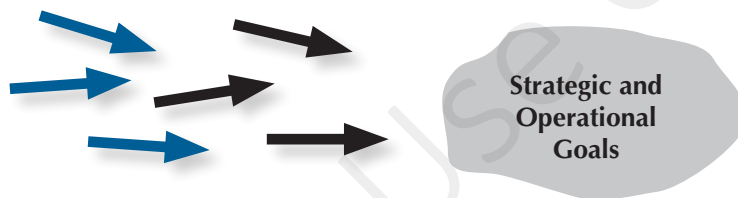
An Aid for Assessing and Scoring Process Items

### Reacting to Problems (0–25%)



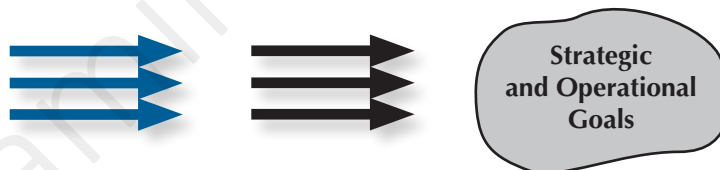
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

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



The organization is beginning to carry out operations with repeatable processes, evaluation, and improvement, and there is some early coordination among organizational units. Strategy and quantitative goals are being defined.

### Aligned Approaches (50–65%)



Operations are characterized by repeatable processes that are regularly evaluated for improvement. Learnings are shared, and there is coordination among organizational units. Processes address key strategies and goals.

### Integrated Approaches (70–100%)



Operations are characterized by repeatable processes that are regularly evaluated for change and improvement in collaboration with other affected units. The organization seeks and achieves efficiencies across units through analysis, innovation, and the sharing of information and knowledge. Processes and measures track progress on key strategic and operational goals.



**Integration** is the extent to which

- your results measures (often through segmentation) address important performance requirements relating to customers, products, markets, processes, and action plans identified in your Organizational Profile and in process items;
- your results include valid indicators of future performance; and
- your results are harmonized across processes and work units to support organization-wide goals.

In the scoring of results items, look for data on performance levels, trends, and relevant comparisons for key measures and indicators of your organization's performance, as well as integration with your organization's key requirements. Results items should also show data on the breadth of the performance results reported. This is directly related to deployment and organizational learning; if improvement processes are widely shared and deployed, there should be corresponding results.

## "Importance" as a Scoring Consideration

A critical consideration in Baldrige evaluation and feedback is the importance of your reported process and results to your key business factors. The areas of greatest importance should be identified in your Organizational Profile and in items such as 2.1, 2.2, 3.2, 5.1, 5.2, and 6.1. Your key customer requirements, competitive environment, workforce needs, key strategic objectives, and action plans are particularly important.

## How to Score an Item Response

Follow these steps in assigning a score to an item response.

**Look at the scoring guidelines** (pages 32–33). Decide which scoring range (e.g., 50–65%) is most descriptive of the organization's achievement level as presented in the item response.

Choose this range based on a holistic view of either the four process factors (ADLI) or the four results factors (LeTCI) in aggregate; do not tally or average independent assessments of each of the four factors. The "most descriptive" range can reflect some gaps between the response and the description of one or more of the factors in the chosen scoring range.

**Read the next higher and the next lower scoring ranges.**

Assign a score (e.g., 55%) within the chosen range by evaluating whether the item response is closer to the statements in the next higher or the next lower scoring range.

As you assign scores, keep in mind these descriptions of the midpoint of the scoring continuum.

**A process item score of 50%** represents an approach that meets the overall requirements of the item, is deployed consistently and to most work units, has been through some cycles of improvement and learning, and addresses key organizational needs. Higher scores reflect greater achievement, demonstrated by broader deployment, significant organizational learning, and increased integration.

**A results item score of 50%** represents a clear indication of good performance levels, beneficial trends, and appropriate comparative data for the results areas that are covered in the item and that are important to the organization's business or mission. Higher scores reflect better performance levels and trends, stronger comparative performance, and broader coverage and integration with the organization's requirements or mission.

## Process Scoring Guidelines (For Use with Categories 1–6)

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*

## Results Scoring Guidelines (For Use with Category 7)

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

*Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51).*



# How to Respond to the Criteria

*These guidelines explain how to respond most effectively to the requirements of the 17 process and results Criteria items. See also the Scoring System, including the scoring guidelines (pages 28–33), which describe how to assess responses and determine your organization’s performance accomplishments.*

## First Steps

### 1. Learn about the Criteria.

Become thoroughly familiar with the following sections, which provide a full orientation to the Criteria:

- Criteria for Performance Excellence (pages 4–27)
- Scoring System (pages 28–33)
- Glossary of Key Terms (pages 44–51)
- Category and Item Commentary ([http://www.nist.gov/baldrige/publications/business\\_nonprofit\\_criteria.cfm](http://www.nist.gov/baldrige/publications/business_nonprofit_criteria.cfm))

### 2. Understand how to read and respond to a Criteria item.

Review the Criteria for Performance Excellence Structure (page 2), which shows the types of items, the different parts of the items, and the role of each part. Pay particular attention to the multiple requirements within the areas to address and the notes.

Item requirements are presented as questions. Some requirements in the areas to address include multiple questions. Respond fully to the questions, as missing information will be interpreted as a gap in your performance management system. However, you do not need to answer each question separately. These multiple questions express the full meaning of the information being requested. You may group responses to multiple questions within a single area to address in a way that is appropriate to your organization.

### 3. Review the scoring guidelines.

Consider both the Criteria and the scoring guidelines (pages 32–33) as you prepare your responses. As a complement to the requirements of the process items (categories 1–6), the process scoring guidelines address the maturity of your approaches, the extent of their deployment, the extent of learning, and integration with other elements of your performance management system.

Similarly, as a complement to the requirements of the results items (category 7), the results scoring guidelines focus on the actual performance levels, the significance of the results trends, relevant comparative data, integration with important elements of your performance management system, and the results of the improvement process.

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

Many terms in the Criteria have meanings that may differ somewhat from your perceived meanings. Terms printed in SMALL CAPS are defined in the Glossary of Key Terms (pages 44–51). Understanding these terms can help you accurately self-assess your organization and communicate your processes and results to those reviewing your responses and planning your improvement efforts.

### 5. Start with the Organizational Profile.

The Organizational Profile (pages 4–6) is the most appropriate starting point. Whether you are using the Criteria for self-assessment, writing an application, or reviewing either of these, the Organizational Profile helps you understand what is most relevant and important to your organization’s business, mission, and performance.

## 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’ results, you need to understand why this is so and what you might do to accelerate improvement.

Your responses to process items (categories 1–6) permit you or those who are reviewing your responses to diagnose your organization’s *most important* processes—the ones that contribute most to organizational performance improvement and result in key outcomes or performance results. This diagnosis and the quality of the feedback you receive depend heavily on the content and completeness of your responses. For this reason, respond to these items by providing information on your *key* processes. Guidelines for organizing and reviewing such information follow.

### 1. Understand the meaning of *how*.

In responding to questions in process items that begin with *how*, give information on your key processes with regard to approach, deployment, learning, and integration (ADLI; see the Scoring System, page 28). Responses lacking such information, or merely providing an example, are referred to in the scoring guidelines as *anecdotal information*.

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

**Show deployment.** In your responses, summarize how your approaches are implemented in different parts of your organization.

**Show evidence of learning.** Give evidence of evaluation and improvement cycles for processes, as well as the potential for innovation. Show that process improvements are shared with other appropriate units of your organization to enable organizational learning.

**Show integration.** Integration is alignment and harmonization among processes, plans, measures, actions, and results. This harmonization generates organizational effectiveness and efficiencies.

## 2. Understand the meaning of *what*.

Two types of questions in process items begin with *what*. The first requests basic information on key processes and how they work. Although it is helpful to state *who* performs the work, diagnosis or feedback also requires a description of how the process works.

The second type of *what* question asks you to report key findings, plans, objectives, goals, or measures. These questions set the context for showing alignment and integration in your performance management system. For example, when you identify key strategic objectives, your action plans, some performance measures, and some results in category 7 are expected to relate to those strategic objectives.

## 3. Show focus and consistency.

Showing focus and consistency in the process items and tracking corresponding measures in the results items should improve organizational performance. In your responses, show focus and consistency in four areas:

- In the Organizational Profile, make clear what is important to your organization.
- In Strategic Planning (category 2), including the strategic objectives, action plans, and core competencies, highlight your organization's areas of greatest focus and describe how you deploy your strategic plan.
- In describing organizational-level analysis and review (item 4.1), show how you analyze and review performance information as a basis for setting priorities.
- In Strategic Planning (category 2) and Operations Focus (category 6), highlight the work systems and work processes that are key to your organization's overall performance.

# Responding to Results Items

## 1. Focus on your organization's most critical performance results.

Report results that cover the most important requirements for your organization's success, as highlighted in the Organizational Profile and in the Leadership, Strategic Planning, Customer Focus, Workforce Focus, and Operations Focus categories.

## 2. Report levels, trends, and comparisons, and show integration.

**Report performance levels** on a meaningful measurement scale.

**Report trends** to show the directions of results, rates of change, and extent of deployment. A minimum of three historical data points is generally needed to ascertain a trend. Trends should represent historic and current performance and not rely on projected (future) performance.

