BALDRIGE
Performance Excellence Program

Examiner Version
Includes Criteria
Commentary

BALDRIGE EXCELLENCE FRAMEWORK

Proven leadership and management practices for high performance

business
nonprofit
government

LEADERSHIP

STRATEGY

CUSTOMERS

MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT

WORKFORCE

OPERATIONS

RESULTS

2019
2020

www.nist.gov/baldrige

Baldrige Performance Excellence Program

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

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The Baldrige Program welcomes your comments on the *Baldrige Excellence Framework* and other Baldrige products and services. Please direct your comments to the address above.

NIST, an agency of the U.S. Department of Commerce, manages the Baldrige Program. NIST has a 100-plus-year track record of serving U.S. industry, science, and the public with the mission to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST carries out its mission in three cooperative programs, including the Baldrige Program. The other two are the NIST laboratories, conducting research that advances the nation's technology infrastructure and is needed by U.S. industry to continually improve products and services; and the Hollings Manufacturing Extension Partnership, a nationwide network of local centers offering technical and business assistance to small manufacturers.

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Contents

On the Web

Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary)
This commentary provides the "why" behind the Criteria, as well as additional examples and guidance.

About the Baldrige Excellence Framework

The Baldrige Excellence Framework empowers your organization to reach its goals, improve results, and become more competitive.

Thousands of organizations around the world use the Baldrige Excellence Framework to improve and get sustainable results. Those recognized as national role models receive the Malcolm Baldrige National Quality Award, a Presidential award. More than 100 recipients have broadly shared their best practices with others. Through that sharing, many thousands of organizations have improved their operations and results, and thus their contributions to the U.S. and global economies.

What can Baldrige do for my organization?

Whether your organization is new, is growing, or has existed for many years, it faces daily and long-term challenges. It also has strengths that have served you well so far. The Baldrige Excellence Framework helps you identify and leverage your strengths and prepare to face your challenges. It helps you address issues that are important to your organization:

- Understanding what it takes to be competitive and achieve long-term success in your environment
- Getting your leaders, managers, and workforce all on the same page
- Ensuring that your employees understand and can contribute to the drivers of your organization's success
- Understanding, and meeting or exceeding, customer requirements and expectations
- Ensuring that your operations are efficient and lead to short- and long-term success

As a result, you will be better able to position your organization to succeed and accomplish your mission—with a sense of greater clarity and with alignment among your leaders, employees, customers, and key partners.

How do I know if Baldrige is right for my organization?

Baldrige is adaptable to any organization's needs. It does not prescribe how you should structure your organization or its operations. In the Organizational Profile (pages 4–6), you describe what is important to your organization. Baldrige encourages you to use creative, adaptive, innovative, and flexible approaches and to choose the tools (e.g., Lean, Six Sigma, International Organization for Standardization [ISO] series, a balanced scorecard, Plan-Do-Check-Act [PDCA]) that are best suited to your organization and are the most effective in driving improvements and sustainable high performance

How does Baldrige work?

The Baldrige framework helps you answer three questions: *Is your organization doing as well as it needs to? How do you know? What and how should your organization improve or change?*

The Baldrige framework helps you manage all the components of your organization as a unified whole to achieve your mission, ongoing success, and performance excellence (called a systems perspective). The building blocks and integrating mechanisms are the Baldrige core values and concepts, the seven interrelated Criteria categories, and the scoring guidelines.

I see the Baldrige process as a powerful set of mechanisms for disciplined people engaged in disciplined thought and taking disciplined action to create great organizations that produce exceptional results.

—*Jim Collins, author of* Good to Great: Why Some Companies Make the Leap . . . and Others Don't

Core values and concepts. The Criteria for Performance Excellence are based on a set of beliefs and behaviors found in high-performing organizations (see pages 38–43):

- Systems perspective
- Visionary leadership
- Customer-focused excellence
- Valuing people
- Organizational learning and agility
- Focus on success
- Managing for innovation
- Management by fact
- Societal contributions
- Ethics and transparency
- Delivering value and results

Criteria for Performance Excellence. By answering the questions in the Criteria for Performance Excellence (pages 4–28), you explore your strengths and your opportunities for improvement in seven critical aspects of managing and performing as an organization (called categories):

1. Leadership: How do you share your vision and lead your organization? How do you ensure good governance?
2. Strategy: How do you prepare for the future?
3. Customers: How do you listen to, satisfy, and engage your customers?
4. Measurement, analysis, and knowledge management: How do you use reliable data and information to make decisions?
5. Workforce: How do you engage and empower your people?
6. Operations: How do you ensure efficient and effective operations that deliver customer value?
7. Results: How well are you doing?

The linkages among these categories provide a systems perspective on your organization. Some of these linkages are (1) the connections between your approaches in categories 1–6 and the results you achieve (category 7); (2) the connection between workforce planning and strategic planning; and (3) the need for customer and market knowledge in creating your strategy and action plans.

Scoring guidelines. With Baldrige, just having stated processes or sets of results is not enough. You can assess the maturity of your responses based on four evaluation dimensions for the process categories and four for the results category (see the scoring guidelines on pages 32–33).

Processes are the methods your organization uses to accomplish its work. With the Baldrige framework, you assess and improve your processes along four dimensions:

1. *Approach:* How do you accomplish your organization's work? How systematic and effective are your key approaches?
2. *Deployment:* How consistently are your key approaches used in relevant parts of your organization?
3. *Learning:* How well have you evaluated and improved your key approaches? How well have improvements been shared within your organization? Has new knowledge led to innovation?
4. *Integration:* How well do your approaches reflect your current and future organizational needs? How well are processes and operations harmonized across your organization to achieve key organization-wide goals?

With Baldrige, you assess your results along these four dimensions:

1. *Levels:* What is your current performance on a meaningful measurement scale?
2. *Trends:* Are the results improving, staying the same, or getting worse?
3. *Comparisons:* How does your performance compare with that of competitors, or with benchmarks or industry leaders?
4. *Integration:* Are you tracking results that are important to your organization? Are you using the results in decision making?

As you respond to the Criteria questions and assess your responses against the scoring guidelines, you will begin to identify strengths and gaps—first within the Criteria categories and then among them. The coordination of key processes, and feedback between your processes and your results, will lead to cycles of improvement. As you continue to use the framework, you will learn more and more about your organization and begin to define the best ways to build on your strengths, close gaps, and innovate.

What is the impact of Baldrige nationally and globally?

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

- They help improve organizational processes, capabilities, and results.
- They facilitate the communication and sharing of best practices among U.S. organizations through the Baldrige Award, the Quest for Excellence® Conference, the Baldrige Executive Fellows Program, and other educational offerings.
- They serve as a working tool for understanding and managing organizational performance, guiding your strategic thinking, and providing opportunities to learn.

Baldrige works with public and private sector partners to address critical national needs related to long-term success and sustainability, including cybersecurity risk management (see https://www.nist.gov/baldrige/products-services/baldrige-cybersecurity-initiative) and excellence in U.S. communities (see Communities of Excellence 2026, http://www.communitiesofexcellence2026.org).

Within the United States, state, regional, sector, and organizational performance excellence programs use the Baldrige framework to help organizations improve their competitiveness and results. Globally, many performance or business excellence programs use the Baldrige framework or a derivative as their organizational excellence model.

How do I get started?

However you plan use the Baldrige framework, the Baldrige community is there to help your organization learn, grow, and improve. See the following pages and visit https://www.nist.gov/baldrige to see the possibilities.

The [Baldrige] Criteria help you link your strategy, your human capital process, your leadership development process, and all of your core operations together and help them focus on what your customers actually want.

—Scott McIntyre, President and CEO, Managing Partner, Guidehouse (formerly Baldrige Award recipient PricewaterhouseCoopers Public Sector Practice)

How to Use the Baldrige Excellence Framework

Whether your organization is large or small, you can use the Baldrige Excellence Framework for improvement. Your experience with Baldrige will help you decide where to begin.

If your organization is in the education or health care sector, you should use the education or health care version of this booklet, respectively. See https://www.nist.gov/baldrige/publications to obtain a copy.

If you are just learning about the Baldrige framework . . .

Here are some ways to begin using the Baldrige framework to improve your organization.

Scan the questions in the Organizational Profile (pages 4–6). Discussing the answers to these questions with your senior leadership team might be your first Baldrige self-assessment.

Study the 11 Baldrige core values and concepts (pages 38–43). Consider how your organization measures up in relation to the core values. Are there any improvements you should be making?

Answer the questions in the titles of the 17 Criteria for Performance Excellence items to reach a basic understanding of the Criteria and your organization's performance.

See a simple outline of a holistic performance management system by reading the headings in blue in the Criteria section of this booklet (pages 4–28). Are you considering all of these dimensions in establishing your leadership system and measuring performance?

Use the Baldrige framework and its supporting material as a general resource on organizational performance improvement. This booklet and the materials online (https://www.nist.gov/baldrige/publications) may help you think in a different way or give you a fresh frame of reference.

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

Become an examiner or attend the Baldrige Examiner Training Experience (https://www.nist.gov/baldrige/products-services). Examiners receive valuable training, evaluate award applications, and learn to apply the Criteria to their organizations.

Become a Baldrige Executive Fellow. Baldrige Fellows (C-suite and rising executives) participate in an executive development program (see https://www.nist.gov/baldrige/products-services), learning from each other and from Baldrige Award recipients.

If you are ready to assess your organization using Baldrige . . .

To assess your organization with the Baldrige framework, follow one or more of the suggestions below.

Check your progress on achieving organizational excellence and improve communication among your workforce members and leadership team with two simple questionnaires: *Are We Making Progress?* and *Are We Making Progress as Leaders?* (https://www.nist.gov/baldrige/self-assessing/improvement-tools).

Identify gaps in your understanding of your organization and compare your organization with others with *easyInsight: Take a First Step toward a Baldrige Self-Assessment* (https://www.nist.gov/baldrige/self-assessing/improvement-tools). This assessment is based on the Organizational Profile.

Complete the Organizational Profile (pages 4–6). Have your leadership team answer the questions. If you identify topics for which you have conflicting, little, or no information, use these topics for action planning. For many organizations, this approach serves as a first Baldrige self-assessment.

Answer the questions in the *Baldrige Excellence Builder* (https://www.nist.gov/baldrige/publications). This assessment tool includes key questions for improving your organization's performance. They are the questions in black boldface in the Criteria section of this booklet.

Use the full set of Criteria questions as a personal guide to everything that is important in leading your organization. You may discover blind spots or areas where you should place additional emphasis.

Review the scoring guidelines (pages 32–33). They help you assess your organizational maturity, especially when used in conjunction with "Steps toward Mature Processes" (page 31) and "From Fighting Fires to Innovation: An Analogy for Learning" (page 34).

Answer the questions in one Criteria category in which you know you need improvement, either yourself or with leadership team colleagues. Then assess your strengths and opportunities for improvement, and develop action plans. Be aware, though, that this kind of assessment limits the benefits of the systems perspective embodied in the Baldrige framework.

Have your leadership team assess your organization. At a retreat, have your leadership team develop responses to the Organizational Profile and the seven Criteria categories using the *Baldrige Excellence Builder* (https://www.nist.gov/baldrige/publications), and record the responses. Then assess your strengths and opportunities for improvement, and develop action plans.

Conduct a full Baldrige self-assessment. Set up teams within your organization to develop responses to the Organizational Profile and Criteria categories. For details, see https://www.nist.gov/baldrige/self-assessing and the slide presentation "Self-Assessing Your Organization with the Baldrige Excellence Framework" (https://www.nist.gov/baldrige/community/baldrige-ambassadors).

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

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

If you are ready for external feedback . . .

Here are some resources for receiving external feedback on your organization's strengths and opportunities for improvement.

Apply to your state, local, or sector-specific Baldrige-based award program (see the Alliance for Performance Excellence, https://www.baldrigealliance.org). A team of experts will examine your organization objectively and identify your organization's strengths and its opportunities to improve.

Arrange for a Baldrige Collaborative Assessment (https://www.nist.gov/baldrige/products-services). In this on-site assessment, a team of Baldrige examiners works with your leaders and staff to give your organization immediate, actionable feedback.

Apply for the Malcolm Baldrige National Quality Award. Once you meet eligibility requirements, apply for the highest level of national recognition for performance excellence that a U.S. organization can receive: the Malcolm Baldrige National Quality Award.

Award applicants say that the Baldrige evaluation process is one of the best, most cost-effective, most comprehensive performance assessments you can find, whether or not they receive the Baldrige Award. See https://www.nist.gov/baldrige/baldrige-award for more information. In the Baldrige process, everyone is a learner.

Criteria for Performance Excellence Overview and Structure

Criteria for Performance Excellence Overview: A Systems Perspective

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

Performance excellence requires strong **Leadership** and is demonstrated through outstanding **Results.**

The word "**integration**" at the center of the figure shows that all the elements of the system are interrelated.

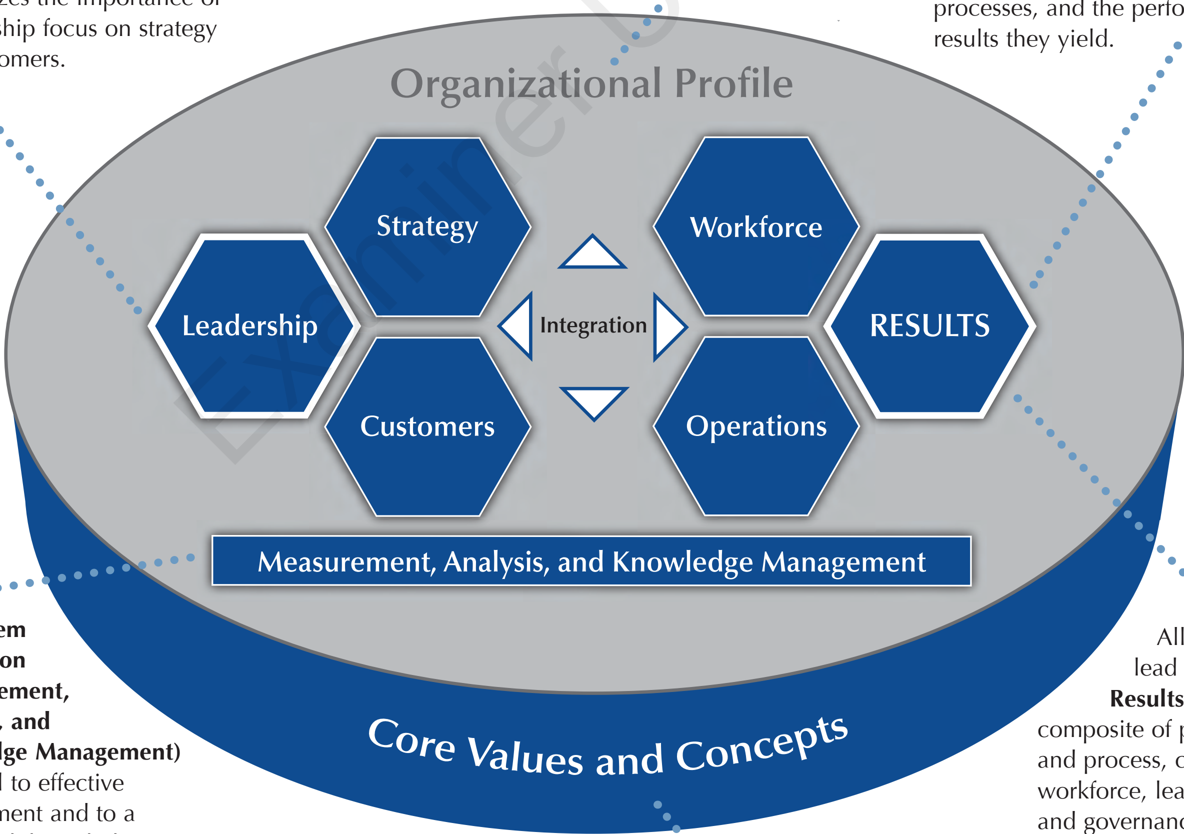
The **center horizontal arrowheads** show the critical linkage between the leadership triad (on the left) and the results triad (on the right) and the central relationship between the Leadership and Results categories.

The **center vertical arrowheads** point to the Organizational Profile and the system foundation, which provide information on and feedback to key processes and the organizational environment.

The **leadership** triad (**Leadership, Strategy, and Customers**) emphasizes the importance of a leadership focus on strategy and customers.

The **Organizational Profile** sets the context for your organization. It serves as the background for all you do.

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



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

All actions lead to **Results**—a composite of product and process, customer, workforce, leadership and governance, and financial, market, and strategy results.

The basis of the Criteria is a set of **Core Values and Concepts** that are embedded in high-performing organizations (see pages 38–43).

Criteria for Performance Excellence Structure

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

Items

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

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

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

Item Notes

Item notes (1) clarify terms or questions, (2) give instructions and examples for responding, and (3) indicate key linkages to other items. Item notes in italics pertain specifically to nonprofit (including government) organizations.

Areas to Address

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

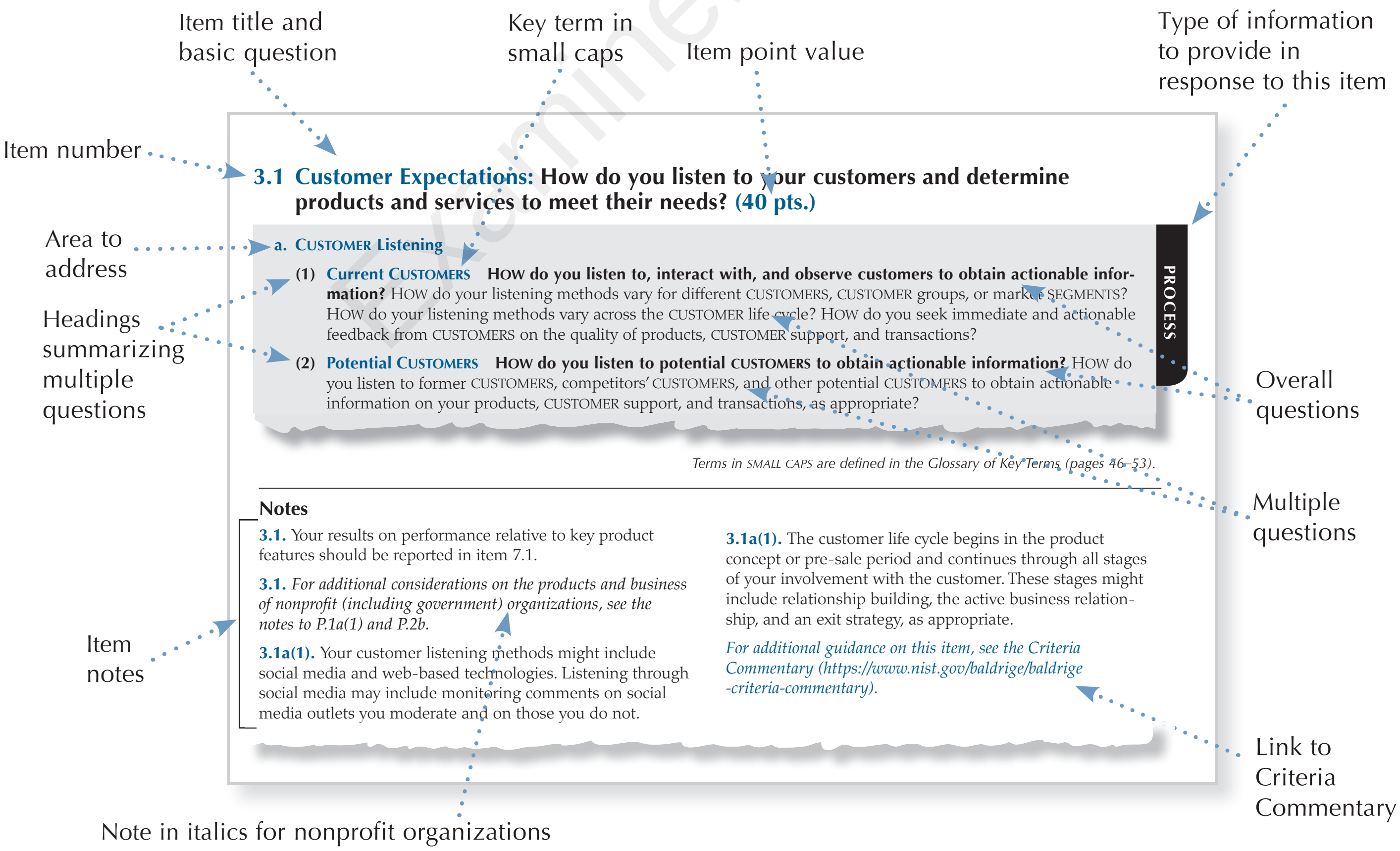
Item Questions

Item questions are expressed on three levels:

- *Basic questions* are expressed in the item titles.
- *Overall questions* are expressed in boldface in the shaded box. These leading questions are the starting point for responding.
- *Multiple questions* are the individual ones under each area to address, including the one in boldface. That first question expresses the most important one in that group.

Key Terms

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).



Criteria for Performance Excellence Items and Point Values

See pages 29–34 for the scoring system used with the Criteria items in a Baldrige assessment.

P Organizational Profile

P.1 Organizational Description

P.2 Organizational Situation

Categories and Items		Point Values
1 Leadership		**120**
1.1 Senior Leadership	70	
1.2 Governance and Societal Contributions	50	
2 Strategy		**85**
2.1 Strategy Development	45	
2.2 Strategy Implementation	40	
3 Customers		**85**
3.1 Customer Expectations	40	
3.2 Customer Engagement	45	
4 Measurement, Analysis, and Knowledge Management		**90**
4.1 Measurement, Analysis, and Improvement of Organizational Performance	45	
4.2 Information and Knowledge Management	45	
5 Workforce		**85**
5.1 Workforce Environment	40	
5.2 Workforce Engagement	45	
6 Operations		**85**
6.1 Work Processes	45	
6.2 Operational Effectiveness	40	
7 Results		**450**
7.1 Product and Process Results	120	
7.2 Customer Results	80	
7.3 Workforce Results	80	
7.4 Leadership and Governance Results	80	
7.5 Financial, Market, and Strategy Results	90	
TOTAL POINTS		**1,000**

Criteria for Performance Excellence

Begin with the Organizational Profile

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

- You can use it as an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, use these topics for action planning.
- It sets the context for understanding your organization and how it operates, and allows you to address unique aspects of your organization in your responses to the Baldrige Criteria questions in categories 1–7. Your responses to all other questions in the Criteria should relate to the organizational context you describe in this profile.
- It helps you identify gaps in key information about your organization and focus on key performance requirements and results.

P Organizational Profile

The **Organizational Profile** is a snapshot of your organization and its strategic environment.

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

a. Organizational Environment

(1) Product Offerings What are your main product offerings (see the note on the next page)? What is the relative importance of each to your success? What mechanisms do you use to deliver your products?

