



# 1996

## Award Criteria

*"Because of the astounding success of its winners in taking care of their business, the Baldrige Award has become a symbol of excellence and an inspiration for the rebirth of American competitiveness."*

**William J. Clinton**

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*“Since 1987, the Baldrige Award has been a powerful agent of change within America’s economy.”*

**Ronald H. Brown**  
Secretary of Commerce

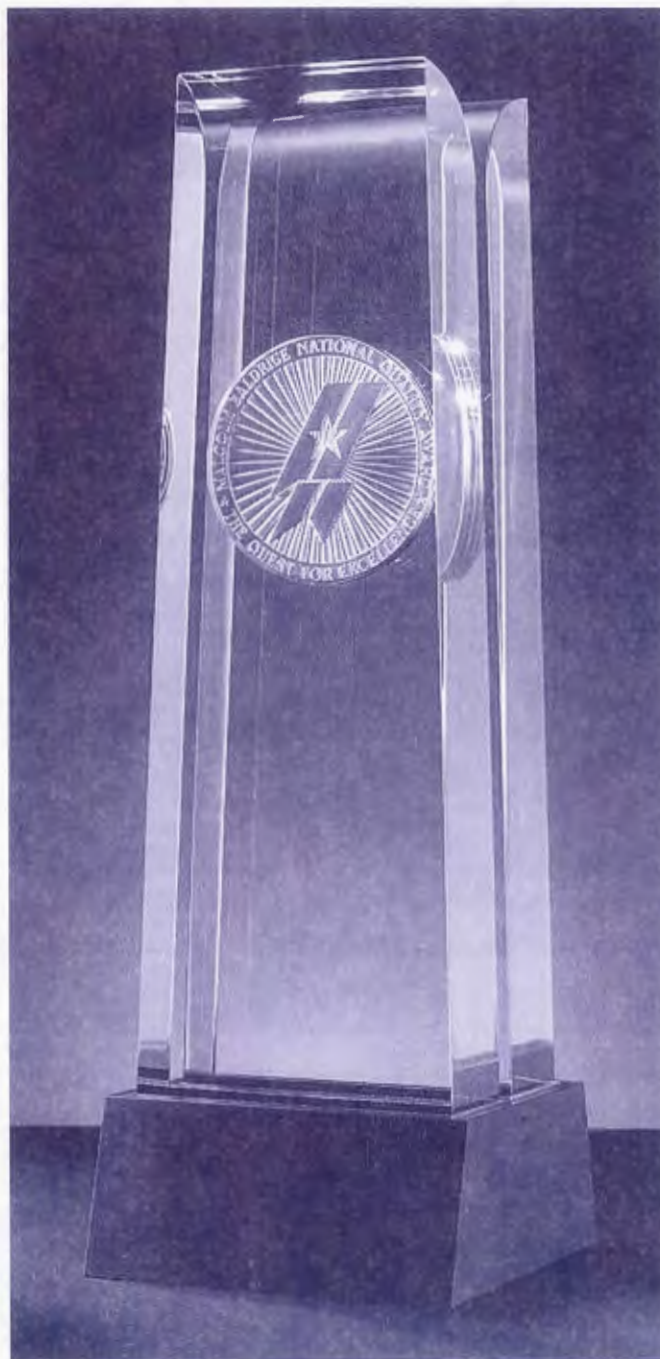
The Award, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black, anodized aluminum with the Award winner’s name engraved on the base. A solid bronze, 22-karat, gold-plated, die-struck medallion is captured in the front section of the crystal. The 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 a special ceremony in Washington, D.C.

Awards are made annually to recognize U.S. companies for business excellence and quality achievement. 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. The recipients are expected to share information about their successful performance strategies with other U.S. organizations.



Crystal by Steuben  
Medal by The Protocol Group




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

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Building active partnerships in the private sector, and between the private sector and all levels of government, is fundamental to the success of the Award in improving national competitiveness.

Support by the private sector for the Award Program in the form of funds, volunteer efforts, and participation in information transfer continues to grow.

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

## **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 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 facilitating continuous improvement and increased customer satisfaction by identifying, communicating, and promoting the use of quality principles, concepts, and technologies. ASQC strives to be recognized throughout the world as the leading authority on, and champion for, quality. 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 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 evaluates Award applications, prepares feedback reports, and makes Award recommendations to the Director of NIST. The Board consists of business and quality experts primarily from the private sector. Members are selected by NIST through a competitive application process. For 1996, the Board consists of about 270 members. Of these, nine (who are appointed by the Secretary of Commerce) 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 information transfer activities. Many of these activities involve the hundreds of professional, trade, community, and state organizations to which Board members belong.

## **Award Recipients' Responsibilities and Contributions**

Award recipients are required to share information on their successful performance and quality strategies with other U.S. organizations. However, recipients are not required to share proprietary information, even if such information was part of their Award application. The principal mechanism for sharing information is the annual Quest for Excellence Conference, highlighted on page 48.

Award recipients in the first eight years of the Award have been very generous in their commitment to improving U.S. competitiveness, and manufacturing and service quality. They have shared information with hundreds of thousands of companies, educational institutions, government agencies, health care organizations, and others. This sharing far exceeds expectations and Program requirements. Award winners' efforts have encouraged many other organizations in all sectors of the U.S. economy to undertake their own performance improvement efforts.



ational Quality Award is an annual  
companies for business excellence.

requirements for performance  
competitiveness improvement; and  
on successful performance  
benefits derived from using these

eligibility categories:  
companies

in the Award process are required  
packages that include responses to

each category each year. Award  
and advertise their Awards.  
to share information about their  
strategies with other U.S.

on performance excellence criteria  
public-private partnership. In responding  
applicant is expected to provide  
the company's improvement  
information and data submitted  
demonstrate that the applicant's  
and could be replicated or  
innovations.

designed not only to serve as  
giving Awards but also to permit a  
applicant's overall performance

ments  
submit an application package that

Application Form showing that eligibility

- A completed Application Form
- An application report consisting of a Business Overview and responses to the Award Criteria.

Detailed information and the necessary forms are contained in the *1996 Business Application Forms and Instructions* booklet. Ordering instructions for this booklet are given on page 47. Deadlines for eligibility determination and Award application are given in the box at the bottom of this page.

### Application Review

Applications are reviewed and evaluated by members of the Board of Examiners in a four-stage process:

*Stage 1* – independent review and evaluation by at least five members of the Board

*Stage 2* – consensus review and evaluation for applications that score well in Stage 1

*Stage 3* – site visits to applicants that score well in Stage 2

*Stage 4* – Judges' review and recommendations

Board members are assigned to applications taking into account the nature of the applicants' businesses and the expertise of the Examiners. Assignments are made in accord with strict rules regarding conflict of interest.

Applications are reviewed by volunteers 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.

### Feedback to Applicants

Each applicant receives a feedback report at the conclusion of the review process. The feedback is based upon the applicant's responses to the Award Criteria.

### Purpose of This Booklet

This booklet contains the Award Criteria, a description of the Criteria, Scoring Guidelines, and other information. In addition to serving as the basis for submitting an Award application, the Criteria are used by organizations of all kinds for self-assessment, planning, training, and other purposes.

**When you plan to apply for the Award in 1996, you will also need the booklet entitled *Business Application Forms and Instructions*. Ordering instructions are given on page 47.**

**Eligibility Determination Forms due — March 1, 1996**

**Award Applications due — April 1, 1996**

# MESSAGE TO EXECUTIVES

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This Message to Executives provides basic information on the Baldrige Award and on the factors that might affect your decision to apply. The Message outlines: the Award's purpose; the focus of the Criteria; the benefits you might expect from participation; and what will be expected if your company receives the Award. If you decide not to apply, you are encouraged to undertake a company self-assessment to determine for yourself how your company measures up on the Baldrige Award scoring scale. In the most competitive business sectors, world-class organizations are able to achieve and maintain a score above 70%. However, a score of about 25% would be far more typical of most U.S. companies. We encourage you to challenge *your* business to take the test!

## The Award and the Award Assessment

- The Award recognizes companies for business performance excellence and competitiveness improvement. Award recipients need to demonstrate results and results improvement in a wide range of indicators: customer-related, operational, and financial. Results reported need to address all stakeholders — customers, employees, owners, suppliers, and the public.
- The Award assessment is tailored to your company through a focus on factors important to your business, strategy, and competitive success. These factors are spelled out by you in your Business Overview and in the Strategic Planning Category.
- Your company's participation as an applicant, as well as information you submit about your company, are considered confidential. Assignment of Examiners to your application is made in accord with strict rules regarding conflict of interest.
- You will receive a detailed feedback report.

## The Award Criteria

- The Criteria's seven Categories and 24 Items focus on requirements that all businesses — especially those facing tough competitive challenges — need to thoroughly understand. The Criteria address all aspects of competitive performance in an integrated and balanced way. This includes improvement of: customer- and market-related performance, productivity in the use of all assets, speed and flexibility, product and service quality, cost reduction, and overall financial performance.
- The Criteria address key business processes and results, and are designed for diagnosis and feedback. All Criteria directly relate to improving business performance; nothing is included merely for purposes of an Award.
- The Criteria do not call for specific practices or organizational structures, because there are many possible approaches. The best choices depend upon many factors, including your business' type, size, strategy, and stage of development.

## Benefits of Participation

Over the years, Award applicants have reported numerous benefits. Commonly cited benefits are:

- Responding to the Criteria forces a realistic self-assessment from an external point of view. This self-assessment, when combined with the comprehensive feedback report received from the Award's Board of Examiners, targets key gaps and priorities for improvement. The overall assessment also recognizes and reinforces company strengths.
- The pace of performance improvement is accelerated.
- The knowledge gained from assessment and feedback teaches new and better ways to evaluate suppliers, customers, partners, and even competitors.
- Use of the Award Criteria in assessment leads to the integration and alignment of numerous activities, previously loosely connected. The assessment provides an effective means to measure progress and to focus everyone in the company on the same goals.
- Use of the Award Criteria helps companies understand, select, and integrate appropriate management tools such as reengineering, ISO 9000, quality management, activity-based costing, just-in-time production, lean manufacturing, flexible manufacturing, benchmarking, and high performance work.
- The Award Criteria and Scoring System provide a clear perspective on the distinction between typical performance and world-class performance.
- Participation frequently leads to companies attending information sharing meetings and joining sharing networks, where it is often possible to obtain free or inexpensive advice and help from other business leaders. One networking opportunity is the annual Quest for Excellence Conference (see page 48 of this booklet).

## Expectations of Award Winners

- Award winners are expected to share non-proprietary information with other U.S. organizations. The principal mechanisms for sharing information are conferences and written application summaries. Some Award winners hold periodic visitor days. The only conference participation required by the Baldrige Award Program is the Quest for Excellence Conference, held in Washington, D.C., each February. This Conference features the most recent Award winners named in October of each year. Award winners are invited to participate in other conferences, particularly the Baldrige Regional Conferences sponsored jointly by NIST and The Conference Board.
- Award winners may publicize and advertise based upon their Awards. They are asked to adhere to voluntary advertising guidelines established to ensure that the meaning of the Award is appropriately represented.

# 1996 AWARD CRITERIA — ITEM LISTING



1996 Categories/Items	Point Values
<b>1.0 Leadership</b>	<b>90</b>
1.1 Senior Executive Leadership.....	45
1.2 Leadership System and Organization.....	25
1.3 Public Responsibility and Corporate Citizenship.....	20
<b>2.0 Information and Analysis</b>	<b>75</b>
2.1 Management of Information and Data.....	20
2.2 Competitive Comparisons and Benchmarking .....	15
2.3 Analysis and Use of Company-Level Data.....	40
<b>3.0 Strategic Planning</b>	<b>55</b>
3.1 Strategy Development.....	35
3.2 Strategy Deployment.....	20
<b>4.0 Human Resource Development and Management</b>	<b>140</b>
4.1 Human Resource Planning and Evaluation .....	20
4.2 High Performance Work Systems .....	45
4.3 Employee Education, Training, and Development.....	50
4.4 Employee Well-Being and Satisfaction .....	25
<b>5.0 Process Management</b>	<b>140</b>
5.1 Design and Introduction of Products and Services .....	40
5.2 Process Management: Product and Service Production and Delivery .....	40
5.3 Process Management: Support Services .....	30
5.4 Management of Supplier Performance .....	30
<b>6.0 Business Results</b>	<b>250</b>
6.1 Product and Service Quality Results .....	75
6.2 Company Operational and Financial Results.....	110
6.3 Human Resource Results .....	35
6.4 Supplier Performance Results .....	30
<b>7.0 Customer Focus and Satisfaction</b>	<b>250</b>
7.1 Customer and Market Knowledge .....	30
7.2 Customer Relationship Management .....	30
7.3 Customer Satisfaction Determination.....	30
7.4 Customer Satisfaction Results .....	160
<b>TOTAL POINTS</b>	<b>1000</b>

# GLOSSARY OF KEY TERMS

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This Glossary of Key Terms defines and briefly describes concepts that are important to performance management and used throughout the Award Criteria booklet.

## Alignment

Alignment refers to unification of goals throughout the company and consistency of processes, actions, information, and decisions among company units in support of these goals.

Effective alignment requires common understanding of purposes and goals and use of complementary measures and information to enable planning, tracking, analysis, and improvement at three levels: the company level; the key process level; and the work unit level.

## Cycle Time

Cycle time refers to responsiveness and completion time measures — the time required to fulfill commitments or to complete tasks. Cycle time and related terms are used in the Criteria booklet to refer to all aspects of time performance.

Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. Other time-related terms in common use are: set-up time, lead time, change-over time, delivery time, and time to market.

## High Performance Work

High performance work refers to work approaches *systematically* directed toward achieving ever higher levels of overall performance, including quality and productivity.

Approaches to high performance work vary in form, function, and incentive systems. Effective approaches generally include: cooperation between management and the work force, including work force bargaining units; cooperation among work units, often involving teams; self-directed responsibility (sometimes called empowerment); individual and organizational skill building and learning; flexibility in job design and work assignments; an organizational structure with minimum layering ("flattened"), where decision making is decentralized and decisions are made closest to the "front line"; and regular use of performance measures, including comparisons. Some high performance work systems use monetary and non-monetary incentives based upon factors such as company performance, team and/or individual contributions, and skill building. Also, some high performance work approaches attempt to align the design of organizations, work, jobs, and incentives.

## Key Business Drivers

Key business drivers is a term used in the Award Criteria in connection with strategic planning and related goal setting. Key business drivers refer to principal company-

level requirements, derived from short- and long-term strategic planning. Key business driver development represents the critical stage in planning when general strategies and goals are made sufficiently specific so that effective companywide understanding and ongoing action are possible. In simplest terms, key business drivers are those things the company must do well for its strategy to succeed.

An effective planning approach results in a clear basis (key business drivers) for consistent focus, communications, and deployment at three levels: the company level; the key process level; and the work unit level. Deployment of key business drivers requires analysis of overall resource needs and creation of aligned measures for all work units. Deployment might require specialized training for some employees or recruitment of personnel.

An example of a key business driver for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Deployment should entail design of efficient processes, analysis of resource and asset use, and creation of related measures of resource and asset productivity for all work units, aligned for the company as a whole. It might also involve adoption of a cost-accounting system that provides meaningful activity-level cost information to support day-to-day work. Unit and/or team training should include priority setting based upon costs and benefits. Company-level analysis and review should emphasize overall productivity growth. Ongoing competitive analysis and planning should remain sensitive to technological and other changes that might greatly reduce operating costs for the company or its competitors.

## Leadership System

Leadership system refers to how leadership is exercised throughout the company — the way that key decisions are made, communicated, and carried out at all levels. It is based upon shared values, expectations, and purposes; communicated and reinforced via interactions among leaders and managers; reflected in the decisions the leaders make; and evident in the actions of the company. It includes the formal and informal bases and mechanisms for leadership development used to select leaders and managers, to develop their leadership skills, and to provide guidance and examples regarding behaviors and practices.

An effective leadership system creates clear values respecting the requirements of all stakeholders of the company and sets high expectations for performance and performance improvement. It builds loyalties and teamwork based upon the values and the pursuit of shared purposes. It encourages and supports initiative and risk taking, subordinates organization to purpose and function, and minimizes reliance on chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders' self-examination and improvement.



## Measures and Indicators

Measures and indicators refer to numerical information that quantify (measure) input, output, and performance dimensions of processes, products, and services. Measures and indicators might be simple (derived from one measurement) or composite.

The Award Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator: (1) when the measurement relates entirely to performance and not to inputs; (2) when the measurement relates to performance but is not a direct or exclusive measure of such performance. For example, the number of complaints is an indicator of dissatisfaction, but not a direct or exclusive measure of it; and (3) when a performance or measure is a predictor ("leading indicator") of some more significant performance, e.g., gain in customer satisfaction might be a leading indicator of market share gain.

## Performance

Performance refers to numerical results information obtained from processes, products, and services that permits evaluation and comparison relative to goals, standards, past results, and to others. Most commonly, the results address quality, efficiency, and time and might be expressed in nonfinancial and financial terms.

Four types of performance are addressed in this Criteria booklet: (1) operational; (2) product and service quality; (3) customer-related; and (4) financial.

Operational performance refers to performance relative to effectiveness and efficiency measures and indicators. Examples include cycle time, productivity, and waste reduction. Operational performance might be measured at the work unit level, the key process level, and the company level.

Product and service quality performance refers to performance relative to measures and indicators of product and service requirements, derived from customer preference information. Examples include reliability, on-time delivery, defect levels, and service response time. Product and service quality performance generally relates to the company as a whole.

Customer-related performance refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors. Examples include customer retention, complaints, customer survey results, and market share. Customer-related performance generally relates to the company as a whole.

Financial performance refers to performance using measures of cost and revenue, including asset utilization and asset growth. Financial measures are generally tracked throughout

the company and are also aggregated to give company-level, composite measures of performance. Examples include returns on investments, returns on assets, working capital productivity, and total factor productivity.

## Process

Process refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the company. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions.

In some situations, process performance might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in one or more steps of the service, process is used in a more general way — to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information for customers to help them understand and adhere to the sequence. Service processes involving customers require guidance to the servers on handling contingencies related to differing circumstances and to customers' actions or behaviors.

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

## Productivity

Productivity refers to measures of efficiency of the use of resources. Although the term is often applied to single factors such as manpower (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources consumed in producing outputs. Overall productivity — usually called total factor productivity — is determined by combining the productivities of the different resources used for an output. The combination usually requires taking a weighted average of the different single factor productivity measures, where the weights typically reflect costs of the resources. The use of an aggregate measure such as total factor productivity allows a determination of whether or not the net effect of overall changes in a process — possibly involving resource tradeoffs — is beneficial.

Effective approaches to performance management require understanding and measuring single factor and total factor productivity, particularly in complex cases when there are a variety of costs and potential benefits.