There is no minimum period for trend data; time intervals between data points should be meaningful for the measure(s) you report. Trends might span five or more years for some results. For important results, include new data even if trends are not yet well established. *Explain trends that show a significant beneficial or adverse change.*

**Report comparisons** to show how your results compare with those of other, appropriately selected organizations.

**Show integration** by including all important results, and segment them appropriately (e.g., by important customer, workforce, process, and product-line groups).

# Responding Efficiently

## 1. Cross-reference when appropriate.

Ensure that each item response is as self-contained as possible and that responses to different items are mutually reinforcing. To accomplish this, refer to other responses rather than repeat information. In such cases, give key process information in the item requesting that information. For example, you would describe workforce development and learning systems in item 5.2. Discussions about workforce development and learning elsewhere in your application would then reference but not repeat details given in item 5.2.

## 2. Use a compact format.

To make the best use of space, use flowcharts, tables, and "bullets" to present information concisely. Page limits are designed to force your organization to consider what is most important in managing your enterprise and reporting your results.



### 3. Use graphs and tables.

You can report many results compactly by using graphs and tables. When you report results over time or compare them with others, “normalize” them (i.e., present them in a way—for example, as ratios—that takes size factors into account). For example, if the number of employees has varied over the period or if you are comparing your results to those of organizations differing in size, safety trends will be more meaningful if you report them as lost workdays per 100 employees rather than as total lost workdays.

The graph below shows one part of a possible response to item 7.1, Product and Process Results. In the Organizational Profile, the organization has identified Six Sigma as a key element of its performance improvement system. Defects per million opportunities is one of its measures.

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

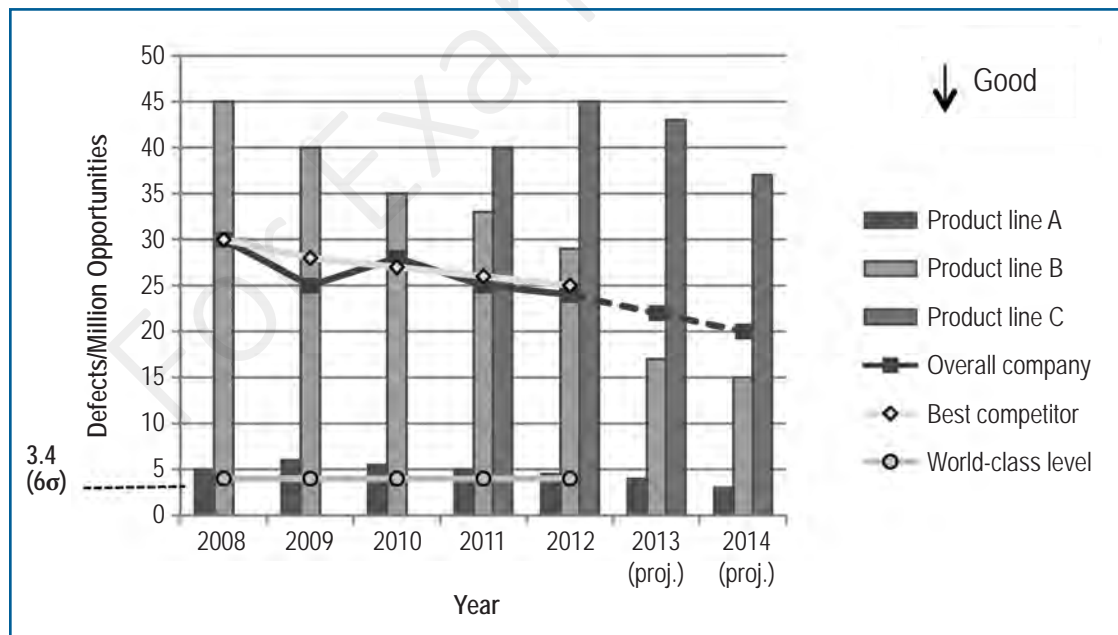
- Both axes and units of measure are clearly labeled.
- Levels and trends are reported for a key performance measure—defects per million opportunities.
- Results are presented for several years.
- An arrow indicates that a downward trend is good for this measure.
- Appropriate comparisons are shown clearly.
- In a single graph, the organization shows that its three product lines are separately tracked.
- The organization projects improved performance, including discontinuous or breakthrough improve-

ment in 2013 relative to prior performance for product line B. The text should explain this breakthrough change and might refer to critical learning from product line A as the basis for the projected change.

Interpreting the graph with the scoring guidelines in mind would result in the following observations on the organization’s performance and maturity level:

- The current overall organizational performance level is excellent. This conclusion is supported by company performance trends, the comparison with industry competitors, and a “world-class” level for product line A.
- The overall organization shows beneficial improvement trends sustained over time.
- Product line A is the current performance leader—showing sustained high performance (at approximately 5 defects per million) and a slightly beneficial trend since 2009. Product line B shows rapid improvement. Its performance is close to that of the best industry competitor but trails product line A.
- Product line C—identified in the text as a new product—is having early problems with defects but is projecting a turnaround. (The organization should briefly explain these problems.)
- The organization has projected improvements in the defect rates of all its product lines. Product line C continues to lag behind the others; product line A is projected to meet its Six Sigma goals by 2014.

Figure 7.1-3 Defects per Million Opportunities





# Core Values and Concepts

*These beliefs and behaviors are embedded 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, feedback, and sustainability.*

The Baldrige Criteria are built on the following set of inter-related core values and concepts:

- Visionary leadership
- Customer-driven excellence
- Organizational and personal learning
- Valuing workforce members and partners
- Agility
- Focus on the future
- Managing for innovation
- Management by fact
- Societal responsibility
- Focus on results and creating value
- Systems perspective

## Visionary Leadership

Your organization's senior leaders should set a vision for the organization, create a customer focus, demonstrate clear and visible organizational values and ethics, and set high expectations for the workforce. The vision, values, and expectations should balance the needs of all your stakeholders. Your leaders should also ensure the creation of strategies, systems, and methods for achieving performance excellence, stimulating innovation, building knowledge and capabilities, and ensuring organizational sustainability.

The values and strategies leaders define should help guide all of your organization's activities and decisions. Senior leaders should inspire and encourage your entire workforce to contribute, to develop and learn, to be innovative, and to embrace meaningful change. Senior leaders should be responsible to your organization's governance body for their actions and performance, and the governance body should be responsible ultimately to all your stakeholders for your organization's and its senior leaders' ethics, actions, and performance.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, providing a supportive environment for taking intelligent risks, communicating, coaching and motivating the workforce, developing future leaders, reviewing organizational performance, and recognizing workforce members. As role models, they can reinforce ethics, values, and expectations

while building leadership, commitment, and initiative throughout your organization.

## Customer-Driven Excellence

Your customers are the ultimate judges of performance and quality. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access and support that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, and loyalty; positive referrals; and, ultimately, the sustainability of your business. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace potential.

Many factors may influence value and satisfaction over the course of your customers' experience with your organization. These factors include your organization's customer relationship management, which helps 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 are also important parts of customer-driven excellence. In addition, your success in recovering from defects, service errors, and mistakes is crucial for retaining customers and engaging them for the long term.

A customer-driven organization addresses not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate the organization from competitors. This differentiation may be based on innovative offerings, combinations of product and service offerings, customized offerings, multiple access and outward communication mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer engagement. It demands close attention to the voice of the customer. It demands anticipating changes in the marketplace. Therefore, customer-driven excellence demands a customer-focused culture and organizational agility.

## 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.** Organizational learning includes both continuous improvement of existing approaches and significant change or innovation, leading to new goals, approaches, products, and markets.

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 the 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, customers' input, best-practice sharing, and benchmarking.

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

**Personal learning.** The success of your workforce members—including your leaders—depends increasingly on their having opportunities to learn and to practice new skills. If your organization relies on volunteers, their personal learning is also important, and you should consider their learning and skill development.

Organizations invest in personal learning through education, training, and other opportunities for continuing growth and development. It includes preparing people for future organizational core competencies. On-the-job training offers a cost-effective way to cross-train and to link training more closely to your organization's capacity needs and priorities. Education and training programs may have multiple modes, including computer, Web-based, and distance learning.

Personal learning can result in (1) a more engaged, satisfied, and versatile workforce that stays with your organization; (2) cross-functional learning for your organization; (3) the building of your organization's knowledge assets; and (4) an improved environment for innovation.

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

## Valuing Workforce Members and Partners

An organization's success depends increasingly on an engaged workforce that benefits from meaningful work, clear organizational direction, and accountability for performance. That engaged workforce must also have 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 workforce members.** Valuing the people in your workforce means committing to their engagement, satisfaction, development, and well-being. Increasingly, this involves offering more flexible, high-performance work practices that are tailored to varying workplace and home life needs. Major challenges in valuing your workforce members include (1) demonstrating your leaders' commitment to their success, (2) providing motivation and recognition that go beyond the regular compensation system, (3) offering development and progression within your organization, (4) sharing your organization's knowledge so your workforce can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages intelligent risk taking to achieve innovation, and (6) creating a supportive environment for a diverse workforce.

**Valuing partners.** To accomplish their overall goals, organizations need to build internal and external partnerships. Internal partnerships might include cooperation between labor and management. Forming internal partnerships might also involve creating network relationships among your work units and locations or between employees and volunteers to improve flexibility, responsiveness, and knowledge sharing.

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

In successful internal and external partnerships, the partners develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should establish 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 be a cost-effective method of workforce development.