(2) MISSION, VISION, VALUES, and Culture What are your MISSION, VISION, and VALUES? Other than VALUES, what are the characteristics of your organizational culture, if any? What are your organization's CORE COMPETENCIES, and what is their relationship to your MISSION?

(3) WORKFORCE Profile What is your WORKFORCE profile? What recent changes have you experienced in WORKFORCE composition or in your needs with regard to your WORKFORCE? What are

- your WORKFORCE or employee groups and SEGMENTS;
- the educational requirements for different employee groups and SEGMENTS;
- the KEY drivers that engage them;
- your organized bargaining units (union representation), if any; and
- your special health and safety requirements, if any?

(4) Assets What are your major facilities, equipment, technologies, and intellectual property?

(5) Regulatory Environment What are your KEY applicable occupational health and safety regulations; accreditation, certification, or registration requirements; industry standards; and environmental, financial, and product regulations?

b. Organizational Relationships

(1) Organizational Structure What are your organizational leadership structure and GOVERNANCE structure? What structures and mechanisms make up your organization's LEADERSHIP SYSTEM? What are the reporting relationships among your GOVERNANCE board, SENIOR LEADERS, and parent organization, as appropriate?

(2) CUSTOMERS and STAKEHOLDERS What are your KEY market SEGMENTS, CUSTOMER groups, and STAKEHOLDER groups, as appropriate? What are their KEY requirements and expectations for your products, CUSTOMER support services, and operations, including any differences among the groups?

(Continued on the next page)

(3) Suppliers, Partners, and Collaborators What are your KEY types of suppliers, PARTNERS, and COLLABORATORS? What role do they play in producing and delivering your KEY products and CUSTOMER support services, and in enhancing your competitiveness? What role do they play in contributing and implementing INNOVATIONS in your organization? What are your KEY supply-network requirements?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

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

P.1a(2). If your organization has a stated purpose as well as a mission, you should include it in your response. Some organizations define a mission and a purpose, and some use the terms interchangeably. In some organizations, purpose refers to the fundamental reason that the organization exists. Its role is to inspire the organization and guide its setting of values.

P.1a(2). Your values are part of your organization's culture. Other characteristics of your organizational culture might include shared beliefs and norms that contribute to the uniqueness of the environment within your organization.

P.1a(3). Workforce or employee groups and segments (including organized bargaining units) might be based on type of employment or contract-reporting relationship, location (including telework), tour of duty, work environment, use of certain family-friendly policies, or other factors. Organizations that also rely on volunteers and interns to accomplish their work should include these groups as part of their workforce.

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

P.1b(1). The governance or oversight structure for privately held businesses, nonprofit organizations, and government agencies may comprise an advisory board, a family council, or local/regional leaders who are assembled to provide guidance. *For some nonprofit (including government) organizations, governance and reporting relationships might include relationships with major funding sources, such as granting agencies, legislatures, or foundations.*

P.1b(1). The Organizational Profile asks for the "what" of your leadership system (its structures and mechanisms). Questions in categories 1 and 5 ask how the system is used.

P.1b(2). *For some nonprofit (including government) organizations, customers might include members, taxpayers, citizens, recipients, clients, and beneficiaries, and market segments might be referred to as constituencies. For government agencies, the legislature (as a source of funds) may be a key stakeholder.*

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

P.1b(2). Customer, stakeholder, and operational requirements and expectations will drive your organization's sensitivity to the risk of product, service, support, and supply-network interruptions, including those due to natural disasters and other emergencies.

P.1b(3). Your supply network consists of the entities involved in producing your products and services and delivering them to your customers. For some organizations, these entities form a chain, in which one entity directly supplies another. Increasingly, however, these entities are interlinked and exist in interdependent rather than linear relationships. The Criteria use the term supply network, rather than supply chain, to emphasize the interdependencies among organizations and their suppliers.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

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

a. Competitive Environment

(1) Competitive Position What are your relative size and growth in your industry or the markets you serve? How many and what types of competitors do you have?

(2) Competitiveness Changes What KEY changes, if any, are affecting your competitive situation, including changes that create opportunities for INNOVATION and collaboration, as appropriate?

(3) Comparative Data What KEY sources of comparative and competitive data are available from within your industry? What KEY sources of comparative data are available from outside your industry? What limitations, if any, affect your ability to obtain or use these data?

b. Strategic Context

What are your KEY STRATEGIC CHALLENGES and ADVANTAGES?

c. PERFORMANCE Improvement System

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

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

P.2a. *Nonprofit organizations must often compete with other organizations and alternative sources of similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.*

P.2b. Strategic challenges and advantages might be in the areas of business, operations, societal contributions, and workforce. They might relate to products, finances, organizational structure and culture, emerging technology, digital integration, data and information security, brand recognition and reputation, your supply network, globalization, and the environment and climate. *Throughout the Criteria, "business" refers to a nonprofit (or government) organization's main mission area or enterprise activity.*

P.2c. The Baldrige Scoring System (pages 29–34) uses performance improvement through learning and integration as a dimension in assessing the maturity of organizational approaches and their deployment. This question is intended to set an overall context for your approach to performance improvement. The approach you use should be related to your organization's needs. Approaches that are compatible with the overarching systems approach provided by the Baldrige framework might include implementing a Lean Enterprise System, applying Six Sigma methodology, using PDCA methodology, using standards from ISO (e.g., the 9000 or 14000 series, or sector-specific standards), using decision science, or employing other improvement tools.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

1 Leadership (120 pts.)

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

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

PROCESS

a. VISION and VALUES

(1) Setting VISION and VALUES **HOW do SENIOR LEADERS set your organization's VISION and VALUES?** HOW do SENIOR LEADERS DEPLOY the VISION and VALUES through your LEADERSHIP SYSTEM, to the WORKFORCE, to KEY suppliers and PARTNERS, and to CUSTOMERS and other STAKEHOLDERS, as appropriate? HOW do SENIOR LEADERS' personal actions reflect a commitment to those VALUES?

(2) Promoting Legal and ETHICAL BEHAVIOR **HOW do SENIOR LEADERS' personal actions demonstrate their commitment to legal and ETHICAL BEHAVIOR?** HOW do SENIOR LEADERS promote an organizational environment that requires it?

b. Communication

HOW do SENIOR LEADERS communicate with and engage the entire WORKFORCE, KEY PARTNERS, and KEY CUSTOMERS? HOW do they

- encourage frank, two-way communication;
- communicate KEY decisions and needs for organizational change; and
- take a direct role in motivating the WORKFORCE toward HIGH PERFORMANCE and a CUSTOMER and business focus?

c. MISSION and Organizational PERFORMANCE

(1) Creating an Environment for Success **HOW do SENIOR LEADERS create an environment for success now and in the future?** HOW do they

- create an environment for the achievement of your MISSION;
- create and reinforce your organizational culture, and a culture that fosters CUSTOMER and WORKFORCE ENGAGEMENT;
- cultivate organizational agility, accountability, organizational and individual LEARNING, INNOVATION, and INTELLIGENT RISK taking; and
- participate in succession planning and the development of future organizational leaders?

(2) Creating a Focus on Action **HOW do SENIOR LEADERS create a focus on action that will achieve the organization's MISSION?** HOW do SENIOR LEADERS

- create a focus on action that will improve the organization's PERFORMANCE;
- identify needed actions;
- in setting expectations for organizational PERFORMANCE, include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS; and
- demonstrate personal accountability for the organization's actions?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

1.1. Your organizational performance results should be reported in items 7.1–7.5. Results related to the effectiveness of leadership and the leadership system should be reported in item 7.4.

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

1.1b. Two-way communication may include use of social media, such as delivering periodic messages through internal and external websites, tweets, blogging, and customer and workforce electronic forums, as well as monitoring external social media outlets and responding, when appropriate.

1.1b. Senior leaders' direct role in motivating the workforce may include participating in reward and recognition programs.

1.1b. Organizations that rely heavily on volunteers to accomplish their work should also discuss efforts to communicate with and engage the volunteer workforce.

1.1c(1). A successful organization is capable of addressing current business needs and, by addressing risk, agility, and strategic management, is capable of preparing for its future business, market, and operating environment. In creating an environment for success, leaders should consider both external and internal factors. Factors might include risk appetite and tolerance, organizational culture, work systems, the potential need for transformational changes in structure and culture, workforce capability and capacity, resource availability, core competencies, and the need for technological and organizational innovation. Other factors include risks and opportunities arising from emerging technology, data integration, data and information security, and environmental considerations.

1.1c(2). Senior leaders' focus on action considers your strategy, workforce, work systems, and assets. It includes taking intelligent risks, implementing innovations and ongoing improvements in performance and productivity, taking the actions needed to achieve your strategic objectives (see 2.2a[1]), and possibly establishing plans for managing major organizational change or responding rapidly to significant new information.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

1.2 Governance and Societal Contributions: How do you govern your organization and make societal contributions? (50 pts.)

PROCESS

a. Organizational GOVERNANCE

(1) GOVERNANCE System **HOW does your organization ensure responsible GOVERNANCE?** HOW does your GOVERNANCE system review and achieve the following?

- Accountability for SENIOR LEADERS' actions
- Accountability for strategy
- Fiscal accountability
- Transparency in operations
- Selection of GOVERNANCE board members and disclosure policies for them, as appropriate
- Independence and EFFECTIVENESS of internal and external audits
- Protection of STAKEHOLDER and stockholder interests, as appropriate
- Succession planning for SENIOR LEADERS

(2) PERFORMANCE Evaluation **HOW do you evaluate the PERFORMANCE of your SENIOR LEADERS and your GOVERNANCE board?** HOW do you use PERFORMANCE evaluations in determining executive compensation? HOW do your SENIOR LEADERS and GOVERNANCE board use these PERFORMANCE evaluations to advance their development and improve the effectiveness of leaders, the board, and the LEADERSHIP SYSTEM, as appropriate?

b. Legal and ETHICAL BEHAVIOR

(1) Legal and Regulatory Compliance **HOW do you address current and anticipate future legal, regulatory, and community concerns with your products and operations?** HOW do you

- address any adverse societal impacts of your products and operations,
- anticipate public concerns with your future products and operations, and
- prepare for these impacts and concerns proactively?

What are your KEY compliance PROCESSES, MEASURES, and GOALS for meeting and surpassing regulatory and legal requirements, as appropriate? What are your KEY PROCESSES, MEASURES, and GOALS for addressing risks associated with your products and operations?

(2) ETHICAL BEHAVIOR **HOW do you promote and ensure ETHICAL BEHAVIOR in all interactions?** What are your KEY PROCESSES and MEASURES or INDICATORS for promoting and ensuring ETHICAL BEHAVIOR in your GOVERNANCE structure; throughout your organization; and in interactions with your WORKFORCE, CUSTOMERS, PARTNERS, suppliers, and other STAKEHOLDERS? HOW do you monitor and respond to breaches of ETHICAL BEHAVIOR?

(Continued on the next page)

c. Societal Contributions

(1) **Societal Well-Being** **HOW do you consider societal well-being and benefit as part of your strategy and daily operations?** HOW do you contribute to the well-being of your environmental, social, and economic systems?

(2) **Community Support** **HOW do you actively support and strengthen your KEY communities?** What are your KEY communities? HOW do you identify them and determine areas for organizational involvement? HOW do your SENIOR LEADERS, in concert with your WORKFORCE, contribute to improving these communities?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

1.2. Societal contributions in areas critical to your ongoing marketplace success should also be addressed in Strategy Development (item 2.1) and Operations (category 6). Key societal results should be reported as Leadership and Governance Results (item 7.4).

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

1.2a(1). The governance board's review of organizational performance and progress, if appropriate, is addressed in 4.1(b).

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

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

1.2b(1). Proactively preparing for any adverse societal impacts and concerns may include conservation of natural resources and effective supply-network management processes, as appropriate. *Nonprofit organizations should report, as appropriate, how they meet and surpass regulatory and legal requirements and standards that govern fundraising and lobbying.*

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

1.2c. *Some charitable organizations may contribute to society and support their key communities totally through the mission-related activities described in response to other Criteria questions. In such cases, it is appropriate to respond here with any "extra efforts" through which you support these communities.*

1.2c(1). Areas of societal well-being and benefit to report are those that are in addition to the compliance processes you describe in 1.2b(1). They might include organizational or collaborative efforts to improve the environment; strengthen local community services, education, health, and emergency preparedness; address societal inequities; and improve the practices of trade, business, or professional associations.

1.2c(2). Areas for organizational involvement in supporting your key communities might include areas that leverage your core competencies.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

2 Strategy (85 pts.)

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

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

PROCESS

a. Strategy Development PROCESS

(1) Strategic Planning PROCESS **HOW do you conduct your strategic planning?** What are the KEY PROCESS steps? Who are the KEY participants? What are your short- and longer-term planning horizons? HOW are they addressed in the planning PROCESS? HOW does your strategic planning PROCESS address the potential need for transformational change, prioritization of change initiatives, and organizational agility?

(2) INNOVATION **HOW does your strategy development PROCESS stimulate and incorporate INNOVATION?** HOW do you identify STRATEGIC OPPORTUNITIES? HOW do you decide which STRATEGIC OPPORTUNITIES are INTELLIGENT RISKS to pursue? What are your KEY STRATEGIC OPPORTUNITIES?

(3) Strategy Considerations **HOW do you collect and analyze relevant data and develop information for use in your strategic planning PROCESS?** In this collection and ANALYSIS, HOW do you include these KEY elements of risk?

- Your STRATEGIC CHALLENGES and STRATEGIC ADVANTAGES
- Potential changes in your regulatory and external environment
- Potential blind spots in your strategic planning PROCESS and information
- Your ability to execute the strategic plan

(4) WORK SYSTEMS and CORE COMPETENCIES **HOW do you decide which KEY PROCESSES will be accomplished by your WORKFORCE and which by external suppliers, PARTNERS, and COLLABORATORS?** HOW do those decisions consider your STRATEGIC OBJECTIVES, your CORE COMPETENCIES, and the CORE COMPETENCIES of potential suppliers, PARTNERS, and COLLABORATORS? HOW do you determine what future organizational CORE COMPETENCIES and WORK SYSTEMS you will need?

b. STRATEGIC OBJECTIVES

(1) KEY STRATEGIC OBJECTIVES **What are your organization's KEY STRATEGIC OBJECTIVES and timetable for achieving them?** What are your most important GOALS for these STRATEGIC OBJECTIVES? What KEY changes, if any, are planned in your products, CUSTOMERS and markets, suppliers and PARTNERS, and operations?

(2) STRATEGIC OBJECTIVE Considerations **HOW do your STRATEGIC OBJECTIVES achieve appropriate balance among varying and potentially competing organizational needs?** HOW do your STRATEGIC OBJECTIVES

- address your STRATEGIC CHALLENGES and leverage your CORE COMPETENCIES, STRATEGIC ADVANTAGES, and STRATEGIC OPPORTUNITIES;
- balance short- and longer-term planning horizons; and
- consider and balance the needs of all KEY STAKEHOLDERS?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

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

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

2.1. The term "strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products; redefinition of key customer groups or market segments; definition or redefinition of your role in your business ecosystem (your network of partners, suppliers, collaborators, competitors, customers, communities, and other relevant organizations inside and outside your sector or industry that serve as potential resources); differentiation of your brand; new core competencies; revenue growth; divestitures; mergers and acquisitions; new partnerships, alliances, or roles within them; and new employee or volunteer relationships. It might also be directed toward meeting a community or public need.

2.1a(1). Organizational agility refers to the capacity for rapid change in strategy and the ability to adjust your operations as opportunities or needs arise.

2.1a(3). Integration of data from all sources to generate strategically relevant information is a key consideration. Data and information might relate to customer and market requirements, expectations, opportunities, and risks; financial, societal, ethical, regulatory, technological, security and cybersecurity, and other potential opportunities and risks; your core competencies; the competitive environment and your performance now and in the future relative to competitors and comparable organizations; your product life cycle; technological and other key innovations or changes that might affect your products and services and the way you operate, as well as the rate of innovation; workforce and other resource needs; your ability to capitalize on diversity; opportunities to redirect resources to higher-priority products, services, or areas; your ability to prevent and respond to disasters and emergencies; changes in the local, national, or global economy; requirements for and strengths and weaknesses of your partners and supply network; changes in your parent organization; and other factors unique to your organization.

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

2.1a(4). Your work systems are the coordinated combination of internal work processes and external resources you need to develop and produce products, deliver them to your customers, and succeed in your marketplace. External resources might include partners, suppliers, collaborators, competitors, customers, and other entities or organizations that are part of your business ecosystem. Decisions about work systems involve protecting intellectual property, capitalizing on core competencies, and mitigating risk.

2.1b(1). Strategic objectives should focus on your specific challenges, advantages, and opportunities—those most important to your ongoing success and to strengthening your overall performance and your success now and in the future.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

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

PROCESS

a. ACTION PLAN Development and DEPLOYMENT

(1) **ACTION PLANS** **What are your KEY short- and longer-term ACTION PLANS?** What is their relationship to your STRATEGIC OBJECTIVES? HOW do you develop your ACTION PLANS?

(2) **ACTION PLAN Implementation** **HOW do you DEPLOY your ACTION PLANS?** HOW do you DEPLOY your ACTION PLANS to your WORKFORCE and to KEY suppliers, PARTNERS, and collaborators, as appropriate, to ensure that you achieve your KEY STRATEGIC OBJECTIVES? HOW do you ensure that you can sustain the KEY outcomes of your ACTION PLANS?

(3) **Resource Allocation** **HOW do you ensure that financial and other resources are available to support the achievement of your ACTION PLANS while you meet current obligations?** HOW do you allocate these resources to support the plans? HOW do you manage the risks associated with the plans to ensure your financial viability?

(4) **WORKFORCE Plans** **What are your KEY WORKFORCE plans to support your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?** HOW do the plans address potential impacts on your WORKFORCE members and any potential changes in WORKFORCE CAPABILITY and CAPACITY needs?

(5) **PERFORMANCE MEASURES** **What KEY PERFORMANCE MEASURES or INDICATORS do you use to track the achievement and EFFECTIVENESS of your ACTION PLANS?** HOW does your overall ACTION PLAN measurement system reinforce organizational ALIGNMENT?

(6) **PERFORMANCE PROJECTIONS** **For these KEY PERFORMANCE MEASURES or INDICATORS, what are your PERFORMANCE PROJECTIONS for your short- and longer-term planning horizons?** If there are gaps between your projected PERFORMANCE and that of your competitors or comparable organizations, HOW do you address them in your ACTION PLANS?

b. ACTION PLAN Modification

HOW do you recognize and respond when circumstances require a shift in ACTION PLANS and rapid execution of new plans?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

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

- Item 1.1: how your senior leaders set and communicate organizational direction
- Category 3: how you gather customer and market knowledge as input to your strategy and action plans and to use in deploying action plans
- Category 4: how you measure and analyze data and manage knowledge to support key information needs, support the development of strategy, provide an effective basis for performance measurements, and track progress on achieving strategic objectives and action plans
- Category 5: how you meet workforce capability and capacity needs, determine needs and design your workforce learning and development system, and implement workforce-related changes resulting from action plans
- Category 6: how you address changes to your work processes resulting from action plans
- Item 7.1: specific accomplishments relative to your organizational strategy and action plans
- Item 7.5: results for overall strategy and action plan achievement

2.2a(6). Projected performance might consider new ventures; organizational acquisitions or mergers; new value creation; market entry and shifts; new legislative mandates, legal requirements, or industry standards; and significant anticipated innovations in services and technology. Your process for projecting future performance should be reported in 4.1c(1).

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

3 Customers (85 pts.)

The **CUSTOMERS** category asks HOW your organization engages its CUSTOMERS for ongoing marketplace success, including HOW your organization listens to the VOICE OF THE CUSTOMER, serves and exceeds CUSTOMERS' expectations, and builds long-term CUSTOMER relationships.

3.1 Customer Expectations: How do you listen to your customers and determine products and services to meet their needs? (40 pts.)

a. CUSTOMER Listening

(1) Current CUSTOMERS **HOW do you listen to, interact with, and observe CUSTOMERS to obtain actionable information?** HOW do your listening methods vary for different CUSTOMERS, CUSTOMER groups, or market SEGMENTS? HOW do your listening methods vary across the CUSTOMER life cycle? HOW do you seek immediate and actionable feedback from CUSTOMERS on the quality of products, CUSTOMER support, and transactions?

(2) Potential CUSTOMERS **HOW do you listen to potential CUSTOMERS to obtain actionable information?** HOW do you listen to former CUSTOMERS, competitors' CUSTOMERS, and other potential CUSTOMERS to obtain actionable information on your products, CUSTOMER support, and transactions, as appropriate?

b. CUSTOMER Segmentation and Product Offerings

(1) CUSTOMER Segmentation **HOW do you determine your CUSTOMER groups and market SEGMENTS?** HOW do you

- use information on CUSTOMERS, markets, and product offerings to identify current and anticipate future CUSTOMER groups and market SEGMENTS; and
- determine which CUSTOMERS, CUSTOMER groups, and market SEGMENTS to emphasize and pursue for business growth?

(2) Product Offerings **HOW do you determine product offerings?** HOW do you

- determine CUSTOMER and market needs and requirements for product offerings and services;
- identify and adapt product offerings to meet the requirements and exceed the expectations of your CUSTOMER groups and market SEGMENTS; and
- identify and adapt product offerings to enter new markets, to attract new CUSTOMERS, and to create opportunities to expand relationships with current CUSTOMERS, as appropriate?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

3.1. Your results on performance relative to key product features should be reported in item 7.1.

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

3.1a(1). Your customer listening methods might include social media and web-based technologies. Listening through social media may include monitoring comments on social media outlets you moderate and on those you do not control.

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

3.1b(2). In identifying product offerings, you should consider all the important characteristics of products and services and their performance throughout their full life cycle and the full consumption chain. The focus should be on features that affect customers' preference for and loyalty to you and your brand—for example, features that differentiate your products due to their unique or innovative nature or that differentiate them from competing offerings or other organizations' services. Those latter features might include price, reliability, value, delivery, timeliness, product customization, ease of use, customer or technical support, and the sales relationship. Key features might also consider how transactions occur and factors such as emerging technology and the privacy and security of customer data.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

3.2 Customer Engagement: How do you build relationships with customers and determine satisfaction and engagement? (45 pts.)

PROCESS

a. CUSTOMER Relationships and Support

(1) Relationship Management **HOW do you build and manage CUSTOMER relationships?** HOW do you market, build, and manage relationships with CUSTOMERS to

- acquire CUSTOMERS and build market share;
- manage and enhance your brand image;
- retain CUSTOMERS, meet their requirements, and exceed their expectations in each stage of the CUSTOMER life cycle?

