

**2023–2024**



**Business/NP**

**Engagement Level Criteria  
for Performance Excellence**

**Effective June 2023**

## Note from the CEO:

Thank you for taking the time to consider applying for the Quality Texas Foundation Regional Program (QTFRP) Pioneer Level of Recognition (five-page Organizational Profile). This is the starting point for your organization or a section/group within an organization. Your next step is our Engagement Level of Recognition (five-page Organizational Profile + 10-page application). Since this is probably your first entry with the QTFRP, welcome aboard. Remember this is a Journey, NOT a Destination.

It is our sincere hope that the questions embedded in the five-page Organizational Profile will cause your organization to evaluate exactly where you are, where you should be, and how you can significantly improve by prioritization of your improvement steps. The Baldrige Framework is used the world over to make systematic improvements to organizations. Proposed steps are shown below.

1) Assign a minimum of two personnel, preferably five to seven in your office to become Organizational Leadership/Examiners trained by QTFRP (see [www.quality-texas.org/training](http://www.quality-texas.org/training) for dates and locations. This training is where QTFRP teaches your personnel how to become valued Internal Coaches by informing the participants how to respond/write the responses to the questions and the reasons behind the questions. QTFRP teaches the test! You can just begin writing if you like, but past information received from applicants indicate the Organizational Leadership/Examiner training was a major milestone in writing at any level. Our satisfaction rate over the past eight years has been 98%.

2) Write your responses to the questions and allow other people in your office to edit your work. Don't fall in love with your first draft. This application to be really effective will undergo several iterations with substantial improvements along the way. The application process will allow the organization to ask very difficult questions and address organizational priorities.

3) Revise multiple times and submit to QTFRP helping as needed ([www.quality-texas.org](http://www.quality-texas.org)).

4) QTFRP is here to help! If you need assistance, we can provide you with coaching and with a customized writing seminar just for your organization

If QTFRP can be of assistance to you, please allow us that opportunity. We desire to be your go to source for Baldrige-based training and Category training. QTFRP has leadership development, organizational strategic planning, customer service, information management and building a learning organization around data, workforce engagement training, and several others. Remember always that the Baldrige Journey is never finished! Happy travels!

Dr. Mac McGuire, CEO, ([drmac@quality-texas.org](mailto:drmac@quality-texas.org))  
Quality Texas Foundation Regional Program  
(TX, PR, MO, KS, OKCIC, LA, and SC)

# Criteria for Performance Excellence

## Begin with the Organizational Profile

The Organizational Profile is the most appropriate starting point for self-assessment and for writing an application. It is critically important for the following reasons:

- You can use it as an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, use these topics for action planning.
- It sets the context for understanding your organization and how it operates and allows you to address unique aspects of your organization in your responses to the Baldrige Criteria questions in categories 1–7. Your responses to all other questions in the Criteria should relate to the organizational context you describe in this profile.
- It helps you identify gaps in key information about your organization and focus on key performance requirements and results.

## Organizational Profile

The **Organizational Profile** is a snapshot of your organization and its strategic environment.

### **P.1 Organizational Description: What are your key organizational characteristics?**

#### **a. Organizational Environment**

**(1) Product and/or Service Offerings** What are your main product and/or service offerings? What is the relative importance (including percentage of revenue/budget) of each product or service to your success? What are the delivery methods for these products and/or services?

**(2) MISSION, VISION, VALUES, AND CULTURE** What are your MISSION, VISION, AND VALUES? What are the defining characteristics of your organizational CULTURE? What are your organization's CORE COMPETENCIES, and what is their relationship to your MISSION and VISION?

**(3) Workforce Profile** What is your WORKFORCE profile? What are your WORKFORCE or employee groups and SEGMENTS and the KEY ENGAGEMENT drivers for each? What are the KEY changes you are experiencing in your WORKFORCE CAPABILITY, CAPACITY, and composition?

**(4) Assets** What are your major assets, such as facilities, equipment, technologies, and intellectual property?

**(5) Regulatory Environment** What are your KEY applicable regulations and accreditation, certification, or registration requirements?

## **b. Organizational Relationships**

**(1) Organizational Structure** What are your organizational leadership structure and GOVERNANCE structures? What are your KEY components of your organization's LEADERSHIP SYSTEM? What are the reporting relationships among your GOVERNANCE SYSTEM, SENIOR LEADERS, and parent organization, as appropriate?

**(2) CUSTOMERS and STAKEHOLDERS** What are your KEY market SEGMENTS, CUSTOMER groups, and STAKEHOLDER groups, as appropriate? What are their KEY requirements and expectations for your products and/or services, CUSTOMER support services, and operations, including any differences among the groups?

**(3) Suppliers, PARTNERS, and COLLABORATORS** What are your KEY types of suppliers, PARTNERS, and COLLABORATORS? What role do they play in producing and delivering your key products and/or services and CUSTOMER support services, and in enhancing your competitiveness? What role do they play in contributing and implementing INNOVATIONS in your organization? What are your KEY supply-network requirements?

### **Notes**

**P.1a(1).** How you deliver products and/or services to your customers might be direct or indirect, through dealers, distributors, collaborators, or channel partners. *Nonprofit (including government) organizations might refer to their product and/or service offerings as programs or projects.*

**P.1a(2).** Your values are part of your organization's culture. Other characteristics of your organizational culture include shared beliefs, norms, and values that contribute to the uniqueness of the environment within your organization.

**P.1a(2).** If your organization has a stated purpose as well as a mission, you should include it in your response here and as appropriate in the process categories. Some organizations define a mission and a purpose, and some use the terms interchangeably. Purpose refers to the fundamental reason that the organization exists.

