



# 1998

## Criteria for Performance Excellence

*“Quality is one of the keys to the continued competitive success of U.S. businesses. The Malcolm Baldrige National Quality Award, which highlights customer satisfaction, workforce empowerment and increased productivity, has come to symbolize America’s commitment to excellence.”*

**William J. Clinton**

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*“In your quest for quality, you won’t find a better guide than the Baldrige Award criteria, which are widely accepted as the standard for performance and business excellence. These criteria are in the hands of more than a million business leaders and are used by thousands of organizations for training, for self-assessment, and as a tool to develop performance and business processes.”*

**William M. Daley**  
**Secretary of Commerce**

The Award, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black, anodized aluminum with the Award winner’s name engraved on the base. A solid bronze, 22-karat, gold-plated, die-struck medallion is captured in the front section of the crystal. The medal bears the inscriptions: “Malcolm Baldrige National Quality Award” and “The Quest for Excellence” on one side and the Presidential Seal on the other.

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

Awards are made annually to recognize U.S. companies for performance excellence. Awards may be given in each of three eligibility categories:

- Manufacturing companies
- Service companies
- Small businesses

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



Crystal by Steuben  
Medal by The Protocol Group

# A MESSAGE TO EXECUTIVES

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Your business is facing increasing marketplace challenges everyday. Assess your readiness to respond to those challenges by using the Baldrige Criteria for Performance Excellence. In the most competitive business sectors, companies with world-class business results are able to achieve a score above 700 of 1,000 on the Baldrige scale. Where would your business score?

If you are prepared to take the Baldrige challenge, the decision your business must make is to self-assess only or to submit an Award application.

## Why should you self-assess?

- The assessment is tailored to your business and its success, driven by your Strategy and Action Plans and your customer focus, the critical success factors for your business. The assessment criteria provide a framework for performance excellence;
- The self-assessment will help you measure performance on a wide range of key business performance indicators: customer, product and service, operational, and financial. (Baldrige winners report outstanding results; as a group those who report productivity as income/employee have reported an average compounded annual growth rate over 9%);
- Processes and results affecting all key stakeholders, including customers, employees, owners, suppliers, and the public, are examined;
- Self-assessment allows you to identify company strengths and to target key opportunities for improvement; and
- Company communication and performance will improve, with resources aligned to achieve company goals.

## Why should you also submit an Award application?

- You will get a detailed feedback report outlining strengths and opportunities for improvement, based on an independent, external assessment made by recognized experts to supplement (and validate!) your own findings;
- Maybe you'll receive a site visit! Your employees will tell you it's an extremely exhilarating and unifying experience; and
- Maybe you'll win a Baldrige Award! Recipients tell us it's great for attracting new business. And many tell us their greatest rate of improvement is during the year after receiving the Award!

## What if you win?

- You may publicize and advertise your status;
- The only requirements placed on recipients are to share non-proprietary information in application summaries and to participate in the Baldrige Award Program Quest for Excellence Conference in April 1999; and
- While we make no promises for the future, on average, publicly-traded Baldrige Award-winning companies have outperformed the Standard & Poor's (S&P) 500 by 3 to 1.

The 1998 Criteria for Performance Excellence are focused on achieving performance excellence in **your** business. Why not take the challenge? Your company will be better for it.

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**If you plan to apply for the Award in 1998, you will also need the booklet titled *1998 Application Forms & Instructions*. Ordering instructions are given on page 46.**

**Eligibility Determination Forms due — April 15, 1998**

**Award Applications due — June 1, 1998**

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

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

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

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

## **The Foundation for the Malcolm Baldrige National Quality Award**

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

Prominent leaders from U.S. companies serve as Foundation Trustees to ensure that the Foundation's objectives are accomplished. Donor organizations vary in size and type, and are representative of many kinds of businesses and business groups.

## **National Institute of Standards and Technology (NIST)**

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

NIST's goals are to provide technical leadership for the Nation's measurement and standards infrastructure, and assure the availability of needed measurement capabilities; to accelerate technological innovation and the development of new technologies that underpin future economic growth; and to foster global competitiveness of U.S. manufacturers and service businesses. Much of NIST's work involves basic and applied research in the physical sciences and engineering.

## **American Society for Quality (ASQ)**

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

ASQ is dedicated to the ongoing development, advancement, and promotion of quality concepts, principles, and techniques. ASQ strives to be the world's recognized champion and leading authority on all issues related to quality. ASQ recognizes that continuous quality improvement will help the favorable positioning of American goods and services in the international marketplace.

## **Board of Overseers**

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

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

## **Board of Examiners**

The Board of Examiners evaluates Award applications, prepares feedback reports, and makes Award recommendations to the Director of NIST. The Board consists of business and quality experts primarily from the private sector. Members are selected by NIST through a competitive application process. For 1998, the Board consists of about 350 members. Of these, nine (who are appointed by the Secretary of Commerce) serve as Judges, and approximately 50 serve as Senior Examiners. The remainder serve as Examiners. All members of the Board take part in an Examiner preparation course.

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

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

Award recipients are required to share information on their successful performance and quality strategies with other U.S. organizations. However, recipients are not required to share proprietary information, even if such information was part of their Award application. The principal mechanism for sharing information is the annual Quest for Excellence Conference, highlighted on page 47.

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



# INTRODUCTION



The Malcolm Baldrige National Quality Award is an annual Award to recognize U.S. companies for performance excellence.

## The Award promotes:

- understanding of the requirements for performance excellence and competitiveness improvement; and
- sharing of information on successful performance strategies and the benefits derived from using these strategies.

## Award Participation

The Award has three eligibility categories:

- Manufacturing companies
- Service companies
- Small businesses

Two awards may be given in each category each year.

To participate in the Award process a company must submit an application package that addresses the Criteria for Performance Excellence (pages 5-21).

Since the Award's inception, only for-profit organizations have been eligible. Expansion to include all education and health care organizations is under review.

## Award Recipients

Award recipients may publicize and advertise their Awards. Recipients are expected to share information about their successful performance strategies with other U.S. organizations.

### Feedback to Applicants

Each applicant receives a feedback report at the conclusion of the review process. The feedback contains strengths and opportunities for improvement relative to the Criteria for Performance Excellence.

## Criteria for Performance Excellence

*The Award is based upon performance excellence criteria created through a public-private partnership. Award applicants are expected to provide information and data on the company's key processes and results. The information and data must be adequate to demonstrate that applicants' approaches are effective and yield desired outcomes.*

The Criteria are designed not only to serve as a reliable basis for making Awards but also to permit a diagnosis of any company's overall performance management system. The Criteria are used by organizations of all kinds for self-assessment, planning, training, and other purposes.

## Application Requirements

Applicants need to submit an application package that consists of three parts:

- an Eligibility Determination Form showing that eligibility has been approved;
- a completed Application Form; and
- an application report consisting of a Business Overview and responses to the Criteria.

Detailed information and the necessary forms are contained in the **1998 Application Forms & Instructions** booklet. Ordering instructions for this booklet are given on page 46.

## Application Review

Applications are reviewed and evaluated by members of the Board of Examiners, in accord with strict rules regarding conflict of interest, in a four-stage process:

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

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

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

*Stage 4* – Judges' review and recommendations of Award recipients

## Contents of this Booklet

This booklet contains:

- the Criteria for Performance Excellence, a glossary of key terms used in the Criteria, and a description of the Criteria;
- Scoring Guidelines and a description of the scoring system; and
- information on preparing the Business Overview (setting a focus on the applicant's business).

The booklet also contains background information for understanding the 1998 Criteria and the application process:

- the Criteria Response Guidelines provide guidance on format and content for responding to Item requirements;
- the Core Values and Concepts, and the Key Characteristics of the Criteria, set the basis for the Criteria Items;
- the section on changes from the 1997 Criteria will help previous users of the Criteria understand the 1998 revisions to the Criteria;
- the section on Eligibility Categories and Restrictions should be reviewed by businesses interested in applying for the Award; and
- several additional pages outline fees and describe educational information available from the Baldrige program.

# 1998 CRITERIA FOR PERFORMANCE EXCELLENCE — ITEM LISTING

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1998 Categories/Items		Point Values
<b>1</b>	<b>Leadership</b>	<b>110</b>
	1.1 Leadership System.....	80
	1.2 Company Responsibility and Citizenship .....	30
<b>2</b>	<b>Strategic Planning</b>	<b>80</b>
	2.1 Strategy Development Process.....	40
	2.2 Company Strategy.....	40
<b>3</b>	<b>Customer and Market Focus</b>	<b>80</b>
	3.1 Customer and Market Knowledge.....	40
	3.2 Customer Satisfaction and Relationship Enhancement.....	40
<b>4</b>	<b>Information and Analysis</b>	<b>80</b>
	4.1 Selection and Use of Information and Data.....	25
	4.2 Selection and Use of Comparative Information and Data.....	15
	4.3 Analysis and Review of Company Performance.....	40
<b>5</b>	<b>Human Resource Focus</b>	<b>100</b>
	5.1 Work Systems.....	40
	5.2 Employee Education, Training, and Development .....	30
	5.3 Employee Well-Being and Satisfaction .....	30
<b>6</b>	<b>Process Management</b>	<b>100</b>
	6.1 Management of Product and Service Processes .....	60
	6.2 Management of Support Processes .....	20
	6.3 Management of Supplier and Partnering Processes .....	20
<b>7</b>	<b>Business Results</b>	<b>450</b>
	7.1 Customer Satisfaction Results .....	125
	7.2 Financial and Market Results .....	125
	7.3 Human Resource Results .....	50
	7.4 Supplier and Partner Results .....	25
	7.5 Company-Specific Results .....	125
	<b>TOTAL POINTS</b>	<b>1000</b>



# GLOSSARY OF KEY TERMS



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

## Action Plans

Action plans refer to principal company-level drivers, derived from short- and long-term strategic planning. In simplest terms, action plans are set to accomplish those things the company must do well for its strategy to succeed. Action plan development represents the critical stage in planning when general strategies and goals are made specific so that effective companywide understanding and deployment are possible. Deployment of action plans requires analysis of overall resource needs and creation of aligned measures for all work units. Deployment might also require specialized training for some employees or recruitment of personnel.

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

## Alignment

Alignment refers to consistency of plans, processes, actions, information, and decisions among company units in support of key companywide goals.

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

## Cycle Time

Cycle time refers to time performance — the time required to fulfill commitments or to complete tasks.

Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. Cycle time is used in the Criteria booklet to refer to all aspects of time performance.

Other time-related terms in common use are set-up time, lead time, change-over time, delivery time, and time to market.

## High Performance Work

High performance work refers to work approaches used to *systematically* pursue ever higher levels of overall company and human performance, including quality, productivity, and time performance.

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

## Leadership System

Leadership system refers to how leadership is exercised, formally and informally, throughout the company — the basis for and the way that key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision making, selection and development of leaders and managers, and reinforcing values, practices, and behaviors.

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

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## Measures and Indicators

Measures and indicators refer to numerical information that quantifies (measures) input, output, and performance dimensions of processes, products, services, and the overall company (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

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

## Performance

Performance refers to output results information obtained from processes, products, and services that permits evaluation and comparison relative to goals, standards, past results, and to other organizations. Performance might be expressed in non-financial and financial terms.

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

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

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

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

Financial and marketplace performance refers to performance using measures of cost and revenue, including asset utilization, asset growth, value added per employee, debt to equity ratio, and market share. Financial measures

are generally tracked throughout the company and also are aggregated to give company-level, composite measures of performance. Examples include returns on investments, returns on assets, operating margins, and other profitability and liquidity measures.

## Process

Process refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the company. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions. In some situations, 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 many service situations, particularly when customers are directly involved in the service, process is used in a more general way — to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information for customers to help them understand and follow the sequence. Service processes involving customers also require guidance to the providers on handling contingencies related to customers’ likely or 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, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

## Productivity

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

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

# 1998 CRITERIA FOR PERFORMANCE EXCELLENCE

## 1 Leadership (110 pts.)

The **Leadership** Category examines the company's leadership system and senior leaders' personal leadership. It examines how senior leaders and the leadership system address values, company directions, performance expectations, a focus on customers and other stakeholders, learning, and innovation. Also examined is how the company addresses its societal responsibilities and provides support to key communities.

### 1.1 Leadership System (80 pts.)

Approach – Deployment

**Describe the company's leadership system and how senior leaders guide the company in setting directions and in developing and sustaining effective leadership throughout the organization.**

In your response, address the following Area:

#### **a. Leadership System**

Describe the company's leadership system, how senior leaders provide effective leadership, and how this leadership is exercised throughout the company, taking into account the needs and expectations of all key stakeholders. Include:

- (1) a description of the company's leadership system and how it operates. Include how it addresses values, performance expectations, a focus on customers and other stakeholders, learning, and innovation; and
- (2) how senior leaders:
  - set and communicate company directions and seek future opportunities for the company, taking into account all key stakeholders;
  - communicate and reinforce values, performance expectations, a focus on customers and other stakeholders, learning, and innovation;
  - participate in and use the results of performance reviews; and
  - evaluate and improve the leadership system, including how they use their review of the company's performance and employee feedback in the evaluation.

#### **Note:**

*Company performance reviews are addressed in Item 4.3. Responses to 1.1a(2) should therefore focus on the senior leaders' roles in and uses of the review of overall company performance, not on the details of the review.*

For additional description of this Item, see page 22.

## 1.2 Company Responsibility and Citizenship (30 pts.)

Approach – Deployment

**Describe how the company addresses its responsibilities to the public and how the company practices good citizenship.**

In your response, address the following Areas:

**a. Societal Responsibilities**

How the company addresses the current and potential impacts on society of its products, services, and operations. Include:

- (1) key practices, measures, and targets for regulatory, legal, and ethical requirements and for risks associated with company products, services, and operations; and
- (2) how the company anticipates public concerns with current and future products, services, and operations, and addresses these concerns in a proactive manner.

**b. Support of Key Communities**

How the company, its senior leaders, and its employees support and strengthen their key communities.