## 1.0 Leadership (90 pts.)

The **Leadership** Category examines senior executives' personal leadership and involvement in creating and sustaining a customer focus, clear values and expectations, and a leadership system that promotes performance excellence. Also examined is how the values and expectations are integrated into the company's management system, including how the company addresses its public responsibilities and corporate citizenship.

### 1.1 Senior Executive Leadership (45 pts.)

Describe senior executives' leadership and personal involvement in setting directions and in developing and maintaining an effective, performance-oriented leadership system.

A – D

(See page 24 for a description of these symbols.)

#### Notes:

(1) "Senior executives" means the applicant's highest-ranking official and executives reporting directly to that official.

(2) Values and expectations [1.1a(1)] should take into account needs and expectations of key stakeholders – customers, employees, stockholders, suppliers and partners, the community, and the public.

#### AREAS TO ADDRESS

- a. how senior executives provide effective leadership and direction in building and improving company competitiveness, performance, and capabilities. Describe how senior executives: (1) create and maintain an effective leadership system based upon clear values and high expectations; (2) create future opportunity for the company and its stakeholders, set directions, and integrate performance excellence goals; and (3) review overall company performance, capabilities, and organization.
- b. how senior executives evaluate and improve the company's leadership system, including their own leadership skills

(3) Review of overall company performance is addressed in 1.2b. Responses to 1.1a(3) should focus on senior executives' roles in such reviews, and their use of the reviews to set expectations and develop leadership.

(4) Evaluation of the company's leadership system (1.1b) might include assessment of executives by peers, direct reports, and/or a board of directors. It might also include use of surveys of company employees.

### 1.2 Leadership System and Organization (25 pts.)

Describe how the company's customer focus and performance expectations are integrated into the company's leadership system, management, and organization.

A – D

#### AREAS TO ADDRESS

- a. how the company's values, expectations, and directions are integrated into its leadership system, management, and organization. Describe: (1) how the organization and its management of operations are designed to achieve companywide customer focus and commitment to high performance. Include roles and responsibilities of managers and supervisors; and (2) how values, expectations, and directions are effectively communicated and reinforced throughout the entire work force.
- b. how overall company and work unit performance are reviewed. Include a description of: (1) the principal financial and nonfinancial measures used and how these measures relate to key stakeholders' primary needs and expectations; (2) how progress relative to plans is tracked; (3) how progress relative to competitors is tracked; (4) how asset productivity is determined; and (5) how review findings are used to set priorities for improvement actions.

#### Notes:

(1) Reviews described in 1.2b might utilize information from results Items — 6.1, 6.2, 6.3, 6.4, and 7.4 — and also might draw upon evaluations described in other Items and upon analysis (Item 2.3).

(2) Reviews might include various economic measures as well as financial ones.

(3) Assets [1.2b(4)] refers to human resources, materials, energy, capital, equipment, etc. Aggregate measures such as total factor productivity might also be used.

### 1.3 Public Responsibility and Corporate Citizenship (20 pts.)

Describe how the company addresses its responsibilities to the public in its performance management practices.

Describe also how the company leads and contributes as a corporate citizen in its key communities.

A - D

#### AREAS TO ADDRESS

- a. how the company integrates its public responsibilities into its performance improvement efforts. Describe: (1) the risks and regulatory and other legal requirements addressed in planning and in setting operational requirements, measures, and targets; (2) how the company looks ahead to anticipate public concerns and to assess possible impacts on society of its products, services, facilities, and operations; and (3) how the company promotes legal and ethical conduct in all that it does.
- b. how the company leads and contributes as a corporate citizen in its key communities. Include a brief summary of the types of leadership and involvement the company emphasizes.

#### Notes:

(1) Public responsibility issues (1.3a) relate to the company's impacts and possible impacts on society associated with its products, services, facilities, and operations. They include environment, health, safety, and emergency preparedness as they relate to any aspect of risk or adverse effect, whether or not these are covered under law or regulation. Health and safety of employees are not addressed in Item 1.3. Employee health and safety are covered in Item 4.4.

(2) Major public responsibility or impact areas should also be addressed in planning (Item 3.1) and in the appropriate process management Items of Category 5.0. Key results, such as environmental improvements, should be reported in Item 6.2.

(3) If the company has received sanctions under law, regulation, or contract [1.3a(3)] during the past three years, briefly describe the incident(s) and its current status. If settlements have been negotiated in lieu of potential sanctions, give an explanation. If no sanctions have been received, so indicate.

(4) The corporate citizenship issues appropriate for inclusion in 1.3b relate to efforts by the company to strengthen community services, education, health care, environment, and practices of trade or business associations. Examples of corporate citizenship appropriate for inclusion in 1.3b are:

- influencing and helping trade and business associations to create school-to-work programs;
- communicating employability requirements to schools;
- influencing national, state, and local policies which promote education improvement;
- partnering with and charitable giving to schools, e.g., sharing computers and computer expertise;
- developing trade and business consortia to improve environmental practices;
- promoting volunteerism among employees;
- partnering with other businesses and health care providers to improve health in the local community; and
- influencing trade and business associations to engage in cooperative activities to improve overall U.S. global competitiveness.

## 2.0 Information and Analysis (75 pts.)

The **Information and Analysis** Category examines the management and effectiveness of the use of data and information to support customer-driven performance excellence and marketplace success.

### 2.1 Management of Information and Data (20 pts.)

Describe the company's selection and management of information and data used for strategic planning, management, and evaluation of overall performance.

A – D

#### AREAS TO ADDRESS

- a. how information and data needed to support operations and decision making and to drive improvement of overall company performance are selected and managed. Describe: (1) the main types of data and information and how each type supports key business operations and business strategy; (2) how the company's performance measurement system is designed to achieve alignment of operations with company priorities, such as key business drivers; and (3) how key requirements such as reliability, rapid access, and rapid update are derived from user needs and how the requirements are met.
- b. how the company evaluates and improves the selection, analysis, and integration of information and data, aligning them with the company's key business drivers and operations. Describe how the evaluation considers: (1) scope of information and data; (2) use and analysis of information and data to support process management and performance improvement; and (3) feedback from users of information and data.

#### Notes:

(1) *Reliability [2.1a(3)] includes software used in information systems.*

(2) *User needs [2.1a(3)] should consider knowledge accumulation such as knowledge about specific customers or customer segments. User needs should also take into account changing patterns of communications associated*

*with changes in process management, job design, and business strategy.*

(3) *Feedback from users [2.1b(3)] might entail formal or informal surveys, focus groups, and teams. Factors in the evaluation might include completeness, timeliness, access, update, and reliability. The evaluation might also include assessment of the information technologies used.*

### 2.2 Competitive Comparisons and Benchmarking (15 pts.)

Describe the company's processes and uses of comparative information and data to support improvement of overall performance and competitive position.

A – D

#### AREAS TO ADDRESS

- a. how competitive comparisons and benchmarking information and data are selected and used to help drive improvement of overall company performance. Describe: (1) how needs and priorities are determined; (2) criteria for seeking appropriate information and data — from within and outside the company's industry and markets; (3) how the information and data are used to improve understanding of processes and process performance; and (4) how the information and data are used to set stretch targets and/or to encourage breakthrough approaches aligned with the company's competitive strategy.
- b. how the company evaluates and improves its process for selecting and using competitive comparisons and benchmarking information and data to improve planning, overall company performance, and competitive position

#### Notes:

(1) *Benchmarking information and data refer to processes and results that represent best practices and performance, inside or outside of the company's industry. Competitive comparisons refer to performance levels relative to direct competitors in the company's markets.*

(2) *Needs and priorities [2.2a(1)] should show clear linkage to the company's key business drivers.*

(3) *Use of benchmarking information and data within the company [2.2a(3)] might include the expectation that company units maintain awareness of related best-in-class performance to help drive improvement. This could entail education and training efforts to build capabilities.*

(4) *Sources of competitive comparisons and benchmarking information might include: (a) information obtained from other organizations such as customers or suppliers through sharing; (b) information obtained from the open literature; (c) testing and evaluation by the company itself; and (d) testing and evaluation by independent organizations.*

(5) *The evaluation (2.2b) might address a variety of factors such as the effectiveness of use of the information, adequacy of information, training in acquisition and use of information, improvement potential in company operations, and estimated rates of improvement by other organizations.*

## 2.3 Analysis and Use of Company-Level Data

(40 pts.)

Describe how data related to quality, customers, and operational performance, together with relevant financial data, are analyzed to support company-level review, action, and planning.

A – D

### AREAS TO ADDRESS

- a. how information and data from all parts of the company are integrated and analyzed to support reviews, business decisions, and planning. Describe how analysis is used to gain understanding of: (1) customers and markets; (2) operational performance and company capabilities; and (3) competitive performance.
- b. how the company relates customer and market data, improvements in product/service quality, and improvements in operational performance to changes in financial and/or market indicators of performance. Describe how this information is used to set priorities for improvement actions.

### Notes:

(1) Item 2.3 focuses primarily on analysis for company-level purposes, such as reviews (1.2b) and strategic planning (Item 3.1). Data for such analysis come from all parts of the company and include results reported in Items 6.1, 6.2, 6.3, 6.4, and 7.4. Other Items call for analyses of specific sets of data for special purposes. For example, the Items of Category 4.0 require analysis to determine the effectiveness of training and other human resource practices. Such special-purpose analyses should be part of the overall information base available for use in Item 2.3.

(2) Analysis includes trends, projections, cause-effect correlations, and the search for deeper understanding needed to set priorities to use resources more effectively to serve overall business objectives. Accordingly, analysis draws upon all kinds of data: operational, customer-related, financial, and economic.

(3) Examples of analysis appropriate for inclusion in 2.3a(1) are:

- how the company's product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share;
- cost/revenue implications of customer-related problems and problem resolution effectiveness; and
- interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction.

(4) Examples of analysis appropriate for inclusion in 2.3a(2) are:

- trends in improvement in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels;
- financial benefits from improved employee safety, absenteeism, and turnover;
- benefits and costs associated with education and training;
- how the company's ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity;
- cost/revenue implications of employee-related problems and problem resolution effectiveness; and
- trends in individual measures of productivity such as manpower productivity.

(5) Examples of analysis appropriate for inclusion in 2.3a(3) are:

- working capital productivity relative to competitors;
- individual or aggregate measures of productivity relative to competitors;
- performance trends relative to competitors on key quality attributes; and
- cost trends relative to competitors.

(6) Examples of analysis appropriate for inclusion in 2.3b are:

- relationships between product/service quality and operational performance indicators and overall company financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee;
- allocation of resources among alternative improvement projects based on cost/revenue implications and improvement potential;
- net earnings derived from quality/operational/human resource performance improvements;
- comparisons among business units showing how quality and operational performance improvement affect financial performance;
- contributions of improvement activities to cash flow, working capital use, and shareholder value;
- profit impacts of customer retention;
- market share versus profits;
- trends in aggregate measures such as total factor productivity; and
- trends in economic and/or market indicators of value.

## 3.0 Strategic Planning (55 pts.)

The **Strategic Planning** Category examines how the company sets strategic directions, and how it determines key plan requirements. Also examined is how the plan requirements are translated into an effective performance management system.

### 3.1 Strategy Development (35 pts.)

Describe the company's strategic planning process for overall performance and competitive leadership for the short term and the longer term. Describe also how this process leads to the development of a basis (key business drivers) for deploying plan requirements throughout the company.

#### AREAS TO ADDRESS

- a. how the company develops strategies and business plans to strengthen its customer-related, operational, and financial performance and its competitive position. Describe how strategy development considers: (1) customer requirements and expectations and their expected changes; (2) the competitive environment; (3) risks: financial, market, technological, and societal; (4) company capabilities—human resource, technology, research and development, and business processes—to seek new market leadership opportunities and/or to prepare for key new requirements; and (5) supplier and/or partner capabilities.
- b. how strategies and plans are translated into actionable key business drivers
- c. how the company evaluates and improves its strategic planning and plan deployment processes

A – D

#### Notes:

(1) Item 3.1 addresses overall company strategy and business plans, not specific product and service designs.

(2) Strategy and planning refer to a future-oriented basis for major business decisions, resource allocations, and companywide management. Strategy and planning, then, address both revenue growth thrusts as well as thrusts related to improving company performance. The sub-parts of 3.1a are intended to serve as an outline of key factors involved in developing a view of the future as a context for strategic planning.

(3) Customer requirements and their expected changes [3.1a(1)] might include pricing factors. That is, competitive success might depend upon achieving cost levels dictated by anticipated market prices rather than setting prices to cover costs.

(4) The purposes of projecting the competitive environment [3.1a(2)] are to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. If the company uses modeling, scenario, or other techniques to project the competitive environment, such techniques should be briefly outlined in 3.1a(2).

(5) Key business drivers are the areas of performance most critical to the company's success. (See Glossary, page 4.) The purpose of the key business drivers is to ensure that strategic planning leads to a pragmatic basis for deployment, communications, and assessment of progress. Actual key business drivers should not be described in 3.1b. Such information is requested in Item 3.2, which focuses on deployment.

(6) How the company evaluates and improves its strategic planning and plan deployment process might take into account the results of reviews (1.2b), input from work units, and projection information (3.2b). The evaluation might also take into account how well strategies and requirements are communicated and understood, and how well key measures throughout the company are aligned.

### 3.2 Strategy Deployment

(20 pts.)

Summarize the company's key business drivers and how they are deployed. Show how the company's performance projects into the future relative to competitors and key benchmarks.

A – D

#### AREAS TO ADDRESS

- a. summary of the specific key business drivers derived from the company's strategic directions and how these drivers are translated into actions. Describe: (1) key performance requirements and associated operational performance measures and/or indicators and how they are deployed; (2) how the company aligns work unit and supplier and/or partner plans and targets; (3) how productivity and cycle time improvement and reduction in waste are included in plans and targets; and (4) the principal resources committed to the accomplishment of plans. Note any important distinctions between short-term plans and longer-term plans.
- b. two-to-five year projection of key measures and/or indicators of the company's customer-related and operational performance. Describe how product and/or service quality and operational performance might be expected to compare with key competitors and key benchmarks over this time period. Briefly explain the comparisons, including any estimates or assumptions made regarding the projected product and/or service quality and operational performance of competitors or changes in key benchmarks.

#### Notes:

(1) The focus in Item 3.2 is on the translation of the company's strategic plans, resulting from the process described in Item 3.1, to requirements for work units, suppliers, and partners. The main intent of Item 3.2 is effective alignment of short- and long-term operations with strategic directions. Although the deployment of these plans will affect products and services, design of products and services is not the focus of Item 3.2. Such design is addressed in Item 5.1.

(2) Productivity and cycle time improvement and waste reduction [3.2a(3)] might address factors such as inventories, operational complexity, work-in-process, inspection, downtime, changeover time, set-up time, and other examples of utilization of resources — materials, equipment, energy, capital, and labor.

(3) Area 3.2b addresses projected progress in improving performance and in gaining advantage relative to competitors. This projection may draw upon analysis (Item 2.3) and data reported in results Items (Category 6.0 and Item 7.4). Such projections are intended to support reviews (1.2b), evaluation of planning (3.1c), and other Items. Another purpose is to take account of the fact that competitors and benchmarks may also be improving over the time period of the projection.

(4) Projections of customer-related and operational performance (3.2b) might be expressed in terms of costs, revenues, measures of productivity, and economic indicators. Projections might also include innovation rates or other factors important to the company's competitive position.

## 4.0 Human Resource Development and Management (140 pts.)

The **Human Resource Development and Management** Category examines how the work force is enabled to develop and utilize its full potential, aligned with the company's performance objectives. Also examined are the company's efforts to build and maintain an environment conducive to performance excellence, full participation, and personal and organizational growth.

### 4.1 Human Resource Planning and Evaluation (20 pts.)

Describe how the company's human resource planning and evaluation are aligned with its strategic and business plans and address the development and well-being of the entire work force.

A – D

#### AREAS TO ADDRESS

- a. how the company translates overall requirements from strategic and business planning (Category 3.0) to specific human resource plans. Summarize key human resource plans in the following areas: (1) changes in work design to improve flexibility, innovation, and rapid response; (2) employee development, education, and training; (3) changes in compensation, recognition, and benefits; and (4) recruitment, including critical skill categories and expected or planned changes in demographics of the work force. Distinguish between the short term and the longer term, as appropriate.
- b. how the company evaluates and improves its human resource planning and practices and the alignment of the plans and practices with the company's strategic and business directions. Include how employee-related data and company performance data (Item 6.2) are analyzed and used: (1) to assess the development and well-being of all categories and types of employees; (2) to assess the linkage of the human resource practices to key business results; and (3) to ensure that reliable and complete human resource information is available for company planning and recruitment.

#### Notes:

(1) Human resource planning addresses all aspects of designing and managing human resource systems to meet the needs of both the company and the employees. Examples of human resource plan (4.1a) elements that might be part(s) of a comprehensive plan are:

- redesign of work organizations and/or jobs to increase employee responsibility and decision making;
- initiatives to promote labor-management cooperation, such as partnerships with unions;
- creation or modification of compensation and recognition systems based on building shareholder value and/or customer satisfaction;
- creation or redesign of employee surveys to better assess the factors in the work climate that contribute to or inhibit high performance;
- prioritization of employee problems based upon potential impact on productivity;
- development of hiring criteria and/or standards;
- creation of opportunities for employees to learn and use skills that go beyond current job assignments through redesign of processes or organizations;
- education and training initiatives, including those that involve developmental assignments;
- formation of partnerships with educational institutions to develop employees or to help ensure the future supply of well-prepared employees;
- establishment of partnerships with other companies and/or networks to share training and/or spread job opportunities;
- introduction of distance learning or other technology-based learning approaches; and
- integration of customer and employee surveys.

(2) "Employee-related data" (4.1b) refers to data contained in personnel records as well as data described in Items 4.2, 4.3, 4.4, and 6.3. This might include employee satisfaction data and data on turnover, absenteeism, safety, grievances, involvement, recognition, training, and information from exit interviews.

(3) "Categories of employees" [4.1b(1)] refers to the company's classification system used in its human resource practices and/or work assignments. It also includes factors such as union or bargaining unit membership. "Types of employees" takes into account other factors, such as work force diversity or demographic makeup. This includes gender, age, minorities, and the disabled.

(4) Human resource information for company planning and recruitment [4.1b(3)] might include an overall profile of strengths and weaknesses that could affect the company's capabilities to fulfill plan requirements.

## 4.2 High Performance Work Systems (45 pts.)

Describe how the company's work and job design and compensation and recognition approaches enable and encourage all employees to contribute effectively to achieving high performance objectives.