**P.1a(3).** As applicable, your workforce profile should include location of your workforce, your organized bargaining units (i.e., union representation), and the special health and safety requirements of the workforce. Your workforce profile should specify any workforce groups the organization has identified for segmenting data. Organizations that also rely on volunteers and/or temporary staff members to accomplish core work (producing output that is

necessary and/or customer-facing) should include these groups as a part of their workforce. Workforce or employee groups and segments might be based on type of employment or contract-reporting relationship, location (including remote work), work shift/tour of duty, work environment, use of flexible work policies, or other factors. Current and anticipated change impacting your workforce members might relate to scheduling, location, and their requirements and expectations.

**P.1a(5).** Regulations and requirements include any applicable occupational health and safety regulations; industry standards, and environmental, financial, and product regulations. In the Criteria, industry refers to the sector in which you operate, and industry standards might include industrywide codes of conduct and policy guidance. *For nonprofit (including government) organizations, this sector might be charitable organizations, professional associations and societies, religious organizations, or government entities—or a subsector of one of these.* Depending on the regions in which you operate, environmental regulations might cover greenhouse gas emissions, carbon regulations and trading, and energy efficiency.

**P.1b(1).** The organizational leadership and governance structures for privately held businesses, nonprofit organizations for privately held businesses, nonprofit organizations, and government agencies may comprise an advisory board, a family council, or local/regional leaders who are assembled to provide guidance. *For some nonprofit (including government) organizations, reporting relationships might include publicly elected officials, boards and commissions, as well as relationships with major funding sources, such as granting agencies, legislatures, or foundations.*

*For additional guidance on this item, see the [Criteria Commentary](#) [Baldrige Criteria Commentary | NIST](#)*

**P.1b(1).** The Organizational Profile asks for the what of your leadership system. Questions in categories 1 and 5 ask *how* the system is used.

**P.1b(2).** *For some nonprofit (including government) organizations, customers might include members, taxpayers, residents, visitors, businesses, clients, and beneficiaries, and market segments might be referred to as constituencies. For government agencies, the legislature (as a source of funds) may be a key stakeholder.*

**P.1b(2).** Customer, stakeholder, and operational requirements and expectations will drive your organization's sensitivity to the risk of product, service, support, and supply-network interruptions, including those due to natural disasters and other emergencies.

**P.1b(2).** Customer groups might be based on common expectations, behaviors, preferences, or profiles. Within a group, there may be customer segments based on differences, commonalities, or both. You might subdivide your market into segments based on product lines or features, distribution channels, business volume, geography, or other defining factors.

**P.1b(3).** Your supply network consists of the entities involved in producing and delivering your products and/or services to your customers and offering post-sales support. For some organizations, these entities form a chain, in which one entity directly supplies another. Increasingly, however, these entities are interlinked and exist in interdependent rather than linear relationships. The Criteria use the term *supply network*, to emphasize the interdependencies among organizations and their suppliers. The term *supply network* represents an evolution and maturity in supply-chain management.

# 1 Leadership

**The Leadership category asks how SENIOR LEADERS' personal actions guide and sustain your organization. It also asks about your organization's GOVERNANCE SYSTEM and HOW your organization fulfills its legal, ethical, and societal responsibilities.**

**Mission, Vision and Values, Communication, Focus on Organizational Performance, Organizational Governance, Legal and Ethical Behavior, and Societal Contributions** **Process**

---

- (1) How do senior leaders set and deploy your organization's mission, vision and values?
- (2) How do senior leaders communicate with and engage the entire workforce, key partners, and key customers?
- (2) How do senior leaders' actions create an environment for success now and in the future?
- (3) How do senior leaders create a focus on action that will achieve the organization's mission?
- (4) How do you evaluate the performance of your senior leaders, including the chief executive, and your governance board?

## 2 Strategy

**The STRATEGY Category asks HOW your organization develops STRATEGIC OBJECTIVES and ACTION PLANS, implements them, changes them if circumstances require, and measures progress.**

**Strategy Development Process, Strategy Considerations, Strategic Objectives, and Action Plans, Strategy Implementation, and Action Plan modification**

**Process**

- 
- (1) How do you conduct your strategic planning?
  - (2) How do you collect and analyze relevant data and develop information for use in your strategy planning process?
  - (3) How does you identify Strategic Opportunities and stimulate innovation?
  - (4) What are your organization's key strategic objectives and most important related goals?
  - (5) How do your strategic objectives achieve appropriate balance among varying and potentially completing organizational needs?

## 3 Customer

**The Customers category asks how your organization engages its customers for ongoing success, including how your organization listens to the CUSTOMERS, determines products and/or services to meet their needs, builds long-term CUSTOMER relationships, and enhances the CUSTOMER experience.**

**Customers' Expectations, Listening, Customer Segmentation, Determination of Customer Satisfaction and Engagement, Product Offerings and Customer Experience, Customer Relationships, Complaint Management** **Process**

---

- (1) How do you listen to, interact with, and observe customers to obtain actionable information?
- (2) How do you listen to potential customers to obtain actionable information?
- (3) How do you determine customer satisfaction, dissatisfaction, and engagement?
- (4) How do you obtain information on customers' satisfaction with your organization relative to other organizations?
- (5) How do you manage customer complaints?



## 4 Measurement, Analysis, and Knowledge Management

**The Measurement, Analysis, and Knowledge Management category asks how your organization measures, analyzes, reviews, and improves organizational PERFORMANCE and HOW you manage your information, and KNOWLEDGE ASSETS.**

---

### Measurement, Analysis, Improvement of Organizational Performance, Information and Knowledge Management

Process

- 
- (1) How do you use track data and information on daily operations and overall organizational performance?
  - (2) How do you select and effectively use comparative data and information?
  - (3) How do you analyze and review your organization's performance and capabilities?
  - (4) How do you build and manage organizational knowledge?
  - (5) How do you determine which opportunities for innovation to pursue?

