

## **Core Values and Concepts (Additional information from the Baldrige Quality Program)**

The criteria are built upon a set of Core Values and Concepts. These values and concepts are the foundation for integrating key business requirements within a results-oriented framework. These values and concepts are the embedded behaviors found in high performing organizations. The Core Values and Concepts are:

### **Visionary Leadership**

An organization's senior leaders need to set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders need to ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The values and strategies should help guide all activities and decisions of your organization. Senior leaders should inspire and motivate your entire work force and should encourage involvement, development and learning, innovation, and creativity by all employees.

Through their ethical behavior and personal roles in planning, communications, coaching, developing future leaders, review of organizational performance, and employee recognition, your senior leaders should serve as role models, reinforcing values and expectations and building leadership, commitment, and initiative throughout your organization.

### **Customer Driven**

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics that contribute value to your customers and lead to customer satisfaction, preference, referral, and loyalty. Being customer driven has both current and future components — understanding today's customer desires and anticipating future customer desires and marketplace offerings.

Value and satisfaction may be influenced by many factors throughout your customer's overall purchase, ownership, and service experiences. These factors include your organization's relationship with customers that help build trust, confidence, and loyalty.

Being customer driven means much more than defect and error reduction, merely meeting specifications, or reducing complaints. Nevertheless, defect and error reduction and elimination of causes of dissatisfaction contribute to your customers' view of your organization and are thus also important parts of being customer driven. In addition, your organization's success in recovering from defects and mistakes ("making things right for your customer") is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements, but also address those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product

and service offerings, customization of offerings, rapid response, or special relationships.

Being customer driven is thus a strategic concept. It is directed toward customer retention, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements, and the factors that drive customer satisfaction and retention. It demands anticipating changes in the marketplace. Being customer driven thus demands awareness of developments in technology and competitors' offerings, and rapid and flexible response to customer and market requirements.

### **Organizational and Personal Learning**

Achieving the highest levels of performance requires a well-executed approach to organizational and personal learning. Organizational and personal learning is a goal of visionary leaders. The term organizational learning refers to continuous improvement of existing approaches and processes and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. The term embedded means that learning: (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source; (4) is focused on sharing knowledge throughout your organization; and (5) is driven by opportunities to affect significant change and do better. Sources for learning include employee ideas, research and development (R&D), customer input, best practice sharing, and benchmarking.

Organizational learning can result in: (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and effectiveness in the use of all resources throughout your organization; and (6) enhancing your organization's performance in fulfilling its public responsibilities and service as a good citizen.

Employee success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employee personal learning through education, training, and opportunities for continuing growth. Opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs. Education and training programs may benefit from advanced technologies, such as computer-based learning and satellite broadcasts.

Personal learning can result in: (1) more satisfied and versatile employees; (2) greater opportunity for organizational cross-functional learning; and (3) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, and efficient — giving the organization and your employees marketplace sustainability and performance advantages.

### **Valuing Employees and Partners**

An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its employees and partners.

Valuing employees means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high performance work practices tailored to employees with diverse workplace and home life needs. Major challenges in the area of valuing employees include: (1) demonstrating your leaders' commitment to your employees; (2) providing recognition opportunities that go beyond the normal compensation system; (3) providing opportunities for development and growth within your organization; (4) sharing your organization's knowledge so your employees can better serve your customers and contribute to achieving your strategic objectives; and (5) creating an environment that encourages risk taking.

Organizations need to build internal and external partnerships to better accomplish overall goals.

Internal partnerships might include labor-management cooperation, such as agreements with your unions. Partnerships with employees might entail employee development, cross-training, or new work organizations, such as high performance work teams. Internal partnerships also might involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners, thereby enhancing overall capability, including speed and flexibility.

Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means of regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method of developing employees.

## **Agility**

Success in globally competitive markets demands creating a capacity for rapid change and flexibility. All aspects of electronic commerce require more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for introductions of new or improved products and services. Faster and more flexible response to customers is now a more critical requirement. Major improvements in response time often require simplification of work units and processes and/or the ability for rapid changeover from one process to another. Cross-trained employees are vital assets in such a demanding environment.