A – D

### Notes:

(1) *Work design refers to how employees are organized and/or organize themselves in formal and informal, temporary or longer-term units. This includes work teams, problem-solving teams, functional units, departments, self-managed or managed by supervisors. In some cases, teams might involve individuals in different locations linked via computers or conferencing technology.*

*Job design refers to responsibilities and tasks assigned to individuals. These responsibilities and tasks help define education and training requirements.*

(2) *Examples of approaches to create flexibility [4.2a(2)] in work design might include simplification of job classifications, cross training, job rotation, work layout, and work locations. It might also entail use of technology and changed flow of information to support local decision making.*

### AREAS TO ADDRESS

- a. how the company's work and job design promote high performance. Describe how work and job design: (1) create opportunities for initiative and self-directed responsibility; (2) foster flexibility and rapid response to changing requirements; and (3) ensure effective communications across functions or units that need to work together to meet customer and/or operational requirements.
- b. how the company's compensation and recognition approaches for individuals and groups, including managers, reinforce the effectiveness of the work and job design

(3) *Compensation and recognition (4.2b) refer to all aspects of pay and reward, including promotion and bonuses. The company might use a variety of reward and recognition approaches — monetary and non-monetary, formal and informal, and individual and group.*

*Compensation and recognition approaches could include profit sharing and compensation based on skill building, use of new skills, and demonstrations of self-learning. The approaches could take into account the linkage to customer retention or other performance objectives.*

*Employee evaluations and reward and recognition approaches might include peer evaluations, including peers in teams and networks.*

## 4.3 Employee Education, Training, and Development (50 pts.)

Describe how the company's education and training address company plans, including building company capabilities and contributing to employee motivation, progression, and development.

A – D

### Notes:

(1) *Education and training address the knowledge and skills employees need to meet their overall work objectives. This might include leadership skills, communications, teamwork, problem solving, interpreting and using data, meeting customer requirements, process analysis, process simplification, waste reduction, cycle time reduction, error-proofing, priority setting based upon cost and benefit data, and other training that affects employee effectiveness, efficiency, and safety. It might also include basic skills such as reading, writing, language, and arithmetic.*

(2) *Training for customer-contact (frontline) employees should address: (a) key knowledge and skills, including knowledge of products and services; (b) listening to customers; (c) soliciting comments from customers; (d) how to anticipate and handle problems or failures ("recovery"); (e) skills in customer retention; and (f) how to manage expectations.*

### AREAS TO ADDRESS

- a. how the company's education and training serve as a key vehicle in building company and employee capabilities. Describe how education and training address: (1) key performance objectives, including those related to improving customer responsiveness and enhancing high performance work units; and (2) progression and development of all employees.
- b. how education and training are designed, delivered, reinforced, evaluated, and improved. Include: (1) how employees and line managers contribute to or are involved in determining specific education and training needs and designing education and training; (2) how education and training are delivered; (3) how knowledge and skills are reinforced through on-the-job application; and (4) how education and training are evaluated and improved.

(3) *Determining specific education and training needs [4.3b(1)] might include use of company assessment or employee self-assessment to determine and/or compare skill levels for progression within the company or elsewhere. Needs determination should take into account job analysis — the types and levels of skills required — and the timeliness of training.*

(4) *Education and training delivery [4.3b(2)] might occur inside or outside the company and involve on-the-job, classroom, computer-based, or other types of delivery. This includes the use of developmental assignments within or outside the company to enhance employees' career opportunities and employability.*

(5) *How education and training are evaluated [4.3b(4)] could address: effectiveness of delivery of education and training; impact on work unit performance; and cost effectiveness of education and training alternatives.*

#### 4.4 Employee Well-Being and Satisfaction (25 pts.)

Describe how the company maintains a work environment and a work climate conducive to the well-being and development of all employees.

A – D

##### AREAS TO ADDRESS

- a. how the company maintains a safe and healthful work environment. Include:  
(1) how employee well-being factors such as health, safety, and ergonomics are included in improvement activities; and (2) principal improvement requirements, measures and/or indicators, and targets for each factor relevant and important to the employees' work environment. Note any significant differences based upon differences in work environments among employee groups.
- b. what services, facilities, activities, and opportunities the company makes available to employees to support their overall well-being and satisfaction and/or to enhance their work experience and development potential
- c. how the company determines employee satisfaction, well-being, and motivation. Include a brief description of methods, frequency, the specific factors used in this determination, and how the information is used to improve satisfaction, well-being, and motivation. Note any important differences in methods or factors used for different categories or types of employees, as appropriate.

##### Notes:

(1) Examples of services, facilities, activities, and opportunities (4.4b) are: personal and career counseling; career development and employability services; recreational or cultural activities; non-work-related education; day care; special leave for family responsibilities and/or for community service; safety off the job; flexible work hours; outplacement; and retiree benefits, including extended health care. These services also might include career enhancement activities such as skills assessment, helping employees develop learning objectives and plans, and employability assessment.

(2) Examples of specific factors which might affect satisfaction, well-being, and motivation are: effective employee problem or grievance resolution; safety; employee views of leadership and management; employee development and career opportunities; employee preparation for changes in technology or work organization; work environment; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; equality of opportunity; and capability to provide required services to customers. An effective determination is one that provides the company with actionable information for use in improvement activities.

(3) Measures and/or indicators of satisfaction, well-being, and motivation (4.4c) might include safety, absenteeism, turnover, turnover rate for customer-contact employees, grievances, strikes, worker compensation, as well as results of surveys.

(4) How satisfaction, well-being, and motivation information is used (4.4c) might involve developing priorities for addressing employee problems based on impact on productivity.

(5) Trends in key measures and/or indicators of well-being and satisfaction should be reported in Item 6.3.

## 5.0 Process Management (140 pts.)

The **Process Management** Category examines the key aspects of process management, including customer-focused design, product and service delivery processes, support services, and supply management involving all work units, including research and development. The Category examines how key processes are designed, effectively managed, and improved to achieve higher performance.

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

Describe how new and/or modified products and services are designed and introduced and how key production/delivery processes are designed to meet key product and service quality requirements, company operational performance requirements, and market requirements.

#### AREAS TO ADDRESS

- a. how products, services, and production/delivery processes are designed. Describe: (1) how customer requirements are translated into product and service design requirements; (2) how product and service design requirements are translated into efficient and effective production/delivery processes, including an appropriate measurement plan; and (3) how all requirements associated with products, services, and production/delivery processes are addressed early in design by all appropriate company units, suppliers, and partners to ensure integration, coordination, and capability.
- b. how product, service, and production/delivery process designs are reviewed and/or tested in detail to ensure trouble-free and rapid introduction
- c. how designs and design processes are evaluated and improved to achieve better product and service quality, time to market, and production/delivery process effectiveness

#### A – D

#### Notes:

(1) Design and introduction might address:

- modifications and variants of existing products and services, including product and service customization;
- new products and services emerging from research and development or other product/service concept development;
- new/modified facilities to meet operational performance and/or product and service requirements; and
- significant redesigns of processes to improve customer focus, productivity, or both.

Design approaches could differ appreciably depending upon the nature of the products/services — entirely new, variants, major or minor process changes, etc. If many design projects are carried out in parallel, responses to Item 5.1 should reflect how coordination of resources among projects is carried out.

(2) Applicants' responses should reflect the key requirements for their products and services. Factors that might need to be considered in design include: health; safety; long-term performance; environmental impact; "green" manufacturing; measurement capability; process capability; manufacturability; maintainability; supplier capability; and documentation.

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

(4) A measurement plan [5.1a(2)] should spell out what is to be measured, how and when measurements are to be made, and performance levels or standards to ensure that the results of measurements provide information to guide, monitor, control, or improve the process. This may include service standards used in customer-contact processes. The term, "measurement plan," may also include decisions about key information to collect from customers and/or employees from service encounters, transactions, etc. The actual measurement plan should not be described in Item 5.1. Such information is requested in Item 5.2.

(5) "All appropriate company units" [5.1a(3)] means those units and/or individuals who will take part in production/delivery and whose performance materially affects overall process outcome. This might include groups such as R&D, marketing, design, and product/process engineering.

## 5.2 Process Management: Product and Service Production and Delivery (40 pts.)

Describe how the company's key product and service production/delivery processes are managed to ensure that design requirements are met and that both quality and operational performance are continuously improved.

### AREAS TO ADDRESS

- a. how the company maintains the performance of key production/delivery processes to ensure that such processes meet design requirements addressed in Item 5.1. Describe: (1) the key processes and their principal requirements; and (2) the measurement plan and how measurements and/or observations are used to maintain process performance.
- b. how processes are evaluated and improved to improve products and services and to achieve better performance, including cycle time. Describe how each of the following is used or considered: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) information from customers of the processes — within and outside the company.

### A – D

#### Notes:

(1) Key production/delivery processes are those most directly involved in fulfilling the principal requirements of customers — those that define the products and services.

(2) Measurement plan [5.2a(2)] is defined in Item 5.1, Note (4). Companies with specialized measurement requirements should describe how they ensure measurement effectiveness. For specialized physical, chemical, and engineering measurements, describe briefly how measurements are made traceable to national standards.

(3) The focus of 5.2a is on maintenance of process performance using measurements and/or observations to decide whether or not corrective action is needed. The nature of the corrective action depends on the process characteristics and the type of variation observed. Responses should reflect the type of process and the type of variation observed. A description should be given of how basic (root) causes of variation are determined and how corrections are made at the earliest point(s) in processes. Such correction should then minimize the likelihood of recurrence of this type of variation anywhere in the company.

(4) The focus of 5.2b is on improvement of processes — making them perform better than the original design. Better performance might include one or more of the following: operational, customer-related, and financial performance. After processes have been improved, process maintenance (5.2a) needs to adjust to the changes. Process improvement methods might utilize financial data to evaluate alternatives and set priorities.

(5) "Process analysis and research" [5.2b(1)] refers to a wide range of possible approaches for improving processes. Examples include process mapping, optimization experiments, basic and applied research, error proofing, and reviewing critical encounters between employees and customers from the point of view of customers and employees.

(6) Information from customers [5.2b(4)] might include information developed as described in Items 7.2, 7.3, and 2.3.

(7) Results of improvements in products and services and in product and service delivery processes should be reported in Items 6.1 and 6.2, as appropriate.

### 5.3 Process Management: Support Services

(30 pts.)

Describe how the company's key support service processes are designed and managed so that current requirements are met and that operational performance is continuously improved.

A – D

#### AREAS TO ADDRESS

- a. how key support service processes are designed. Include: (1) how key requirements are determined or set; (2) how these requirements are translated into efficient and effective processes, including operational requirements and an appropriate measurement plan; and (3) how all requirements are addressed early in design by all appropriate company units to ensure integration, coordination, and capability.
- b. how the company maintains the performance of key support service processes to ensure that such processes meet design requirements. Describe: (1) the key processes and their principal requirements; and (2) the measurement plan and how measurements are used to maintain process performance.
- c. how processes are evaluated and improved to achieve better performance, including cycle time. Describe how each of the following is used or considered: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) information from customers of the processes — within and outside the company.

#### Notes:

(1) Support services are those that support the company's product and/or service delivery, but are not usually designed in detail with the products and services themselves because their requirements do not usually depend a great deal upon product and service characteristics. Support service design requirements usually depend significantly upon internal requirements. Support services might include finance and accounting, software services, sales, marketing, public relations, information services, supplies, personnel, legal services, plant and facilities management, research and development, and secretarial and other administrative services.

(2) The purpose of Item 5.3 is to permit applicants to highlight separately the design (5.3a), maintenance (5.3b), and improvement (5.3c) activities for processes that support the product and service design, production, and delivery processes addressed in Items 5.1 and 5.2. The support service processes included in Item 5.3 depend on the applicant's type of business and other factors. Thus, this selection should be made by the applicant. Together, Items 5.1, 5.2, 5.3, and 5.4 should cover all key operations, processes, and activities of all work units.

(3) Measurement plan [5.3a(2)] is described in Item 5.1, Note (4). Process maintenance (5.3b) is described in Item 5.2, Note (3). Process improvement (5.3c) is described in Item 5.2, Note (4).

(4) "Process analysis and research" [5.3c(1)] refers to a wide range of possible approaches for improving processes. See Item 5.2, Note (5).

(5) Information from customers [5.3c(4)] might include information developed as described in Items 7.2, 7.3, and 2.3. However, most of the information for improvement [5.3c(4)] is likely to come from "internal customers" — those within the company who use the support services.

(6) Results of improvements in support services should be reported in Item 6.2.

## 5.4 Management of Supplier Performance (30 pts.)

Describe how the company assures that materials, components, and services furnished by other businesses meet the company's performance requirements. Describe also the company's actions and plans to improve supplier relationships and performance.

A – D

### AREAS TO ADDRESS

- a. summary of the company's requirements and how they are communicated to suppliers. Include: (1) a brief summary of the principal requirements for key suppliers, the measures and/or indicators associated with these requirements, and the expected performance levels; (2) how the company determines whether or not its requirements are met by suppliers; and (3) how performance information is fed back to suppliers.
- b. how the company evaluates and improves its management of supplier relationships and performance. Describe current actions and plans: (1) to improve suppliers' abilities to meet requirements; (2) to improve the company's own procurement processes, including feedback sought from suppliers and from other units within the company ("internal customers") and how such feedback is used; and (3) to minimize costs associated with inspection, test, audit, or other approaches used to track and verify supplier performance.

### Notes:

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

If the applicant is a unit of a larger company, and other units of that company supply goods/services, this should be included as part of Item 5.4.

The term "supplier" also refers to service suppliers such as health care, training, and education.

(2) Key suppliers [5.4a(1)] are those that provide the most important products and/or services, taking into account the criticality and volume of products and/or services involved.

(3) "Requirements" refers to the principal factors involved in the purchases: quality, delivery, and price.

(4) How requirements are communicated and how performance information is fed back might entail ongoing working relationships or partnerships with key suppliers. Such relationships and/or partnerships should be briefly described in responses.

(5) Processes for determining whether or not requirements are met [5.4a(2)] might include audits, process reviews, receiving inspection, certification, testing, and rating systems.

(6) "Actions and plans" (5.4b) might include one or more of the following: joint planning, rapid information and data exchanges, use of benchmarking and comparative information, customer-supplier teams, partnerships, training, long-term agreements, incentives, and recognition. Actions and plans might also include changes in supplier selection, leading to a reduction in the number of suppliers.

(7) Efforts to minimize costs might be backed by analyses comparing suppliers based on overall cost, taking into account quality and delivery. Analyses might also address transaction costs associated with alternative approaches to supply management.

## 6.0 Business Results (250 pts.)

The **Business Results** Category examines the company's performance and improvement in key business areas — product and service quality, productivity and operational effectiveness, supply quality, and financial performance indicators linked to these areas. Also examined are performance levels relative to competitors.

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

Summarize performance results for products and services and/or product and service offerings and results of improvement efforts, using key measures and/or indicators of such performance and improvement.



#### Notes:

(1) Results reported in Item 6.1 should reflect performance relative to key non-price product and service requirements — those described in the Business Overview and addressed in Items 7.1, 3.1, and 5.1. The measures and/or indicators should address factors that affect customer preference — performance, timeliness, availability, and variety. Examples include defect levels, repeat services, delivery response times, and complaint levels.

(2) Data appropriate for inclusion might be based upon one or more of the following:

- internal (company) measurements;
- field performance;
- data collected by the company or on behalf of the company through follow-ups (7.2c) or surveys of customers on product and service performance; and

#### AREAS TO ADDRESS

- a. current levels and trends in key measures and/or indicators of quality of products and services and/or product and service offerings. Graphs and tables should include appropriate comparative data.

- data collected or generated by organizations, including customers.

Although data appropriate for inclusion are primarily based upon internal measurements and field performance, data collected by the company or other organizations through follow-ups might be included for attributes that cannot be accurately assessed through direct measurement (e.g., ease of use) or when variability in customer expectations makes the customer's perception the most meaningful indicator (e.g., courtesy).

(3) Comparative data might include industry best, best competitor, industry average, and appropriate benchmarks. Such data might be derived from independent surveys, studies, laboratory testing, or other sources.

### 6.2 Company Operational and Financial Results (110 pts.)

Summarize results of the company's operational and financial performance and performance improvement efforts using key measures and/or indicators of such performance and improvement.



#### Notes:

(1) Key measures and/or indicators of company operational and financial performance include the following areas:

- productivity and other indicators of effective use of manpower, materials, energy, capital, and assets. (Aggregate measures such as total factor productivity, ROI, margin rates, operating profit rates, and working capital productivity are encouraged. Aggregate economic and/or market value measures are also appropriate.);
- company-specific indicators such as innovation rates, innovation effectiveness, cost reductions through innovation, and time to market;

#### AREAS TO ADDRESS

- a. current levels and trends in key measures and/or indicators of company operational and financial performance. Graphs and tables should include appropriate comparative data.

- environmental improvements reflected in emissions levels, waste stream reductions, by-product use and recycling, etc. (See Item 1.3);
- cycle time, lead times, set-up times, and other responsiveness indicators; and
- process assessment results such as customer assessment or third-party assessment (such as ISO 9000).

(2) Comparative data might include industry best, best competitor, industry average, and appropriate benchmarks.

### 6.3 Human Resource Results (35 pts.)

Summarize human resource results, including employee development and indicators of employee well-being and satisfaction.

#### AREAS TO ADDRESS

- a. current levels and trends in key measures and/or indicators of employee development, well-being, satisfaction, self-directed responsibility, and effectiveness. Graphs and tables should include appropriate comparative data.

(R)

#### Notes:

(1) Measures and/or indicators should include safety, absenteeism, turnover, and satisfaction. Comparative data might include industry best, best competitors, industry average, and appropriate benchmarks. Local or regional data on absenteeism and turnover are also appropriate. Financial measures such as worker compensation cost or turnover cost reductions are appropriate for inclusion.

(2) Measures and/or indicators of development should cover not only extent (for example, percent of employees

trained or hours of training per year) but also effectiveness. Financial information such as benefit cost ratios for training is appropriate for inclusion.

(3) Examples of satisfaction factors are given in Item 4.4, Note (2).

(4) The results reported in Item 6.3 derive from activities described in the Items of Category 4.0. Results should address all categories and types of employees.

### 6.4 Supplier Performance Results (30 pts.)

Summarize results of supplier performance and performance improvement efforts using key measures and/or indicators of such performance and improvement.

#### AREAS TO ADDRESS

- a. current levels and trends in key measures and/or indicators of supplier performance. Graphs and tables should include appropriate comparative data.

(R)

#### Notes:

(1) The results reported in Item 6.4 derive from activities described in Item 5.4. Results should be broken out by key supplies and/or key suppliers, as appropriate. Results should include performance of supply chains and/or results of outsourcing, if these are important to the applicant. Data should be presented using the measures and/or indicators described in 5.4a(1).