## 5 Workforce

**The Workforce category asks how your organization addresses WORKFORCE CAPABILITY and CAPACITY and provides a WORKFORCE CLIMATE to HIGH PERFORMANCE. The category also asks HOW your organization engages, manages, and develops your WORKFORCE to utilize its full potential in alignment with your organization's overall business needs.**

### **Workforce Environment, Workforce Capability and Capacity, Workforce Climate, Workforce Engagement and Performance, and Workforce and Leader Development**

**Process**

- 
- (1) How do you assess your workforce capability and capacity needs?
  - (2) How do you recruit, hire, place, and retain new workforce members?
  - (3) How do you organize and manage your workforce?
  - (4) How do you determine the key drivers of workforce engagement?
  - (5) How does your learning and development system support the personal development of workforce members and your organization's needs?

## 6 Operations

**The Operations category asks how your organization designs, manages, improves its products and/or services and WORK PROCESSES and ensures operational EFFECTIVENESS to deliver CUSTOMER value and achieve ongoing organizational success.**

---

### Work Processes and Operational Effectiveness

### Process

---

- (1) How do you determine key product and/or service requirements?
- (2) How do you design your products and/or services to meet these key requirements?
- (3) How does your day-to-day operation of key work processes and support processes ensure that they meet key process requirements?
- (4) How do you determine your key support processes?
- (5) How do you manage your supply network?

## 7 Results

**The Results category asks about your organization's performance and improvement in all key areas—product and PROCESS RESULTS, CUSTOMER RESULTS, WORKFORCE RESULTS, leadership and GOVERNANCE RESULTS, and financial, market, and strategy RESULTS.**

---

### Tracking and Using Key Results for More Improvement and Analysis

Display in graphical form where possible (chart/graph/table) where possible. There should be a minimum of one chart/graph/table for each question below.

**Results**

---

- (1) What are your results for your key products and/or services?
- (2) What are your safety and emergency preparedness results?
- (3) What are your customer satisfaction and dissatisfaction results?
- (4) What are your customer engagement results?
- (5) What are your workforce capability and capacity results?
- (6) What are your workforce and leader development results?
- (7) What are your results for senior leaders' communication and engagement with the workforce, partners, and customers?
- (8) What are your financial performance results?



## Glossary of Key Terms

*The terms below are those in **small caps** in the Baldrige Criteria for Performance Excellence and scoring guidelines. The rest of the first paragraph elaborates on this definition. The paragraphs that follow provide examples, descriptive information, or key linkages to other information in the Baldrige framework.*

**ACTION PLANS.** Specific actions that your organization takes to reach its short- and longer-term strategic objectives. These plans specify the resources committed to and the time horizons for accomplishing the plans. Action plan development is the critical stage in planning when you make strategic objectives and goals specific so that you can effectively deploy them throughout the organization in an understandable way. In the Criteria, deploying action plans includes creating aligned measures for all affected departments and work units. Deployment might also require specialized training for some workforce members or recruitment of personnel.

For example, a strategic objective for a supplier in a highly competitive industry might be to develop and maintain price leadership. Action plans could entail designing efficient processes, creating an accounting system that tracks activity-level costs, and aligning processes and accounting systems across the organization. To deploy the action plans, the supplier might need to train work units and teams in setting priorities based on costs and benefits. Organizational-level analysis and review would likely emphasize productivity growth, cost control, and quality.

See also STRATEGIC OBJECTIVES.

**AGILITY.** A capacity for rapid change and flexibility in operations. Agility may be needed to respond to emergencies or address changes in your operating environment, to take advantage of an immediate opportunity, and/or to address a strategic challenge.

See also RESILIENCE.

**ALIGNMENT.** A state of consistency among plans, processes, information, resource decisions, workforce capability and capacity, actions, results, and analyses that support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals. It also requires the use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See also INTEGRATION.

**ANALYSIS.** The examination of data and information to provide a basis for effective decision making. Analysis often involves determining cause-effect relationships. Overall organizational analysis guides you in managing work systems and work processes toward achieving key business results and attaining strategic objectives.

**ANECDOTAL.** In a response to a Criteria item, information that lacks specific methods; measures; deployment mechanisms; and evaluation, improvement, and learning factors. Anecdotal information frequently consists of examples and describes individual activities rather than systematic processes. For example, in an anecdotal response to how senior leaders deploy performance expectations, you might describe a specific occasion when a senior leader visited all of your organization's facilities. On the other hand, in properly describing a systematic process, you might include the methods all senior leaders use to communicate performance expectations regularly to all locations and workforce members, the measures leaders use to assess the

effectiveness of the methods, and the tools and techniques you use to evaluate and improve the methods.

See also SYSTEMATIC.

**APPROACH.** **The methods your organization uses to carry out its processes.** Besides the methods themselves, approach refers to the appropriateness of the methods to the item requirements and your organization's operating environment, as well as how effectively your organization uses those methods.

Approach is one of the factors considered in evaluating process items. For further description, see the Scoring System.

**BASIC QUESTIONS.** **The most central concept of a Criteria item, as presented in the item title question.** For an illustration, see Criteria for Performance Excellence Structure.

**BENCHMARKS.** **Processes and results that represent the best practices and best performance for similar activities, inside or outside your organization's industry.**

Organizations engage in benchmarking to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) or "breakthrough" improvement.

Benchmarks are one form of comparative data. Other forms include industry data collected by a third party, data on competitors' performance, and comparisons with similar organizations that are in the same geographic area or that provide similar products and services in other geographic areas.