## Agility

Success in today's ever-changing, globally competitive environment demands agility—a capacity for rapid change and for flexibility in operations. Organizations face ever-shorter cycles for introducing new/improved products and services, and nonprofit and government organizations are increasingly being asked to respond rapidly to new or emerging social issues. Disruptive events are occurring more frequently. They can be triggered by innovative technologies or product introductions, economic upheaval or stress, or social or societal demands. Organizations must be capable of making transformational changes on an ever-shorter cycle time. Major improvements in response times often require new work systems, the simplification of work 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 design-to-introduction time (the time it takes to initiate a product or service feature) or innovation cycle time. To meet the demands of rapidly changing markets, your organization needs to carry out stage-to-stage integration of

activities from research or concept to commercialization or implementation.

All aspects of time performance are now more critical, and cycle time is a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements or changes in your work systems, organization, quality, cost, supply-chain integration, productivity, and sustainability in a challenging economy.

## Focus on the Future

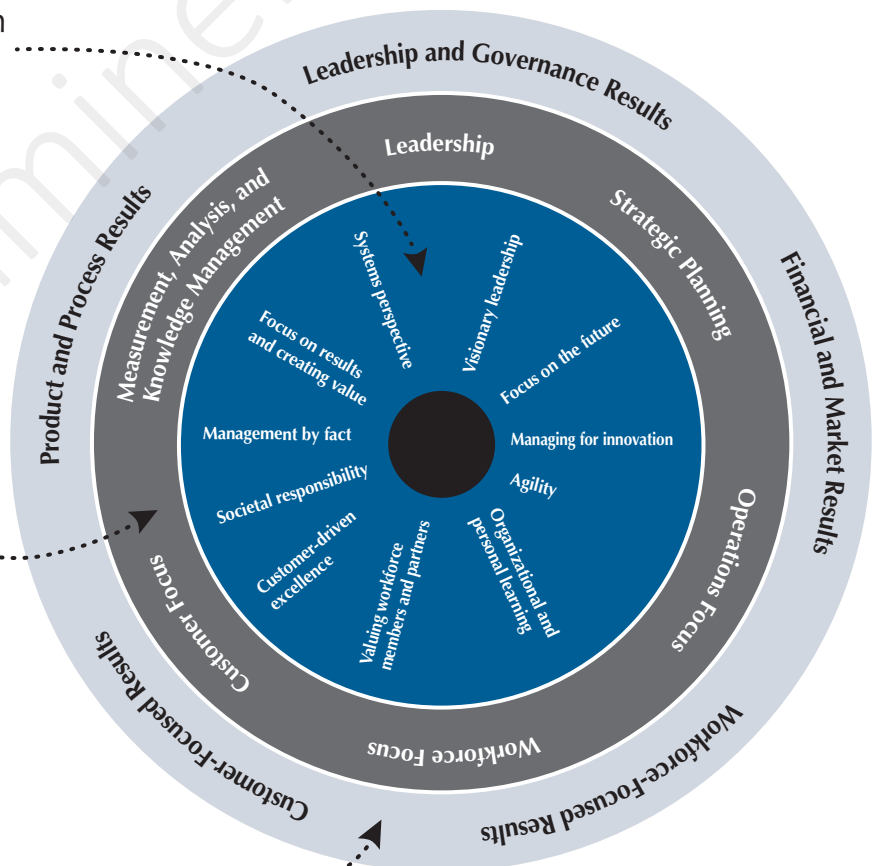
Ensuring an organization's sustainability requires an understanding of the short- and longer-term factors that affect the organization and its marketplace. Identification of key external environmental factors is important even though their outcomes may be less predictable. The pursuit of sustained growth and performance leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, workforce, suppliers, partners, and stockholders; the public; and your community. It also requires the agility to modify plans when circumstances warrant.

## The Role of Core Values and Concepts

The Baldrige Criteria build on **core values and concepts...**

which are embedded in **systematic processes...**  
(Criteria categories 1–6)

yielding **performance results.**  
(Criteria category 7)





Your organization's planning should anticipate many factors, such as customers' expectations; new business and partnering opportunities; unexpected crises, including changing economic conditions; workforce capacity and capability needs; the competitive 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. Your strategic objectives and your resource allocations need to accommodate these influences. A focus on the future includes developing your leaders, workforce, and suppliers; accomplishing effective succession planning; creating a supportive environment for taking intelligent risks and encouraging innovation; and anticipating societal responsibilities and concerns.

## Managing for Innovation

Innovation means making meaningful change to improve your organization's products, services, programs, processes, operations, and business model, with the purpose of creating new value for stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation requires a supportive environment, a process for identifying strategic opportunities, and the pursuit of intelligent risks.

Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your operations and all work systems and work processes. Your organization should be led and managed so that taking intelligent risks becomes part of the learning culture. Innovation should be integrated into daily work and be supported by your performance improvement system. Systematic processes for identifying strategic opportunities 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. Measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, results, and outcomes. Organizations need many types of data and information for performance management. Performance measurement should include measurement of customer, product, and process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; governance and compliance results; and accomplishment of strategic objectives.

To facilitate analysis, data should be segmented by, for example, markets, product lines, and workforce groups.

Analysis means extracting larger meaning from data and information to support evaluation, decision making,

improvement, and innovation. It entails using data to determine trends, projections, and cause-and-effect relationships 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-practice benchmarks.

A major consideration in performance improvement and change management is the selection and use of performance measures or indicators. *The measures or indicators you select should best represent the factors that lead to improved customer, operational, financial, and societal performance. A comprehensive set of measures or indicators tied to customer and organizational performance requirements provides a clear basis for aligning all processes with your organization's goals.* You may need measures and indicators to support you in making decisions in a rapidly changing environment. By analyzing data from your tracking processes, you can evaluate the measures or indicators themselves and change them to better support your goals.

## Societal Responsibility

Your organization's leaders should stress ethical behavior, responsibilities to the public, and the consideration of societal well-being and benefit. Leaders should be role models for your organization and its workforce in focusing on ethics and the protection of public health, safety, and the environment. This protection applies to any impact of your organization's operations, as well as the life cycles of your products. Also, your organization should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from the 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.

Your organization should not only meet all local, state, and federal laws and regulatory requirements but should also treat these and related requirements as opportunities to excel "beyond mere compliance." Your organization should stress ethical behavior in all stakeholder transactions and interactions. Your organization's governance body should require highly ethical conduct and monitor all conduct accordingly.

Considering societal well-being and benefit means leading and supporting—within the limits of your resources—the environmental, social, and economic systems in your organization's sphere of influence. Such leadership and support might include improving education, health care, and other services in your community; pursuing environmental excellence; being a role model for socially important issues; practicing resource conservation; reducing your carbon footprint; performing community service and charity; improving industry and business practices; and sharing nonproprietary information.



For a role-model organization, leadership also entails influencing other organizations, private and public, to partner for these purposes.

Managing societal responsibilities requires your organization to use appropriate measures and your leaders to assume responsibility for those measures.

## Focus on Results and Creating Value

Your organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—your customers, workforce, stockholders, suppliers, and partners; the public; and the community.

By creating value for 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, your organizational strategy should explicitly include key stakeholder requirements. This will help ensure that plans and actions meet differing stakeholder needs and avoid adverse impacts on any stakeholders. A balanced composite of leading and lagging performance measures is 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 Criteria categories, the core values and concepts, and the scoring guidelines form the system's building blocks and integrating mechanism. However, successfully managing overall performance requires organization-specific synthesis, alignment, and integration. *Synthesis* means looking at your organization as a whole and builds on key business attributes, including your core competencies, strategic objectives, action plans, and work systems. *Alignment* means using the key linkages among the requirements in the Criteria categories to ensure consistency of plans, processes, measures, and actions. *Integration* builds on alignment, so that the individual components of your performance management system operate in a fully interconnected manner and deliver anticipated results.

These concepts are depicted in the Baldrige Criteria framework (page 1). When your organization takes a systems perspective, your senior leaders focus on strategic directions and customers. Your senior leaders monitor, respond to, and manage performance based on your results. With a systems perspective, you use your measures, indicators, core competencies, and organizational knowledge to build your key strategies, link these strategies with your work systems and key processes, and align your resources to improve your overall performance and your focus on customers and stakeholders.

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



# Changes from the 2011–2012 Criteria

*With the issuance of the 2013–2014 Criteria for Performance Excellence, we celebrate 25 years of the Baldrige Program. The most significant and foundational contributor to achieving this milestone is the ongoing relevance of the Baldrige Criteria.*

The Criteria have been regularly revised with one purpose in mind: that the Criteria always reflect the leading edge of validated management practice, a term first articulated by a chair of the Malcolm Baldrige National Quality Award Judges' Panel in the 1990s. The operative words in this purpose statement are "leading edge" and "validated." The Criteria have always been based on role-model practices successfully implemented by businesses and other organizations. They are the practices that lead to sustainability and competitive success when embedded within an integrated systems perspective on organizational performance management.

The year-to-year changes to the Criteria have been evolutionary. However, viewed in comparison to the Criteria at the Baldrige Program's inception 25 years ago, the changes have been profound. And "profound" is necessary given the changes we have witnessed in global economies, technology, customer behaviors, workforce expectations, and societal concerns and responsibilities. The changes in the 2013–2014 Criteria continue this evolutionary process, but with a strategic focus that is significant far beyond the wording changes in the Criteria items. These changes are at the core of decisions that senior leaders in every organization must make to set the path for business and organizational sustainability.

