1992 Award Criteria

Malcolm Baldrige
National
Quality
Award

"Quality management is not just a strategy. It must be a new style of working, even a new style of thinking. A dedication to quality and excellence is more than good business. It is a way of life, giving something back to society, offering your best to others."

George Bush

> *"...In just a few years, the National Quality Award has literally become the standard of business excellence."*
>
> **George Bush**

The Award, 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 winner's name engraved on the base. A solid bronze, 22-karat, gold-plated, die-struck medallion is captured in the front section of the crystal. The medal bears the inscriptions: "Malcolm Baldrige National Quality Award" and "The Quest for Excellence" on one side and the Presidential Seal on the other.

Awards traditionally are presented by the President of the United States at special ceremonies in Washington, D.C.

Awards are made annually to recognize U.S. companies that excel in quality management and quality achievement. Up to two Awards may be given in each of three eligibility categories:

- Manufacturing companies
- Service companies
- Small businesses

Award recipients may publicize and advertise receipt of the Award. Award recipients are expected to share information about their successful quality strategies with other U.S. organizations.

Crystal by Steuben
Medal by The Protocol Group

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IMPORTANT NOTICE
FOR 1992 AWARD APPLICANTS

For 1992, the Award Criteria and the Award application forms are in separate documents. This document, entitled "1992 Award Criteria," contains the Criteria, a description of the Criteria, and scoring information. **If you plan to apply for the Award in 1992, you also will need to obtain a second document entitled "1992 Application Forms and Instructions," as soon as possible.** Ordering instructions are given on page 33.

Eligibility Determination Forms due – March 6, 1992

Award applications due – April 1, 1992

THE MALCOLM BALDRIGE NATIONAL QUALITY AWARD: A PUBLIC-PRIVATE PARTNERSHIP

Building active partnerships in the private sector, and between the private sector and government, is fundamental to the success of the Award in improving quality in the United States.

Support by the private sector for the Award Program in the form of funds, volunteer efforts, and participation in information transfer is strong and growing rapidly.

To ensure the continued growth and success of these partnerships, each of the following organizations plays an important supporting role:

The Foundation for the Malcolm Baldrige National Quality Award

The Foundation for the Malcolm Baldrige National Quality Award was created to foster the success of the Program. The Foundation's main objective is to raise funds to permanently endow the Award Program.

Prominent leaders from U.S. companies serve as Foundation Trustees to ensure that the Foundation's objectives are accomplished. Donor organizations vary in size and type, and are representative of many kinds of businesses and business groups. To date, the Foundation has raised more than $10.4 million.

National Institute of Standards and Technology (NIST)

Responsibility for the Award is assigned to the Department of Commerce. NIST, an agency of the Department's Technology Administration, manages the Award Program.

NIST's goals are to aid U.S. industry through research and services; to contribute to public health, safety, and the environment; and to support the U.S. scientific and engineering research communities. NIST conducts basic and applied research in the physical sciences and engineering and develops measurement techniques, test methods, and standards. Much of NIST's work relates directly to quality and to quality-related requirements in technology development and technology utilization.

American Society for Quality Control (ASQC)

ASQC assists in administering the Award Program under contract to NIST.

ASQC is dedicated to the advancement of the theory and practice of quality control and the allied arts and sciences. ASQC is recognized as the worldwide leader in the development, promotion, and application of quality-related information technology for the quality profession, private

sector, government, and academia. ASQC recognizes that continuous quality improvement will help the favorable repositioning of American goods and services in the international marketplace.

Board of Overseers

The Board of Overseers is the advisory organization on the Award to the Department of Commerce. The Board is appointed by the Secretary of Commerce and consists of distinguished leaders from all sectors of the U.S. economy.

The Board of Overseers evaluates all aspects of the Award Program, including the adequacy of the Criteria and processes for making Awards. An important part of the Board's responsibility is to assess how well the Award is serving the national interest. Accordingly, the Board of Overseers makes recommendations to the Secretary of Commerce and to the Director of NIST regarding changes and improvements in the Award Program.

Board of Examiners

The Board of Examiners is the body that evaluates Award applications, prepares feedback reports, and makes Award recommendations to the Director of NIST. The Board consists of quality experts primarily from the private sector. Members are selected by NIST through a competitive application process. For 1992, the Board consists of more than 250 members. Of these, 9 serve as Judges, and approximately 50 serve as Senior Examiners. The remainder serve as Examiners. All members of the Board take part in an examiner preparation course.

In addition to their application review responsibilities, Board members contribute significantly to building awareness of the importance of quality and to information transfer activities. Many of these activities involve the hundreds of professional, trade, community, and state organizations to which Board members belong.

Award Recipients

The recipients of the Award in the first four years have shared information on their successful quality strategies with hundreds of thousands of companies, education institutions, government agencies, health care organizations, and others. By sharing their strategies, Award recipients have made enormous contributions to building awareness of the importance of quality to improving national competitiveness. This sharing has encouraged many other organizations to undertake their own quality improvement efforts.

INTRODUCTION

The Malcolm Baldrige National Quality Award is an annual Award to recognize U.S. companies that excel in quality management and quality achievement.

The Award promotes:

- awareness of quality as an increasingly important element in competitiveness,
- understanding of the requirements for quality excellence, and
- sharing of information on successful quality strategies and the benefits derived from implementation of these strategies.

Award Participation

The Award has three eligibility categories:

- Manufacturing companies
- Service companies
- Small businesses

Up to two Awards may be given in each category each year. Award recipients may publicize and advertise their Awards. In addition to publicizing the receipt of the Award, recipients are expected to share information about their successful quality strategies with other U.S. organizations.

Companies participating in the Award process submit applications that include completion of the Award Examination.

Award Examination Review

The Award Examination is based upon quality excellence criteria created through a public-private partnership. In responding to these criteria, each applicant is expected to provide information and data on the company's quality processes and quality improvement. Information and data submitted must be adequate to demonstrate that the applicant's approaches could be replicated or adapted by other companies.

The Award Examination is designed not only to serve as a reliable basis for making Awards but also to permit a diagnosis of each applicant's overall quality management.

All applications are reviewed and evaluated by members of the Malcolm Baldrige National Quality Award Board of Examiners. When Board members are assigned to review applications, business and quality expertise is matched to the business of the applicant. Accordingly, applications from manufacturing companies are assigned primarily to Board members with manufacturing expertise, and service company applications are assigned primarily to those with service expertise. Strict rules regarding real and potential conflicts of interest are followed in assigning Board members to review applications.

Applications are reviewed without funding from the United States government. Review expenses are paid primarily through application fees; partial support for the reviews is provided by the Foundation for the Malcolm Baldrige National Quality Award.

After the Award Examination review, all applicants receive feedback reports prepared by members of the Board of Examiners.

Purpose of This Document

This document contains the Award Criteria, a description of the Criteria, scoring guidelines, and other information. In addition to serving as a basis for submitting an Award application, the material contained in this document helps provide a basis for self-assessment, planning, training, and other uses by any organization.

> If you plan to apply for the Award in 1992, you will also need the document entitled *1992 Application Forms and Instructions.* Ordering instructions are given on page 33.

Award Criteria Purposes

The Malcolm Baldrige National Quality Award Criteria are the basis for making Awards and providing feedback to applicants. In addition, they have three other important national purposes:

- to help elevate quality standards and expectations;
- to facilitate communication and sharing among and within organizations of all types based upon common understanding of key quality requirements; and
- to serve as a working tool for planning, training, assessment, and other uses.

The Award Criteria are directed toward dual results-oriented goals: To project key requirements for delivering ever-improving value to customers while at the same time maximizing the overall productivity and effectiveness of the delivering organization.

To achieve these results-oriented goals, the Criteria need to be built upon a set of values that together address and integrate the overall customer and company performance requirements.

Core Values and Concepts

The Award Criteria are built upon these core values and concepts:

- Customer-driven quality
- Leadership
- Continuous improvement
- Full participation
- Fast response
- Design quality and prevention
- Long-range outlook
- Management by fact
- Partnership development
- Public responsibility

Brief descriptions of the core values and concepts follow.

Customer-Driven Quality

Quality is judged by the customer. All product and service attributes that contribute value to the customer and lead to customer satisfaction and preference must be addressed appropriately in quality systems. Value, satisfaction, and preference may be influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. This includes the relationship between the company and customers — the trust and confidence in products and services — that leads to loyalty and preference. This concept of quality includes not only the product and service attributes that meet basic requirements. It also includes those that enhance them and differentiate them from competing offerings. Such enhancement and differentiation may include new offerings, as well as unique product-product, service-service, or product-service combinations.

Customer-driven quality is thus a strategic concept. It is directed toward market share gain and customer retention. It demands constant sensitivity to emerging customer and market requirements, and measurement of the factors that drive customer satisfaction. It also demands awareness of developments in technology, and rapid and flexible response to customer and market requirements. Such requirements extend well beyond defect and error reduction, merely meeting specifications, or reducing complaints. Nevertheless, defect and error reduction and elimination of causes of dissatisfaction contribute significantly to the customers' view of quality and are thus also important parts of customer-driven quality. In addition, the company's approach to recovering from defects and errors is crucial to its improving both quality and relationships with customers.

Leadership

A company's senior leaders must create clear and visible quality values and high expectations. Reinforcement of the values and expectations requires their substantial personal commitment and involvement. The leaders must take part in the creation of strategies, systems, and methods for achieving excellence. The systems and methods need to guide all activities and decisions of the company and encourage participation and creativity by all employees. Through their regular personal involvement in visible activities, such as planning, review of company quality performance, and recognizing employees for quality achievement, the senior leaders serve as role models reinforcing the values and encouraging leadership in all levels of management.

Continuous Improvement

Achieving the highest levels of quality and competitiveness requires a well-defined and well-executed approach to continuous improvement. Such improvement needs to be part of all operations and of all work unit activities of a company. Improvements may be of several types: (1) enhancing value to the customer through new and improved products and services; (2) reducing errors, defects, and waste; (3) improving responsiveness and cycle time performance; and (4) improving productivity and effectiveness in the use of all resources. Thus, improvement is driven not only by the objective to provide better quality, but also by the need to be responsive and efficient — both conferring additional marketplace advantages. To meet all of these objectives, the process of continuous improvement must contain regular cycles of planning, execution, and evaluation. This requires a basis — preferably a quantitative basis — for assessing progress, and for deriving information for future cycles of improvement.

Full Participation

Meeting the company's quality and performance objectives requires a fully committed, well-trained, and involved work force. Reward and recognition systems need to reinforce full participation in company quality objectives. Factors bearing upon the safety, health, well-being, and morale of employees need to be part of the continuous improvement objectives and activities of the company. Employees need education and training in quality skills related to performing their work and to understanding and solving quality-related problems. Training should be reinforced through on-the-job applications of learning, involvement, and empowerment. Increasingly, training and participation need to be tailored to a more diverse work force.

Fast Response

Success in competitive markets increasingly demands ever-shorter product and service introduction cycles and more rapid response to customers. Indeed, fast response itself is often a major quality attribute. Reduction in cycle times and rapid response to customers can occur when work processes are designed to meet both quality and response goals. Accordingly, response time improvement should be included as a major focus within all quality improvement processes of work units. This requires that all designs, objectives, and work unit activities include measurement of cycle time and responsiveness. Major improvements in response time may require work processes and paths to be simplified and shortened. Response time improvements often "drive" simultaneous improvements in quality and productivity. Hence it is highly beneficial to consider response time, quality, and productivity objectives together.