A major success factor in meeting competitive challenges is the design-to-introduction (product generation) cycle time. To meet the demands of rapidly changing, global markets, organizations need to carry out stage-to-stage integration (concurrent engineering) of activities from research to commercialization.

All aspects of time performance are becoming increasingly important and should be among your key process measures. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

### **Focus on the Future**

Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders — your customers, employees, suppliers, stockholders, the public, and your community. Your organization should anticipate many factors in your strategic planning efforts, such as customers' expectations, new business and partnering opportunities, the increasingly global marketplace, technological developments, new customer and market segments, evolving regulatory requirements, community/societal expectations, and strategic changes by competitors. Short- and long-term plans, strategic objectives, and resource allocations need to reflect these influences. Major components of a future focus include developing employees and suppliers, seeking opportunities for innovation, and fulfilling public responsibilities.

### **Managing for Innovation**

Innovation is making meaningful change to improve an organization's products, services, and processes and create new value for the organization's stakeholders. Innovation should focus on leading your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments. Innovation is important for key product and service processes and for support processes. Organizations should be structured in such a way that innovation becomes part of the culture and daily work.

### **Management by Fact**

Organizations depend upon the measurement and analysis of performance. Such measurements must derive from your organization's strategy and provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance measurement, management, and improvement. Performance measurement areas include: customer, product, and service; operations, market, and competitive comparisons; and supplier, employee, and cost and financial.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and operational improvement within your organization. Analysis entails using data to determine trends, projections, and cause and effect — that might not be evident without analysis. Data and analysis support a variety of purposes, such as planning, reviewing your overall performance, improving operations, and comparing your performance with competitors or with "best practices" benchmarks.

A major consideration in performance improvement involves 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, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all

activities with your organization's goals. Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.

### **Public Responsibility and Citizenship**

An organization's leadership needs to stress its responsibilities to the public and needs to practice good citizenship. These responsibilities refer to basic expectations of your organization — business ethics and protection of public health, safety, and the environment. Health, safety, and the environment include your organization's operations as well as the life cycles of your products and services. Also, organizations need to emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Plans should seek to prevent problems, to provide a forthright response if problems occur, and to make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production process and the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental demands and related factors.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, they should treat these and related requirements as opportunities for continuous improvement "beyond mere compliance." This requires the use of appropriate measures in managing performance.

Practicing good citizenship refers to leadership and support — within the limits of your organization's resources — of publicly important purposes. Such purposes might include improving education, health care in the community, environmental excellence, resource conservation, community service, industry and business practices, and sharing non-proprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, your organization could lead efforts to help define the obligations of your industry to its communities.

### **Focus on Results and Creating Value**

An organization's performance measurements need to focus on key results. Results should be focused on creating and balancing value for all your stakeholders — customers, employees, stockholders, suppliers and partners, the public, and the community. By creating value for all your stakeholders, your organization builds loyalty and contributes to growing the economy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy needs to explicitly include all stakeholder requirements. This will help to ensure that actions and plans meet differing stakeholder needs and avoid adverse impacts on any stakeholders. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and longer-term priorities, to monitor actual performance, and to provide a focus for improving results.

### **Systems Perspective**

The Baldrige Criteria provide a systems perspective for managing your organization and achieving performance excellence. The core values and the seven Baldrige Categories form the building blocks of the system. However, successful management of the overall enterprise requires synthesis and alignment. Synthesis means looking at your organization as a whole and focusing on what is important to the whole enterprise. Alignment means concentrating on key organizational linkages among requirements given in the Baldrige Categories.

Alignment is depicted through the Baldrige framework. Alignment means that your senior leaders are focused on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and build on your business results. Alignment means linking your key strategies with your

key processes and aligning your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole enterprise, as well as its components, to achieve performance improvement.