This strategic focus relates to three key considerations that should be on the minds of all leaders committed to their organization's next-generation viability: (1) designing and implementing competitive work systems, (2) cultivating and managing innovation, and (3) mastering the evolving opportunities and challenges presented by social media.

**Designing and implementing work systems.** Decisions about work systems are strategic. These decisions involve protecting intellectual property, 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. Decisions about your work systems affect organizational design and structure, profitability, and viability. These decisions are the domain of senior leadership and are at the very core of strategy building. In 2013, we have incorporated the information and decision process for work systems into the strategic planning category.

**Cultivating and managing innovation.** An area that has progressed from a potential competitive advantage to a sustainability imperative is innovation and innovation management. *Innovation* is defined as making meaning-

ful, discontinuous change to products, processes, or organizational effectiveness in order to create new value for stakeholders. Innovation results from a supportive environment, a process for identifying strategic opportunities, and the pursuit of those strategic opportunities that you identify as intelligent risks. Achieving innovation requires resource support and the tolerance of failure. Fostering the right climate is the domain of senior leaders, identifying strategic opportunities and intelligent risks is part of strategy, and pursuing the intelligent risks must be embedded in managing organizational operations. Therefore, the various aspects of achieving innovation have been incorporated throughout the 2013–2014 Criteria.

**Mastering social media.** While a social media strategy is not necessarily an embedded practice in all role-model organizations today, waiting until the next revision of the Criteria to increase the emphasis on social media will leave us behind the leading edge of validated management practice, given the current pace of change. Social media already play a role in (1) reaching customers and potential customers, (2) connecting employees with each other and organizational leaders, (3) coordinating with suppliers and partners, and (4) gathering data and performing research. While engaging more heavily in the use of social media poses risks for organizations, the best mechanism for mitigating these risks is a strong sense of organizational values as a guide. In 2013–2014, the Criteria incorporate the use of social media in fulfilling the four roles listed above.

While every Criteria item includes some changes, the most significant changes in the Criteria items and the associated educational content are summarized as follows.

## Preface: Organizational Profile

Item P.1, Organizational Description, now includes a question about the role that suppliers and partners play in your work systems.

Item P.2, Organizational Situation, now includes the evaluation of key organizational projects, as well as processes. Project management parallels process management in its need for effectiveness and efficiency.

## Category 1: Leadership

Item 1.1, Senior Leadership, now includes a focus on senior leaders' role in innovation and intelligent risk taking. It also asks about senior leaders' use of social media as a communication tool.

Item 1.2, Governance and Societal Responsibilities, asks how members of your governance system accomplish succession planning for senior leaders.

## **Category 2: Strategic Planning**

This category has an enhanced focus on innovation and work systems.

Item 2.1, Strategy Development, has been rewritten. It now includes questions related to creating an environment for innovation and identifying strategic opportunities. Other questions probe the process for making decisions about work systems and core competencies. Key considerations in strategic planning have been revised to allow newer approaches and not tie the planning to a specific process for determining strengths, weaknesses, opportunities, and threats (SWOT).

## **Category 3: Customer Focus**

Item 3.1, Voice of the Customer, now asks about interacting with and observing customer behaviors as part of listening to current customers.

Item 3.2, Customer Engagement, now asks about the use of social media to enhance customer engagement and relationships.

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

Item 4.1, Measurement, Analysis, and Improvement of Organizational Performance, now asks about the use of voice-of-the-customer, market, and aggregated complaint data, as well as customer data gathered through social media, to support decision making and innovation. Some of these aspects of the use of customer data were previously addressed as a stand-alone factor in category 3, and others were not addressed in the Criteria. The item now also asks about your governance board's review of organizational performance.

Item 4.2, now called Knowledge Management, Information, and Information Technology, places a primary focus on knowledge management and organizational learning as key components of your organizational sustainability.

## **Category 5: Workforce Focus**

Item 5.1, Workforce Environment, includes consideration of your past changes in workforce capability and capacity, including staffing levels, as context setting for proactively considering how you are preparing for future workforce needs.

## **Category 6: Operations Focus**

This category has undergone extensive revision to focus on internal work processes and operational effectiveness in light of strategic decisions (category 2) about work systems.

Item 6.1, now Work Processes, focuses on the design, management, and improvement of products and processes. It includes support processes that enable you to meet key business requirements.

Item 6.2, now Operational Effectiveness, addresses cost control, supply-chain management, safety and emergency preparedness, and innovation management. Including each of these topics as a separate area to address places added emphasis on these important contributors to organizational and operational sustainability.

## **Category 7: Results**

The items in this category do not have a one-to-one correspondence to Criteria categories 1–6. This is intentional so that results are considered systemically, with contributions to individual results items frequently stemming from processes in more than one Criteria category.

The point values for items 7.2 and 7.3, Customer-Focused Results and Workforce-Focused Results, have been adjusted to 85 points each to emphasize the roles of customer and employee engagement in achieving Financial and Market Results (item 7.5, 80 points).

Item 7.1, Product and Process Results, now has a separate area to address related to supply-chain management results, an indicator of the growing importance of this component of work systems to many organizations.

Item 7.4, Leadership and Governance Results, now explicitly includes strategy implementation results as a leadership responsibility, recognizing that strategy is achieved only if senior leaders guide and monitor progress.

## **Core Values and Concepts**

The descriptions of Agility, Focus on the Future, and Managing for Innovation have been revised to reflect a greater focus on disruptive events, external environmental factors, and the need for an innovation strategy.

## **Glossary of Key Terms**

Two new terms have been added to the Glossary: *intelligent risks* and *strategic opportunities*. In addition, the Glossary has been reformatted to aid readability.



# Glossary of Key Terms

*Each term is followed by a definition. Subsequent sentences in the first paragraph elaborate on this definition. The paragraphs that follow provide examples, descriptive information, or key linkages to other Criteria information. The terms included here are those presented in SMALL CAPS in the Baldrige Criteria for Performance Excellence and scoring guidelines.*

**ACTION PLANS.** Specific actions that your organization takes to reach its short- and longer-term strategic objectives. These plans specify the resources committed to and the time horizons for accomplishing the plans. Action plan development is the critical stage in planning when you make strategic objectives and goals specific so that you can effectively deploy them throughout the organization in an understandable way. In the Baldrige Criteria, deploying action plans includes creating aligned measures for all affected departments and work units. Deployment might also require specialized training for some workforce members or recruitment of personnel.

For example, a strategic objective for a supplier in a highly competitive industry might be to develop and maintain price leadership. Action plans could entail designing efficient processes, creating an accounting system that tracks activity-level costs, and aligning processes and accounting systems across the organization. To deploy the action plans, the supplier might need to train work units and teams in setting priorities based on costs and benefits. Organizational-level analysis and review would likely emphasize productivity growth, cost control, and quality.

See also STRATEGIC OBJECTIVES.

**ALIGNMENT.** A state of consistency among the plans, processes, information, resource decisions, actions, results, and analyses that 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 INTEGRATION.

**ANALYSIS.** The 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 you in managing work systems and work processes toward achieving key business results and attaining strategic objectives.

Although individual facts and data are important, they do not usually provide an effective basis for acting or setting priorities. Effective actions depend on an understanding of relationships, which is derived from the analysis of facts and data.

**ANECDOTAL.** In a response to a Baldrige Criteria item, information that lacks specific methods; measures; deployment mechanisms; and evaluation, improvement, and learning factors. Anecdotal information frequently consists of examples and describes individual activities rather than systematic processes.

For example, in an anecdotal response to how senior leaders deploy performance expectations, you might describe a specific occasion when a senior leader visited all of your organization's facilities. On the other hand, in properly describing a systematic process, you might include the methods all senior leaders use to communicate performance expectations regularly to all locations and workforce members, the measures leaders use to assess the effectiveness of the methods, and the tools and techniques you use to evaluate and improve the methods.

See also SYSTEMATIC.

**APPROACH.** The methods your organization uses to address the requirements of the Baldrige Criteria items in categories 1–6. Besides the methods themselves, *approach* refers to the appropriateness of the methods to the item requirements and your organization's operating environment, as well as how effectively your organization uses those methods.

Approach is one of the dimensions considered in evaluating process items. For further description, see the Scoring System (pages 28–33).

**BASIC REQUIREMENTS.** The most central concept of a Baldrige Criteria item, as presented in the item title question. For an illustration, see Criteria for Performance Excellence Structure (page 2).

**BENCHMARKS.** Processes and results that represent the best practices and best performance for similar activities, inside or outside an organization's industry. Organizations engage in benchmarking to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) or *breakthrough* improvement.

Benchmarks are one form of comparative data. Other forms 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.** Organizations or individuals who cooperate with your organization to support a particular activity or event or who cooperate intermittently when their short-term goals are aligned with or the same as yours. Typically, collaborations do not involve formal agreements or arrangements.

See also PARTNERS.

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

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

**CUSTOMER.** An actual or potential user of your organization's products, programs, or services (all referred to as *products* in the Baldrige Criteria). Customers include the end users of your products, as well as others who are immediate purchasers or users, such as distributors, agents, or organizations that process your product as a component of theirs. The Criteria address customers broadly, referencing your current and future customers, as well as your competitors' customers.