**Notes:**

*N1. Public responsibilities in areas critical to the business also should be addressed in Strategy Development Process (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory/legal compliance, environmental improvements through use of "green" technology or other means, should be reported as Company-Specific Results (Item 7.5).*

*N2. Areas of community support appropriate for inclusion in 1.2b may include efforts by the company to strengthen local community services, education, the environment, and practices of trade, business, or professional associations.*

*N3. Health and safety of employees are not addressed in Item 1.2; they are addressed in Item 5.3.*

For additional description of this Item, see page 22.

## 2 Strategic Planning (80 pts.)

The **Strategic Planning** Category examines how the company sets strategic directions, and how it develops the critical strategies and action plans to support the directions. Also examined are how plans are deployed and how performance is tracked.

### 2.1 Strategy Development Process (40 pts.)

Approach – Deployment

**Describe how the company sets strategic directions to strengthen its business performance and competitive position.**

In your response, address the following Area:

#### **a. Strategy Development Process**

Provide a brief description or diagram of the strategy development process. Include how the company takes the following factors into account:

- (1) customers; market requirements, including price; customer and market expectations; and new opportunities;
- (2) the competitive environment: industry, market, and technological changes;
- (3) risks: financial and societal;
- (4) human resource capabilities and needs;
- (5) company capabilities — technology and technology management, research and development, innovation, and business processes — to seek or create new opportunities and/or to prepare for key new requirements; and
- (6) supplier and/or partner capabilities.

#### **Notes:**

*N1. The strategy development process refers to the company's approach, formal or informal, to a future-oriented basis for making or guiding business decisions, resource allocations, and companywide management. This process might use models, market or sales forecasts, scenarios, analyses, business intelligence, and/or key customer requirements and plans.*

*N2. Strategy should be interpreted broadly. It might include any or all of the following: new products, services and markets; revenue growth; cost reduction; and new partnerships and alliances. Company strategy might be directed toward making the company a preferred supplier, a low-cost producer, a market innovator, a high-end or customized service provider.*

*Strategy might depend upon many different kinds of capabilities, including rapid response, customization, lean or virtual manufacturing, relationships, rapid innovation, technology management, leveraging assets, business process excellence, and information management. Responses to Item 2.1 should address the factors from the point of view of the company, how it plans to operate, and the capabilities most critical to its performance.*

*N3. Item 2.1 addresses overall company directions and strategy, including changes in services, products, and/or product lines. However, the Item does not address product and service design; these are addressed in Item 6.1.*

For additional description of this Item, see page 23.

**Summarize the company’s strategy and action plans, how they are deployed and how performance is tracked. Include key performance requirements and measures, and an outline of related human resource plans. Estimate how the company’s performance projects into the future relative to competitors and/or key benchmarks.**

In your response, address the following Areas:

**a. Strategy and Action Plans**

Provide a summary of the action plans and related human resource plans derived from the company’s overall strategy. Briefly explain how critical action plan requirements, including human resource plans, key processes, performance measures and/or indicators, and resources are aligned and deployed. Describe how performance relative to plans is tracked. Note any important differences between short- and longer-term plans and the reasons for the differences.

**b. Performance Projection**

Provide a two-to-five year projection of key measures and/or indicators of performance based on the likely changes resulting from the company’s action plans. Include appropriate comparisons with competitors and/or key benchmarks. Briefly explain the comparisons, including any estimates or assumptions made in projecting competitor performance and/or benchmark data.

**Notes:**

*N1. The development and implementation of company strategy and action plans are closely linked to other Items in the Criteria and to the overall performance excellence framework as indicated on page 43. Specific linkages include:*

- *Item 1.1 and how senior leaders set and communicate company directions;*
- *Category 3 for gathering customer and market knowledge as input to strategy and action plans, and for implementing action plans for building and enhancing relationships;*
- *Category 4 for information and analysis to support development of company strategy and track progress relative to strategies and action plans;*

- *Items 5.1 and 5.2 for work system and employee education, training, and development needs resulting from company action plans and related human resource plans;*
- *Category 6 for process requirements resulting from company action plans.*

*N2. Projected measures and/or indicators of performance (2.2b) also might include changes resulting from new business ventures, new value creation, major market shifts, and/or significant anticipated innovations in products, services, and/or technology.*

For additional description of this Item, see pages 23-24.



### 3 Customer and Market Focus (80 pts.)

The *Customer and Market Focus* Category examines how the company determines requirements, expectations, and preferences of customers and markets. Also examined is how the company builds relationships with customers and determines their satisfaction.

#### 3.1 Customer and Market Knowledge (40 pts.)

Approach – Deployment

**Describe how the company determines longer-term requirements, expectations, and preferences of target and/or potential customers and markets. Describe also how the company uses this information to understand and anticipate needs and to develop business opportunities.**

In your response, address the following Area:

**a. Customer and Market Knowledge**

Provide a brief description of how the company learns from its former, current, and potential customers and markets, to support the company's business needs and to seek market opportunities. Include:

- (1) how customer groups and/or market segments are determined or selected, including the consideration of customers of competitors, other potential customers, and future markets. Describe how the approaches to listening and learning vary for different groups;
- (2) how the company determines and/or projects key product and service features, their relative importance/value to customers, and new product, service, or market opportunities. Describe how key information from former and current customers and markets, including customer retention and complaint information, is used in this determination; and
- (3) how the company's approach to listening to and learning from customers, potential customers, and markets is evaluated, improved, and kept current with changing business needs and strategies.

**Notes:**

*N1. The company's products and services might be sold to end users via other businesses such as retail stores or dealers. Customer groups [3.1a(1)] should take into account the requirements and expectations of both the end users and intermediate businesses.*

*N2. Product and service features [3.1a(2)] refer to all important characteristics and to the performance of products and services throughout their full life cycle and the full "consumption chain." The focus should be primarily on features that bear upon customer preference and repurchase loyalty — for example,*

*those features that differentiate products and services from competing offerings. Those features might include price, value, delivery, customer or technical support, and the sales relationship.*

*N3. Information about customers and markets is requested as key input to strategic planning (Item 2.1). However, strategic plans could also result in a need for new or additional customer and market information, new ways to gather information, and/or new customers and segments from which to gather information.*

For additional description of this Item, see pages 24-25.

**Describe how the company determines and enhances the satisfaction of its customers to build relationships, to improve current offerings, and to support customer- and market-related planning.**

In your response, address the following Areas:

**a. Accessibility and Complaint Management**

How the company provides access and information to enable customers to seek assistance, to conduct business, and to voice complaints. Include:

- (1) how the company determines customer contact requirements, deploys the requirements to all employees who are involved in meeting the requirements, and evaluates and improves customer contact performance; and
- (2) a description of the company's complaint management process. Explain how the company ensures that complaints are resolved effectively and promptly, and that complaints received by all company units are aggregated and analyzed for use throughout the company.

**b. Customer Satisfaction Determination**

How the company determines customer satisfaction and dissatisfaction. Include:

- (1) a brief description of processes, measurements, and data used to determine customer satisfaction and dissatisfaction. Describe how the measurements capture actionable information that reflects customers' future business with the company and/or positive referral. Indicate significant differences, if any, in methods and/or measurement scales for different customer groups or market segments;
- (2) how the company follows up with customers on products, services, and recent transactions to receive prompt and actionable feedback; and
- (3) how the company obtains objective and reliable information on customer satisfaction relative to its competitors.

**c. Relationship Building**

Describe:

- (1) how the company builds loyalty, positive referral, and relationships with its customers. Indicate significant differences, if any, for different customer groups or market segments.
- (2) how the company's processes for providing access, determining customer satisfaction, and building relationships are evaluated, improved, and kept current with changing business needs and strategies.

**Notes:**

*N1. Customer satisfaction and dissatisfaction determination (3.2b) might include any or all of the following: surveys, formal and informal feedback from customers, use of customer account data, and complaints.*

*N2. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Effective (actionable) customer satisfaction measurement provides reliable information about customer ratings of specific product, service, and relationship features, the linkage between these ratings, and the customer's likely future actions — repurchase and/or positive referral. Product and service features might include overall value and price.*

*N3. Customer relationships (3.2c) might include the development of partnerships or alliances.*

*N4. Customer satisfaction and dissatisfaction results should be reported in Item 7.1. Information on operational measures that contribute to customer satisfaction or dissatisfaction should be reported in Item 7.5. For example, information on trends and levels in measures and/or indicators of complaint handling effectiveness such as complaint response time, effective resolution, and percent of complaints resolved on first contact should be reported in Item 7.5.*

For additional description of this Item, see page 25.

## 4 Information and Analysis (80 pts.)

The *Information and Analysis* Category examines the selection, management, and effectiveness of use of information and data to support key company processes and action plans, and the company's performance management system.

### 4.1 Selection and Use of Information and Data (25 pts.)

Approach – Deployment

**Describe the company's selection, management, and use of information and data needed to support key company processes and action plans, and to improve company performance.**

In your response, address the following Area:

#### **a. Selection and Use of Information and Data**

Describe:

- (1) the main types of information and data, financial and non-financial, and how each type relates to key company processes and action plans;
- (2) how the information and data are deployed to all users to support the effective management and evaluation of key company processes;
- (3) how key user requirements, including rapid access and ongoing reliability, are met; and
- (4) how information and data, their deployment, and effectiveness of use are evaluated, improved, and kept current with changing business needs and strategies.

#### **Notes:**

*N1. Users [4.1a(2,3)] refers to company work units and to those outside the company who have access to information and data — customers, suppliers, and business partners, as appropriate.*

*N2. Deployment of information and data might be via electronic or other means. Reliability [4.1a(3)] includes reliability of software and delivery systems.*

For additional description of this Item, see page 26.

### 4.2 Selection and Use of Comparative Information and Data (15 pts.)

Approach – Deployment

**Describe the company's selection, management, and use of comparative information and data to improve the company's overall performance and competitive position.**

In your response, address the following Area:

#### **a. Selection and Use of Comparative Information and Data**

Describe:

- (1) how needs and priorities for comparative information and data are determined, taking into account key company processes, action plans, and opportunities for improvement;
- (2) the company's criteria and methods for seeking sources of appropriate comparative information and data — from within and outside the company's industry and markets;
- (3) how comparative information and data are deployed to all potential users and used to set stretch targets and/or to stimulate innovation; and
- (4) how comparative information and data, their deployment, and effectiveness of use are evaluated and improved. Describe also how priorities and criteria for selecting benchmarks and comparisons are kept current with changing business needs and strategies.

#### **Note:**

*Comparative information and data include benchmarking and competitive comparisons. Benchmarking refers to processes and results that*

*represent best practices and performance for similar activities, inside or outside the company's industry. Competitive comparisons refer to performance relative to competitors in the company's markets.*

For additional description of this Item, see page 26.

### 4.3 Analysis and Review of Company Performance (40 pts.)

Approach – Deployment

**Describe how the company analyzes and reviews overall performance to assess progress relative to plans and goals and to identify key areas for improvement.**

In your response, address the following Areas:

**a. Analysis of Data**

How performance data from all parts of the company are integrated and analyzed to assess overall company performance in key areas. Describe how the principal financial and non-financial measures are integrated and analyzed to determine:

- (1) customer-related performance;
- (2) operational performance, including human resource and product/service performance;
- (3) competitive performance; and
- (4) financial and market-related performance.

**b. Review of Company Performance**

Describe:

- (1) how company performance and capabilities are reviewed to assess progress relative to action plans, goals, and changing business needs. Describe the performance measures regularly reviewed by the company's senior leaders.
- (2) how review findings are translated into priorities for improvement, decisions on resource allocation, and opportunities for innovation. Describe also how these findings are deployed throughout the company and, as appropriate, to the company's suppliers and/or business partners.

**Notes:**

*N1. Analysis includes trends, projections, comparisons, and cause-effect correlations intended to support the setting of priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, operational, competitive, financial, and market.*

*N2. Performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.*

For additional description of this Item, see pages 26-27.

## 5 Human Resource Focus (100 pts.)

The **Human Resource Focus** Category examines how the company enables employees to develop and utilize their full potential, aligned with the company's objectives. Also examined are the company's efforts to build and maintain a work environment and work climate conducive to performance excellence, full participation, and personal and organizational growth.

### 5.1 Work Systems (40 pts.)

Approach – Deployment

**Describe how all employees contribute to achieving the company's performance and learning objectives, through the company's work design, and compensation and recognition approaches.**

In your response, address the following Areas:

**a. Work Design**

How work and jobs are designed and how employees, including all managers and supervisors, contribute to ensure:

- (1) design, management, and improvement of company work processes that support company action plans and related human resource plans. Include how work processes are designed and managed to encourage individual initiative and self-directed responsibility;
- (2) communication, cooperation, and knowledge and skill sharing across work functions, units, and locations; and
- (3) flexibility, rapid response, and learning in addressing current, and changing customer, operational, and business requirements.

**b. Compensation and Recognition**

How the company's compensation and recognition approaches for individuals and groups, including all managers and supervisors, reinforce overall company objectives for customer satisfaction, performance improvement, and employee and company learning. Describe significant differences, if any, among different categories or types of employees.

**Notes:**

*N1. For purposes of the Criteria, employees include the company's permanent, temporary, and part-time personnel, as well as any contract employees supervised by the company. Any contract employees supervised by the contractor should be addressed in Item 6.3.*

*N2. Work design refers to how employees are organized and/or organize themselves in formal and informal, temporary, or longer-term units. This includes work teams, process teams, customer action teams, problem-solving teams, centers of excellence, functional units, cross-functional teams, and departments — self-managed or managed by supervisors.*

*Job design refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team based upon cross-training.*

*N3. Compensation and recognition refer to all aspects of pay and reward, including promotions and bonuses, that might be based upon performance, skills acquired, and other factors. This includes monetary and non-monetary, formal and informal, and individual and group compensation and recognition.*

For additional description of this Item, see pages 27-28.

5.2 Employee Education, Training, and Development (30 pts.)

**Describe how the company’s education and training support the accomplishment of key company action plans and address company needs, including building knowledge, skills, and capabilities, and contributing to improved employee performance and development.**

In your response, address the following Area:

**a. Employee Education, Training, and Development**

Describe:

- (1) how education and training support the company’s key action plans and address company needs, including longer-term objectives for employee development and learning, and for leadership development of employees;
- (2) how education and training are designed to support the company’s work systems. Include how the company seeks input from employees and their supervisors/managers in education and training design;
- (3) how education and training, including orientation of new employees, are delivered;
- (4) how knowledge and skills are reinforced on the job; and
- (5) how education and training are evaluated and improved, taking into account company and employee performance, employee development and learning objectives, leadership development, and other factors, as appropriate.