(2) CUSTOMER Access and Support **HOW do you enable CUSTOMERS to seek information and support?** HOW do you enable them to conduct business with you? What are your KEY means of CUSTOMER support and communication? HOW do they vary for different CUSTOMERS, CUSTOMER groups, or market SEGMENTS, as appropriate? HOW do you

- determine your CUSTOMERS' KEY support requirements, and
- DEPLOY these requirements to all people and PROCESSES involved in CUSTOMER support?

(3) Complaint Management **HOW do you manage CUSTOMER complaints?** HOW do you resolve complaints promptly and EFFECTIVELY? HOW does your management of complaints enable you to recover your CUSTOMERS' confidence, enhance their satisfaction and ENGAGEMENT, and avoid similar complaints in the future?

b. Determination of CUSTOMER Satisfaction and ENGAGEMENT

(1) Satisfaction, Dissatisfaction, and ENGAGEMENT **HOW do you determine CUSTOMER satisfaction, dissatisfaction, and ENGAGEMENT?** HOW do your determination methods differ among your CUSTOMER groups and market SEGMENTS, as appropriate? HOW do your measurements capture actionable information?

(2) Satisfaction Relative to Other Organizations **HOW do you obtain information on CUSTOMERS' satisfaction with your organization relative to other organizations?** HOW do you obtain information on your CUSTOMERS' satisfaction

- relative to their satisfaction with your competitors; and
- relative to the satisfaction of CUSTOMERS of other organizations that provide similar PRODUCTS or to industry BENCHMARKS, as appropriate?

c. Use of VOICE-OF-THE-CUSTOMER and Market Data

HOW do you use VOICE-OF-THE-CUSTOMER and market data and information? HOW do you use VOICE-OF-THE-CUSTOMER and market data and information to build a more CUSTOMER-focused culture and support operational decision making?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

3.2. Results for customer perceptions and actions (outcomes) should be reported in item 7.2.

3.2b(1). Determining customer dissatisfaction should be seen as more than reviewing low customer satisfaction scores. It should be independently determined to identify root causes and enable a systematic remedy to avoid future dissatisfaction.

3.2b(2). Information on relative satisfaction may include comparisons with competitors, comparisons with other organizations that deliver similar products in a noncompetitive marketplace, or comparisons obtained through trade or other organizations. Such information may also include information on why customers choose your competitors over you.

3.2c. Customer data and information should be used to support the overall performance reviews addressed in 4.1b. Voice-of-the-customer and market data and information to use might include aggregated data on complaints and, as appropriate, data and information from social media.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

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

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

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

PROCESS

a. PERFORMANCE Measurement

(1) PERFORMANCE MEASURES **HOW do you track data and information on daily operations and overall organizational PERFORMANCE?** HOW do you

- select, collect, align, and integrate data and information to use in tracking daily operations and overall organizational PERFORMANCE; and
- track progress on achieving STRATEGIC OBJECTIVES and ACTION PLANS?

What are your KEY organizational PERFORMANCE MEASURES, including KEY short- and longer-term financial MEASURES? How frequently do you track these MEASURES?

(2) Comparative Data **HOW do you select comparative data and information to support fact-based decision making?**

(3) Measurement Agility **HOW do you ensure that your PERFORMANCE measurement system can respond to rapid or unexpected organizational or external changes and provide timely data?**

b. PERFORMANCE ANALYSIS and Review

HOW do you review your organization's PERFORMANCE and capabilities? HOW do you use your KEY organizational PERFORMANCE MEASURES, as well as comparative data, in these reviews? What ANALYSES do you perform to support these reviews and ensure that conclusions are valid? HOW do your organization and its SENIOR LEADERS use these reviews to

- assess organizational success, competitive PERFORMANCE, financial health, and progress on achieving your STRATEGIC OBJECTIVES and ACTION PLANS; and
- respond rapidly to changing organizational needs and challenges in your operating environment?

HOW does your GOVERNANCE board review the organization's PERFORMANCE and its progress on STRATEGIC OBJECTIVES and ACTION PLANS, if appropriate?

c. PERFORMANCE Improvement

(1) Future PERFORMANCE **HOW do you project your organization's future PERFORMANCE?** HOW do you use findings from PERFORMANCE reviews and KEY comparative and competitive data in your PROJECTIONS?

(2) Continuous Improvement and INNOVATION **HOW do you use findings from PERFORMANCE reviews to develop priorities for continuous improvement and opportunities for INNOVATION?** HOW do you DEPLOY these priorities and opportunities

- to work group and functional-level operations; and
- when appropriate, to your suppliers, PARTNERS, and COLLABORATORS to ensure organizational ALIGNMENT?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

4.1. The questions in this item are closely linked to each other and to other Criteria items. The following are examples of key linkages:

- Your organizational performance measurement (4.1a)—including the comparative data and information you select, and the performance measures reported throughout your Criteria item responses—should inform your organizational performance reviews (4.1b).
- Organizational performance reviews (4.1b) should reflect your strategic objectives and action plans (category 2), and the results of organizational performance analysis and review should inform your strategy development and implementation, and

your priorities for improvement and opportunities for innovation (4.1c).

- Your performance projections for your key action plans should be reported in 2.2a(6).
- Your organizational performance results should be reported in items 7.1–7.5.

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

4.1a(2). The comparative data and information you select should be used to support operational and strategic decision making. Comparative data and information are obtained by benchmarking and by seeking competitive comparisons. Benchmarking is identifying processes and results that represent best practices and performance for similar activities, inside or outside your industry. Competitive comparisons relate your performance to that of competitors and other organizations providing similar products and services.

4.1a(3). Agility in your measurement system might be needed in response to regulatory changes, other changes in the political environment, innovations in organizational processes or business models, new competitor offerings, or productivity enhancements. Responses to such changes might involve, for example, adopting different performance measures or adjusting the intervals between measurements.

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

4.1b. Rapid response to changing organizational needs and challenges may include responding to the need for transformational change in your organizational structure and work systems.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

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

a. Data and Information

(1) Quality **HOW do you verify and ensure the quality of organizational data and information?** HOW do you manage electronic and other data and information to ensure their accuracy and validity, integrity and reliability, and currency?

(2) Availability **HOW do you ensure the availability of organizational data and information?** HOW do you make needed data and information available in a user-friendly format and timely manner to your WORKFORCE, suppliers, PARTNERS, COLLABORATORS, and CUSTOMERS, as appropriate? HOW do you ensure that your information technology systems are reliable and user-friendly?

b. Organizational Knowledge

(1) Knowledge Management **HOW do you build and manage organizational KNOWLEDGE?** HOW do you

- collect and transfer WORKFORCE knowledge;
- blend and correlate data from different sources to build new knowledge;
- transfer relevant knowledge from and to CUSTOMERS, suppliers, PARTNERS, and COLLABORATORS; and
- assemble and transfer relevant knowledge for use in your INNOVATION and strategic planning PROCESSES?

(2) Best Practices **HOW do you share best practices in your organization?** HOW do you identify internal and external organizational units or operations that are HIGH PERFORMING? HOW do you identify best practices for sharing and implement them across your organization, as appropriate?

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

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

PROCESS

Notes

4.2a(2). Information technology systems include, for example, physical devices and systems (hardware); software platforms and applications; and externally based information systems, such as those stored in the cloud or outside your organization's control.

4.2a(2). The security of your information technology systems is not addressed in this item. You should address this as part of your overall security and cybersecurity management in item 6.2.

4.2b(1). Blending and correlating data from different sources may involve handling big data sets and disparate types of data and information, such as data tables, video, and text, and may involve data analytics and data science techniques. Organizational knowledge constructed from these data may be speculative and may reveal sensitive information about organizations or individuals that must be protected from use for any other purposes.

4.2b(3). Embedding learning in the way your organization operates means that learning (1) is a part of everyday work; (2) results in solving problems at their source; (3) is focused on building and sharing knowledge throughout your organization; and (4) is driven by opportunities to bring about significant, meaningful change and to innovate.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

5 Workforce (85 pts.)

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

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

PROCESS

a. WORKFORCE CAPABILITY and CAPACITY

(1) CAPABILITY and CAPACITY Needs **HOW do you assess your WORKFORCE CAPABILITY and CAPACITY needs?** HOW do you assess the skills, competencies, certifications, and staffing levels you need?

(2) New WORKFORCE Members **HOW do you recruit, hire, and onboard new WORKFORCE members?** HOW do you ensure that your WORKFORCE represents the diverse ideas, cultures, and thinking of your hiring and CUSTOMER communities? HOW do you ensure the fit of new WORKFORCE members with your organizational culture?

(3) WORKFORCE Change Management **HOW do you prepare your WORKFORCE for changing CAPABILITY and CAPACITY needs?** HOW do you

- balance the needs of your WORKFORCE and your organization to ensure continuity, prevent WORKFORCE reductions, and minimize the impact of any necessary reductions;
- prepare for and manage any periods of WORKFORCE growth; and
- prepare your WORKFORCE for changes in organizational structure and WORK SYSTEMS, when needed?

(4) Work Accomplishment **HOW do you organize and manage your WORKFORCE?** HOW do you organize and manage your WORKFORCE to

- accomplish your organization's work,
- capitalize on your organization's CORE COMPETENCIES,
- reinforce a CUSTOMER and business focus, and
- exceed PERFORMANCE expectations?

b. WORKFORCE Climate

(1) Workplace Environment **HOW do you ensure workplace health, security, and accessibility for the WORKFORCE?** What are your PERFORMANCE MEASURES and improvement GOALS for your workplace environmental factors?

(2) WORKFORCE Benefits and Policies **HOW do you support your WORKFORCE via services, benefits, and policies?** HOW do you tailor these to the needs of a diverse WORKFORCE and different WORKFORCE groups and SEGMENTS?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

5. Results related to workforce environment and engagement should be reported in item 7.3. People supervised by a contractor should be addressed in categories 2 and 6 as part of your larger work system strategy and your internal work processes. For organizations that also rely on volunteers, workforce includes these volunteers.

5.1a(1). Your assessment of workforce capability and capacity needs should consider not only current needs, but also future requirements based on the strategic objectives and action plans you identify in category 2 and the future performance you discuss in 4.1c(1).

5.1a(3). Preparing your workforce for changing capability and capacity needs might include training, education, frequent communication, consideration of workforce employment and employability, career counseling, and outplacement and other services.

5.1a(3), 5.1a(4). Organizing and managing your workforce may involve organizing the workforce for change as you address changes in technology, your external environment, culture, or strategic objectives.

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

5.1b(1). If workplace environmental factors and their performance measures or targets differ significantly for your different workplace environments, you should include these differences in your response. You should address workplace safety in item 6.2 as part of your overall safety system.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

5.2 Workforce Engagement: How do you engage your workforce for retention and high performance? (45 pts.)

PROCESS

a. Assessment of WORKFORCE ENGAGEMENT

(1) Drivers of ENGAGEMENT **HOW do you determine the KEY drivers of WORKFORCE ENGAGEMENT?** HOW do you determine these drivers for different WORKFORCE groups and SEGMENTS?

(2) Assessment of ENGAGEMENT **HOW do you assess WORKFORCE ENGAGEMENT?** What formal and informal assessment methods and MEASURES do you use to determine WORKFORCE satisfaction and WORKFORCE ENGAGEMENT? HOW do these methods and MEASURES differ across WORKFORCE groups and SEGMENTS? HOW do you also use other INDICATORS to assess and improve WORKFORCE ENGAGEMENT?

b. Organizational Culture **HOW do you foster an organizational culture that is characterized by open communication, HIGH PERFORMANCE, and an engaged WORKFORCE?** HOW do you reinforce your organizational culture? HOW do you ensure that your organizational culture supports your VISION and VALUES, and benefits from the diverse ideas, cultures, and thinking of your WORKFORCE? HOW do you EMPOWER your WORKFORCE?

c. PERFORMANCE Management and Development

(1) PERFORMANCE Management **HOW does your WORKFORCE PERFORMANCE management system support HIGH PERFORMANCE?** HOW does it consider WORKFORCE compensation, reward, recognition, and incentive practices? HOW does it reinforce INTELLIGENT RISK taking, a CUSTOMER and business focus, and achievement of your ACTION PLANS?

(2) PERFORMANCE Development **HOW does your LEARNING and development system support the personal development of WORKFORCE members and your organization's needs?** HOW does it consider the LEARNING and development desires of WORKFORCE members, support organizational PERFORMANCE improvement and INTELLIGENT RISK taking, and support ethics and ethical business practices?

(3) LEARNING and Development EFFECTIVENESS **HOW do you evaluate the EFFECTIVENESS and efficiency of your LEARNING and development system?** HOW do you

- correlate LEARNING and development outcomes with findings from your assessment of WORKFORCE ENGAGEMENT and with KEY business RESULTS, and
- use these correlations to identify opportunities for improvement both in WORKFORCE ENGAGEMENT and in LEARNING and development offerings?

(4) Career Development **HOW do you manage career development for your WORKFORCE and your future leaders?** HOW do you carry out succession planning for management, leadership, and other KEY positions?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

5.2a(1). Drivers of workforce engagement (identified in P.1a[3]) refer to the drivers of workforce members' commitment, both emotional and intellectual, to accomplishing the organization's work, mission, and vision.

5.2a(2). Other indicators to use in assessing and improving workforce engagement might include workforce retention, absenteeism, grievances, safety, and productivity.

5.2c(1). *In some government organizations, compensation systems are set by law or regulation; therefore, reward and recognition systems must use other options.*

5.2c(2). Your response should include how you address any considerations for workforce development, learning, and career progression that are unique to your organization. These might include development opportunities that address your organization's core competencies, strategic challenges, and action plans; organizational change and innovation; improvements in customer focus; and the reinforcement of new knowledge and skills on the job. Your response should also consider the breadth of development opportunities you might offer, including education, training, coaching, mentoring, and work-related experiences.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

6 Operations (85 pts.)

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

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

a. Product and PROCESS Design

(1) Determination of Product and PROCESS Requirements **HOW do you determine KEY product and WORK PROCESS requirements?**

(2) KEY WORK PROCESSES **What are your organization's KEY WORK PROCESSES?** What are the KEY requirements for these WORK PROCESSES?

(3) Design Concepts **HOW do you design your products and WORK PROCESSES to meet requirements?** HOW do you incorporate new technology, organizational knowledge, product excellence, CUSTOMER VALUE, consideration of risk, and the potential need for agility into these products and PROCESSES?

b. PROCESS Management and Improvement

(1) PROCESS Implementation **HOW does your day-to-day operation of WORK PROCESSES ensure that they meet KEY PROCESS requirements?** What KEY PERFORMANCE MEASURES or INDICATORS and in-process MEASURES do you use to control and improve your WORK PROCESSES? HOW do these MEASURES relate to end-product quality and PERFORMANCE MEASURES?

(2) Support PROCESSES **HOW do you determine your KEY support PROCESSES**? What are your KEY support PROCESSES? HOW does your day-to-day operation of these PROCESSES ensure that they meet KEY business requirements?

(3) Product and PROCESS Improvement **HOW do you improve your WORK PROCESSES and support PROCESSES to improve products and PROCESS PERFORMANCE, enhance your CORE COMPETENCIES, and reduce variability?**

c. Supply-Network Management

HOW do you manage your supply network? HOW do you select suppliers that are qualified and positioned to meet your operational needs, enhance your PERFORMANCE, support your STRATEGIC OBJECTIVES, and enhance your CUSTOMERS' satisfaction? HOW do you

- promote ALIGNMENT and collaboration within your supply network;
- ensure supply-network agility in responding to changes in CUSTOMER, market, and organizational requirements; and
- communicate PERFORMANCE expectations, measure and evaluate suppliers' PERFORMANCE, provide feedback to help them improve, and deal with poorly performing suppliers?

d. INNOVATION Management

HOW do you pursue your opportunities for INNOVATION? HOW do you pursue the STRATEGIC OPPORTUNITIES that you determine are INTELLIGENT RISKS? HOW do you make financial and other resources available to pursue these opportunities? HOW do you decide to discontinue pursuing opportunities at the appropriate time?

PROCESS

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

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

6.1a(3). Process design also includes the need to extensively redesign a process due to changes in requirements or other factors. Agility may be needed when work processes need to change as a result of overall work system changes, such as bringing a supply-network product or process in-house to avoid disruptions in supply due to unpredictable external events, or outsourcing a product or process formerly carried out in-house.

6.1b(2). Your key support processes should support your value-creation processes. They might include processes that support leaders and other workforce members engaged in, for example, product design and delivery, customer interactions, and business and enterprise management. Examples might include accounting and purchasing.

6.1b(3). Your approaches to improve process performance and reduce variability should be part of the performance improvement system you describe in P.2c in the Organizational Profile.

6.1c. To ensure that suppliers are positioned to meet operational needs and enhance your performance and your customers' satisfaction, you might partner with suppliers or form alliances among multiple organizations within the supply network for mutual benefit. Communication of expectations and feedback to suppliers should be two-way, allowing suppliers to express what they need from you and other organizations within the supply network. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

6.1d. Your process for managing opportunities for innovation should capitalize on strategic opportunities identified in 2.1a(2).

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

6.2 Operational Effectiveness: How do you ensure effective management of your operations? (40 pts.)

a. PROCESS Efficiency and EFFECTIVENESS

HOW do you manage the cost, efficiency, and EFFECTIVENESS of your operations? HOW do you

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

b. Security and Cybersecurity

HOW do you ensure the security and cybersecurity of sensitive or privileged data and information and of KEY assets? HOW do you manage physical and electronic data, information, and KEY operational systems to ensure confidentiality and only appropriate physical and electronic access? HOW do you

- maintain your awareness of emerging security and cybersecurity threats;
- ensure that your WORKFORCE, CUSTOMERS, PARTNERS, and suppliers understand and fulfill their security and cybersecurity roles and responsibilities;
- identify and prioritize KEY information technology and operational systems to secure; and
- protect these systems from potential cybersecurity events, detect cybersecurity events, and respond to and recover from cybersecurity incidents?

c. Safety and Emergency Preparedness

(1) Safety **HOW do you provide a safe operating environment?** HOW does your safety system address accident prevention, inspection, root-cause ANALYSIS of failures, and recovery?

(2) Business Continuity **HOW do you ensure that your organization is prepared for disasters or emergencies?** HOW does your disaster and emergency preparedness system consider prevention, continuity of operations, and recovery? HOW does your disaster and emergency preparedness system take into account your reliance on your WORKFORCE, supply network, and PARTNERS? HOW do you ensure that your information technology systems continue to be secure and available to serve CUSTOMERS and meet business needs?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

6.2b. For examples of what your information technology systems might include, see the note to 4.2a(2).

6.2b. Managing cybersecurity includes protecting against the loss of sensitive information about employees, customers, and organizations; protecting assets, including intellectual property; and protecting against the financial, legal, and reputational aspects of breaches. There are many sources for general and industry-specific cybersecurity standards and practices. Many are referenced in the *Framework for Improving Critical Infrastructure Cybersecurity* (https://www.nist.gov/cyberframework). The *Baldrige Cybersecurity Excellence Builder* (https://www.nist.gov/baldrige/products-services) is a self-assessment tool incorporating the concepts of the Cybersecurity Framework and the Baldrige systems perspective.

6.2c(2). Disasters and emergencies might be related to weather, climate, utilities, security, or a local or national emergency. The extent to which you prepare for disasters or emergencies will depend on your organization's environment and its sensitivity to disruptions of operations. Acceptable levels of risk will vary depending on the nature of your products, services, supply network, and stakeholder needs and expectations.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

7 Results (450 pts.)

The **RESULTS** category asks about your organization's PERFORMANCE and improvement in all KEY areas—product and PROCESS RESULTS; CUSTOMER RESULTS; WORKFORCE RESULTS; leadership and GOVERNANCE RESULTS; and financial, market, and strategy RESULTS.

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

a. CUSTOMER-Focused Product and Service RESULTS

What are your RESULTS for your products and your CUSTOMER service PROCESSES? What are your RESULTS for KEY MEASURES or INDICATORS of the PERFORMANCE of products and services that are important to and directly serve your CUSTOMERS? How do these RESULTS differ by product offerings, CUSTOMER groups, and market SEGMENTS, as appropriate?

b. WORK PROCESS EFFECTIVENESS RESULTS

(1) PROCESS EFFECTIVENESS and Efficiency **What are your PROCESS EFFECTIVENESS and efficiency results?** What are your RESULTS for KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY WORK and support PROCESSES, including PRODUCTIVITY, CYCLE TIME, and other appropriate MEASURES of PROCESS EFFECTIVENESS, efficiency, security and cybersecurity, and INNOVATION? How do these RESULTS differ by PROCESS types, as appropriate?

(2) Safety and Emergency Preparedness **What are your safety and emergency preparedness RESULTS?** What are your RESULTS for KEY MEASURES or INDICATORS of the EFFECTIVENESS of your organization's safety system and its preparedness for disasters or emergencies? How do these RESULTS differ by location or PROCESS type, as appropriate?

c. Supply-Network Management RESULTS

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

RESULTS

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

7. There is not a one-to-one correspondence between results items and Criteria categories 1–6. Results should be considered systemically, with contributions to individual results items frequently stemming from processes in more than one Criteria category.

The Baldrige scoring system (pages 29–34) asks for current, trended, comparative, and segmented data, as appropriate, to provide key information for analyzing and reviewing your organizational performance (item 4.1), to demonstrate use of organizational knowledge (item 4.2), and to provide the operational basis for customer-focused results (item 7.2) and financial, market, and strategy results (item 7.5).

In a few areas, your results may be qualitative in nature or not amenable to trending over time. Some examples are results for governance accountability, training hours for suppliers on new products or processes, and results for limited or one-time projects or processes.

Comparative data and information are obtained by benchmarking (inside and outside your industry, as appropriate) and by seeking competitive comparisons. In a few cases, such as results for projects or processes that are unique to your organization, comparative data may not be available or appropriate.

7.1a. Results for your products and customer service processes should relate to the key customer requirements and expectations you identify in P.1b(2), which are based on information gathered through processes you describe in category 3. The measures or indicators should address factors that affect customer preference, such as those listed in the notes to P.1b(2) and 3.1b.

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

7.1b. Results should address the key operational requirements you identify in the Organizational Profile and in category 6.

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

7.1c. Appropriate measures and indicators of supply-network performance might include supplier and partner audits; just-in-time delivery; and acceptance results for externally provided products, services, and processes. Measures and indicators of contributions to enhancing your performance might include those for improvements in subassembly performance and in supplier services to customers.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

7.2 Customer Results: What are your customer-focused performance results? (80 pts.)

RESULTS

a. CUSTOMER-Focused RESULTS

(1) CUSTOMER Satisfaction **What are your CUSTOMER satisfaction and dissatisfaction RESULTS?** What are your RESULTS for KEY MEASURES or INDICATORS of CUSTOMER satisfaction and dissatisfaction? How do these RESULTS differ by product offerings, CUSTOMER groups, and market SEGMENTS, as appropriate?