Design Quality and Prevention

Quality systems should place strong emphasis on design quality — problem prevention achieved through building quality into products and services and into the processes through which they are produced. Excellent design quality may lead to major reductions in "downstream" waste, problems, and associated costs. Design quality includes the creation of fault-tolerant (robust) processes and products. A major design issue is the design-to-introduction cycle time. To meet the demands of ever-more rapidly changing markets, companies need to focus increasingly on shorter product and service introduction times. Consistent with the theme of design quality and prevention, continuous improvement and corrective actions need to emphasize interventions "upstream" — at the earliest stages in processes. This approach yields the maximum overall benefits of improvements and corrections. Such upstream intervention also needs to take into account the company's suppliers.

Long-Range Outlook

Achieving quality and market leadership requires a future orientation and long-term commitments to customers, employees, stockholders, and suppliers. Strategies, plans, and resource allocations need to reflect these commitments and address training, employee development, supplier development, technology evolution, and other factors that bear upon quality. A key part of the long-term commitment is regular review and assessment of progress relative to long-term plans.

Management by Fact

Meeting quality and performance goals of the company requires that process management be based upon reliable information, data, and analysis. Facts and data needed for quality assessment and quality improvement are of many types, including: customer, product and service performance, operations, market, competitive comparisons,

supplier, employee-related, and cost and financial. Analysis refers to the process of extracting larger meaning from data to support evaluation and decision making at various levels within the company. Such analysis may entail using data individually or in combination to reveal information — such as trends, projections, and cause and effect — that might not be evident without analysis. Facts, data, and analysis support a variety of company purposes, such as planning, reviewing company performance, improving operations, and comparing company quality performance with competitors'.

A major consideration relating to use of data and analysis to improve competitive performance involves the creation and use of performance indicators. Performance indicators are measurable characteristics of products, services, processes, and operations the company uses to evaluate performance and to track progress. The indicators should be selected to best represent the factors that determine customer satisfaction and operational performance. A system of indicators tied to customer and/or company performance requirements represents a clear and objective basis for aligning all activities of the company toward common goals. Through the analysis of data obtained in the tracking processes, the indicators themselves may be evaluated and changed. For example, indicators selected to measure product and service quality may be judged by how well they correlate with customer satisfaction.

Partnership Development
Companies should seek to build internal and external partnerships, serving mutual and larger community interests. Such partnerships might include those that promote labor-management cooperation such as agreements with unions, cooperation with suppliers and customers, and linkages with education organizations. Partnerships should consider longer-term objectives as well as short-term needs, thereby creating a basis for mutual investments. The building of partnerships should address means of regular communication, approaches to evaluating progress, means for modifying objectives, and methods to accommodate to changing conditions.

Public Responsibility
A company's customer requirements and quality system objectives should address areas of corporate citizenship and responsibility. These include business ethics, public health and safety, environment, and sharing of quality-related information in the company's business and geographic communities. Health, safety, and environmental considerations need to take into account the life cycle of products and services and include factors such as waste generation. Quality planning in such cases should address adverse contingencies that may arise throughout the life cycle of production, distribution, and use of products. Plans should include problem avoidance and company response if avoidance fails, including how to maintain public trust and confidence. Inclusion of public responsibility areas within a quality system means not only meeting all local, state, and federal legal and regulatory requirements, but also treating these and related requirements as areas for continuous improvement. In addition, companies should support — within reasonable limits of their resources — national, industry, trade, and community activities to share nonproprietary quality-related information.

Criteria Framework

The core values and concepts are embodied in seven categories, as follows:

1.0 **Leadership**
2.0 **Information and Analysis**
3.0 **Strategic Quality Planning**
4.0 **Human Resource Development and Management**
5.0 **Management of Process Quality**
6.0 **Quality and Operational Results**
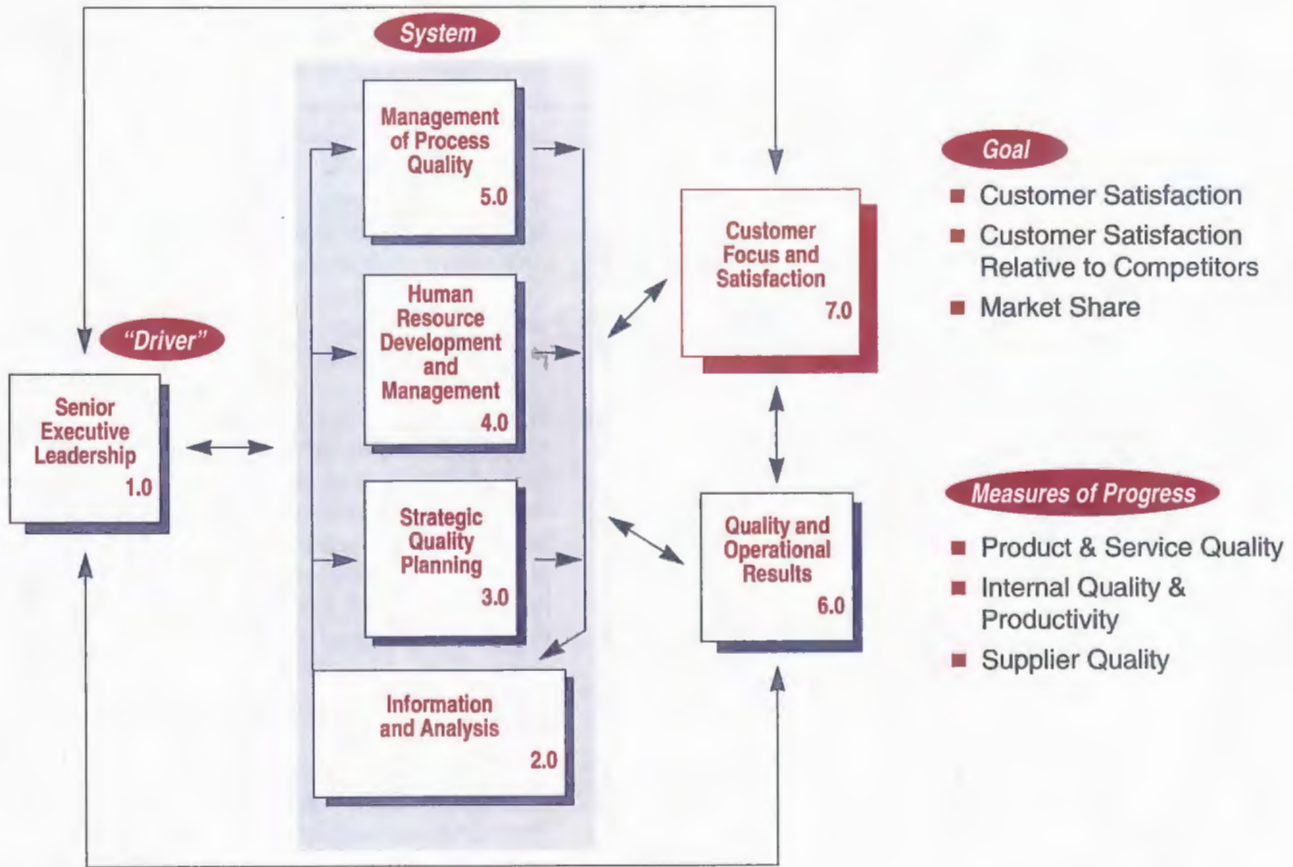7.0 **Customer Focus and Satisfaction**

The framework connecting and integrating the categories is given in the figure on page 5.

BALDRIGE AWARD CRITERIA FRAMEWORK
Dynamic Relationships

System

Management of Process Quality 5.0

Human Resource Development and Management 4.0

"Driver"

Senior Executive Leadership 1.0

Strategic Quality Planning 3.0

Information and Analysis 2.0

Customer Focus and Satisfaction 7.0

Quality and Operational Results 6.0

Goal
- Customer Satisfaction
- Customer Satisfaction Relative to Competitors
- Market Share

Measures of Progress
- Product & Service Quality
- Internal Quality & Productivity
- Supplier Quality

The framework has four basic elements:

Driver
Senior executive leadership creates the values, goals, and systems, and guides the sustained pursuit of quality and performance objectives.

System
System comprises the set of well-defined and well-designed processes for meeting the company's quality and performance requirements.

Measures of Progress
Measures of progress provide a results-oriented basis for channeling actions to delivering ever-improving customer value and company performance.

Goal
The basic aim of the quality process is the delivery of ever-improving value to customers.

The seven Criteria categories shown in the figure are further subdivided into Examination Items and Areas to Address. These are described below.

Examination Items
In all, there are 28 Examination Items among the seven Examination Categories. Examination Categories each contain two or more Examination Items. Each Item focuses on a major element of an effective quality system. All information submitted by applicants is in response to the specific requirements given within these Items. Each Item is assigned an Examination point value. Item titles and point values are enumerated on page 12.

Areas to Address

Each Examination Item includes a set of Areas to Address (Areas). The Areas serve to illustrate and clarify the intent of the Items and to place limits on the types and amounts of information the applicant should provide. Areas are not assigned individual point values, because their relative importance depends upon factors such as the applicant's type and size of business and quality system.

The Pivotal Role of the Quality and Operational Results Category

The Quality and Operational Results Category (6.0) plays a central role in the Award Criteria. This Category provides a focus and purpose for all quality system actions. In addition, it represents the bridge between the quality system and the customer. Through this focus, the dual purpose of quality — superior value of offerings as viewed by the customer and the marketplace, and superior company performance as determined through productivity and effectiveness indicators — is maintained. The other major purpose of Category 6.0 is to provide key information (measures of progress) for evaluation and improvement of quality system processes and practices.

The Quality and Operational Results Category consists of four Items:

6.1 *Product and Service Quality Results*
This Item calls for reporting quality levels and improvements for key product and service attributes — attributes that truly matter to the customer and to the marketplace. These attributes are derived from customer-related Items ("listening posts") which make up Category 7.0. If the attributes have been properly selected, improvements in them should show a strong positive correlation with customer and marketplace improvement indicators — captured in Items 7.4 and 7.5. The correlation between quality and customer indicators is a critical management tool. It is a device for focusing on key attributes. In addition, the correlation may reveal emerging or changing market segments or changing importance of attributes.

6.2 *Company Operational Results*
This Item calls for reporting performance and improvements in quality and productivity of the company.

Paralleling Item 6.1, which focuses on attributes that matter to the customer, Item 6.2 focuses on attributes that best reflect overall company performance. Such attributes are of two types: (1) generic — common to all companies; and (2) business-specific. Generic attributes include cycle time, internal quality, and those that relate to productivity, as reflected in use of labor, materials, energy, capital, and assets. Indicators of productivity, cycle time, or internal quality should reflect overall company performance. Business- or company-specific effectiveness indicators vary greatly and may include indicators such as rates of invention, environmental quality, export levels, new markets, and percent of sales from recently introduced products or services.

6.3 *Business Process and Support Service Results*
This Item calls for reporting performance and improvements in quality, productivity, and effective-ness of the business processes and support services which support the principal product and service production activities. This permits a demonstration of how support units of the company link to and contribute to overall improvement in quality (reported in Item 6.1) and overall improvement in company operational performance (reported in Item 6.2). This Item is thus a useful device in aligning support activities with the company's overall principal quality, productivity, and business objectives. Through this Item, special requirements, which differ from work unit to work unit and define work-unit effectiveness, can be set, tracked, and linked to one another.

