



The Importance Of Baldrige To The US Economy
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To fully appreciate the impact of the Malcolm Baldrige National Quality Award keep in mind two things: the mood among American businesses in the early-to-mid 1980's and the number of "Baldrige clones" now in existence.

Memory of the business mood in the 1980's underlines the importance of the Baldrige to the American economy; recognition of its clones testifies to the versatility and strength of the award worldwide. If there was ever any doubt as to which quality award is the *first among equals*, Japan ended the discussion by rolling out a Baldrige based Japanese Quality Award in 1996.

The wakeup call

Students of American business history can relish the irony. Less than two decades earlier, the 1980 NBC television white paper, *If Japan Can do It, Why Can't We?*, sounded an alarm over the magnitude and nature of the Japanese challenge to the American economy. By the mid-1980's, American business people were being told by customers, analysts, and journalists that they were in serious trouble – clueless as to how to stem the flow of Japanese automobiles and electronics into American markets. Pilgrimages to Japan to learn how they do it were a regular feature on the calendars of American business executives.

Concurrently, the private sector made several attempts to establish a national quality award along the lines of the Deming Prize, first awarded in Japan in 1950. Seen as a key element in Japan's meteoric rise from being the source of *all-things-cheap-and-breakable* to being the acknowledged leader in quality, the Deming Prize had rallied the Japanese business community, providing a common vocabulary and an agreed-upon model.

Moreover, Deming Prizes were announced on national television, reportedly drawing large viewing audiences and making the award a major commercial plus.

Other Americans looked closer to home for inspiration. Tom Peters and Bob Waterman wrote *In Search of Excellence*, the first serious (and popular) effort to tell the American business community that all was not lost and that there were American exemplars to excellence that could serve as models for rejuvenating the economy.

And then came the Baldrige

The basic legislation for the Baldrige was introduced in Congress in early 1986, quickly relegated to a committee and, equally quickly, pigeonholed. The proposed legislation wasn't, however, completely abandoned. By spring of '87, occasional discussions on how to implement the idea resulted in the decision to have the National Bureau of Standards design and administer a national quality award – if the legislation ever became law.

Sadly, the death of Secretary of Commerce Malcolm Baldrige proved to be the catalyst for making the award a reality. Baldrige was both liked and respected by members of both political parties, besides being a highly effective member

of the Cabinet and a personal friend of President Reagan. In his 60's, he was - to use an old phrase no longer in favor – a man's man who still occasionally competed as a rodeo cowboy.

On July 25, 1987, he was mortally injured in a riding accident (he had been inducted as a Great Westerner by the Cowboy Hall of Fame in 1984). Soon after his death, the half-forgotten legislation, resurrected with Baldrige's name attached, swept through Congress on a voice note.

The role of NIST and Curt Reimann

Suddenly, the nation had the Malcolm Baldrige National Quality Award with the National Bureau of Standards as its administrator. NBS (now called NIST, the National Institute for Standards and Technology), a branch of the Commerce Department, was an inspired choice: Its employees are, undeniably, the least political group of civilians on the government payroll. In addition, the organization had in recent years begun to wrestle with the fact that the use of measurement in industry appeared to be moving from finished product inspection to in-process prevention and correction.

And, most fortuitously, Dr. Curt Reimann was at NBS. He had become a member of the American Society for Quality Control a couple of years previously and had been instrumental in getting NBS enrolled as an institutional member of the ASQC. As a result, he had some knowledge of the players in the burgeoning field of quality, and he was aware of their range of preferences with regard to criteria for a national quality award. Happily, the fact that Reimann had no known allegiance to any one guru or methodology allowed him to be an honest broker in the discussions that followed.

When the legislation passed, NBS and Reimann could be sure of three things:

1. President Reagan could most likely be counted on to present the award named after his good friend.
2. Reagan was leaving office at the end of 1988.
3. There was little or no agreement about how to proceed.

Speed bumps along the implementation path.... To complicate matters, there were at least two major types of rifts in the quality community: one between the *quality people* and the *productivity people*; and a series of divisions between the disciples of the various recognized gurus. To complicate matters even further, the president of the ASQC had blasted the idea of a national quality award in an editorial in the ASQC's journal, *Quality Progress*, in March 1987. There was even a minor battle between the *quality control people* and those who preferred the term *quality assurance*. And the incredibly short time frame meant that everyone was going to have to cooperate- with Reimann and with each other.

Calling on Dr. Deming

In the end, it was impossible to satisfy everyone – especially Dr. W. Edwards Deming. During the process of inviting everyone in under the big tent he was constructing, Reimann personally called virtually everyone who had been active in some attempt to build a national quality award and/or was a known voice in the field. One of the first people he called was the redoubtable Dr. Deming.

Within a minute of telling him who he was and what was going forward as a result of the new law, Reimann was informed in no uncertain terms that:

- There was no organization in America good enough to receive such recognition....
- And even if there were, there was no one in America knowledgeable enough to make such a judgment

Deming never changed his mind and he never accepted the award's views on goals and benchmarking and recognition – to name just a few.

Juran, Feigenbaum and Crosby.... The two other major gurus (Doctors Joseph Juran and Armand Feigenbaum) supported the award from the outset, offering constructive ideas and their personal endorsements.

Phil Crosby withheld his endorsement, objecting to - among other things – the idea of self-nomination/application. He proposed that customers nominate recipients, overlooking the fact that customers are not in a position to evaluate the processes that create customer satisfaction. Self-assessment and feedback are major benefits of the award; neither result from a customer nomination. While Crosby continued to snipe at the Baldrige, several Baldrige winners – including the two 1995 winners – point to him as part of their “quality roots”.

