The Pocket Guide to the BALDRIGE AWARD CRITERIA

Fifteenth Edition

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—MGB
Introduction

This guide is designed to help you understand the criteria for the Malcolm Baldrige National Quality Award. It is not about the award, or how to win it. Rather, it is about how to interpret and use the criteria to improve your organization.

Most organizations that use the Baldrige criteria have no interest in applying for, or winning, the award. The Baldrige criteria are being used by thousands of organizations around the world to evaluate their progress toward becoming the best in their fields. This guide is divided into two parts. Part I, a question and answer section, provides the answers to the questions most commonly asked about the award and the criteria. Part II provides a brief explanation of each of the 18 items in the Baldrige criteria and lists the characteristics of organizations that excel in each of these 18 items.

If the material in this quick reference guide sparks your interest in the Baldrige criteria or the Malcolm Baldrige National Quality Award, you can obtain more information from the sources listed at the end of the book.
PART I
QUESTIONS & ANSWERS
Answers to some of the questions frequently asked about the Malcolm Baldrige National Quality Award criteria.

**Q:** Why is our organization using the Baldrige criteria to do assessments?

**A:** Since the award was first established in 1988, there have been thousands of organizations that have applied for the award. Thousands more have applied for state quality awards, and several million copies of the criteria have been distributed to organizations all over the world. Many organizations have no interest in applying for the award, but use the criteria as a model for evaluating and improving their own performance. The criteria in the Baldrige model are the toughest and most widely accepted set of standards for defining a well run organization, regardless of its size or type.

The real rewards for following the Baldrige model are:
- More satisfied customers and stakeholders.
- Engaged employees.
- Improved financial results and outcomes.
- Long-term success.
Q: How does the Baldrige model fit with other improvement initiatives like CRM (customer relationship management), Joint Commission, Six Sigma, Balanced Scorecard, Knowledge Management, and Lean?

A: The Baldrige criteria are much more comprehensive than any of the programs or initiatives listed above. Further, the Baldrige model does not require that you follow or use any of these initiatives. Baldrige should be thought of as a “nondenominational” model that does not require you to follow any program or management guru. However, you will find that efforts made to implement any of programs or initiatives listed above will help you on your quest to deploy the Baldrige model. The core values and criteria used to assess organizations in the Baldrige model are consistent with those found in the programs listed above. If you find that the programs above are working for you—great! If you are not doing any of these things, you may also end up with high scores on a Baldrige assessment by developing your own approaches to managing customers, measurements, and work processes.
Q: What are the benefits of following the Baldrige model?

A: There are many benefits and financial reasons for adopting this model. Baldrige winners that are publicly traded companies have outperformed the Standard & Poor’s Index by up to 6 times in many years since the award began. Even companies that are good enough to be Baldrige finalists have outperformed the index by 2 to 1. It is hard to ignore data that clearly indicates that adopting the Baldrige criteria greatly increases the chance of market success.

If you are a school, hospital, government, or other nonprofit organization, or a privately owned firm, there are still many benefits. In addition to improved financial management and performance, organizations that score high on Baldrige reveal much higher employee satisfaction and have happy and loyal customers and stakeholders. These organizations also tend to be successful over long periods of time and are among the best in their respective fields.
Q: Do we have to go through the actual award application process to find out how we stack up against the criteria?

A: Certainly not. There are many ways of finding out how you perform against the criteria without writing the full 50-page application and applying for the award. Most states have their own Baldrige-based awards that offer condensed applications, often less than 15 pages. There is also a brief questionnaire developed by the government called Are We Making Progress? You may download this survey at no charge from the Baldrige website, www.quality.nist.gov. Some organizations perform focus group assessments, listing strengths and areas for improvement for each of the Baldrige items. Additional information can be found on the Baldrige website: www.quality.nist.gov.

Q: How do I apply the Baldrige criteria to assess a facility or department?