(2) Results reported should be relative to all principal requirements: quality, delivery, and price. If the company's supplier management efforts include factors such as building supplier partnerships or reducing the number of suppliers, data related to these efforts should be included in responses.

(3) Comparative data might be of several types: industry best, best competitor(s), industry average, and appropriate benchmarks.

## 7.0 Customer Focus and Satisfaction (250 pts.)

The **Customer Focus and Satisfaction** Category examines the company's systems for customer learning and for building and maintaining customer relationships. Also examined are levels and trends in key measures of business success — customer satisfaction and retention, market share, and satisfaction relative to competitors.

### 7.1 Customer and Market Knowledge (30 pts.)

Describe how the company determines near-term and longer-term requirements, expectations, and preferences of customers and markets, and develops listening and learning strategies to understand and anticipate needs.

A – D

#### AREAS TO ADDRESS

- a. how the company determines current and near-term requirements and expectations of customers. Include: (1) how customer groups and/or market segments are determined and/or selected, including how customers of competitors and other potential customers are considered; (2) how information is collected, including what information is sought, frequency and methods of collection, and how objectivity and validity are ensured; (3) how specific product and service features and the relative importance of these features to customer groups or segments are determined; and (4) how other key information and data such as complaints, gains and losses of customers, and product/service performance are used to support the determination.
- b. how the company addresses future requirements and expectations of customers and potential customers. Include an outline of key listening and learning strategies used
- c. how the company evaluates and improves its processes for determining customer requirements, expectations, and preferences

#### Notes:

(1) The distinction between near-term and future depends upon many marketplace factors. The applicant's response should reflect these factors for its market(s). Methods used in 7.1a(2) and 7.1b might be the same or similar.

(2) The company's products and services might be sold to end users via other businesses such as retail stores or dealers. Thus, "customer groups" should take into account the requirements and expectations of both the end users and these other businesses.

(3) Some companies might use similar methods to determine customer requirements/expectations and customer satisfaction (Item 7.3). In such cases, cross-references should be included.

(4) Customer groups and market segments [7.1a(1)] might take into account opportunities to select or create groups and segments based upon customer- and market-related information. This might include individual customization.

(5) How information is collected [7.1a(2)] might include periodic methods such as surveys or focus groups and/or ongoing processes such as dialogs with customers.

(6) Product and service features [7.1a(3)] refer to all important characteristics and to the performance of products and services that customers experience or perceive throughout their overall purchase and ownership. The focus should be primarily on features that bear upon customer preference and repurchase loyalty — for example, those features that differentiate products and services from competing offerings. This might include price and value.

(7) Examples of listening and learning strategies (7.1b) are:

- relationship strategies, including close integration with customers;
- rapid innovation and field trials of products and services to better link R&D and design to the market;
- close monitoring of technological, competitive, societal, environmental, economic, and demographic factors that may bear upon customer requirements, expectations, preferences, or alternatives;
- focus groups with demanding or leading-edge customers;
- training of frontline employees in customer listening;
- use of critical incidents to understand key service attributes from the point of view of customers and frontline employees;
- interviewing lost customers;
- won/lost analysis relative to competitors;
- post-transaction follow-up (see 7.2c); and
- analysis of major factors affecting key customers.

(8) Examples of evaluation and factors appropriate for 7.1c are:

- the adequacy and timeliness of the customer-related information;
- improvement of survey design;
- the best approaches for getting reliable and timely information — surveys, focus groups, customer-contact personnel, etc.;
- increasing and decreasing importance of product/service features among customer groups or segments; and
- the most effective listening/learning strategies.

The evaluation might also be supported by company-level analysis addressed in Item 2.3.

## 7.2 Customer Relationship Management (30 pts.)

Describe how the company provides effective management of its responses and follow-ups with customers to preserve and build relationships, to increase knowledge about specific customers and about general customer expectations, to improve company performance, and to generate ideas for new products and services.

A – D

### AREAS TO ADDRESS

- a. how the company provides information and easy access to enable customers to seek information and assistance, to comment, and to complain. Describe how contact management performance is measured. Include key service standards and how these standards are set, deployed, and tracked.
- b. how the company ensures that formal and informal complaints and feedback received by all company units are resolved effectively and promptly. Briefly describe the complaint management process, including how it ensures effective recovery of customer confidence, how it meets customer requirements for resolution effectiveness, how it ensures that complaints received by company units are aggregated and analyzed for use throughout the company, and how it seeks to eliminate causes of complaints.
- c. how the company follows up with customers on products, services, and recent transactions to determine satisfaction, to resolve problems, to seek feedback for improvement, to build relationships, and to develop ideas for new products and services
- d. how the company evaluates and improves its customer relationship management. Include: (1) how service standards, including those related to access and complaint management, are improved based upon customer information; and (2) how knowledge about customers is accumulated.

### Notes:

(1) Customer relationship management refers to a process, not to a company unit. However, some companies might have units which address all or most of the requirements included in this Item. Also, some of these requirements might be included among the responsibilities of frontline employees in processes described in Items 5.2 and 5.3.

(2) How the company maintains easy access for customers (7.2a) might involve close integration, electronic networks, etc.

(3) Performance measures and service standards (7.2a) apply not only to employees providing the responses to customers but also to other units within the company that make effective responses possible. Deployment needs to take into account all key points in a response chain. Examples of measures and standards are: telephonic, percentage of resolutions achieved by frontline employees, number of transfers, and resolution response time.

(4) Responses to 7.2b and 7.2c might include company processes for addressing customer complaints or comments based upon expressed or implied guarantees and warranties.

(5) The complaint management process (7.2b) might include analysis and priority setting for improvement projects based upon potential cost impact of complaints, taking into account customer retention related to resolution effectiveness. Some of the analysis requirements of Item 7.2 relate to Item 2.3.

(6) Improvement of customer relationship management (7.2d) might require training. Training for customer-contact (frontline) employees should address: (a) key knowledge and skills, including knowledge of products and services; (b) listening to customers; (c) soliciting comments from customers; (d) how to anticipate and handle problems or failures ("recovery"); (e) skills in customer retention; and (f) how to manage expectations. Such training should be described in Item 4.3.

(7) Information on trends and levels in measures and/or indicators of complaint response time, effective resolution, and percent of complaints resolved on first contact should be reported in Item 6.1.

### 7.3 Customer Satisfaction Determination (30 pts.)

Describe how the company determines customer satisfaction, customer repurchase intentions, and customer satisfaction relative to competitors; describe how these determination processes are evaluated and improved.

(A – D)

#### Notes:

(1) Customer satisfaction measurement might include both a numerical rating scale and descriptors for each unit in the scale. An effective (actionable) customer satisfaction measurement system provides reliable information about customer ratings of specific product and service features and the relationship between these ratings and the customer's likely future market behavior — repurchase and/or positive referral. Product and service features might include overall value and price.

(2) The company's products and services might be sold to end users via other businesses such as retail stores or dealers. Thus, "customer groups" or segments should take into account these other businesses and the end users.

(3) Customer dissatisfaction indicators include complaints, claims, refunds, recalls, returns, repeat services, litigation, replacements, downgrades, repairs, warranty work, warranty costs, misshipments, and incomplete orders.

#### AREAS TO ADDRESS

- a. how the company determines customer satisfaction. Include: (1) a brief description of processes and measurement scales used; frequency of determination; and how objectivity and validity are ensured. Indicate significant differences, if any, in processes and measurement scales for different customer groups or segments; and (2) how customer satisfaction measurements capture key information that reflects customers' likely future market behavior.
- 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 and/or customers. For (1) and (2), describe how objectivity and validity of studies or evaluations are ensured.
- c. how the company evaluates and improves its processes and measurement scales for determining customer satisfaction and satisfaction relative to competitors. Include how other indicators (such as gains and losses of customers) and dissatisfaction indicators (such as complaints) are used in this improvement process. Describe also how the evaluation determines the effectiveness of companywide use of customer satisfaction information and data.

(4) Comparative studies (7.3b) might include indicators of customer dissatisfaction as well as satisfaction.

(5) Evaluation (7.3c) might take into account:

- how well the measurement scale relates to actual customer behavior;
- the effectiveness of pre-survey research used in survey design;
- how well customer responses link to key business processes and thus provide actionable information for improvement; and
- how well customer responses have been translated into cost/revenue implications and thus provide actionable information for improvement priorities.

(6) Use of data from satisfaction measurement is called for in 5.2b(4) and 5.3c(4). Such data also provide key input to analysis (Item 2.3).

### 7.4 Customer Satisfaction Results (160 pts.)

Summarize the company's customer satisfaction and dissatisfaction results using key measures and/or indicators of these results. Compare results with competitors' results.

(R)

#### Notes:

(1) Results reported in this Item derive from methods described in Items 7.3 and 7.2.

(2) Measures and/or indicators of satisfaction relative to competitors (7.4b) should include gains and losses of customers and customer accounts to competitors as well as gains and losses in market share.

(3) Measures and/or indicators of satisfaction relative to competitors might include objective information and/or data from independent organizations, including customers. Examples include survey results, competitive awards,

#### AREAS TO ADDRESS

- a. current levels and trends in key measures and/or indicators of customer satisfaction and dissatisfaction. Results should be segmented by customer groups and product and service types, as appropriate.
- b. current levels and trends in key measures and/or indicators of customer satisfaction relative to competitors. Results should be segmented by customer groups and product and service types, as appropriate.

recognition, and ratings. Such information and data should reflect comparative satisfaction (and dissatisfaction), not comparative performance of products and services (called for in Item 6.1).

(4) Customer retention data might be used in both 7.4a and 7.4b. For example, in 7.4a, customer retention might be included as a satisfaction indicator, while in 7.4b, customer retention relative to competitors might be part of a switching analysis to determine competitive position and the factors responsible for it.

# SCORING SYSTEM

The system for scoring applicant responses to Criteria Items (Items) and for developing feedback is based upon three evaluation dimensions: (1) Approach; (2) Deployment; and (3) Results. All Items require applicants to furnish information relating to these dimensions. Specific factors associated with the evaluation dimensions are described below. Scoring Guidelines are given on page 25.

## Approach

“Approach” refers to how the applicant addresses the Item requirements — the method(s) used. The factors used to evaluate approaches include the following:

- appropriateness of the methods to the requirements
- effectiveness of use of the methods. Degree to which the approach:
  - is systematic, integrated, and consistently applied
  - embodies evaluation/improvement cycles
  - is based upon data and information that are objective and reliable
- evidence of innovation. This includes significant and effective adaptations of approaches used in other types of applications or businesses.

## Deployment

“Deployment” refers to the extent to which the applicant’s approach is applied to all requirements of the Item. The factors used to evaluate deployment include the following:

- use of the approach in addressing business and Item requirements
- use of the approach by all appropriate work units

## Results

“Results” refers to outcomes in achieving the purposes given in the Item. The factors used to evaluate results include the following:

- current performance levels
- performance levels relative to appropriate comparisons and/or benchmarks
- rate, breadth, and importance of performance improvements
- demonstration of sustained improvement and/or sustained high-level performance

## Item Classification and Scoring Dimensions

Award Criteria Items are classified according to the kinds of information and/or data applicants are expected to furnish.

The two types of Items and their designations are:

1. Approach/Deployment (A–D)
2. Results (R)

Approach and Deployment are linked to emphasize that descriptions of Approach should always convey Deployment — consistent with the specific requirements of the Item. Although Approach and Deployment dimensions are linked, feedback to the applicant reflects strengths and/or areas for improvement in either or both dimensions.

Results Items depend on data demonstrating performance levels and trends. However, the evaluation factor, “breadth and importance of performance improvements”, is concerned with how widespread and how significant an applicant’s improvement results are. This is directly related to the Deployment dimension. That is, if improvement processes are widely deployed, there should be corresponding results. A score for a Results Item is thus a composite based upon overall performance, taking into account the breadth and importance of improvements.

## “Relevance and Importance” as a Scoring Factor

The three evaluation dimensions described above are all critical to assessment and feedback. However, evaluation and feedback must also consider the relevance and importance to the applicant’s business of improvements in Approach, Deployment, and Results. The areas of greatest relevance and importance should be addressed in the Business Overview, and are a primary focus of Items such as 3.1, 5.1, 5.2, 6.1, and 7.1. Of particular importance are the key customer requirements and key business drivers.

## Assignment of Scores to Applicants’ Responses

Baldrige Award Examiners observe the following guidelines in assignment of scores to applicants’ responses:

- All relevant Areas to Address should be included in the Item response. Also, responses should reflect what is relevant and important to the applicant’s business.
- In assigning a score to an Item, an Examiner first decides which scoring range (e.g., 40% to 60%) best fits the overall Item response. Overall “best fit” does not require total agreement with each of the statements for that scoring range. Actual score within the range depends upon an Examiner’s judgment of the closeness of the Item response in relation to the statements in the next higher and next lower scoring ranges.
- An Approach/Deployment Item score of 50% represents an approach that meets the basic objectives of the Item and that is deployed to the principal activities covered in the Item. Higher scores reflect maturity (cycles of improvement), integration, and broader deployment.
- A Results Item score of 50% represents clear indication of improvement trends and/or good levels of performance in the principal results areas covered in the Item. Higher scores reflect better improvement rates and comparative performance as well as broader coverage.

## SCORING GUIDELINES

SCORE	APPROACH/DEPLOYMENT
0%	<ul style="list-style-type: none"> <li>■ no systematic approach evident; anecdotal information</li> </ul>
10% to 30%	<ul style="list-style-type: none"> <li>■ beginning of a systematic approach to the primary purposes of the Item</li> <li>■ early stages of a transition from reacting to problems to a general improvement orientation</li> <li>■ major gaps exist in deployment that would inhibit progress in achieving the primary purposes of the Item</li> </ul>
40% to 60%	<ul style="list-style-type: none"> <li>■ a sound, systematic approach, responsive to the primary purposes of the Item</li> <li>■ a fact-based improvement process in place in key areas; more emphasis is placed on improvement than on reaction to problems</li> <li>■ no major gaps in deployment, though some areas or work units may be in very early stages of deployment</li> </ul>
70% to 90%	<ul style="list-style-type: none"> <li>■ a sound, systematic approach, responsive to the overall purposes of the Item</li> <li>■ a fact-based improvement process is a key management tool; clear evidence of refinement and improved integration as a result of improvement cycles and analysis</li> <li>■ approach is well-deployed, with no major gaps; deployment may vary in some areas or work units</li> </ul>
100%	<ul style="list-style-type: none"> <li>■ a sound, systematic approach, fully responsive to all the requirements of the Item</li> <li>■ a very strong, fact-based improvement process is a key management tool; strong refinement and integration — backed by excellent analysis</li> <li>■ approach is fully deployed without any significant weaknesses or gaps in any areas or work units</li> </ul>

SCORE	RESULTS
0%	<ul style="list-style-type: none"> <li>■ no results or poor results in areas reported</li> </ul>
10% to 30%	<ul style="list-style-type: none"> <li>■ early stages of developing trends; some improvements <i>and/or</i> early good performance levels in a few areas</li> <li>■ results not reported for many to most areas of importance to the applicant's key business requirements</li> </ul>
40% to 60%	<ul style="list-style-type: none"> <li>■ improvement trends <i>and/or</i> good performance levels reported for many to most areas of importance to the applicant's key business requirements</li> <li>■ no pattern of adverse trends <i>and/or</i> poor performance levels in areas of importance to the applicant's key business requirements</li> <li>■ some trends <i>and/or</i> current performance levels — evaluated against relevant comparisons <i>and/or</i> benchmarks — show areas of strength <i>and/or</i> good to very good relative performance levels</li> </ul>
70% to 90%	<ul style="list-style-type: none"> <li>■ current performance is good to excellent in most areas of importance to the applicant's key business requirements</li> <li>■ most improvement trends <i>and/or</i> performance levels are sustained</li> <li>■ many to most trends <i>and/or</i> current performance levels — evaluated against relevant comparisons <i>and/or</i> benchmarks — show areas of leadership and very good relative performance levels</li> </ul>
100%	<ul style="list-style-type: none"> <li>■ current performance is excellent in most areas of importance to the applicant's key business requirements</li> <li>■ excellent improvement trends <i>and/or</i> sustained excellent performance levels in most areas</li> <li>■ strong evidence of industry and benchmark leadership demonstrated in many areas</li> </ul>

# PREPARING THE BUSINESS OVERVIEW

The Business Overview is an outline of the applicant's business, addressing what is most important to the business, the key factors that influence how the business operates, and where the business is headed. In simplest terms, *the Business Overview is intended to help Examiners understand what is relevant and important to the applicant's business.*

The Business Overview is of critical importance to the applicant because:

- it is the most appropriate starting point for writing and self-assessing the application, helping to ensure focus on key business issues and to achieve consistency in responses, especially in reporting business results; and
- it is used by the Examiners and Judges in all stages of application review, including the site visit.

## Guidelines for Preparing the Business Overview

The Business Overview consists of five sections as follows:

### 1. Basic description of the company

This section should provide basic information on:

- the nature of the applicant's business: products and services;
- company size, location(s), and whether it is publicly or privately owned;
- the applicant's major markets (local, regional, national, or international) and principal customer types (consumers, other businesses, government, etc.). (Note any special relationships, such as partnerships, with customers or customer groups.);
- a profile of the applicant's employee base, including: number, types, educational level, bargaining units, and special safety requirements; and
- major equipment, facilities, and technologies used.

If the applicant is a subunit of a larger entity, a brief description of the organizational relationships to the parent company and percent of employees it represents should be given. Briefly describe also relationships of the applicant's products and services to those of the parent company and/or other subunits of the parent company. If the parent company provides key support services, these should be briefly described.

### 2. Customer requirements

This section should provide information on:

- key customer requirements (for example, on-time delivery, low defect levels, price demands, and after-sales services) for products and services. Briefly describe all important requirements, and note significant differences, if any, in requirements among customer groups.

### 3. Supplier relationships

This section should provide information on:

- types and numbers of suppliers of goods and services;
- the most important types of suppliers, dealers, and other businesses; and
- any limitations or special relationships that may exist in dealing with some or all suppliers.

### 4. Competitive factors

This section should provide information on:

- the applicant's position (relative size, growth) in the industry;
- numbers and types of competitors;
- principal factors that determine competitive success such as productivity growth, cost reduction, and product innovation; and
- changes taking place in the industry that affect competition.

### 5. Other factors important to the applicant

This section should provide information, as appropriate, on:

- major new thrusts for the company such as entry into new markets, or segments;
- new business alliances;
- introduction of new technologies;
- the regulatory environment affecting the applicant, such as occupational health and safety, environmental, financial, and product;
- changes in strategy; and
- unique factors.

## Page Limit

The Business Overview is limited to four pages. These four pages are not counted in the overall application page limit. Typing instructions for the Business Overview are the same as for the application. These instructions are given in the *1996 Business Application Forms and Instructions* booklet. Ordering instructions for this booklet are given on page 47.