**CAPABILITY, WORKFORCE.** See WORKFORCE CAPABILITY.

**CAPACITY, WORKFORCE.** See WORKFORCE CAPACITY.

**COLLABORATORS.** **Organizations or individuals who cooperate with your organization to support a particular activity or event or who cooperate intermittently when their short-term goals are aligned with**

**or are the same as yours.** Typically, collaborations do not involve formal agreements or arrangements.

See also PARTNERS.

**CORE COMPETENCIES.** **Your organization's areas of greatest expertise; those strategically important, possibly specialized capabilities that are central to fulfilling your mission or that provide an advantage in your marketplace or service environment.** Core competencies are frequently challenging for competitors or suppliers and partners to imitate, and they may provide an ongoing competitive advantage. The absence of a needed core competency may result in a significant strategic challenge or disadvantage for your organization in the marketplace.

Core competencies may involve technological expertise, unique service offerings, a marketplace niche, or business acumen in a particular area.

**CULTURE.** **The shared beliefs, norms, and values that characterize your workforce and are demonstrated within your organization.** In high-performing organizations, senior leaders create and reinforce an organization's culture based on the organization's mission, vision, and values.

See also ETHICAL BEHAVIOR and VALUES.

**CUSTOMER.** **An actual or potential user of your organization's offerings of products, programs, or services (all referred to as products and/or services in the Criteria).** Customers include the end users of your products, as well as others who are immediate purchasers or users, such as distributors, agents, or organizations that process your product as a component of theirs. The Baldrige framework addresses customers broadly, referencing your current and future customers, as well as your competitors' customers.

Customer-focused excellence is a Baldrige core value embedded in the beliefs and behaviors of high-performing organizations.

Customer focus impacts and should be a factor in integrating your organization's strategic directions, work systems and work processes, and business results.

See also STAKEHOLDERS for the relationship between customers and others who might be affected by your products.

**CUSTOMER ENGAGEMENT. Your customers' emotional and intellectual investment to your brand and product and/or service offerings.** It is based on your ongoing ability to serve their needs and build relationships so that they will continue using your products. Characteristics of engaged customers include retention, brand loyalty, willingness to make an effort to do business—and increase their business—with you, and willingness to actively advocate for and recommend your brand and product offerings.

**DEPLOYMENT. The extent to which your organization applies an approach in addressing the requirements of a Criteria item.** Evaluation of deployment considers how broadly and deeply the approach is applied in relevant work units throughout your organization.

Deployment is one of the factors considered in evaluating process items. For further description, see the Scoring System.

**DIVERSITY. Personal differences among workforce members that enrich the work environment and are representative of your hiring and customer communities.** These differences address many variables, such as race, religion, color, gender, national origin, disability, sexual orientation, age and generation, education, geographic origin, and skill characteristics, as well as ideas, thinking, academic disciplines, and perspectives.

The Criteria refer to valuing and benefiting from the diversity of your workforce hiring and customer communities. Capitalizing on both in building your workforce increases your opportunities for high performance; customer, workforce, and community

satisfaction; and customer and workforce engagement. When embraced, diversity can drive cultural, economic, and social vitality and innovation.

**EFFECTIVE. How well a process or a measure addresses its intended purpose.** Determining effectiveness requires (1) evaluating how well the process is aligned with the organization's needs and how well it is deployed, or (2) evaluating the outcome of the measure as an indicator of process or product performance.

**EMPOWERMENT. Giving people the authority and responsibility to make decisions and take actions.** When people are empowered, decisions are made closest to the front line, where work-related knowledge and understanding reside.

The purpose of empowering people is to enable them to satisfy customers on first contact, improve processes and increase productivity, and improve your organization's performance results, as well as to encourage collaboration. An empowered workforce requires information to make appropriate decisions; thus, your organization must provide that information in a timely and useful way.

**ENGAGEMENT, CUSTOMER.** See CUSTOMER ENGAGEMENT.

**ENGAGEMENT, WORKFORCE.** See WORKFORCE ENGAGEMENT.

**ETHICAL BEHAVIOR. The actions your organization takes to ensure that all its decisions, actions, and stakeholder interactions conform to its moral and professional principles of conduct.** These principles should support all applicable laws and regulations and are the foundation for your organization's culture and values. They distinguish right from wrong.

Senior leaders should be role models for these principles of behavior. The principles apply to all people involved in your organization, from temporary workforce members to members of the board of

directors. These principles benefit from regular communication and reinforcement. Although the Baldrige framework does not prescribe a particular model for ensuring ethical behavior, senior leaders have the responsibility for the alignment of your organization's mission, vision, and values with its ethical principles. Ethical behavior encompasses interactions with all stakeholders, including your workforce, shareholders, customers, partners, suppliers, and local community members.

Well-designed and clearly articulated ethical principles empower people to make effective decisions with great confidence. In some organizations, ethical principles also serve as boundary conditions restricting behavior that otherwise could have adverse impacts on your organization and/or society.

See also the related core value, Ethics and Transparency.

**EXCELLENCE.** See PERFORMANCE EXCELLENCE.

**GOALS.** Future conditions or performance levels that your organization intends or desires to attain. Goals can be both short- and longer-term. They are ends that guide actions. Quantitative goals, frequently referred to as targets, include a numerical point or range. Targets might be desired performance based on comparative or competitive data. Stretch goals are goals for desired major, discontinuous (nonincremental) or "breakthrough" improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including clarifying strategic objectives and action plans to indicate how you will measure success, fostering teamwork by focusing on a common end, encouraging out-of-the-box thinking (innovation) to achieve a stretch goal, and providing a basis for measuring and accelerating progress.

See also PERFORMANCE PROJECTIONS.

