

Ten reasons why the Baldrige model works

After ten years, everyone is still a winner when it comes to the Baldrige. Learn how organizations adopt the Baldrige criteria to learn and grow.

Perhaps you have read articles about the declining number of Baldrige applications in the last several years and concluded that interest in the Baldrige criteria is waning. Nothing could be further from the truth. With more than 56 state and local and dozens of international award programs modeled after Baldrige, the total number of organizations applying for recognition, at all levels, is dramatically increasing.

And not only companies are getting involved. Government, education, health care, and nonprofit organizations are following business' lead in applying the criteria. In 1997, 1,081 organizations applied for local and state awards, up from 804 in 1996.

Since 1992, DeBaylo Associates, based in Princeton, New Jersey, have co-sponsored an annual Baldrige benchmarking workshop, where many of the companies that actively use a Baldrige-like process come together to share their best practices and lessons learned. From these workshops and our extensive assessment experience, we have identified ten key reasons for the effectiveness of the Baldrige process.

1) Assessment and improvements drive business results.

Of all the reasons the Baldrige process has remained vital, the first reason is the most powerful: the process produces results.

The evidence is mounting of a direct correlation between Baldrige "scores" and business performance. The stock performance analyses done by the National Institute of Standards and Technology (NIST) show that Baldrige winners outperform the Standard and Poor's (S&P) Index by ratios up to 3:1. Similarly, companies that received site visits but did not win an award beat the S&P by ratios of 2:1.

Xerox's business turnaround resulted in their winning the Baldrige Award in 1989 and the improvement effort has continued. Xerox Business Services, the division which won 1997 Baldrige honors, has achieved an average annual revenue growth rate of 30 percent and an average annual profit improvement of 60 percent since 1992. In the same period, it has had a 55 percent increase in new business locations.

2) Criteria that encourage concepts and values.

Companies use the Baldrige criteria in different ways, some for self-assessment, others as part of internal recognition processes. Some use part of the criteria; others tailor them to the type of business being assessed. The common factors in all these approaches are the core concepts and values embedded in the criteria (see sidebar on page 26). These principles provide the foundation for all the criteria and help tie business requirements to the results they produce.

Understanding these underlying concepts is critical for widespread acceptance and use of the criteria. In NIST's Baldrige examiner training, students perform a case study exercise that ties the values and concepts with the approaches the company has described.

Baldrige criteria do a great job of dissecting the various elements of a business into bite-sized pieces to facilitate assessment. But unless the assessment is performed in the broader context of the core concepts and values, the feedback report may be off target, less understandable, and often shallow.

3) Customized improvement models.

The Baldrige criteria provide a structured model for performance excellence. At Honeywell, Inc., located in Minneapolis, Minnesota, the Baldrige criteria are used as a companywide framework for understanding, evaluating, and improving their business.

Honeywell's mandate is to use the model for managing the business and engage senior management in an annual assessment process. This framework is used by general managers to exchange information, ask for help, and learn from each other.

Without a common business model such as Baldrige, companies find it difficult to integrate all their improvement initiatives. We all have seen one program after another come down from above, none of them seeming to relate to the others. Employees get confused and wind up determining for themselves what is most important. When done well, the business model provides a common improvement thread.

4) Pervasive use of self-assessment.

Before the Baldrige criteria were crafted, organizations had no effective way of performing companywide self-assessments. There were ways to analyze processes or human resource programs, but no way of looking more broadly at leadership systems, strategic planning, or effective use of information and analysis. The Baldrige criteria provide a way to look across functional areas and get a more integrated, holistic view of the organization. The criteria also act as a barometer to allow business leaders to predict business results and measure-improvement trends.

The most prevalent use of the Baldrige criteria is for self assessment. These assessments come in all shapes and sizes. The simplest form is the use of a questionnaire. Answers are compiled and discussed and can be used to develop an improvement plan. Once an organization moves beyond this basic approach, a popular form of assessment is the facilitated assessment. Here the key business leaders gather in a room for a day or two and examine their organization against the criteria, capturing both strengths and areas for improvement. The discussions are led by an objective, usually external, facilitator. To validate the perceptions, results data may be looked at before or after the meeting. On the more complex end of the spectrum, the business unit prepares a written document in narrative format with graphically displayed results data. An external group (drawn from other business units or from outside the company) evaluates the documentation and conducts a site visit to clarify and verify the information provided. A feedback report is developed containing the assessment results.

Even when the company has a recognition process based on the Baldrige criteria, a self-assessment is often a prerequisite.

5) Recognition drives participation. Regardless of how effective the Baldrige assessment process may be, many organizations require additional encouragement before they take the plunge. Some organizations mandate that units participate in a self-assessment or recognition process, but this has some obvious drawbacks. The biggest of these is the lack of buy-in and commitment to use the feedback to drive improvement.

Still, some people believe that if they can get the unit to the plate, they will like the game and come back for more.

A more effective way to provide motivation is for the organization to sponsor a recognition process.

Yet going for the Baldrige Award is a turnoff for some organizations that think the award process is a waste of time. Marty Lustig, vice president of Sprint, feels that "the concept of an award is the biggest barrier preventing companies from using the criteria." These companies don't recognize the learning and improvement that comes from participating in the process. Internal awards are different. Nothing is more powerful than for the chairman to call a unit head to the podium and shine a big spotlight on that unit's achievements. Those in the audience who are not called up begin to wonder why and quietly ask how they can get involved.