(2) CUSTOMER ENGAGEMENT **What are your CUSTOMER ENGAGEMENT RESULTS?** What are your RESULTS for KEY MEASURES or INDICATORS of CUSTOMER ENGAGEMENT, including those for building CUSTOMER relationships? How do these RESULTS compare over the course of your CUSTOMER life cycle, as appropriate? How do these RESULTS differ by product offerings, CUSTOMER groups, and market SEGMENTS, as appropriate?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Note

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

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

7.3 Workforce Results: What are your workforce-focused performance results? (80 pts.)

a. WORKFORCE-Focused RESULTS

(1) WORKFORCE CAPABILITY and CAPACITY What are your WORKFORCE CAPABILITY and CAPACITY RESULTS? What are your RESULTS for KEY MEASURES of WORKFORCE CAPABILITY and CAPACITY, including appropriate skills and staffing levels? How do these RESULTS differ by the DIVERSITY of your WORKFORCE and by your WORKFORCE groups and SEGMENTS, as appropriate?

(2) WORKFORCE Climate What are your WORKFORCE climate RESULTS? What are your RESULTS for KEY MEASURES or INDICATORS of your WORKFORCE climate, including those for WORKFORCE health, security, accessibility, and services and benefits, as appropriate? How do these RESULTS differ by the DIVERSITY of your WORKFORCE and by your WORKFORCE groups and SEGMENTS, as appropriate?

(3) WORKFORCE ENGAGEMENT What are your WORKFORCE ENGAGEMENT RESULTS? What are your RESULTS for KEY MEASURES or INDICATORS of WORKFORCE satisfaction and WORKFORCE ENGAGEMENT? How do these RESULTS differ by the DIVERSITY of your WORKFORCE and by your WORKFORCE groups and SEGMENTS, as appropriate?

(4) WORKFORCE Development What are your WORKFORCE and leader development RESULTS? What are your RESULTS for KEY MEASURES or INDICATORS of WORKFORCE and leader development? How do these RESULTS differ by the DIVERSITY of your WORKFORCE and by your WORKFORCE groups and SEGMENTS, as appropriate?

RESULTS

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

7.3. Results reported in this item should relate to the processes, measures, and indicators you report in category 5. Your results should also respond to the key work process needs you report in category 6 and to the action plans and workforce plans you report in item 2.2. Organizations that rely on volunteers or interns should report results for them, as appropriate.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

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

a. Leadership, GOVERNANCE, and Societal Contribution RESULTS

(1) Leadership What are your RESULTS for SENIOR LEADERS' communication and engagement with the WORKFORCE, PARTNERS, and CUSTOMERS? What are your RESULTS for KEY MEASURES or INDICATORS of SENIOR LEADERS' communication and engagement with the WORKFORCE, PARTNERS, and CUSTOMERS to DEPLOY your VISION and VALUES, encourage two-way communication, and create a focus on action? How do these RESULTS differ by organizational units and CUSTOMER groups, as appropriate?

(2) GOVERNANCE What are your RESULTS for GOVERNANCE accountability? What are your RESULTS for KEY MEASURES or INDICATORS of GOVERNANCE and internal and external fiscal accountability, as appropriate?

(3) Law and Regulation What are your legal and regulatory RESULTS? What are your RESULTS for KEY MEASURES or INDICATORS of meeting and surpassing regulatory and legal requirements? How do these RESULTS differ by organizational units, as appropriate?

(4) Ethics What are your RESULTS for ETHICAL BEHAVIOR? What are your RESULTS for KEY MEASURES or INDICATORS of ETHICAL BEHAVIOR, breaches of ETHICAL BEHAVIOR, and STAKEHOLDER trust in your SENIOR LEADERS and GOVERNANCE? How do these RESULTS differ by organizational units, as appropriate?

(5) Society What are your RESULTS for societal well-being and support of your KEY communities? What are your RESULTS for KEY MEASURES or INDICATORS of your societal contributions and support of your KEY communities?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

7.4. Responses should relate to the communication processes you identify in item 1.1 and the governance, legal and regulatory, ethics, and societal contribution processes and measures you report in item 1.2. Workforce-related occupational safety and health results (e.g., OSHA-reportable incidents) should be reported in 7.1b(2) and 7.3a(2).

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

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

7.4a(5). Measures of contributions to societal well-being might include those for reduced energy consumption, the use of renewable energy resources and recycled water, reduction of your carbon footprint, waste reduction and utilization, alternative approaches to conserving resources (e.g., increased virtual meetings), and the global use of enlightened labor practices.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

7.5 Financial, Market, and Strategy Results: What are your results for financial viability and strategy implementation? (90 pts.)

RESULTS

a. Financial and Market RESULTS

(1) Financial PERFORMANCE **What are your financial PERFORMANCE RESULTS?** What are your RESULTS for KEY MEASURES or INDICATORS of financial PERFORMANCE, including aggregate MEASURES of financial return, financial viability, and budgetary PERFORMANCE, as appropriate? How do these RESULTS differ by market SEGMENTS and CUSTOMER groups, as appropriate?

(2) Marketplace PERFORMANCE **What are your marketplace PERFORMANCE RESULTS?** What are your RESULTS for KEY MEASURES or INDICATORS of marketplace PERFORMANCE, including market share or position, market and market share growth, and new markets entered, as appropriate? How do these RESULTS differ by market SEGMENTS and CUSTOMER groups, as appropriate?

b. Strategy Implementation RESULTS

What are your RESULTS for the achievement of your organizational strategy and ACTION PLANS? What are your RESULTS for KEY MEASURES or INDICATORS of the achievement of your organizational strategy and ACTION PLANS? What are your RESULTS for taking INTELLIGENT RISKS?

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Notes

7.5a. Results should relate to the financial measures you report in 4.1a(1) and the financial management approaches you report in item 2.2.

7.5a(1). Aggregate measures of financial return might include those for return on investment (ROI), operating margins, profitability, or profitability by market segment or customer group. Measures of financial viability might include those for liquidity, debt-to-equity ratio, days cash on hand, asset utilization, and cash flow. *For nonprofit (including government) organizations, measures of performance to budget might include additions to or subtractions from reserve funds; cost avoidance or savings; responses to budget decreases; lowering of costs to customers or return of funds as a result of increased efficiency; administrative expenditures as a percentage of budget; and the cost of fundraising versus funds raised.*

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

7.5b. Measures or indicators of strategy and action plan achievement should relate to the strategic objectives and goals you report in 2.1b(1), the elements of risk you report in 2.1a(3), and the action plan performance measures and projected performance you report in 2.2a(5) and 2.2a(6), respectively.

For additional guidance on this item, see the Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary).

Scoring System

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

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

- The key business factors presented in the Organizational Profile
- The maturity and appropriateness of the approaches, the breadth of their deployment, and the strengths of the learning and improvement process
- The level of performance and how results compare to those of other, relevant organizations or benchmarks

Scoring Dimensions

Process

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

Approach comprises

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

Deployment is the extent to which

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

Learning comprises

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

See "From Fighting Fires to Innovation" on page 34, which illustrates a progression through the maturity levels for this scoring dimension.

Integration is the extent to which

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

In scoring process items, keep in mind that approach, deployment, learning, and integration are linked. Descriptions of approach should always indicate the deployment—consistent with the specific questions in the item and your organization. As processes mature, the description should also show cycles of learning (including innovation), as well as integration with other processes and work units (see "Steps toward Mature Processes," page 31).

Results

Results are the outputs and outcomes your organization achieves, which address the questions in category 7. The four factors used to evaluate results are *levels, trends, comparisons,* and *integration* (LeTCI). A score for a results item is based on a holistic assessment of your overall performance, taking into account the four results factors.

Levels are your current performance on a meaningful measurement scale.

Trends comprise your rate of performance improvement or continuation of good performance in areas of importance (i.e., the slope of data points over time).

Comparisons comprise your performance relative to that of other, appropriate organizations, such as competitors or organizations similar to yours, or benchmarks.

Integration is the extent to which your results measures (often through segmentation) address important performance requirements relating to customers, products, markets, processes, action plans, and organization-wide goals identified in your Organizational Profile and in process items.

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

"Importance" as a Scoring Consideration

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

How to Score an Item Response

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

Read the scoring guidelines (pages 32–33).

Choose the scoring range (e.g., 30–45%, 50–65%, or 70–85%) that is most descriptive of the organization's achievement level as presented in the item response.

Choose this range based on a holistic view of either the four process factors (ADLI) or the four results factors (LeTCI) in aggregate. In this holistic view, the scoring range to assign is the one that best reflects the applicant's response as a whole; do not tally or average independent assessments of each of the four factors. No one evaluation factor serves as a "gate" that keeps the score out of a higher range.

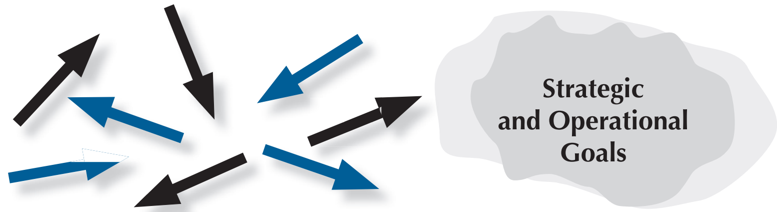
The "most descriptive" range is not necessarily a perfect fit. It often reflects some gaps between the response and the description of one or more of the factors in the chosen scoring range.

Read the next higher and the next lower scoring ranges. Assign a score (e.g., 75% or 80%) within the chosen range by evaluating whether the item response as a whole is closer to the statements in the next higher or the next lower scoring range.

Steps toward Mature Processes

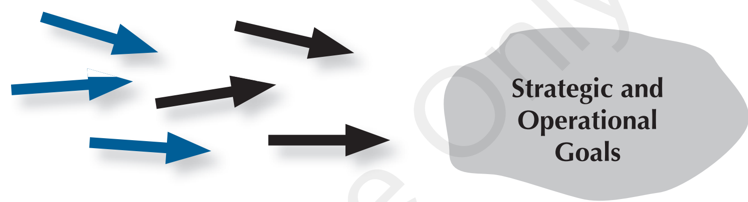
An Aid for Assessing and Scoring Process Items

Reacting to Problems
(0–25%)



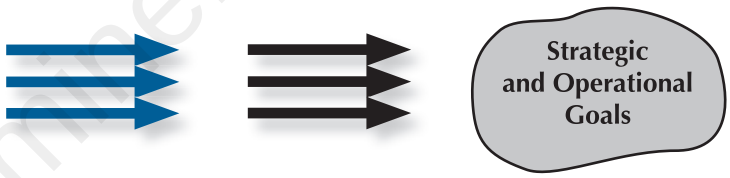
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

Early Systematic
Approaches
(30–45%)



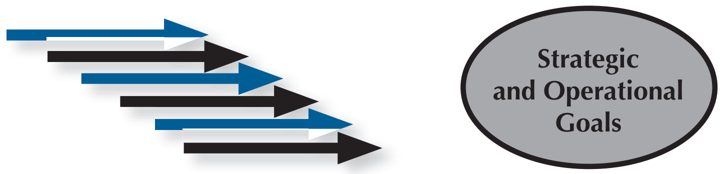
The organization is beginning to carry out operations with repeatable processes, evaluation, and improvement, and there is some early coordination among organizational units. Strategy and quantitative goals are being defined.

Aligned
Approaches
(50–65%)



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

Integrated
Approaches
(70–100%)



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

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

SCORE	DESCRIPTION
0% or 5%	• No SYSTEMATIC APPROACH to item questions is evident; information is ANECDOTAL. (A) • Little or no DEPLOYMENT of any SYSTEMATIC APPROACH is evident. (D) • An improvement orientation is not evident; improvement is achieved by reacting to problems. (L) • No organizational ALIGNMENT is evident; individual areas or work units operate independently. (I)
10%, 15%, 20%, or 25%	• The beginning of a SYSTEMATIC APPROACH to the BASIC QUESTION in the item is evident. (A) • The APPROACH is in the early stages of DEPLOYMENT in most areas or work units, inhibiting progress in achieving the BASIC QUESTION in the item. (D) • Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L) • The APPROACH is ALIGNED with other areas or work units largely through joint problem solving. (I)
30%, 35%, 40%, or 45%	• An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC QUESTION in the item, is evident. (A) • The APPROACH is DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D) • The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident. (L) • The APPROACH is in the early stages of ALIGNMENT with the basic organizational needs identified in response to the Organizational Profile and other process items. (I)
50%, 55%, 60%, or 65%	• An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL QUESTIONS in the item, is evident. (A) • The APPROACH is well DEPLOYED, although DEPLOYMENT may vary in some areas or work units. (D) • A fact-based, SYSTEMATIC evaluation and improvement PROCESS and some organizational LEARNING, including some INNOVATION, are in place for improving the efficiency and EFFECTIVENESS of KEY PROCESSES. (L) • The APPROACH is ALIGNED with your overall organizational needs as identified in response to the Organizational Profile and other process items. (I)
70%, 75%, 80%, or 85%	• An EFFECTIVE, SYSTEMATIC APPROACH, responsive to MULTIPLE QUESTIONS in the item, is evident. (A) • The APPROACH is well DEPLOYED, with no significant gaps. (D) • Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING, including INNOVATION, are KEY management tools; there is clear evidence of refinement as a result of organizational-level ANALYSIS and sharing. (L) • The APPROACH is INTEGRATED with your current and future organizational needs as identified in response to the Organizational Profile and other process items. (I)
90%, 95%, or 100%	• An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE QUESTIONS in the item, is evident. (A) • The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D) • Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING through INNOVATION are KEY organization-wide tools; refinement and INNOVATION, backed by ANALYSIS and sharing, are evident throughout the organization. (L) • The APPROACH is well INTEGRATED with your current and future organizational needs as identified in response to the Organizational Profile and other process items. (I)

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

Results Scoring Guidelines (For Use with Category 7)

SCORE	DESCRIPTION
0% or 5%	• There are no organizational PERFORMANCE RESULTS, or the RESULTS reported are poor. (Le) • TREND data either are not reported or show mainly adverse TRENDS. (T) • Comparative information is not reported. (C) • RESULTS are not reported for any areas of importance to the accomplishment of your organization's MISSION. (I)
10%, 15%, 20%, or 25%	• A few organizational PERFORMANCE RESULTS are reported, responsive to the BASIC QUESTION in the item, and early good PERFORMANCE LEVELS are evident. (Le) • Some TREND data are reported, with some adverse TRENDS evident. (T) • Little or no comparative information is reported. (C) • RESULTS are reported for a few areas of importance to the accomplishment of your organization's MISSION. (I)
30%, 35%, 40%, or 45%	• Good organizational PERFORMANCE LEVELS are reported, responsive to the BASIC QUESTION in the item. (Le) • Some TREND data are reported, and most of the TRENDS presented are beneficial. (T) • Early stages of obtaining comparative information are evident. (C) • RESULTS are reported for many areas of importance to the accomplishment of your organization's MISSION. (I)
50%, 55%, 60%, or 65%	• Good organizational PERFORMANCE LEVELS are reported, responsive to the OVERALL QUESTIONS in the item. (Le) • Beneficial TRENDS are evident in areas of importance to the accomplishment of your organization's MISSION. (T) • Some current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of good relative PERFORMANCE. (C) • Organizational PERFORMANCE RESULTS are reported for most KEY CUSTOMER, market, and PROCESS requirements. (I)
70%, 75%, 80%, or 85%	• Good-to-excellent organizational PERFORMANCE LEVELS are reported, responsive to MULTIPLE QUESTIONS in the item. (Le) • Beneficial TRENDS have been sustained over time in most areas of importance to the accomplishment of your organization's MISSION. (T) • Many to most TRENDS and current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of leadership and very good relative PERFORMANCE. (C) • Organizational PERFORMANCE RESULTS are reported for most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements. (I)
90%, 95%, or 100%	• Excellent organizational PERFORMANCE LEVELS are reported that are fully responsive to the MULTIPLE QUESTIONS in the item. (Le) • Beneficial TRENDS have been sustained over time in all areas of importance to the accomplishment of your organization's MISSION. (T) • Industry and BENCHMARK leadership is demonstrated in many areas. (C) • Organizational PERFORMANCE RESULTS and PROJECTIONS are reported for most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements. (I)

Terms in SMALL CAPS are defined in the Glossary of Key Terms (pages 46–53).

From Fighting Fires to Innovation: An Analogy for Learning

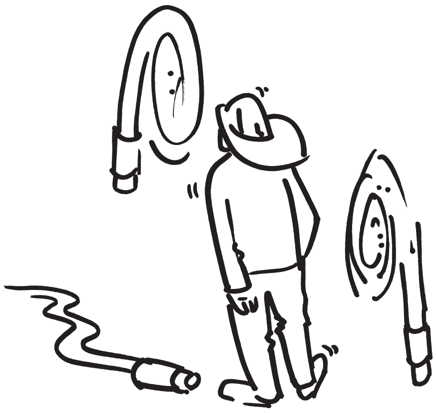
Learning is an essential attribute of high-performing organizations. Effective, well-deployed organizational learning can help an organization improve from the early stages of reacting to problems to the highest levels of organization-wide improvement, refinement, and innovation.

1

Reacting to the problem (0–5%)

Run with the hose and put out the fire.

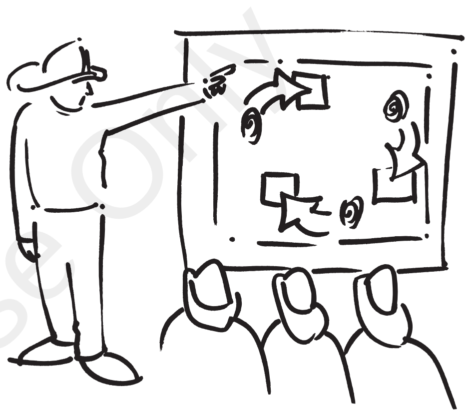
2



General improvement orientation (10–25%)

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

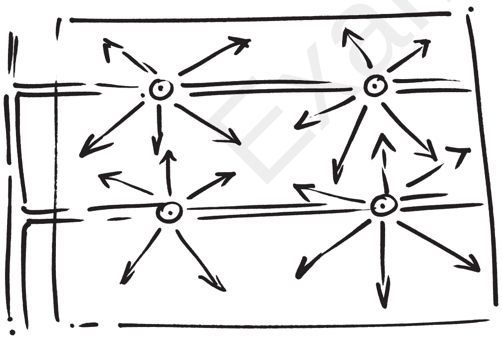
3



Systematic evaluation and improvement (30–45%)

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

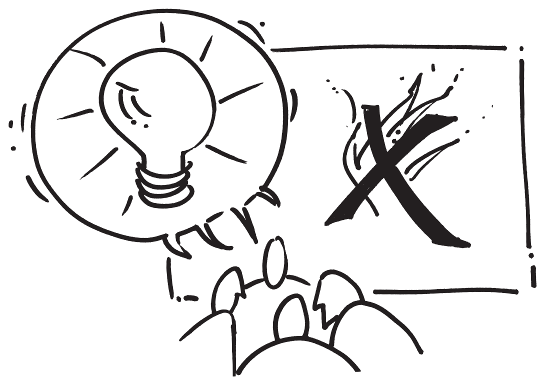
4



Learning and strategic improvement (50–65%)

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

5



Organizational analysis and innovation (70–100%)

Use fireproof and fire-retardant materials. Replace combustible liquids with water-based liquids. Prevention is the primary approach for protection, with sensors and sprinklers as the secondary line of protection. This approach has been shared with all facilities and is practiced in all locations.

How to Respond to the Criteria

These guidelines explain how to respond most effectively to the questions in the 17 process and results Criteria items. This information is intended mainly for applicants for Baldrige-based awards, but it is also useful to organizations that are using the Criteria for self-assessment. See also the Scoring System, including the scoring guidelines (pages 29–34), which describes how to assess responses and determine your organization's performance accomplishments.

First Steps

1. Learn about the Baldrige framework.

Become familiar with the following sections, which provide a full orientation to the Baldrige framework:

- Criteria for Performance Excellence (pages 4–28)
- Scoring System (pages 29–34)
- Glossary of Key Terms (pages 46–53)
- Criteria Commentary (https://www.nist.gov/baldrige/baldrige-criteria-commentary)

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

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

Some item questions include multiple parts. To respond fully, address all the questions, as missing information will be interpreted as a gap in your performance management system. Taken together, the multiple questions express the full meaning of the area to address. In responding, you may want to group responses to these questions in a way that is appropriate to your organization. You do not need to answer each question separately.

3. Review the scoring guidelines.

Consider both the Criteria and the scoring guidelines (pages 32–33) as you prepare your responses. In responding to the questions in the process items (categories 1–6), include information on the process evaluation factors in the scoring guidelines: the maturity of your approaches, the extent of their deployment, the extent of learning, and the extent of integration with other elements of your performance management system.

Similarly, in responding to the questions in the results items (category 7), include information on the results evaluation factors in the scoring guidelines: the actual performance levels, the significance of the results trends, relevant comparative data, integration with important elements of your performance management system, and the results of the improvement process. The "goodness" of your responses to the Criteria questions is determined through consideration of the evaluation dimensions (ADLI/LeTCI; see "Responding to Process Items" and "Responding to Results Items" below).

4. Understand the meaning of key terms.

Many terms in the Criteria and scoring guidelines have meanings that may differ somewhat from common meanings. When this is the case, the term is printed in SMALL CAPS and defined in the Glossary of Key Terms (pages 46–53). Understanding these terms can help you accurately self-assess your organization and communicate your processes and results to those reviewing your responses and planning your improvement efforts.

5. Start with the Organizational Profile.

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

Responding to Process Items

Although the Criteria focus on key organizational performance results, these results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than your competitors' or comparable organizations' results, you need to understand why this is so and what you might do to accelerate improvement.

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

1. Understand the meaning of *how*.

In responding to questions in process items that begin with *how*, give information on your key processes with regard to approach, deployment, learning, and integration (ADLI; see the Scoring System, page 29). Responses lacking such information, or merely providing an example, are referred to in the scoring guidelines as *anecdotal information*.

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

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

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

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

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

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

2. Understand the meaning of *what*.

What questions set the context for showing alignment and integration in your performance management system. For example, when you identify key strategic objectives, your action plans, some performance measures, and some results in category 7 are expected to relate to those strategic objectives.

Two types of questions in process items begin with *what*. The first requests basic information on key processes and how they work. The second asks you to report key findings, plans, objectives, goals, or measures.

Responding to Results Items

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

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

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

Report *performance levels* on a meaningful measurement scale.

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

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

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

Show *integration* by including all results that are important to your organization and segmenting them appropriately (e.g., by important customer, workforce, process, and product-line groups, usually outlined in the Organizational Profile).