**GOVERNANCE.** The system of management and controls exercised in the stewardship of your organization. Governance includes the responsibilities of your organization's owners/shareholders, board of directors, and senior leaders. Corporate or organizational charters, bylaws, and policies document the rights and responsibilities of each of the parties and describe how they will direct and control your organization to ensure (1) accountability to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders. Governance processes may include the approval of strategic direction, the monitoring and evaluation of the CEO's performance, the establishment of executive compensation and benefits, succession planning, financial and other fiduciary auditing, risk management, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

**HIGH PERFORMANCE.** Ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time. High performance results in improved service and value for customers and other stakeholders.

Approaches to high performance vary in their form, their function, and the incentive systems used. High performance stems from and enhances workforce engagement. It involves cooperation between the management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; empowerment of your people, including personal accountability; and workforce input into planning. It may involve learning and building individual and organizational skills; learning from other organizations; creating flexible job design and work assignments; maintaining a flattened organizational structure, where



decision making is decentralized and decisions are made closest to the front line; and effectively using performance measures, including comparisons. Many organizations encourage high performance with monetary and nonmonetary incentives based on factors such as organizational performance, team and individual contributions, and skill building. Also, approaches to high performance usually seek to align your organization's structure, core competencies, work, jobs, workforce development, and incentives.

**HOW. The systems and processes that your organization uses to achieve its mission requirements.** In responding to "how" questions in Criteria categories 1–6, you should include information on approach (methods and measures), deployment, learning, and integration.

**INDICATORS.** See MEASURES AND INDICATORS.

**INNOVATION(S). Making meaningful change to improve products, processes, or organizational effectiveness and create new value for stakeholders.** (The Criteria use the term *innovation* as a process/activity and the term innovations to refer to the outcomes.) Innovations are discontinuous or "breakthrough" improvements in results, products, or processes. Innovation benefits from a supportive environment, a process for identifying strategic opportunities, and a willingness to pursue intelligent risks.

Successful organizational innovation also entails knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that can benefit from change through innovation, whether breakthrough improvement or a change in approach or outputs. Innovations may be present in organization's genesis is an innovative idea, process, technology, product, or change in organizational structure or business model.

See also BENCHMARKING, INTELLIGENT RISKS and STRATEGIC OPPORTUNITIES.

**INTEGRATION. The harmonization of plans, processes, information, resource decisions, workforce capability and capacity, actions, results, and analyses to support key organization-wide goals.** Effective integration goes beyond alignment and is achieved when the individual components of an organizational performance management system operate as a fully interconnected unit.

Integration is one of the factors considered in evaluating both process and results items. For further description, see the Scoring System.

See also ALIGNMENT.

**INTELLIGENT RISKS. Opportunities for which the potential short- or long-term gain or benefit outweighs the potential harm or loss to your organization's if you do not explore them.** Taking intelligent risks requires a tolerance for failure and an expectation that innovation is not achieved by initiating only successful endeavors. At the outset, organizations must invest in potential successes while realizing that some will lead to failure.

The degree of risk that is intelligent to take will vary by the pace and level of threat and opportunity in the industry. In a rapidly changing industry with constant introductions of new products, processes, or business models, there is an obvious need to invest more resources in intelligent risks than in a stable industry. In the latter, organizations must monitor and explore growth potential and change but, most likely, with a less significant commitment of resources.

See also STRATEGIC OPPORTUNITIES.

**KEY. Major or most important; critical to achieving your intended outcome.** The Criteria, for example, refer to key challenges, plans, work processes, and measures—those that are most important to your organization's success. They are the essential

elements for pursuing or monitoring a desired outcome. Key is generally defined as around the most significant five (e.g., around five key challenges).

**KNOWLEDGE ASSETS.** Your organization's accumulated intellectual resources; the knowledge possessed by your organization and its workforce in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. These knowledge assets reside in your workforce, software, patents, databases, documents, guides, policies and procedures, and technical drawings. Knowledge assets also reside within customers, suppliers, and partners.

Knowledge assets are the know-how that your organization has available to use, invest, and grow. Building and managing knowledge assets are key components of creating value for your stakeholders and sustaining a competitive advantage.

**LEADERSHIP SYSTEM.** The way leadership is exercised, formally and informally, throughout your organization; the basis for key decisions and the way they are made, communicated, and carried out. A leadership system includes structures and mechanisms for making decisions; ensuring two-way communication; selecting and developing leaders and managers; and reinforcing values, ethical behavior, directions, and performance expectations.

An effective leadership system respects workforce members' and other stakeholders' capabilities and requirements, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on your organization's vision and values and the pursuit of shared goals. It encourages and supports initiative, innovation, and appropriate risk taking; subordinates organizational structure to purpose and function; and avoids chains of command that require long decision paths. An effective leadership system includes

mechanisms for leaders to conduct self-examination, receive feedback, and improve.

**LEARNING.** New knowledge or skills acquired through evaluation, study, experience, and innovation. The Baldrige framework refers to two distinct kinds of learning: organizational learning and learning by the people in your workforce. Organizational learning is achieved through research and development, evaluation and improvement cycles, ideas and input from the workforce and stakeholders, the sharing of best practices, and benchmarking. Workforce learning is achieved through education, training, and developmental opportunities that further individual growth.

To be effective, learning should be embedded in the way your organization operates. Learning contributes to a competitive advantage and ongoing success for your organization and workforce.

For further description of organizational and personal learning, see the related core values and concepts: Valuing People, and Organizational Learning and Agility.

Learning is one of the factors considered in evaluating process items. For further description, see the Scoring System.

