

## THE CORE VALUES TO ACHIEVE PERFORMANCE EXCELLENCE

The Criteria are built upon a set of interrelated core values and concepts, which are embedded beliefs and behaviors found in high-performing organizations. They are the foundation for integrating performance excellence requirements that create a basis for action and feedback within a results-oriented framework.

The 2017–2018 Core Values and Concepts follow. The text in the box presents the text of the Baldrige core values and concepts as presented in the Baldrige Framework.

### Systems Perspective

Taken together, the Baldrige Criteria promote a systems perspective and define the processes required to achieve optimal organizational performance. As with any viable system, we cannot ignore part of the system and still expect it to perform at peak levels. When part of a well-functioning system begins to underperform or work in a manner that is inconsistent with system requirements, the performance of the whole system suffers.

The same is true of a management system. If leaders are ambiguous, if plans are not clear, if work processes are not consistent, if people are not able to do the work they are asked to do, and if it is difficult to keep track of progress and make appropriate adjustments, it will be impossible for the organization to achieve optimum levels of performance. For most of the 20th century, a long list of management gurus suggested a variety of quick and simple remedies to enhance organizational performance. By itself, each quick fix ultimately failed. From that, we learned that no single solution is sufficient to optimize performance in a complex system. Leaders who approach management from a systems perspective are more likely to optimize organizational performance than leaders who continue to take a piecemeal approach to organizational management. There is no simple solution to achieve high performance.

There are always better ways to do things. The challenge is to find them, but we are not likely to find them alone. We must create an environment—a work climate where better ways will be sought out, recognized, and put in place by everyone.

### Systems Perspective

A systems perspective means managing all the components of your organization as a unified whole to achieve your mission, ongoing success, and performance excellence.

Successfully managing overall organizational performance requires realization of your organization as a system with interdependent operations. Organization-specific synthesis, alignment, and integration make the system successful. Synthesis means looking at your organization as a whole. It incorporates key business attributes, including your core competencies, strategic objectives, action plans, work systems, and workforce needs. Alignment means using key organizational linkages to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment, so that the individual components of your performance management system operate in a fully interconnected, unified, and mutually beneficial manner to deliver anticipated results.

These concepts are depicted in the Baldrige Criteria overview. When your organization takes a systems perspective, your senior leaders focus on strategic directions and customers. Your senior leaders monitor, respond to and manage performance based on your results. With a systems perspective, you use your measures, indicators, core competencies, and organizational knowledge to build your key strategies, link these strategies with your work systems and key processes, manage risk, and align your resources to improve your overall performance and your focus on customers and stakeholders. The core values and concepts, the seven Criteria Categories, and the scoring guidelines are the system's building blocks and integrating mechanism.

### Visionary Leadership

Every system, strategy, and method for achieving excellence must be guided by visionary leadership:

- Effective leaders convey a strong sense of urgency to counter the natural resistance to change that can prevent the organization from taking the steps that these core values for success demand
- Leaders make it clear that following these values is not optional

- Such leaders serve as enthusiastic role models, reinforcing and communicating the core values by their words and actions
- The actions of great leaders match their words

### ***Visionary Leadership***

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

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

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

### ***Customer-Focused Excellence***

This value demonstrates a passion for making the organization customer-driven. Without loyal customers, little else matters. Customers are the final judges of how well the organization did its job, and

what they say matters. It is their perception of services and products that will determine whether they remain loyal or constantly seek better providers: !

- The organization must focus on systematically listening to customers and acting quickly on what they say.
- The organization must build positive relationships with its customers through focusing on accessibility and management of complaints.
- Dissatisfied customers must be heeded most closely, for they often deliver the most insightful information.
- If only satisfied and loyal customers (those who continue to do business with us no matter what) receive attention, the organization will be led astray. The most successful organizations keep an eye on customers who are not satisfied and work to understand their preferences and meet their demands.