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

See also STAKEHOLDERS for the relationship between customers and others who might be affected by your products.

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

**CYCLE TIME.** The time required to fulfill commitments or complete tasks. Time measurements play a significant role in the Baldrige Criteria because of the great importance of time performance to improving competitiveness and overall performance. Cycle time refers to all aspects of time

performance, such as time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time. Improvement in cycle time might involve any or all of these.

**DEPLOYMENT.** The extent to which your organization applies an approach in addressing the requirements of a Baldrige Criteria item. Evaluation of deployment considers how broadly and deeply the approach is applied in relevant work units throughout your organization.

Deployment is one of the dimensions considered in evaluating process items. For further description, see the Scoring System (pages 28–33).

**DIVERSITY.** Personal differences among workforce members that enrich the work environment and are representative of your hiring and customer communities. These differences address many variables, such as race, religion, color, gender, national origin, disability, sexual orientation, age and generation, education, geographic origin, and skill characteristics, as well as ideas, thinking, academic disciplines, and perspectives.

The Baldrige Criteria refer to valuing and benefiting from the diversity of your workforce hiring and customer communities. Capitalizing on both in building your workforce increases your opportunities for high performance; customer, workforce, and community satisfaction; and customer and workforce engagement.

**EFFECTIVE.** How well a process or a measure addresses its intended purpose. Determining effectiveness requires (1) evaluating how well the process is aligned with the organization's needs and how well it is deployed or (2) evaluating the outcome of the measure.

**EMPOWERMENT.** Giving people the authority and responsibility to make decisions and take actions. When people are empowered, decisions are made closest to the front line, where work-related knowledge and understanding reside.

The purpose of empowering people is to enable them to satisfy customers on first contact, improve processes and increase productivity, and improve your organization's performance results. An empowered workforce requires information to make appropriate decisions; thus, your organization must provide that information in a timely and useful way.

**ENGAGEMENT, CUSTOMER.** See CUSTOMER ENGAGEMENT.

**ENGAGEMENT, WORKFORCE.** See WORKFORCE ENGAGEMENT.

**ETHICAL BEHAVIOR.** The actions your organization takes to ensure that all its decisions, actions, and stakeholder interactions conform to its moral and professional principles of conduct. These principles should support all applicable laws and regulations and are the foundation for your organization's culture and values. They distinguish right from wrong.



Senior leaders should be role models for these principles of behavior. The principles apply to all people involved in your organization, from temporary workforce members to members of the board of directors, and they benefit from regular communication and reinforcement. Although the Baldrige Criteria do not prescribe a particular model for ensuring ethical behavior, senior leaders have the responsibility for the alignment of your organization's mission and vision with its ethical principles. Ethical behavior encompasses interactions with all stakeholders, including your workforce, shareholders, customers, partners, suppliers, and local community.

Well-designed and clearly articulated ethical principles empower people to make effective decisions with great confidence. In some organizations, ethical principles also serve as boundary conditions restricting behavior that otherwise could have adverse impacts on your organization and/or society.

**GOALS.** Future conditions or performance levels that your organization intends or desires to attain. Goals can be both short and longer term. They are ends that guide actions. Quantitative goals, frequently referred to as *targets*, include a numerical point or range. Targets might be desired performance based on comparative or competitive data. *Stretch goals* are goals for desired major, discontinuous (nonincremental) or *breakthrough* improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including

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

See also PERFORMANCE PROJECTIONS.

**GOVERNANCE.** 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 they will direct and control your organization 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.** Work processes that systematically pursue ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time. High-performance work results in improved service for customers and other stakeholders.

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

**HOW.** The systems and processes that your organization uses to achieve its mission requirements. In responding to *how* questions in Baldrige Criteria categories 1–6, you should include information on approach (methods and measures), deployment, learning, and integration.

**INDICATORS.** See MEASURES AND INDICATORS.

**INNOVATION.** Making meaningful change to improve products, processes, or organizational effectiveness and create new value for stakeholders. Innovation involves adopting an idea, process, technology, product, or business model that is either new or new to its proposed application. The outcome of innovation is a discontinuous or breakthrough change in results, products, or processes. Innovation benefits from a supportive environment, a process for identifying strategic opportunities, and a willingness to pursue intelligent risks.

Successful organizational innovation is a multistep process of 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 can benefit from change through innovation, whether breakthrough improvement or a change in approach or outputs. Innovation could include fundamental changes in an organization's structure or business model to accomplish work more effectively.

See also INTELLIGENT RISKS and STRATEGIC OPPORTUNITIES.

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

Integration is one of the dimensions considered in evaluating both process and results items. For further description, see the Scoring System (pages 28–33).

See also ALIGNMENT.

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

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

See also STRATEGIC OPPORTUNITIES.

**KEY.** Major or most important; critical to achieving your intended outcome. The Baldrige Criteria, for example, refer to key challenges, plans, work processes, and measures—those that are most important to your organization's success. They are the essential elements for pursuing or monitoring a desired outcome. Key is generally defined as around the most significant five (e.g., around five key challenges).

**KNOWLEDGE ASSETS.** Your organization's accumulated intellectual resources; 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. These knowledge assets reside in your workforce, software, patents, databases, documents, guides, policies and procedures, and technical drawings. Knowledge assets also reside within customers, suppliers, and partners.

Knowledge assets are the know-how that your organization has available to use, invest, and grow. Building and managing knowledge assets are key components of creating value for your stakeholders and sustaining a competitive advantage.

**LEADERSHIP SYSTEM.** The way leadership is exercised, formally and informally, throughout your organization; the basis for key decisions and the way they are made, communicated, and carried out. A leadership system includes

structures and mechanisms for making decisions; ensuring two-way communication; selecting and developing leaders and managers; and reinforcing values, ethical behavior, directions, and performance expectations.

An effective leadership system respects workforce members' and other stakeholders' capabilities and requirements, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on your organization's vision and values and the pursuit of shared goals. It encourages and supports initiative, innovation, 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 leaders to conduct self-examination, receive feedback, and improve.

**LEARNING.** New knowledge or skills acquired through evaluation, study, experience, and innovation. The Baldrige Criteria refer to two distinct kinds of learning: organizational and personal. Organizational learning is achieved through research and development, evaluation and improvement cycles, ideas and input from the workforce and stakeholders, the sharing of best practices, 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 your organization operates. Learning contributes to a competitive advantage and sustainability for your organization and workforce.

For further description of organizational and personal learning, see the related core value and concept (page 38).

Learning is one of the dimensions considered in evaluating process items. For further description, see the Scoring System (pages 28–33).

**LEVELS.** Numerical information that places or positions your 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.** Numerical information that quantifies the 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 Baldrige Criteria do not distinguish between measures and indicators. However, some users of these terms prefer *indicator* (1) when the measurement relates to performance but does not measure it directly (e.g., the number of complaints is an indicator but not a direct measure of dissatisfaction) 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.** Your organization's overall function. The mission answers the question, "What is your organization attempting to accomplish?" The mission might define customers or markets served, distinctive or core competencies, or technologies used.

**MULTIPLE REQUIREMENTS.** The details of a Baldrige Criteria item, as expressed in the individual questions under each lettered area to address. For an illustration, see Criteria for Performance Excellence Structure (page 2).

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

**OVERALL REQUIREMENTS.** The most significant features of a Baldrige Criteria item, as elaborated in the item's introductory paragraph. For an illustration, see Criteria for Performance Excellence Structure (page 2).

**PARTNERS.** Key organizations or individuals who are working in concert with your organization to achieve a common goal or improve performance. Typically, partnerships are formal arrangements for a specific aim or purpose, such as to achieve a strategic objective or deliver a specific product.

Formal partnerships usually last for an extended period and involve a clear understanding of the partners' individual and mutual roles and benefits.

See also COLLABORATORS.

**PERFORMANCE.** Outputs and their outcomes obtained from processes, products, and customers that permit you to evaluate and compare your organization's results to performance projections, standards, past results, goals, and other organizations' results. Performance can be expressed in nonfinancial and financial terms.

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

*Product performance* is performance relative to measures and indicators of product and service characteristics that are important to customers. Examples include product reliability, on-time delivery, customer-experienced defect levels, and service response time. For some service organizations, including nonprofit organizations, examples might include program and project performance in the areas of rapid response to emergencies, at-home services, or multilingual services.

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

*Operational performance* is workforce performance, leadership performance, and organizational performance (including ethical and legal compliance) relative to measures and indicators of effectiveness, efficiency, and accountability. Examples include cycle time, productivity, waste

reduction, workforce turnover, workforce cross-training rates, regulatory compliance, fiscal accountability, strategy accomplishment, and community involvement. Operational performance might be measured at the work-unit, key work process, and organizational levels.

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

**PERFORMANCE EXCELLENCE.** 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 your organization's overall effectiveness and capabilities; and (3) organizational and personal learning. The Baldrige Criteria provide a framework and assessment tool for understanding your organization's strengths and opportunities for improvement and, thus, for guiding your planning toward achieving higher performance.

**PERFORMANCE PROJECTIONS.** Estimates of your organization's future performance. Projections should be based on an understanding of past performance, rates of improvement, and assumptions about future internal changes and innovations, as well as assumptions about changes in the external environment that result in internal changes. Thus, performance projections can serve as a key tool in managing your operations and in developing and implementing your strategy.