Getting the Baldrige on the street

By the time that he convened his first official meeting on September 24, 1987, Reimann already had a basic outline of the award application, to include the seven categories that have become one of the distinguishing characteristics of all Baldrige clones.

The criteria had to be on the street by mid-January if a full cycle was to be possible before Reagan left office. To make the rush for the first award cycle more palatable, Reimann promised that the award's criteria and procedures would themselves serve as a role model of continual improvement through an annual review and modification procedure. If a particular faction was unhappy over a specific detail, they knew they would get a crack at revising it the following year. (The 1996 Improvement Day was scheduled for June 21.)

Reimann's personal schedule was keyed to a meeting in late October with the new Secretary of Commerce William Verity, who proved to be a true advocate of the award, offering invaluable support. Prior to October, Reimann, a senior member of the NBS staff, had never made a presentation to the Secretary of Commerce, much less on a topic that had presidential interest. He has since said, "Terror helps to set priorities". The only reason that he and his small staff only worked seven days a week was that they couldn't manufacture an eighth day.

The NBS and Reimann succeeded

The Baldrige Award Criteria was available in January, 1988; 12,000 applications were requested that first year, and President Reagan made the presentations that fall.

Reimann's role cannot be overestimated... As mentioned above, Reimann defined the seven categories which have proven so durable. He credits his background as a chemist and scientist for having trained him to look for fundamental truths that would not ebb and flow with changing opinions and personalities. When asked, "Why seven?", Reimann paraphrases an old Volkswagen commercial explaining why the VW had four forward gears by saying, "Because six was too few and eight seemed like too many."

And Reimann built lasting bridges between people... The fact that there is a coherent quality community in the United States and a good share of the world, a community with a fairly consistent view of what is meant by the word *quality* and how to achieve it, is directly attributable to Reimann's Baldrige efforts.

From negotiating the original definition of the Baldrige to winning near-unanimous support to guiding the growth of the award through its first several years, he was of extraordinary importance.

Reimann has since retired, although he is still hanging around NIST, answering questions and offering opinions. (Dr. Harry Hertz, a friend and colleague, is the current Director of the Baldrige program.)

Growth and strength of the greater Baldrige

One of the signs of growth and strength of the Baldrige is the number of Baldrige clones throughout the United States in states, counties, cities, businesses, and non-profit organizations such as the United Way of America – not to mention foreign countries.

While skeptics question why the number of applicants for the Baldrige remains flat over the years, Reimann points out that the number of applicants for Baldrige-based awards in the United States continues to grow.

Self-assessments grow... Last year between 700 and 800 organizations went through a process of self-assessment by filling out an application and received feedback from a minimum of three outside examiners/consultants. The implications are enormous. Even if an organization applies only once and drops out after the first examiner assessment, they have a much better idea of what they don't know and/or don't do.

Combine the growing number of Baldrige and Baldrige clone applicants with the number of organizations who have signed up for classes by Baldrige winners and you have the *American Quality Revolution*.

Other measures

The Baldrige is not, of course, the only formal, outside-measured, public recognition for quality. The Deming Prize and ISO 9000 are also universally acknowledged. While all intend to focus on customer satisfaction and continual improvement, the three can be compared briefly:

- The Deming Prize lays down a set of prescriptive criteria, a road map of the only route to quality
- The Baldrige criteria relies on a descriptive criteria, a combination destination and compass with a request for information about which routes have been chosen.
- ISO 9000 requires evidence that a trip, almost any trip, is made without requiring assurance that the destination has been reached.

The contrast between the three explains why Baldrige winners are invaluable to the rest of the business community: The Baldrige encourages a wide variety of approaches to reach the common goal of customer satisfaction, as long as the emphasis is on processes that insure continual improvement. After eight years of winners, the selection of lessons-to-be-learned is a virtual smorgasbord of ways to make money – assuming the listener is willing to put in the necessary work.

The financial impact of quality is beyond reasonable challenge After Dr. Juran made a casual comment that he was sure that buying stock in Baldrige winners was a solid investment, several journalists decided to check it out. Using 20-20 hindsight calculations, no matter how the answer was computed (just whole company winners such as Motorola and Federal Express; companies whose subsidiaries won, such as AT&T or GM; everyone who received site visits), the results were consistent: Earnings were significantly ahead of the Standard & Poors average for the stock market as a whole.

A cynic would observe that for an American business executive not to know that pursuing quality is financially sound requires a willful misinterpretation of widely available data. (Unless you confine your reading to the Wall Street Journal: which has figured out that quality makes money.)

The Baldrige quickly established itself as a major force in American business

Early winners such as Motorola and FedEx became passionate corporate missionaries for the cause, spreading the word to anyone who would listen. While the original law specified that winners would be required to teach, no one dared to dream that the winners would take to that task so enthusiastically.

The role of the examiners

Reimann, his NIST team, and the various members of the quality community also made a pivotal decision when they opted for a rotating group of award examiners rather than a stable of in-house experts. In practice this has meant that trained examiners go back to their own firms and continue educating the American workforce. Since the primary objective of the Baldrige is to spread information about the concepts of quality, this ripple effect is exactly what the legislators had in mind.

Each year, there are approximately 2,500 volunteers trained as examiners for the Baldrige and all the Baldrige clones in the United States, creating a pool of quality experts. Other nations that have adopted Baldrige-based national quality awards have reported a similar ripple effect.

Deming may well have been right in thinking that the average JUSE (Japanese Union of Scientists and Engineers) consultant who works fulltime as a professional consultant is more knowledgeable than the average Baldrige examiner who holds a part-time position for two years. JUSE consultants, however, typically determine winners of the Deming Prize from among the three-to-five Japanese companies who apply each year.

Given their year-round status as outside consultants and their relatively small numbers, they are incapable of having a long range impact equal to that of the Baldrige examiners.