Baldrige Core Values and Concepts

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

The Baldrige Criteria are built on the following set of inter-related core values and concepts:

• Visionary leadership

• Customer-driven excellence

• Organizational and personal learning

• Valuing workforce members and partners

• Agility

• Focus on the future

• Managing for innovation

• Management by fact

• Societal responsibility

• Focus on results and creating value

• Systems perspective

Visionary Leadership

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

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

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

Customer-Driven Excellence

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

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

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

A customer-driven organization addresses not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate the organization from competitors. This differentiation may be based on innovative offerings, combinations of product and service offerings, customized offerings, multiple access and outward communication mechanisms, rapid response, or special relationships.

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

Organizational and Personal Learning

Achieving the highest levels of organizational performance requires a well-executed approach to organizational and personal learning that includes sharing knowledge via systematic processes.

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

Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at the personal, work unit, and organizational levels; (3) results in solving problems at their source (root cause); (4) is focused on building and sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant, meaningful change and to innovate. Sources for learning include employees' and volunteers' ideas, research and development, customers' input, best-practice sharing, and benchmarking.

Organizational learning can result in (1) enhanced value to customers through new and improved products and customer services; (2) the development of new business opportunities; (3) the development of new and improved processes or business models; (4) reduced errors, defects, waste, and related costs; (5) improved responsiveness and cycle time performance; (6) increased productivity and effectiveness in the use of all your resources; and (7) enhanced performance in fulfilling your organization's societal responsibilities.

Personal learning: The success of your workforce members—including your leaders—depends increasingly on their having opportunities to learn and to practice new skills. If your organization relies on volunteers, their personal learning is also important, and you should consider their learning and skill development.

Organizations invest in personal learning through education, training, and other opportunities for continuing growth and development. It includes preparing people for future organizational core competencies. On-the-job training offers a cost-effective way to cross-train and to link training more closely to your organization's capacity needs and priorities. Education and training programs may have multiple modes, including computer, Web-based, and distance learning.

Personal learning can result in (1) a more engaged, satisfied, and versatile workforce that stays with your organization; (2) cross-functional learning for your organization; (3) the building of your organization's knowledge assets; and (4) an improved environment for innovation.

Thus, learning is directed not only toward better products but also toward being more responsive, adaptive, innovative, and efficient—giving your organization marketplace sustainability and performance advantages and engaging your workforce to increase satisfaction and the motivation to excel.

Valuing Workforce Members and Partners

An organization's success depends increasingly on an engaged workforce that benefits from meaningful work, clear organizational direction, and accountability for performance. That engaged workforce must also have a safe, trusting, and cooperative environment. Additionally, the successful organization capitalizes on the diverse backgrounds, knowledge, skills, creativity, and motivation of its workforce and partners.

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

Valuing partners: To accomplish their overall goals, organizations need to build internal and external partnerships. Internal partnerships might include cooperation between labor and management. Forming internal partnerships might also involve creating network relationships among your work units and locations or between employees and volunteers to improve flexibility, responsiveness, and knowledge sharing.

External partners might be customers, suppliers, and education or community organizations. Strategic partnerships or alliances, which are increasingly important kinds of external partnerships, might offer complementary core competencies that allow entry into new markets or a basis for new products or customer support services. Partnerships might also permit you to address common issues by blending your organization's core competencies or leadership capabilities with partners' complementary strengths and capabilities. Thus, partnerships may be a source of strategic advantage for your organization.

In successful internal and external partnerships, the partners develop longer-term objectives, thereby

creating a basis for mutual investments and respect. Partners should establish the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could be a cost-effective method of workforce development.

Agility

Success in today's ever-changing, globally competitive environment demands agility—a capacity for rapid change and for flexibility in operations. Organizations face ever-shorter cycles for introducing new/improved products and services, and nonprofit and government organizations are increasingly being asked to respond rapidly to new or emerging social issues. Disruptive events are occurring more frequently. They can be triggered by innovative technologies or product introductions, economic upheaval or stress, or social or societal demands. Organizations must be capable of making transformational changes on an ever-shorter cycle time. Major improvements in response times often require new work systems, the simplification of work processes, or the ability for rapid changeover from one process to another. A cross-trained and empowered workforce is a vital asset in such a demanding environment.

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

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

Focus on the Future

Ensuring an organization's sustainability requires an understanding of the short- and longer-term factors that affect the organization and its marketplace. Identification of key external environmental factors is important even though their outcomes may be less predictable. The pursuit of sustained growth and performance leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, workforce, suppliers, partners, and stockholders; the public; and your community. It also requires the agility to modify plans when circumstances warrant.

Your organization's planning should anticipate many factors, such as customers' expectations; new business and partnering opportunities; unexpected crises,

including changing economic conditions; workforce capacity and capability needs; the competitive global marketplace; technological developments; changes in customer and market segments; new business models; evolving regulatory requirements; changes in community and societal expectations and needs; and strategic moves by competitors. Your strategic objectives and your resource allocations need to accommodate these influences. A focus on the future includes developing your leaders, workforce, and suppliers; accomplishing effective succession planning; creating a supportive environment for taking intelligent risks and encouraging innovation; and anticipating societal responsibilities and concerns.

Managing for Innovation

Innovation means making meaningful change to improve your organization's products, services, programs, processes, operations, and business model, with the purpose of creating new value for stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation requires a supportive environment, a process for identifying strategic opportunities, and the pursuit of intelligent risks.

Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your operations and all work systems and work processes. Your organization should be led and managed so that taking intelligent risks becomes part of the learning culture. Innovation should be integrated into daily work and be supported by your performance improvement system. Systematic processes for identifying strategic opportunities should reach across your entire organization.