6.4 *Supplier Quality Results*
This Item calls for reporting quality levels and improvements in key indicators of supplier quality. The term "supplier" refers to external providers of products and services, "upstream" and/or "downstream" from the company. The focus should be on the most critical quality attributes from the point of view of the company — the buyer of the products and services. Trends and levels of quality should reflect results by whatever means they occur — via improvements by suppliers within the supply base, through changes in selection of suppliers, or both.

Key Characteristics of the Award Criteria

1. The Criteria are directed toward producing results.

The values outlined above are directed toward the results-oriented goals of the Criteria. Results, as used in the Criteria, are a composite of key performance areas:

- customer satisfaction
- customer satisfaction relative to competitors
- market share
- customer indicators such as complaints and customer retention
- market responsiveness and cycle time
- product and service quality
- internal quality, productivity, waste reduction, and asset utilization
- company-specific effectiveness indicators such as new markets, new technology, and new products
- supplier quality and supplier development
- environmental quality, occupational safety and health, and regulatory compliance
- employee development, well-being, and satisfaction
- contributions to national and community well-being

Assessment of these results is based upon one or more of three factors: (1) improvement trends; (2) current levels; and (3) benchmarks, evaluations, and other comparisons that establish levels and trends relative to the performance of others, especially appropriately selected leaders.

2. The Criteria are nonprescriptive.

The Criteria represent an integrated set of requirements incorporating the ten core values described above. However, the Criteria do not prescribe how the core values are to be implemented in a particular company. Specifically, they do not prescribe:

- company organization
- quality organization, if any (The seven categories of the Criteria do not necessarily correspond to departments or company units.)
- specific quality techniques
- type of quality system
- method of quality system implementation
- technologies to be used

The Criteria are nonprescriptive for two important reasons:

(1) Organizations, techniques, and technologies vary greatly among businesses, depending on business size, type, and other factors.

(2) By focusing on requirements, companies are encouraged to develop unique, creative, or adaptive overall approaches to achieving the goals of the Criteria.

3. The Criteria link process to results.

The Award Criteria provide a link between processes and results, as described above in the Pivotal Role of the Quality and Operational Results Category. Integration in the Criteria is achieved through many direct and indirect relationships and linkages among the requirements. In addition, many parts of the Criteria call for aggregation and assessment of unit-level and company-level performance, thus encouraging an integrated view of all activities.

4. The Criteria are part of a diagnostic system.

The Criteria and the scoring system make up a two-part diagnostic system. The Criteria focus on requirements. The scoring system focuses on the factors that should be used in assessing strengths and areas for improvement. Together the two parts of the diagnostic system direct attention to activities that contribute to reaching the goals of the Criteria.

5. The Criteria are comprehensive.

The requirements contained in the Criteria cover all operations, processes, and work units of the company. In addition, the Criteria support business strategy and business decisions and pertain to all transactions, including those related to fulfilling public responsibilities.

6. The Criteria include key learning cycles.

The arrows in the figure on page 5 denote linkage and dynamic relationships and feedback among the framework elements. The primary dynamic characteristic of the Criteria is their inclusion of cycles of continuous improvement. These cycles of learning, adaptation, and improvement are explicit and implicit in every part of the Criteria. The cycles have four, clearly-defined stages:

(1) planning, design of processes, selection of indicators, deployment of requirements

(2) execution of plans

(3) assessment of progress, taking into account internal and external indicators

(4) revision of plans, taking into account progress, learning, and new information.

7. The Criteria emphasize quality system alignment.

The Criteria call for improvement cycles to occur at all levels and in all parts of the company. In order to ensure that such improvement cycles carried out in different parts of the organization do not operate at counterpurposes, overall aims need to be consistent or aligned. Alignment in the Award Criteria is achieved via interconnecting and mutually reinforcing key indicators, derived from overall company requirements. The latter relate directly to delivery of customer value, improvement of organizational performance, or both. The use of key indicators channels activities toward agreed-upon goals. At the same time, use of indicators avoids detailed procedural prescriptions or unnecessary centralization of process management. Key indicators provide a basis for deploying customer and company performance requirements to all work units. Such alignment ensures consistency while at the same time challenging work units to consider new approaches to superior performance.

Linkage of the Award Criteria to Quality-Related Corporate Issues

Incremental and Breakthrough Improvement

Use of nonprescriptive, results-oriented Criteria and key indicators are intended to focus on *what* needs to be improved. This approach helps to ensure that improvements throughout the organization contribute to the organization's overall purposes. In addition to supporting creativity in approach and organization, results-oriented Criteria and key indicators encourage "breakthrough thinking" — openness to the possibility for major improvements as well as incremental ones. However, if key indicators are tied too directly to existing work methods, processes, and organizations, breakthrough changes may be discouraged. For this reason, analysis of operations, processes, and progress should focus on the selection of and the value of the indicators themselves. This will help to ensure that indicator selection does not unwittingly contribute to stifling creativity and preventing beneficial changes in organization.

Benchmarks may also serve a useful purpose in stimulating breakthrough thinking. Benchmarks offer the opportunity to achieve significant improvements based on adoption or adaptation of current best practice. In addition, they help encourage creativity through exposure to alternative approaches and results. Also, benchmarks represent a clear challenge to "beat the best," thus encouraging major improvements rather than only incremental refinements of existing approaches. As with key indicators, benchmark selection is critical, and benchmarks should be reviewed periodically for appropriateness.

Financial Performance

The Award Criteria address financial performance via three major avenues: (1) emphasis on quality factors and management actions that lead to better market performance, market share gain, and customer retention; (2) emphasis on improved productivity, asset utilization, and lower overall operating costs; and (3) support for business strategy development and business decisions.

The focus on superior offerings and lower costs of operation means that the Criteria's principal route to improved financial performance is through requirements that seek to channel activities toward producing superior overall value. Delivering superior value — an important part of business strategy — also supports other business strategies such as pricing. For example, superior value offers the possibility of price premiums or competing via lower prices, which may enhance market share and asset utilization, and thus may also contribute to improved financial performance.

Business strategy usually addresses factors in addition to quality and value. For example, strategy may address market niche, facilities location, diversification, acquisition, export development, research, technology leadership, and rapid product turnover. A basic premise of the Award Criteria is that quality principles support the development and evaluation of business decisions and strategies, even though many factors other than product and service quality must be considered. Examples of applications of the Criteria to business decisions and strategies include:

- quality management of the information used in business decisions and strategy — scope, validity, and analysis

- quality requirements of niches, new businesses, export target markets

- quality status of acquisitions — key benchmarks

- analysis of factors — societal, regulatory, economic, competitive, and risk — that may bear upon the success or failure of strategy

- development of scenarios built around possible outcomes of strategy or decisions including risks of failures, probable consequences of failures, and management of failure

- lessons learned from previous strategy developments — within the company or available through research.

The Award Criteria and evaluation system take into account market share, customer retention, customer satisfaction, productivity, asset utilization, and other factors that contribute to financial performance. However, the Criteria do not call for aggregate financial information such as quarterly or annual profits in evaluation of applications for Awards. This exclusion is made for several reasons — technical, fairness, and procedural:

- short-term profits may be affected by such factors as accounting practices, business decisions, write-offs, dividends, and investments.

- some industries historically have higher profit levels than others.

- the time interval between quality improvement and overall financial improvement depends upon many factors. Nor would this interval likely be the same from industry to industry or even for companies in the same industry.

- the Award Criteria measure performance relative to rigorous, customer-oriented, company-performance criteria. Though improved quality may improve a company's financial performance, its financial performance depends also on the quality performance of competitors — which the Award process cannot measure directly. The inclusion of aggregate financial indicators in evaluations would place at a disadvantage many applicants in the most competitive businesses.

- financial performance depends upon many external factors, such as local, national, and international economic conditions and business cycles. Such conditions and cycles do not have the same impact on all companies.

- some companies would not participate in the Award process if required to provide more detailed financial information.

Invention, Innovation, and Creativity
Invention, innovation, and creativity — discovery, novel changes to existing practices or products, and imaginative approaches — are important aspects of delivering ever-improving value to customers and maximizing productivity. While state of technology may play a key role in corporate involvement in research leading to discovery, innovation and creativity are crucial features in company competitiveness and can be applied to products, processes, services, human resource development, and overall quality systems.

The Award Criteria encourage invention, innovation, and creativity in all aspects of company decisions and in all work areas:

- nonprescriptive criteria, supported by benchmarks and indicators, encourage creativity and breakthrough thinking as they channel activities toward purpose, not toward following procedures.

- customer-driven quality places major emphasis on the "positive side of quality," which stresses enhancement, new services, and customer relationship management. Success with the positive side of quality depends heavily on creativity — usually more so than steps to reduce errors and defects which tend to rely more on well-defined quality techniques.

- human resource utilization stresses employee involvement, development, and recognition, and encourages creative approaches to improving employee effectiveness, empowerment, and contributions.

- continuous improvement and cycles of learning are integral parts of the activities of all work groups. This requires analysis and problem solving everywhere within the company.

- strong emphasis on cycle time reduction in all company operations encourages companies to analyze work paths, work organization, and the value-added contribution of all process steps, thus fostering change, innovation, and creative thinking in how work is organized and conducted.

- strong emphasis on cycle time and design encourages rapid introduction of new products and services, including those based on new concepts emerging from research areas.

- quality and quality improvement requirements are deployed to all work units, including research, development, and other groups which have responsibility for addressing future requirements. For such groups, measures and indicators are expected to reflect quality, productivity, and effectiveness appropriate to the exploratory nature of their activities.

- focusing on future requirements of customers, customer segments, and customers of competitors encourages companies to think in terms of attributes and, hence, innovative and creative ways to serve needs.

Changes from the 1991 Award Criteria

The 1992 Award Criteria are built upon the same seven-category framework and use the same approach as in 1991. However, numerous changes have been made to improve clarity and to strengthen key themes. Major changes are:

- The number of Items has been reduced from 32 to 28. A description of the actual changes is summarized, by Category, below.

- The number of Areas to Address has been reduced from 99 to 89.

- Point values have been adjusted to provide a better overall balance among Items and to place more emphasis on results.

- An expanded introductory section entitled "Description of the 1992 Award Criteria" replaces the "Description of the 1991 Examination." The purpose of this new section is to enhance the educational value of the Criteria for wider usage — training, self-assessment, and design of quality systems, as well as actual Award applications.

Key Themes Strengthened in the 1992 Criteria
- cycle time reduction
- productivity
- overall company performance
- work process and organization simplification and waste reduction
- relationship between quality and other business management considerations: business planning, financial results, overall company effectiveness, innovation, and future orientation
- alignment of requirements in plans
- design quality and prevention
- data aggregation, analysis, and use
- work force development
- quality system integration via Category 6.0

A summary of the most significant changes from 1991, by Category, follows:

Leadership
- The Category has been reduced from four to three Items. The Quality Values Item (1991) has been subsumed in Items 1.1 and 1.2.

- The importance of personal involvement of senior executive leadership has been further stressed through increased point value and greater emphasis on executives' personal use of improvement processes.

- The Management for Quality Item (1992) now requires applicants to analyze their organizational structures to determine how well they support quality, cycle time, and innovation objectives. The intent of this change is to encourage users of the Criteria to work toward organizations capable of speed and flexibility, maximizing value-added work.