**LEVELS.** Numerical information that places or positions your organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

**MEASURES AND INDICATORS.** Numerical information that quantifies the input, output, and performance dimensions of processes, products, programs, projects, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not distinguish between measures and indicators. However, some users of these terms prefer “indicator” (1) when the measurement relates to performance but does not measure it directly (e.g., the number of complaints is an indicator but not a direct measure of dissatisfaction) and (2) when the measurement is a predictor (“leading indicator”) of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

**MISSION. Your organization’s overall function.** The mission answers the question, “What is your organization attempting to accomplish?” The mission might define customers or markets served, distinctive or core competencies, or technologies used.

**MULTIPLE QUESTIONS. The details of a Criteria item, as expressed in the individual questions under each lettered area to address.** Multiple questions are those listed under the boldface questions. The first question in a set of multiple requirements expresses the most important question in that group. The questions that follow expand on or supplement that question. For an illustration, see Criteria for Performance Excellence Structure.

Even high-performing, high-scoring users of the Baldrige framework are not likely to be able to address all the multiple requirements with equal capability or success.

**OVERALL QUESTIONS. The most important features of a Criteria item, as elaborated in the first question (the leading question in boldface) in each paragraph under each lettered area to address.** For an illustration, see Criteria for Performance Excellence Structure.

**PARTNERS. Key organizations or individuals who are working in concert with your organization to achieve a common goal or improve performance.** Typically, partnerships are formal arrangements for a specific aim or

purpose, such as to achieve a strategic objective or deliver a specific product.

Formal partnerships usually last for an extended period and involve a clear understanding of the partners’ individual and mutual roles and benefits.

See also COLLABORATORS.

**PERFORMANCE. Outputs and their outcomes obtained from processes, products and services, and strategies that permit you to evaluate and compare your organization’s results to performance projections, standards, past results, goals, and other organizations’ results.** Performance can be expressed in nonfinancial and financial terms.

The Criteria address four types of performance: (1) product and service, (2) customer-focused, (3) operational, and (4) financial and marketplace.

Product performance is performance relative to measures and indicators of product and service characteristics that are important to customers. Examples include product reliability, on-time delivery, customer-experienced defect levels, and service response time. For some service organizations, including nonprofit organizations, examples might include program and project performance in the areas of rapid response to emergencies, at-home services, or multilingual services.

Customer-focused performance is performance relative to measures and indicators of customers’ perceptions, reactions, and behaviors. Examples include customer retention, complaints, and survey results.

Operational performance is workforce, leadership, and organizational performance (including ethical and legal compliance) relative to measures and indicators of effectiveness, efficiency, and accountability. Examples include cycle time, productivity, waste reduction, workforce turnover, workforce cross-training rates, regulatory compliance, fiscal accountability, strategy

accomplishment, and community involvement. Operational performance might be measured at the work-unit, key work process, and organizational levels.

Financial and marketplace performance is performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt-to-equity ratio, returns on assets, operating margins, performance to budget, the amount in reserve funds, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

**PERFORMANCE EXCELLENCE. An integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers and stakeholders, contributing to ongoing organizational success; (2) improvement of your organization's overall effectiveness and capabilities; and (3) learning for the organization and for people in the workforce.** The Baldrige Organizational Profile, Criteria, core values and concepts, and scoring guidelines provide a framework and assessment tool for understanding your organization's strengths and opportunities for improvement and, thus, for guiding your planning toward achieving higher performance and striving for excellence.

**PERFORMANCE PROJECTIONS. Estimates of your organization's future performance.** Projections should be based on an understanding of past performance, rates of improvement, and assumptions about future internal changes and innovations, as well as assumptions about changes in the external environment that result in internal changes. Thus, performance projections can serve as a key tool in managing your operations and in developing and implementing your strategy.

Performance projections state your *expected* future performance. Goals state your *desired* future performance. Performance projections

for your competitors or similar organizations may indicate challenges facing your organization and areas where breakthrough performance or innovation is needed. In areas where your organization intends to achieve breakthrough performance or innovation, your performance projections and your goals may overlap.

See also GOALS.

**PROCESS. Linked activities with the purpose of producing a product or service for a customer (user) within or outside your organization.** Generally, processes involve combinations of people, machines, tools, techniques, materials, and improvements in a defined series of steps or actions. Processes rarely operate in isolation and must be considered in relation to other processes that impact them. 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 the delivery of services, particularly those that directly involve customers, process is used more generally to spell out what delivering that service entails, possibly including a preferred or expected sequence. If a sequence is critical, the process needs to include information that helps customers understand and follow the sequence. Such service processes also require guidance for service providers on handling contingencies related to customers' 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, it implies general understandings of competent performance in such areas as timing, options to include, evaluation, and reporting. Sequences might arise as part of these understandings.

Process is one of the two major dimensions (along with results) evaluated in a Baldrige-based assessment. This evaluation is based on four factors: approach, deployment, learning, and integration. For further description, see the Scoring System.

**PRODUCTIVITY. Measures of the efficiency of resource use.**

Although the term is often applied to single factors, such as the workforce (labor productivity), machines, materials, energy, and capital, the concept also applies to the total resources used in producing outputs. Using an aggregate measure of overall productivity allows you to determine whether the net effect of overall changes in a process—possibly involving resource trade-offs—is beneficial.

**PROJECTIONS, PERFORMANCE.** See PERFORMANCE PROJECTIONS.

**RESILIENCE. An organization's ability to anticipate, prepare for, and recover from disasters, emergencies, and other disruptions, and when disruptions occur, to protect and enhance workforce and customer engagement, supply-network and financial performance, organizational productivity, and community well-being.**

Beyond the ability to “bounce back” to a prior state when a disruption occurs, resilience means having a plan in place that allows your organization to continue operating as needed during disruptions. To achieve resilience, leaders must cultivate the ability to respond quickly to both opportunities and threats, adapt strategy to changing circumstances, and have robust governance with a culture of trust. Organizations must adopt an ecosystem mindset, embrace data-rich though processes, and equip their workforce with ongoing learning of new skills.