**Notes:**

*N1. Education and training delivery [5.2a(3)] might occur inside or outside the company and involve on-the-job, classroom, computer-based, distance education, or other types of delivery.*

*N2. Other factors [5.2a(5)] might include: effectiveness of incentives in promoting skill building; benefits and costs of education and training; most effective means and timing for training delivery; and effectiveness of cross-training.*

For additional description of this Item, see page 28.



**Describe how the company maintains a work environment and work climate that support the well-being, satisfaction, and motivation of employees.**

In your response, address the following Areas:

**a. Work Environment**

How the company maintains a safe and healthful work environment. Describe how health, safety, and ergonomics are addressed in improvement activities. Briefly describe key measures and targets for each of these environmental factors and how employees take part in establishing these measures and targets. Note significant differences, if any, based upon different work environments for employee groups or work units.

**b. Work Climate**

How the company builds and enhances its work climate for the well-being, satisfaction, and motivation of all employees. Describe:

- (1) company services, benefits, and actions to support employees; and
- (2) a brief summary of how senior leaders, managers, and supervisors encourage and motivate employees to develop and utilize their full potential.

**c. Employee Satisfaction**

How the company assesses the work environment and work climate. Include:

- (1) a brief description of formal and/or informal methods and measures used to determine the key factors that affect employee well-being, satisfaction, and motivation. Note important differences in methods, factors, or measures for different categories or types of employees, as appropriate; and
- (2) how the company relates employee well-being, satisfaction, and motivation results to key business results and/or objectives to identify improvement priorities.

**Notes:**

*N1. Approaches for supporting and enhancing employee well-being, satisfaction, and motivation [5.3b(1)] might include: counseling; career development and employability services; recreational or cultural activities; non-work-related education; day care; job sharing; special leave for family responsibilities and/or for community service; safety off the job; flexible work hours; outplacement; and retiree benefits, including extended health care.*

*N2. Specific factors that might affect well-being, satisfaction, and motivation [5.3c(1)] include: effective employee problem or grievance resolution; safety factors; employee views of management; employee training, development, and career opportunities;*

*employee preparation for changes in technology or the work organization; work environment and other work conditions; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; equal opportunity; and capability to provide required services to customers.*

*N3. Measures and/or indicators of well-being, satisfaction, and motivation (5.3c) might include safety, absenteeism, turnover, turnover rate for customer-contact employees, grievances, strikes, other job actions, and worker's compensation claims, as well as results of surveys. Results relative to such measures and/or indicators should be reported in Item 7.3.*

For additional description of this Item, see pages 28-29.

## 6 Process Management (100 pts.)

The **Process Management** Category examines the key aspects of process management, including customer-focused design, product and service delivery, support, and supplier and partnering processes involving all work units. The Category examines how key processes are designed, implemented, managed, and improved to achieve better performance.

### 6.1 Management of Product and Service Processes (60 pts.)

Approach – Deployment

**Describe how products and services are designed, implemented, and improved. Describe also how production/delivery processes are designed, implemented, managed, and improved.**

In your response, address the following Areas:

#### **a. Design Processes**

How new, modified, and customized products and services, and production/delivery processes are designed and implemented. Include:

- (1) how changing customer and market requirements and technology are incorporated into product and service designs;
- (2) how production/delivery processes are designed to meet customer, quality, and operational performance requirements;
- (3) how design and production/delivery processes are coordinated and tested to ensure trouble-free and timely introduction and delivery of products and services; and
- (4) how design processes are evaluated and improved to achieve better performance, including improvements to products and services, transfer of learning to other company units and projects, and reduced cycle time.

#### **b. Production/Delivery Processes**

How the company's key product and service production/delivery processes are managed and improved. Include:

- (1) a description of the key processes and their principal requirements;
- (2) how the processes are managed to maintain process performance and to ensure products and services will meet customer and operational requirements. Include a description of key in-process measurements and/or customer information gathering, as appropriate; and
- (3) how production/delivery processes are evaluated and improved to achieve better performance, including improvements to products and services, transfer of learning to other company units and projects, and reduced cycle time.

#### **Notes:**

*N1. The relative importance of and relationships between design processes and production/delivery processes depend upon many factors, including the nature of the products and services, technology requirements, issues of modularity and parts commonality, customer and supplier relationships and involvement, product and service customization, and overall company strategy. Design, production, and delivery might depend upon and/or utilize new technology in ways that differ greatly among companies. Responses to Item 6.1 should address the most critical requirements to business success.*

*N2. Responses to 6.1a(1) should include how customers are involved in design, as appropriate.*

*N3. Responses to 6.1a(3) should include key supplier and partner participation, as appropriate.*

*N4. Process evaluation and improvement [6.1a(4) and 6.1b(3)] might include process analysis, research and development results, technology management, benchmarking, use of alternative technology, and information from internal and external customers.*

*N5. Results of improvements in product and service design and delivery processes, product and service quality results, and results of improvements in products and services should be reported in Item 7.5.*

For additional description of this Item, see pages 29-30.

**Describe how the company’s key support processes are designed, implemented, managed, and improved.**

In your response, address the following Area:

**a. Management of Support Processes**

How key support processes are designed, implemented, managed, and improved so that current and future requirements are met. Include:

- (1) how key requirements are determined or set, incorporating input from internal and external customers, as appropriate;
- (2) how key support processes are designed and implemented to meet customer, quality, and operational performance requirements;
- (3) a description of the key support processes and their principal requirements;
- (4) how the processes are managed to maintain process performance and to ensure results will meet customer and operational requirements. Include a description of key in-process measurements and/or customer information gathering, as appropriate; and
- (5) how the processes are evaluated and improved to achieve better performance, including transfer of learning to other company units and projects, and reduced cycle time.

**Notes:**

*N1. The purpose of Item 6.2 is to permit companies to highlight separately the processes that support the product and service design, production, and delivery processes addressed in Item 6.1. The support processes included in Item 6.2 depend on the company’s business and how it operates. Together, Items 6.1, 6.2, and 6.3 should cover all key operations, processes, and activities of all work units.*

*N2. Process evaluation and improvement [6.2a(5)] might include process analysis and research, benchmarking, use of alternative technology, and information from internal and external customers. Information from external customers could include information described in Items 3.2 and 4.3.*

*N3. Results of improvements in key support processes and key support process performance results should be reported in Item 7.5.*

For additional description of this Item, see page 30.

6.3 Management of Supplier and Partnering Processes (20 pts.)

**Describe how the company’s supplier and partnering processes and relationships are designed, implemented, managed, and improved. Describe also how supplier and partner performance is managed and improved.**

In your response, address the following Area:

**a. Management of Supplier and Partnering Processes**

Describe:

- (1) how supplier and partnering processes are designed and implemented to meet overall performance requirements and to help suppliers and partners meet these requirements. Include a brief summary of the principal performance requirements for key suppliers and partners, and describe how partners and preferred suppliers are selected, as appropriate.
- (2) how the company ensures that its performance requirements are met. Describe how suppliers’ and partners’ performance is evaluated, including key measures, expected performance levels, any incentive systems used, and how performance information is fed back to suppliers and partners; and
- (3) how the company evaluates and improves its management of supplier and partnering processes. Summarize current actions and plans to improve suppliers’ and partners’ abilities to contribute to achieving your company’s performance goals. Include actions to minimize costs associated with inspection, testing, or performance audits; and actions to enhance supplier and partner knowledge of your company’s current and longer-term needs and their ability to respond to those needs.

**Notes:**

*N1. Supplier and partnering processes could include company processes for supply chain improvement and optimization, beyond direct suppliers and partners.*

*N2. In 6.3a(1), key suppliers and partners are those selected on the basis of volume of business or criticality of their supplied products and/or services; preferred*

*suppliers and partners are those selected on the basis of performance criteria.*

*N3. Results of improvements in supplier and partnering processes and supplier/partner performance results should be reported in Item 7.4.*

For additional description of this Item, see pages 30-31.

## 7 Business Results (450 pts.)

The **Business Results** Category examines the company's performance and improvement in key business areas — customer satisfaction, financial and marketplace performance, human resource results, supplier and partner performance, and operational performance. Also examined are performance levels relative to competitors.

### 7.1 Customer Satisfaction Results (125 pts.)

Results

**Summarize the company's customer satisfaction and dissatisfaction results.**

In your response, address the following Area:

**a. Customer Satisfaction Results**

Summarize current levels and trends in key measures and/or indicators of customer satisfaction and dissatisfaction, including satisfaction relative to competitors. Address different customer groups and market segments, as appropriate.

**Notes:**

*N1. Customer satisfaction and dissatisfaction results reported in this Item derive from determination methods described in Item 3.2.*

*N2. Measures and/or indicators of customer satisfaction and satisfaction relative to competitors might include information on customer-perceived value.*

*N3. Measures and/or indicators of customer satisfaction relative to competitors might include objective information and data from customers and independent organizations. Comparative performance of products and services and operational performance measures that serve as indicators of customer satisfaction should be addressed in Item 7.5.*

For additional description of this Item, see page 31.

### 7.2 Financial and Market Results (125 pts.)

Results

**Summarize the company's key financial and marketplace performance results.**

In your response, address the following Area:

**a. Financial and Market Results**

Provide results of:

- (1) financial performance, including aggregate measures of financial return and/or economic value, as appropriate; and
- (2) marketplace performance, including market share/position, business growth, and new markets entered, as appropriate.

For all quantitative measures and/or indicators of performance, provide current levels and trends. Include appropriate comparative data.

**Note:**

*Aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, liquidity, debt to equity ratio, value added per employee, and financial activity measures are appropriate for responding to 7.2a(1).*

For additional description of this Item, see page 31.

### 7.3 Human Resource Results (50 pts.)

Results

**Summarize the company's human resource results, including employee well-being, satisfaction, development, and work system performance.**

In your response, address the following Area:

**a. Human Resource Results**

Summarize current levels and trends in key measures and/or indicators of employee well-being, satisfaction, development, work system performance, and effectiveness. Address all categories and types of employees, as appropriate. Include appropriate comparative data.

**Notes:**

*N1. The results reported in this Item should address results from activities described in Category 5. The results should be responsive to key process needs described in Category 6, and the company action plans and related human resource plans described in Item 2.2*

*N2. For appropriate measures of employee well-being, satisfaction, and motivation see notes to Item 5.3. Appropriate measures and/or indicators of employee*

*development and effectiveness might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training.*

*N3. Appropriate measures and/or indicators of work system improvements and effectiveness might include job and job classification simplification, job rotation, work layout, work locations, and changing supervisory ratios.*

For additional description of this Item, see pages 31-32.

### 7.4 Supplier and Partner Results (25 pts.)

Results

**Summarize the company's supplier and partner performance results.**

In your response, address the following Area:

**a. Supplier and Partner Results**

Summarize current levels and trends in key measures and/or indicators of supplier and partner performance. Include company performance and/or cost improvements attributed to supplier and partner performance, as appropriate. Include appropriate comparative data.

**Note:**

*The results reported in this Item should relate directly to processes and performance requirements described in Item 6.3.*

For additional description of this Item, see page 32.



## 7.5 Company-Specific Results (125 pts.)

Results

**Summarize company operational performance results that contribute to the achievement of key company performance goals — customer satisfaction, product and service quality, operational effectiveness, and financial/marketplace performance.**

In your response, address the following Area:

**a. Company-Specific Results**

Summarize key company-specific results derived from: product and service quality and performance; key process performance; productivity, cycle time, and other effectiveness and efficiency measures; regulatory/legal compliance; and other results supporting accomplishment of the company's strategy and action plans, such as new product/service introductions. For all quantitative measures and/or indicators of performance, provide current levels and trends. Include appropriate comparative data.

**Notes:**

*N1. Results reported in Item 7.5 should address key company requirements and progress toward accomplishment of key company performance goals as presented in the Business Overview, Items 1.1, 2.2, 6.1, and 6.2. Include results not reported in Items 7.1, 7.2, 7.3, and 7.4.*

*N2. Results reported in Item 7.5 should provide key information for analysis and review of company*

*performance (Item 4.3) and should provide the operational basis for customer satisfaction results (Item 7.1) and company financial and market results (Item 7.2).*

*N3. Regulatory/legal compliance results reported in Item 7.5 should address requirements described in Item 1.2.*

For additional description of this Item, see page 32.

# 1998 CRITERIA: ITEM DESCRIPTIONS AND COMMENTS

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## Leadership (Category 1)

Leadership is the focal point within the Criteria for addressing how the senior leaders guide the company in setting directions and seeking future opportunities. Primary attention is given to how the senior leaders create a leadership system based upon clear values and high performance expectations that addresses the needs of all stakeholders. The Category also includes the company's responsibilities to the public and how the company practices good citizenship.

### 1.1 Leadership System

This Item addresses how the company's senior leaders set directions and build and sustain a leadership system conducive to high performance, individual development, initiative, organizational learning, and innovation. The Item asks how leadership takes into account all key stakeholders — customers, employees, suppliers, partners, stockholders, the public, and the community.

The Item calls for information on the major aspects of leadership — creating values and expectations; setting directions; projecting a strong customer focus; encouraging innovation; developing and maintaining an effective leadership system; and effectively communicating values, directions, expectations, and a strong customer focus. Setting directions includes creating future opportunities for the company and its stakeholders. An effective leadership system promotes continuous learning, not only to improve overall performance, but also to involve all employees in the ongoing challenge to enhance customer value. To be successful, leadership must ensure that the company captures and shares learnings. Leadership's communications are critical to company success. Effective communication includes ongoing demonstration that stated values, directions, and expectations are indeed the basis for the company's key decisions and actions. Communications also need to include performance objectives and measures that help provide focus as well as alignment of company units and work processes.