A: The criteria are written to assess an entire company or a single business unit. To use the Baldrige criteria to evaluate your facility or department, you need to translate slightly. It is helpful to look
at your department or facility as a separate company. Imagine that everyone in your department left the company and formed an organization that sells your services back to the company. From this perspective it is easier to determine who your customers are, and what products/services you provide for them.

In the Baldrige criteria, the word “customer” refers to external customers. Because all of your customers may be inside the company, you need to apply a broader meaning to words like “customer” and “supplier.”

Similarly, when assessing areas such as human resources or governance, put the item in the context of your department or facility.

**Q: What are the seven categories in the Baldrige criteria, and what do they focus on?**

**A:** The seven categories in the Baldrige criteria and their corresponding point values are as follows:

1. Leadership  120 points
2. Strategic Planning  85 points
3. Customer Focus  85 points
PART I: QUESTIONS & ANSWERS

4. Measurement, Analysis, and Knowledge Management 90 points
5. Workforce Focus 85 points
6. Process Management 85 points
7. Results 450 points

TOTAL 1,000 points

Fifty-five percent of the points in the Baldrige criteria focus on how the organization is run; the remaining 45 percent of the points focus on the results achieved. Categories 1 through 6 (550 points) focus on the company’s approaches or systems.

The criteria do not tell you the best method for running your business. Rather, they look for evidence of a systematic approach that is tailored to the needs of your business/organization and culture. Category 7, Results, asks about your financial, customer, and employee satisfaction performance. All important results in running a business/organization are assessed.

The seven categories of the Baldrige criteria are subdivided into 18 items, which are further subdivided into the 41 areas that must be addressed. The figure below shows how the criteria are organized. This guide explains each of the
18 examination items. The 41 areas to address are not covered in detail.

Q: How do the seven categories work together as a system?

A: By definition, a system is a series of processes that are followed sequentially to achieve a desired result. Each of the major components of the system has inputs, processes, outputs of results, and, ideally, feedback loops. The figure on the inside front cover shows how the Baldrige criteria work as a system.
In the Baldrige criteria as a system, customers’ and market wants and needs are the inputs (Item 3.1). On the basis of that input, the leadership sets the direction of the organization, and defines its mission, vision, values, products and/or services (Category 1: Leadership).

Next, the company decides on its overall strategy for success, identifies performance metrics, and sets goals for improvement (Category 2: Strategic Planning and Category 4: Measurement, Analysis, and Knowledge Management).

Once measures and plans have been developed, the company designs systems and processes for its people (Category 5: Workforce Focus) and its customers (3.1 Customer Engagement), and its major work processes and systems (Category 6: Process Management).

All of these systems should produce internal results such as sales, profits, and high quality products and services, and external results such as customer satisfaction, impacts/outcomes, and repeat business or market share (Category 7: Results).

Every item in the Baldrige criteria that asks about approaches and the implementation of approaches also asks about built-in feedback loops and continuous improvement.
Q: How are the 2009/2010 Baldrige criteria different from previous years?

A: The last comprehensive alteration was performed in 2007. Since 1988, the criteria have evolved and changed quite a bit, with annual revisions of varying degrees. During the last 10 years, those revisions have become more minor as the model has become more mature. The new 2009/2010 criteria represent the first time the criteria are stable for a two-year period.

The biggest change in the criteria for 2009/2010 has occurred in Category 3: Customer Focus. The new Item 3.1 (Customer Engagement) asks about how the organization builds relationships with customers. The new Item 3.2 (Voice of the Customer) asks about how the organization learns about customer needs/requirements, how satisfactions/engagement is measured, and how the organization uses customer satisfaction data to improve. All of these concepts were in previous versions of the criteria, but the questions have been rewritten, and most of what was formerly in 3.1 is now in 3.2. The biggest change to this section has been the inclusion of new phrases.
such as “voice of the customer” and “customer engagement.”

Some other minor changes have been made to the 200+ questions in the criteria, but most have been more editorial than substantive. Refer to pages 27–28 of the 2009/2010 criteria booklet for more details.