Information and Analysis
- The importance of Item 2.3 has been increased and is now more clearly the "central intelligence" Item within the Criteria. This Item serves as the analysis point for the development of company strategy and plans and for the review of company progress. Analyses carried out in Item 2.3 support the dual, results-oriented goals given on page 2.

- The Item addressing Competitive Comparisons and Benchmarks now requires applicants to describe how benchmark data encourage innovation and better knowledge of processes.

Strategic Quality Planning
- Item 3.1 seeks to provide a better integration of quality and performance planning into overall business planning. Planning issues such as research and development and technology leadership are now more explicitly addressed.

- Together, Items 3.1 and 3.2 place more emphasis on the process the company uses to deploy customer and company performance requirements to all company units. The importance of such deployment is discussed under quality system alignment (page 8).

Human Resource Development and Management
- The title of this Category has been changed to better reflect development and the investment in human resources which the Category seeks to balance with utilization.

- More emphasis is placed on improvement of personnel practices such as recruitment and management to achieve excellence taking into account a more diverse work force.

Management of Process Quality
- The title of this Category has been changed to reflect the greater emphasis on definition, management, and improvement of processes.

- The Category has been reduced from seven to five Items. The themes of the 1991 Continuous Improvement of Processes Item have been built into all Items of the Category. The 1991 Documentation Item requirements have been included under the Quality Assessment Item for 1992.

Research and development work of companies with such activities can be described in one or more of three Items: 5.1, 5.2, and 5.3. Product research and development is covered under 5.1; process research is covered under 5.2; and basic research is covered under 5.3. Applicants are not expected to reveal proprietary research and development activities. However, they are expected to provide information on how they use quality principles in managing research and development for greater innovation and better coupling to the company's chosen directions.

Quality and Operational Results
- The title of this Category has been changed to better reflect its dual purposes and the composite nature of results.
- The Category has been increased from three to four Items. The Business Process, Operational, and Support Service Quality Results Item (1991) has been divided into two Items to provide better clarity and focus. The four Items of this Category are described in detail on page 6.

Customer Focus and Satisfaction
- The title of this Category has been changed to better reflect its overall purposes.
- The Category has been reduced from eight Items to six. Customer Relationship Management (1992) is a composite of three Items from the 1991 Criteria: Customer Relationship Management; Customer Service Standards; and Complaint Resolution for Quality Improvement.
- The 1991 Item, Determining Customer Requirements and Expectations, is given more of a future orientation in 1992. The new title of the Item is Future Requirements and Expectations of Customers. This Item (7.6) occurs last in the sequence. The first five Items in the Category are devoted to current and near-term customer issues.

Business Factors Considered in the Evaluation of Applications

The Award Examination is designed to permit evaluation of any quality system for manufacturing and service companies of any size, type of business, or scope of market. The 28 Items and 89 Areas to Address have been selected because of their importance to virtually all businesses. Nevertheless, the importance of the Items and Areas to Address may not be equally applicable to all businesses, even to businesses of comparable size in the same industry. Specific business factors that may bear upon the evaluation are considered at every stage of evaluation. Below is an outline of the key business factors considered in the Award Examination.

Key Business Factors
- size and resources of the applicant
- number and types of employees
- nature of the applicant's business: products, services, and technologies used
- special requirements of customers or markets
- scope of the applicant's market: local, regional, national, or international
- regulatory environment within which the applicant operates
- importance of suppliers, dealers, and other external businesses to the applicant and the degree of influence the applicant has over its suppliers.

Application Overview
Applicants need to submit a four-page Overview that addresses key business factors that must be considered in the Award evaluation process. The Overview is intended to "set the stage" for the Examiners who conduct the evaluation.

Information that **should be included** in the Overview:
- types of major products and services
- key quality requirements for products and services
- nature of major markets (local, regional, national, or international)
- description of principal customers (consumers, other businesses, government)
- competitive environment
- applicant's position in the industry
- major equipment and facilities used
- types of technologies used
- general description of the applicant's employee base, including: number, type, and education level
- importance of and types of suppliers of goods and services
- occupational health and safety, environmental, and other regulatory considerations
- other factors important to the applicant

If the applicant is a subsidiary, a description of the organizational structure and management links to the parent company should be presented. Subsidiaries should also include information that shows key relationships to the parent company: (1) percent of employees; (2) percent of sales; and (3) types of products and services. (The overview is not counted as part of the page limit.)

1992 EXAMINATION ITEMS AND POINT VALUES

1.0 Leadership *(90 pts.)*

The *Leadership* Category examines senior executives' *personal* leadership and involvement in creating and sustaining a customer focus and clear and visible quality values. Also examined is how the quality values are integrated into the company's management system and reflected in the manner in which the company addresses its public responsibilities.

1.1 Senior Executive Leadership *(45 pts.)*

Describe the senior executives' leadership, personal involvement, and visibility in developing and maintaining a customer focus and an environment for quality excellence.

AREAS TO ADDRESS

a. senior executives' leadership, personal involvement, and visibility in quality-related activities of the company. Include: (1) reinforcing a customer focus; (2) creating quality values and setting expectations; (3) planning and reviewing progress toward quality and performance objectives; (4) recognizing employee contributions; and (5) communicating quality values outside the company

b. brief summary of the company's quality values and how the values serve as a basis for consistent communication within and outside the company

c. personal actions of senior executives to regularly demonstrate, communicate, and reinforce the company's customer orientation and quality values through all levels of management and supervision

d. how senior executives evaluate and improve the effectiveness of their personal leadership and involvement

Notes:

(1) The term "senior executives" refers to the highest-ranking official of the organization applying for the Award and those reporting directly to that official.

(2) Activities of senior executives might also include leading and/or receiving training, benchmarking, customer visits, and mentoring other executives, managers, and supervisors.

(3) Communication outside the company might involve: national, state, and community groups; trade, business, and professional organizations; and education, health care, government, and standards groups. It might also involve the company's stockholders and board of directors.

1.2 Management for Quality *(25 pts.)*

Describe how the company's customer focus and quality values are integrated into day-to-day leadership, management, and supervision of all company units.

AREAS TO ADDRESS

a. how the company's customer focus and quality values are translated into requirements for all levels of management and supervision. Include principal roles and responsibilities of each level: (1) within their units; and (2) cooperation with other units.

b. how the company's organizational structure is analyzed to ensure that it most effectively and efficiently serves the accomplishment of the company's customer, quality, innovation, and cycle time objectives. Describe indicators, benchmarks, or other bases for evaluating and improving organizational structure.

c. types, frequency, and content of reviews of company and work unit quality plans and performance. Describe types of actions taken to assist units which are not performing according to plans.

d. key methods and key indicators the company uses to evaluate and improve awareness and integration of quality values at all levels of management and supervision

1.3 Public Responsibility

(20 pts.)

Describe how the company includes its responsibilities to the public for health, safety, environmental protection, and ethical business practices in its quality policies and improvement activities, and how it provides leadership in external groups.

AREAS TO ADDRESS

a. how the company includes its public responsibilities, such as business ethics, public health and safety, environmental protection, and waste management in its quality policies and practices. For each area *relevant and important* to the company's business, briefly summarize: (1) how potential risks are identified, analyzed, and minimized; (2) principal quality improvement goals and how they are set: (3) principal improvement methods; (4) principal quality indicators used in each area; and (5) how and how often progress is reviewed.

b. how the company promotes quality awareness and sharing with external groups

Notes:

(1) Health, safety, environmental, and waste management issues addressed in this Item are those associated with the company's operations. Such issues that arise in connection with the use of products and services or disposal of products are addressed in Item 5.1.

(2) Health and safety of employees are not covered in this item. These are addressed in Item 4.5.

(3) Trends in indicators of quality improvement in 1.3a should be reported in Item 6.2.

(4) External groups may include those listed in Item 1.1, Note 3.

2.0 Information and Analysis *(80 pts.)*

The *Information and Analysis* Category examines the scope, validity, analysis, management, and use of data and information to drive quality excellence and improve competitive performance. Also examined is the adequacy of the company's data, information, and analysis system to support improvement of the company's customer focus, products, services, and internal operations.

2.1 Scope and Management of Quality and Performance Data and Information

(15 pts.)

Describe the company's base of data and information used for planning, day-to-day management, and evaluation of quality. Describe also how data and information reliability, timeliness, and access are assured.

AREAS TO ADDRESS

a. criteria for selecting types of data and information to be included in the quality-related data and information base. List key types included and very briefly describe how each supports quality improvement. Types of data and information should include: (1) customer-related; (2) internal operations; (3) company performance; and (4) cost and financial.

b. how the company ensures reliability, consistency, standardization, review, timely update, and rapid access to data and information throughout the company. If applicable, describe how software quality is assured.

c. key methods and key indicators the company uses to evaluate and improve the scope and quality of its data and information and how it shortens the cycle from data gathering to access. Describe efforts to broaden company units' access to data and information.

Notes:

(1) This Item permits the applicant to demonstrate the breadth and depth of its quality-related data. Applicants should give brief descriptions of the data under major headings such as "company performance" and subheadings such as "product and service quality" and "cycle time." Note that information on the scope and management of competitive and benchmark data is requested in Item 2.2.

(2) Actual data should not be reported in this Item. Such data are requested in other Items. Accordingly, all data reported in other Items, such as 6.1, 6.2, 6.3, 6.4, 7.4, and 7.5, are part of the base of data and information to be described in Item 2.1.

2.2 Competitive Comparisons and Benchmarks *(25 pts.)*

Describe the company's approach to selecting data and information for competitive comparisons and world-class benchmarks to support quality and performance planning, evaluation, and improvement.

AREAS TO ADDRESS

a. criteria the company uses for seeking competitive comparisons and benchmarks: (1) key company requirements and priorities; and (2) with whom to compare — within and outside the company's industry

b. current scope, sources, and uses of competitive and benchmark data, including company and independent testing or evaluation: (1) product and service quality; (2) customer satisfaction and other customer data; (3) internal operations, including business processes, support services, and employee-related; and (4) supplier performance

c. how competitive and benchmark data are used to encourage new ideas and improve understanding of processes

d. how the company evaluates and improves the scope, sources, and uses of competitive and benchmark data

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2.3 Analysis and Uses of Company-Level Data *(40 pts.)*

Describe how quality- and performance-related data and information are analyzed and used to support the company's overall operational and planning objectives.

AREAS TO ADDRESS

a. how customer-related data (Category 7.0) are aggregated, analyzed, and translated into actionable information to support: (1) developing priorities for prompt solutions to customer-related problems; (2) determining relationships between the company's product and service quality performance and key customer indicators, such as customer satisfaction, customer retention, and market share; and (3) developing key trends in customer-related performance for review and planning

b. how company operational performance data (Category 6.0) are aggregated, analyzed, and translated into actionable information to support: (1) developing priorities for short-term improvements in company operations, including improved cycle time, productivity, and waste reduction; and (2) developing key trends in company operational performance for review and planning

c. how key cost, financial, and market data are aggregated, analyzed, and translated into actionable information to support improved customer-related and company operational performance

d. key methods and key indicators the company uses to evaluate and improve its analysis. Improvement should address: (1) how the company shortens the cycle of analysis and access to results; and (2) how company analysis strengthens integration of customer, performance, financial, market, and cost data for improved decision making.