Responding Efficiently

1. Cross-reference when appropriate.

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

2. Use a compact format.

To make the best use of space, use flowcharts, tables, and lists to present information concisely. Page limits for Baldrige Award and Baldrige-based award applications are designed to force your organization to consider what is most important in managing your enterprise and reporting your results.

3. Use graphs and tables.

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

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

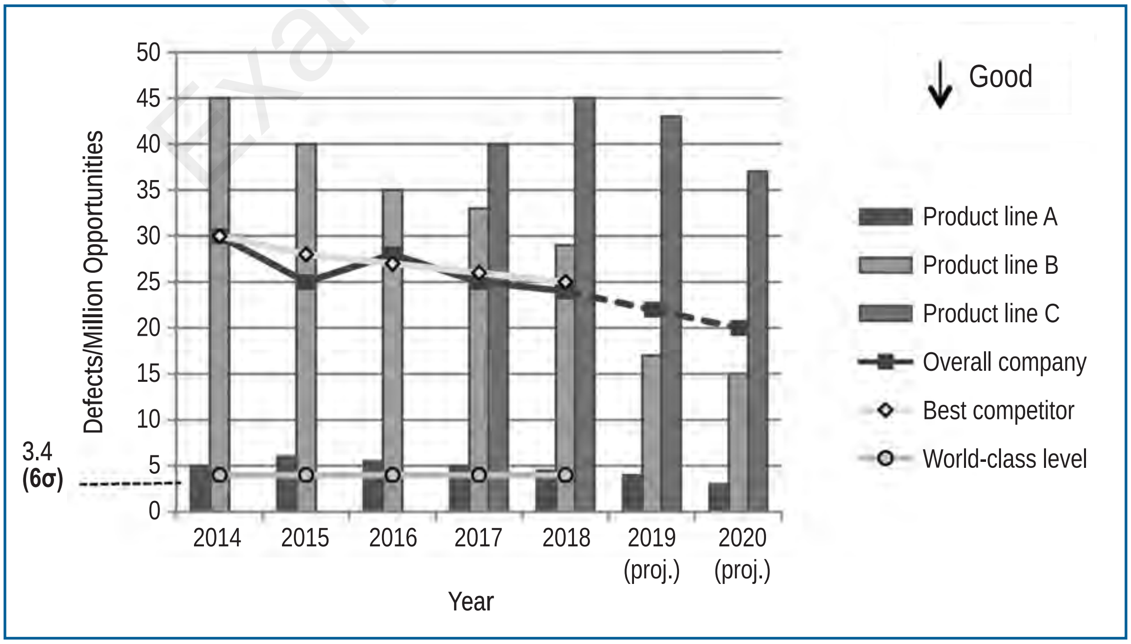
The graph illustrates a number of characteristics of clear and effective results reporting:

- Both axes and units of measure are clearly labeled.
- Levels and trends are reported for a key performance measure—defects per million opportunities.
- Results are presented for several years.
- An arrow indicates that a downward trend is good for this measure.
- Appropriate comparisons are shown clearly.
- In a single graph, the organization segments its results for its three product lines, showing that they are tracked separately.
- The organization projects improved performance, including discontinuous or breakthrough improvement in 2019 relative to prior performance for product line B. The text should explain this breakthrough change and might refer to critical learning from product line A as the basis for the projected change.

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

- The current overall organizational performance level is excellent. This conclusion is supported by company performance trends, the comparison with industry competitors, and a "world-class" level for product line A.
- The overall organization shows beneficial improvement trends sustained over time.
- Product line A is the current performance leader—showing sustained high performance (at approximately 5 defects per million) since 2015. Product line B shows rapid improvement. Its performance is close to that of the best industry competitor but trails product line A.
- Product line C—identified in the text as a new product—is having early problems with defects but is projecting a turnaround. (The organization should briefly explain these problems and the basis for the turnaround.)
- The organization has projected improvements in the defect rates of all its product lines. Product line C continues to lag behind the others; product line A is projected to meet its Six Sigma goals by 2020.

Figure 7.1-3 Defects per Million Opportunities



Core Values and Concepts

These beliefs and behaviors are embedded in high-performing organizations. They are the foundation for integrating key performance and operational requirements within a results-oriented framework that creates a basis for action, feedback, and ongoing success.

The Baldrige Criteria are built on the following set of interrelated core values and concepts:

- Systems perspective
- Visionary leadership
- Customer-focused excellence
- Valuing people
- Organizational learning and agility
- Focus on success
- Managing for innovation
- Management by fact
- Societal contributions
- Ethics and transparency
- Delivering value and results

Systems Perspective

A systems perspective means managing all the components of your organization as a unified whole to achieve your mission, ongoing success, and performance excellence. A systems perspective also means managing your organization within the context of an interconnected ecosystem of organizations that presents opportunities for new and possibly innovative relationships.

Successfully managing overall organizational performance requires realization of your organization as a system with interdependent operations. Organization-specific synthesis, alignment, and integration make the internal system successful. *Synthesis* means understanding your organization as a whole. It incorporates key business attributes, including your core competencies, strategic objectives, action plans, work systems, and workforce needs. *Alignment* means using key organizational linkages to ensure consistency of plans, processes, measures, and actions. *Integration* builds on alignment, so that the individual components of your performance management system operate in a fully interconnected, unified, and mutually beneficial manner to deliver anticipated results.

In addition, your organization exists within a business ecosystem—a network of organizations, including your partners, suppliers, collaborators, competitors, customers, communities, and other relevant organizations inside and outside your sector or industry. Within this larger system, roles between organizations may be fluid as opportunities arise and needs change. For your business ecosystem, *synthesis* means understanding your organization as part of a larger whole. It incorporates the key attributes that you contribute to and need from your partners, collaborators, competitors, customers, communities, and other relevant organizations.

These concepts are depicted in the Baldrige Criteria overview (page 1). When your organization takes a systems perspective, your senior leaders focus on strategic directions and customers. Your senior leaders monitor, respond to, and manage performance based on your results. With a systems perspective, you use your measures, indicators, core competencies, and organizational knowledge to build your key strategies, link these strategies with your work systems and key processes, manage risk, and align your resources to improve your overall performance and your focus on customers and stakeholders. The core values and concepts, the seven Criteria categories, and the scoring guidelines are the system's building blocks and integrating mechanism.

Visionary Leadership

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

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

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, providing a supportive environment for innovation, communicating, coaching and motivating the workforce, developing future leaders, reviewing organizational performance, and recognizing workforce members. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization. Senior leaders should demonstrate authenticity and admit to their missteps and opportunities for improvement.

Customer-Focused Excellence

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

Many factors may influence value and satisfaction over the course of your customers' experience with your organization. These factors include your organization's customer relationship management, which helps build trust, confidence, and loyalty.

Customer-focused excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, these factors contribute to your customers' view of your organization and thus are also important parts of customer-focused excellence. In addition, your success in recovering from defects, service errors, and mistakes is crucial for retaining customers and engaging them for the long term. The security and privacy of customer information are necessary attributes for customer retention.

A customer-focused organization addresses not only the product and service characteristics that meet basic customer requirements but also those unique features and characteristics that differentiate the organization from competitors. This differentiation may be based on innovative offerings, combinations of product and service offerings, price, customized offerings, multiple access and outward communication mechanisms, rapid response, or special relationships, such as participation in alliances or collaborative networks of organizations that drive efficiency, effectiveness, and innovation.

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

Valuing People

An organization's success depends on an engaged workforce that benefits from meaningful work, clear organizational direction, the opportunity to learn, and accountability for performance. That engaged workforce must also have a safe, trusting, and cooperative environment. The successful organization has a culture of inclusion that capitalizes on the diverse backgrounds and characteristics, knowledge, skills, creativity, and motivation of its workforce, partners, and collaborators. Such an organization values all people who have a stake in the organization, including customers, community members, stockholders, and other people affected by the organization's actions.

Valuing the people in your workforce means committing to their engagement, development, and well-being. Increasingly, this may involve offering flexible work practices that are tailored to varying workplace and life needs. Major challenges in valuing your workforce members include (1) demonstrating your leaders' commitment to their success, (2) providing motivation and recognition that go beyond the regular compensation system, (3) offering development and progression within your organization, (4) sharing your organization's knowledge so that your workforce can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages intelligent risk taking to achieve innovation, (6) developing a system of workforce and organizational accountability for performance, and (7) creating an inclusive environment for a diverse workforce.

The success of your workforce members—including your leaders—depends on their having opportunities to learn. This learning includes preparing people for future organizational core competencies. On-the-job training offers a cost-effective way to cross-train and to link training more closely to your organization's capacity needs and priorities. If your organization relies on volunteers, their personal development and learning are also important to consider.

To accomplish their overall goals, successful organizations build internal and external partnerships and multilateral alliances with people and with other organizations. Internal partnerships might include cooperation between labor and management. Forming internal partnerships might also involve creating network relationships among people across work units and locations or between employees and volunteers to improve flexibility, responsiveness, and knowledge sharing.

As products and services become more and more multidisciplinary, organizations may need new alliances, partnership arrangements, consortia, value networks, and business models to accomplish their goals. All of these arrangements can contribute to your organization's ongoing success.

Organizational Learning and Agility

Success in today's ever-changing, globally competitive environment demands continual organizational learning and agility. Agility requires a capacity for rapid change and for flexibility in operations. Organizations face ever-shorter cycles for introducing new or improved products and services, and nonprofit and government organizations are increasingly being asked to respond rapidly to new or emerging issues. Disruptive events are occurring more frequently, triggered by innovative technologies or product introductions, economic upheaval or stress, major weather events, or social or societal demands. Organizations must be capable of managing risk and making transformational changes on an ever-shorter cycle time. Major improvements in response times often require new work systems, the simplification of work processes, agile supplier and partner networks, or the ability for rapid changeover from one process or one location to another. A cross-trained and empowered workforce and effective management of up-to-date organizational knowledge are vital assets in such a demanding environment.

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

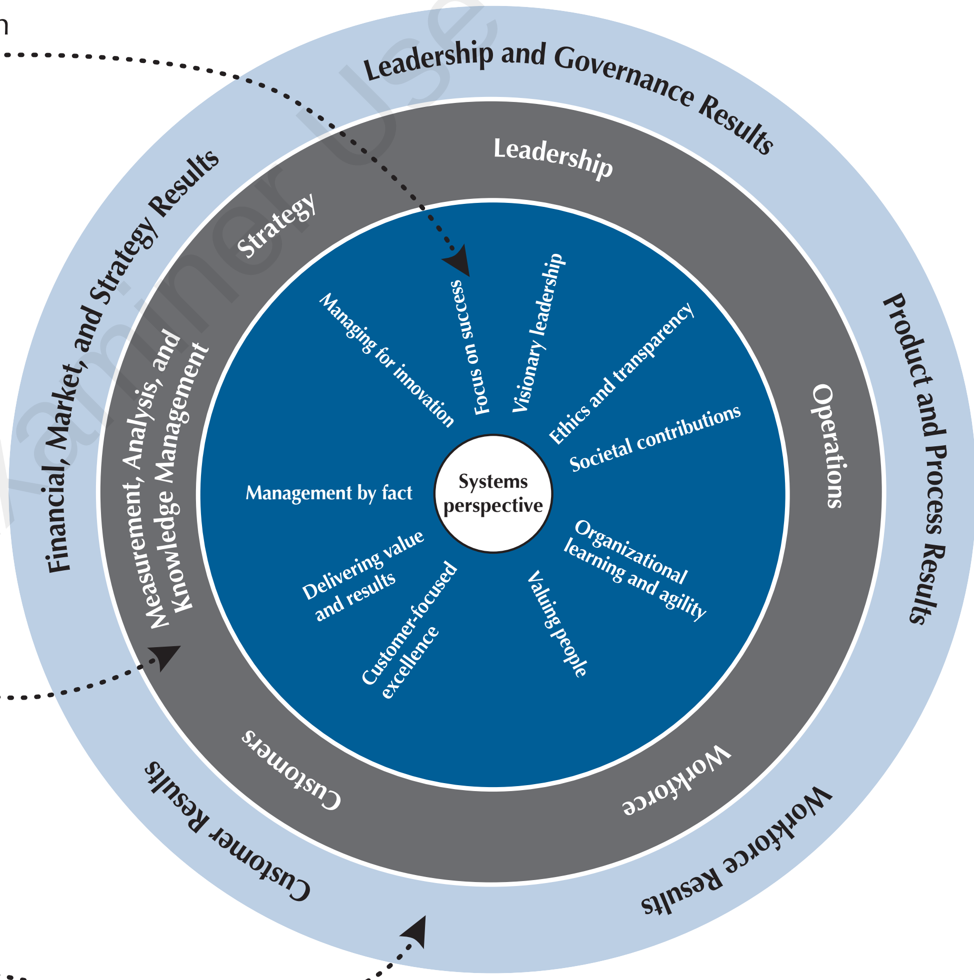
Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) results in solving problems at their source (root cause); (3) is focused on building and sharing knowledge throughout your organization; and (4) is driven by opportunities to effect significant, meaningful change and to innovate. Sources for learning include employees' and volunteers' ideas, research and development, customers' input, best-practice sharing, competitors' performance, and benchmarking.

The Role of Core Values and Concepts

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

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

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



Organizational learning can result in (1) enhanced value to customers through new and improved products and customer services; (2) the development of new business opportunities; (3) the development of new and improved processes or business models; (4) reduced errors, defects, waste, and related costs; (5) increased productivity and effectiveness in the use of all your resources; (6) enhanced performance in making societal contributions; and (7) greater agility in managing change and disruption.

A major success factor in meeting competitive challenges is design-to-introduction time (the time it takes to initiate a product or service feature) or innovation cycle time. To meet the demands of rapidly changing markets, your organization needs to carry out stage-to-stage integration of activities from research or concept to commercialization or implementation.

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

Organizational learning and agility can also be achieved through strategic partnerships or alliances, which might offer complementary core competencies that allow entry into new markets or a basis for new products or services. Partnerships and alliances might also permit you to address common issues by blending your organization's core competencies or leadership capabilities with other organizations' complementary strengths and capabilities, creating a new source of strategic advantage. The result may be broad, interdependent collaborative networks that include traditional partners and collaborators as well as competitors, customers, communities, and organizations outside the sector or industry.

Focus on Success

Ensuring your organization's success now and in the future requires an understanding of the short- and longer-term factors that affect your organization and its marketplace. Ensuring this ongoing success requires managing uncertainty in the environment, as well as balancing some stakeholders' short-term demands with the organization's and stakeholders' needs to invest in long-term success. The pursuit of sustained growth and performance leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, workforce, suppliers, partners, and stockholders; the public; and the community. It also requires the agility to modify plans, processes, and relationships when circumstances warrant.

Your organization's planning and resource allocation should anticipate many factors, such as customers' short- and long-term expectations; new business models; new collaboration and partnering opportunities; potential crises, including changing economic conditions; workforce capacity and capability needs; the competitive global marketplace; technological developments; security and cybersecurity risks; changes in customer and market segments; new business models; evolving regulatory requirements; changes in community and societal expectations and needs; and strategic moves by competitors. Your strategic objectives and resource allocations need to accommodate these influences. A focus on success includes developing your leaders, workforce, and suppliers; accomplishing effective succession planning; creating a supportive environment for taking intelligent risks and encouraging innovation; and anticipating areas for societal contributions and societal concerns.

Managing for Innovation

Innovation means making meaningful change to improve your organization's products, services, programs, processes, operations, and business model, with the purpose of creating new value for stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation requires a supportive environment, a process for identifying strategic opportunities, and the pursuit of intelligent risks. Innovation and incremental continuous improvement are different, but complementary, concepts. Successful organizations use both approaches to improve performance.

Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your operations and all work systems and work processes. Your organization should be led and managed so that identifying strategic opportunities and taking intelligent risks become part of the learning culture. Innovation should be integrated into daily work and be supported by your performance improvement system. Systematic processes for identifying strategic opportunities should reach across your entire organization and should explore strategic alliances with complementary organizations and with organizations that have historically not been a part of your collaborative network.

Innovation may arise from adapting innovations in other industries to achieve a breakthrough in your industry. It builds on the accumulated knowledge of your organization and its people and the innovations of partners, collaborators, competitors, customers, and other relevant organizations. It may involve collaboration among people who do not normally work together and are in different parts of the organization, as well as people in different organizations within a collaborative network. Therefore, the ability to rapidly disseminate and capitalize on new and accumulated knowledge is critical to driving organizational innovation.

Management by Fact

Management by fact requires you to measure and analyze your organization's performance, both inside the organization and in your competitive environment. Measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, results, outcomes, and competitor and industry performance. Organizations need many types of data and information to effectively manage their performance. Data and information may come in many forms, such as numerical, graphical, or qualitative, and from many sources, including internal processes, surveys, and the Internet (including social media). Performance measurement should include measurement of customer, product, and process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; governance and compliance results; and accomplishment of strategic objectives.

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

Analysis means extracting larger meaning from data and information to support evaluation, decision making, improvement, and innovation. It entails using data to determine trends, projections, and cause-and-effect relationships that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, comparing your performance with competitors' or with best-practice benchmarks, and managing change. To facilitate analysis, data may need to be aggregated from various sources. Data may also need to be segmented by, for example, markets, product lines, and workforce groups to gain deeper understanding.

Societal Contributions

Your organization's leaders should stress contributions to the public and the consideration of societal well-being and benefit. Leaders should be role models for your organization and its workforce in the protection of public health, safety, and the environment. This protection applies to any impact of your organization's operations, as well as the life cycles of your products. Also, your organization should emphasize resource conservation, recycling, and waste reduction at the source. Planning should anticipate adverse impacts from the production, distribution, transportation, use, and disposal of your products. Effective planning should reduce or prevent problems; provide for a forthright response if problems occur; and make available the information and support needed to maintain public awareness, safety, and confidence.

Your organization should meet all local, state, and federal laws and regulatory requirements and should also treat these and related requirements as opportunities to excel beyond minimal compliance. Considering societal well-being and benefit means leading and supporting—within the limits of your resources—the environmental, social, and economic systems in your organization's sphere of influence. Such leadership and support might include improving education, health care, and other services in your community; pursuing environmental excellence; being a role model for socially important issues; practicing resource conservation; reducing your carbon footprint; performing community service and charity; improving industry and business practices; and sharing nonproprietary information.

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

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

Ethics and Transparency

Your organization should stress ethical behavior in all stakeholder transactions and interactions. Your organization's governance body should require highly ethical conduct and monitor all conduct accordingly. Your senior leaders should be role models of ethical behavior and make their expectations of the workforce very clear.

Your organization's ethical principles are the foundation for your culture and values. They distinguish right from wrong. Clearly articulated ethical principles, along with your organizational values, empower your people to make effective decisions and may serve as boundary conditions for determining organizational norms and prohibitions.

Transparency is characterized by consistently candid and open communication, accountability, and the sharing of clear and accurate information by leadership and management. The benefits of transparency are manifold. Transparency is a key factor in workforce engagement and allows people to see why actions are being taken and how they can contribute. Transparency and accountability are also important in interactions with customers and other stakeholders, giving them a sense of involvement, engagement, and confidence in your organization.

Ethical behavior and transparency build trust in the organization and its leaders and engender a belief in the organization's fairness and integrity that is valued by all key stakeholders.

Delivering Value and Results

By delivering and balancing value for key stakeholders, your organization builds loyalty, contributes to growing the economy, and contributes to society. To meet the sometimes conflicting and changing aims that balancing value requires, your organizational strategy should explicitly include key stakeholder requirements. This will help ensure that plans and actions meet differing stakeholder needs and avoid adverse impacts on any stakeholders. A balanced composite of leading and lagging performance measures is an effective means to communicate short- and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.

Your organization's performance measurements need to focus on key results. Results should be used to deliver and balance value for your key stakeholders—your customers, workforce, stockholders, suppliers, partners, and collaborators; the public; and the community. Thus results need to be a composite of measures that include not just financial results, but also product and process results; customer and workforce satisfaction and engagement results; and leadership, strategy, and societal performance.

Changes from the 2017–2018 Baldrige Excellence Framework

Revisions have one overarching purpose: for the framework and the Criteria to reflect the leading edge of validated leadership and performance practice while ensuring that they are as concise and user-friendly as possible.

Over the more than 30 years since their creation, the Criteria for Performance Excellence have evolved along with the drivers of organizational competitiveness and long-term success. Through this gradual evolution, today the Baldrige Excellence Framework offers organizations of all kinds a nonprescriptive leadership and management guide that facilitates a systems approach to achieving organization-wide excellence.

As the Baldrige framework and the Criteria evolve, they must balance two important considerations. On the one hand, the Criteria need to reflect a national standard for performance excellence, educating organizations in all aspects of establishing an integrated performance management system. On the other hand, the Criteria need to be accessible and user-friendly for a variety of organizations at varying levels of maturity.

To strike this balance, changes reflected in the *2019–2020 Baldrige Excellence Framework* focus on raising organizations' awareness of business ecosystems, organizational culture, supply networks, and cybersecurity, and on making the Criteria more accessible from the users' perspective. For organizations that prefer an abridged version of the Baldrige framework, a new *Baldrige Excellence Builder* based on the *2019–2020 Baldrige Excellence Framework* will be published in early 2019.

Business ecosystems. As organizations increasingly offer multidisciplinary products and services, leaders need to lead their organizations as part of interrelated cross-industry, domestic and sometimes global systems—called ecosystems. These broad, interdependent collaborative networks may include traditional partners and collaborators, but also competitors, organizations outside the sector, communities, and customers. Organizational growth may depend on the collective growth of the ecosystem and its ability to prepare for the future. And as competition comes from organizations in different industries, organizations may be able to stand out from their competitors through new and novel offerings, possibly through the ecosystem. In an expansion of the systems perspective offered by the Criteria, the term appears in the Core Values and Concepts section and in notes to the Criteria. In the Criteria themselves, the addition of considerations for suppliers, partners, collaborators, customers, and competitors to some questions and notes emphasizes the importance of thinking broadly about business ecosystems.

Supply network. Related to the concept of ecosystems, organizations' means of producing products and services and delivering them to their customers increasingly involve more than a simple chain from supplier, to supplier, to organization. Complex organizations may coordinate the activities of many suppliers, and some organizations may be a part of a complex network of organizations, each with a vital role in production or delivery. Increasingly, these entities are interlinked and exist in interdependent rather than linear relationships. Success depends on recognizing and managing these interdependencies to achieve alignment. The Criteria now use the term supply network to refer to the entities involved in producing an organization's products and services and delivering them to customers. There is increased emphasis on supply-network alignment, collaboration, and agility.

Culture. Organizational culture—the shared beliefs, norms, and values that create the unique environment within an organization—can have a profound effect on decision making, workforce engagement, customer engagement, and organizational success. Since 2000, the Criteria have asked about organizational values, a key element of organizational culture. In the years since then, questions relating to culture—some using the term, and some referencing behaviors underlying culture—have been incorporated into the Criteria. The Criteria now ask explicitly about other characteristics of your organizational culture and how leaders and the organization create and reinforce that culture.