### ***Customer-Focused Excellence***

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

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

Customer-focused excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, these factors contribute to your customers' view of your organization and thus are also

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important parts of customer-focused excellence. In addition, your success in recovering from defects, service errors, and mistakes is crucial for retaining customers and engaging them for the long term. The security and privacy of customer information are necessary attributes for customer retention.

A customer-focused organization addresses not only the product and service characteristics that meet basic customer requirements but also those unique features and characteristics that differentiate the organization from competitors. This differentiation may be based on innovative offerings, combinations of product and service offerings, price, customized offerings, multiple access and outward communication mechanisms, rapid response, or special relationships. Customer-focused excellence is thus a strategic concept. It is directed toward customer acquisition, retention and loyalty, stronger brand recognition, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer engagement. It demands close attention to the voice of the customer. It demands anticipating changes in the marketplace. Therefore, customer-focused excellence demands a customer-focused culture and organizational agility.

### **Valuing People**

Organizations must invest in their people to ensure they have the skills for today and the ability to do what is necessary to succeed in the future. Learning must be a part of every worker's performance plan and daily work. Improving work processes should be expected of all workers. This core value has broadened from employee participation and development to valuing workers, partners, collaborators, volunteers, and interns. In high-performing organizations, the people who do the work of the organization should make most of the decisions about how their work is done. A significant barrier exists, however, that limits worker decision making—lack of access to data and poor data-based decision-making skills.

Organizations cannot effectively push decision making down to the level where most of the work is done unless those doing the work have access to the

necessary data and are skilled at analyzing the data and making fact-based decisions. As mentioned previously, leaders are unwilling to let subordinates make decisions based on intuition—they generally reserve that type of decision for themselves. Access to data and developing skills to manage by fact are prerequisites for optimizing workforce contributions to the organization's success.

### **Valuing People**

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

Such an organization values all people who have a stake in the organization, including customers, community members, stockholders, and other people affected by the organization's actions.

Valuing the people in your workforce means committing to their engagement, development, and well-being. Increasingly, this may involve offering flexible work practices that are tailored to varying workplace and life needs. Major challenges in valuing your workforce members include

(1) demonstrating your leaders' commitment to their success, (2) providing motivation and recognition that go beyond the regular compensation system, (3) offering development and progression within your organization, (4) sharing your organization's knowledge so that your workforce can better serve your customers and contribute to achieving your strategic objectives, (5) creating an environment that encourages intelligent risk taking to achieve innovation, (6) developing a system of workforce and organizational accountability for performance, and (7) creating an inclusive environment for a diverse workforce.

The success of your workforce members—including your leaders—depends on their having opportunities to learn. This learning includes preparing people for future organizational core competencies. On-the-job training offers a cost-effective way to cross-train

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and to link training more closely to your organization's capacity needs and priorities. If your organization relies on volunteers, their personal development and learning are also important to consider.

To accomplish their overall goals, successful organizations build internal and external partnerships with people and with other organizations. Internal partnerships might include cooperation between labor and management. Forming internal partnerships might also involve creating network relationships among people across work units and locations or between employees and volunteers to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education or community organizations. All of these people can contribute to your organization's ongoing success.

### **Organizational Learning and Agility**

The most potent value to promote long-term success is organizational and personal learning. High-performing organizations are learning organizations—they evaluate and improve everything they do. The core values of organizational learning and agility are complementary. As more organizations make improvements in more aspects of operations, speed and agility of improvements and innovation will set the best ahead of the rest. The best will continue to get better at getting better:

- A culture of continuous improvement and innovation is essential to maintaining and sustaining true competitive advantage.
- With systematic, continuous, organizational improvement, time becomes a powerful ally. As time passes, the organization grows stronger and smarter.
- Without systematic improvement and ongoing learning, time is an enemy; organizations will ultimately decline and face extinction.
- Leaders embed this value by linking rewards, recognition, and incentives for workers, supervisors, and managers at all levels to innovation, improvement, and learning. Otherwise, people

will not think continuous meaningful improvement is important.

- Personal learning that is shared widely becomes organizational learning. Individuals can improve processes they own, but maximum organizational benefit does not occur unless these learnings (improvements) are shared and adopted throughout the organization.