Notes:

(1) This Item focuses primarily on analysis for company-level strategies, decision making, and evaluation. Usually, data for these analyses come from or affect a variety of company operations. Some other Items in the Criteria involve analyses of specific sets of data for special purposes such as evaluation of training. Such special-purpose analyses should be part of the information base of Items 2.1 and 2.3 so that this information can be included in larger, company-level analyses.

(2) Analyses involving cost, financial, and market data vary widely in types of data used and purposes. Examples include: relationships between customer satisfaction and market share; relationships between quality and costs; relationships between quality and revenues and profits; consequences and costs associated with losses of customers and diminished reputation resulting from dissatisfied customers; relationships between customer retention, costs, and profits; priorities for company resource allocation and action based upon costs and impacts of alternative courses of action; improvements in productivity and resource use; and improvements in asset utilization.

3.0 Strategic Quality Planning (60 pts.)

The *Strategic Quality Planning* Category examines the company's planning process and how all key quality requirements are integrated into overall business planning. Also examined are the company's short- and longer-term plans and how quality and performance requirements are deployed to all work units.

3.1 Strategic Quality and Company Performance Planning Process
(35 pts.)

Describe the company's strategic planning process for the short term (1-2 years) and longer term (3 years or more) for quality and customer satisfaction leadership. Include how this process integrates quality and company performance requirements and how plans are deployed.

AREAS TO ADDRESS

a. how the company develops plans and strategies for the short term and longer term. Describe data and analysis results used in developing business plans and priorities, and how they consider: (1) customer requirements and the expected evolution of these requirements; (2) projections of the competitive environment; (3) risks: financial, market, and societal; (4) company capabilities, including research and development to address key new requirements or technology leadership opportunity; and (5) supplier capabilities.

b. how plans are implemented. Describe: (1) the method the company uses to deploy overall plan requirements to all work units and to suppliers, and how it ensures alignment of work unit activities; and (2) how resources are committed to meet the plan requirements.

c. how the company evaluates and improves its planning process, including improvements in: (1) determining company quality and overall performance requirements; (2) deployment of requirements to work units; and (3) input from all levels of the company

Note: *Review of performance relative to plans is addressed in Item 1.2.*

3.2 Quality and Performance Plans
(25 pts.)

Summarize the company's quality and performance plans and goals for the short term (1-2 years) and the longer term (3 years or more).

AREAS TO ADDRESS

a. for the company's chosen directions, including planned products and services, markets, or market niches, summarize: (1) key quality factors and quality requirements to achieve leadership; and (2) key company performance requirements

b. outline of the company's principal short-term quality and company performance plans and goals: (1) summary of key requirements and key performance indicators deployed to work units and suppliers; and (2) resources committed for key requirements such as capital equipment, facilities, education and training, and personnel

c. principal longer-term quality and company performance plans and goals, including key requirements and how they will be addressed

d. two-to-five year projection of significant improvements using the most important quality and company performance indicators. Describe how quality and company performance might be expected to compare with competitors and key benchmarks over this time period. Briefly explain the comparison.

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4.0 Human Resource Development and Management *(150 pts.)*

The *Human Resource Development and Management* Category examines the key elements of how the company develops and realizes the full potential of the work force to pursue the company's quality and performance objectives. Also examined are the company's efforts to build and maintain an environment for quality excellence conducive to full participation and personal and organizational growth.

4.1 Human Resource Management *(20 pts.)*

Describe how the company's overall human resource development and management plans and practices support its quality and company performance plans and address all categories and types of employees.

AREAS TO ADDRESS

a. how human resource plans derive from quality and company performance plans (Item 3.2). Briefly describe major human resource development initiatives or plans affecting: (1) education, training, and related skill development; (2) recruitment; (3) involvement; (4) empowerment; and (5) recognition. Distinguish between the short-term (1-2 years) and the longer-term (3 years or more) plans as appropriate.

b. key quality, cycle time, and other performance goals and improvement methods for personnel practices such as recruitment, hiring, personnel actions, and services to employees. Describe key performance indicators used in the improvement of these personnel practices.

c. how the company evaluates and uses all employee-related data to improve the development and effectiveness of the entire work force. Describe how the company's evaluation and improvement processes address all types of employees.

Notes:

(1) Human resource plans might include the following: mechanisms for promoting cooperation such as internal customer/supplier techniques or other internal partnerships; initiatives to promote labor-management cooperation, such as partnerships with unions; creation of modifications to recognition systems; mechanisms for increasing or broadening employee responsibilities; permitting employees to learn and use skills that go beyond current job assignments through redesign of work processes; creation of high performance work teams; and education and training initiatives. Plans might also include forming partnerships with educational institutions to develop employees or to help ensure the future supply of well-prepared employees.

(2) "Categories of employees" refers to the company's classification system used in its personnel practices and/or work assignments. "Types of employees" takes into account other factors, such as bargaining unit membership and demographic makeup. This includes gender, age, minorities, and the disabled.

(3) All employee-related data refers to data contained in personnel records as well as data described in Items 4.2, 4.3, 4.4, and 4.5.

4.2 Employee Involvement
(40 pts.)

Describe the means available for all employees to contribute effectively to meeting the company's quality and performance objectives; summarize trends in involvement.

AREAS TO ADDRESS

a. management practices and specific mechanisms the company uses to promote employee contributions, individually and in groups, to quality and company performance objectives. Describe how and how quickly the company gives feedback to contributors.

b. company actions to increase employee empowerment, responsibility, and innovation. Briefly summarize principal goals for all categories of employees, based upon the most important requirements for each category.

c. key methods and key indicators the company uses to evaluate and improve the extent and effectiveness of involvement of all categories and types of employees

d. trends in percent involvement for each category of employee. Use the most important indicator(s) of effective employee involvement for each category.

Note: *Different involvement goals and indicators may be set for different categories of employees, depending on company needs and on the types of responsibilities of each employee category.*

4.3 Employee Education and Training *(40 pts.)*

Describe how the company determines what quality and related education and training is needed by employees and how the company utilizes the knowledge and skills acquired; summarize the types of quality and related education and training received by employees in all categories.

AREAS TO ADDRESS

a. (1) how the company determines needs for the types and amounts of quality and related education and training to be received by all categories and types of employees. Address: (a) relevance of education and training to company plans; (b) needs of individual employees; and (c) all work units having access to skills in problem analysis, problem solving, and process simplification; (2) methods for the delivery of education and training; and (3) how the company ensures on-the-job use and reinforcement of knowledge and skills.

b. summary and trends in quality and related education and training received by employees. The summary and trends should address: (1) quality orientation of new employees; (2) percent of employees receiving quality and related education and training in each employee category annually; (3) average hours of quality education and training per employee annually; (4) percent of current employees who have received quality and related education and training; and (5) percent of employees who have received education and training in specialized areas such as design quality, statistical, and other quantitative problem-solving methods.

c. key methods and key indicators the company uses to evaluate and improve the effectiveness of its quality and related education and training for all categories and types of employees. Describe how the indicators take into account: (1) education and training delivery effectiveness; (2) on-the-job performance improvement; and (3) employee growth.

Note: *Quality and related education and training address the knowledge and skills employees need to meet their objectives as part of the company's quality and performance plans. This may include quality awareness, leadership, problem solving, meeting customer requirements, process analysis, process simplification, waste reduction, cycle time reduction, and other training that affects employee effectiveness and efficiency.*

4.4 Employee Performance and Recognition
(25 pts.)

Describe how the company's employee performance, recognition, promotion, compensation, reward, and feedback processes support the attainment of the company's quality and performance objectives.

AREAS TO ADDRESS

a. how the company's performance, recognition, promotion, compensation, reward, and feedback approaches for individuals and groups, including managers, support the company's quality and performance objectives. Address: (1) how the approaches ensure that quality is reinforced relative to short-term financial considerations; and (2) how employees contribute to the company's performance and recognition approaches.

b. trends in reward and recognition, by employee category, for contributions to the company's quality and performance objectives

c. key methods and key indicators the company uses to evaluate and improve its performance and recognition processes. Describe how the evaluation takes into account cooperation, participation by all categories and types of employees, and employee satisfaction.

4.5 Employee Well-Being and Morale *(25 pts.)*

Describe how the company maintains a work environment conducive to the well-being and growth of all employees; summarize trends and levels in key indicators of well-being and morale.

AREAS TO ADDRESS

a. how well-being and morale factors such as health, safety, satisfaction, and ergonomics are included in quality improvement activities. Summarize principal improvement goals, methods, and indicators for each factor relevant and important to the company's work environment. For accidents and work-related health problems, describe how root causes are determined and how adverse conditions are prevented.

b. mobility, flexibility, and retraining in job assignments to support employee development and/or to accommodate changes in technology, improved productivity, changes in work processes, or company restructuring

c. special services, facilities, and opportunities the company makes available to employees. These might include one or more of the following: counseling, assistance, recreational or cultural, non-work-related education, and outplacement.

d. how and how often employee satisfaction is determined

e. trends in key indicators of well-being and morale. This should address, as appropriate: satisfaction, safety, absenteeism, turnover, attrition rate for customer-contact personnel, grievances, strikes, and worker compensation. Explain important adverse results, if any. For such adverse results, describe how root causes were determined and corrected, or give current status. Compare results on the most significant indicators with those of industry averages, industry leaders, and other key benchmarks.

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5.0 Management of Process Quality (140 pts.)

The *Management of Process Quality* Category examines the systematic processes the company uses to pursue ever-higher quality and company performance. Examined are the key elements of process management, including design, management of process quality for all work units and suppliers, systematic quality improvement, and quality assessment.

5.1 Design and Introduction of Quality Products and Services (40 pts.)

Describe how new and/or improved products and services are designed and introduced and how processes are designed to meet key product and service quality requirements and company performance requirements.

AREAS TO ADDRESS

a. how designs of products, services, and processes are developed so that: (1) customer requirements are translated into design requirements; (2) all quality requirements are addressed early in the overall design process by appropriate company units; (3) designs are coordinated and integrated to include all phases of production and delivery; and (4) a process control plan that involves selecting, setting, and monitoring key process characteristics is developed.

b. how designs are reviewed and validated, taking into account key factors: (1) product and service performance; (2) process capability and future requirements; and (3) supplier capability and future requirements

c. how the company evaluates and improves the effectiveness of its designs and design processes so that new product and service introductions progressively improve in quality and cycle time

Notes:

(1) Design and introduction may include modification and variance of existing products and services and/or new products and services emerging from research and development.

(2) Applicant response should reflect the key requirements of the products and services they deliver. Factors that may need to be considered in design include: health, safety, long-term performance, environment, measurement capability, process capability, maintainability, and supplier capability.

(3) Service and manufacturing businesses should interpret product and service requirements to include all product- and service-related requirements at all stages of production, delivery, and use.

5.2 Process Management – Product and Service Production and Delivery Processes
(35 pts.)

Describe how the company's product and service production and delivery processes are managed so that current quality requirements are met and quality and performance are continuously improved.

AREAS TO ADDRESS

a. how the company maintains the quality of processes in accord with product and service design requirements. Describe: (1) what is measured and types and frequencies of measurements; and (2) how out-of-control occurrences are handled, including root cause determination, correction, and verification of corrections.

b. how processes are analyzed and improved to achieve better quality, performance, and cycle time. Describe how the following are considered: (1) process simplification; (2) waste reduction; (3) process research and testing; (4) use of alternative technologies; and (5) benchmark information.

c. how overall product and service performance data are analyzed, root causes determined, and results translated into process improvements

d. how the company integrates process improvement with day-to-day process management: (1) resetting process characteristics to reflect the improvements; (2) verification of improvements; and (3) ensuring effective use by all appropriate company units

Notes:

(1) For manufacturing and service companies which have specialized measurement requirements, a description of the method for measurement quality assurance should be given. For physical, chemical, and engineering measurements, describe briefly how measurements are made traceable to national standards.