**It is strongly recommended that the Business Overview be prepared first and that it be used to guide the applicant in writing and reviewing the application.**

# 1996 CRITERIA ITEM RESPONSE GUIDELINES



Writing an application for the Baldrige Award involves responding in 70 or fewer pages to the requirements given in the 24 Criteria Items. The guidelines given in this section are offered to assist applicants to respond most effectively to the Item requirements.

The guidelines are presented in three parts: (1) General Guidelines regarding the Award Criteria booklet, including how the Items are formatted; (2) Guidelines for Responding to Approach/Deployment Items; and (3) Guidelines for Responding to Results Items.

## General Guidelines

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

The main sections of the booklet provide an overall orientation to the Criteria, including how applicants' responses are evaluated. Applicants should be thoroughly familiar with the following sections:

- Award Criteria (pages 6-23)
- Scoring information (pages 24-25)
- Glossary of Key Terms (pages 4-5)
- Item Descriptions (pages 34-43)

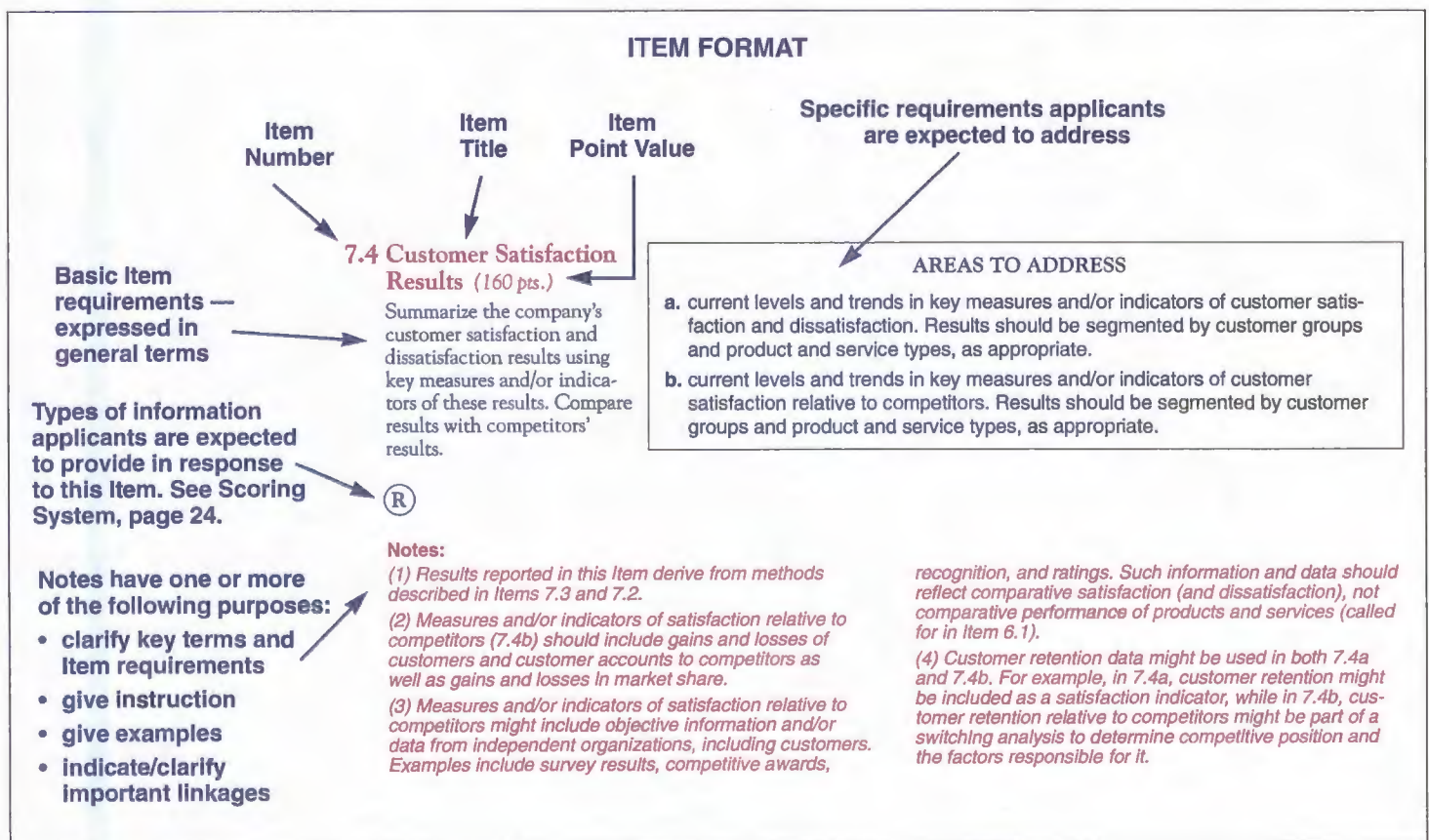
### 2. Review the Item format.

The Item format (see figure below) shows the different parts of Items, what each part is for, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. All Items and Areas to Address are described in a separate section (pages 34-43).

Each Item is classified either **(A-D)** or **(R)**, depending on the type of information required. The meaning of these classification symbols is given on page 24. Guidelines for responding to Approach/Deployment Items are given on page 28. Guidelines for responding to Results Items are given on page 29.

### 3. Start by preparing the Business Overview.

The Business Overview is the most appropriate starting point for writing an application. The Business Overview is intended to help everyone — including the company's application writer(s) and reviewer(s) — to understand what is most relevant and important to the applicant's business. Guidelines for preparing the Business Overview are given on page 26.



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## Guidelines for Responding to Approach/ Deployment Items

The Award Criteria focus on performance results. Results Items (6.1, 6.2, 6.3, 6.4, and 7.4) require applicants to summarize results of all kinds, including operational, customer-related, and financial. However, results, by themselves, offer little *diagnostic* value. For example, if results are poor in some areas or improving at rates slower than the competition's, it is important to understand *why* this is so and *what* might be done to accelerate improvement. Approach/Deployment Items permit diagnosis of the applicant's most important systems, activities, and processes — the ones that offer the greatest potential for fast-paced improvement of the applicant's performance. Diagnosis and feedback depend heavily upon the *content and completeness* of Approach/Deployment Item responses. For this reason, it is important to respond to these Items by providing key process information. Guidelines for organizing such information are given below.

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

Items that request information on approach include Areas to Address that begin with the word “how”. Responses to such Areas should provide as complete a picture as possible to enable meaningful evaluation and feedback. *Responses should outline key process details such as methods, measures, deployment, and evaluation factors.* Information lacking sufficient detail to permit an evaluation and feedback, or merely providing an example, is referred to in the Criteria booklet as *anecdotal information*.

### 2. Write and review response(s) with the following guidelines, questions, and comments in mind:

#### ■ Show *what* and *how*.

- Does the response show what is done, and does it give a clear sense of how?

It is important to give basic information about *what* key processes are and *how* they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit feedback. For example, stating that “customer satisfaction data are analyzed for improvement by the Customer Service Department” does not set the stage for useful feedback, because from this very limited information, potential strengths and weaknesses in the analysis cannot be identified at all.

#### ■ Show that activities are *systematic*.

- Does the response show a systematic approach, or does it merely provide an example (anecdote)?

Approaches that are systematic use data and information for cycles of improvement. In other words, the approaches are systematic *over time*, and thus show learning and maturity. Scores above 50% rely upon clear evidence that approaches are systematic.

#### ■ Show deployment.

- Does the response give clear and sufficient information on deployment? For example, from a response, could one clearly distinguish whether an approach described is used in one part of the company or in a few, most, or all parts?

Deployment can be shown compactly by using summary tables that outline what is done in different parts of the company. This is particularly effective if the basic approach is described in a narrative.

#### ■ Show focus and consistency.

- Does the response show that the applicant is focused on key processes and on improvements that offer the greatest potential to improve business performance?

There are four important factors to consider regarding setting the stage for focus and consistency: (1) the Business Overview should make clear what is important; (2) the Strategic Planning Category, including the key business drivers, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of company-level analysis (Item 2.3) should show how the company analyzes performance information to set priorities; and (4) company-level review (1.2b) should show how performance information is tracked and used. Focus and consistency in the Approach/Deployment Items should be accompanied by corresponding results being reported in Items 6.1, 6.2, 6.3, 6.4, and 7.4.

#### ■ Respond fully to Item requirements.

- Does the response lack information on important parts of an Area to Address?

Missing information will be interpreted as a gap in approach and/or deployment. All Areas should be addressed and checked in final review.

### 3. Cross-reference when appropriate.

Applicants should try to make each Item response self-contained. However, there may be instances when responses to different Items are mutually reinforcing. It is then appropriate to reference responses to other Items, rather than to repeat information. In such cases, applicants should use Area designators (for example, “see 2.3a”).



## Guidelines for Responding to Results Items

The Award Criteria place greatest emphasis on results. Items 6.1, 6.2, 6.3, 6.4, and 7.4 call for results related to all key requirements, stakeholders, and goals. The following information, guidelines, and example relate to effective and complete presentation of results.

### 1. Note the meaning of the five key requirements for effective presentation of results data.

- trends show directions of results and rates of change;
- performance levels show performance on some meaningful measurement scale;
- comparisons show how trends and/or levels compare with those of other, appropriately selected organizations;
- breadth of results shows completeness of deployment of improvement activities; and
- focus shows that results reported are consistent with and cover the most important requirements for business success, highlighted in the Business Overview and included in responses to other Items.

### 2. Include trend data covering actual periods for tracking trends.

No minimum period of time is specified for trend data. Time periods might span five years or more for some results. Trends might be much shorter for some of the company's improvement activities. Because of the importance of showing deployment and focus, new data should be included even if trends and comparisons are not yet well established.

### 3. Use a compact format.

Presenting many results can be done compactly by using graphs and tables. Label graphs and tables for easy interpretation. Results over time or compared with others should be "normalized" — presented in a way (such as use of ratios) that takes into account various size factors. For example, if the company's work force has been growing, reporting safety results in terms of accidents per 100 employees would permit more meaningful trend data than total accidents.

### 4. Integrate results into the body of the text.

Descriptions of results and the results themselves should be close together in the application. Use figure numbers that correspond to Items. For example, the third figure for Item 6.1 would be 6.1-3. (See example on the figure shown to the right.)

The following graph illustrates data an applicant might present as part of a response to Item 6.1, Product and

Service Quality Results. In the Business Overview and in Item 7.1, the applicant has indicated on-time delivery as a key customer requirement.

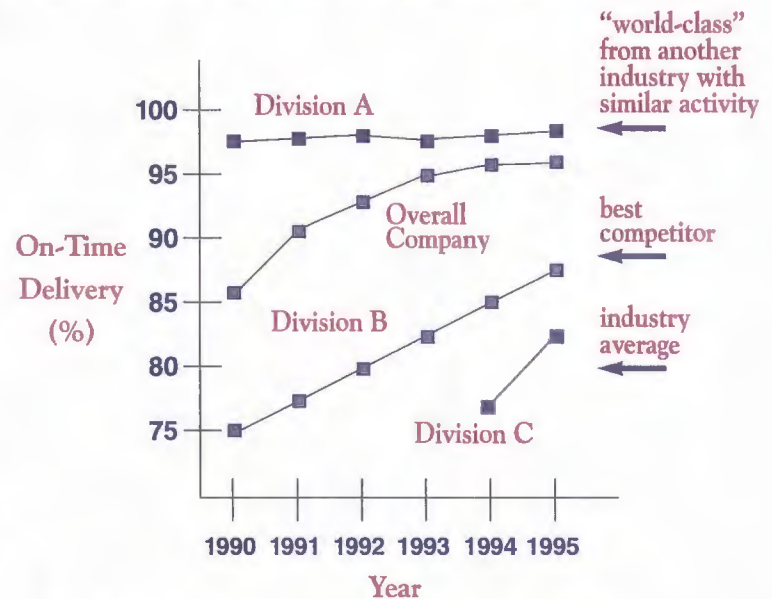


Figure 6.1-3 On-Time Delivery Performance

Using the graph, the following characteristics of clear and effective data presentation are illustrated:

- A figure number is provided for reference to the graph in the text.
- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key business requirement — on-time delivery.
- Results are presented for several years.
- Appropriate comparisons are clearly shown.
- The company shows, using a single graph, that its three divisions separately track on-time delivery.

To help interpret the Scoring Guidelines (page 25), the following comments on the graphed results would be appropriate:

- The current overall company performance level is excellent. This conclusion is supported by the comparison with competitors and with a "world-class" level.
- The company exhibits an overall excellent improvement record.
- Division A is the current performance leader — showing sustained high performance and a slightly positive trend. Division B shows rapid improvement. Its current performance is near that of the best industry competitor, but trails the "world-class" level.
- Division C — a new division — shows rapid progress. Its current performance is not yet at the level of the best industry competitor.

# 1996 AWARD CRITERIA: VALUES, CONCEPTS, AND FRAMEWORK

## Award Criteria Purposes

The Malcolm Baldrige National Quality Award Criteria are the basis for making Awards and for giving feedback to applicants. In addition, the Criteria have three important roles in strengthening U.S. competitiveness:

- to help improve performance practices and capabilities;
- to facilitate communication and sharing of best practices information among and within organizations of all types, based upon a common understanding of key performance requirements; and
- to serve as a working tool for managing performance, planning, training, and assessment.

## Award Criteria Goals

The Criteria are designed to help companies enhance their competitiveness through focus on dual, results-oriented goals:

- delivery of ever-improving value to customers, resulting in marketplace success; and
- improvement of overall company performance and capabilities.

## Core Values and Concepts

The Award Criteria are built upon a set of core values and concepts. These values and concepts are the foundation for integrating customer and company performance requirements within a results-oriented framework. These core values and concepts are:

### Customer-Driven Quality

Quality is judged by customers. All product and service features and characteristics that contribute value to customers and lead to customer satisfaction and preference must be a key focus of a company's management system. Value, satisfaction, and preference may be influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. These factors include the company's relationship with customers that helps build trust, confidence, and loyalty. This concept of quality includes not only the product and service characteristics that meet basic customer requirements, but it also includes those features and characteristics that enhance them and differentiate them from competing offerings. Such enhancement and differentiation may be based upon new offerings, combinations of product and service offerings, rapid response, or special relationships.

Customer-driven quality is thus a strategic concept. It is directed toward customer retention, market share gain, and growth. It demands constant sensitivity to emerging customer and market requirements, and measurement of the factors that drive customer satisfaction and retention.

It also demands awareness of developments in technology and of competitors' offerings, and rapid and flexible response to customer and market requirements.

Success requires more than defect and error reduction, merely meeting specifications, and 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 success in recovering from defects and errors ("making things right for the customer") is crucial to building customer relationships and to customer retention.

### Leadership

A company's senior leaders need to set directions and create a customer orientation, clear and visible values, and high expectations. Reinforcement of the values and expectations requires personal commitment and involvement. The leaders' basic values and commitment need to address all stakeholders and include areas of public responsibility and corporate citizenship. The leaders need to guide the creation of strategies, systems, and methods for achieving excellence and building capabilities. The systems and methods need to guide all activities and decisions of the company. The senior leaders need to commit to the development of the entire work force and should encourage participation and creativity by all employees. Through their personal involvement in planning, communications, review of company performance, and employee recognition, the senior leaders serve as role models, reinforcing the values and building leadership and initiative throughout the company.

### Continuous Improvement and Learning

Achieving the highest levels of performance requires a well-executed approach to continuous improvement. The term "continuous improvement" refers to both incremental and "breakthrough" improvement. Improvement needs to be "embedded" in the way the company functions. Embedded means: (1) improvement is part of the daily work of all work units; (2) improvement processes seek to eliminate problems at their source; and (3) improvement is driven by opportunities to do better, as well as by problems that must be corrected. Sources of improvement include: employee ideas; R&D; customer input; and benchmarking or other comparative performance information.

Improvements may be of several types: (1) enhancing value to customers through new and improved products and services; (2) reducing errors, defects, and waste; (3) improving responsiveness and cycle time performance; (4) improving productivity and effectiveness in the use of all resources; and (5) improving the company's performance in fulfilling its public responsibilities and serving as a



corporate citizenship role model. Thus, improvement is intended not only to provide better products and services, but also to be more responsive and efficient — both conferring additional marketplace advantages. To meet these objectives, continuous improvement must contain 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. Such information should directly link performance goals and internal operations.

### **Employee Participation and Development**

A company's success in improving performance depends increasingly on the skills and motivation of its work force. Employee success depends increasingly on having opportunities to learn and to practice new skills. Companies need to invest in the development of the work force through education, training, and opportunities for continuing growth. Such opportunities might include classroom and on-the-job training, job rotation, and pay for demonstrated skills. Structured on-the-job training offers a cost effective way to train and to better link training to work processes. Work force education and training programs may need to utilize advanced technologies, such as electronic support systems, computer-based learning, and satellite broadcasts. Increasingly, training, development, and work organizations need to be tailored to a diverse work force and to more flexible, high performance work practices.

Major challenges in the area of work force development include: (1) integration of human resource management — selection, performance, recognition, training, and career advancement; and (2) aligning human resource management with business plans and strategic change processes. Addressing these challenges requires acquisition and use of employee-related data on skills, satisfaction, motivation, safety, and well-being. Such data need to be tied to indicators of company or unit performance, such as customer satisfaction, customer retention, and productivity. Through this approach, human resource management may be better integrated and aligned with business directions.

### **Fast Response**

Success in competitive markets increasingly demands ever-shorter cycles for new or improved product and service introduction. Also, faster and more flexible response to customers is now a more critical requirement. Major improvement in response time often requires simplification of work organizations and work processes. To accomplish such improvement, the time performance of work processes should be among the key process measures. There are other important benefits derived from this focus: response time improvements often drive simultaneous improvements in organization, quality, and productivity. Hence it is beneficial to consider response time, quality, and productivity objectives together.

### **Design Quality and Prevention**

Business management should place strong emphasis on design quality — problem and waste prevention achieved through building quality into products and services and efficiency into production and delivery processes. In general, costs of preventing problems at the design stage are much lower than costs of correcting problems that occur “downstream”. Design quality includes the creation of fault-tolerant (robust) or failure-resistant processes and products.

A major issue in competition is the design-to-introduction (“product generation”) cycle time. Meeting the demands of rapidly changing markets requires that companies carry out stage-to-stage coordination and integration (“concurrent engineering”) of functions and activities from basic research to commercialization. Increasingly, design quality also includes the ability to incorporate information gathered from diverse sources and data bases, that combine factors such as customer preference, competitive offerings, marketplace changes, and external research findings and developments.

From the point of view of public responsibility, the design stage is a critical decision point. Design decisions affect process waste streams and the composition of municipal and industrial wastes. The growing demands for a cleaner environment mean that companies' design strategies need to include environmental factors.