This Item includes the senior leaders' role in reviewing the leadership system, using employee feedback and reviewing overall company performance. This aspect of leadership is crucial, because reviews help to build consistency behind goals and allocation of resources. A major aim is to create organizations that are flexible and responsive — changing easily to adapt to new needs and opportunities. Through their roles in developing strategy and reviewing company performance, senior leaders develop leadership and create an organization capable of adapting to changing opportunities and requirements.

### 1.2 Company Responsibility and Citizenship

This Item addresses how the company integrates its values and expectations regarding its public responsibilities and citizenship into its performance management practices.

Area 1.2a calls for information on how the company addresses two basic aspects of societal responsibility in planning products, services, and operations: (1) making legal and ethical requirements and risk factors an integral part of performance management and improvement; and (2) sensitivity to issues of public concern, whether or not these issues are currently embodied in law.

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

Area 1.2b calls for information on how the company practices good citizenship in its key communities, as a contributing member and as a positive influence upon other organizations. Opportunities for involvement and leadership include efforts by the company, its senior leaders, and its employees to strengthen community services, education, health care, the environment, and practices of trade, business, and professional associations. *Levels of involvement and leadership are dependent upon company size and resources.*

Good citizenship activities include community service by employees, which is encouraged and supported by the company. For example, companies, their leaders, and employees could help to influence the adoption of higher standards in education by communicating employability requirements to schools. Companies could partner with other businesses and health care providers to improve health in the local community by providing education and volunteer services to address public health issues. Companies also could partner to influence trade and business associations to engage in generally beneficial cooperative activities, such as sharing best practices to improve overall U.S. global competitiveness.

### Strategic Planning (Category 2)

Strategic Planning addresses strategic and business planning and deployment of plans. This includes effective development and deployment of business, customer and operational performance requirements derived from



strategy. The Category stresses that customer-driven quality and operational performance excellence are key strategic business issues that need to be an integral part of overall company planning.

Specifically:

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

The Criteria emphasize that improvement and learning must be integral parts of company work processes. The special role of strategic planning is to align work processes with the company's strategic directions, thereby ensuring that improvement and learning reinforce company priorities.

The Strategic Planning Category examines how companies:

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

The requirements for the Strategic Planning Category are intended to encourage strategic thinking and acting — to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* Nor does the Category imply that all improvements could or should be planned in advance. Rather, the Category recognizes that an effective improvement system combines improvements of many types and extents and requires clear strategic guidance, particularly when improvement alternatives compete for limited resources. In most cases, priority setting depends heavily upon a cost rationale. However, there also might be critical requirements such as societal responsibilities that are not driven by cost considerations alone.

## 2.1 Strategy Development Process

This Item addresses how the company develops its view of the future and sets strategic directions.

The focus of the Item is on competitive leadership, that usually depends upon revenue growth as well as on operational effectiveness. This requires a view of the future that includes not only the markets or segments to compete in, but also how to compete. “How to compete” presents many options and requires good understanding of the company's and competitors' strengths and weaknesses. Although no specific time horizon is included, the thrust of the Item is sustained competitive leadership.

Item 2.1 calls for information on all the key influences, challenges, and requirements that might affect the company's future opportunities and directions — taking as long a view as possible. The main purpose of the Item is to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and companywide management. An increasingly important part of strategic planning is projecting the competitive environment. The purposes of such projections are to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, companies might use a variety of modeling, scenario, or other techniques and judgments to project the competitive environment.

Pricing is also increasingly important to competitive success and customer satisfaction. Often this means that companies need to control cost levels to achieve anticipated price levels, rather than planning to set prices to cover their costs.

## 2.2 Company Strategy

This Item addresses the company's action plans and how they are deployed. The Item also calls for a projection of the company's performance. The main intent of the Item is effective operationalizing of the company's directions, incorporating measures that permit clear communication, and tracking of progress and performance.

Area 2.2a calls for information on the company's action plans and how these plans are deployed. This includes spelling out key performance requirements and measures, as well as alignment of work unit, supplier, and/or partner plans. Of central importance in this Area is how alignment and consistency are achieved — for example, via key processes and key measurements. The alignment and consistency are intended also to provide a basis for setting priorities for ongoing improvement activities — part of the daily work of all work units.

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Critical action plan requirements include human resource plans to support the overall strategy. Examples of human resource plan elements that might be part of a comprehensive plan are:

- redesign of work organizations and/or jobs to increase employee responsibility and decision making;
- initiatives to promote labor-management cooperation, such as partnerships with unions;
- creation or modification of compensation and recognition systems based on building shareholder value and/or customer satisfaction;
- creation of opportunities for employees to learn and use skills that go beyond current job assignments through redesign of processes or organizations;
- education and training initiatives, including those that involve developmental assignments;
- formation of partnerships with educational institutions to develop employees or to help ensure the future supply of well-prepared employees;
- establishment of partnerships with other companies and/or networks to share training and/or spread job opportunities; and
- introduction of distance education or other technology-based learning approaches.

Area 2.2b calls for a two-to-five year projection of key measures and/or indicators of the company's performance. It also calls for a comparison of projected performance versus competitors and key benchmarks. This projection/comparison is intended to encourage companies to improve their ability to understand and track dynamic, competitive performance factors. Through this tracking process, companies should be better prepared to take into account their rates of improvement and change relative to competitors as a diagnostic management tool.

In addition to improvement relative to past performance and competitors, projected performance also might include changes resulting from new business ventures, market shifts, product/service innovations, or other strategic thrusts.

### **Customer and Market Focus (Category 3)**

Customer and Market Focus is the focal point within the Criteria for examining how the company seeks to understand the voices of customers and of the marketplace. The Category stresses relationship enhancement as an important part of an overall listening and learning strategy. Vital information for understanding the voices of customers and of the marketplace comes from customer satisfaction results. In many cases, such results and trends provide

the most meaningful information, not only on customers' views but also on their marketplace behaviors — repeat business and positive referrals.

#### **3.1 Customer and Market Knowledge**

This Item examines how the company determines emerging customer requirements and expectations. In a rapidly changing competitive environment, many factors may affect customer preference and loyalty, making it necessary to listen and learn on a continuous basis. To be effective, such listening and learning need to have a close connection with the company's overall business strategy. For example, if the company customizes its products and services, the listening and learning strategy needs to be backed by a capable information system — one that rapidly accumulates information about customers and makes this information available where needed throughout the company or the overall value chain.

A variety of listening and learning strategies should be considered. Selection depends upon the type and size of business and other factors.

Examples of approaches that might be part of listening and learning strategies are:

- relationship building, including close integration with customers;
- rapid innovation and field trials of products and services to better link research and development (R&D) and design to the market;
- close tracking of technological, competitive, societal, environmental, economic, and demographic factors that may bear upon customer requirements, expectations, preferences, or alternatives;
- seeking to understand in detail customers' value chains and how they are likely to change;
- focus groups with demanding or leading-edge customers;
- training frontline employees in customer listening;
- use of critical incidents such as complaints to understand key service attributes from the point of view of customers and frontline employees;
- interviewing lost customers to determine the factors they use in their purchase decisions;
- won/lost analysis relative to competitors;
- post-transaction follow-up; and
- analysis of major factors affecting key customers.

This Item seeks information on how companies recognize market segments, customers of competitors, and other potential customers. Accordingly, the Item addresses how the company tailors its listening and learning to different





customer groups and market segments. For example, a relationship strategy might be possible with some customers, but not with others. Other information sought relates to sensitivity to specific product and service requirements and their relative importance or value to customer groups. This determination should be supported by use of information and data, such as complaints and gains and losses of customers.

This Item also addresses how the company improves its listening and learning strategies, with a focus on keeping current with changing business needs.

### **3.2 Customer Satisfaction and Relationship Enhancement**

This Item addresses how the company effectively manages its responses to and follow-up with customers. Relationship enhancement provides a potentially important means for companies to understand and manage customer expectations and to develop new business. Also, frontline employees may provide vital information to build partnerships and other longer-term relationships with customers.

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

Overall, Item 3.2 emphasizes the importance of getting actionable information, such as feedback and complaints from customer contacts. To be actionable, the information gathered should meet two conditions: (1) responses must be tied directly to key business processes, so that opportunities for improvement are clear; and (2) responses must be translated into cost/revenue implications to support the setting of improvement priorities.

Area 3.2a calls for information on how the company provides easy access for customers seeking information or assistance and/or to comment and complain. The Area calls for information on how customer contact requirements are determined and deployed. Such deployment needs to take account of all key points in the response chain — all units or individuals in the company that make effective responses possible.

Area 3.2a also addresses the complaint management process. The principal issue is prompt and effective resolution of complaints, including recovery of customer confidence. However, the Area also addresses how the company learns from complaints and ensures that production/delivery process employees receive information needed to eliminate the causes of complaints. Effective elimination of the causes of complaints involves aggregation of complaint information from all sources for evaluation and use throughout the company.

The complaint management process might include analysis and priority setting for improvement projects based upon potential cost impact of complaints, taking into account customer retention related to resolution effectiveness.

Area 3.2b addresses how the company determines customer satisfaction. Three types of requirements are considered:

- how the company follows up with customers regarding products, services, and recent transactions to determine satisfaction and to resolve problems quickly;
- how the company gathers information on customer satisfaction, including any important differences in approaches for different customer groups or market segments. This highlights the importance of the measurement scale in determining those factors that best reflect customers' market behaviors — repurchase, new business, and positive referral; and
- how satisfaction relative to competitors is determined. Such information might be derived from company-based comparative studies or studies made by independent organizations. The purpose of this comparison is to develop information that can be used for improving performance relative to competitors and to better understand the factors that drive markets.

Area 3.2c addresses relationship building — how the company builds loyalty and positive referral. Increasingly, business success, business development, and product/service innovation depend upon maintaining close relationships with customers. Approaches to relationship building vary greatly, depending on products/services and types of customers. Hence, Area 3.2c addresses how relationship building is tailored to customer groups and market segments. Avenues to, and bases for, relationship building change quickly. Accordingly, this Area addresses how the company evaluates and improves its customer relationship building and ensures that approaches are kept current with changing business needs.

### **Information and Analysis (Category 4)**

Information and Analysis is the main point within the Criteria for all key information to effectively manage the company and to drive improvement of company performance and competitiveness. In simplest terms, Category 4 is the “brain center” for the alignment of a company's operations with its strategic directions. However, since information, information technology, and analysis might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

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#### *4.1 Selection and Use of Information and Data*

This Item addresses the company's selection, management, and use of information and data to support overall business goals, with strong emphasis on process management, action plans, and performance improvement. Overall, the Item represents a key foundation for a performance-oriented company that effectively utilizes non-financial and financial information and data.

The Item examines the main types of data, financial and non-financial, and how each type relates to key company processes and action plans. Also examined is the deployment of information and data to users, with emphasis on alignment of data and information with key company processes. The effective management of the information/data system itself — rapid access and ongoing reliability — is examined in connection with user requirements. Finally, the Item examines how overall requirements, including effectiveness of use, deployment, and ability to keep current with changing business needs and strategies are met.

Although the main focus of this Item is on information and data for the effective management of performance, information, data, and information technology often have major strategic significance as well. For example, information technology could be used to accumulate and disseminate unique knowledge about customers and markets, which would enable the company to quickly “customize” products and services. Also, information technology and the information and data made available through such technology could be of special advantage in business networks, alliances, and supply chains. Responses to this Item should take into account such strategic use of information and data. Accordingly, “users” should then be interpreted as business partners as well as company units.

#### *4.2 Selection and Use of Comparative Information and Data*

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

The Item calls for information on how competitive comparisons and benchmarking information are selected and used to help drive improvement of overall company performance. The Item addresses the key aspects of effective selection and use of competitive comparisons and benchmarking information and data; determination of needs and priorities; criteria for seeking appropriate information — from within and outside the company's industry and markets; and use of information and data to set stretch targets and to promote major improvements in areas most critical to the company's competitive strategy.

The Item also calls for information on how the company evaluates and improves its processes for selecting and using competitive and benchmark information to improve planning, to drive improvement of performance and competitive position, and to keep current with changing business needs and strategies.

The major premises underlying this Item are: (1) companies facing tough competition need to “know where they stand” relative to competitors and to best practices; (2) comparative and benchmarking information often provide impetus for significant (“breakthrough”) improvement or changes and might alert companies to competitive threats and new practices; and (3) companies need to understand their own processes and the processes of others before they compare performance levels. Benchmarking information may also support business analysis and decisions relating to core competencies, alliances, and outsourcing.

#### *4.3 Analysis and Review of Company Performance*

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

A close connection between analysis and performance review helps to ensure that analysis is kept relevant to decision making. This Item is the central analysis point in an integrated information and data system. This system is built around financial and non-financial information and data.

Area 4.3a examines how information and data from all parts of the company are aggregated and analyzed to assess overall company performance. The Area covers four key aspects of performance — customer-related, operational, competitive, and financial/market.

Analyses that companies perform to gain understanding of performance vary widely. Selection depends upon many factors, including business type, size, and competitive position. Examples include:

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





- interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction;
- trends in improvement in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels;
- relationships between employee/company learning and value added per employee;
- financial benefits derived from improved employee safety, absenteeism, and turnover;
- benefits and costs associated with education and training;
- how the company's ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity;
- cost/revenue implications of employee-related problems and problem resolution effectiveness;
- trends in individual measures of productivity such as work force productivity;
- individual or aggregate measures of productivity relative to competitors;
- performance trends relative to competitors on key quality attributes;
- cost trends relative to competitors;
- relationships between product/service quality and operational performance indicators and overall company financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee;
- allocation of resources among alternative improvement projects based on cost/revenue implications and improvement potential;
- net earnings derived from quality/operational/human resource performance improvements;
- comparisons among business units showing how quality and operational performance improvement affect financial performance;
- contributions of improvement activities to cash flow, working capital use, and shareholder value;
- profit impacts of customer retention;
- market share versus profits;
- trends in aggregate measures such as total factor productivity; and
- trends in economic, market, and shareholder indicators of value.

Area 4.3b examines how the company reviews performance and capabilities and uses the review findings to

improve performance and capabilities relative to action plans, goals, and *changing* business needs. An important part of this review is the translation of review findings into an action agenda — sufficiently specific so that deployment throughout the company and to suppliers/partners is possible.