See also AGILITY.

**RESULTS. Outputs and outcomes achieved by your organization.** Results are evaluated based on current performance; performance relative to appropriate comparisons; the rate,

breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements.

Results are one of the two major dimensions (along with Processes) evaluated in a Baldrige-based assessment. This evaluation is based on four factors: levels, trends, comparisons, and integration. For further description, see the Scoring System.

**SEGMENT. One part of your organization's customer, market, product offering, or workforce base.** Segments typically have common characteristics that allow logical groupings. In Criteria results items, segmentation refers to disaggregating results data in a way that allows for meaningful analysis of your organization's performance. It is up to each organization to determine the factors that it uses to segment its customers, markets, products, and workforce.

Understanding segments is critical to identifying the distinct needs and expectations of different customer, market, and workforce groups and to tailoring product offerings to meet their needs and expectations. For example, you might segment your market based on distribution channels, business volume, geography, or technologies employed. You might segment your workforce based on geography, skills, needs, work assignments, or job classifications.

**SENIOR LEADERS. Your organization's senior management group or team.** In many organizations, this consists of the head of the organization and his or her direct reports.

**STAKEHOLDERS. All groups that are or might be affected by your organization's actions and success.** Key stakeholders might include customers, the workforce, partners, collaborators, governing boards, stockholders, donors, suppliers, taxpayers, regulatory bodies, policy makers, funders, and local and professional communities.

See also CUSTOMER.

**STRATEGIC ADVANTAGES. Those marketplace benefits that exert a decisive influence on your organization's likelihood of future success.** These advantages are frequently sources of current and future competitive success relative to other providers of similar products. Strategic advantages generally arise from either or both of two sources: (1) core competencies, which focus on building and expanding on your organization's internal capabilities, and (2) strategically important external resources, which your organization shapes and leverages through key external relationships and partnerships.

When an organization realizes both sources of strategic advantage, it can amplify its unique internal capabilities by capitalizing on complementary capabilities in other organizations.

See STRATEGIC CHALLENGES and STRATEGIC OBJECTIVES for the relationship among strategic advantages, strategic challenges, and the strategic objectives your organization articulates to address its challenges and advantages.

**STRATEGIC CHALLENGES. Those pressures that exert a decisive influence on your organization's likelihood of future success.** These challenges are frequently driven by your organization's anticipated competitive position in the future relative to other providers of similar products. While not exclusively so, strategic challenges are generally externally driven. However, in responding to externally driven strategic challenges, your organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs or expectations; product or technological changes; or financial, societal, and other risks or needs. Internal strategic challenges may relate to capabilities or human and other resources.

See STRATEGIC ADVANTAGES and STRATEGIC OBJECTIVES for the relationship among strategic challenges, strategic advantages, and the strategic objectives your organization

articulates to address its challenges and advantages.

**STRATEGIC OBJECTIVES. The aims or responses that your organization articulates to address major change or improvement, competitiveness or social issues, and business advantages.** Strategic objectives are generally focused both externally and internally and relate to significant customer, market, product, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what your organization must achieve to remain or become competitive and ensure its long-term success. Strategic objectives set your organization's longer-term directions and guide resource allocation and redistribution.

See ACTION PLANS for the relationship between strategic objectives and action plans and for an example of each.

**STRATEGIC OPPORTUNITIES. Prospects for new or changed products, services, processes, business models (including strategic alliances), or markets.** They arise from outside-the-box thinking, brainstorming, capitalizing on serendipity, research and innovation processes, nonlinear extrapolation of current conditions, and other approaches to imagining a different future.

The generation of ideas that lead to strategic opportunities benefits from an environment that encourages nondirected, free thought. Choosing which strategic opportunities to pursue involves consideration of relative risk, financial and otherwise, and then making intelligent choices (intelligent risks).

See also INTELLIGENT RISKS.

**SYSTEM. A set of interrelated leadership and management elements of an organization used to integrate approaches, establish policies and objectives, and manage processes to achieve those objectives.** The overarching performance system depicted by the Baldrige Excellence Framework consists of six process categories and a results category. Organizational systems establish

processes, procedures, and responsibilities for achieving policies and objectives; and they may contain elements such as management structures (e.g., groups or committees), measurements, and multiple integrated systematic approaches used to conduct the work and support the organization. Organizational systems are generally focused internally, whereas the broader concept *work systems* includes work processes and external resources of the organization.

See also WORK SYSTEMS.

**SYSTEMATIC. Well-ordered, repeatable, and exhibiting the use of data and information so that learning is possible.** Approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity. To see the term in use, refer to the Process Scoring Guidelines.

**TRENDS. Numerical information that shows the direction and rate of change of your organization's results or the consistency of its performance over time.** Trends show your organization's performance in a time sequence.

Ascertaining a trend generally requires a minimum of three historical (not projected) data points. Defining a statistically valid trend requires more data points. The cycle time of the process being measured determines the time between the data points for establishing a trend. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer periods for a meaningful trend.

Examples of trends called for by the Criteria and scoring guidelines include data on product performance, results for customer and workforce satisfaction and dissatisfaction, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

**VALUE. The perceived worth of a product, process, asset, or function relative to its cost and possible alternatives.**

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Your organization needs to understand what different stakeholder groups value and then deliver value to each group. This frequently requires balancing value among customers and other stakeholders, such as your workforce and the community.