Agility is a value usually driven by customer requirements and the desire to improve operating efficiency and lower costs:

- Except for a few pleasurable experiences, everyone wants things faster.
- Organizations that develop the capacity to improve faster by eliminating activities and tasks that do not add value find that productivity increases, costs go down, and customers are more satisfied, engaged, and loyal.
- To improve work processes, organizations must focus on improving design quality and preventing problems. The cost of preventing problems and building quality into products and services is significantly less than the cost of taking corrective action later.
- It is critical to capture learning (both continuous and breakthrough improvements) from within the organization and share this new knowledge throughout the organization.
- Use information concerning customer preference, competitors' products, cost and pricing, marketplace profiles, and research and development (R&D) to optimize the process from the start, and avoid delay and rework.

### **Organizational Learning and Agility**

Success in today's ever-changing, globally competitive environment demands continual organizational learning and agility. Agility requires a capacity for rapid change and for flexibility in operations.

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Organizations face ever-shorter cycles for introducing new or improved products and services, and nonprofit and government organizations are increasingly being asked to respond rapidly to new or emerging social issues.

Disruptive events are occurring more frequently. They can be triggered by innovative technologies or product introductions, economic upheaval or stress, major weather events, or social or societal demands. Organizations must be capable of managing risk and making transformational changes on an ever-shorter cycle time. Major improvements in response times often require new work systems, the simplification of work processes, or the ability for rapid changeover from one process or one location to another. A cross-trained and empowered workforce and effective management of up-to-date organizational knowledge are vital assets in such a demanding environment.

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

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

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

A major success factor in meeting competitive challenges is design-to-introduction time (the time it takes to initiate a product or service feature) or innovation cycle time. To meet the demands of rapidly

changing markets, your organization needs to carry out stage-to-stage integration of activities from research or concept to commercialization or implementation.

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

Organizational learning and agility can also be achieved through strategic partnerships or alliances, which might offer complementary core competencies that allow entry into new markets or a basis for new products or services. Partnerships might also permit you to address common issues by blending your organization's core competencies or leadership capabilities with partners' complementary strengths and capabilities, creating a new source of strategic advantage.

### **Focus on Success**

To remain competitive, every organization must be guided by a common set of measurable outcome-oriented goals and a focus on the future:

- Outcome-oriented goals, which emerge from the strategic planning process, help to align the work of everyone in the organization and serve as a basis for factual monitoring of progress.
- Measurable goals allow everyone to know where they are going and when they deviate from the desired path.
- Without measurable goals, everyone still works hard, but they tend to focus on the things they believe are important, not the direction set by top leaders. As a result, workers, managers, and organization units can easily go in different directions—suboptimizing the success of the organization.
- Focusing on the future requires the organization's leaders to consider new, even revolutionary and innovative ideas. Strategic objectives should reflect this future focus.

### **Focus on Success**

Ensuring your organization's success now and in the future requires an understanding of the short- and longer-term factors that affect your organization and its marketplace. Ensuring this ongoing success requires managing uncertainty in the environment, as well as balancing some stakeholders' short-term demands with the organization's and stakeholders' needs to invest in long-term success. The pursuit of sustained growth and performance leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, workforce, suppliers, partners, and stockholders; the public; and the community. It also requires the agility to modify plans when circumstances warrant.

Your organization's planning and resource allocation should anticipate many factors, such as customers' short- and long-term expectations; new business and partnering opportunities; potential crises, including changing economic conditions; workforce capacity and capability needs; the competitive global marketplace; technological developments; security and cybersecurity risks; changes in customer and market segments; new business models; evolving regulatory requirements; changes in community and societal expectations and needs; and strategic moves by competitors. Your strategic objectives and resource allocations need to accommodate these influences. A focus on success includes developing your leaders, workforce, and suppliers; accomplishing effective succession planning; creating a supportive environment for taking intelligent risks and encouraging innovation; and anticipating societal responsibilities and concerns.