**Q:** Can you explain how the Baldrige criteria create a roadmap for a better organization?

**A:** The Baldrige criteria have become the world’s most widely accepted model for running an effective organization. The criteria cover almost everything that impacts on running a successful organization. The best way to understand this is to list some very basic factors a successful organization must consider, and to identify where these factors are addressed in the Baldrige criteria. Table 1 provides a list of activities successful companies typically perform, along with the Baldrige criteria item that corresponds to the activity.
Table 1: The Baldrige Criteria — A Roadmap for Success

<table>
<thead>
<tr>
<th>What Successful Organizations Do</th>
<th>Corresponding Baldrige Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>◼ Identify and segment customers/stakeholders; define wants and needs.</td>
<td>◼ 3.2 Voice of the Customer</td>
</tr>
<tr>
<td>◼ Establish mission, vision, and values; define key business drivers; develop leadership processes to guide organization.</td>
<td>◼ 1.1 Senior Leadership</td>
</tr>
<tr>
<td>◼ Develop goals and strategies based on thorough analysis.</td>
<td>◼ 2.2 Strategy Development</td>
</tr>
<tr>
<td>◼ Identify key performance measures based on company strategy.</td>
<td>◼ 2.1 Strategy Development</td>
</tr>
<tr>
<td></td>
<td>◼ 2.2 Strategy Deployment</td>
</tr>
<tr>
<td></td>
<td>◼ 3.2 Voice of the Customer</td>
</tr>
<tr>
<td></td>
<td>◼ 4.1 Measurement, Analysis, and Knowledge Management</td>
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<td></td>
<td>◼ 4.2 Management of Information, Knowledge, and Information Technology</td>
</tr>
</tbody>
</table>
What Successful Companies Do

- Review performance of all key measures, including financial product/service, ethical, operational, supplier performance, customer satisfaction, and employee satisfaction.

- Design high quality products and/or services that meet current and future customer needs.

- Design jobs and organizations to promote high performance from employees; train and motivate employees to continuously delight customers.

- Define, control, and continuously improve key processes.

Corresponding Baldrige Items

- 1.1 Senior Leadership
- 7.1 Product Outcomes
- 7.2 Customer-Focused Outcomes
- 7.3 Financial and Market Outcomes
- 7.4 Workforce-Focused Outcomes
- 7.5 Process Effectiveness Outcomes
- 7.6 Leadership Outcomes

- 6.1 Work Systems

- 5.1 Workforce Engagement
- 5.2 Workforce Environment

- 6.2 Work Processes
What Successful Companies Do

- Work with suppliers and vendors to ensure consistent high-quality goods and services.
- Manage customer relationships to maintain high levels of satisfaction on an ongoing basis.
- Exhibit good corporate citizenship; perform well in areas of public health, environment, and ethics.
- Demonstrate excellent trends and levels in all results areas.

Corresponding Baldrige Items

- 6.2 Work Processes
- 3.1 Customer Engagement
- 1.2 Governance and Social Responsibilities
- 7.1 Product Outcomes
- 7.2 Customer-Focused Outcomes
- 7.3 Financial and Market Outcomes
- 7.4 Workforce Outcomes
- 7.5 Process Effectiveness Outcomes
- 7.6 Leadership Outcomes
Q: How do the Baldrige criteria apply to a small organization?

A: The items in the criteria are relevant to a small business as well as a big corporation or non-profit organization. Small businesses must have good systems and results to keep them in business. The basic difference in your approach as a small organization is the level of formality. A small organization does not necessarily need a formal strategic plan or product development and supplier management system. It does need at least an informal approach to all of the elements in the Baldrige criteria, however. For example, you might not need a structured training curriculum for new employees if you only have 25 of them. You might use structured on-the-job training, however, as a way of bringing new hires up to speed. This training can be supplemented with some packaged courses and training materials purchased from outside vendors.

A small organization also needs good financial, operational, and customer satisfaction results. Results are more crucial for a small organization because it may not have the reserves to survive a slow period or a loss of a major customer. All of
the Baldrige criteria apply to a small organization, at least in spirit. Look for ways to meet the Baldrige ideals without adding too much formality to your systems and processes.