Unlike the national Baldrige Award process, which limits the number of winners (and hence creates losers), almost all of the internal recognition processes have several levels of recognition, typically bronze, silver, and gold.

Recognition is provided to all organizations that get over the bar, the height of which is set by some numeric-scoring threshold. This motivates companies to do better in the next recognition cycle.

Unlike self-assessment where everyone is encouraged to participate, many companies restrict participation in a recognition process. Intel, based in Santa Clara, California, accepts applications only for units that scored more than 500 points.

Other companies such as Honeywell, Cargill, and Eaton accept applications from all units, but only conduct site visits for the higher-scoring applicants. The scoring threshold varies by company and is dependent upon the overall maturity of the organization.

6) Assessment is linked to business strategies.

For years we have witnessed organizations performing annual assessments with no appreciable improvements or change. In most cases they were preoccupied with other compelling issues and didn't have the time or a process to integrate the assessment results with the business plan. The assessment process was just another initiative that the organizations undertook, perhaps by mandate, that did not have an up-front negotiated purpose.

Assessment is part of a business evaluation and improvement cycle and is ineffective if done in isolation. One of the best ways of ensuring that assessment

results get linked to the business and are used to drive improvement is to engage the management team in the assessment process.

7) Senior management involved. Various approaches have been used to gain senior management support, but one of the more effective strategies, suggested by Jim Sierk, former senior vice president at AlliedSignal, located in Morristown, New Jersey, and Baldrige judge, is to encourage networking with other senior executives who have already achieved results.

8) Accelerated learning. If there is one common benefit of participating in a self-assessment or recognition process it is organizational learning with a capital "L." The most successful companies encourage organizational learning in many ways (see sidebar on page 25).

The degree of learning is directly related to the amount of work the organization puts into the process. It is alarming to see how many organizations focus only on reducing the amount of time and money spent in the assessment process, which unknowingly reduces the amount of learning.

For example, they use bulletized applications versus describing their processes in a prose format, expend even less effort and use a survey instrument, or, the ultimate, they engage an external team to do a site visit and avoid having to prepare any documentation at all. These simpler, seemingly more efficient approaches lose the primary benefit of the process: learning by doing.

The most successful companies provide numerous opportunities for learning. Eaton, located in Southfield, Michigan, has developed special training for their senior management. At last year's sales meeting, Picker International in Cleveland, Ohio, simulated a Baldrige quiz show complete with a "QuizMaster." By adding some fun, the learning was more effective.

More formal training is provided in all companies that do self-assessment or have recognition processes. Training at Chevron includes open-enrollment training similar to that conducted by NIST for Baldrige examiners, as well as just-in-time team training for their Quality Fitness Review examiners.

Learning also comes from the site visit and feedback reports. Cummins Engine in Columbus, Indiana thought they had an excellent supplier/management process. What they learned from the Baldrige examination team was that they never measured the effectiveness of their supplier processes or how these processes compared with those of their competitors or best-in-class companies.

When companies begin to see the benefits of the Baldrige process, they want to share the good news. In fact, sharing of best practices is one of the major objectives of the process. Many organizations publish best practices on their intranet or in hard copy to encourage cross-fertilization of ideas and accelerated learning.

Public Service Electric and Gas in New Jersey conducts training sessions for their suppliers to encourage them to use the criteria for self-assessment. Intel rolled out their assessment process to their suppliers several years ago. Other companies directly or indirectly encourage their suppliers and customers to participate.

9) Criteria evolve and improve. The success of Baldrige can be attributed to the continuous evolution and improvement of the criteria's content and scope. Over the years the criteria have been modified to emphasize specific areas, such as strategicdriven performance, stakeholder needs (including customers, employees, stockholders, and the public), and business financial results. The criteria were also made more generic to allow all types of businesses to apply, particularly service businesses that initially complained that the criteria were too manufacturing oriented. In recent years, the criteria have been restructured to provide a more logical business model and were renamed the Criteria for Performance Excellence.

Criteria improvement is not limited to the Baldrige Award process. Many companies that began using the Baldrige criteria have customized them to their own company cultures and needs. A good example is the Blue Book developed by the Carrier Corporation located in Syracuse, New York, for use in their Willis H. Carrier Quality Award program. This book translates the criteria into questions and answers, identifies metrics to be incorporated into the assessment responses, and provides self-scoring guidelines and forms for improvement planning.

10) One size doesn't fit all. Perhaps one reason that there are many more companies applying for state awards than for the national Baldrige Award is the many different approaches the state awards use. One size doesn't fit all, particularly if the intention is to encourage more companies to use the criteria or to apply for recognition.

Many companies have developed multiple, cost-effective approaches to doing their assessments. For example, Hewlett-Packard has found that different internal customers have different needs. Senior management wants assessments to be more like audits to manage risks. Lower-level managers prefer a more consultative approach to guide their improvement efforts.

Tailored approaches and uses of the criteria and assessment processes have enabled companies to get the most out of their assessments and keep the process going.

Alive and well

Baldrige is alive and well in corporate America. Its universality and ability to change to meet the needs of its users have driven the proliferation of the Baldrige criteria and business improvement model. As organizations tailor and apply the criteria for assessment, recognition, and improvement planning, they learn and grow. As they achieve business results, the evaluation and improvement cycle continues.