## Human Resource Focus (Category 5)

Human Resource Focus is the location within the Criteria for all key human resource practices — those directed toward creating a high performance workplace and toward developing employees that enable them and the company to adapt to change. The Category addresses human resource development and management requirements in an integrated way, aligned with the company's strategic directions.

To ensure the basic alignment of human resource management with company strategy, the Criteria also address human resource planning as an integral part of company planning in the Strategic Planning Category.

### 5.1 Work Systems

This Item addresses how the company's work and job design, compensation, and recognition approaches enable and encourage all employees to contribute effectively. The Item is concerned not only with current and near-term performance objectives, but also with individual and organizational learning — enabling adaptation to change.

Area 5.1a calls for information on work and job design. The basic aim of such design should be to enable employees to exercise discretion and decision making, leading to flexibility, innovation, knowledge and skill sharing, and rapid response to the changing requirements of the marketplace. Examples of approaches to create flexibility in work and job design might include simplification of job classifications, cross-training, job rotation, and changes in work layout and work locations. It might also entail use of technology and changed flow of information to support local decision making.

Effective job design and flexible work organizations are necessary but may not be sufficient to ensure high performance. High performance work systems require information systems, education, and appropriate training to ensure that information flow supports the job and work designs. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment of encouragement, trust, and mutual commitment. In some cases, teams might involve individuals in different locations linked via computers or conferencing technology.

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Area 5.1b addresses the important alignment of incentives with the achievement of key company objectives. The basic thrust of this Area is the consistency between the company's compensation and recognition system and its work structures and processes.

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

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

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

This Item addresses how the company develops the work force via education, training, and on-the-job reinforcement of knowledge and skills. Development is intended to meet ongoing needs of employees and a high performance workplace, accommodating to change.

Education and training address the knowledge and skills employees need to meet their overall work and personal objectives and the company's need for leadership development of employees. Depending upon the nature of the company's work and the employees' responsibilities and stage of development, education and training needs might vary greatly. Examples include leadership skills, communications, teamwork, problem solving, interpreting and using data, meeting customer requirements, process analysis, process simplification, waste reduction, cycle time reduction, error-proofing, priority setting based upon cost and benefit data, and other training that affects employee effectiveness, efficiency, and safety. It might also include basic skills such as reading, writing, language, and arithmetic.

The Item calls for information on key performance and learning objectives, and how education and training are designed, delivered, reinforced, and evaluated, with special emphasis upon on-the-job application of knowledge and skills. The Item emphasizes the importance of the involvement of employees and their managers in the design of training, including clear identification of specific needs. This involves job analysis — understanding the types and levels of the skills required and the timeliness of training. Determining specific education and training needs might include use of company assessment or employee self-assessment to determine and/or compare skill levels for progression within the company or elsewhere.

Education and training delivery might occur inside or outside the company and involve on-the-job, classroom, computer-based, distance education, or other types of delivery. This includes the use of developmental assignments within or outside the company to enhance employees' career opportunities and employability.

The Item also emphasizes evaluation of education and training. Such evaluation might take into account managers' evaluation, employee self-evaluation, and peer evaluation of value received through education and training relative to needs identified in design. Evaluation might also address factors such as the effectiveness of education and training delivery, impact on work unit and company performance, costs of delivery alternatives, and benefit/cost ratios.

Although the Item does not explicitly call for information on the training for customer-contact employees, such training is increasingly important. It usually entails: (1) acquiring key knowledge and skills, including knowledge of products and services; (2) listening to customers; (3) soliciting comments from customers; (4) anticipating and handling problems or failures ("recovery"); (5) developing skills in customer retention; and (6) learning how to effectively manage expectations.

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

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

Area 5.3a calls for information regarding a safe and healthful work environment to show how the company includes such factors in its planning and improvement activities. Important factors in this Area include establishing appropriate measures and targets and recognizing that employee groups might experience very different environments.

Area 5.3b calls for information on the company's approach to enhance employee well-being, satisfaction, and motivation based upon a holistic view of employees as key stakeholders. The Area emphasizes that the company needs to consider a variety of services, facilities, activities, and opportunities to build well-being, satisfaction, and motivation. Senior leaders, managers, and supervisors have a specific responsibility to encourage employees, and to ensure good communication with and between employees.

Most companies, regardless of size, have many opportunities to contribute to employee well-being, satisfaction, and motivation. Examples of services, facilities, activities, and other opportunities are: personal and career counseling; career development and employability services;



recreational or cultural activities; formal and informal recognition; non-work-related education; day care; special leave for family responsibilities and/or for community services; safety off the job; flexible work hours; outplacement; and retiree benefits, including extended health care. These services also might include career enhancement activities such as skills assessment, helping employees develop learning objectives and plans, and employability assessment.

Area 5.3c calls for information on how the company determines employee well-being, satisfaction, and motivation. The Area recognizes that many factors might affect employees. Although satisfaction with pay and promotion potential is important, these factors might not be adequate to assess the overall climate for motivation and high performance. For this reason, the company might need to consider a variety of factors that might affect well-being, satisfaction, and motivation, such as: effective employee problem or grievance resolution; safety; employee views of leadership and management; employee development and career opportunities; employee preparation for changes in technology or work organization; work environment; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; equality of opportunity; and capability to provide required services to customers.

In addition to formal or informal survey results, other measures and/or indicators of well-being, satisfaction, and motivation might include safety, absenteeism, turnover, turnover rate for customer-contact employees, grievances, strikes, and worker's compensation claims. Factors inhibiting motivation need to be prioritized and addressed. Further understanding of these factors could be developed through exit interviews with departing employees.

The Area also addresses how the information and data on the well-being, satisfaction, and motivation of employees are actually used in identifying improvement priorities. Priority setting might draw upon human resource results presented in Item 7.3 and might involve addressing employee problems based on impact on company performance.

### **Process Management (Category 6)**

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

An increasingly important concept in all aspects of process management and organizational design is

flexibility. In simplest terms, flexibility refers to the ability to adapt quickly and effectively to changing requirements. Depending on the nature of the business' strategy and markets, flexibility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Flexibility might demand special strategies such as modular designs, sharing of components, sharing of manufacturing lines, and specialized training. Flexibility also increasingly involves outsourcing decisions, agreements with key suppliers, and novel partnering arrangements.

#### **6.1 Management of Product and Service Processes**

This Item examines how the company designs, introduces, produces, delivers, and improves its products and services. It also examines how production/delivery processes are designed, managed, and improved. Important to the management of these processes is the trouble-free introduction of new products and services. This requires effective coordination, starting early in the product and service design phase. The Item also examines organizational learning, through a focus on how learnings in one process or company unit are replicated and added to the knowledge base of other projects or company units.

Area 6.1a calls for information on the design of products, services, and their production/delivery processes. Four aspects of this design are examined: (1) how changing customer and market requirements and technology are incorporated into product and service designs; (2) how production/delivery processes are designed to meet customer, quality, and operational performance requirements; (3) how design and production/delivery processes are coordinated to ensure trouble-free and timely introduction and delivery of products and services; and (4) how design processes are evaluated and improved to achieve better performance.

Design approaches could differ appreciably depending upon the nature of the products/services — entirely new, variants, major or minor process changes. Responses should reflect the key requirements for the company's products and services. Factors that might need to be considered in design include: health; safety; long-term performance; environmental impact; "green" manufacturing; measurement capability; process capability; manufacturability; maintainability; supplier capability; and documentation. Effective design must also consider cycle time and productivity of production and delivery processes. This might entail detailed mapping of manufacturing or service processes and redesigning ("reengineering") them to achieve efficiency as well as to meet changing customer requirements.

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Many businesses also need to consider requirements for suppliers and/or business partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel, or if the company's products utilize parts, equipment, and facilities used for other products, coordination of resources might be a major concern and might offer means to significantly reduce unit costs and time to market. This should be addressed in responding to Area 6.1a.

Coordination of design and production/delivery processes involves all company units and/or individuals who will take part in production/delivery and whose performance materially affects overall process outcome. This might include groups such as research and development (R&D), marketing, design, and product/process engineering.

Area 6.1b calls for information on the management and improvement of the company's key production/delivery processes. The information required includes a description of the key processes and their specific requirements, and how performance relative to these requirements is determined and maintained. Specific reference is made to in-process measurements and customer interactions. This requires the identification of critical points in processes for measurement, observation, or interaction. The intent is that these activities occur at the earliest points possible in processes, to minimize problems that may result from deviations from expected (design) performance. Expected performance frequently requires setting performance levels or standards to guide decision making. When deviations occur, a remedy — usually called corrective action — is required to restore the performance of the process to its design performance. Depending on the nature of the process, the correction could involve technical and/or human factors. Proper correction involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring anywhere else in the company.

When customer interactions are involved, differences between customers must be taken into account in evaluating how well the process is performing. This might entail specific or general contingencies depending on the customer information gathered. This is especially true of professional and personal services.

Areas 6.1a and 6.1b call for information on how processes are improved to achieve better performance. Better performance means not only better quality from the customers' perspective but also better financial and operational performance — such as productivity — from the company's perspective. Companies use a variety of

process improvement approaches, such as: (1) the sharing of successful strategies across the company; (2) process analysis and research (e.g., process mapping, optimization experiments, and error proofing); (3) research and development results; (4) benchmarking; (5) use of alternative technology; and (6) information from customers of the processes — within and outside the company. Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, all these approaches offer a wide range of possibilities, including complete redesign (“reengineering”) of processes.

### *6.2 Management of Support Processes*

This Item addresses how the company designs, implements, manages, and improves its support processes. Support processes are those that support the company's product and/or service delivery, but are not usually designed in detail with the products and services themselves, because their requirements usually do not depend a great deal upon product and service characteristics. Support process design requirements usually depend significantly upon internal requirements, and must be coordinated and integrated to ensure efficient and effective performance. Support processes might include finance and accounting, software services, sales, marketing, public relations, information services, supplies, personnel, legal services, plant and facilities management, research and development, and secretarial and other administrative services.

The Item calls for information on how the company maintains the performance of the key support processes. This information includes a description of the key processes and their principal requirements, and a description of key in-process measurements and customer interactions. These principal requirements are similar to those described above in Area 6.1b.

Item 6.2 also calls for information on how the company evaluates and improves the performance of its key support processes. Four key approaches the company might consider or use are: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) information from customers of the processes — within and outside the company. Together, these approaches offer a wide range of possibilities, including complete redesign (“reengineering”) of processes.

### *6.3 Management of Supplier and Partnering Processes*

This Item addresses how the company designs, implements, manages, and improves its supplier and partnering processes and relationships. It also addresses supplier and partner performance management and improvement. The term “supplier” refers to other companies and to other





units of the parent company that provide goods and services. The use of these goods and services may occur at any stage in the production, design, delivery, and use of the company's products and services. Thus, suppliers include businesses such as distributors, dealers, warranty repair services, transportation, contractors, and franchises, as well as those that provide materials and components. Suppliers also include service suppliers, such as health care, training, and education providers.

The Item places particular emphasis on the unique relationships that companies are building with key and preferred suppliers, including establishing partnering relationships. For many companies, these suppliers and partners are an increasingly important part of achieving not only high performance and lower-cost objectives, but also strategic objectives. For example, they might provide unique design, integration, and marketing capabilities. Item 6.3 requests information on the criteria for selecting partners and preferred suppliers.

Item 6.3 requests the principal performance requirements for key suppliers and partners. These requirements are the principal factors involved in the company's purchases, e.g., quality, delivery, and price. Processes for determining whether or not requirements are met might include audits, process reviews, receiving inspection, certification, testing, and rating systems.

Item 6.3 also requests information on actions and plans to improve suppliers' and partners' abilities to contribute to achieving your company's performance goals. These actions and plans might include one or more of the following: improving your own procurement and supplier management processes (including seeking feedback from suppliers and internal customers), joint planning, rapid information and data exchanges, use of benchmarking and comparative information, customer-supplier teams, training, long-term agreements, incentives, and recognition. Actions and plans might also include changes in supplier selection, leading to a reduction in the number of suppliers and enhancing partnership agreements.

## **Business Results (Category 7)**

Business Results provide a results focus that encompasses the customer's evaluation of the company's products and services, the company's overall financial and market performance, and the results of all key processes and process improvement activities. Through this focus, the Criteria's dual purposes — superior value of offerings as viewed by customers and the marketplace, and superior company performance reflected in operational and financial indicators — are maintained. Category 7 thus provides

"real-time" information (measures of progress) for evaluation and improvement of processes, products, and services, aligned with overall business strategy. Analysis and review of business results data and information to determine overall company performance are called for in Item 4.3.

### **7.1 Customer Satisfaction Results**

This Item addresses the principal customer-related results — customer satisfaction, customer dissatisfaction, and customer satisfaction relative to competitors. The Item calls for the use of all relevant data and information to establish the company's performance as viewed by the customer. Relevant data and information include: customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints and warranty claims; customer-perceived value based on quality and price; and competitive awards, ratings, and recognition from customers and independent organizations.

### **7.2 Financial and Market Results**

This Item addresses those factors that best reflect the company's financial and marketplace performance. Measures reported in this Item will frequently be those key financial and market measures tracked by senior leadership on an ongoing basis to gauge overall company performance, and often used to determine incentive compensation for senior leaders. Measures of financial performance might include return on equity, return on investment, operating margins, pre-tax profit margin, earnings per share, profit forecast reliability, and other liquidity and financial activity measures. Marketplace performance could include market share measures of business growth, new product and geographic markets entered, and percent new product sales, as appropriate. Comparative data for these measures might include industry best, best competitor, industry average, and appropriate benchmarks.

### **7.3 Human Resource Results**

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

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

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Results reported for work system performance should include those relevant to the company, and might include measures of improvement in job classification, job rotation, work layout, and changes in local decision making.

The Item calls for comparative information so that results can be evaluated meaningfully against competitors or other relevant external measures of performance. For some measures, such as absenteeism and turnover, local or regional comparisons also are appropriate.