### **Managing for Innovation**

The accelerating rate of change today demands ever-increasing innovation. Such innovation should not be random. It should be focused on factors that are essential to organizational success. To be focused, innovation must be managed and concentrated on improving products, services, and processes to create more value for the organization's stakeholders, including the workforce, and customers. The winners in the highly competitive race to innovate will be the organizations that uncover new paradigms of breakthrough performance.

To begin to optimize this breakthrough capacity, everyone in the organization needs to be involved. The more brain power, the better. *Requirements for innovation should be a part of every worker and managerial performance plan and appraisal.* Just like continuous improvement, innovation must be embedded in the culture and fabric of daily work. The best organizations are not satisfied to just *improve* or *innovate*. The best organizations work hard at increasing the speed at which they improve and innovate. Anything less lets competitors overtake them, and allows customer expectations to exceed the speed of change, causing the customers to look elsewhere. Combining the core values of Organizational Learning and Agility increases the power of learning. Make Managing for Innovation more powerful by making it more agile as well.

### **Managing for Innovation**

Innovation means making meaningful change to improve your organization's products, services, programs, processes, operations, and business model, with the purpose of creating new value for stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation requires a supportive environment, a process for identifying strategic opportunities, and the pursuit of intelligent risks. Innovation and incremental continuous improvement are different, but complementary, concepts. Successful organizations use both approaches to improve performance.

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

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Innovation may arise from adapting innovations in other industries to achieve a breakthrough in your industry. It builds on the accumulated knowledge of your organization and its people and the innovations of competitors. It may involve collaboration among people who do not normally work together and are in different parts of the organization. Therefore, the ability to rapidly disseminate and capitalize on new and accumulated knowledge is critical to driving organizational innovation.

### **Management by Fact**

! Management by fact is the cornerstone value for effective planning, operational decision making at all levels, employee involvement and empowerment, and leadership:

- People make decisions every day. However, without data, the basis for decision making is usually intuition—gut feel. Although intuition can be valuable at times, it introduces too much variation into the decision-making process. Intuition is not consistent person-to-person or time-to-time. It is also difficult to explain the rationale for decisions based on intuition. That makes communication more difficult within the organization. Finally, if the decision must be made on the basis of intuition, it is usually the boss's intuition that drives the decision. Because of this phenomenon, issues are pulled to ever-higher levels for resolution. As a result, excessive reliance on intuition minimizes employee empowerment.
- Most car drivers decide when to fill their fuel tanks based on data from the fuel gauge and get very uncomfortable if the gage is broken. Yet people routinely make decisions of enormous consequence about customers, strategies, goals, and workers with little or no data. This is a recipe for disaster, not one designed to ensure optimization.

### **Management by Fact**

Management by fact requires you to measure and analyze your organization's performance, both inside the organization and in your competitive environment. Measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, results, outcomes, and competitor and industry performance. Organizations need many types of data and information to effectively manage their performance. Data and information may come in many forms, such as numerical, graphical, or qualitative, and from many sources, including internal processes, surveys, and the Internet (including social media). Performance measurement should include measurement of customer, product, and process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; governance and compliance results; and accomplishment of strategic objectives.

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

Analysis means extracting larger meaning from data and information to support evaluation, decision making, improvement, and innovation. It entails using data to determine trends, projections, and cause-and-effect relationships that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, comparing your performance with competitors' or with best-practice benchmarks, and managing change. To facilitate analysis, data may need to be aggregated from various sources. Data may also need to be segmented by, for example, markets, product lines, and workforce groups to gain deeper understanding.

## Societal Responsibility

Every high-performing organization practices good public responsibility and citizenship:

- Organizations must determine and anticipate any adverse effects to the public of their products, services, and operations. Failure to do so can undermine public trust and distract workers, and also adversely affect the bottom line. This is true of both private and public organizations.
- In past years, we have seen several examples of companies that have been seriously hurt by failing to practice good citizenship or protect the interests of the public from risks they created. Even when unintended, failure to protect stakeholder interests can cripple companies. Consider the examples of Dow-Corning and the litigation over health consequences of leaky silicone breast implants; banks were sued because they failed to provide adequate security for automatic teller machines (cash machines); or BP for the drilling platform disaster and massive oil spill in the Gulf of Mexico.
- Safety and legal requirements need to be met beyond mere compliance. The best organizations stay ahead of minimum requirements and actually lead efforts to raise the bar. In this manner, when regulatory agencies increase requirements, the best organizations are not caught off guard and may even be able to place their competitors at a disadvantage.

