

Baldrige Criteria for Performance Excellence

In the 1980s, there was a growing realization by many business analysts and consumers that the quality of U.S. products and services was falling behind that of other leading nations, especially Japan. Some industry and government leaders saw the need for an emphasis on quality as a necessity for doing business in an ever expanding, and more demanding, global market. Many American businesses either did not understand the quality problem or did not know where to begin. Some U.S. business leaders, noting the success of the Deming Prize in improving the quality of Japan's products, suggested that a U.S. quality award might create an incentive for quality improvement and a basis for sharing information on successful quality strategies.

A difficult choice for a U.S. award was whether it should be managed by a private or government entity. Some argued that only those directly experienced in business could provide the needed understanding. Others believed that only a Presidential Award could bring the needed national visibility and recognition. The final decision was to utilize the strengths of both sectors. The pending legislation called for a public-private partnership in which each sector plays a crucial role. In August 1987 Congress enacted legislation establishing the Malcolm Baldrige National Quality Award and assigned overall management of the Award to the National Bureau of Standards (soon to become the National Institute of Standards and Technology). Congress selected NBS/NIST to design and manage the Award program because of its role in helping U.S. companies compete, its world renowned expertise in measurement quality and quality assurance practices, and its reputation as an impartial third party. NIST worked with key private sector leaders to create a private organization, the Foundation for the Malcolm Baldrige National Quality Award. In 1988, the Foundation raised \$10M to support the purposes of the Award.

Congress named the award in honor of Malcolm Baldrige, Secretary of Commerce during the period when the legislation was developed. Just prior to the enactment of the legislation, Mr. Baldrige died after a rodeo accident. This naming was in recognition of the efforts of Secretary Baldrige to strengthen U.S. competitiveness. The Award is the country's highest level of recognition for performance excellence and has been presented annually by the President since 1988.

The intent of the Award is to recognize U.S. companies for their achievements in quality and business performance and to raise awareness about the importance of quality and performance excellence as a competitive edge. It was envisioned that the Award would serve as a standard of excellence to aid U.S. companies in achieving world-class quality. Rather than recognize specific products or services, the Award Program would recognize role-model business practices and emphasize the sharing of best practices. Three Award categories were initially permitted: manufacturing, service, and small business.

A key step in implementing the new Law was developing the criteria for the Award. In late 1987, NBS/NIST created the basic criteria concept and category structure as well as the basis for a multi-stage evaluation. In parallel with this Award design, a network of private sector experts was created to implement and expand the design and to serve as evaluators. A design feature of the Award Program was the commitment to annual revision of the criteria to reflect key learnings and changing business needs. The first Award Criteria were published in *the Application Guidelines for the Malcolm Baldrige National Quality Award* in 1988. [1]

Although the criteria were needed to serve as a basis for making Awards, their use was intended mainly for organizational self-assessment and improvement. The 1988 Application Guidelines included Award Criteria based upon seven evaluation Categories. Each Category consisted of two or more Examination Items, which serve as the basis for Awards and for self-assessment. The Award Criteria represented a major new vehicle for the United States to define best quality practices and to disseminate practices more quickly using an approach that permits self-diagnosis. Thus the Criteria serve as the focal point in education and cooperation, going beyond the requirements of the Award contest, via a kind of excellence standard.

The Criteria take a systems approach to organizational excellence. They incorporate a set of core values and concepts that reflect beliefs and behaviors found in high performing organizations. The Criteria are expressed as operational requirements, including key processes and measures that connect processes to comprehensive business results. The business results include not only financial and market results, but also product

and service quality, public responsibility, employee development, and other key requirements. Accordingly, the Criteria provide a common language for businesses—large and small, manufacturing and service. A key characteristic of the Criteria is that the requirements are nonprescriptive—they do not require the use of specific tools and techniques. Users of the Criteria are asked to demonstrate success via well-defined processes and outstanding results. In this way, successful tools, techniques, and processes are identified and used as a basis for sharing.

Starting in 1998, the Baldrige Award was opened to health care and education organizations. In order to accommodate to these communities, while supporting cross-sector cooperation, the business Criteria were adapted and published for health care and education organizations [2,3]. The adaptation of the Criteria to health care and education is largely a translation of the requirements language and basic concepts of business excellence to parallel requirements in health care and education excellence. The common framework for all sectors of the economy has resulted in cross-sector cooperation and sharing of best practice information.

Although the Baldrige Award and the Award recipients are the very visible centerpiece of U.S. quality improvement, a broader national quality program has evolved around the Award and the Criteria. A 1995 report, *Building on Baldrige: American Quality for the 21st Century*, by the private Council on Competitiveness, said, “More than any other program, the Baldrige National Quality Award is responsible for making quality a national priority and disseminating best practices.” [4].

“The Baldrige public/private partnership has accomplished more than any other program in revitalizing the American economy,” said Barry Rogstad, president of the American Business Conference and past chairman of the Baldrige Program’s Board of Overseers.

Following are some highlights of the program’s first decade:

- Called the “single most influential document in the modern history of American business,” almost 2 million copies of the *Baldrige Criteria for Performance Excellence* [1] have been distributed. This number does not include many hundreds of thousands of copies available in books, from state and local award programs, or downloaded from the Award’s World Wide Web site.
- For the past six years, a hypothetical stock index made up of publicly-traded U.S. whole companies that have received the Baldrige Award has significantly outperformed the Standard & Poor’s (S&P) 500 Index.
- State and local quality programs—most modeled after the Baldrige program—have grown to over 50 in 1999. The national network of awards and sharing of practices involves several thousand volunteers each year.
- Internationally, 45 quality programs are in operation. Most are modeled after the Baldrige Award Criteria and evaluation approach, including a new award established in Japan in 1996.
- Baldrige criteria and case studies are used extensively in U.S. business schools.

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Bibliography

- [1] *Application Guidelines, Malcolm Baldrige National Quality Award, 1988*, Baldrige National Quality Program, National Institute of Standards and Technology, Gaithersburg, MD.
- [2] *Health Care Criteria for Performance Excellence, 1998*, Baldrige National Quality Program, National Institute of Standards and Technology, Gaithersburg, MD; most recent edition 2000.
- [3] *Education Criteria for Performance Excellence, 1998*, Baldrige National Quality Program, National Institute of Standards and Technology, Gaithersburg, MD; most recent edition 2000.
- [4] *Building on Baldrige: American Quality for the 21st Century*, Council on Competitiveness, Washington, DC (1995).