#### **7.4 Supplier and Partner Results**

This Item addresses current levels and trends in key measures and/or indicators of supplier and partner performance. Suppliers and partners provide “upstream” and/or “downstream” materials and services. The focus should be on the most critical requirements from the point of view of the company — the “buyer” of the products and services. Data reported should reflect results by whatever means they occur — via improvements by suppliers and partners and/or through selection of better performing suppliers and partners. Measures and indicators of performance should relate to the principal factors involved in the company’s purchases, e.g., quality, delivery, and price.

Data reported also should reflect how suppliers and partners have contributed to your company’s performance goals. Results reported could include cost savings; reductions in scrap, waste, or rework; and cycle time or productivity enhancements.

The Item calls for comparative information so that results reported can be meaningfully evaluated against competitors or other relevant external measures of performance.

#### **7.5 Company-Specific Results**

This Item addresses key performance results, not covered in Items 7.1-7.4, that contribute significantly to the company’s goals — customer satisfaction, product and service quality, operational effectiveness, and financial/marketplace performance. *The Item encourages the use of any unique measures the company has developed to track performance in areas important to the company.*

Results should reflect key product, service, and process performance measures, including those that serve as predictors of customer satisfaction. Measures of productivity and operational effectiveness in all key areas, product/service delivery areas and support areas, are appropriate for inclusion. Results of compliance with regulatory/legal

requirements should be reported. Measures and/or indicators of product and service performance should relate to requirements that matter to the customer and to the marketplace. These features are derived from the customer-related Items 3.1 and 3.2 (“listening posts”). If the features have been properly selected, improvements in them should show a clear positive correlation with customer and marketplace improvement indicators — captured in Items 7.1 and 7.2. The correlation between product/service performance and customer indicators is a critical management tool — a device for defining and focusing on key quality and customer requirements and for identifying product/service differentiators in the marketplace. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of products and/or services.

Product/service performance appropriate for inclusion might be based upon one or more of the following: internal (company) measurements; field performance; data collected by the company or on behalf of the company; or customer surveys on product and service performance. Although data appropriate for inclusion are primarily based upon internal measurements and field performance, data collected by the company or other organizations through follow-up might be included for attributes that cannot be accurately assessed through direct measurement (e.g., ease of use) or when variability in customer expectations makes the customer’s perception the most meaningful indicator (e.g., courtesy).

Measures and/or indicators of operational effectiveness could include the following: environmental improvements reflected in emissions levels, waste stream reductions, by-product use, and recycling; responsiveness indicators such as cycle time, lead times, and set-up times; process assessment results such as customer assessment or third-party assessment (such as ISO 9000); and business-specific indicators such as innovation rates, innovation effectiveness, cost reductions through innovation, time to market, product/process yield, complete and accurate shipments, and measures of strategic goal achievement.

The Item calls for comparative information so that results reported can be evaluated against competitors or other relevant external measures of performance. These comparative data might include industry best, best competitor, industry average, and appropriate benchmarks. Such data might be derived from independent surveys, studies, laboratory testing, or other sources.



# CHANGES FROM THE 1997 CRITERIA



The Criteria continue to evolve toward comprehensive coverage of strategy-driven performance, addressing the needs of all stakeholders — customers, employees, stockholders, suppliers and partners, and the public. The Criteria for 1998 further strengthen the systems view of performance management, and place a greater emphasis on the alignment of company strategy, customer and market knowledge, a high performance work force, key company processes, and business results. Increased focus has been given to all aspects of organizational and employee learning.

The most significant changes made in the Criteria and the Criteria booklet are summarized as follows:

- The number of Areas to Address (Areas) has been reduced from 30 to 29, with a reduction of two Areas in Category 2, Strategic Planning, and the addition of one Area in Category 3, Customer and Market Focus;
- The number of Item Notes has been increased from 45 to 51, to provide additional guidance, particularly in Strategic Planning and Supplier and Partnering Processes;
- At the end of the Item Notes for each Item a reference is provided to the page in the Item Descriptions and Comments that contain additional information on that Item; and
- A more detailed description of the Criteria framework is provided on page 43 to highlight the Category linkages depicted in the framework and embodied in the systems perspective contained in the Criteria Items.

All users of the 1998 Criteria for Performance Excellence are cautioned to note that some changes in wording have been made in all Items, many Item Notes, and the Scoring Guidelines.

The most significant changes by Category are:

## Leadership

- Item 1.1 has been reformatted to address more clearly the company's overall leadership system and the senior leaders' roles in providing effective leadership.

## Strategic Planning

- Areas 2.1b, 2.2a, and 2.2b from 1997 have been combined into one Area for 1998. This new 1998 Area 2.2a, Strategy and Action Plans, presents an integrated approach to translation of strategy into action plans,

including related human resource plans. This change is intended to strengthen the systems perspective of performance planning, plan implementation, and plan deployment.

## Customer and Market Focus

- A new Area 3.2c, Relationship Building, has been added in 1998. This change is intended to focus attention on proactive company processes to build longer-term relationships with customers.

## Information and Analysis

- The selection, use, and analysis of company and comparative information and data have been more closely aligned with key company processes, action plans, and opportunities for improvement. This change is intended to strengthen the systems perspective of performance management.

## Human Resource Focus

- The Category title is changed from Human Resource Development and Management: (1) to reflect a focus on employees as internal customers, parallel to the Category 3 focus on external customers, and (2) to place emphasis on a company's human resources and eliminate the possible misperception that Category 5 is focused solely on the company's human resource department and its activities/processes; and
- Area 5.3b, Work Climate, has been strengthened to place an emphasis on how the company encourages and motivates employees to utilize their full potential.

## Process Management

- Item 6.3, Management of Supplier and Partnering Processes, has been expanded to enhance the focus on preferred and key supplier relationships and partnering processes.

## Business Results

- Item point values have been adjusted slightly to increase the points assigned to Item 7.3, Human Resource Results. This change reinforces the importance of employees as internal customers.
- Item 7.1, Customer Satisfaction Results, has been expanded to encourage analysis of results by customer groups and market segments, if appropriate.

# SCORING SYSTEM

The scoring of applicant responses to Criteria Items (Items) and feedback are based on three evaluation dimensions: (1) Approach; (2) Deployment; and (3) Results. Applicants need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on page 35.

## Approach

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

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

## Deployment

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

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

## Results

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

- current performance
- performance relative to appropriate comparisons and/or benchmarks
- rate, breadth, and importance of performance improvements
- demonstration of sustained improvement and/or sustained high-level performance
- linkage of results measures to key performance measures identified in the Business Overview and in Approach/Deployment Items

## Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data applicants are expected to furnish relative to the three evaluation dimensions.

The two types of Items and their designations are:

1. Approach/Deployment 
2. Results 

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

Results Items call for data showing performance levels and trends on key measures and/or indicators of company performance. However, the evaluation factor, “breadth” of performance improvements, is concerned with how widespread an applicant’s improvement results are. This is directly related to the Deployment dimension. That is, if improvement processes are widely deployed, there should be corresponding results. A score for a Results Item is thus a composite based upon overall performance, taking into account the breadth of improvements and their importance (see next section).

## “Importance” as a Scoring Factor

The three evaluation dimensions described above are all critical to evaluation and feedback. However, evaluation and feedback must also consider the importance of improvements in Approach, Deployment, and Results to the applicant’s business. The areas of greatest importance should be identified in the Business Overview, and in Items such as 2.1, 3.1, 6.1, and 7.5. Of particular importance are the key customer requirements and key strategies and action plans.

## Assignment of Scores to Applicants’ Responses

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

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

# SCORING GUIDELINES

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

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

# PREPARING THE BUSINESS OVERVIEW

The Business Overview is an outline of the applicant's business, addressing what is most important to the business, key influences on how the business operates, and where the business is headed. *The Business Overview is intended to help Examiners understand what is relevant and important to the applicant's business.*

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

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

## Guidelines for Preparing the Business Overview

The Business Overview consists of five sections as follows:

### 1. Basic description of the company

This section should provide basic information on:

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

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

### 2. Customer and market requirements

This section should provide information on:

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

### 3. Supplier and partnering relationships

This section should provide information on:

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

### 4. Competitive factors

This section should provide information on:

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

### 5. Strategic context

This section should provide information, as appropriate, on:

- major new thrusts for the company, such as entry into new markets or segments;
- new business alliances;
- introduction of new technologies;
- the role of and approaches to process, product, and service innovation;
- changes in strategy; and
- unique factors.

## Page Limit

The Business Overview is limited to five pages. These are not counted in the overall application page limit. Typing instructions for the Business Overview are the same as for the application. These instructions are given in the **1998 Application Forms & Instructions** booklet. Ordering instructions for this booklet are given on page 46.

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



# 1998 CRITERIA RESPONSE GUIDELINES



Writing an application for the Baldrige Award involves responding in 50 or fewer pages to the requirements given in the 20 Criteria Items. The guidelines given in this section are offered to assist applicants to respond most effectively to these requirements.

The guidelines are presented in three parts:

- (1) General Guidelines regarding the Criteria booklet, including how the Items are formatted;
- (2) Guidelines for Responding to Approach/Deployment Items; and
- (3) Guidelines for Responding to Results Items.

## General Guidelines

### 1. Read the entire Criteria booklet.

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

- Award Criteria (pages 5-21)
- Scoring information (pages 34-35)
- Glossary of Key Terms (pages 3-4)
- Item Descriptions and Comments (pages 22-32)

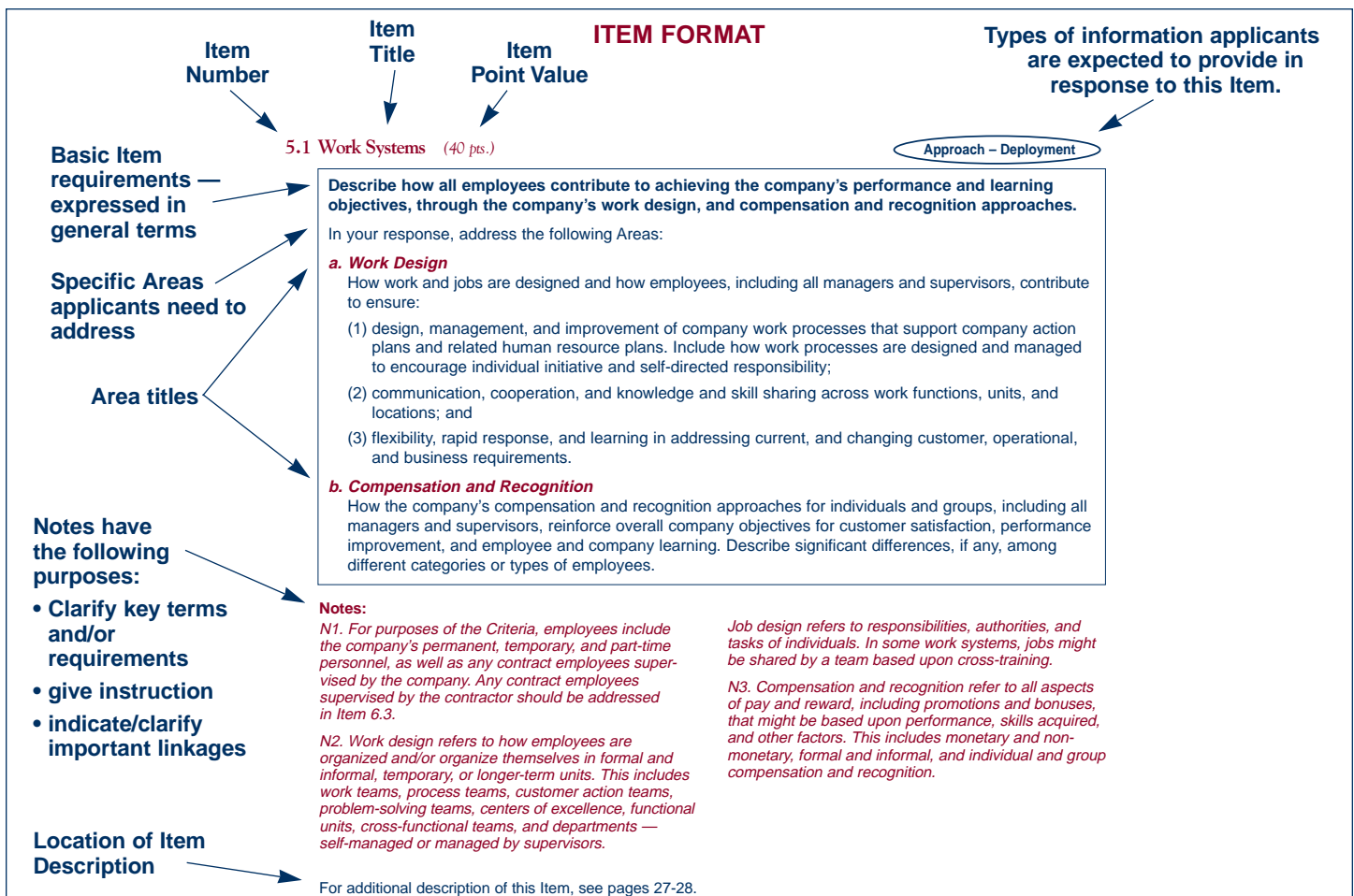
### 2. Review the Item format.

The Item format (see figure below) shows the different parts of Items, what each part is for, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. All Items and Areas to Address are described in a separate section (pages 22-32).

Each Item is classified either **Approach–Deployment** or **Results**, depending on the type of information required. Guidelines for responding to Approach/Deployment Items are given on page 38. Guidelines for responding to Results Items are given on page 39.

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

The Business Overview is the most appropriate starting point for writing an application. The Business Overview is intended to help everyone — including the company's application writer(s) and reviewer(s) — to understand what is most relevant and important to the applicant's business. Guidelines for preparing the Business Overview are given on page 36.



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## Guidelines for Responding to Approach/Deployment Items

The Criteria focus on key performance results. However, results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than the competition's, it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of Approach-Deployment Items is to permit diagnosis of the applicant's most important processes — the ones that enable fast-paced performance improvement. Diagnosis and feedback depend heavily upon the *content and completeness* of Approach-Deployment Item responses. For this reason, it is important to respond to these Items by providing key process information. Guidelines for organizing and reviewing such information are given below.