Security and cybersecurity. The Criteria have addressed the security of information systems and the confidentiality of information since 2001, with a significant expansion of these considerations in 2017–2018. As cybersecurity continues to grow in importance to all organizations, Criteria questions on cybersecurity have been expanded.

Simplification. Several Criteria items have been simplified, and some questions and notes have been removed, reorganized, streamlined, moved, or the wording changed to aid understanding. The content from some questions has been moved to notes as examples for organizations to consider.

Criteria questions (formerly requirements). The basic, overall, and multiple questions in the Criteria items ask about processes, practices, and results found in high-performing organizations. These questions vary in their importance to different organizations depending on the factors that enable and ensure that organization's success and sustainability. Especially at the multiple level, these questions are not a checklist of requirements that all organizations must meet. To better convey this idea, these questions are no longer called "requirements" but simply "questions." Baldrige Award applicants are still expected to respond to these questions, but if they believe that some are not important to their current or future success, they should indicate why. As subject-matter experts, Baldrige examiners should consider that explanation but also use their industry and Criteria knowledge to make their own judgment about the importance of the questions to the applicant (see "'Importance' as a Scoring Consideration," page 30).

The most significant changes to the Criteria items and related sections are summarized as follows.

Organizational Profile

Item P.1, Organizational Description, now asks about the characteristics of your organizational culture in addition to values, and about the structures and mechanisms of your leadership system.

Category 1: Leadership

Item 1.1, Senior Leadership, now includes questions about creating and reinforcing your organizational culture.

In item 1.2 and elsewhere in the Criteria, societal responsibilities are now referred to as societal contributions. As the concept of corporate social responsibility has become accepted, high-performing organizations see contributing to society as more than something they must do. Going above and beyond responsibilities in contributing to society can be a driver of customer and workforce engagement and a market differentiator.

Category 3: Customers

The areas to address in category 3 have been reorganized to make the Criteria more logical from a user's perspective. Item 3.1, retitled Customer Expectations, includes two areas to address: Customer Listening, and Customer Segmentation and Product Offerings. Item 3.2, Customer Engagement, includes three areas to address: Customer Relationships and Support, Determination of Customer Satisfaction and Engagement, and Use of Voice-of-the-Customer and Market Data.

Category 5: Workforce

Item 5.2, Workforce Engagement, now asks how you reinforce your organizational culture. In recognition of the close relationship between performance management and workforce development, a newly titled area to address, Performance Management and Development, includes questions on learning and development, learning and development effectiveness, and career development.

Category 6: Operations

In item 6.1, Work Processes, the third area to address, now called Supply-Network Management, includes questions on supply-network alignment, collaboration, and agility, and on communication with your suppliers.

In item 6.2, the second area to address now includes questions about the roles of your workforce, customers, partners, and suppliers in ensuring cybersecurity and about the protection of key assets.

Category 7: Results

The Baldrige scoring system (pages 29–34) asks for current, trended, comparative, and segmented data in response to results items. To reduce confusion about redundancy between the Criteria questions and the results scoring guidelines, terms reflecting the evaluation factors of levels, trends, and comparisons have been removed from the results items. Organizations should still include this information, as appropriate, in their responses.

Item 7.5, now called Financial, Market, and Strategy Results, asks for your results for implementing your strategy, recognizing that strategy implementation is closely related to financial and market success.

Glossary of Key Terms

The terms below are those in SMALL CAPS *in the Baldrige Criteria for Performance Excellence and scoring guidelines. Each term is followed by a definition in boldface. The rest of the first paragraph elaborates on this definition. The paragraphs that follow provide examples, descriptive information, or key linkages to other information in the Baldrige framework.*

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

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

See also STRATEGIC OBJECTIVES.

ALIGNMENT. A state of consistency among plans, processes, information, resource decisions, workforce capability and capacity, actions, results, and analyses that support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals. It also requires the use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See also INTEGRATION.

ANALYSIS. The examination of facts and data to provide a basis for effective decisions. Analysis often involves determining cause-effect relationships. Overall organizational analysis guides you in managing work systems and work processes toward achieving key business results and attaining strategic objectives.

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

ANECDOTAL. In a response to a Criteria item, information that lacks specific methods; measures; deployment mechanisms; and evaluation, improvement, and learning factors. Anecdotal information frequently consists of examples and describes individual activities rather than systematic processes. For example, in an anecdotal response to how senior leaders deploy performance expectations, you might describe a specific occasion when a senior leader visited all of your organization's facilities. On the other hand, in describing a systematic process, you might include the methods all senior leaders use to communicate performance expectations regularly to all locations and workforce members, the measures leaders use to assess the effectiveness of the methods, and the tools and techniques you use to evaluate and improve the methods.

See also SYSTEMATIC.

APPROACH. The methods your organization uses to carry out its processes. Besides the methods themselves, approach refers to the appropriateness of the methods to the item questions and your organization's operating environment, as well as how effectively your organization uses those methods.

Approach is one of the factors considered in evaluating process items. For further description, see the Scoring System (pages 29–34).

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

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

Benchmarks are one form of comparative data. Other forms include industry data collected by a third party, data on competitors' performance, and comparisons with similar organizations that are in the same geographic area or that provide similar products and services in other geographic areas.

CAPABILITY, WORKFORCE. See WORKFORCE CAPABILITY.

CAPACITY, WORKFORCE. See WORKFORCE CAPACITY.

COLLABORATORS. Organizations or individuals who cooperate with your organization to support a particular activity or event or who cooperate intermittently when their short-term goals are aligned with or are the same as yours. Typically, collaborations do not involve formal agreements or arrangements.

See also PARTNERS.

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

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

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

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

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

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

CYCLE TIME. The time required to fulfill commitments or complete tasks. Cycle time refers to all aspects of time performance, such as time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time. Improvement in cycle time might involve any or all of these.

Time performance and speed are important to improving competitiveness and overall performance.

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

Deployment is one of the factors considered in evaluating process items. For further description, see the Scoring System (pages 29–34).

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

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

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

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

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

ENGAGEMENT, CUSTOMER. See CUSTOMER ENGAGEMENT.

ENGAGEMENT, WORKFORCE. See WORKFORCE ENGAGEMENT.

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

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

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

See also the related core value, Ethics and Transparency (page 42).

EXCELLENCE. See PERFORMANCE EXCELLENCE.

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

Goals can serve many purposes, including

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

See also PERFORMANCE PROJECTIONS.

GOVERNANCE. The system of management and controls exercised in the stewardship of your organization. Governance includes the responsibilities of your organization's owners/shareholders, board of directors, and senior leaders. Corporate or organizational charters, bylaws, and policies document the rights and responsibilities of each of the parties and describe how they will direct and control your organization to ensure (1) accountability to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders. Governance processes may include the approval of strategic direction, the monitoring and evaluation of the CEO's performance, the establishment of executive compensation and benefits, succession planning, financial and other fiduciary auditing, risk management, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

HIGH PERFORMANCE. Ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time. High performance results in improved service and value for customers and other stakeholders.

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

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

INDICATORS. See MEASURES AND INDICATORS.

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

Successful organizational innovation is a multistep process of development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that can benefit from change through innovation, whether breakthrough improvement or a change in approach or outputs. Innovation could include fundamental changes in an organization's structure or business model to accomplish work more effectively.

See also INTELLIGENT RISKS and STRATEGIC OPPORTUNITIES.

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

Integration is one of the factors considered in evaluating both process and results items. For further description, see the Scoring System (pages 29–34).

See also ALIGNMENT.

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

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

See also STRATEGIC OPPORTUNITIES.

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

KNOWLEDGE ASSETS. Your organization's accumulated intellectual resources; the knowledge possessed by your organization and its workforce in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. These knowledge assets reside in your workforce, software, patents, databases, documents, guides, policies and procedures, and technical drawings. Knowledge assets also reside within customers, suppliers, and partners.

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

LEADERSHIP SYSTEM. The way leadership is exercised, formally and informally, throughout your organization; the basis for key decisions and the way they are made, communicated, and carried out. A leadership system includes structures and mechanisms for making decisions; ensuring two-way communication; selecting and developing leaders and managers; and reinforcing values, ethical behavior, directions, and performance expectations.

An effective leadership system respects workforce members' and other stakeholders' capabilities and requirements, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on your organization's vision and values and the pursuit of shared goals. It encourages and supports initiative, innovation, and appropriate risk taking; subordinates organizational structure to purpose and function; and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for leaders to conduct self-examination, receive feedback, and improve.

LEARNING. New knowledge or skills acquired through evaluation, study, experience, and innovation. The Baldrige framework refers to two distinct kinds of learning: organizational learning and learning by the people in your workforce. Organizational learning is achieved through research and development, evaluation and improvement cycles, ideas and input from the workforce and stakeholders, the sharing of best practices, and benchmarking. Workforce learning is achieved through education, training, and developmental opportunities that further individual growth.

To be effective, learning should be embedded in the way your organization operates. Learning contributes to a competitive advantage and ongoing success for your organization and workforce.

For further description of organizational and personal learning, see the related core values and concepts: Valuing People, and Organizational Learning and Agility (pages 39–40).

Learning is one of the factors considered in evaluating process items. For further description, see the Scoring System (pages 29–34).

LEVELS. Numerical information that places or positions your organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

MEASURES AND INDICATORS. Numerical information that quantifies the input, output, and performance dimensions of processes, products, programs, projects, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not distinguish between measures and indicators. However, some users of these terms prefer "indicator" (1) when the measurement relates to performance but does not measure it directly (e.g., the number of complaints is an indicator but not a direct measure of dissatisfaction) and (2) when the measurement is a predictor ("leading indicator") of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

MISSION. Your organization's overall function. The mission answers the question, "What is your organization attempting to accomplish?" The mission might define customers or markets served, distinctive or core competencies, or technologies used.

MULTIPLE QUESTIONS. The details of a Criteria item, as expressed in the individual questions under each lettered area to address. The first question in a set of multiple questions expresses the most important one in that group. The questions that follow expand on or supplement that question. For an illustration, see Criteria for Performance Excellence Structure (page 2).

Even high-performing, high-scoring users of the Baldrige framework are not likely to be able to address all the multiple questions with equal capability or success.

OVERALL QUESTIONS. The most important features of a Criteria item, as elaborated in the first question (the leading question in boldface) in each paragraph under each lettered area to address. For an illustration, see Criteria for Performance Excellence Structure (page 2).

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

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

See also COLLABORATORS.

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

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

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

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

Operational performance is workforce, leadership, and organizational performance (including ethical and legal compliance) relative to measures and indicators of effectiveness, efficiency, and accountability. Examples include cycle time, productivity, waste reduction, workforce turnover, workforce cross-training rates, regulatory compliance, fiscal accountability, strategy accomplishment, and community involvement. Operational performance might be measured at the work-unit, key work process, and organizational levels.

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

PERFORMANCE EXCELLENCE. An integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers and stakeholders, contributing to ongoing organizational success; (2) improvement of your organization's overall effectiveness and capabilities; and (3) learning for the organization and for people in the workforce. The Baldrige Organizational Profile, Criteria, core values and concepts, and scoring guidelines provide a framework and assessment tool for understanding your organization's strengths and opportunities for improvement and, thus, for guiding your planning toward achieving higher performance and striving for excellence.

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

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

See also GOALS.

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

In the delivery of services, particularly those that directly involve customers, process is used more generally to spell out what delivering that service entails, possibly including a preferred or expected sequence. If a sequence is critical, the process needs to include information that helps customers understand and follow the sequence. Such service processes also require guidance for service providers on handling contingencies related to customers' possible actions or behaviors.

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

Process is one of the two dimensions evaluated in a Baldrige-based assessment. This evaluation is based on four factors: approach, deployment, learning, and integration. For further description, see the Scoring System (pages 29–34).

PRODUCTIVITY. Measures of the efficiency of resource use.

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

PROJECTIONS, PERFORMANCE. See PERFORMANCE PROJECTIONS.

RESULTS. Outputs and outcomes achieved by your organization. Results are evaluated based on current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements.

Results are one of the two dimensions evaluated in a Baldrige-based assessment. This evaluation is based on four factors: levels, trends, comparisons, and integration. For further description, see the Scoring System (pages 29–34).

SEGMENT. One part of your organization's customer, market, product offering, or workforce base. Segments typically have common characteristics that allow logical groupings. In Criteria results items, segmentation refers to disaggregating results data in a way that allows for meaningful analysis of your organization's performance. It is up to each organization to determine the factors that it uses to segment its customers, markets, products, and workforce.

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

SENIOR LEADERS. Your organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

STAKEHOLDERS. All groups that are or might be affected by your organization's actions and success. Key stakeholders might include customers, the workforce, partners, collaborators, governing boards, stockholders, donors, suppliers, taxpayers, regulatory bodies, policy makers, funders, and local and professional communities.

See also CUSTOMER.

STRATEGIC ADVANTAGES. Those marketplace benefits that exert a decisive influence on your organization's likelihood of future success. These advantages are frequently sources of current and future competitive success relative to other providers of similar products. Strategic advantages generally arise from either or both of two sources: (1) core competencies, which focus on building and expanding on your organization's internal capabilities, and (2) strategically important external resources, which your organization shapes and leverages through key external relationships and partnerships.

When an organization realizes both sources of strategic advantage, it can amplify its unique internal capabilities by capitalizing on complementary capabilities in other organizations.

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

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

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

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

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

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

STRATEGIC OPPORTUNITIES. Prospects for new or changed products, services, processes, business models (including strategic alliances), or markets. They arise from outside-the-box thinking, brainstorming, capitalizing on serendipity, research and innovation processes, nonlinear extrapolation of current conditions, and other approaches to imagining a different future.

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

See also INTELLIGENT RISKS.

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

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

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

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

VALUE. The perceived worth of a product, process, asset, or function relative to its cost and possible alternatives.

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Your organization needs to understand what different stakeholder groups value and then deliver value to each group. This frequently requires balancing value among customers and other stakeholders, such as your workforce and the community.

VALUES. The guiding principles and behaviors that embody how your organization and its people are expected to operate. Values influence and reinforce your organization's desired culture. They support and guide the decisions made by every workforce member, helping your organization accomplish its mission and attain its vision appropriately. Examples of values include demonstrating integrity and fairness in all interactions, exceeding customer expectations, valuing individuals and diversity, protecting the environment, and striving for performance excellence every day.

VISION. Your organization's desired future state. The vision describes where your organization is headed, what it intends to be, or how it wishes to be perceived in the future.

VOICE OF THE CUSTOMER. Your process for capturing customer-related information. Voice-of-the-customer processes are intended to be proactive and continuously innovative to capture stated, unstated, and anticipated customer requirements, expectations, and desires. The goal is to achieve customer engagement. Listening to the voice of the customer might include gathering and integrating various types of customer data, such as survey data, focus group findings, social media data and commentary, warranty data, marketing and sales information, and complaint data, that affect customers' purchasing and engagement decisions.

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

Your key work processes are always accomplished by your workforce. They frequently relate to your core competencies, the factors that determine your success relative to competitors, and the factors your senior leaders consider important for business growth. In contrast, projects are unique work processes intended to produce an outcome and then go out of existence.

WORK SYSTEMS. The coordinated combination of internal work processes and external resources that you need to develop and produce products, deliver them to your customers, and succeed in your marketplace. Within your work systems, internal processes are those that involve your workforce. External resources may include processes performed by your key suppliers, partners, contractors, and collaborators, as well as other components of your supply network needed to produce and deliver your products and carry out your business and support processes. These internal processes and external resources function together to accomplish your organization's work.

Decisions about work systems are strategic, as you must decide whether to use internal processes or external resources for maximum efficiency and sustainability in your marketplace. These decisions involve protecting intellectual property, capitalizing on core competencies, and mitigating risk. The decisions you make have implications for your organizational structure, people, work processes, and equipment/technology.

WORKFORCE. All people actively supervised by your organization and involved in accomplishing your organization's work, including paid employees (e.g., permanent, part-time, temporary, on-site, and remote employees, as well as contract employees supervised by your organization) and volunteers, as appropriate. Your workforce includes team leaders, supervisors, and managers at all levels.

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

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

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

WORKFORCE ENGAGEMENT. The extent of workforce members' emotional and intellectual commitment to accomplishing your organization's work, mission, and vision. Organizations with high levels of workforce engagement are often characterized by high-performance work environments in which people are motivated to do their utmost for their customers' benefit and the organization's success.

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

Index of Key Terms

Page numbers in **boldface** *indicate definitions in the Glossary of Key Terms (pages 46–53).*

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2019–2020 Baldrige Performance Excellence Framework

Criteria Commentary

This commentary provides brief summaries of the Baldrige Criteria for Performance Excellence categories and items. It also includes examples and guidance to supplement the notes that follow each Criteria item in the* Baldrige Excellence Framework *booklet. For additional free content, and to purchase the booklet, see www.nist.gov/baldrige/publications.

Organizational Profile

Your Organizational Profile provides a framework for understanding your organization. It also helps you guide and prioritize the information you present in response to the Criteria items in categories 1–7.

The Organizational Profile gives you critical insight into the key internal and external factors that shape your operating environment. These factors, such as your organization's vision, culture and values, mission, core competencies, competitive environment, and strategic challenges and advantages, impact the way your organization is run and the decisions you make. As such, the Organizational Profile helps you better understand the context in which you operate; the key requirements for current and future business success; and the needs, opportunities, and constraints placed on your management systems.

P.1 Organizational Description

Purpose

This item addresses the key characteristics and relationships that shape your organizational environment. The aim is to set the context for your organization.

Commentary

Understand your organization. The use of such terms as *vision, values, culture, mission,* and *core competencies* varies depending on the organization, and you may not use one or more of these terms. Nevertheless, you should have a clear understanding of the essence of your organization, why it exists, and where your senior leaders want to take it in the future. This clarity enables you to make and implement strategic decisions affecting your organization's future.

Understand your core competencies. A clear identification and thorough understanding of your organization's core competencies are central to success now and in the future and to competitive performance. Executing your core competencies well is frequently a marketplace differentiator. Keeping your core competencies current with your strategic directions can provide a strategic advantage, and protecting intellectual property contained in your core competencies can support your organization's future success.

Understand your regulatory environment. The regulatory environment in which you operate places requirements on your organization and affects how you run it. Understanding this environment is key to making effective operational and strategic decisions. Furthermore, it allows you to identify whether you are merely complying with the minimum requirements of applicable laws, regulations, and standards of practice or exceeding them, a hallmark of leading organizations and a potential source of competitive advantage.

Identify governance roles and relationships. Role-model organizations—whether they are publicly or privately held, or are government or nonprofit organizations—have well-defined governance systems with clear reporting relationships. It is important to clearly identify which functions are performed by your senior leaders and, as applicable, by your governance board and parent organization. Board independence and accountability are frequently key considerations in the governance structure.

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

Understand the role of suppliers. In most organizations, suppliers play critical roles in processes that are important to running the business and to maintaining or achieving a sustainable competitive advantage. Supply-network requirements might include on-time or just-in-time delivery, flexibility, variable staffing, research and design capability, process and product innovation, and customized manufacturing or services.

Understand your ecosystem. With the increase in multidisciplinary products and services, as well as globalization, many organizations rely ever more heavily on a business ecosystem—a network of suppliers, partners, collaborators, and even customers and competitors, with these roles shifting as necessary. Taking advantage of these ecosystems may result in new business models, new customers, new talent pools, and much greater efficiency in meeting customer expectations. In some cases, the organization's growth may depend on the collective growth of the ecosystem and its ability to prepare for the future. And as competition comes from organizations in different industries, organizations may be able to stand out from their competitors through new and novel offerings, possibly through the ecosystem.

P.2 Organizational Situation

Purpose

This item asks about the competitive environment in which your organization operates, including your key strategic challenges and advantages. It also asks how you approach performance improvement and learning. The aim is to help you understand your key organizational challenges and your system for establishing and preserving your competitive advantage.

Commentary

Know your competitors. Understanding who your competitors are, how many you have, and their key characteristics is essential for determining your competitive advantage in your industry and marketplace. Leading organizations have an in-depth understanding of their current competitive environment, including key changes taking place.

Sources of comparative and competitive data might include industry publications, benchmarking activities, annual reports for publicly traded companies and public organizations, conferences, local networks, and industry associations.

Strategic challenges and advantages. Operating in today's highly competitive marketplace means facing strategic challenges that can affect your ability to sustain performance and maintain your competitive position. Understanding your strategic advantages is as important as understanding your strategic challenges. They are the sources of competitive advantage to capitalize on and grow while you continue to address key challenges. Strategic challenges and advantages might relate to technology, products, finances, operations, organizational structure and culture, your parent organization's capabilities, customers and markets, brand recognition and reputation, your industry, globalization, your value network, and people.

Know your strategic challenges. These challenges might include the following:

- Your operational costs (e.g., materials, labor, or geographic location)
- Expanding or decreasing markets
- Mergers or acquisitions by your organization and your competitors
- Economic conditions, including fluctuating demand and local and global economic downturns
- The cyclical nature of your industry
- The introduction of new or substitute products
- Rapid technological changes
- Data and information security, including cybersecurity
- New competitors entering the market
- The availability of skilled labor
- The retirement of an aging workforce

Know your strategic advantages. These advantages might include the following:

- Industry innovation leadership
- Customer service recognition
- Brand recognition
- Agility
- Supply-network integration
- Price leadership

- Reputation for quality and reliability
- Environmental ("green") stewardship
- Social responsibility and community involvement
- Geographic proximity
- Accessibility
- Warranty and product options

For some nonprofit (including government) organizations, differentiators might also include relative influence with decision makers, ratio of administrative costs to programmatic contributions, reputation for program or service delivery, and wait times for service.

Prepare for disruptive technologies. A particularly significant challenge is being prepared for a disruptive technology that threatens your competitive position or your marketplace. Recently, such technologies have included smart phones challenging traditional forms of communication, computing, and commerce of all types; online stores challenging brick-and-mortar establishments; email, messaging, and social media challenging all other means of communication; and app-based ride services challenging traditional transportation services. Today, organizations need to be scanning the environment inside and outside their immediate industry to detect such challenges at the earliest possible point in time.

Four emerging technologies that continue to drive change in many industries are mobile solutions, cognitive computing (or artificial intelligence), cloud computing, and the Internet of Things. Organizations need to be aware of the potential for these technologies to create challenges and opportunities in their own marketplace.

Leadership (Category 1)

This category asks how senior leaders' personal actions and your governance system guide and sustain your organization.

1.1 Senior Leadership

Purpose

This item asks about the key aspects of your senior leaders' responsibilities, with the aim of creating an organization that is successful now and in the future.