Consistent with the theme of design quality and prevention, improvement needs to emphasize interventions “upstream” — at early 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 View of the Future**

Pursuit of market leadership requires a strong future orientation and a willingness to make long-term commitments to all stakeholders — customers, employees, suppliers, stockholders, the public, and the community. Planning needs to anticipate many types of changes including those that may affect customers' expectations of products and services, technological developments, changing customer segments, evolving regulatory requirements, community/societal expectations, and thrusts by competitors. Plans, strategies, and resource allocations need to reflect these commitments and changes. A major part of the long-term commitment is developing employees and suppliers and fulfilling public responsibilities.

### **Management by Fact**

Modern business management systems depend upon measurement, data, information, and analysis. Measurements must derive from the company's strategy and encompass all key processes and the outputs and results

of those processes. Facts and data needed for performance improvement and assessment are of many types, including: customer, product and service performance, operations, market, competitive comparisons, supplier, employee-related, and cost and financial. Analysis refers to extracting larger meaning from data to support evaluation and decision making at all levels within the company. Such analysis may entail using data 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 performance with competitors' or with "best practices" benchmarks.

A major consideration in the use of data and analysis to improve performance involves the creation and use of performance measures or indicators. Performance measures or indicators are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. *The measures or indicators should be selected to best represent the factors that lead to improved customer, operational, and financial performance. A system of measures or indicators tied to customer and/or company performance requirements represents a clear basis for aligning all activities with the company's goals.* Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed. For example, measures selected to track product and service quality may be judged by how well improvement in these measures correlates with improvement in customer satisfaction and customer retention.

### **Partnership Development**

Companies should seek to build internal and external partnerships to better accomplish their overall goals.

Internal partnerships might include those that promote labor-management cooperation, such as agreements with unions. Agreements might entail employee development, cross-training, or new work organizations, such as high performance work teams. Internal partnerships might also involve creating network relationships among company units to improve flexibility and responsiveness.

External partnerships might be with customers, suppliers, and education organizations for a variety of purposes, including education and training. An increasingly important kind of external partnership is the strategic partnership or alliance. Such partnerships might offer a company entry into new markets or a basis for new products or services. A partnership might also permit the blending of a company's core competencies or leadership capabilities with complementary strengths and capabilities of partners, thereby enhancing overall capability, including speed and flexibility. Internal and external partnerships should seek to develop longer-term objectives, thereby creating a

basis for mutual investments. Partners should address the key requirements for success of the partnership, means of regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective means to help ensure success.

### **Corporate Responsibility and Citizenship**

A company's management should stress corporate responsibility and encourage corporate citizenship. Corporate responsibility refers to basic expectations of the company — business ethics and protection of public health, safety, and the environment. Health, safety, and environmental considerations include the company's operations as well as the life cycles of products and services. Companies need to address factors such as resource conservation and waste reduction at their source. Planning related to public health, safety, and the environment should anticipate adverse impacts that may arise in facilities management, production, distribution, transportation, use and disposal of products. Plans should seek to prevent problems, to provide a forthright company response if problems occur, and to make available information needed to maintain public awareness, safety, and confidence. Inclusion of public responsibility areas within a performance system means meeting all local, state, and federal laws and regulatory requirements. It also means treating these and related requirements as areas for continuous improvement "beyond mere compliance." This requires that appropriate measures be created and used in managing performance.

Corporate citizenship refers to leadership and support — within limits of a company's resources — of publicly important purposes, including areas of corporate responsibility. Such purposes might include education improvement, improving health care value, environmental excellence, resource conservation, community services, improving industry and business practices, and sharing of nonproprietary quality-related information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, individual companies could lead efforts to help define the obligations of their industry to its communities.

### **Results Orientation**

A company's performance system needs to focus on results. Results should be guided by and balanced by the interests of all stakeholders — customers, employees, stockholders, suppliers and partners, the public, and the community. To meet the sometimes conflicting and changing aims that balance implies, company strategy needs to explicitly address all stakeholder requirements to ensure that actions and plans meet the differing needs and avoid adverse impact on any stakeholders. The use of a balanced composite of performance measures offers an effective means to communicate requirements, to monitor actual performance, and to marshal support for improving results.



## Award 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 Planning
- 4.0 Human Resource Development and Management
- 5.0 Process Management
- 6.0 Business Results
- 7.0 Customer Focus and Satisfaction

The framework connecting and integrating the Categories is given in the figure below.

The framework has three basic elements:

### Driver

Senior executive leadership sets directions, creates values, goals, expectations, and systems, and pursues customer and business performance excellence.

### System

The system comprises the set of well-defined and well-designed processes for meeting the company's customer and overall performance requirements.

### Goal

The basic aims of leadership and the purposes of the system are two-fold:

#### Customer and Marketplace Performance

Customer and marketplace performance means delivery of ever-improving value to customers, high levels of customer satisfaction, and a strong competitive position.

#### Business Performance

Business performance is reflected in a wide variety of financial and non-financial results, including human resource development and corporate responsibility.

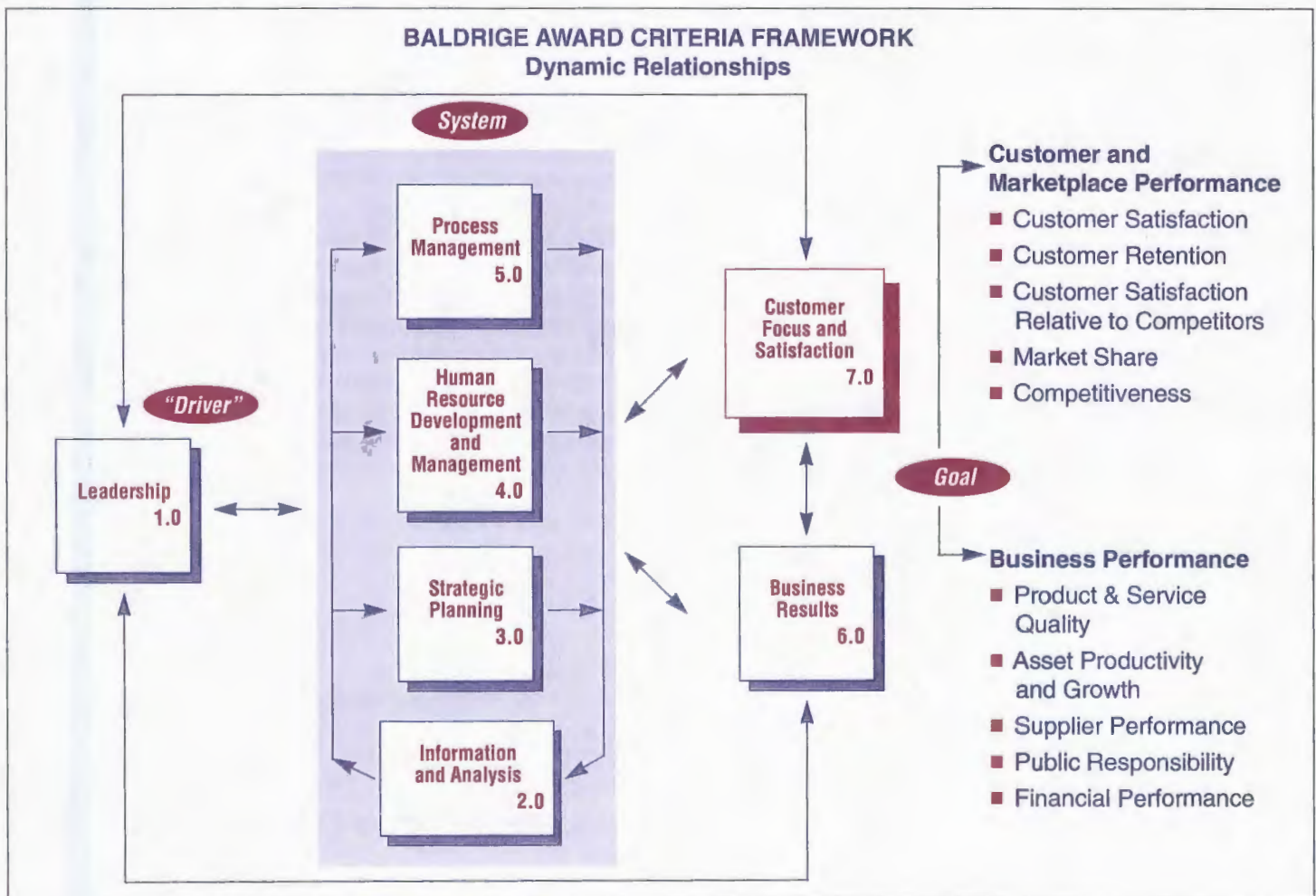
The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address:

### Items

There are 24 Items, each focusing on a major requirement. Item titles and point values are given on page 3. The Item format is shown on page 27.

### Areas to Address

Items consist of one or more Areas to Address (Areas). Information is submitted by applicants in response to specific requirements of these Areas.



# 1996 AWARD CRITERIA: ITEM DESCRIPTIONS

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## Leadership

Leadership (Category 1.0) is the focal point within the Criteria for the company's leadership system, values, and performance expectations. The performance expectations include those that address the needs of all stakeholders. The Category begins with the key roles of senior executives — those that cannot be delegated to others.

### 1.1 Senior Executive Leadership

This Item addresses how the company's senior executives set directions and build and maintain a leadership system conducive to high performance, individual development, initiative, and organizational learning. Executive leadership needs to take into account all stakeholders — customers, employees, suppliers, partners, stockholders, the public, and the community.

Area 1.1a calls for information on the major aspects of leadership — creating values and expectations, setting directions, developing and maintaining an effective leadership system, and building company capabilities. Setting directions includes creating future opportunities for the company and its stakeholders.

This Area includes executives' review of company performance, capabilities, and organization. This aspect of leadership is crucial, because of the fast pace of competition. A major aim is to create organizations that are flexible and responsive — changing easily to adapt to new needs and opportunities. Through their roles in strategy development and review of company performance, the senior executives develop leadership and adapt organizations to changing opportunities and requirements.

Area 1.1b calls for information on how senior executives evaluate and improve the effectiveness of the company's leadership system, including their own leadership skills. Such an evaluation is intended to assess the development of leadership throughout the company in order to direct the attention of senior executives to key needs.

### 1.2 Leadership System and Organization

This Item addresses how the company's leadership system creates an effective organization and management system — focused on overall performance.

Area 1.2a calls for information on how the company's organization, management, and work processes support its customer and performance objectives. This information should include the roles and responsibilities of managers and supervisors. Designs of organizations and management of operations need to eliminate functional and management barriers that could lead to losing sight of customers and cause decision paths to be ineffective

and slow. The Area also calls for information on how the company's values, expectations, and directions are "made real" throughout the company via distributed leadership and effective communications.

Although senior executives' communications are a critical part of overall effective communications, making values, expectations, and directions real demands constant reinforcement and "truth testing", as employees observe whether or not stated values and expectations are actually the basis for the company's key decisions and actions. Communications need to include performance measures and objectives which help provide focus as well as alignment of company units.

Area 1.2b calls for information on how company and work unit performance are reviewed. Reviews are a primary means to communicate and reinforce what is really important, how performance is measured, and how well business objectives are being met. Important considerations in reviews are the content and organization of information to stimulate and make possible concerted action and learning. This means that reviews should include non-financial and financial information. Together, these types of information present a clear picture of status and trends relative to the company's key business drivers, the needs of all stakeholders, progress relative to competitors, and productivity of asset use. These are primary input data for setting improvement priorities.

The value of reviews depends heavily upon creating an integrated information system — one that is complete and is organized for understanding and action. Since a major purpose of reviews is to identify improvements and resource-use priorities, the information for reviews needs to connect financial and operational data. Traditional cost accounting methods usually do not provide an adequate basis for targeting operational improvements that will lead to the most significant financial gains. Alternative accounting approaches such as activity-based costing might offer the best means to understand processes and activities in terms of true financial costs and benefits.

Although labor productivity growth is often a key measure of organizational effectiveness, productivity of use of all resources provides a more complete picture of overall performance. Thus, an integrated information system should include measures of total-factor productivity. Such measures take into account all factors in production: manpower, materials, capital, and assets. Approaches based upon economic indicators also provide useful information as they help determine whether or not performance improvements are contributing to wealth creation.



The many important connections among operational, customer-related, financial, and economic performance are addressed in Item 2.3.

### **1.3 Public Responsibility and Corporate Citizenship**

This Item addresses how the company integrates its values and expectations regarding its public responsibilities and corporate citizenship into its business planning and performance improvement practices.

Area 1.3a calls for information on three basic aspects of public responsibility: (1) making risk factors and legal requirements an integral part of performance improvement; (2) sensitivity in planning facilities, products, services, and operations to issues of societal concern whether or not these issues are currently embodied in law; and (3) emphasizing legal and ethical conduct in the company's values and performance improvement processes.

Fulfilling public responsibilities means not only meeting all local, state, and federal laws and regulatory requirements, but also treating these and related requirements as areas for improvement "beyond mere compliance". This means that the company should maintain constant awareness of potential public impacts related to its products, services, facilities, and operations.

Area 1.3b calls for information on how the company leads as a corporate citizen in its key communities. The issues in this Area relate to the company as a member of different types of communities and as a positive influence upon other organizations. Opportunities for leadership and involvement include assistance by the company to strengthen community services, education, health care, the environment, and practices of trade and business associations. This includes community service by employees, encouraged, supported, and recognized by the company. For example, companies and their employees could help to influence the adoption of higher standards in education by communicating employability requirements to schools and to other education organizations. Companies could also assist schools and students to adopt new learning and communications technologies and systems such as computers and modern communications networks.

### **Information and Analysis**

Information and Analysis (Category 2.0) is the focal point within the Criteria for all key information to drive the improvement of overall performance and company competitiveness. In simplest terms, Category 2.0 is the "brain center" for the alignment of a company's information system with its strategic directions. The Category addresses the information and analysis requirements for performance improvement based upon the improvement of key processes.

However, as information, information technology, and analysis might themselves be primary sources of competitive advantage and productivity growth, the Category also addresses these possibilities.

### **2.1 Management of Information and Data**

This Item addresses the company's selection and management of information and data to support overall business goals with primary emphasis on supporting process management and performance improvement.

Area 2.1a calls for a description of how information and data needed to drive improvement of overall company performance are selected and managed. The Area has three parts. The first part addresses selection and emphasizes key business drivers and business strategy — important areas of performance and competitive advantage. The second part addresses the design of the company's measurement system and how it ensures the alignment of company operations with business priorities. The third part addresses management of data and information, and emphasizes user needs — rapid access and update, and reliability.

Area 2.1b calls for information on how the company evaluates and improves its selection, analysis, and management of information and data. The Area emphasizes alignment with business priorities, support of process management, and feedback from information and data users. The evaluation might take into account factors such as paths of data use, extent and effectiveness of use, gaps, sharing, and organization of information and data. It might also include assessment of the adequacy of the technologies used to meet marketplace or internal requirements.

Overall, Item 2.1 represents a key foundation for a performance-oriented company. This foundation should include non-financial and financial information and data.

Although the main focus of Item 2.1 is on information and data for the effective management of performance, information, data, and information technology often have major strategic significance as well. For example, information technology could be used to build and disseminate unique knowledge about customers and markets and create the ability to "customize" products and services and operate more quickly and more successfully in key markets. Also, information technology and the information and data made available through such technology could be of special advantage in business networks or alliances. Responses to Areas 2.1a and 2.1b should take into account such strategic use of information and data. Accordingly, "users" should then be interpreted as business partners as well as company units.

## 2.2 Competitive Comparisons and Benchmarking

This Item addresses external drivers of improvement — data and information related to competitive position and to best practices. Such data may have both operational and strategic value.

Area 2.2a calls for information on how competitive comparisons and benchmarking information are selected and used to help drive improvement of overall company performance. The Area addresses four key aspects of effective selection and use of competitive comparisons and benchmarking information and data: (1) determination of needs and priorities; (2) criteria for seeking appropriate information — from within and outside the company's industry and markets; (3) use of information and data to improve understanding of processes and process performance; and (4) use of information and data to promote major improvements in areas most critical to the company's competitive strategy.

Area 2.2b calls for information on how the company evaluates and improves its processes for selecting and using competitive and benchmark information to improve planning and to drive improvement of performance and competitive position.

The major premises underlying this Item are: (1) companies facing tough competition need to “know where they stand” relative to competitors and to best practice performance for similar activities; (2) comparative and benchmarking information often provide impetus for significant (“breakthrough”) improvement and alert companies to competitive threats and new practices; and (3) companies need to understand their own processes and the processes of others, before they compare performance levels.

Benchmarking information may also support business analysis and decisions relating to core competencies, alliances, and outsourcing.

## 2.3 Analysis and Use of Company-Level Data

This Item addresses company-level analysis — the principal basis for guiding a company's process management toward business results. Despite the importance of individual facts and data, they do not usually provide a sound basis for actions or priorities. Action depends upon understanding cause/effect connections among processes and between processes and business results. Process actions may have many resource implications; results may have many cost and revenue implications as well. Given that resources for improvement are limited, and cause/effect connections are often unclear, there is a critical need to provide a sound analytical basis for decisions.

In the Criteria, this role is served by analyses of many types. Item 2.3 is the central analysis point in an integrated data and analysis system. This system is built around financial and non-financial data.

Area 2.3a calls for information on how data and information from all parts of the company are aggregated and analyzed to support reviews, business decisions, and planning. The focus is on three key areas of performance: customers and markets, operational performance, and competitive performance. The analyses in this Area depend upon non-financial and financial data, connected to provide a basis for action.

Area 2.3b calls for analysis linking customer and market data, improvements in product and service quality, and improvements in operational performance to improvement in financial and/or market indicators. The purpose of this linkage is to guide the selection of improvement actions toward significant gains, revenue growth, reduced operating costs, and effective use of all assets. Analysis should utilize indicators of financial and economic performance that permit meaningful comparisons over time and with competitors and other organizations. One such indicator is working capital productivity.

## Strategic Planning

Strategic Planning (Category 3.0) addresses strategic and business planning and deployment of plans, with a strong focus on effective translation and deployment of customer and operational performance requirements. The Category stresses that customer-driven quality and operational performance excellence are key strategic business issues that need to be an integral part of company planning. Specifically:

- customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, and market share — key factors in competitiveness and business success;
- operational performance improvement contributes to short-term and longer-term productivity growth and cost/price competitiveness. The focus on building operational capability — including speed, responsiveness, and flexibility — represents an investment in strengthening competitive fitness.

The Criteria also emphasize that continuous improvement must be an integral part of the daily activity of all work units. The special role of Category 3.0 is to provide an effective focus for daily work, aligning it with the company's strategic directions.