(2) The distinction between 5.2b and 5.2c is as follows: 5.2b addresses ongoing improvement activities of the company; 5.2c addresses performance information related to the use of products and services ("performance in the field"), including customer problems and complaints. Analysis in 5.2c focuses on the process level — root causes and process improvement.

5.3 Process Management – Business Processes and Support Services
(30 pts.)

Describe how the company's business processes and support services are managed so that current requirements are met and quality and performance are continuously improved.

AREAS TO ADDRESS

a. how the company maintains the quality of the business processes and support services. Describe: (1) how key processes are defined based upon customer and/or company quality performance requirements; (2) principal indicators used to measure quality and/or performance; (3) how day-to-day quality and performance are determined, including types and frequencies of measurements used; and (4) how out-of-control occurrences are handled, including root cause determination, correction, and verification of corrections.

b. how processes are improved to achieve better quality, performance, and cycle time. Describe how the following are used or considered: (1) process performance data; (2) process and organizational simplification and/or redefinition; (3) use of alternative technologies; (4) benchmark information; (5) information from customers of the business processes and support services — inside and outside the company; and (6) challenge goals.

Notes:

(1) Business processes and support services might include activities and operations involving finance and accounting, software services, sales, marketing, information services, purchasing, personnel, legal services, plant and facilities management, basic research and development, and secretarial and other administrative services.

(2) The purpose of this Item is to permit applicants to highlight separately the quality activities for functions that support the product and service production and delivery processes the applicant addressed in Item 5.2. The support services and business processes included in Item 5.3 depend on the applicant's type of business and quality system. Thus, this selection should be made by the applicant. Together, Items 5.1, 5.2, 5.3, 5.4, and 5.5 should cover all operations, processes, and activities of all work units.

5.4 Supplier Quality
(20 pts.)

Describe how the quality of materials, components, and services furnished by other businesses is assured and continuously improved.

AREAS TO ADDRESS

a. approaches used to define and communicate the company's quality requirements to suppliers. Include: (1) the principal quality requirements for key suppliers; and (2) the principal indicators the company uses to communicate and monitor supplier quality.

b. methods used to assure that the company's quality requirements are met by suppliers. Describe how the company's overall performance data are analyzed and relevant information fed back to suppliers.

c. current strategies and actions to improve the quality and responsiveness (delivery time) of suppliers. These may include: partnerships, training, incentives and recognition, and supplier selection.

Notes:

(1) The term "supplier" as used here refers to other-company providers of goods and services. The use of these goods and services may occur at any stage in the production, delivery, and use of the company's products and services. Thus, suppliers include businesses such as distributors, dealers, and franchises as well as those that provide materials and components.

(2) Methods may include audits, process reviews, receiving inspection, certification, testing, and rating systems.

5.5 Quality Assessment
(15 pts.)

Describe how the company assesses the quality and performance of its systems, processes, and practices and the quality of its products and services.

AREAS TO ADDRESS

a. approaches the company uses to assess: (1) systems, processes, and practices; and (2) products and services. For (1) and (2), describe: (a) what is assessed; (b) how often assessments are made and by whom; and (c) how measurement quality and adequacy of documentation of processes and practices are assured.

b. how assessment findings are used to improve: products and services, systems, processes, practices, and supplier requirements. Describe how the company verifies that assessment findings are acted on and that actions are effective.

Notes:

(1) The systems, processes, practices, products, and services addressed in this Item pertain to all company unit activities covered in Items 5.1, 5.2, 5.3, and 5.4. If the approaches and frequency of assessments differ appreciably for different company activities, this should be described in this Item.

(2) Adequacy of documentation should take into account legal, regulatory, and contractual requirements as well as knowledge preservation and transfer to help support all quality-related efforts.

6.0 Quality and Operational Results *(180 pts.)*

The *Quality and Operational Results* Category examines the company's quality levels and improvement trends in quality, company operational performance, and supplier quality. Also examined are current quality and performance levels relative to those of competitors.

6.1 Product and Service Quality Results *(75 pts.)*

Summarize trends in quality and current quality levels for key product and service features; compare the company's current quality levels with those of competitors.

AREAS TO ADDRESS

a. trends and current levels for all key measures of product and service quality

b. current quality level comparisons with principal competitors in the company's key markets, industry averages, industry leaders, and others as appropriate. Briefly explain bases for comparison such as: (1) independent surveys, studies, or laboratory testing; (2) benchmarks; and (3) company evaluations and testing. Describe how objectivity and validity of comparisons are assured.

Notes:

(1) Key product and service measures are measures relative to the set of all important features of the company's products and services. These measures, taken together, best represent the <u>most important factors that predict customer satisfaction and quality in customer use</u>. Examples include measures of accuracy, reliability, timeliness, performance, behavior, delivery, after-sales services, documentation, and appearance.

(2) Results reported in Item 6.1 should reflect the key product and service features described in the Overview.

(3) Data reported in Item 6.1 are intended to be results of company ("internal") measurements — not customer satisfaction or other customer data, reported in Items 7.4 and 7.5. If the quality of some key product or service features cannot be determined effectively through internal measures, external data may be used. Examples include data collected by the company, as in Item 7.1c, data collected by third-party organizations on behalf of the company, and data collected by independent organizations. Such data should provide information on the company's performance relative to <u>specific product and service features</u>, not on levels of overall satisfaction. These data, collected regularly, are then part of a system for measuring quality, monitoring trends, and improving processes.

6.2 Company Operational Results *(45 pts.)*

Summarize trends and levels in overall company operational performance and provide a comparison of this performance with competitors and appropriate benchmarks.

AREAS TO ADDRESS

a. trends and current levels for key measures of company operational performance

b. comparison of performance with that of competitors, industry averages, industry leaders, and key benchmarks. Give and briefly explain basis for comparison.

Note: *Key measures of company operational performance include those that address productivity, efficiency, and effectiveness. Examples should include generic indicators such as use of manpower, materials, energy, capital, and assets. Trends and levels could address productivity indices, waste reduction, energy efficiency, cycle time reduction, environmental improvement, and other measures of improved <u>overall company performance</u>. Also include company-specific indicators the company uses to monitor its progress in improving operational performance. Such company-specific indicators should be defined in tables or charts where trends are presented. Trends in financial indicators, properly labeled, may be included in this Item. If such financial indicators are used, there should be a clear connection to the quality and performance improvement activities of the company.*

6.3 Business Process and Support Service Results *(25 pts.)*

Summarize trends and current levels in quality and performance improvement for business processes and support services.

Note: *Business processes and support services are those as covered in Item 5.3. Key measures of performance should reflect the principal quality, productivity, cycle time, cost, and other effectiveness requirements for business processes and support services. Responses should reflect relevance to the company's principal quality and company performance objectives addressed in company plans, contributing to the results reported in Items 6.1 and 6.2. They should also demonstrate broad coverage of company business processes, support services, and work units and reflect the most important objectives of each process, service, or work unit.*

6.4 Supplier Quality Results *(35 pts.)*

Summarize trends in quality and current quality levels of suppliers; compare the company's supplier quality with that of competitors and with key benchmarks.

AREAS TO ADDRESS

a. trends and current levels for the most important indicators of supplier quality

b. comparison of the company's supplier quality levels with those of competitors and/or with benchmarks. Such comparisons could be industry averages, industry leaders, principal competitors in the company's key markets, and appropriate benchmarks. Describe the basis for comparisons.

Note: *The results reported in Item 6.4 derive from quality improvement activities described in Item 5.4. Results should be broken down by major groupings of suppliers and reported using the principal quality indicators described in Item 5.4.*

7.0 Customer Focus and Satisfaction (300 pts.)

The *Customer Focus and Satisfaction* Category examines the company's relationships with customers and its knowledge of customer requirements and of the key quality factors that determine marketplace competitiveness. Also examined are the company's methods to determine customer satisfaction, current trends and levels of satisfaction, and these results relative to competitors.

7.1 Customer Relationship Management (65 pts.)

Describe how the company provides effective management of its relationships with its customers and uses information gained from customers to improve customer relationship management strategies and practices.

AREAS TO ADDRESS

a. how the company determines the most important factors in maintaining and building relationships with customers and develops strategies and plans to address them. Describe these factors and how the strategies take into account: fulfillment of basic customer needs in the relationship; opportunities to enhance the relationships; provision of information to customers to ensure the proper setting of expectations regarding products, services, and relationships; and roles of all customer-contact employees, their technology needs, and their logistics support.

b. how the company provides information and easy access to enable customers to seek assistance, to comment, and to complain. Describe types of contact and how easy access is maintained for each type.

c. follow-up with customers on products, services, and recent transactions to help build relationships and to seek feedback for improvement

d. how service standards that define reliability, responsiveness, and effectiveness of customer-contact employees' interactions with customers are set. Describe how standards requirements are deployed to other company units that support customer-contact employees, how the overall performance of the service standards system is monitored, and how it is improved using customer information.

e. how the company ensures that formal and informal complaints and feedback received by all company units are aggregated for overall evaluation and use throughout the company. Describe how the company ensures that complaints and problems are resolved promptly and effectively.

f. how the following are addressed for customer-contact employees: (1) selection factors; (2) career path; (3) special training to include: knowledge of products and services; listening to customers; soliciting comments from customers; how to anticipate and handle problems or failures ("recovery"); skills in customer retention; and how to manage expectations; (4) empowerment and decision-making; (5) attitude and morale determination; (6) recognition and reward; and (7) attrition

g. how the company evaluates and improves its customer relationship management practices. Describe key indicators used in evaluations and how evaluations lead to improvements, such as in strategy, training, technology, and service standards.

Notes:

(1) Information on trends and levels in indicators of complaint response time and trends in percent of complaints resolved on first contact should be reported in Item 6.3.

(2) In addressing empowerment and decision making in 7.1f, indicate how the company ensures that there is a common vision or basis guiding customer-contact employee action.

7.2 Commitment to Customers (15 pts.)

Describe the company's explicit and implicit commitments to customers regarding its products and services.

AREAS TO ADDRESS

a. types of commitments the company makes to promote trust and confidence in its products, services, and relationships. Describe how these commitments: (1) address the principal concerns of customers; and (2) are free from conditions that might weaken customer confidence.

b. how improvements in the quality of the company's products and services over the past three years have been translated into stronger commitments. Compare commitments with those of competitors.

c. how the company evaluates and improves its commitments, and the customers' understanding of them, to avoid gaps between expectations and delivery

Note: *Commitments may include product and service guarantees, product warranties, and other understandings with the customer, expressed or implied.*

7.3 Customer Satisfaction Determination (35 pts.)

Describe the company's methods for determining customer satisfaction and customer satisfaction relative to competitors; describe how these methods are evaluated and improved.