Performance projections state your expected future performance. Goals state your desired future performance. Performance projections for your competitors or similar organizations may indicate challenges facing your organization and areas where breakthrough performance or innovation is needed. In areas where your organization intends to achieve breakthrough performance or innovation, your performance projections and your goals may overlap.

See also GOALS.

**PROCESS.** Linked activities with the purpose of producing a product or service for a customer (user) within or outside your organization. Generally, processes involve combinations of people, machines, tools, techniques, materials, and improvements in a defined series of steps or actions. Processes rarely operate in isolation and must be considered in relation to other processes that impact them. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In the delivery of services, particularly those that directly involve customers, *process* is used more generally to spell out what delivering that service entails, possibly including a



preferred or expected sequence. If a sequence is critical, the process needs to include information that helps customers understand and follow the sequence. Such service processes also require guidance for service providers on handling contingencies related to customers' possible actions or behaviors.

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

Process is one of the two dimensions evaluated in a Baldrige-based assessment. This evaluation is based on four factors: approach, deployment, learning, and integration. For further description, see the Scoring System (pages 28–33).

**PRODUCTIVITY.** Measures of the efficiency of resource use.

Although the term is often applied to single factors, such as the workforce (labor productivity), machines, materials, energy, and capital, the concept also applies to the total resources used in producing outputs. Using an aggregate measure of overall productivity allows you to determine whether the net effect of overall changes in a process—possibly involving resource trade-offs—is beneficial.

**PROJECTIONS, PERFORMANCE.** See PERFORMANCE PROJECTIONS.

**PURPOSE.** The fundamental reason that your organization exists. The primary role of a purpose is to inspire your organization and guide its setting of values. A 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.** Outputs and outcomes achieved by your organization in addressing the requirements of a Baldrige Criteria item. Results are evaluated based on current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements. For further description, see the Scoring System (pages 28–33).

Results are one of the two dimensions evaluated in a Baldrige-based assessment. This evaluation is based on four factors: levels, trends, comparisons, and integration. For further description, see the Scoring System (pages 28–33).

**SEGMENT.** One part of your organization's customer, market, product offering, or workforce base. Segments typically have common characteristics that allow logical groupings. In Baldrige Criteria results items, *segmentation* refers to disaggregating results data in a way that allows for meaningful analysis of your organization's performance. It is up to each

organization to determine the factors that it uses to segment its customers, markets, products, and workforce.

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

**SENIOR LEADERS.** Your 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.** All groups that are or might be affected by your organization's actions and success. 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 CUSTOMER.

**STRATEGIC ADVANTAGES.** Those marketplace benefits that exert a decisive influence on your organization's likelihood of future success. These advantages are frequently sources of current and future competitive success relative to other providers of similar products. Strategic advantages generally arise from either or both of two sources: (1) core competencies, which focus on building and expanding on your organization's internal capabilities, and (2) strategically important external resources, which your organization shapes and leverages 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 STRATEGIC CHALLENGES and STRATEGIC OBJECTIVES for the relationship among strategic advantages, strategic challenges, and the strategic objectives your organization articulates to address its challenges and advantages.

**STRATEGIC CHALLENGES.** Those pressures that exert a decisive influence on your organization's likelihood of future success. These challenges are frequently driven by your organization's anticipated competitive position in the future relative to other providers of similar products. While not exclusively so, strategic challenges are generally externally driven. However, in responding to externally driven strategic challenges, your organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs or expectations; product or technological changes; or financial, societal, and other risks or needs. Internal strategic challenges may relate to capabilities or human and other resources.

See STRATEGIC ADVANTAGES and STRATEGIC OBJECTIVES for the relationship among strategic challenges, strategic advantages, and the strategic objectives your organization articulates to address its challenges and advantages.

**STRATEGIC OBJECTIVES.** The aims or responses that your organization articulates to address major change or improvement, competitiveness or social issues, and business advantages. Strategic objectives are generally focused both externally and internally and relate to significant customer, market, product, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what your organization must achieve to remain or become competitive and ensure its long-term sustainability. Strategic objectives set your organization's longer-term directions and guide resource allocation and redistribution.

See ACTION PLANS for the relationship between strategic objectives and action plans and for an example of each.

**STRATEGIC OPPORTUNITIES.** Prospects that arise from outside-the-box thinking, brainstorming, capitalizing on serendipity, research and innovation processes, nonlinear extrapolation of current conditions, and other approaches to imagining a different future.

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

See also INTELLIGENT RISKS.

**SUSTAINABILITY.** Your organization's ability to address current business needs and to have the agility and strategic management to prepare successfully for the future business, market, and operating environment. To be sustainable, your organization needs to consider both external and internal factors. The specific combination of factors might include industrywide and organization-specific components.

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

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

**SYSTEMATIC.** Well-ordered, repeatable, and exhibiting the use of data and information so that learning is possible. Approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity. To see the term in use, refer to the Process Scoring Guidelines (page 32).

**TRENDS.** Numerical information that shows the direction and rate of change of your organization's results or the consistency of its performance over time. Trends show your organization's performance in a time sequence.

Ascertaining a trend generally requires a minimum of three historical (not projected) data points. Defining a statistically valid trend requires more data points. The cycle time of the process being measured determines the time between the data points for establishing a trend. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer periods for a meaningful trend.

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

**VALUE.** The perceived worth of a product, process, asset, or function relative to its cost and 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. Your organization needs 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 guiding principles and behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce your organization's desired culture. They support and guide the decisions made by every workforce member, helping your organization accomplish its mission and attain its vision appropriately. Examples of values 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.** Your organization's desired future state. The vision describes where your organization is headed, what it intends to be, or how it wishes to be perceived in the future.

**VOICE OF THE CUSTOMER.** Your process for capturing customer-related information. Voice-of-the-customer processes are intended to be proactive and continuously innovative to capture stated, unstated, and anticipated customer requirements, expectations, and desires. The goal is to achieve customer engagement. Listening to the voice of the customer might include gathering and integrating



various types of customer data, such as survey data, focus group findings, Web-based commentary, warranty data, and complaint data, that affect customers' purchasing and engagement decisions.

**WORK PROCESSES.** Your organization's most important internal value-creation processes. They might include product design, production, and delivery, customer support, supply-chain management, business, and support processes. They are the processes that involve the majority of your organization's workforce.

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

**WORK SYSTEMS.** How your organization's work is accomplished. Work systems involve your workforce, your key suppliers and partners, your contractors, your collaborators, and other components of the supply chain needed to produce and deliver your products and carry out your business and support processes. Work systems comprise the internal work processes and external resources you need to develop and produce products, deliver them to your customers, and 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 from or produced outside your organization in order to be efficient and sustainable in your marketplace.

**WORKFORCE.** All people actively supervised by your organization and involved in accomplishing your organization's work, including paid employees (e.g., permanent, part-time, temporary, and telecommuting employees, as well as

contract employees supervised by your organization) and volunteers, as appropriate. Your workforce includes team leaders, supervisors, and managers at all levels.

**WORKFORCE CAPABILITY.** Your organization's ability to accomplish its work processes through its people's knowledge, skills, abilities, and competencies.

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

**WORKFORCE CAPACITY.** Your organization's ability to ensure sufficient staffing levels to accomplish its work processes and deliver your products to customers, including the ability to meet seasonal or varying demand levels.

**WORKFORCE ENGAGEMENT.** The extent of workforce members' emotional and intellectual commitment to accomplishing your organization's work, mission, and vision. 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 their customers' benefit and the organization's success.

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



# Index of Key Terms

Page numbers in **boldface** indicate definitions in the Glossary of Key Terms (pages 44–51).

## A

About the Criteria, ii–iv  
action plans, v, vi, 4, 7, 10, 12, 16, 17, 18, 19, 20, 26, 31, 33, 35, 41, **44**, 46, 50  
achievement of, 12, 16, 20, 26  
deployment of, 10, 12, 44  
development of, v, 4, 12, 44  
agility, iii, 7, 10, 16, 22, 37, 39, 43, 50  
alignment, ii, iii, 12, 16, 17, 18, 28, 30, 32, 35, 40, 41, **44**, 45, 46, 47  
analysis, 16, 17, 23, 29, 30, 32, 35, 40, **44**, 49  
anecdotal, 32, 34, **44**  
approach, iii, 6, 28, 30, 31, 32, 34, 35, **44**, 45, 46, 49, 50  
areas to address, iv, 2, 34, 48,