**VALUES. The guiding principles and behaviors that embody how your organization and its people are expected to operate.** Values influence and reinforce your organization's desired culture. They support and guide the decisions made by every workforce member, helping your organization accomplish its mission and attain its vision appropriately. Examples of values include demonstrating integrity and fairness in all interactions, exceeding customer expectations, valuing individuals and diversity, protecting the environment, and striving for performance excellence every day.

**VISION. Your organization's desired future state.** The vision describes where your organization is headed, what it intends to be, or how it wishes to be perceived in the future.

**VOICE OF THE CUSTOMER. Your process for capturing customer-related information.** Voice-of-the-customer processes are intended to be proactive and continuously innovative to capture stated, unstated, and anticipated customer requirements, expectations, and desires. The goal is to achieve customer engagement. Listening to the voice of the customer might include gathering and integrating various types of customer data, such as survey data, focus group findings, social media data and

commentary, warranty data, marketing and sales information, and complaint data, that affect customers' purchasing and engagement decisions.

**WORK PROCESSES. Your organization's most important internal value-creation processes.**

They might include product design, production, and delivery; customer support; supply-chain management; business; and support processes. They are the processes that involve the majority of your organization's workforce and produce customer, stakeholder, and stockholder value.

Your key work processes are always accomplished by your workforce. They frequently relate to your core competencies, the factors that determine your success relative to competitors, and the factors your senior leaders consider important for business growth. In contrast, projects are unique work processes intended to produce an outcome and then go out of existence.

**WORK SYSTEMS. The coordinated combination of internal work processes and external resources you need to develop and produce products, deliver them to your customers, and succeed in your marketplace.**

Within your work systems, internal work processes are those that involve your workforce. External resources may include processes performed by your key suppliers, partners, contractors, and collaborators, as well as other components of the supply network needed to produce and deliver your products and carry out your business and support processes.

Decisions about work systems are strategic, as you must decide whether to use internal processes or external resources for maximum efficiency and sustainability in your marketplace. These decisions involve protecting intellectual property, capitalizing on core competencies, and mitigating risk. The decisions you make have implications for your organizational structure, people, work processes, and equipment/technology.

**WORKFORCE. All people actively supervised by your organization and involved in accomplishing your organization's work, including paid employees (e.g., permanent, part-time, temporary, on-site, and remote employees, as well as contract employees supervised by your organization) and some volunteers (e.g., students/interns), as appropriate.** Your workforce includes team leaders, supervisors, and managers at all levels.

**WORKFORCE CAPABILITY. Your organization's ability to accomplish its work processes through its people's knowledge, skills, abilities, and competencies.**

Capability may include the ability to build and sustain relationships with customers; to innovate and transition to new technologies; to develop new products and work processes; and to meet changing business, market, and regulatory demands.

**WORKFORCE CAPACITY. Your organization's ability to ensure sufficient staffing levels to accomplish its work processes and deliver your products to customers, including the ability to meet seasonal or varying demand levels.**

**WORKFORCE ENGAGEMENT. The extent of workforce members' emotional and intellectual commitment to accomplishing your organization's work, mission, and vision.** Organizations with high levels of workforce engagement are often characterized by high-performance work environments in which people are motivated to do their utmost for their customers' benefit and the organization's success.

In general, workforce members feel engaged when they find personal meaning and motivation in their work and receive interpersonal and workplace support. An engaged workforce benefits from trusting relationships, a safe and cooperative environment, good communication and information flow, empowerment, and



accountability for performance. Key factors contributing to engagement include training and career development, effective recognition and reward systems, equal

opportunity and fair treatment, and family-friendliness.

THIS PAGE INTENTIONALLY LEFT BLANK.

## P.2 Organizational Situation: What is your organization's strategic situation?

### a. Competitive Environment

**(1) Competitive Position** What are your relative size, **share**, and growth in your industry or the markets you serve? How many and what types of competitors do you have? **What differentiates you from them?**

**(2) Competitiveness Changes** What KEY changes, if any, are affecting your competitive situation, including changes that create opportunities for collaboration and INNOVATION, as appropriate?

**(3) Comparative Data** What KEY sources of comparative and competitive data are available from within your industry? What KEY sources of comparative data are available from outside your industry? What limitations, if any, affect your ability to obtain or use these data?

### b. Strategic Context

What are your KEY STRATEGIC CHALLENGES, **threats**, ADVANTAGES and OPPORTUNITIES?

### c. Performance Improvement System

What is your **overall SYSTEM** for performance improvement? **What KEY tools and methods are used as part of this SYSTEM?**

#### Notes

**P.2a.** *Nonprofit organizations must often compete with other organizations and alternative sources of similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.*

**P.2b.** Strategic challenges, **threats**, advantages, and **opportunities** might be in the areas of business, operations, societal contributions, and workforce. They might relate to products; finances; organizational structure and culture; emerging technology; digital integration; security and cybersecurity; emerging competitors, **organizational resiliency and risk management**; changing stakeholder requirements and **expectations**; workforce capability or capacity, brand recognition and reputation; your supply network; globalization; and the environment and climate; **diversity, equity, and inclusion**; and the **upgrade and maintenance of facilities**. Throughout the Criteria, "business" refers to a nonprofit (or government) organization's main mission area or

*enterprise activity.*

**P.2c. Excellence is not possible without a robust evaluation and improvement of key processes, systems, and organizational results.** The Baldrige Scoring System uses performance improvement through learning and integration as a **factor** in assessing the maturity of organizational approaches and their deployment. This question is intended to set an overall context for your approach to performance improvement. The **system** you use should be related to your organization's needs and compatible with **your organization's capabilities, capacity, and culture**. **Specific tools and methods that might be utilized as part of the system include, for example,** the PDCA methodology, ISO standards, a Lean Enterprise System, the Six Sigma methodology, among others.

*For additional guidance on this item, see the Criteria Commentary.*