AREAS TO ADDRESS

a. how the company determines customer satisfaction. Include: (1) a brief description of market segments and customer groups and the key customer satisfaction requirements for each segment or group; (2) how customer satisfaction measurements capture key information that reflects customers' likely market behavior; and (3) a brief description of the methods, processes, and scales used; frequency of determination; and how objectivity and validity are assured.

b. how customer satisfaction relative to that for competitors is determined. Describe: (1) company-based comparative studies; and (2) comparative studies or evaluations made by independent organizations, including customers. For (1) and (2) describe how objectivity and validity are assured.

c. how the company evaluates and improves its overall processes and measurement scales for determining customer satisfaction and customer satisfaction relative to that for competitors. Describe how other indicators (such as gains and losses of customers) and customer dissatisfaction indicators (such as complaints) are used in this improvement process.

Notes:

(1) Customer satisfaction measurement may include both a numerical rating scale and descriptors assigned to each unit in the scale. An effective customer satisfaction measurement system is one that provides the company with reliable information about customer views of specific product and service features and the relationship between these views or ratings and the customer's likely market behaviors.

(2) Indicators of customer dissatisfaction include complaints, claims, refunds, recalls, returns, repeat services, litigation, replacements, downgrades, repairs, warranty work, and warranty costs. If the company has received any sanctions under regulation or contract during the past three years, include such information in the Item. Briefly summarize how sanctions were resolved or give current status.

(3) Company-based or independent organization comparative studies in 7.3b may take into account one or more indicators of customer dissatisfaction.

7.4 Customer Satisfaction Results *(75 pts.)*

Summarize trends in the company's customer satisfaction and trends in key indicators of dissatisfaction.

AREAS TO ADDRESS

a. trends and current levels in indicators of customer satisfaction, segmented as appropriate

b. trends and current levels in indicators of customer dissatisfaction. Address all indicators relevant to the company's products and services.

Notes:

(1) Results reported in this Item derive from methods described in Item 7.3 and 7.1c and e.

(2) Indicators of customer dissatisfaction are listed in Item 7.3, Note 2.

7.5 Customer Satisfaction Comparison *(75 pts.)*

Compare the company's customer satisfaction results with those of competitors.

AREAS TO ADDRESS

a. trends and current levels in indicators of customer satisfaction relative to that for competitors, based upon methods described in Item 7.3. Segment by customer group, as appropriate.

b. trends in gaining or losing customers, or customer accounts, to competitors

c. trends in gaining or losing market share to competitors

Note: *Competitors include domestic and international ones in the company's markets, both domestic and international.*

7.6 Future Requirements and Expectations of Customers *(35 pts.)*

Describe how the company determines future requirements and expectations of customers.

AREAS TO ADDRESS

a. how the company addresses future requirements and expectations of customers. Describe: (1) the time horizon for the determination; (2) how data from current customers are projected; (3) how customers of competitors and other potential customers are considered; and (4) how important technological, competitive, societal, economic, and demographic factors and trends that may bear upon customer requirements and expectations are considered.

b. how the company projects key product and service features and the relative importance of these features to customers and potential customers. Describe how potential market segments and customer groups are considered. Include considerations that address new product/service lines as well as current products and services.

c. how the company evaluates and improves its processes for determining future requirements and expectations of customers. Describe how the improvement process considers new market opportunities and extension of the time horizon for the determination of customer requirements and expectations.

SCORING SYSTEM

The system for scoring Examination Items is based upon three evaluation dimensions: (1) approach; (2) deployment; and (3) results. All Examination Items require applicants to furnish information relating to one or more of these dimensions. Specific criteria associated with the evaluation dimensions are described below. Scoring Guidelines are outlined on page 29.

Approach

"Approach" refers to the methods the company uses to achieve the purposes addressed in the Examination Items. The scoring criteria used to evaluate approaches include one or more of the following, as appropriate:

- the appropriateness of the methods, tools, and techniques to the requirements
- the effectiveness of the use of methods, tools, and techniques
- the degree to which the approach is systematic, integrated, and consistently applied
- the degree to which the approach embodies effective evaluation/improvement cycles
- the degree to which the approach is based upon quantitative information that is objective and reliable
- the degree to which the approach is prevention-based
- the indicators of unique and innovative approaches, including significant and effective new adaptations of tools and techniques used in other applications or types of businesses

Deployment

"Deployment" refers to the extent to which the approaches are applied to all relevant areas and activities addressed and implied in the Examination Items. The scoring criteria used to evaluate deployment include one or more of the following, as appropriate:

- the appropriate and effective application by all work units to all processes and activities
- the appropriate and effective application to all product and service features
- the appropriate and effective application to all transactions and interactions with customers, suppliers of goods and services, and the public

Results

"Results" refers to outcomes and effects in achieving the purposes addressed and implied in the Examination Items. The scoring criteria used to evaluate results include one or more of the following:

- the quality and performance levels demonstrated and their importance
- the rate of quality and performance improvement
- the breadth of quality and performance improvement
- the demonstration of sustained improvement
- the comparison with industry and world leaders
- the company's ability to show that improvements derive from its quality practices and actions

Types of Information Requested

The 1992 Award Examination (pages 13-27) requests the following types of information:

Information Describing Approach and Deployment
- Category 1.0: Items 1.1, 1.2, and 1.3
- Category 2.0: Items 2.1, 2.2, and 2.3
- Category 3.0: Items 3.1 and 3.2
- Category 4.0: Items 4.1, 4.2, 4.3, 4.4, and 4.5
- Category 5.0: Items 5.1, 5.2, 5.3, 5.4, and 5.5
- Category 7.0: Items 7.1, 7.2, 7.3, and 7.6

Note: *Several Areas within these Items require data. These are 4.2d, 4.3b, 4.4b, and 4.5e. In addition, Area 3.2d calls for projection of data. Any other Item/Area may be supported by data, provided that these data directly address the approach and deployment requirements outlined in the Item. (See page 32.)*

Information Describing Results
- Category 6.0: Items 6.1, 6.2, 6.3 and 6.4
- Category 7.0: Items 7.4 and 7.5

Note: *These Items require data.*

SCORING GUIDELINES

SCORE	APPROACH	DEPLOYMENT	RESULTS
0%	■ anecdotal, no system evident	■ anecdotal	■ anecdotal
10-40%	■ beginnings of systematic prevention basis	■ some to many major areas of business	■ some positive trends in the areas deployed
50%	■ sound, systematic prevention basis that includes evaluation/ improvement cycles ■ some evidence of integration	■ most major areas of business ■ some support areas	■ positive trends in most major areas ■ some evidence that results are caused by approach
60-90%	■ sound, systematic prevention basis with evidence of refinement through evaluation/improvement cycles ■ good integration	■ major areas of business ■ from some to many support areas	■ good to excellent in major areas ■ positive trends — from some to many support areas ■ evidence that results are caused by approach
100%	■ sound, systematic prevention basis refined through evaluation/ improvement cycles ■ excellent integration	■ major areas and support areas ■ all operations	■ excellent (world-class) results in major areas ■ good to excellent in support areas ■ sustained results ■ results clearly caused by approach

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ELIGIBILITY CATEGORIES AND RESTRICTIONS

Basic Eligibility

Public Law 100-107 establishes the three eligibility categories of the Award: Manufacturing, Service, and Small Business. Any for-profit business located in the United States or its territories may apply for the Award. Eligibility for the Award is intended to be as open as possible to all U.S. companies. Minor eligibility restrictions and conditions ensure fairness and consistency in definition. For example, publicly or privately owned, domestic or foreign-owned, joint ventures, incorporated firms, sole proprietorships, partnerships, and holding companies may apply. Not eligible are: local, state, and national government agencies; not-for-profit organizations; trade associations; and professional societies.

Award Eligibility Categories

1. Manufacturing

Companies or subsidiaries (defined below) that produce and sell manufactured products or manufacturing processes, and those companies that produce agricultural, mining, or construction products.

2. Service

Companies or subsidiaries that sell services.

- Proper classification of companies that perform both manufacturing and service is determined by the larger percentage of sales.

3. Small Business

Complete businesses with not more than 500 full-time employees. Business activities may include manufacturing and/or service. A small business must be able to document that it functions independently of any other businesses which are equity owners.

Subsidiaries

For purposes of the Malcolm Baldrige National Quality Award application, a subsidiary will be taken to mean an actual subsidiary, business unit, division, or like organization. In the Manufacturing and Service categories, subsidiaries of a company may be eligible for the Award. Small businesses must apply as a whole; subsidiaries of small businesses are not eligible.

The following application conditions apply for subsidiaries:

- The subsidiary must have existed one year prior to the Award application.
- The subsidiary must have clear definition of organization as reflected in corporate literature, e.g., organization charts, administrative manuals, annual reports.

- The subsidiary must have more than 500 full-time employees, OR
- It must have 25% of all employees in the world-wide operations of the parent company. ("Parent company" refers to the company that owns or controls subsidiaries through the ownership of voting stock.)

Restrictions on Eligibility

The intent of Public Law 100-107 is to create an Award process incorporating rigorous and objective evaluation of the applicants' total quality system underlying its products and services. *Award recipients are to serve as appropriate models of total quality achievement for other U.S. companies.* Customer satisfaction is to play a major role in the examination. Site visits are required to verify descriptions given in written applications.

The nature of some companies' activities are such that the central purposes and requirements of Public Law 100-107 cannot be fulfilled through their participation in the Award Program; companies or subsidiaries whose businesses cannot fulfill these purposes are not eligible. Specifically, four restrictions apply:

1. A company or its subsidiary is eligible only if the quality practices associated with all major business functions of the applicant are inspectable in the United States or its territories. One or both of the following conditions must apply:
   - more than 50% of the applicant's employees must be located in the U.S. or its territories, or
   - more than 50% of the applicant's physical assets must be located in the U.S. or its territories

   Note: *The functions/activities of foreign sites must be included in the Application Report in the appropriate Examination Item.*

2. At least 50% of the subsidiary's customer base (dollar volume for products and services) must be free of direct financial and line organization control by the parent company. For example, a subsidiary is not eligible if its parent company or other subsidiary of the parent company is the customer for more than one-half of its total products and services.

3. Individual units or partial aggregations of units of "chain" organizations (such as hotels, retail stores, banks, or restaurants) are not eligible.

For purposes of this application, a chain organization is defined as an organization where each unit (e.g., subsidiary or franchise) performs a similar function or manufactures a similar product. Accordingly, a potential applicant is not eligible if the parent company or another unit of the parent company provides similar products or services for substantially the same customer base. Similarly, an individual unit is not eligible if customers would be unable to distinguish easily which unit of the company provides the products or services to them.

4. Subsidiaries performing any of the business support functions of the company are not eligible. Examples of business support functions include: Sales/Marketing/ Distribution, Customer Service, Finance and Accounting, Human Resources, Environmental-Health-Safety of Employees, Purchasing, Legal Services, and Research and Development.

Multiple-Application Restrictions

1. A subsidiary and its parent company may not both apply for Awards in the same year.

2. Only one subsidiary of a company may apply for an Award in the same year in the same Award category.

Future Eligibility Restrictions

1. If a company receives an Award, the company and all its subsidiaries are ineligible to apply for another Award for a period of five years.

2. If a subsidiary receives an Award, it is ineligible to apply for another Award for a period of five years.

3. If a subsidiary consisting of more than one-half of the total sales of a company receives an Award, neither that company nor any of its other subsidiaries is eligible to apply for another Award for a period of five years.

Eligibility Determination

In order to ensure that potential Award recipients meet all reasonable requirements and expectations in representing the Award throughout the U.S., applicants must have their eligibility approved prior to applying for the Award.