In particular, strategic planning is needed to:

- understand the key customer and operational requirements as input to setting strategic directions. This will help ensure that ongoing process improvements will be aligned with the company's strategic directions.
- optimize the use of resources and ensure bridging between short-term and longer-term requirements that may entail capital expenditures, training, etc.
- ensure that deployment will be effective — that there are mechanisms to transmit requirements and achieve alignment on three basic levels: (1) company/executive level; (2) the key process level; and (3) the work-unit/individual-job level.

The Category requirements are intended to emphasize strategic thinking and acting and do not imply formalized plans, planning systems, departments, or specific planning cycles. Nor does the Strategic Planning Category imply that all improvements could or should be planned in advance. Rather, the Category recognizes that an effective improvement system combines improvements of many types and extents and requires clear strategic guidance, particularly when improvement alternatives compete for scarce resources. In most cases, priority setting depends heavily upon an economic rationale. However, there might also be critical requirements such as public responsibilities which are not driven by financial considerations.

### *3.1 Strategy Development*

This Item addresses how the company develops its view of the future, sets strategic directions, and translates these directions into actionable key business drivers, including customer satisfaction and market leadership requirements. The focus of the Item is on competitive leadership. Such leadership usually depends upon revenue growth as well as on operational effectiveness. Although no specific time horizon is included in the Item, the thrust of the Item is sustained competitive leadership.

Area 3.1a calls for information on the key influences, challenges, and requirements that might affect the company's future opportunities and directions — taking as long a view as possible. The main purpose of the Area is to develop a thorough and realistic context for the development of customer- and market-focused strategy to guide ongoing decision making, resource allocation, and companywide management.

Area 3.1b calls for information on how strategy and plans are translated into actionable key business drivers, that serve as the basis for operationalizing and deploying plan

requirements, addressed in Item 3.2. This translation might include a determination of activities the company should perform itself and those for which it might utilize partners or seek partners.

Area 3.1c calls for information on how the company evaluates and improves its strategic planning and plan deployment processes. This might involve input from work units regarding key deployment factors — effective translation and communications of strategy and plans, adequacy of resources, and key new needs. Of particular importance is the evaluation of how well key measures throughout the company are aligned.

Item 3.1 plays a central directional role in the Criteria. It seeks to focus company leadership on developing a competitive strategy and on creating a clear basis (key business drivers) for communicating and operationalizing this strategy. This requires the creation of a view of the future that takes into account not only the markets or segments to compete in but also how to compete. "How to compete" presents many options and requires good understanding of the company's and competitors' strengths and weaknesses. Operationalizing the strategy in the form of key business drivers is intended to highlight the importance of clear and measurable performance objectives. These objectives serve to guide the design and management of key processes. The objectives may also serve to align communications and compensation and recognition systems with performance objectives.

### *3.2 Strategy Deployment*

This Item addresses how the company's key business drivers are deployed. The Item also calls for a projection of the company's performance. The main intent of the Item is to focus on effective operationalizing of the company's directions via key business drivers, incorporating measures that permit the tracking of progress and performance.

Area 3.2a calls for information on the company's key business drivers and how these drivers are translated into an action plan. This includes spelling out key performance requirements, alignment of work unit, supplier, and/or partner plans, how productivity, cycle time, and waste reduction are addressed, and the principal resources committed to the accomplishment of plans. Of central importance in this Area is how alignment and consistency are achieved — for example, via key processes and key measurements. The alignment and consistency are intended also to provide a basis for priorities for ongoing improvement activities — part of the daily work of all work units.

Area 3.2b calls for a two-to-five year projection of key measures and/or indicators of the company's performance. It also calls for comparing projected performance versus competitors and key benchmarks. This projection/ comparison is intended to encourage companies to improve their understanding of and tracking of dynamic, competitive performance factors. Through this tracking process, companies should be better prepared to take into account their rates of improvement relative to competitors as a diagnostic management tool.

## Human Resource Development and Management

Human Resource Development and Management (Category 4.0) is the focal point within the Criteria for all key human resource practices — those directed toward the creation of a high performance workplace. The Category addresses human resource development and management requirements in an integrated way. This integration is concerned with how well the human resource practices derive from and are aligned with the company's strategic directions. The Category also includes key factors for the assessment of employee well-being and satisfaction so that it can be used as a diagnostic tool.

### 4.1 Human Resource Planning and Evaluation

This Item is the point of direct linkage between human resource planning and the company's strategic directions. The Item addresses how the company aligns its overall human resource planning and practices with its business directions so that high performance workplace practices become part of a coordinated organizational strategy.

Area 4.1a calls for information on key human resource plans derived from company strategic and business planning. The Area calls for the primary thrusts, broadly defined, of the company's human resource plans — the ones needed to support the company's overall strategic directions. The Area calls for a summary of work design, employee development, recruitment, compensation, and other factors. This is intended to provide a multiyear context and guide for overall human resource planning, management, and evaluation.

Area 4.1b calls for information on how the company evaluates and improves its overall human resource planning and management. This Area is the "brain center" for human resource processes and results, as it relies upon employee-related and company performance data and information, and ties the overall evaluation to company strategy and business results. However, the evaluation also must go beyond broad strategy to the essential

details of human resource effectiveness. The evaluation needs to provide the company's senior executives with information on strengths and weaknesses in human resource practices and development that might bear upon the company's abilities to achieve its short-term and longer-term business objectives. For example, the evaluation should take into account the development and progression of all categories and types of employees, including new employees. The evaluation should also monitor the extent of deployment of education and training throughout the company, and how well education and training support company performance improvement. The overall evaluation needs to rely heavily upon the well-being and satisfaction factors addressed in Item 4.4 and the human resource results presented in Item 6.3.

The linkage between human resource practices and business results is a particularly important and challenging part of the overall evaluation. It is especially important that companies seek to understand the factors in the work climate that contribute to or inhibit high performance. Just as it is important to prioritize customer problems, it is also important to prioritize employee problems based on impacts on revenues and costs. This might require connecting employee satisfaction data and customer satisfaction data.

### 4.2 High Performance Work Systems

This Item addresses how the company's job design, compensation, and recognition approaches enable and encourage all employees to contribute effectively, operating within high performance work units. The Item emphasizes that achieving high performance requires effective work and job design and meaningful reinforcement.

Area 4.2a calls for information on job design and work organizations. The basic aims of such design and organizations should be to enable employees to exercise more discretion and decision making, leading to greater flexibility and more rapid response to the changing requirements of the marketplace. Effective job design and flexible work organizations are necessary but may not be sufficient to ensure high performance. Job and organization design needs to be backed by information systems, education, and appropriate training to ensure that information flow supports the job and work designs. Also important is effective communication across functions and work units to ensure focus on customer requirements.

Area 4.2b addresses the important alignment of incentives with work systems. The basic thrust of this Area is the consistency between the company's compensation and recognition system and its work structures and processes.



The Area calls for information on employee compensation and recognition — how these reinforce high performance job design, work organizations, and teamwork. To be effective, compensation and recognition might need to be based, wholly or in part, upon demonstrated skills and/or evaluation by peers in teams and networks.

#### **4.3 Employee Education, Training, and Development**

This Item addresses how the company develops the work force via education, training, and on-the-job reinforcement of knowledge and skills. Development is intended to meet the needs of a high performance workplace on an ongoing basis. This means that education and training need to be ongoing as well.

Area 4.3a calls for information on how the company's education and training serve as a key vehicle in building company capabilities and employee capabilities. The Area focuses on these two capabilities, treating them as investments the company makes in its long-term future and the long-term future of employees.

Area 4.3b calls for information on how education and training are designed, delivered, reinforced, and evaluated, with special emphasis upon on-the-job application of knowledge and skills. The Area emphasizes the importance of the involvement of employees and line managers in design of training, including clear identification of specific needs. This involves job analysis — understanding the types and levels of the skills required and the timeliness of training. The Area also emphasizes evaluation of education and training. Such evaluation could take into account line managers' evaluation, employee self-evaluation, and peer evaluation of value received through education and training relative to needs identified in design. Evaluation could also address factors such as the effectiveness of education and training delivery, impact on work unit performance, costs of delivery alternatives, and benefit/cost ratios.

#### **4.4 Employee Well-Being and Satisfaction**

This Item addresses the work environment, the work motivational climate, and how they are tailored to foster the well-being, satisfaction, and development of all employees.

Area 4.4a calls for information regarding a safe and healthful work environment to determine how the company includes such factors in its planning and improvement activities. Important factors in this area include establishing appropriate measures and recognizing that employee groups might experience very different environments.

Area 4.4b calls for information on the company's approach to enhance employee well-being, satisfaction, and growth potential based upon a holistic view of employees as key

stakeholders. The Area emphasizes that the company needs to consider a variety of mechanisms to build well-being and satisfaction. Increasingly, these mechanisms relate to development, progression, employability, and external activities. This might include family or community service activities.

Area 4.4c calls for information on how the company determines employee satisfaction, well-being, and motivation. The Area recognizes that many factors might affect employee motivation. Although satisfaction with pay and promotion potential is important, these factors might not be adequate to assess the overall climate for motivation and high performance. For this reason, the company might need to consider a variety of factors in the work environment to determine the key factors in motivation. Factors inhibiting motivation need to be prioritized and addressed. Further understanding of these factors could be developed through exit interviews with departing employees. The Area also addresses how the information and data on the satisfaction, well-being, and motivation of employees are actually used in improvement activities. Such activities might draw upon human resource results presented in Item 6.3.

### **Process Management**

Process Management (Category 5.0) is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management — effective design, a prevention orientation, evaluation and continuous improvement, linkage to suppliers, and overall high performance.

An increasingly important concept in all aspects of process management and organizational design is flexibility. In simplest terms, flexibility refers to the ability to adapt quickly and effectively to changing requirements. Depending on the nature of the business' strategy and markets, flexibility might mean rapid changeover from one product to another, rapid response to changing demand, or the ability to produce a wide range of products. Flexibility might demand special strategies such as modular designs, sharing of components, and specialized training.

#### **5.1 Design and Introduction of Products and Services**

This Item examines how the company designs and introduces products and services. A major focus of the Item is the rapid and effective integration of production and delivery, early in the design phase. This integration is intended to capitalize on windows of opportunity in markets and to minimize downstream problems for customers and/or eliminate the need for design changes that might be costly to the company.

Area 5.1a calls for information on the design of products, services, and their production/delivery processes. Three aspects of this design are examined: (1) the translation of customer requirements into the design requirements for products and services; (2) how the product and service design requirements are translated into efficient and effective production/delivery processes; and (3) how all requirements associated with products, services, and production/delivery processes are addressed early in the design process by all appropriate company units to ensure integration and coordination. Many businesses also need to consider requirements for suppliers and/or business partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain.

It should be noted that although the main focus of Area 5.1a is on the design of products, services, and processes to meet customer requirements, effective design must also consider cycle time and productivity of production and delivery processes. This might entail detailed mapping of manufacturing or service processes and redesigning (reengineering) them to achieve efficiency as well as to meet customer requirements.

Area 5.1b calls for information on how product, service, and production/delivery process designs are reviewed and/or tested in detail prior to full-scale launch. Such review and/or testing is intended to ensure that all parts of the production/delivery system are capable of performing according to design. This stage could be a crucial one — with a positive or negative customer reaction and potentially high cost to the company if pre-launch changes are significant.

Area 5.1c calls for information on how designs and design processes are evaluated and improved to progressively improve quality, productivity, and cycle time. This Area is intended to determine how companies extract lessons learned to build capabilities for future designs. Such evaluation might take into account delays and problems experienced during design, feedback from those involved, and post-launch problems that might have been averted through better design. The evaluation and improvement should strive for a continuous flow of work in the key design and delivery processes.

If many design projects are carried out in parallel, or if the company's products utilize parts, equipment, and facilities used for other products, coordination of resources might be a major concern and might offer means to significantly reduce unit costs and time to market.

## **5.2 Process Management: Product and Service Production and Delivery**

This Item addresses two different but related concerns — how the company maintains and how it improves key production and delivery processes.

Area 5.2a calls for information on the maintenance of process performance to ensure that processes perform according to their design. The information required includes a description of the key processes and their specific requirements, and how performance relative to these requirements is known and maintained. Specific reference is made to a measurement plan. Such a plan requires the identification of critical points in processes for measurement or observation. Implied in this plan is that measurements or observations be made at the earliest points in processes to minimize problems that may result from variations from expected (design) performance. When measurements or observations reveal such variations, a remedy — usually called corrective action — is required to restore the performance of the process to its design performance. Depending on the nature of the process, the correction could involve technical, human, or both factors. Proper correction involves correcting at the source (root cause) of the variation. In some cases, customers may directly witness or take part in the process, and contribute to or be a determinant of process performance. In such cases, variations among customers must be taken into account in evaluating how well the process is performing. This might entail specific or general contingencies depending on customer response. This is especially true of professional and personal services.

Area 5.2b calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from the customers' perspective but also better operational performance — such as productivity — from the company's perspective. Area 5.2b anticipates that companies use a variety of process improvement approaches. Area 5.2b calls for information on how the company uses or considers four key approaches. These are: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) information from customers of the processes — within and outside the company. Together, these approaches offer the widest range of possibilities, including complete redesign ("reengineering") of processes.

## **5.3 Process Management: Support Services**

This Item addresses how the company designs, maintains, and improves its support service processes.

Area 5.3a calls for information on the design of key support service processes. Such design needs to be based upon the requirements of the company's customers and of other units ("internal customers") within the company — those within the company who use the output of the process. The requirements of effective design are as outlined in Item 5.1 — coordinated and integrated to ensure efficient and effective performance.



Area 5.3b calls for information on how the company maintains the performance of the key support service processes. This information includes a description of the key processes and their principal requirements and a description of the measurement plan and how it is used. The requirements of Area 5.3b are similar to those described above in Area 5.2a.

Area 5.3c calls for information on how the company evaluates and improves the performance of the key support service processes. The Area calls for information on how the company uses or considers four key approaches. These are: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) information from customers of the processes — within and outside the company. Together, these approaches offer the widest range of possibilities, including complete redesign (“reengineering”) of processes.

#### **5.4 Management of Supplier Performance**

This Item addresses how the company manages performance of external providers of goods and services. Such management might be built around longer-term partnering relationships, particularly with key suppliers.

Area 5.4a calls for basic information on the company’s principal requirements for its key suppliers, expected performance and measures used to assess performance, how the company determines whether or not its requirements are being met, and how performance information is fed back to suppliers.

Area 5.4b calls for information on how the company evaluates and improves its supplier management. This includes three main elements: improving supplier abilities to meet requirements; improving its own supplier management processes; and reducing costs associated with the verification of supplier performance.

For many companies, suppliers are an increasingly important part of achieving not only high performance and lower-cost objectives, but also strategic objectives. For example, key suppliers might provide unique design, integration, and marketing capabilities. Exploiting these advantages requires joint planning and partner relationships. Such planning and relationship building might entail the use of longer-term planning horizons and customer-supplier teams. Successful exploitation might also entail special information linkages and rapid data exchanges.

### **Business Results**

Business Results (Category 6.0) provides a results focus for all processes and process improvement activities.

Through this focus, the Criteria’s dual purpose — superior value of offerings as viewed by customers and the marketplace, and superior company performance reflected in operational and financial indicators — is maintained. Category 6.0 thus provides “real-time” information (measures of progress) for evaluation and improvement of processes, aligned with overall business strategy. Analysis of business results data and information is called for in Item 2.3. Review of business results is addressed in Item 1.2.

#### **6.1 Product and Service Quality Results**

This Item addresses current levels and trends in product and service quality using key measures and/or indicators of such quality. The measures and/or indicators selected should relate to requirements that matter to the customer and to the marketplace. These features are derived from customer-related Items (“listening posts”) which make up Category 7.0. If the features have been properly selected, improvements in them should show a clear positive correlation with customer and marketplace improvement indicators — captured in Item 7.4. The correlation between quality and customer indicators is a critical management tool — a device for defining and focusing on key quality requirements. In addition, the correlation might reveal emerging or changing market segments, changing importance of requirements, or even potential obsolescence of products and/or services.

Area 6.1a calls for data on current levels and trends in product and service quality. The levels and trends might reflect changes in existing products and services or include new offerings. The Area also calls for comparative information so that the results reported can be evaluated against competitors or other relevant external measures of performance.

#### **6.2 Company Operational and Financial Results**

This Item addresses the operational and financial performance of the company. Paralleling Item 6.1, that focuses on requirements that matter to the customer, Item 6.2 focuses on factors that best reflect company operational and financial performance. Such factors are of two types: (1) generic — common to all companies; and (2) business-specific. Generic factors include financial and economic indicators, cycle time, and productivity, as reflected in use of labor, materials, energy, capital, and assets. Productivity, cycle time, or other operational indicators should reflect **aggregate company performance**. Business- or company-specific effectiveness indicators vary greatly. Examples include rates of invention, environmental quality, export levels, new markets, percent of sales from recently introduced products or services, and shifts toward new segments.

Area 6.2a calls for data on current levels and trends in company operational and financial performance. The Area also calls for comparative information so that results reported can be meaningfully evaluated against competitors or other relevant external measures of performance.

### **6.3 Human Resource Results**

This Item addresses the company's human resource results — those relating to employee development, effectiveness, well-being, and satisfaction.

Results reported could include generic and business- or company-specific factors. Generic factors include safety, absenteeism, turnover, and satisfaction. Business- or company-specific factors include those commonly used in the industry or created by the company for purposes of tracking progress. Results reported might include input data, such as extent of training, but the main emphasis should be placed on measures of effectiveness.

Area 6.3a calls for data on current levels and trends in key human resource areas — development, well-being, satisfaction, self-directed responsibility, and effectiveness. The Area also calls for comparative information so that results can be meaningfully evaluated against competitors or other relevant external measures of performance.

### **6.4 Supplier Performance Results**

This Item addresses current levels and trends in key measures and/or indicators of supplier performance. Suppliers are external providers of materials and services, “upstream” and/or “downstream” from the company. The focus should be on the most critical requirements from the point of view of the company — the buyer of the products and services. Data reported should reflect results by whatever means they occur — via improvements by suppliers within the supply base, through selection of better performing suppliers, or both.

Area 6.4a calls for data on current levels and trends in supplier performance. Measures and indicators of performance should relate to all key requirements — quality, delivery, and price. The Area also calls for comparative information so that results reported can be meaningfully evaluated against competitors or other relevant external measures of performance.

## **Customer Focus and Satisfaction**

Customer Focus and Satisfaction (Category 7.0) is the focal point within the Criteria for understanding in detail the voices of customers and of the marketplace. The Category emphasizes relationship management as a key requirement and calls for a variety of listening and learning strategies as well. However, much of the information needed for understanding the voices of customers and of the marketplace must come from measuring results and

tracking trends. Such results and trends provide hard information not only on customers' views but also on their marketplace behaviors. The results and trends offer a means to determine whether or not priorities for improvement activities are appropriately directed.