Commentary

The role of senior leaders. Senior leaders play a central role in setting values and directions, creating and reinforcing an organizational culture, communicating, creating and balancing value for all stakeholders, and creating an organizational focus on action, including transformational change in the organization's structure and culture, when needed. Success requires a strong orientation to the future; an understanding that risk is a part of planning and conducting operations; a commitment to improvement, innovation, and intelligent risk taking; and a focus on organizational sustainability. Increasingly, this requires creating an environment for empowerment, agility, change, and learning.

Role-model senior leaders. In highly respected organizations, senior leaders are committed to establishing a culture of customer engagement, developing the organization's future leaders, and recognizing and rewarding contributions by workforce members. They personally engage with key customers. Senior leaders enhance their personal leadership skills. They participate in organizational learning, the development of future leaders, succession planning, and recognition opportunities and events that celebrate the workforce. Development of future leaders might include personal mentoring, coaching, or participation in leadership development courses. Role-model leaders recognize the need for transformational change when warranted and then lead the effort through to full fruition. They demonstrate authenticity, admit to missteps, and demonstrate accountability for the organization's actions.

Legal and ethical behavior. In modeling ethical behavior, leaders must often balance the demand for delivery of short-term results with setting the tone for an ethical climate and a policy of integrity first.

Creating an environment for innovation. Leading for innovation starts by setting a clear direction. Leaders need to communicate about the problems or opportunities the organization is trying to address, and then create a supportive environment and clear process that will encourage and approve intelligent risk taking.

1.2 Governance and Societal Contributions

Purpose

This item asks about key aspects of your governance system, including the improvement of leaders and the leadership system. It also asks how the organization ensures that everyone in the organization behaves legally and ethically, how it fulfills its societal contributions, and how it supports its key communities.

Commentary

Organizational governance. This item addresses the need for a responsible, informed, transparent, and accountable governance or advisory body that can protect the interests of key stakeholders (including stockholders) in publicly traded, private, and nonprofit organizations. This body should have independence in review and audit functions, as well as a function that monitors organizational and CEOs' or chief administrators' performance.

Legal compliance, ethics, and risks. An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) all legal and regulatory requirements, and (3) risk factors. Ensuring high performance in these areas requires establishing appropriate measures or indicators that senior leaders track. You should be sensitive to issues of public concern, whether or not these issues are currently embodied in laws and regulations. Role-model organizations look for opportunities to excel in areas of legal and ethical behavior. Role-model organizations also recognize the need to accept risk, identify appropriate levels of risk for the organization, and make and communicate policy decisions on risk.

Public concerns. Public concerns that charitable and government organizations should anticipate might include the cost of programs and operations, timely and equitable access to their offerings, and perceptions about their stewardship of resources.

Conservation of natural resources. Conservation might be achieved through the use of "green" technologies, reduction of your carbon footprint, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or recycling of by-products or wastes.

Societal contributions. As the concept of corporate social responsibility has become accepted, high-performing organizations see contributing to society as more than something they must do. Going above and beyond their responsibilities in contributing to society can be a driver of customer and workforce engagement and a market differentiator. Societal contributions imply going beyond a compliance orientation. Opportunities to contribute to the well-being of environmental, social, and economic systems and opportunities to support key communities are available to organizations of all sizes. The level and breadth of these contributions will depend on the size of your organization and your ability to contribute. Increasingly, decisions to engage with an organization include consideration of its societal contributions.

Community support. Examples of organizational community involvement include

- partnering with schools and school boards to improve education;
- partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and
- partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as voluntary standards activities or sharing best practices to improve overall U.S. global competitiveness and ethical and societal well-being.

Some nonprofits may contribute to society and support their key communities totally through their mission-related activities. In such cases, community support includes any "extra efforts," such as partnering with other nonprofit organizations or businesses to improve the overall performance and stewardship of public and charitable resources.

Strategy (Category 2)

This category asks how you develop strategic objectives and action plans, implement them, change them if circumstances require, and measure progress.

The category stresses that your organization's long-term organizational success and competitive environment are key strategic issues that need to be integral parts of your overall planning. Making decisions about your organization's core competencies and work systems is an integral part of ensuring your organization's success now and in the future, and these decisions are therefore key strategic decisions.

While many organizations are increasingly adept at strategic planning, executing plans is still a significant challenge. This is especially true given market demands to be agile and be prepared for unexpected change, such as volatile economic conditions or disruptive technologies that can upset an otherwise fast-paced but more predictable marketplace. This category highlights the need to focus not only on developing your plans, but also on your capability to execute them.

The Baldrige framework emphasizes three key aspects of organizational excellence that are important to strategic planning:

- **Customer-focused excellence** is a strategic view of excellence. The focus is on the drivers of customer engagement, new markets, and market share—key factors in competitiveness, profitability, and long-term organizational success.
- **Operational performance improvement and innovation** contribute to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability—including speed, responsiveness, and flexibility—is an investment in strengthening your organizational fitness.
- **Organizational learning and learning by workforce members** are necessary strategic considerations in today's fast-paced environment. The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work systems and learning initiatives with your organization's strategic directions, thereby ensuring that improvement and learning prepare you for and reinforce organizational priorities.

This category asks how you

- consider key elements of risk in your strategic planning process, including strategic opportunities, challenges, and advantages, and the potential need for transformational change in organizational structure or culture;
- optimize the use of resources, ensure the availability of a skilled workforce, and bridge short- and longer-term requirements that may entail capital expenditures, technology development or acquisition, supplier development, and new partnerships or collaborations; and
- ensure that implementation will be effective—that there are mechanisms to communicate requirements and achieve alignment on three levels: (1) the organization and executive level, (2) the key work system and work process level, and (3) the work unit and individual job level.

The questions in this category encourage strategic thinking and acting in order to develop a basis for a distinct competitive position in the marketplace. These questions do not imply the need for formal planning departments, specific planning cycles, or a specified way of visualizing the future. They do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change or innovation, compete for limited resources. In most cases, setting priorities depends heavily on a cost, opportunity, and threat rationale. However, you might also have critical requirements, such as societal contributions, that are not driven by cost considerations alone.

2.1 Strategy Development

Purpose

This item asks how you establish a strategy to address your organization's challenges and leverage its advantages and how you make decisions about key work systems and core competencies. It also asks about your key strategic objectives and their related goals. The aim is to strengthen your overall performance, competitiveness, and future success.

Commentary

A context for strategy development. This item calls for basic information on the planning process and for information on all key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions—taking as long term a view as appropriate and possible from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for developing a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

A future-oriented basis for action. This item is intended to cover all types of businesses, for-profit, and nonprofit (including government) organizations, competitive situations, strategic issues, planning approaches, and plans. The questions explicitly call for a future-oriented basis for action. Even if your organization is seeking to create an entirely new business, you still need to set and test the objectives that define and guide critical actions and performance.

Competitive leadership. This item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which you compete but also how you compete. How to compete presents many options. Deciding how to compete requires that you understand your and your competitors' strengths and weaknesses and also involves decisions on taking intelligent risks in order to gain or retain market leadership. Although no specific time horizons are included, the thrust of this item is sustained competitive leadership.

Data and information for strategic planning. Data and information may come from a variety of internal and external sources and in a variety of forms, and they are available in increasingly greater volumes and at greater speeds. The ability to capitalize on data and information, including large datasets ("big data"), is based on the ability to analyze the data, draw conclusions, and pursue actions, including intelligent risks.

Blind spots. Blind spots arise from incorrect, incomplete, obsolete, or biased assumptions or conclusions that cause gaps, vulnerabilities, risks, or weaknesses in your understanding of the competitive environment and strategic challenges your organization faces. Blind spots may arise from new or replacement offerings or business models coming from inside or outside your industry.

Managing strategic risk. Your decisions about addressing strategic challenges, changes in your regulatory and external business environment, blind spots in your strategic planning, and gaps in your ability to execute the strategic plan may give rise to organizational risk. Analysis of these factors is the basis for managing strategic risk in your organization.

Work systems. Efficient and effective work systems require

- effective design;
- a prevention orientation;
- linkage to customers, suppliers, partners, and collaborators;
- a focus on value creation for all key stakeholders; operational performance improvement; cycle time reduction; and evaluation, continuous improvement, innovation, and organizational learning; and
- regular review to evaluate the need for fundamental changes in the way work is accomplished.

Work systems must also be designed in a way that allows your organization to be agile and protect intellectual property. In the simplest terms, agility is the ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your strategy and markets, agility might mean the ability to change rapidly from one product to another, respond rapidly to changing demands or market conditions, or produce a wide range of customized services. Agility and protection of intellectual property also increasingly involve decisions to outsource, agreements with key suppliers, and novel partnering arrangements.

Work systems and ecosystems. Organizations should view the ecosystem strategically. They need to be open to new partnership arrangements, consortia, value webs, and business models that support the organization's vision and goals. The organization's growth may depend on the collective growth of the ecosystem and its ability to prepare for the future. And as competition comes from organizations in different industries, organizations may be able to stand out from their competitors through new and novel offerings, possibly through the ecosystem. Your strategy should take into account your role and your desired role within the ecosystem (as a partner, collaborator, supplier, competitor, or customer—or several of these).

Strategic objectives. Strategic objectives might address product and service quality enhancements, workforce capability and capacity, rapid response, customization, co-location with major customers or partners, specific joint ventures, virtual manufacturing, rapid or market-changing innovation, ISO quality or environmental systems registration, and societal contribution actions or leadership.

2.2 Strategy Implementation

Purpose

This item asks how you convert your strategic objectives into action plans to accomplish the objectives and how you assess progress relative to these action plans. The aim is to ensure that you deploy your strategies successfully and achieve your goals.

Commentary

Developing and deploying action plans. Accomplishing action plans requires resources and performance measures, as well as alignment among the plans of your work units, suppliers, and partners. Of central importance is how you achieve alignment and consistency—for example, via work systems, work processes, and key measurements. Also, alignment and consistency provide a basis for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical for tracking performance. Action plan implementation and deployment may require modifications in organizational structures and operating modes. The success of action plans benefits from visible short-term wins as well as long-term actions.

Performing analyses to support resource allocation. You can perform many types of analyses to ensure that financial resources are available to support the accomplishment of your action plans while you meet current obligations. For current operations, these efforts might include the analysis of cash flows, net income statements, and current liabilities versus current assets. For investments to accomplish action plans, the efforts might include analysis of discounted cash flows, return on investment, or return on invested capital.

Analyses also should evaluate the availability of people and other resources to accomplish your action plans while continuing to meet current obligations. Financial resources must be supplemented by capable people and the necessary facilities and support.

The specific types of analyses performed will vary from organization to organization. These analyses should help you assess the financial viability of your current operations and the potential viability of and risks associated with your action plan initiatives.

Creating workforce plans. Action plans should include human resource or workforce plans that are aligned with and support your overall strategy. Examples of possible plan elements are

- a redesign of your work organization and jobs to increase workforce empowerment and decision making;
- initiatives to promote greater labor-management cooperation, such as union partnerships;
- consideration of the impacts of outsourcing on your current workforce and initiatives;
- initiatives to prepare for future workforce capability and capacity needs;
- initiatives to foster knowledge sharing and organizational learning;
- modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes; and
- education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of an educated and skilled workforce, and training programs on new technologies important to the future success of your workforce and organization.

Projecting your future environment. An increasingly important part of strategic planning is projecting the future competitive and collaborative environment. This includes the ability to project your own future performance, as well as that of your competitors. Such projections help you detect and reduce competitive threats, shorten reaction time, and identify opportunities. Depending on your organization's size and type, the potential need for new core competencies, the maturity of markets, the pace of change, and competitive parameters (e.g., price, costs, or the innovation rate), you might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive and collaborative environment.

Projecting and comparing your performance. Projections and comparisons in this item are intended to improve your organization's ability to understand and track dynamic, competitive performance factors. Projected performance might include changes resulting from new business ventures, entry into new markets, the introduction of new technologies, product innovations, or other strategic thrusts that might involve a degree of intelligent risk.

Through this tracking, you should be better prepared to take into account your organization's rate of improvement and change relative to that of competitors or comparable organizations and relative to your own targets or stretch goals. Such tracking serves as a key diagnostic tool for you to use in deciding to start, accelerate, or discontinue initiatives and to implement needed organizational change.

Customers (Category 3)

This category asks how you engage customers for long-term marketplace success, including how you listen to customers, serve and exceed customers' expectations, and build customer relationships.

The category stresses customer engagement as an important outcome of an overall learning and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, the voice of the customer provides meaningful information not only on your customers' views but also on their marketplace behaviors and on how these views and behaviors may contribute to your organization's current and future success in the marketplace.

3.1 Customer Listening

Purpose

This item asks about your processes for listening to your customers and determining customer groups and segments. It also asks about your processes for determining and customizing product offerings that serve your customers and markets. The aim is to capture meaningful information in order to exceed your customers' expectations and improve marketing.

Commentary

Customer listening. Selection of voice-of-the-customer strategies depends on your organization's key business factors. Most organizations listen to the voice of the customer via multiple modes. Some frequently used modes include focus groups with key customers, close integration with key customers, interviews with lost and potential customers about their purchasing or relationship decisions, customer comments posted on social media, win/loss analysis relative to competitors and other organizations providing similar products, and survey or feedback information.

Actionable information. This item emphasizes how you obtain actionable information from customers. Information is actionable if you can tie it to key product offerings and business processes and use it to determine the cost and revenue implications of setting particular improvement goals and priorities for change.

Listening/learning and business strategy. In a rapidly changing technological, competitive, economic, and social environment, many factors may affect customer expectations and loyalty and your interface with customers in the marketplace. This makes it necessary to continually listen and learn. To be effective, listening and learning need to be closely linked with your overall business strategy.

Social media. Customers are increasingly turning to social media to voice their impressions of your products and customer support. They may provide this information through social interactions you mediate or through independent or customer-initiated means. All of these can be valuable sources of information for your organization. Negative commentary can be a valuable source for improvement, innovation, and immediate service recovery. Organizations need to become familiar with vehicles for monitoring and tracking this information.

Social media is both a means of listening to customers and a means of communication, outreach, and engagement. Effective use of social media has become a significant factor in customer engagement, and ineffective use can be a driver of disengagement and relationship deterioration or destruction.

Customer and market knowledge. Knowledge of customers, customer groups, market segments, former customers, and potential customers allows you to tailor product offerings, support and tailor your marketing strategies, develop a more customer-focused workforce culture, develop new business, evolve your brand image, and ensure long-term organizational success.

3.2 Customer Engagement

Purpose

This item asks about your processes for building relationships with customers; enabling them to seek information and support; and managing complaints. The item also asks how you determine customer satisfaction and dissatisfaction, and how you use the voice-of-the-customer data that you collect. The aim of these efforts is to build a more customer-focused culture and enhance customer loyalty.

Commentary

Engagement as a strategic action. Customer engagement is a strategic action aimed at achieving such a degree of loyalty that the customer will advocate for your brand and product offerings. Achieving such loyalty requires a customer-focused culture in your workforce based on a thorough understanding of your business strategy and your customers' behaviors and preferences.

Customer relationship strategies. A relationship strategy may be possible with some customers but not with others. The relationship strategies you do have may need to be distinctly different for each customer, customer group, and market segment. They may also need to be distinctly different during various stages of the customer life cycle. Building customer relationships might include developing partnerships or alliances with customers.

Brand management. Brand management is aimed at positioning your product offerings in the marketplace. Effective brand management leads to improved brand recognition and customer loyalty. Brand management is intended to build the customer's emotional attachment for the purpose of differentiating yourself from the competition and building loyalty.

Customer support. The goal of customer support is to make your organization easy to do business with and responsive to your customers' expectations.

Determining customer satisfaction and dissatisfaction. You might use any or all of the following to determine customer satisfaction and dissatisfaction: surveys, formal and informal feedback, customer account histories, complaints, field reports, win/loss analysis, customer referral rates, and transaction completion rates. You might gather information on the web, through personal contact or a third party, or by mail.

Complaint management. Complaint aggregation, analysis, and root-cause determination should lead to effective elimination of the causes of complaints and to the setting of priorities for process and product improvements. Successful outcomes require effective deployment of information throughout your organization.

Customers' satisfaction with competitors. A key aspect of determining customers' satisfaction and dissatisfaction is determining their comparative satisfaction with competitors, competing or alternative offerings, and/or organizations providing similar products. Such information might be derived from win/loss analyses, your own comparative studies, or independent studies. The factors that lead to customer preference are critically important in understanding factors that drive markets and potentially affect your organization's longer-term competitiveness and success.

Measurement, Analysis, and Knowledge Management (Category 4)

In the simplest terms, category 4 is the "brain center" for the alignment of your operations with your strategic objectives. It is the main point within the Criteria for all key information on effectively measuring, analyzing, and improving performance and managing organizational knowledge to drive improvement, innovation, and organizational competitiveness. Central to this use of data and information are their quality and availability. Furthermore, since information, analysis, and knowledge management might themselves be primary sources of competitive advantage and productivity growth, this category also includes such strategic considerations.

4.1 Measurement, Analysis, and Improvement of Organizational Performance

Purpose

This item asks how you select and use data and information for performance measurement, analysis, and review in support of organizational planning and performance improvement. The item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of performance measurement, analysis, review, and improvement is to guide your process management toward the achievement of key organizational results and strategic objectives, anticipate and respond to rapid or unexpected organizational or external changes, and identify best practices to share.

Commentary

Aligning and integrating your performance management system. Alignment and integration are key concepts for successfully implementing and using your performance measurement system. The Criteria view alignment and integration in terms of how widely and how effectively you use that system to meet your needs for organizational performance assessment and improvement and to develop and execute your strategy.

Alignment and integration include how measures are aligned throughout your organization and how they are integrated to yield organization-wide data and information. Organization-wide data and information are key inputs to organizational performance reviews and strategic decision making. Alignment and integration also include how your senior leaders deploy performance measurement requirements to track work group and process-level performance on key measures that are targeted for their organization-wide significance or for improvement.

Big data. The challenge, and the potential, of ever-increasing amounts of and modalities for data lies in choosing, synthesizing, analyzing, and interpreting both quantitative and qualitative data, turning them into useful information, and then acting operationally and strategically. This requires not just data, but knowledge, insight, and a mindset for intelligent risk taking and innovation.

Information analytics. For operational improvement, analysis of data comparing two important measurement dimensions (e.g., productivity, profitability, ROI, customer satisfaction characteristics and their relative importance) is usually sufficient. A third dimension, such as time or segmentation (e.g., by customer segments), might be added. In the strategic domain, more advanced information analytics can provide a three-dimensional image, with a fourth dimension of current state and desired or predicted future states of organizational performance, technologies, people, and markets served. From those data-based, fact-based pictures, organizations need to develop strategy or strategic scenarios.

The case for comparative data. The use of comparative data and information is important to all organizations. The major premises for their use are the following:

- Your organization needs to know where it stands relative to competitors and to best practices.
- Comparative information and information obtained from benchmarking often provide the impetus for significant ("breakthrough") improvement or transformational change.
- Comparing performance information frequently leads to a better understanding of your processes and their performance.
- Comparative performance projections and competitors' performance may reveal organizational advantages as well as challenge areas where innovation is needed.

Comparative information may also support business analysis and decisions relating to core competencies, partnering, and outsourcing.

Selecting comparative data. Effective selection of comparative data and information requires you to determine needs and priorities and establish criteria for seeking appropriate sources for comparisons—from within and outside your industry and markets.

Reviewing performance. The organizational review called for in this item is intended to cover all areas of performance. This includes not only current performance but also how you project your future performance. The expectation is that the review findings will provide a reliable means to guide both improvements and opportunities for innovation that are tied to your key objectives, core competencies, and measures of success. Review findings may also alert you to the need for transformational change in your organization's structure and work systems. Therefore, an important component of your organizational review is the translation of the review findings into actions that are deployed throughout your organization and to appropriate suppliers, partners, collaborators, and key customers. **Use of comparative data in reviews.** Effective use of comparative data and information allows you to set stretch goals and to promote major nonincremental ("breakthrough") improvements in areas most critical to your competitive strategy.

Analyzing performance. Analyses that you conduct to gain an understanding of performance and needed actions may vary widely depending on your organization's type, size, competitive environment, and other factors. Here are some examples of possible analyses:

- How product improvements or new products correlate with key customer indicators, such as satisfaction, loyalty, and market share
- Return on investment for intelligent risks that you pursue
- Cost and revenue implications of customer-related problems and effective problem resolution
- Interpretation of market share changes in terms of customer gains and losses and changes in customer engagement
- Trends in key operational performance indicators, such as productivity, cycle time, defect levels, waste reduction, carbon footprint, and new product introduction

- Relationships among learning by workforce members, organizational learning, and the value added per employee
- Financial benefits derived from improvements in workforce capacity, safety, absenteeism, and turnover
- Benefits and costs associated with education and training
- Benefits and costs associated with improved organizational knowledge management and sharing
- The relationship between knowledge management and innovation
- How the ability to identify and meet workforce capability and capacity needs correlates with retention, motivation, and productivity
- Cost and revenue implications of workforce-related problems and effective problem resolution
- Individual or aggregate measures of productivity and quality relative to competitors' performance
- Cost trends relative to competitors' trends
- Relationships among product quality, operational performance indicators, and overall 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/benefit implications or environmental and societal impact
- Net earnings or savings derived from improvements in quality, operational, and workforce performance
- Comparisons among business units showing how quality and operational performance affect financial performance
- Contributions of improvement activities to cash flow, working capital use, and shareholder value
- Impacts of customer loyalty on profit
- Cost and revenue implications of new market entry, including product-line and geographic expansion
- Market share versus profits
- Trends in economic, market, and stakeholder indicators of value and the impact of these trends on long-term organizational success

Aligning analysis, performance review, and planning. Individual facts and data do not usually provide an effective basis for setting organizational priorities. This item emphasizes the need for close alignment between your analysis and your organizational performance review and between your performance review and your organizational planning. This ensures that analysis and review are relevant to decision making and that decisions are based on relevant data and information. In addition, your historical performance, combined with assumptions about future internal and external changes, allows you to develop performance projections. These projections may serve as a key planning tool.

Understanding causality. Action depends on understanding causality among processes and between processes and results. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for innovation and improvement are limited.

4.2 Information and Knowledge Management

Purpose

This item asks how you build and manage your organization's knowledge assets and ensure the quality and availability of data and information. The aim of this item is to improve organizational efficiency and effectiveness and stimulate innovation.

Commentary

Information management. Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The continued growth of information within organizations' operations—as part of organizational knowledge networks; through the web and social media; and in business-to-business, organization-to-organization, and business-to-consumer communications—challenges organizations' ability to ensure reliability and availability in a user-friendly format. The ability to blend and correlate disparate types of data, such as video, text, and numbers, provides opportunities for a competitive advantage.

Data and information availability. Data and information are especially important in business or organizational networks, partnerships, and supply networks. You should take into account this use of data and information and recognize the need for rapid data validation, reliability assurance, and security, given the frequency and magnitude of electronic data transfer and the challenges of cybersecurity.