## B

basic requirements, 2, 32, **44**  
best practices, ii, 16, 17, 38, 40, 44, 47

## C

capability and capacity, workforce, 11, 12, 18, 19, 25, 40, 43, 50, **51**  
Changes from the 2011–2012 Criteria, 42–43  
collaborators, 4, 5, 16, 17, **45**, 49, 51  
communication  
    with customers, 7, 14, 26, 37  
    by senior leaders, 7, 8, 12, 26, 44, 47  
    with suppliers, partners, and collaborators, 4, 5, 23, 38  
    with the workforce, 7, 8, 19, 20, 26, 37, 44, 46, 47  
communities, key, 7, 8, 9, 26  
community support, 8, 9, 40, 48  
comparisons, 6, 11, 12, 14, 16, 17, 24, 25, 26, 27, 28, 31, 33, 34, 35, 35, 36, 40, 44, 46, 47, 48, 49  
competitors, 5, 6, 12, 11, 13, 14, 16, 17, 24, 25, 28, 31, 34, 36, 37, 39, 40, 44, 45, 48, 51

complaints, management of, 3, 14, 16, 37, 43, 47, 48, 51  
compliance, legal and regulatory, 8, 9, 26, 40, 48  
core competencies, 4, 5, 8, 10, 11, 18, 20, 26, 35, 38, 41, 42, 43, **45**, 46, 48, 49, 50, 51  
Core Values and Concepts, 37–41  
cost control, 23, 27, 38, 44  
Criteria for Performance Excellence, 4–27  
    framework and structure, 1–2  
    items and point values, 3  
culture, organizational, 7, 16, 20, 37, 40, 45, 50  
customer-driven excellence, 37, 39, 45  
Customer Focus (category 3), 1, 3, 13–15, 39, 43  
customers, ii, iii, 1, 4, 5, 6, 7, 8, 10, 11, 12, 13–15, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 31, 33, 35, 37, 38, 39, 40, 41, 42, 43, **45**, 46, 48, 49, 50, 51  
dissatisfaction of, 13, 14, 25, 47, 50  
engagement of, 3, 7, 11, 13, 14–15, 25, 37, 43, **45**, 50, 51  
groups (segments), 4, 5, 11, 13, 14, 24, 25, 27, 40, 49  
listening to, 13, 25, 43, 50. *See also* voice of the customer  
loyalty of, 15, 37, 41, 45  
relationships with, 4, 11, 13, 14, 15, 19, 25, 37, 45, 51  
requirements of, 4, 5, 11, 13, 14, 24, 31, 37, 43, 50  
retention of, 15, 41, 48  
satisfaction of, 13, 14, 23, 25, 37, 47  
support of, 4, 13, 14, 15, 22, 37, 38, 51  
cycle time, 8, 23, 24, 38, 39, **45**, 46, 48, 50

## D

data  
    analysis and use of, 10, 11, 12, 13, 16, 17, 35, 40, 44, 49, 50  
    comparative/competitive, 6, 11, 12, 14, 16, 17, 24, 25, 26, 27, 28, 31, 33, 34, 35, 35, 36, 40, 44, 46, 47, 48, 49  
deployment, iii, 6, 7, 12, 14, 16, 26, 28, 29, 31, 32, 34, 35, 44, **45**, 46, 48  
design of products and processes, iii, 11, 19, 22, 39, 43, 44, 51  
diversity, 4, 11, 25, **45**, 50

## E

effective (meaning of), **45**  
emergency preparedness, 23, 24  
empowerment, 39, **45**, 46, 51  
engagement  
    of customers, 3, 7, 11, 13, 14–15, 25, 37, **45**, 50, 51  
    of workforce, 19, 20, 21, 25, 38, 45, 46, **51**  
environment  
    competitive, 6, 11, 31, 39  
    organizational/operating, 1, 2, 4, 5, 7, 10, 11, 16, 23, 28, 37, 40, 43, 44, 45, 48, 50  
    protection of, 4, 5, 7, 8, 9, 11, 40, 50  
    regulatory, 4, 5, 8, 9, 19, 21, 26, 40, 45, 48, 50, 51  
    workforce, 5, 7, 10, 18, 21, 25, 37, 38, 40, 42, 43, 45, 46, 50, 51  
ethics and ethical behavior, 7, 8, 9, 11, 20, 26, 37, 40, **45–46**, 47, 48  
evaluation factors, 28, 31, 44, 49

## F

feedback, iii, 1, 9, 13, 14, 23, 28, 31, 34, 35, 37, 47  
focus on the future, 37, 39–40, 43  
focus on results and creating value, 37, 39, 41  
From Fighting Fires to Innovation, 29

## G

Glossary of Key Terms, 44–51  
goals, ii, iii, iv, v, 8, 10, 13, 18, 26, 30,  
31, 35, 38, 40, 44, 45, **46**, 47, 48  
governance, iii, 1, 3, 4, 5, 7, 8, 9, 16,  
24, 26, 37, 39, 40, 42, 43, **46**

## H

high performance, iv, 16, 18, 20, 36,  
37, 38, 45, 48, 51  
high-performance work, 20, 21, **46**  
how (meaning of), 34, **46**  
How to Respond to the Criteria,  
34–36  
How to Use This Booklet, iv–v

## I

improvement  
breakthrough, iii, 28, 36, 44, 46, 48  
continuous, 16, 38, 39, 40  
cycles of, iii, 28, 31, 35, 47  
opportunities for (OFIs), ii, iv, v,  
20, 21, 22, 28, 48  
of performance, iv, vi, 6, 7, 16, 18,  
20, 22, 24, 28, 34, 36, 40, 47, 49  
of products and processes, ii, 6, 22,  
35  
tools for, iii, 6, 8, 22  
indicators. *See* measures and  
indicators  
information technology, 16, 17, 23  
innovation, iii, 4, 5, 6, 7, 8, 10, 11, 12,  
13, 16, 17, 19, 20, 23, 24, 28, 29, 30,  
32, 35, 37, 38, 39, 40, 42, 43, **46**, 47,  
48, 50, 51  
managing for, 37, 39, 40, 43  
integration, iii, 6, 28, 30, 31, 32, 34,  
35, 41, 46, **47**, 49  
intelligent risks, 7, 8, 10, 11, 20, 23,  
26, 37, 38, 40, 42, 43, 46, **47**, 50  
items (Criteria), iii, 2, 3  
requirements of, 2, 28, 32, 33, 34,  
41, 44, 45, 48, 49

## K

key (meaning of), **47**  
knowledge, organizational, 11, 17,  
22, 24, 41  
knowledge assets, 16, 17, 38, **47**  
knowledge management, 16, 17, 43

## L

leaders. *See* senior leaders  
leadership, visionary, 37, 39  
Leadership (category 1), 1, 3, 4–9,  
39, 42  
leadership system, iv, 7, 8, **47**  
learning, iii, 6, 7, 17, 20, 28, 30, 31,  
32, 34, 35, 37, 38, 40, 44, 46, **47**,  
49, 50  
organizational and personal, 7, 17,  
28, 30, 31, 32, 35, 37, 38, 39, 47,  
48  
learning and development,  
workforce, 12, 18, 20, 21, 25, 35,  
37, 38, 40, 46, 47, 51  
legal and regulatory compliance, 8, 9,  
26, 40, 48  
levels (meaning of), 28, **47**

## M

management by fact, 37, 39, 40  
managing for innovation, 37, 39, 40,  
43  
maturity (organizational), iv, v, 6, 28,  
34, 35, 36, 50  
measurement of performance, 1, 12,  
13, 16, 17, 40, 41, 47, 48, 50  
Measurement, Analysis, and  
Knowledge Management (category  
4), 1, 3, 16–17, 39, 43  
measures and indicators of  
performance, iii, 8, 9, 12, 16, 17, 18,  
20, 22, 24, 25, 26, 27, 28, 30, 31, 35,  
36, 40, 41, 44, 45, 46, **47**, 48, 49  
mission, 4, 5, 6, 7, 9, 18, 21, 31, 33,  
34, 45, 46, **48**, 50, 51  
multiple requirements, 2, 32, **48**

## O

Operations Focus (category 6), 1, 3,  
22–23, 39, 43  
opportunities for improvement  
(OFIs), ii, iv, v, 20, 21, 22, 28, 48  
organizational and personal learning,  
7, 17, 28, 30, 31, 32, 35, 37, 38, 39,  
43, 47, 48  
Organizational Profile (preface), 1, 3,  
4–6, 42  
overall requirements, 2, 31, 32, 33, **48**

## P

partners, 4, 5, 7, 8, 10, 11, 12, 15, 16,  
17, 24, 37, 38, 39, 40, 41, 42, 45, 46,  
47, **48**, 49, 51  
performance, **48**. *See also* results  
customer-focused, 40, 48  
financial and marketplace, 16, 17,  
24, 27, 40, 48, 50  
improvement of, iv, vi, 6, 7, 16, 18,  
20, 22, 24, 28, 34, 36, 40, 47, 49  
management of, ii, iv, 1, 9, 20, 34,  
35, 40, 41, 42, 47, 48,  
measures of, iii, 8, 9, 12, 16, 17, 18,  
20, 22, 24, 25, 26, 27, 28, 30, 31,  
35, 36, 40, 41, 44, 45, 46, **47**, 48,  
49  
operational, 24, 40, 48, 50  
product, 22, 24, 40, 47, 48, 50  
projections of, 11, 12, 16, 17, 27,  
33, 35, 40, 47, **48**, 50  
workforce, 20, 40, 48  
performance excellence, ii, iii, 37, **48**  
performance measurement system, 1,  
12, 13, 16, 17, 40, 41, 47, 48, 50  
process (meaning of), 28, **48–49**  
processes. *See also* work processes;  
support processes  
design of, iii, 19, 22, 23, 43, 44  
improvement of, 22, 28, 30, 35, 40,  
45, 46  
management of, iii, 22, 23, 41, 44  
requirements for, 22, 26, 31  
Process Scoring Guidelines, 32  
productivity, ii, 8, 19, 20, 23, 24, 38,  
39, 44, 45, 46, 48, **49**, 50  
products, 4, 5, 6, 8, 10, 11, 12, 13, 14,  
15, 17, 19, 22, 25, 31, 35, 36, 37, 38,  
39, 40, 44, 45, 47, 48, 49, 50  
design of, 11, 19, 22, 39, 43, 51  
improvement of, 11, 12, 22, 38, 39,  
40, 46  
performance of, 22, 24, 40, 47, 48,  
50  
requirements for, 14, 15, 22, 24  
projections of performance, 11, 12,  
16, 17, 26, 33, 35, 40, 47, **48**, 50  
purpose, 4, **49**