### **7.1 Customer and Market Knowledge**

This Item addresses how the company determines current and emerging customer requirements and expectations. The thrust of the Item is that in a rapidly changing competitive environment many factors may affect customer preference and customer loyalty, making it necessary to listen and learn on a continuous basis.

Area 7.1a calls for information on the company's process for determining current and near-term requirements and expectations of customers. The information sought includes the completeness of the customer pool, including recognition of segments and customers of competitors. Other information sought relates to sensitivity to specific product and service requirements and their relative importance to customer groups. The Area is concerned with overall validity of determination methods. The validity should be supported by use of other data and information such as complaints and gains and losses of customers.

Area 7.1b calls for information on how the company addresses future requirements and expectations of customers — its key listening and learning strategies. Such strategies depend a great deal upon the nature of the company's products and services, the competitive environment, and relationships with customers. The listening and learning strategy selected should provide timely and useful information for decision making. The strategy should take into account the company's competitive strategy. For example, if the company customizes its products and services, the listening and learning strategy needs to be backed by a capable information system — one that rapidly accumulates information about customers and makes this information available where needed throughout the company or the overall value chain.

Research-intensive, product-driven companies might rely upon field trials of prototypes with special customers as a key learning strategy.

Area 7.1c calls for information on how the company evaluates and improves its processes for determining customer requirements and expectations. Such evaluation/improvement could entail a variety of approaches — formal and informal — that seek to stay in close touch with customers and with issues that bear upon customer loyalty and customer preference. The purpose of the evaluation called for in Area 7.1c is to find reliable and cost-effective means to understand customer requirements and expectations on a continuous basis.



## 7.2 Customer Relationship Management

Item 7.2 addresses how the company provides effective management of its responses and follow-ups with customers. Relationship management provides a potentially important means for companies to gain understanding about, and to manage, customer expectations. Also, frontline employees may provide vital information relating to building partnerships and other longer-term relationships with customers.

Area 7.2a calls for information on how the company provides easy access for customers specifically for purposes of seeking information or assistance and/or to comment and complain. This Area also calls for information on service standards and their use.

Area 7.2b focuses on the complaint management process. The principal issue addressed is prompt and effective resolution of complaints, including recovery of customer confidence. However, the Area also addresses how the company learns from complaints and ensures that production/delivery process employees receive information needed to eliminate the causes of complaints. Elimination of the causes of complaints involves aggregation of complaint information from all sources for evaluation and use throughout the company.

Area 7.2c calls for information on how the company follows up with customers regarding products, services, and recent transactions to determine satisfaction, to resolve problems, to build relationships, and to gather information for improvement or for new products and services.

Area 7.2d calls for information on how the company evaluates and improves its overall customer relationship management. Such improvements may be of several types. Examples include improving service standards, such as complaint resolution time and resolution effectiveness, and improving the use of customer feedback to improve production/delivery processes, training, and hiring. The Area also addresses how knowledge about customers is accumulated, an important aspect of relationship building.

## 7.3 Customer Satisfaction Determination

This Item addresses how the company determines customer satisfaction and satisfaction relative to competitors. Satisfaction relative to competitors and the factors that lead to preference are of critical importance to managing in a competitive environment.

Area 7.3a calls for information on how the company gathers information on customer satisfaction, including any important differences in approaches for different customer groups or segments. The Area highlights the importance of the measurement scale to focus on those factors that best reflect customers' market behaviors — repurchase, new business, and positive referral.

Area 7.3b calls for information on how satisfaction relative to competitors is determined. Such information might be derived from company-based comparative studies or studies made by independent organizations. The purpose of this comparison is to develop information that can be used for improving performance relative to competitors and to better understand the factors that drive markets.

Area 7.3c calls for information on how the company evaluates and improves its processes and measurement scales for determining customer satisfaction and satisfaction relative to competitors. This evaluation/improvement process is expected to draw upon other indicators such as gains and losses of customers and customer dissatisfaction indicators such as complaints. The evaluation should also consider how well customer satisfaction information and data are used throughout the company. Such use is likely to be enhanced if data are presented in an actionable form. To be actionable, survey responses should meet two conditions: (1) responses are tied directly to key business processes, so that what needs to be improved is clear; and (2) responses are translated into cost/revenue implications to support the setting of improvement priorities.

## 7.4 Customer Satisfaction Results

This Item addresses the principal customer-related results — customer satisfaction and customer satisfaction relative to competitors. The Item calls for the use of all relevant data and information to establish the company's performance. Relevant data and information include: customer satisfaction and dissatisfaction; gains and losses of customers and customer accounts; gains and losses in market share; and competitive awards, ratings, and recognition from independent organizations, including customers.

The reason for including measures of both satisfaction and dissatisfaction is that they usually provide different information. That is, the factors in high levels of satisfaction may not be the same factors as those that relate to high levels of dissatisfaction. In addition, the effect of individual instances of dissatisfaction on overall satisfaction could vary widely depending upon the effectiveness of the company's resolution ("recovery") of a problem.

Area 7.4a calls for information on current levels and trends in key measures and/or indicators of customer satisfaction and dissatisfaction.

Area 7.4b calls for information on current levels and trends in key measures and/or indicators of customer satisfaction relative to competitors. The presentation of results might include information on gains and losses of customers and customer accounts relative to competitors. It might also include market share information.

# KEY CHARACTERISTICS OF THE AWARD CRITERIA

## 1. The Criteria are directed toward business results.

The Criteria focus principally on key areas of business performance, given below.

Business results are a composite of:

- (1) customer satisfaction/retention;
- (2) market share, new market development;
- (3) product and service quality;
- (4) financial indicators, productivity, operational effectiveness, and responsiveness;
- (5) human resource performance/development;
- (6) supplier performance/development; and
- (7) public responsibility/corporate citizenship.

Improvements in these results areas contribute to overall company performance, including financial performance. The results areas also recognize the importance of suppliers and of community and national well-being.

The use of a composite of indicators helps to ensure that strategies are balanced — that they do not trade off among important stakeholders or objectives. The composite of indicators also helps to ensure that company strategies bridge short-term and long-term goals.

## 2. The Criteria are nonprescriptive.

The Criteria are a set of interrelated, results-oriented requirements. However, the Criteria imply wide latitude in how requirements are met. Accordingly, the Criteria do not prescribe:

- specific tools, techniques, technologies, systems, measures, or starting points;
- that companies should or should not have departments for quality or planning; or
- how the company itself should be organized.

The Criteria do emphasize that these and other factors be regularly evaluated as part of the company's performance reviews. The factors listed are important and are very likely to change as needs and strategies evolve.

The Criteria are nonprescriptive because:

- (1) The focus is on results, not on procedures, tools, or organizations. Companies are encouraged to develop and *demonstrate* creative, adaptive, and flexible approaches for meeting basic requirements. Nonprescriptive requirements are intended to foster incremental and major ("breakthrough") improvement.
- (2) Selection of tools, techniques, systems, and organizations usually depends upon many factors such as business size, business type, the company's stage of development, and employee capabilities.
- (3) Focus on common requirements within a company, rather than on specific procedures, fosters better understanding, communication, and sharing, while supporting creativity in approaches.

## 3. The Criteria are comprehensive.

The Criteria address all internal and external requirements of the company, including those related to the needs and expectations of all stakeholders. Accordingly, all company work unit processes are tied to these requirements. New strategies may be readily adapted within the same set of Criteria requirements.

## 4. The Criteria include interrelated (process→results) improvement/learning cycles.

There is dynamic linkage among the Criteria requirements. Action-oriented learning takes place via feedback among the process and results elements.

The learning cycles have four, clearly defined stages:

- (1) planning, including design of processes, selection of measures, and deployment of requirements;
- (2) execution of plans;
- (3) assessment of progress, taking into account internal and external results indicators; and
- (4) revision of plans based upon assessment findings.

## 5. The Criteria emphasize alignment.

The Criteria call for improvement/learning cycles in all parts of the company. To ensure that cycles carried out in different parts of the company support one another, overall aims need to be consistent or *aligned*. Alignment in the Criteria is achieved via connecting and reinforcing measures, derived from overall company performance requirements. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions. Their use often avoids the need for detailed procedures or centralization of decision making or process management. Measures thus serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while at the same time supporting speed, innovation, and decentralized decision making.

## 6. The Criteria are part of a diagnostic system.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 24 results-oriented requirements. The Scoring Guidelines spell out the assessment dimensions — Approach, Deployment, and Results — and the key factors used to assess relative to each dimension. An assessment thus provides a profile of strengths and areas for improvement relative to the 24 basic requirements. In this way, the assessment directs attention to actions that contribute to the results composite described above.



The Criteria continue to evolve toward comprehensive coverage of performance, addressing the needs and expectations of all stakeholders — customers, employees, stockholders, suppliers, and the public. The Criteria for 1996 further strengthen and integrate the high performance and competitiveness improvement themes emphasized in 1995. The most significant changes made in the Criteria and in the Criteria booklet are summarized as follows:

- Although the number of Items remains at 24, one Item has been added to the Business Results Category, and two Items from the Customer Focus and Satisfaction Category (Items 7.4 and 7.5 in 1995) have been combined.
- The number of Areas to Address (Areas) has been reduced from 54 to 52.
- A Message to Executives has been added to provide a broad perspective on the meaning of performance in the Award Criteria and on the larger benefits from participating in the Award process.
- A Glossary of Key Terms has been added to better define and to help tie together the major performance themes in the Criteria.
- A separate section, Preparing the Business Overview, has been added to highlight the particular importance of this Overview to writing, reviewing, and evaluating an application. Applicants are encouraged to prepare the Business Overview *first*. This recommendation is made for two reasons: (1) to help ensure that responses to the Criteria Items focus on what is relevant and important to the business; and (2) to bring about better consistency among responses to different Items.
- The Award Criteria Response Guidelines have been revised. The purpose of this revision is to help applicants and other users of the Criteria to prepare responses that make possible better feedback. Particular emphasis is placed on helping applicants provide clearer and more complete information on deployment.
- The Criteria Framework diagram has been revised to better reflect the results goals and the meaning of performance.
- The section on Item Descriptions has been revised and updated.

Applicants and other users of the Award Criteria are cautioned to note that some changes in wording have been made in many Items and Item Notes.

Changes, by Category, are:

## Leadership

- Item 1.2 now has two Areas compared with three in 1995. Areas 1.2a and 1.2b from 1995 were combined, thus better integrating communications with other related organizational requirements. In addition, the company performance review Area (1.2b in 1996 and 1.2c in 1995) is now much more explicit in its requirements. The Area now calls for nonfinancial and financial data related to the needs of all key stakeholders. It also calls for information on the tracking of progress relative to plans, competitive performance, and productivity in the use of assets.

## Information and Analysis

- Item 2.1 (Area 2.1a) now includes a requirement to provide information on the design of the company's performance measurement system. This change is intended to enhance the diagnostic value of the Item and strengthen the feedback to applicants.

## Strategic Planning

- Major planning concepts, most notably, "key business drivers," have been included in a Glossary of Key Terms.

## Human Resource Development and Management

- The meaning of "high performance work," the focus of Item 4.2, has been included in the Glossary of Key Terms.
- An Item has been created in Category 6.0 (Item 6.3) for reporting all human resource results.

## Process Management

- The meaning of "process" has been included in the Glossary of Key Terms.

## Business Results

- A new Item, Human Resource Results (Item 6.3), has been created. This Item is intended to provide a better focus on and a more comprehensive treatment of the human resource results required by the Human Resource Development and Management Category and previously included in the Company Operational and Financial Results (Item 6.2 in 1995).

## Customer Focus and Satisfaction

- Two Items from 1995 (Customer Satisfaction Results and Customer Satisfaction Comparison) have been combined. The new Item (Customer Satisfaction Results) integrates the requirements included in the two 1995 Items.

# ELIGIBILITY CATEGORIES AND RESTRICTIONS

Companies considering applying for the Award in 1996 will also need the booklet entitled *1996 Business Application Forms and Instructions*, which provides greater detail on eligibility requirements and restrictions. Ordering instructions are given on page 47.

## 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

### Manufacturing

Companies or subunits of larger entities that produce and sell manufactured products or manufacturing processes, and producers of agricultural, mining, or construction products.

### Service

Companies or subunits that sell services.

### 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. If there are equity owners with some management control, at least 50% of the small business' customer base must be other than the equity owners.

## Subunits

For purposes of the Award, a subunit means a subsidiary, business unit, division, or like organization. In the Manufacturing and Service categories, subunits of a company might be eligible, but small businesses must apply as a whole. The following application conditions apply for subunits:

- The unit must be in existence for at least one year;
- The unit must have clear definition of organization as reflected in corporate literature, i.e., the unit must function as a business entity;
- The unit must have more than 500 full-time employees, OR The unit must have 25% of all company employees; and
- The entire unit must be included in the application.

## Restrictions on Eligibility

Four restrictions apply:

1. More than 50% of the applicant unit's employees must be located in the U.S. or its territories, OR more than 50% of the applicant unit's physical assets must be located in the U.S. or its territories;
2. At least 50% of a subunit's customer base must be free of direct financial and line organization control by the parent company;
3. Individual units or partial aggregations of units of "chain" organizations (a chain organization is an organization where each unit [e.g., subsidiary or franchise] performs a similar function or manufactures a similar product) are not eligible; and
4. Company units performing any of the business support functions of the company are not eligible.

## Multiple-Application Restrictions

1. A subunit and its parent company may not both apply for Awards in the same year; and
2. Only one subunit 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 subunits are ineligible for a period of five years.
2. If a subunit receives an Award, it is ineligible to apply for a period of five years.
3. If a subunit consisting of more than one-half of the total sales of a company receives an Award, neither that company nor any of its other subunits is eligible to apply for a period of five years.

## Eligibility Determination

In order to ensure that Award recipients meet all reasonable requirements and expectations in representing the Award throughout the U.S., potential applicants must have their eligibility approved prior to applying for the Award. Potential applicants for the 1996 Award are encouraged to submit their Eligibility Determination Forms as early as possible, but not later than March 1, 1996. This form is contained in the *1996 Business Application Forms and Instructions* booklet.

# HOW TO ORDER COPIES OF 1996 AWARD MATERIALS



**Note:** The **1996 Award Criteria** and the **1996 Business Application Forms and Instructions** are two separate booklets.

## Individual Orders

Individual copies of either booklet 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 20899-0001  
Telephone: 301-975-2036  
Telefax: 301-948-3716

## Bulk Orders

Multiple copies of the **1996 Award Criteria** may be ordered in packets of 10 for \$29.95 plus shipping and handling from ASQC. Order Item number: T1022.

## How to Order

ASQC offers three convenient ways to order:

- For fastest service, call toll free 800-248-1946 USA and Canada (in Mexico, please dial toll free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) ASQC member number ready.
- Or fax your completed order form to ASQC at 414-272-1734.
- Or mail your order to: ASQC Customer Service Department, P.O. Box 3066, Milwaukee, WI 53201-3066.

## Payment

Your payment options include: Check, money order, purchase order, VISA, MasterCard, or American Express. Payment must be made in U.S. currency; checks and money orders must be drawn on a U.S. financial institution. All foreign orders must be prepaid. Please make checks payable to ASQC.

## Shipping Fees

The following shipping and processing schedule applies to all orders:

Order Amount	U.S. Charges	Canadian Charges
0 – \$34.99	\$ 4.00	\$ 9.00
\$35.00 – 99.99	6.25	11.25
Over \$100.00	12.50*	17.50

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

*\* If actual shipping charges exceed \$12.50, ASQC will invoice the customer for additional expense.*

# FEES FOR THE 1996 AWARD CYCLE

## Eligibility Determination Fees

The eligibility determination fee is \$100 for all potential applicants. This fee is nonrefundable.

## Application Fees

- Manufacturing Company Category—\$4500
- Service Company Category—\$4500
- Small Business Category—\$1500
- Supplemental Sections—\$1500

These fees cover all expenses associated with distribution and review of applications and development of feedback reports. Detailed information is given in the **1996 Business Application Forms and Instructions** booklet.

## Site Visit Review Fees

Site visit review fees will be set when the visits are scheduled. Fees depend upon the number of Examiners assigned and the duration of the visit. Site visit review fees for applicants in the Small Business category will be charged at one-half of the rate charged for companies in the Manufacturing and Service categories.

Site visit fees cover all expenses and travel costs associated with site visit participation and development of site visit reports. These fees are paid only by those applicants reaching the site visit stage.

**Eligibility Determination Forms due — March 1, 1996**  
**Award Applications due — April 1, 1996**

# HOW TO ORDER AWARD EDUCATIONAL 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. The listed materials and information may be obtained from ASQC. To order a 1995 Case Study Packet (Colony Fasteners, Inc., Midstate University, or Mountainview Health System), bulk orders of the 1996 Award Criteria, or the Award Winners Videos, contact:

ASQC  
Customer Service Department  
P.O. Box 3066  
Milwaukee, WI 53201-3066  
Telephone (800) 248-1946  
Telefax (414) 272-1734

## 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 study packet is illustrative of an application for the Baldrige Award and is useful in understanding the benefits of the Baldrige process, as well as for self-assessment, planning, training, and other uses.

## 1995 Case Study Packet: Colony Fasteners, Inc.

Item Number T996: \$49.95 plus shipping and handling

## 1995 Education Pilot Program Case Study Packet: Midstate University

Item Number T504: \$6.11 plus shipping and handling

## 1995 Health Care Pilot Program Case Study Packet: Mountainview Health System

Item Number T506: \$6.11 plus shipping and handling

## 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.

1995 – Available, Feb. 1996	\$20.00
(Item Number T1030)	
1994 – Item Number TA922:	20.00
1993 – Item Number TA515:	20.00
1992 – Item Number TA512:	20.00
1991 – Item Number TA996:	15.00
1990 – Item Number T992:	15.00
1989 – Item Number T502:	10.00
1988 – Item Number T993:	10.00

## QUEST FOR EXCELLENCE VIII CONFERENCE

The Annual Quest for Excellence Conference provides a unique opportunity to hear firsthand the Award-winning strategies 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 VIII Conference will provide ample opportunities to explore the Award Criteria in depth and to network with executive-level people from around the country.

The Conference dates are February 5-7, 1996. The Conference will be held at the Washington Hilton and Towers, in Washington, D.C. For further information, contact the Malcolm Baldrige National Quality Award, Administration Building, Room A537, Gaithersburg, MD 20899; telephone 301-975-2036 or FAX 301-963-0339.



# NOTES

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# 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**  
**1996 Education Pilot Program**  
**1996 Health Care Pilot Program**

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**Technology Administration**  
**National Institute of Standards and Technology**  
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