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

Items requesting information on approach include Areas that begin with the word “how.” *Applicant responses should outline key process information such as methods, measures, deployment, and evaluation/improvement/learning factors.* Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as *anecdotal information.*

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

#### ■ Show *what* and *how*.

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

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

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

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

Approaches that are systematic are repeatable and use data and information for improvement and learning. In other words, approaches are systematic if they “build in” evaluation and learning, and thereby gain in maturity.

#### ■ Show deployment.

- Does the response give clear and sufficient information on deployment of the approach addressed in the response?

Deployment can be shown compactly by using tables that summarize what is done in different parts of the company.

#### ■ Show focus and consistency.

- Does the response show focus on key processes and improvements that offer the greatest potential to improve business performance and accomplish company action plans?

There are four important factors to consider regarding focus and consistency: (1) the Business Overview should make clear what is important; (2) the Strategic Planning Category, including the strategy and action plans, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of company-level analysis (Item 4.3) should show how the company analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight product, service, support, and supplier processes that are key to overall business performance. *Focus and consistency in the Approach-Deployment Items should yield corresponding results reported in Results Items.*

#### ■ Respond fully to Item requirements.

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

Missing information will be interpreted as a gap in approach and/or deployment. All Areas should be addressed and checked in final review. Individual components of an Area to Address may be addressed individually or together.

### 3. Cross-reference when appropriate.

Applicants should try to make each Item response self-contained. However, some responses to different Items might be mutually reinforcing. It is then appropriate to refer to other responses, rather than to repeat information. In such cases, applicants should use Area designators (for example, “see 4.3a”).

### 4. Use a compact format.

Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flow charts, tables, and “bulletized” presentation of information.

### 5. Refer to the Scoring Guidelines

The evaluation of Item responses is accomplished by consideration of the Criteria Item requirements and the maturity of the company's approaches, breadth of deployment, and strength of the improvement process relative to the Scoring Guidelines. Therefore, applicants need to consider both the Criteria and the Scoring Guidelines in preparing responses.





## Guidelines for Responding to Results Items

The Criteria place greatest emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

### 1. Focus on the most critical business results.

Results reported should cover the most important requirements for business success, highlighted in the Business Overview, and the Strategic Planning and Process Management Categories.

### 2. Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data.

- trends to show directions of results and rates of change;
- performance levels on a meaningful measurement scale;
- comparisons to show how results compare with those of other, appropriately selected organizations; and
- breadth of results to show that all important results are included.

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

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

### 4. Use a compact format — graphs and tables.

Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be “normalized” — presented in a way (such as use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost workdays per 100 employees would be more meaningful than total lost workdays, if the number of employees has varied over the time period.

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

Discussion of results and the results themselves should be close together in the application. Use figure numbers that correspond to Items. For example, the third figure for Item 7.5 would be 7.5-3. (See example on the figure shown to the right.)

The following graph illustrates data an applicant might present as part of a response to Item 7.5, Company-Specific

Results. In the Business Overview and in Item 3.1, the applicant has indicated on-time delivery as a key customer requirement.

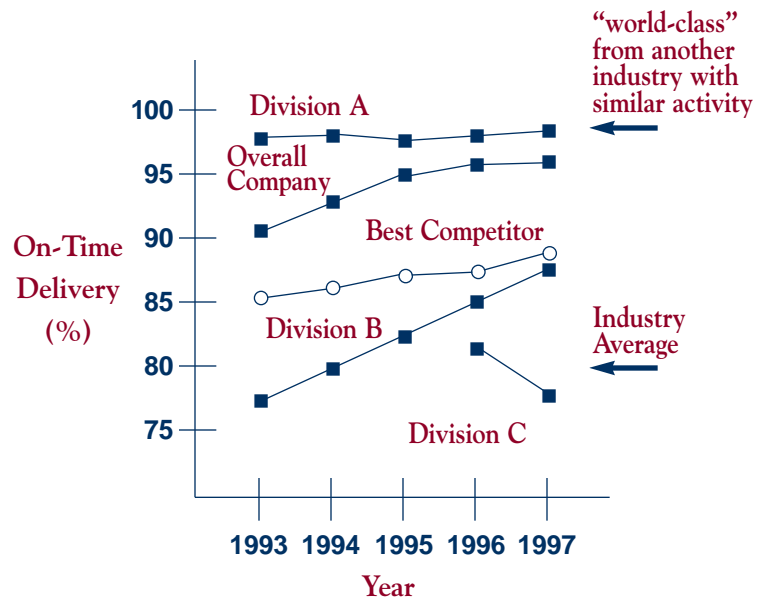


Figure 7.5-3 On-Time Delivery Performance

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

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

To help interpret the Scoring Guidelines (page 35), the following comments on the graphed results would be appropriate:

- The current overall company performance level is excellent. This conclusion is supported by the comparison with competitors and with a “world-class” level.
- The company shows excellent improvement trends.
- Division A is the current performance leader — showing sustained high performance and a slightly positive trend. Division B shows rapid improvement. Its current performance is near that of the best industry competitor, but trails the “world-class” level.
- Division C — a new division — is having early problems with on-time delivery. The applicant has analyzed and explained these early problems in its application report.

# 1998 CRITERIA: CORE VALUES, CONCEPTS, AND FRAMEWORK

## Criteria Purposes

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

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

## Criteria for Performance Excellence Goals

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

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

## Core Values and Concepts

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

### Customer-Driven Quality

Quality is judged by customers. Thus, quality must take into account all product and service features and characteristics that contribute value to customers and lead to customer satisfaction, preference, and retention.

Value and satisfaction may be influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. These factors include the company's relationship with customers that helps build trust, confidence, and loyalty.

Customer-driven quality addresses not only the product and service characteristics that meet basic customer requirements. It also includes those features and characteristics that differentiate them from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, rapid response, or special relationships.

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

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

Customer-driven quality means much more than defect and error reduction, merely meeting specifications, or reducing complaints. Nevertheless, defect and error reduction and elimination of causes of dissatisfaction contribute to the customers' view of quality and are thus also important parts of customer-driven quality. In addition, the company's success in recovering from defects and mistakes ("making things right for the customer") is crucial to building customer relationships and to customer retention.

### Leadership

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

### Continuous Improvement and Learning

Achieving the highest levels of performance requires a well-executed approach to continuous improvement and learning. The term "continuous improvement" refers to both incremental and "breakthrough" improvement. The term "learning" refers to adaptation to change, leading to new goals and/or approaches. Improvement and learning need to be "embedded" in the way the company operates. Embedded means improvement and learning: (1) are a regular part of daily work; (2) seek to eliminate problems at their source; and (3) are driven by opportunities to do better, as well as by problems that must be corrected. Sources of improvement and learning include: employee ideas; R&D; customer input; best practice sharing; and benchmarking.

Improvement and learning include: (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) responsiveness and cycle time performance; (5) productivity and effectiveness in the use of all



resources; and (6) the company's performance in fulfilling its public responsibilities and service as a good citizen. Thus, improvement and learning are directed not only toward better products and services but also toward being more responsive, adaptive, and efficient — giving the company additional marketplace and performance advantages.

### **Valuing Employees**

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

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

### **Fast Response**

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

### **Design Quality and Prevention**

Companies need to emphasize design quality — problem and waste prevention achieved through building quality

into products and services and efficiency into production and delivery processes. Costs of preventing problems at the design stage are lower than costs of correcting problems that occur “downstream”. Design quality includes the creation of fault-tolerant (robust) or failure-resistant processes and products.

A major success factor in competition is the design-to-introduction (“product generation”) cycle time. To meet the demands of rapidly changing markets, companies need to carry out stage-to-stage integration (“concurrent engineering”) of activities from basic research to commercialization. Increasingly, design quality also depends upon the ability to use information from diverse sources and data bases, that combine customer preference, competitive offerings, price, marketplace changes, and external research findings. Emphasis should also be placed on capturing learning from other design projects.

From the point of view of public responsibility, the design stage is critical. In manufacturing, design decisions determine process wastes and the content of municipal and industrial wastes. The growing environmental demands mean that design strategies need to anticipate environmental factors.

Consistent with the theme of design quality and prevention, improvement needs to emphasize interventions “upstream” — at early stages in processes. This approach yields the maximum cost and other benefits of improvements and corrections. Such upstream intervention also needs to take into account the company's suppliers.

### **Long-Range View of the Future**

Pursuit of market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders — customers, employees, suppliers, stockholders, the public, and the community. Planning needs to anticipate many changes, such as customers' expectations, new business opportunities, technological developments, new customer and market segments, evolving regulatory requirements, community/ societal expectations, and thrusts by competitors. Plans, strategies, and resource allocations need to reflect these commitments and changes. Major parts of the long-term commitment are developing employees and suppliers and fulfilling public responsibilities.

### **Management by Fact**

Modern businesses depend upon measurement and analysis of performance. Measurements must derive from the company's strategy and provide critical data and information about key processes, outputs, and results. Data and information needed for performance measurement and improvement are of many types, including: customer, product and service performance, operations,

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market, competitive comparisons, supplier, employee-related, and cost and financial. Analysis refers to extracting larger meaning from data and information to support evaluation and decision making at all levels within the company. Analysis entails using data to determine trends, projections, and cause and effect — that might not be evident without analysis. Data and analysis support a variety of company purposes, such as planning, reviewing company performance, improving operations, and comparing company performance with competitors' or with "best practices" benchmarks.

A major consideration in performance improvement involves the creation and use of performance measures or indicators. Performance measures or indicators are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. *The measures or indicators should be selected to best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or company performance requirements represents a clear basis for aligning all activities with the company's goals.* Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.

### **Partnership Development**

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

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

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

for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective means to develop employees.

### **Company Responsibility and Citizenship**

A company's leadership needs to stress its responsibilities to the public and needs to practice good citizenship. This responsibility refers to basic expectations of the company — business ethics and protection of public health, safety, and the environment. Health, safety, and the environment include the company's operations as well as the life cycles of its products and services. Companies need to emphasize resource conservation and waste reduction at their source. Company planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of products. Plans should seek to prevent problems, to provide a forthright company response if problems occur, and to make available information and support needed to maintain public awareness, safety, and confidence. Companies should not only meet all local, state, and federal laws and regulatory requirements. They should treat these and related requirements as areas for continuous improvement "beyond mere compliance". This requires use of appropriate measures in managing performance.

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

### **Results Focus**

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





## Criteria for Performance Excellence Framework

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

- 1 Leadership
- 2 Strategic Planning
- 3 Customer and Market Focus
- 4 Information and Analysis
- 5 Human Resource Focus
- 6 Process Management
- 7 Business Results

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

The framework has three basic elements, from top to bottom:

### Strategy and Action Plans

Strategy and Action Plans are the set of customer and market focused company-level requirements, derived from short- and long-term strategic planning, that must be done well for the company's strategy to succeed. Strategy and Action Plans guide overall resource decisions and drive the alignment of measures for all work units to ensure customer satisfaction and market success.

### System

The system is comprised of the six Baldrige Categories in the center of the figure that define the organization, its operations, and its results.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders must set company direction and seek future opportunities for the company. If the leadership is not focused on customers, the company as a whole will lack that focus.

Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. A company's employees and its key processes accomplish the work of the organization that yields its business results.

All company actions point toward Business Results — a composite of customer, financial, and non-financial performance results, including human resource results and public responsibility.

The large arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to company success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). Leadership must keep its eyes on the business results and must learn from them to drive improvement.

### Information and Analysis

Information and Analysis (Category 4) is critical to the effective management of the company and to a fact-based system for improving company performance and competitiveness. Information and analysis serve as a foundation for the performance management system.

### Criteria Structure

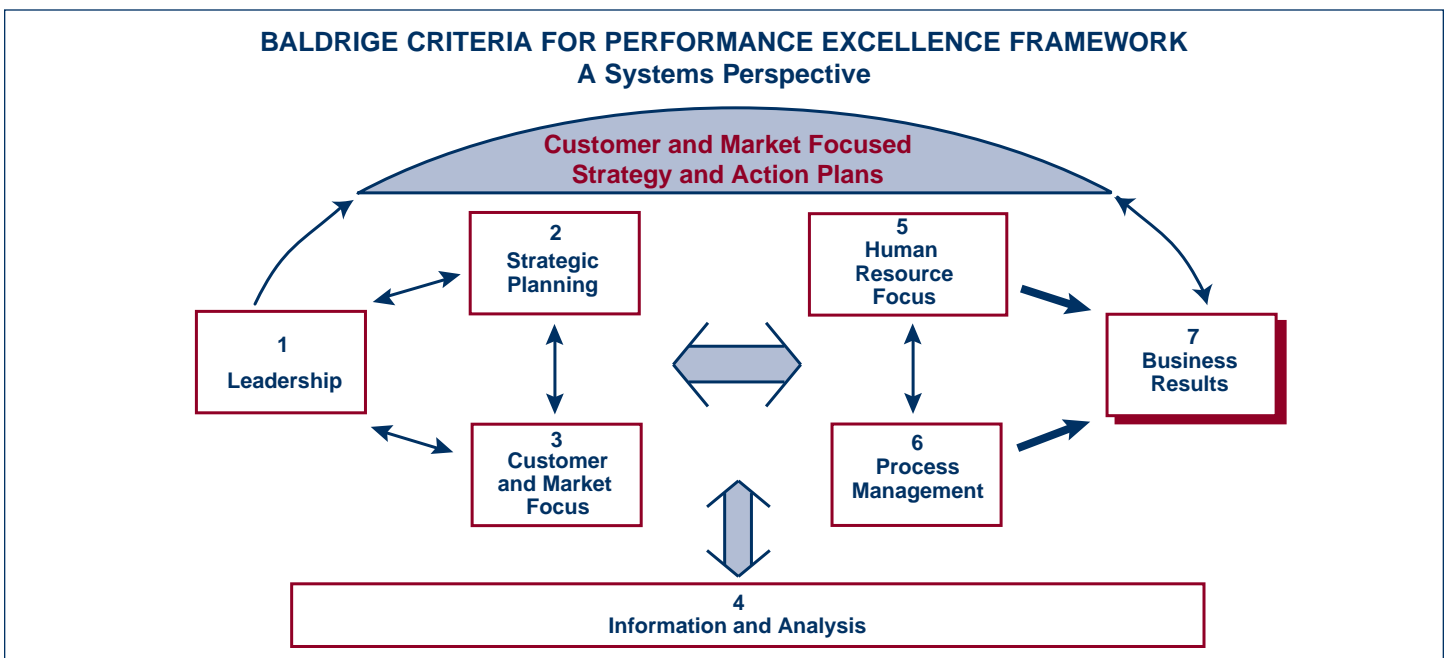
The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address:

#### Items

There are 20 Items, each focusing on a major requirement. Item titles and point values are given on page 2. The Item format is shown on page 37.