### Societal Responsibility

Your organization's leaders should stress responsibilities to the public and the consideration of societal well-being and benefit. Leaders should be role models for your organization and its workforce in the protection of public health, safety, and the environment. This protection applies to any impact of your organization's operations, as well as the life cycles of your products. Also, your organization should emphasize resource conservation, recycling, and waste reduction at the source. Planning should anticipate adverse impacts from the production,

distribution, transportation, use, and disposal of your products. Effective planning should reduce or prevent problems; provide for a forthright response if problems occur; and make available the information and support needed to maintain public awareness, safety, and confidence.

Your organization should meet all local, state, and federal laws and regulatory requirements and should also treat these and related requirements as opportunities to excel beyond minimal compliance. Considering societal well-being and benefit means leading and supporting—within the limits of your resources—the environmental, social, and economic systems in your organization's sphere of influence. Such leadership and support might include improving education, health care, and other services in your community; pursuing environmental excellence; being a role model for socially important issues; practicing resource conservation; reducing your carbon footprint; performing community service and charity; improving industry and business practices; and sharing nonproprietary information.

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

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

## Ethics and Transparency

Enron and Arthur Anderson are well-known examples of organizations that went out of business almost overnight because they failed to follow sound, well-established principles of ethics and transparency in operations. Organizations that violate the trust of their customers, workforce, suppliers, and other stakeholders (including the general public) usually face similar consequences. Senior leaders and the governing body set the tone for these core values. And these core values govern the behavior of everyone associated with the organization.

Anything less than full compliance and zero tolerance for breaches in ethical behavior can create major problems for the organization and its ability to maintain current and ongoing success.

### ***Ethics and Transparency***

Your organization should stress ethical behavior in all stakeholder transactions and interactions. Your organization's governance body should require highly ethical conduct and monitor all conduct accordingly. Your senior leaders should be role models of ethical behavior and make their expectations of the workforce very clear.

Your organization's ethical principles are the foundation for your culture and values. They distinguish right from wrong. Clearly articulated ethical principles, along with your organizational values, empower your people to make effective decisions and may serve as boundary conditions for determining organizational norms and prohibitions.

Transparency is characterized by consistently candid and open communication on the part of leadership and management and by the sharing of clear and accurate information. The benefits of transparency are manifold. Transparency is a key factor in workforce engagement and allows people to see why actions are being taken and how they can contribute. Transparency also is important in interactions with customers and other stakeholders, giving them a sense of involvement, engagement, and confidence in your organization.

Ethical behavior and transparency build trust in the organization and its leaders and engender a belief in the organization's fairness and integrity that is valued by all key stakeholders.

Strategic objectives should be results- or outcome-oriented, not activity-oriented. When the focus shifts from achieving outcomes to completing activities, accountability erodes. Many times managers and workers carry out assigned tasks, but the required outcome or benefit has not occurred. ! ●

### ***Delivering Value and Results***

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

Your organization's performance measurements need to focus on key results. Results should be used to deliver and balance value for your key stakeholders—your customers, workforce, stockholders, suppliers, and partners; the public; and the community. Thus results need to be a composite of measures that include not just financial results, but also product and process results; customer and workforce satisfaction and engagement results; and leadership, strategy, and societal performance.

### ***Delivering Value and Results***

A results focus and an emphasis on creating value help organizations communicate requirements, monitor actual performance, make appropriate adjustments in priorities, and reallocate resources effectively. Without a results focus, organizations can become fixated on internal, self-directed processes and lose sight of the important factors for success, such as customers and their requirements.