Knowledge management. The focus of your knowledge management is on the knowledge that your people need to do their work; improve processes, products, and services; and innovate to add value for the customer and your organization.

Your organization’s knowledge management system should provide the mechanism for sharing your people’s and your organization’s knowledge to ensure that high performance is maintained through transitions. You should determine what knowledge is critical for your operations and then implement systematic processes for sharing this information. This is particularly important for implicit knowledge (i.e., knowledge personally retained by workforce members)

Organizational learning. One of the many issues facing organizations today is how to manage, use, evaluate, and share their ever-increasing organizational knowledge. Leading organizations benefit from the knowledge assets of their workforce, customers, suppliers, collaborators, and partners, who together drive organizational learning and innovation.

Workforce (Category 5)

This category addresses key workforce practices—those directed toward creating and maintaining a high-performance environment and toward engaging your workforce to enable it and your organization to adapt to change and succeed.

To reinforce the basic alignment of workforce management with overall strategy, the Criteria also cover workforce planning as part of overall strategic planning in category 2.

5.1 Workforce Environment

Purpose

This item asks about your workforce capability and capacity needs, how you meet those needs to accomplish your organization’s work, and how you ensure a supportive work climate. The aim is to build an effective environment for accomplishing your work and supporting your workforce.

Commentary

Workforce capability and capacity. Many organizations confuse the concepts of capability and capacity by adding more people with incorrect skills to compensate for skill shortages or by assuming that fewer highly skilled workers can meet capacity needs for processes requiring less skill or different skills but more people to accomplish. Having the right number of workforce contributors with the right skill set is critical to success. Looking ahead to predict those needs for the future allows for adequate training, hiring, relocation times, and preparation for work system changes.

Change management. Change management is a process that involves transformational organizational change controlled and sustained by leaders. It requires dedication, involvement of employees at all levels, and constant communication. Transformational change is strategy-driven and stems from the top of the organization. Its origin may be needs identified within the organization, and it requires the active engagement of the whole organization.

Workforce support. Most organizations, regardless of size, have many opportunities to support their workforce. Some examples of services, facilities, activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; on-site health care and other assistance; formal and informal recognition; non-work-related education; child and elder care; special leave for family responsibilities and community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including ongoing access to services.

5.2 Workforce Engagement

Purpose

This item asks about your systems for managing workforce performance and developing your workforce members to enable and encourage all of them to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to address your core competencies, and to help accomplish your action plans and ensure your organization’s success now and in the future.

Commentary

High performance. The focus of this item is on a workforce capable of achieving high performance. Understanding the characteristics of high-performance work environments, in which people do their utmost for their customers’ benefit and the organization’s success, is key to understanding and building an engaged workforce. High performance is characterized by flexibility, innovation, empowerment and personal accountability, knowledge and skill sharing, good communication and information flow, alignment with organizational objectives, customer focus, and rapid response to changing business needs and marketplace requirements.

Workforce engagement and performance. Many studies have shown that high levels of workforce engagement have a significant, positive impact on organizational performance. Research has indicated that engagement is characterized by performing meaningful work; having clear organizational direction and accountability for performance; and having a safe, trusting, effective, and cooperative work environment. In many organizations, employees and volunteers are drawn to and derive meaning from their work because it is aligned with their personal values.

Drivers of workforce engagement. Although satisfaction with pay and pay increases are important, these two factors generally are not sufficient to ensure workforce engagement and high performance. Some examples of other factors to consider are effective problem and grievance resolution; development and career opportunities; the work environment and management support; workplace safety and security; the workload; effective communication, cooperation, and teamwork; the degree of empowerment; job security; appreciation of the differing needs of diverse workforce groups; and organizational support for serving customers.

Factors inhibiting engagement. It is equally important to understand and address factors inhibiting engagement. You could develop an understanding of these factors through workforce surveys, focus groups, blogs, or exit interviews with departing workforce members.

Compensation and recognition. Compensation and recognition systems should be matched to your work systems. Recognition can include monetary and nonmonetary, formal and informal, and individual and group mechanisms. To be effective, compensation and recognition might include promotions and bonuses tied to performance, demonstrated skills, skills acquired, adaptation to new work systems and culture, and other factors. Approaches might also include profit sharing; mechanisms for expressing simple “thank yous”; rewards for exemplary team or unit performance; and linkage to customer engagement measures, achievement of organizational strategic objectives, or other key organizational objectives.

Other indicators of workforce engagement. In addition to direct measures of workforce engagement through formal or informal surveys, other indicators include absenteeism, turnover, grievances, and strikes.

Performance development. Organizations today need employees who are versatile and who can continually upgrade their work skills. High-performing organizations address this need by meeting employees’ rising expectations for career-relevant learning and development. In performance development, employees pursue personal growth and growth in the organization through both internal and external learning. This learning involves engaging work assignments, opportunities, and personal learning to reach the next level of organizational and personal performance.

Performance development needs. Depending on the nature of your organization’s work, workforce responsibilities, and stage of organizational and personal development, performance development needs might vary greatly. These needs might include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; exceeding customer requirements; analyzing and simplifying processes; reducing waste and cycle time; working with and motivating volunteers; and setting priorities based on strategic alignment or cost-benefit analysis.

Education needs might also include advanced skills in new technologies or basic skills, such as reading, writing, language, arithmetic, and computer skills.

Learning and development locations and formats. Learning and development opportunities might occur inside or outside your organization and could involve on-the-job, classroom, e-learning, or distance learning, as well as developmental assignments, coaching, or mentoring.

Individual learning and development needs. To help people realize their full potential, many organizations prepare an individual development plan with each person that addresses his or her career and learning objectives and desires.

Customer contact training. Although this item does not specifically ask you about training for customer contact employees, such training is important and common. It frequently includes gaining critical skills and knowledge about your products and customers, how to listen to customers, how to recover from problems or failures, and how to effectively manage and exceed customer expectations.

Learning and development effectiveness. Measures to evaluate the effectiveness and efficiency of your workforce and leader development and learning systems might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and costs versus benefits.

Operations (Category 6)

This category asks how you focus on your organization's work, product design and delivery, innovation, and operational effectiveness to achieve organizational success now and in the future.

6.1 Work Processes

Purpose

This item asks about the management of your key products, your key work processes, and innovation, with the aim of creating value for your customers and achieving current and future organizational success.

Commentary

Work process requirements. Your design approaches could differ appreciably depending on the nature of your product or service offerings—whether the products and services are entirely new, are variants, are customized, or involve major or minor work process changes. Your design approaches should consider the key requirements for your products and services. Factors that you might need to consider in work process design include safety, long-term performance, environmental impact, your carbon footprint and "green" manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or support options, supplier capability, and documentation.

Effective design must also consider the cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and the redesign ("reengineering") of those processes to achieve efficiency, as well as to meet changing customer requirements.

Key product-related and business processes. Your key work processes include your product- and service-related processes and those nonproduct business processes that your senior leaders consider important to organizational success and growth. These processes frequently relate to your organization's core competencies, strategic objectives, and critical success factors. Key business processes might include technology acquisition, information and knowledge management, mergers and acquisitions, global expansion, project management, and sales and marketing. For some nonprofit organizations, key business processes might include fundraising, media relations, and public policy advocacy. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.

Work process design. Many organizations need to consider requirements for suppliers, partners, and collaborators at the work process design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if your products utilize parts or supplies, equipment, personnel, and facilities that are used for other products or processes, coordination of resources might be a major concern, but it might also offer a means to significantly reduce unit costs and time to market.

In-process measures. This item refers specifically to in-process measurements. These measurements require you to identify critical points in processes for measurement and observation. These points should occur as early as possible in processes to minimize problems and costs that may result from deviations from expected performance.

Process performance. Achieving expected process performance frequently requires setting in-process performance levels or standards to guide decision making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technology, people, or both. Proper corrective action involves changes at the source (root cause) of the deviation and should minimize the likelihood of this type of variation occurring again or elsewhere in your organization.

When customer interactions are involved, evaluation of how well the process is performing must consider differences among customers. This is especially true of professional and personal services. In some organizations, cycle times for key processes may be a year or longer, which may create special challenges in measuring day-to-day progress and identifying opportunities for reducing cycle times, when appropriate.

Key support processes. Your key work processes include those processes that support your daily operations and your product and service delivery but are not usually designed in detail with the products. Support process requirements do not usually depend significantly on product characteristics. Such requirements usually depend significantly on internal requirements, and they must be coordinated and integrated to ensure efficient and effective linkage and performance. Support processes might include processes for finance and accounting, facilities management, legal services, human resource services, public relations, and other administrative services.

Process improvement. This item calls for information on how you improve processes to achieve better performance. Better performance means not only better quality from your customers' perspectives, but also better financial and operational performance—such as productivity—from your other stakeholders' perspectives. A variety of process improvement approaches are commonly used. Examples include

- using the results of organizational performance reviews;
- sharing successful strategies across your organization to drive learning and innovation;
- performing process analysis and research (e.g., process mapping, optimization experiments, error proofing);
- conducting technical and business research and development;
- using quality improvement tools like Lean, Six Sigma, and Plan-Do-Check-Act (PDCA);
- benchmarking;
- using alternative technology; and
- using information from customers of the processes—within and outside your organization.

Process improvement approaches might use financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including a complete redesign ("reengineering") of processes.

Supply networks. Rather than a one-to-one-to-one supply chain, organizations must increasingly rely on a supply network to manage assets outside traditional organizational boundaries. Suppliers, partners, and collaborators are receiving increasing strategic attention as organizations reevaluate their core competencies and their place within their business ecosystem. To optimize the value of its supply network, organizations need to position themselves to take advantage of an agile, interdependent network of suppliers.

Supply-network management. For many organizations, supply-network management has become a key factor in achieving productivity and profitability goals and overall organizational success. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and to help them contribute to improving your overall operations. Supply-network management might include processes for selecting suppliers, with the aim of reducing the total number of suppliers and increasing preferred supplier and partner agreements.

Supply-network communication. Mechanisms for communicating with suppliers should use understandable language. They might involve in-person contact; email, social media, or other electronic means; or the telephone. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

Innovation management. In an organization that has a supportive environment for innovation, there are likely to be many more ideas than the organization has resources to pursue. This leads to two critical decision points in the innovation cycle: (1) commensurate with resources, prioritizing opportunities to pursue those opportunities with the highest likelihood of a return on investment (intelligent risks) and (2) knowing when to discontinue projects and reallocate the resources either to further development of successful projects or to new projects.

6.2 Operational Effectiveness

Purpose

This item asks how you ensure effective operations in order to have a safe workplace environment and deliver customer value. Effective operations frequently depend on controlling the overall costs of your operations and maintaining the reliability, security, and cybersecurity of your information systems.

Commentary

Cost control. Cost and cycle-time reduction may be achieved through Lean process management strategies. Defect reduction and improved product yield may involve Six Sigma projects. It is crucial to utilize key measures for tracking all aspects of your operations management.

Security and cybersecurity. Given the frequency and magnitude of electronic data transfer and storage, the prevalence of cybersecurity attacks, and customer and business requirements around securing assets and information, managing cybersecurity is an essential component of operational effectiveness. Proper management of cybersecurity requires a systems approach that focuses on using key business factors to guide cybersecurity activities and integrating cybersecurity with your overall leadership and management approaches. In a dynamic and challenging environment of new threats, risks, and solutions, managing cybersecurity means taking into account your organization's unique threats, vulnerabilities, and risk tolerances. It means determining activities that are important to critical service delivery and to your customers, and prioritizing investments to protect them. Cybersecurity may involve training workforce members not directly involved in information technology matters and educating customers, suppliers, and partners. It may also involve communicating with these stakeholders to inform them of potential cyber threats, inform them of breaches, and report recovery efforts in order to maintain their confidence in your organization.

Workplace safety. All organizations, regardless of size, are required to meet minimum regulatory standards for workplace and workforce safety; however, high-performing organizations have processes in place to ensure that they not only meet these minimum standards but also go beyond a compliance orientation to a safety-first commitment. This includes designing proactive processes, with input from people directly involved in the work, to ensure a safe working environment.

Business continuity. Efforts to ensure the continuity of operations in an emergency should consider all facets of your operations that are needed to provide your products and services to customers, including supply-network availability. The specific level of operations that you will need to provide will be guided by your mission and your customers' needs and requirements. For example, a public utility is likely to have a higher need for services than organizations that do not provide an essential function. Nonprofit (including government) organizations whose mission is to respond to emergencies will have a high need for service readiness. You should also coordinate your continuity-of-operations efforts with your efforts to ensure the availability of data and information (item 4.2).

You should carefully plan how you will continue to provide an information technology infrastructure, data, and information in the event of either a natural or human-caused disaster. These plans should consider the needs of all your stakeholders, including the workforce, customers, suppliers, partners, and collaborators. The plans should be coordinated with your overall plan for business continuity and cybersecurity.

Results (Category 7)

This category provides a systems focus that encompasses all results necessary to sustaining an enterprise: your key process and product results, your customer-focused results, your workforce results, your leadership and governance system results, and your overall financial and market performance.

This systems focus maintains the purposes of the Baldrige Excellence Framework—superior value of offerings as viewed by your customers and the marketplace, superior organizational performance as reflected in your operational indicators, organizational learning, and learning by workforce members. Category 7 thus provides "real-time" information (measures of progress) for evaluating, improving, and innovating processes and products, in alignment with your overall organizational strategy. While category 7 asks about results broadly, you should place a premium on monitoring outcomes that are the consequence of your operational performance and serve as predictors of future performance.

7.1 Product and Process Results

Purpose

This item asks about your key product and operational performance results, which demonstrate product and service quality and value that lead to customer satisfaction and engagement.

Commentary

Measures of product performance. This item emphasizes measures of product performance that serve as indicators of customers' views and decisions relative to future purchases, interactions and relationships. These measures of product performance are derived from customer-related information gathered in category 3.

Examples of product measures. Product and service measures appropriate for inclusion might be based on the following: internal quality measurements, field performance of products, defect levels, service errors, response times, and data collected from your customers by other organizations on ease of use or other attributes, as well as customer surveys on product and service performance.

Product performance and customer indicators. The correlation between product and service performance and customer indicators is a critical management tool with multiple uses: (1) defining and focusing on key quality and customer requirements, (2) identifying product and service differentiators in the marketplace, and (3) determining cause-effect relationships between your product or service attributes and evidence of customer satisfaction and engagement. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of offerings.

Process effectiveness and efficiency measures. Measures and indicators of process effectiveness and efficiency might include the following:

- Work system performance that demonstrates improved cost savings or higher productivity by using internal and/or external resources
- Reduced emission levels, carbon footprint, or energy consumption
- Waste-stream reductions, by-product use, and recycling
- Internal responsiveness indicators, such as cycle times, production flexibility, lead times, setup times, and time to market
- Improved performance of administrative and other support functions
- Indicators of the effectiveness of security and cybersecurity approaches
- Business-specific indicators, such as innovation rates and increased product and process yields, Six Sigma initiative results, and acceptable product performance at the time of delivery
- Supply-network indicators, such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply-network management costs
- Third-party assessment results, such as ISO 9001 audits

Measures of organizational and operational performance. This item encourages you to develop and include unique and innovative measures to track key processes and operational improvement. Unique measures should consider cause-effect relationships between operational performance and product quality or performance. All key areas of organizational and operational performance, including your organization's readiness for emergencies, should be evaluated by measures that are relevant and important to your organization.

7.2 Customer-Focused Results

Purpose

This item asks about your customer-focused performance results, which demonstrate how well you have been satisfying your customers and engaging them in loyalty-building relationships.

Commentary

Your performance as viewed by your customers. This item focuses on all relevant data to determine and help predict your performance as viewed by your customers. Relevant data and information include the following:

- Customer satisfaction and dissatisfaction
- Retention, gains, and losses of customers and customer accounts
- Customer complaints, complaint management, effective complaint resolution, and warranty claims
- Customer-perceived value based on quality and price
- Customer assessment of access and ease of use (including courtesy in service interactions)
- Customer advocacy for your brand and product offerings
- Awards, ratings, and recognition from customers and independent rating organizations

Relative satisfaction. For customers' satisfaction with your products relative to satisfaction with those of competitors and comparable organizations, measures and indicators might include information and data from your customers, from competitors' customers, and from independent organizations.

Results that go beyond satisfaction. This item places an emphasis on customer-focused results that go beyond satisfaction measurements, because customer engagement and relationships are better indicators and measures of future success in the marketplace and of organizational sustainability.

7.3 Workforce-Focused Results

Purpose

This item asks about your workforce-focused performance results, which demonstrate how well you have been creating and maintaining a productive, caring, engaging, and learning environment for all members of your workforce.

Commentary

Workforce results factors. Results reported might include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons might be appropriate. Organization-specific factors are those you assess to determine workforce climate and engagement. These factors might include the extent of training, retraining, or cross-training to meet capability and capacity needs; the extent and success of workforce empowerment; the extent of union-management partnering; or the extent of volunteer involvement in process and program activities.

Workforce capacity and capability. Results reported for indicators of workforce capacity and capability might include staffing levels across organizational units and certifications to meet skill needs. Additional factors may include organizational restructuring, as well as job rotations designed to meet strategic directions or customer requirements. Backlogs or reductions in backlogs could be indicators of capacity or capability challenges or improvements, respectively.

Workforce engagement. Results measures reported for indicators of workforce engagement and satisfaction might include improvement in local decision making, organizational culture, and workforce knowledge sharing. Input data, such as the number of cash awards, might be included, but the main emphasis should be on data that show effectiveness or outcomes. For example, an outcome measure might be increased workforce retention resulting from establishing a peer recognition program or the number of promotions into leadership positions that have resulted from the organization's leadership development program.

7.4 Leadership and Governance Results

Purpose

This item asks about your key results in the areas of senior leadership and governance, which demonstrate the extent to which your organization is fiscally sound, ethical, and socially responsible.

Commentary

Importance of high ethical standards. Independent of an increased national focus on issues of governance and fiscal accountability, ethics, and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct. Governance bodies and senior leaders should track relevant performance measures regularly and emphasize this performance in stakeholder communications.

Results to report. Your results should include environmental, legal, and regulatory compliance; results of oversight audits by government or funding agencies; noteworthy achievements in these areas, as appropriate; and organizational contributions to societal well-being and support for key communities.

Sanctions or adverse actions. If your organization has received sanctions or adverse actions under law, regulation, or contract during the past five years, you should summarize the incidents, their current status, and actions to prevent reoccurrence.

7.5 Financial, Market, and Strategy Results

Purpose

This item asks about your key financial and market results, which demonstrate your financial sustainability and your marketplace achievements. It also asks about the achievement of your strategy.

Commentary

Senior leaders' role. Measures to report in this item are those that senior leaders track on an ongoing basis to assess your organization's financial performance and viability.

Appropriate measures. In addition to the measures included in the note to 7.5a(1), appropriate financial measures and indicators might include revenues, budgets, profits or losses, cash position, net assets, debt leverage, cash-to-cash cycle time, earnings per share, financial operations efficiency (collections, billing, receivables), and financial returns.

Marketplace performance measures might include measures of business growth, new products and markets entered, or the percentage of revenues derived from new products.

Measures of strategy implementation. Because many organizations have difficulty determining appropriate measures, measuring progress in accomplishing their strategy is a key challenge. Frequently, organizations can discern these progress measures by first defining the results that would indicate end-goal success in achieving a strategic objective and then using that end-goal to define intermediate measures.

Baldrige Performance Excellence Program

Created by Congress in 1987, the Baldrige Program is managed by the National Institute of Standards and Technology (NIST), an agency of the U.S. Department of Commerce. This unique public-private partnership is dedicated to helping organizations improve their performance and succeed in the global marketplace. The program administers the Presidential Malcolm Baldrige National Quality Award. In collaboration with the greater Baldrige community, we address critical national needs through

- a systems approach to achieving organizational excellence;
- organizational self-assessment tools and analysis of organizational strengths and opportunities for improvement by a team of trained experts;
- training, executive education, conferences, and workshops on proven best management practices and on using the Baldrige Excellence Framework to improve; and
- Baldrige-based approaches to cybersecurity risk management and community excellence.

Foundation for the Malcolm Baldrige National Quality Award

The mission of the Baldrige Foundation is to ensure the long-term financial growth and viability of the Baldrige Performance Excellence Program and to support organizational performance excellence in the United States and throughout the world. To learn more about the Baldrige Foundation, see www.baldrigefoundation.org.

Alliance for Performance Excellence

The Alliance (www.baldrigealliance.org) is a national network of Baldrige-based organizations and supporting members with a mission to grow performance excellence in support of a thriving Baldrige community. Members contribute nearly 300,000 volunteer hours and more than $30 million per year in tools, resources, and expertise to assist organizations on their journeys to excellence. This includes annually evaluating and recognizing over 1,000 organizations that use the Baldrige Excellence Framework and serving as the feeder system for the national Baldrige Award.

American Society for Quality

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

For more information:

www.nist.gov/baldrige | 301.975.2036 | baldrige@nist.gov

The Malcolm Baldrige National Quality Award

www.nist.gov/baldrige/baldrige-award

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

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

The President of the United States traditionally presents the award. A 22-karat, gold-plated medallion that bears the name of the award and "The Quest for Excellence" on one side and the Presidential Seal on the other.

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

The Annual Quest for Excellence® Conference

Official conference of the Malcolm Baldrige National Quality Award

www.nist.gov/baldrige/qe

Gaylord National Harbor

National Harbor, Maryland (near Washington, D.C.)

April 7–10, 2019
March 24–27, 2020
April 11–14, 2021

Each year at The Quest for Excellence Conference, Baldrige Award recipients share their exceptional performance practices with leaders of business, education, health care, and nonprofit organizations and inspire attendees to apply the insights they gain within their own organizations.

Plan to attend and learn about the recipients' best management practices, participate in educational presentations on the Baldrige Excellence Framework, and network with Baldrige Award recipients and other attendees.

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

110 Baldrige Award winners serve as national role models.

2010–2018 award applicants represent **641,693 jobs**, 3,072 work sites, over $166 billion in revenue/budgets, and about 451 million customers served.

352 Baldrige examiners volunteered roughly **$7.9 million** in services in 2018.

State Baldrige-based examiners volunteered around **$29 million** in services in 2017.

What People Are Saying

I have always envisioned Stellar to be a company that is built to last. . . . And if you ask how we can ensure that we are built to last, I would say the answer is Baldrige.

Celeste Ford
CEO and Founder
Stellar Solutions
Palo Alto, CA
Baldrige Award recipient

We believe that government can be great. We believe that local government can be great. And we believe that the Baldrige framework is ideally suited to help local government go from here to here [low to high].

Darin Atteberry
City Manager
City of Fort Collins
Fort Collins, CO
Baldrige Award recipient

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