#### Areas to Address

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



# KEY CHARACTERISTICS OF THE CRITERIA

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## 1. The Criteria focus on business results.

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

Business results are a composite of:

- (1) customer satisfaction/retention;
- (2) financial and marketplace performance;
- (3) product and service quality, performance, delivery, and innovation;
- (4) operational effectiveness, including productivity and responsiveness;
- (5) human resource performance/development;
- (6) supplier performance/development; and
- (7) public responsibility/good citizenship.

These results cover overall company performance, including financial performance, and also recognize the importance of suppliers, the needs of communities, and the needs of the Nation.

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

## 2. The Criteria are nonprescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe:

- specific tools, techniques, technologies, systems, measures, or starting points;
- that companies should or should not have departments for quality, planning, or other functions;
- how the company itself should be organized; or
- that different units in companies should be managed in the same way.

All these factors are important and are very likely to change as needs and strategies evolve. Hence, the Criteria do emphasize that such factors be evaluated as part of the company's performance reviews.

The Criteria are nonprescriptive because:

- (1) The focus is on results, not on procedures, tools, or organizations. Companies are encouraged to develop and *demonstrate* creative, adaptive, and flexible approaches for meeting basic requirements. Nonprescriptive requirements are intended to foster incremental and major ("breakthrough") improvement as well as basic change.
- (2) Selection of tools, techniques, systems, and organizations usually depends upon factors such as business type and size, the company's stage of development, and employee capabilities and responsibilities.

- (3) Focus on common requirements within a company, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting creativity and diversity in approaches.

## 3. The Criteria support a systems approach to maintaining companywide goal alignment.

The systems approach to goal alignment is embedded in the integrated structure of the Criteria and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures, derived from the company's strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions without the need for detailed procedures or centralization of decision making or process management. Measures thus serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment, then, ensures consistency of purpose while at the same time supporting speed, innovation, and decentralized decision making.

A systems approach to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented learning takes place via feedback between processes and results through cycles of learning.

The learning cycles have four, clearly defined stages:

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

## 4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 20 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions — Approach, Deployment, and Results — and the key factors used to assess against each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 20 basic requirements. In this way, assessment leads to actions that contribute to the results composite described in the box above. This diagnostic assessment is thus a useful management tool that goes beyond most performance reviews, and is applicable to a wide range of strategies and management systems.



# SUMMARY OF BUSINESS ELIGIBILITY CATEGORIES AND RESTRICTIONS



Companies considering applying for the Award in 1998 will also need the booklet titled *1998 Application Forms & Instructions*, which provides greater detail on eligibility requirements and restrictions. Ordering instructions are given on page 46.

## Basic Eligibility

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

## Business Award Eligibility Categories

### Manufacturing

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

### Service

Companies or subunits that sell services.

### Small Business

Businesses with not more than 500 employees engaged in manufacturing and/or the provision of services.

## Subunits

A subunit is a unit or division of a larger (parent) company. Subunits of companies in the Manufacturing and Service eligibility categories might be eligible. The subunit must have more than 500 employees, or have more than 25 percent of the employees of the parent, or, if owned by a holding company, have been independent prior to being acquired.

Further, the subunit must be largely self-sufficient so that it can be examined in all seven Criteria Categories and it must be a discrete business entity that is readily distinguishable from other parts of the parent organization. It cannot be primarily an internal supplier to other units in the parent company or a business support function (sales, distribution, legal services, etc.).

**Note: Subunits of “chain” organizations (where each unit performs a similar function or manufactures a similar product) are no longer categorically ineligible. Their eligibility is now determined by the same rules as other subunits.**

## Other Restrictions on Eligibility

**Location:** Although an applicant may have facilities outside the U.S. or its territories, in the event of a site visit, the applicant must ensure that the appropriate people and materials are available for examination in the U.S. to document the operational practices associated with all major business functions of the applicant. In the event that the applicant wins the Award, it must be able to share information on the seven Criteria Categories at the Quest for Excellence Conference and at its U.S. facilities.

**Multiple-Application Restrictions:** A subunit and its parent may not both apply for Awards in the same year; and, only one subunit of a company may apply for an Award in the same year in the same business eligibility category.

**Future Eligibility Restrictions:** If an organization or a subunit that has more than fifty percent of the total employees of the parent receives an Award, the organization and all its subunits are ineligible to apply for another Award for a period of five years. If a subunit receives an Award, that subunit and all its subunits are ineligible to apply for another Award for a period of five years. After five years Award winners are eligible to reapply for the Award or to reapply “for feedback only.”

## Eligibility Determination

To ensure that Award recipients meet all reasonable requirements and expectations in representing the Award throughout the U.S., potential applicants must have their eligibility approved prior to applying for the Award. Potential applicants for the 1998 Award are encouraged to submit their Eligibility Determination Form as early as possible after they are available, but not later than April 15, 1998. This form is contained in the *1998 Application Forms & Instructions* booklet.

# HOW TO ORDER COPIES OF 1998 AWARD MATERIALS

**Note:** If you are planning to apply for the Award, you will need the **1998 Application Forms & Instructions** in addition to the Criteria booklet.

## Individual Orders

Individual copies of the Criteria booklets and the Application Forms & Instructions can be obtained free of charge from:

National Institute of Standards and Technology  
National Quality Program  
Route 270 and Quince Orchard Road  
Administration Building, Room A635  
Gaithersburg, MD 20899-0001  
Telephone: (301) 975-2036  
Fax: (301) 948-3716  
E-mail: nqp@nist.gov

## Bulk Orders

Multiple copies of the **1998 Criteria for Performance Excellence** booklets may be ordered in packets of 10 for \$29.95 plus shipping and handling from the American Society for Quality (ASQ).

1998 Business Criteria — Item Number T1077  
1998 Education Criteria — Item Number T1037  
1998 Health Care Criteria — Item Number T1038

## How to Order

ASQ offers four convenient ways to order:

- For fastest service, call toll free (800) 248-1946 in the U.S. and Canada (in Mexico, dial toll free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) ASQ member number ready.
- Or fax your completed order form to ASQ at (414) 272-1734.

- Or mail your order to: ASQ Customer Service Department, P.O. Box 3066, Milwaukee, WI 53201-3066.
- Or order online: Order from ASQ's website at <http://www.asq.org>.

## Payment

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

## Shipping Fees

The following shipping and processing schedule applies to all orders:

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

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

*\*If actual shipping charges exceed \$12.50 (\$17.50 Canadian), ASQ will invoice the customer for the additional expense.*

# FEES FOR THE 1998 AWARD CYCLE

## Eligibility Determination Fees

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

## Application Fees

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

These fees cover all expenses associated with distribution and review of applications and development of feedback reports. Detailed information is given in the **1998 Application Forms & Instructions** booklet.

## Site Visit Review Fees

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

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

**Eligibility Determination Forms due — April 15, 1998**  
**Award Applications due — June 1, 1998**

# HOW TO ORDER BALDRIGE EDUCATIONAL MATERIALS



Each year, the Baldrige Program develops materials for use in training members of the Board of Examiners, and for sharing information on the successful quality strategies of the Award winners. The items listed below are a sample of the educational materials that may be ordered from ASQ.

## Case Studies

The case studies are used to prepare Examiners for the interpretation of the Criteria and the Scoring System. The case studies, when used with the Criteria, illustrate the Award application and review process. The case study packet is illustrative of an application for the Baldrige Award and is useful in understanding the benefits of the Baldrige process, as well as for self-assessment, planning, training, and other uses.

### **1997 Business Case Study Packet: Gateway Estate Lawn Equipment Company** *(Based on the 1997 Criteria for Performance Excellence)*

Item Number T1039: \$49.95 plus shipping and handling

### **Education Case Study Packet: Ridgecrest School District** *(Based on the 1995 Education Pilot Criteria)*

Item Number T1023: \$7.28 plus shipping and handling

### **Health Care Case Study Packet: Pinnacle Health Plan** *(Based on the 1995 Health Care Pilot Criteria)*

Item Number T1029: \$7.28 plus shipping and handling

## Award Winners Videos

The Award winners videos are a valuable resource for gaining a better understanding of performance excellence and quality achievement. The videos provide background information on the Baldrige Program, highlights from the annual Award ceremony, and interviews with representatives from the winning companies. Information on the 1997 Award winners video is provided below. Videos about Award winners from other years also are available from ASQ.

1997 — Item Number T1042 \$ 20.00  
*(Available February 1998)*

## How to Order

To order a Case Study Packet (Gateway Estate Lawn Equipment Company, Ridgecrest School District, or Pinnacle Health Plan), bulk orders of the 1998 Criteria booklet, or the Award winners videos, contact:

ASQ Customer Service Department  
P.O. Box 3066  
Milwaukee, WI 53201-3066  
Telephone: (800) 248-1946  
Fax: (414) 272-1734  
E-mail: [asq@asq.org](mailto:asq@asq.org)  
Web Address: <http://www.asq.org>

## QUEST FOR EXCELLENCE X CONFERENCE

Each year, Quest for Excellence, the official conference of the Malcolm Baldrige National Quality Award, provides a forum for worldwide business leaders to hear and question Baldrige Award recipients. Quest for Excellence X will showcase the 1997 winners.

For the last nine years, business executives and quality leaders have come to this conference to hear about the journeys to performance excellence and the exceptional business practices of award-winning companies. Presentations will be made by the CEOs and others in the 1997 winning companies who are transforming their organizations. A special session is planned to highlight the accomplishments of winners over the first ten years of the Award Program. These presentations will cover all seven Categories of the Criteria: Leadership; Strategic Planning; Customer and Market Focus; Information and

Analysis; Human Resource Development and Management; Process Management; and Business Results. This three-day conference is designed to maximize learning and networking opportunities with attendees from around the world.

The Conference dates are February 8-11, 1998, including a 10th Anniversary Gala to be held Sunday evening, February 8. The Conference will be held at the Washington Hilton and Towers, in Washington, DC. For further information, contact NIST, National Quality Program, Administration Building, Room A635, Gaithersburg, MD 20899-0001; telephone (301) 975-2036; fax (301) 948-3716; or E-mail: [nqp@nist.gov](mailto:nqp@nist.gov).

Requests for registration information should be directed to ASQ; telephone (800) 248-1946 or fax (414) 272-1734.



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



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

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

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

- “1. the leadership of the United States in product and process quality has been challenged strongly (and sometimes successfully) by foreign competition, and our Nation’s productivity growth has improved less than our competitors’ over the last two decades.
2. American business and industry are beginning to understand that poor quality costs companies as much as 20 percent of sales revenues nationally and that improved quality of goods and services goes hand in hand with improved productivity, lower costs, and increased profitability.
3. strategic planning for quality and quality improvement programs, through a commitment to excellence in manufacturing and services, are becoming more and more essential to the well-being of our Nation’s economy and our ability to compete effectively in the global marketplace.
4. improved management understanding of the factory floor, worker involvement in quality, and greater emphasis on statistical process control can lead to dramatic improvements in the cost and quality of manufactured products.
5. the concept of quality improvement is directly applicable to small companies as well as large, to service industries as well as manufacturing, and to the public sector as well as private enterprise.
6. in order to be successful, quality improvement programs must be management-led and customer-oriented, and this may require fundamental changes in the way companies and agencies do business.
7. several major industrial nations have successfully coupled rigorous private-sector quality audits with national awards giving special recognition to those enterprises the audits identify as the very best; and
8. a national quality award program of this kind in the United States would help improve quality and productivity by:
  - A. helping to stimulate American companies to improve quality and productivity for the pride of recognition while obtaining a competitive edge through increased profits;
  - B. recognizing the achievements of those companies that improve the quality of their goods and services and providing an example to others;
  - C. establishing guidelines and criteria that can be used by business, industrial, governmental, and other organizations in evaluating their own quality improvement efforts; and
  - D. providing specific guidance for other American organizations that wish to learn how to manage for high quality by making available detailed information on how winning organizations were able to change their cultures and achieve eminence.”



## The Malcolm Baldrige National Quality Award

United States Department of Commerce  
Technology Administration  
National Institute of Standards and Technology  
National Quality Program  
Route 270 and Quince Orchard Road  
Administration Building, Room A635  
Gaithersburg, MD 20899-0001

The National Institute of Standards and Technology (NIST) is a non-regulatory federal agency within the Commerce Department's Technology Administration. NIST's primary mission is to promote economic growth by working with industry to develop and apply technology, measurements, and standards. The National Quality Program at NIST manages the Malcolm Baldrige National Quality Award Program.

Call NIST for:

- information about the Criteria for Performance Excellence
- information on the Baldrige Award and eligibility requirements
- information on the content of Baldrige Award documents
- individual copies of the Criteria (no cost)
- Application Forms & Instructions (no cost)
- Examiner applications (no cost)

Telephone: (301) 975-2036; Fax: (301) 948-3716; E-mail: [nqp@nist.gov](mailto:nqp@nist.gov)  
Web Address: <http://www.quality.nist.gov>

**American Society for Quality**  
611 East Wisconsin Avenue  
P.O. Box 3005  
Milwaukee, WI 53201-3005

The American Society for Quality (ASQ) is a society of individual and organizational members dedicated to the ongoing development, advancement, and promotion of quality concepts, principles, and techniques. ASQ administers the Malcolm Baldrige National Quality Award Program under contract to NIST.

Call ASQ to place orders for:

- bulk copies of the Criteria
- case studies
- Baldrige materials on diskette
- Award winners videos

Telephone: (800) 248-1946; Fax: (414) 272-1734; E-mail: [asq@asq.org](mailto:asq@asq.org)  
Web Address: <http://www.asq.org>