Determination takes into account the following factors:

- size
- small business status
- subsidiary status and subsidiary functions performed
- customer base
- sales to a parent company or another unit or units of the parent company
- status as a U.S. company
- relationship of products and services to those of the parent company or other units of the parent company
- number and type of support services provided by the parent company or other units of the parent company

Potential applicants for the 1992 Award are encouraged to submit their Eligibility Determination Form as early as possible and no later than March 6, 1992. This form is contained in the 1992 Application Forms and Instructions booklet. For information on how to obtain a copy of this booklet, see page 33.

FEES FOR THE 1992 AWARD CYCLE

Eligibility Determination Fees

The eligibility determination fee is $50 for all potential applicants. This fee is nonrefundable.

Application Fees

- Manufacturing Company Category — $4000
- Service Company Category — $4000
- Small Business Category — $1200
- Supplemental Sections — $1500

These fees cover all handling costs associated with distribution of applications and compensation of Examiners for application review and development of feedback reports.

Site Visit Review Fees

Site visit fees will be set when the visits are scheduled. Fees depend upon the number of sites to be visited, the number of Examiners assigned, and the duration of the visit. Site visit fees for applicants in the small business category will be charged at one-half of the rate for companies in the manufacturing and service categories.

These fees cover application handling costs, travel costs, and compensation of Examiners for site visit participation and development of site visit reports. Site visit fees are paid only by those applicants reaching the site visit stage.

GUIDELINES AND RECOMMENDATIONS FOR RESPONDING TO EXAMINATION ITEMS

The guidelines and recommendations given below are offered to assist applicants in preparing responses to the Examination Items:

1. Read the entire Award Criteria booklet before developing responses to any of the Examination Items.

2. Note from the requirements in the Examination Items and from the Scoring System that applicants are requested to provide information on one or more of the following: approach, deployment, and results. However, some Items may request information only on approach/ deployment and other Items only on results. Items are classified in terms of kinds of information requested. See page 28.

3. Check related Items to determine the distinctions between the types and amounts of information required. Each Item is best interpreted by noting the purposes of its Category.

4. Respond to Items with concise, factual statements. Support statements with quantitative information whenever appropriate. Use of charts, graphs, and tables, properly labeled and compactly presented, is strongly encouraged. Lengthy narratives not directly responsive to the requirements of Items are discouraged. Also avoid reiteration of the words and phrases of Examination Items.

5. Avoid the use of anecdotal information or information lacking overall context. An example is at times appropriate, but applicants should make clear that the example illustrates the larger point being made and is not itself the response to the Item.

6. Report only what is requested in each Item, and include only the types of information requested. Make responses self-contained and not dependent upon information given in responses to other Items. However, if other Items contain information that directly supports a response, and at the same time avoids significant duplication of information, provide cross references to these items using their Item and Area designators.

7. Some Areas to Address include the words "such as" or "include" to illustrate the types of topics appropriate for applicants to discuss in response to Examination Items. Applicants should seek to provide a complete response, addressing those topics as well as similar topics of *relevance* and *importance*.

8. Note which Items *require* data. These are: 4.2d, 4.3b, 4.4b, 4.5e, 6.1, 6.2, 6.3, 6.4, 7.4, and 7.5. In addition, Item 3.2d calls for a projection of data. Other Items also may be supported by data. However, such data should be directly relevant and responsive to the Item requirements. For example, if Items requiring information on approach and/or deployment are to be supported by data, make certain that the data relate to approach and deployment and do not address results that may derive from the approach and deployment. Such results data are requested in other Items.

9. Trend data are requested to permit applicants to demonstrate progress and to show that improvements are sustained. No minimum period of time is specified for trend data. However, evaluations of trend data do take into account evidence of continuity. Time periods for trend data may span up to five years or more for some product, service, or operational characteristics, but may be much shorter in areas where improvement efforts have been established more recently.

10. Trend data should be presented in graphical, tabular, or other compact form. Integrate charts, graphs, and tables into the body of the text whenever possible. Include appropriate benchmarks or other references that help ensure the proper interpretation of data.

11. The application of a subsidiary must respond to requirements given in all 28 Examination Items, even if some of the activities described are performed by the parent company or a unit of the parent company. Such activities are subject to evaluation, including review during site visits.

AWARD WINNERS: 1988 to 1991

1991 Award Winners

Manufacturing

Solectron Corp.
San Jose, CA

Zytec Corp.
Eden Prairie, MN

Small Business

Marlow Industries
Dallas, TX

1990 Award Winners

Manufacturing

Cadillac Motor Car Company
Detroit, MI

IBM Rochester
Rochester, MN

1990 Award Winners (continued)

Service

Federal Express Corp.
Memphis, TN

Small Business

Wallace Co., Inc.
Houston, TX

1989 Award Winners

Manufacturing

Milliken & Company
Spartanburg, SC

Xerox Business Products and Systems
Stamford, CT

1988 Award Winners

Manufacturing

Motorola, Inc.
Schaumburg, IL

Westinghouse Commercial
Nuclear Fuel Division
Pittsburgh, PA

Small Business

Globe Metallurgical, Inc.
Cleveland, OH

HOW TO ORDER COPIES OF THE 1992 AWARD MATERIALS

Note: The **1992 Award Criteria** and the **1992 Application Forms and Instructions** are two separate documents.

Individual Orders

Individual copies of either document can be obtained free of charge from:

Malcolm Baldrige National Quality Award
National Institute of Standards and Technology
Route 270 and Quince Orchard Road
Administration Building, Room A537
Gaithersburg, MD 20899
Telephone: 301-975-2036
Telefax: 301-948-3716

Bulk Orders

Multiple copies of the **1992 Award Criteria** may be ordered in packets of 10 from:

American Society for Quality Control
Customer Service Department
P.O. Box 3066
Milwaukee, WI 53201-3066
Toll free: 800-952-6587
Telefax: 414-272-1734

Order Item Number T995
Cost: $24.95 per packet of 10 plus postage and handling
Postage and handling charges are:

1 packet	$ 3.50
2-4 packets	5.75
5 or more	11.50*

For orders shipped outside of the continental United States, there is a fee of 25 percent of order value to cover postage and handling.

Payment

Payment options include check, money order, purchase order, VISA, MasterCard, or American Express.

Payment must accompany all mail orders.

Payment must be made in U.S. currency. Checks and money orders must be drawn on U.S. institutions.

Make checks payable to ASQC.

Shipment

Orders delivered within the United States and Canada will be shipped UPS or first-class mail. Special shipping arrangements can be made at time of order placement.

If actual shipping charges exceed $11.50, ASQC will invoice customer for additional expense.

HOW TO ORDER ADDITIONAL AWARD-RELATED MATERIALS

Each year, the Award Program develops materials for use in training members of the Board of Examiners, and for sharing information on the successful quality strategies of the Award winners. These listed materials and information may be obtained from the American Society for Quality Control (toll free: 800-952-6587). Prices and/or availability dates for all materials are given below.

Case Studies

The case studies are used to prepare Examiners for the interpretation of the Award Criteria and the Scoring System. The case studies, when used with the Award Criteria, illustrate the Award application and review process. The case studies are sample applications written for fictitious companies applying for the Baldrige Award. They demonstrate the form and content of an application, providing information requested in the seven categories of the Award Criteria. Responses are presented for each of the individual Items and Areas to Address. The case studies can provide valuable insights into the Award

Criteria and Scoring System for companies interested in making application, as well as for self-assessment, planning, training, and other uses.

    1991 – Item Number T508: $25.00
    1992 – Available mid-year, 1992

Award Winners Videos

The Award winners videos are a valuable resource for gaining a better understanding of excellence in quality management and quality achievement. The videos provide background information on the Award Program, highlights from the annual Award ceremony, and interviews with representatives from the winning companies.

    1988 – Item Number T993: $10.00
    1989 – Item Number T502:   10.00
    1990 – Item Number T992:   15.00
    1991 – Item Number TA996: 15.00*

    *Available February 10, 1992

QUEST FOR EXCELLENCE IV CONFERENCE

The annual Quest for Excellence Conference provides a unique opportunity to hear firsthand the Award-winning quality processes of the past year's winners. Presentations are made by the CEOs and other key individuals who are transforming their organizations. The annual Quest for Excellence Conference is the principal forum for Award winners to present their overall strategies in detail.

The two and one-half day Quest for Excellence IV Conference will provide opportunities to explore each of the Award Criteria in depth, network with executive-level individuals from throughout the country, and view displays

of each of the Award-winning organizations. The Quest for Excellence IV Conference will feature the Award winning quality processes of Solectron Corporation, Zytec Corporation, and Marlow Industries, Inc.

The conference dates are February 3-5, 1992. The conference will be held at the Washington Hilton and Towers, in Washington, D.C. The registration fee is $650.00, which includes conference handout materials and participation in all conference activities. For further information, telephone ASQC (toll free: 800-952-6587), and ask for the conference department.

THE MALCOLM BALDRIGE NATIONAL QUALITY IMPROVEMENT ACT OF 1987 – PUBLIC LAW 100-107

The Malcolm Baldrige National Quality Award was created by Public Law 100-107, signed into law on August 20, 1987. The Award Program, responsive to the purposes of Public Law 100-107, led to the creation of a new public-private partnership. Principal support for the program comes from the Foundation for the Malcolm Baldrige National Quality Award, established in 1988.

The Award is named for Malcolm Baldrige, who served as Secretary of Commerce from 1981 until his tragic death in a rodeo accident in 1987. His managerial excellence contributed to long-term improvement in efficiency and effectiveness of government.

The Findings and Purposes Section of Public Law 100-107 states that:

"1. the leadership of the United States in product and process quality has been challenged strongly (and sometimes successfully) by foreign competition, and our Nation's productivity growth has improved less than our competitors' over the last two decades.

2. American business and industry are beginning to understand that poor quality costs companies as much as 20 percent of sales revenues nationally and that improved quality of goods and services goes hand in hand with improved productivity, lower costs, and increased profitability.

3. strategic planning for quality and quality improvement programs, through a commitment to excellence in manufacturing and services, are becoming more and more essential to the well-being of our Nation's economy and our ability to compete effectively in the global marketplace.

4. improved management understanding of the factory floor, worker involvement in quality, and greater emphasis on statistical process control can lead to dramatic improvements in the cost and quality of manufactured products.

5. the concept of quality improvement is directly applicable to small companies as well as large, to service industries as well as manufacturing, and to the public sector as well as private enterprise.

6. in order to be successful, quality improvement programs must be management-led and customer-oriented, and this may require fundamental changes in the way companies and agencies do business.

7. several major industrial nations have successfully coupled rigorous private-sector quality audits with national awards giving special recognition to those enterprises the audits identify as the very best; and

8. a national quality award program of this kind in the United States would help improve quality and productivity by:
   A. helping to stimulate American companies to improve quality and productivity for the pride of recognition while obtaining a competitive edge through increased profits;
   B. recognizing the achievements of those companies that improve the quality of their goods and services and providing an example to others;
   C. establishing guidelines and criteria that can be used by business, industrial, governmental, and other organizations in evaluating their own quality improvement efforts; and
   D. providing specific guidance for other American organizations that wish to learn how to manage for high quality by making available detailed information on how winning organizations were able to change their cultures and achieve eminence."

The Malcolm Baldrige National Quality Award

Managed by:

United States Department of Commerce
Technology Administration
National Institute of Standards and Technology
Route 270 and Quince Orchard Road
Administration Building, Room A537
Gaithersburg, MD 20899

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