Innovation builds on the accumulated knowledge of your organization and its people. Therefore, the ability to rapidly disseminate and capitalize on this knowledge is critical to driving organizational innovation.

Management by Fact

Organizations depend on the measurement and analysis of performance. Measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, results, and outcomes. Organizations need many types of data and information for performance management. Performance measurement should include measurement of customer, product, and process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; governance and compliance results; and accomplishment of strategic objectives.

To facilitate analysis, data should be segmented by, for example, markets, product lines, and workforce groups.

Analysis means extracting larger meaning from data and information to support evaluation, decision

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making, improvement, and innovation. It entails using data to determine trends, projections, and cause-and-effect relationships that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, accomplishing change management, and comparing your performance with competitors' or with best-practice benchmarks.

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

Societal Responsibility

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

Your organization should not only meet all local, state, and federal laws and regulatory requirements but should also treat these and related requirements as opportunities to excel "beyond mere compliance." Your organization should stress ethical behavior in all stakeholder transactions and interactions. Your organization's governance body should require highly ethical conduct and monitor all conduct accordingly.

Considering societal well-being and benefit means leading and supporting—within the limits of your resources—the environmental, social, and economic systems in your organization's sphere of influence. Such leadership and support might include improving education, health care, and other services in your community; pursuing environmental excellence; being a role model for socially important issues; practicing resource conservation; reducing your carbon footprint;

performing community service and charity; improving industry and business practices; and sharing nonproprietary information.

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

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

Focus on Results and Creating Value

Your organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—your customers, workforce, stockholders, suppliers, and partners; the public; and the community.

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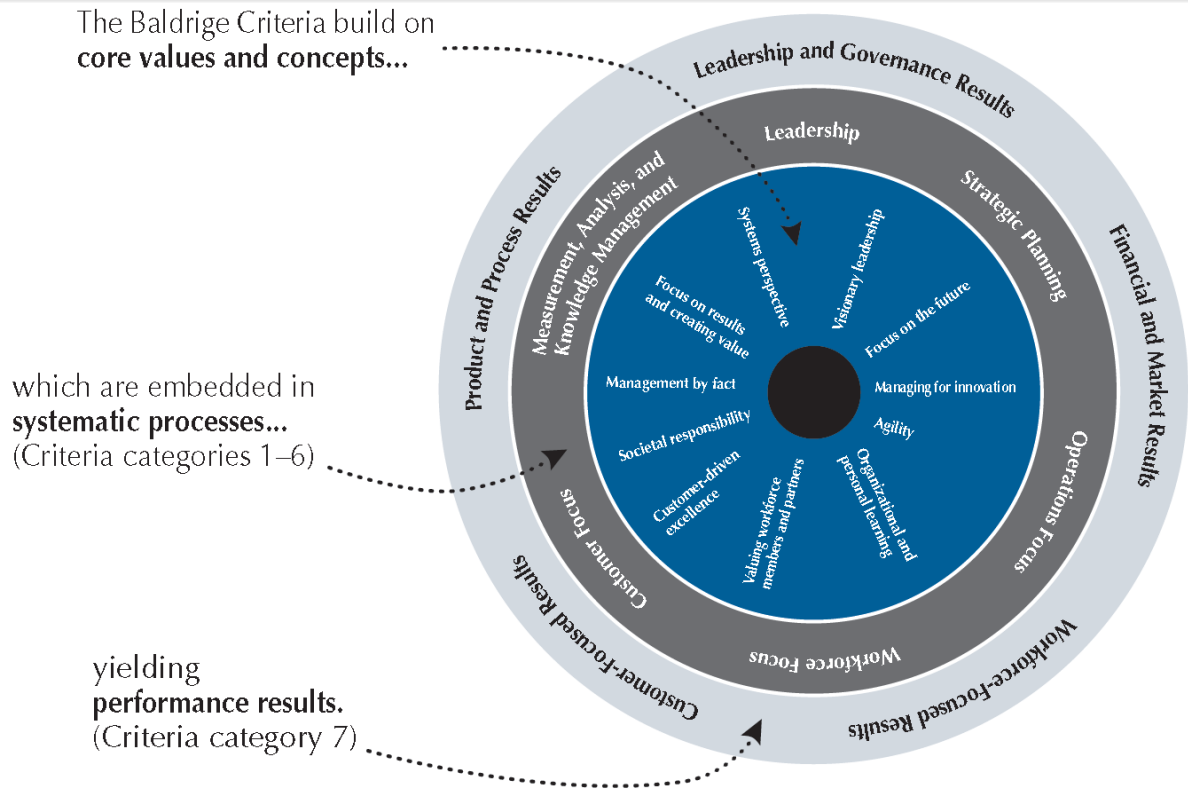
Systems Perspective

The Baldrige Criteria provide a systems perspective for managing your organization and its key processes to achieve results—and to strive for performance excellence. The seven Criteria categories, the core values and concepts, and the scoring guidelines form the system's building blocks and integrating mechanism. However, successfully managing overall performance requires organization-specific synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and builds on key business attributes, including your core competencies, strategic objectives, action plans, and work systems. Alignment means using the key linkages among the requirements in the Criteria categories to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment, so that the individual components of your performance management system operate in a fully interconnected manner and deliver anticipated results.

These concepts are depicted in the Baldrige Criteria frame work. When your organization takes a systems perspective, your senior leaders focus on strategic directions and customers. Your senior leaders monitor, respond to, and manage performance based on your results. With a systems perspective, you use your

measures, indicators, core competencies, and organizational knowledge to build your key strategies, link these strategies with your work systems and key processes, and align your resources to improve your overall performance and your focus on customers and stakeholders.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve sustainability.

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

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

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

Source: *Malcolm Baldrige Criteria for Performance Excellence 2013-2014*

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