## R

recruitment of workforce, 18, 44  
regulatory and legal compliance, 8, 9,  
26, 40, 48

## requirements

- basic (item), 2, 32, **44**
- item, 2, 28, 32, 33, 34, 41, 44, 45, 48, 49
- legal and regulatory, 4, 5, 7, 8, 9, 11, 12, 19, 21, 26, 40, 45, 48, 50, 51
- multiple (item), 2, 32, **48**
- overall (item), 2, 31, 32, 33, **48**
- for processes, 22, 26, 31
- for products, 14, 15, 22, 24
- resource allocation, 23, 40, 41, 44, 47, 49, 50
- results, 28, **49**. *See also* performance
  - customer-focused, 1, 24, 25, 39
  - financial and market, 24, 26, 39
  - leadership and governance, 9, 24, 26, 39, 43
  - product and process, 22, 24, 39, 43
  - workforce-focused, 21, 24, 25, 39
- Results (category 7), 1, 3, 24–27, 39, 43
- Results Scoring Guidelines, 33
- retention
  - customer, 15, 41, 48
  - workforce, 18, 19, 20
- risks, intelligent, 7, 8, 10, 11, 20, 23, 26, 37, 38, 40, 42, 46, **47**, 50

## S

- safety, 4, 5, 9, 20, 23, 24, 25, 26, 36, 40
- Scoring Guidelines
  - Process, 32
  - Results, 33
- Scoring System, 28–33
- segment, 4, 5, 11, 13, 14, 18, 20, 24, 25, 26, 27, 31, 35, 40, **49**
- senior leaders, v, vi, 4, 7, 8, 9, 12, 16, 26, 37, 41, 42, 44, 46, **49**, 51
- social media, 7, 8, 11, 13, 14, 16, 17, 42

- societal responsibility, 6, 7, 8, 9, 11, 26, 37, 38, 39, 40–41, 42, 50
- stakeholders, ii, iii, iv, 4, 5, 7, 8, 9, 10, 22, 26, 37, 39, 40, 41, 42, 45, 46, 47, 48, **49**, 50
- Steps toward Mature Processes, 30
- strategic advantages, 6, 10, 11, 38, **49**, 50
- strategic challenges, 6, 10, 11, 20, 45, **49–50**
- strategic objectives, 7, 8, 10, 11, 12, 16, 17, 19, 26, 31, 25, 35, 38, 40, 41, 44, 46, 48, **50**
- strategic opportunities, 10, 11, 23, 40, 42, 43, 46, **50**
- Strategic Planning (category 2), 1, 3, 10–12, 39, 42
- strategic planning process, vi, 10, 11, 17, 35, 49
- strengths, ii, iv, v, vi, 28, 38, 48
- succession planning, 7, 8, 20, 40, 46
- suppliers, 4, 5, 7, 8, 10, 11, 12, 16, 17, 23, 24, 38, 39, 40, 41, 42, 44, 45, 46, 47, 49, 51
- supply chain, iii, 4, 8, 11, 23, 24, 39, 43, 51
- support processes, 22, 24, 51
- sustainability, ii, iv, 7, 8, 10, 11, 22, 37, 38, 39, 41, 42, 43, 45, 47, 48, **50**, 51
- systematic, 14, 28, 29, 30, 32, 35, 38, 39, 40, 44, 46, **50**
- systems perspective, iii, v, 1, 6, 37, 41, 42

## T

- trends, 17, 24, 25, 26, 27, 28, 31, 33, 34, 35, 36, 40, 49, **50**

## V

- value, ii, iii, 7, 15, 22, 23, 37, 38, 41, 48, **50**
  - creation of, 12, 22, 37, 39, 40, 41, 42, 46, 47, 51
- values, 4, 7, 26, 37, 42, 45, 47, 49, **50**
- valuing workforce members and partners, 37, 38, 39
- vision, 4, 7, 21, 26, 37, 46, 47, **50**, 51
- visionary leadership, 37, 39
- voice of the customer, 13, 16, 37, 43, **50–51**
- volunteers, 5, 6, 8, 11, 19, 26, 38, 51

## W

- what (meaning of), 35
- work processes, 12, 19, 22, 23, 24, 26, 31, 35, 39, 40, 43, 44, 45, 46, 47, 48, **51**
- work systems, 4, 8, 10, 11, 19, 24, 35, 39, 40, 41, 42, 43, 44, 45, 50, **51**
- workforce, ii, iii, v, 1, 4, 5, 6, 7, 8, 9, 11, 12, 17, 18–21, 22, 24, 25, 26, 31, 35, 37, 38, 39, 40, 41, 43, 44, 45, 46, 47, 48, 49, 50, **51**
  - capability and capacity of, 11, 12, 18, 19, 25, 40, 43, 50, **51**
  - engagement of, 19, 20, 21, 25, 38, 45, 46, **51**
  - learning and development of, 12, 18, 20, 21, 25, 35, 37, 38, 40, 46, 47, 51
  - performance of, 20, 40, 48
  - retention and turnover of, 18, 19, 20, 48
- workforce environment, 7, 10, 11, 18, 21, 25, 37, 38, 40, 43, 45, 46, 50, 51
- Workforce Focus (category 5), 1, 3, 18–21, 39, 43
- workforce members and partners, valuing, 37, 38



# The Malcolm Baldrige National Quality Award

The Malcolm Baldrige National Quality Award, created by Public Law 100-107 in 1987, is the highest level of national recognition for performance excellence that a U.S. organization can receive. The award promotes

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

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

Organizations apply for the award in one of six eligibility categories: manufacturing, service, small business, education, health care, and nonprofit. Up to 18 awards may be given annually across the six categories.

For more information on the award and the application process, see <http://www.nist.gov/baldrige/apply.cfm>.



## The Quest for Excellence®

Official conference of the Malcolm Baldrige National Quality Award

### 25th Annual Quest for Excellence Conference and Award Ceremony

April 8–10, 2013; 25th Anniversary Gala on April 7  
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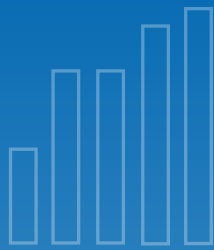
### 26th Annual Quest for Excellence Conference and Award Ceremony

April 7–9, 2014  
Marriott Baltimore Waterfront, Baltimore, Maryland

Each year at The Quest for Excellence, Baldrige Award recipients share their exceptional performance practices with leaders of business, education, health care, and nonprofit organizations and inspire attendees to apply the insights they gain within their own organizations. Plan to attend and learn about the recipients' best management practices and Baldrige journeys, participate in educational presentations on the Baldrige Criteria, and network with Baldrige Award recipients and other attendees.

For more information on The Quest for Excellence, see <http://www.nist.gov/baldrige/qe>.





The ratio of the Baldrige Program's benefits for the U.S. economy to its costs is estimated at **820 to 1.**

**93 Baldrige Award winners** serve as national role models.

2010–2012 award applicants represent **450,468 jobs**, 2,213 work sites, over \$74 million in revenue/budgets, and about 417 million customers served.

478 Baldrige examiners volunteered roughly **\$7.3 million** in services in 2012.

State Baldrige-based examiners volunteered around **\$30 million** in services in 2012.

## Baldrige Performance Excellence Program

Created by Congress in 1987, the Baldrige Program (<http://www.nist.gov/baldrige>) is managed by the National Institute of Standards and Technology, an agency of the U.S. Department of Commerce. The program helps organizations improve their performance and succeed in the competitive global marketplace. It is the only public-private partnership and Presidential award program dedicated to improving U.S. organizations. The program administers the Presidential Malcolm Baldrige National Quality Award.

In collaboration with the greater Baldrige community, we provide organizations with

- an integrated management framework;
- organizational self-assessment tools;
- analysis of organizational strengths and opportunities for improvement by a team of trained experts; and
- educational presentations, conferences, and workshops on proven best management practices and on using the Baldrige Criteria to improve.

## Foundation for the Malcolm Baldrige National Quality Award

The Foundation's main objective is to raise funds to permanently endow the award program. Prominent leaders from U.S. organizations serve as foundation trustees, and a broad cross section of U.S. organizations provides financial support to the foundation.

## Alliance for Performance Excellence

The Alliance (<http://www.baldrigepe.org/alliance>) is a nonprofit national network of local, state, and regional Baldrige-based programs working with organizations from all industry sectors. Alliance members offer performance improvement tools and resources at the grassroots level, giving organizations a simple and straightforward way into the Baldrige framework and thereby helping them improve their efficiency, effectiveness, and results. Alliance member programs serve as a feeder system for the national Baldrige Award.

## American Society for Quality

The American Society for Quality (ASQ; <http://www.asq.org/>) assists in administering the award program under contract to the National Institute of Standards and Technology (NIST). ASQ's vision is to make quality a global priority, an organizational imperative, and a personal ethic and, in the process, to become the community for all who seek quality concepts, technology, or tools to improve themselves and their world.

For more information:

[www.nist.gov/baldrige](http://www.nist.gov/baldrige) | 301.975.2036 | [baldrige@nist.gov](mailto:baldrige@nist.gov)