

AMERICA AT THE CROSSROADS
HOW THE BALDRIGE CRITERIA CAN IMPROVE BUSINESS, EDUCATION AND HEALTHCARE,
AND RENEW THE SPIRIT THAT MADE US GREAT

EXECUTIVE SUMMARY

Despite the many challenging policy issues that require top down government attention, the most important problems in business, education and healthcare are structural and operational, and can be addressed locally and independently by enlightened leaders. *The Baldrige Criteria for Performance Excellence* provide a framework that ensures accountability and organizational sustainability. If broadly applied, they can restore excellence in our country at all levels.

HOW CAN THE BALDRIGE CRITERIA HELP IN THE CURRENT CRISIS

Now, more than ever, we have an opportunity to improve organizations at a foundational level. In order to do that we need an easily understood guide that can provide the structure business, education and healthcare leaders can use to mitigate the impact of daily challenges and tough economic times. The Baldrige Criteria are the roadmap that can improve American institutions.

This doesn't require legislation or government regulations.

IMPACT THE BALDRIGE CRITERIA CAN HAVE ON OUR NATION

The Baldrige Criteria can form the foundation of a national commitment to excellence. At the core of the Criteria is an emphasis on ethics and social responsibility that integrates into a proven framework for organizational improvement. The ideas in the Criteria are so fundamental that, if followed, they cannot fail to produce successful organizations.

Furthermore, the Criteria will:

- Promote job creation – Thriving businesses, schools, and hospitals hire instead of fire. Related jobs will be created in information technology, services, consulting and many other fields.
- Reduce offshoring – Competitive companies that innovate, engage employees, decrease operating costs and meet customer needs will stay in the U.S.

WHAT THE GOVERNMENT CAN DO

The Secretary of Commerce, working with the Secretaries of Education and Health, should:

- Establish a team to bring together the resources of the national Baldrige program, the Alliance for Performance Excellence and the American Society for Quality.
- Through a national marketing effort, promote the Criteria as a recommended improvement framework in business, education and healthcare, highlighting the Criteria's emphasis on ethics, social responsibility, customer and employee focus, continuous improvement and business results.
- Use this approach as a part of a much needed national competitive strategy to restore our economy and make us successful in the global marketplace.

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“We need to internalize the idea of excellence.”
President Barak Obama

The collapse of many of our economic institutions, and the hat-in-hand requests from auto executives, have caused many to raise the issue of a broad failure of leadership at all levels. Greed and power have apparently superseded ethical standards and social responsibility and have seemingly taken precedence over responsibility to employees, investors and the community at large. While this may be true, the problem is more significant than the personal failings of individual leaders.

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The Baldrige Criteria address seven basic issues that all organizations must face:

1. Leadership
2. Planning
3. Customers
4. Measurement
5. Workforce
6. Processes
7. Performance Results

Through probing questions, the Criteria guide leaders and organizations to discover what is important and how to align everything the organization does to reduce costs, focus on customers and employees, and ensure overall organizational effectiveness.

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First, the inherent value of the Baldrige Criteria lies in the fact that it is non-prescriptive. The Criteria contain questions that challenge what leaders do, how they plan, what their customers want, what employees require to be engaged, how processes work and how results are measured. They are a framework that drives both efficiency and effectiveness. They do not prescribe how individual organizations must improve. They merely suggest how organizations *can* improve. This provides a special appeal because it allows change based on local circumstances.

Secondly, the Baldrige Criteria apply to all types of organizations. They are not only about business. While there are generic, education and healthcare versions of the Criteria, the principles apply equally to government, military, non-profits, manufacturing and service organizations.

Thirdly, the Criteria have a common sense, why didn't I think of that, element that anyone can understand and use. Management and labor can work together to implement these fundamental concepts.

This is ground level change that doesn't require legislation or government regulations.

The Baldrige Criteria have already had impact in three areas of the economy that are on the agenda of the incoming administration.

BUSINESS

The problems businesses face today

Challenges internal to the business world continue to hamper its sustainability and agility:

- A lack of long-term strategic views and planning with a focus instead on the short term and quarterly financial statements.
- Lack of customer focus and customer input to determine innovation of future products and services.
- Barriers within organizations.
- Ineffective use of employee talent and lack of focus on employee satisfaction.
- Ignorance of or limited use of business process improvement tools.
- A lack of and need for ethics, social responsibility and leadership.

How the Baldrige Criteria can help

The Baldrige Criteria can address the challenges above by providing the structure and guidance to:

- Create an emphasis on long-term strategic planning. Integrating all aspects of a business and its stakeholders into the development and coordination of a strategic plan; ensuring that measuring and monitoring exists to drive both financial and non-financial performance and ensuring that agility and innovation are central to the corporate strategy.
- Make customer focus a strategic element and a central driver of the organization. This becomes integrated with planning and innovation.
- Help organizations work as whole units, with a coordinated and focused direction. Creating cross-functional ways of working together to avoid silos and create companywide communication.
- Workforce development is raised to a strategic level; the need to empower, develop and sustain employee talent, knowledge and satisfaction is essential for productivity and customer satisfaction.
- Create an organizational focus on process improvement in every area. The strategic, tactical and operational coordination, alignment and implementation of improvement by every department and function are essential. The Criteria require both culture and practices to be changed to create continuous improvement.
- The Criteria place significant focus on leadership ethics and social responsibility and measure organizations accordingly.

Performance Results of The Baldrige Criteria in business

Many studies of Baldrige recipients show dramatic success stories with improvements in customer loyalty, revenue growth, decreased turnover and increased market share. Individual examples demonstrate why many businesses have turned to the Criteria as a framework for success.

Small Businesses

MESA Products Inc

- 93% increase in sales
- 20% increase return on equity

PRO TEC

- 2% employee turnover
- 0.12% defect rate

Texas Name Plate Co

- Profit increase from 36% in 1998 to 40% in 2004

Service Businesses

Premier Inc

- 90% Customer satisfaction
- 15% increase in operating margin

Ritz Carlton

- 99% guest satisfaction, 80% extremely satisfied
- Pre tax return on investment and earnings doubled

DynMcDermott Petroleum Operations

- Customer satisfaction increased from 67% in 1999 to 74% in 2004

Manufacturing

Motorola Inc

- 32% increase employee productivity
- 99% customer satisfaction

Sunny Fresh Foods

- 93% revenue increase
- Market share increased while competition decreased by 10%

Boeing's Airlift and Tanker Program

- Avoided loss of 10,000 jobs
- 60% productivity increase

These positive impacts are not exclusive to organizations that received the Baldrige Award, or even those who formally entered the award process. Organizations that used a Baldrige self-assessment also had higher levels of annual sales turnover, market share, and return on sales than those that did not.

EDUCATION

The problems education faces today

Challenges that impact long-term sustainability and viability for public education and higher education:

- Rapidly changing demographics with increasing levels of students that are from low socio-economically disadvantaged homes and are Limited English Speakers (LEP).
- Federal and State mandates for educational reform that have limited funding sources.
- Current economy and state/local funding formulas don't support long-term strategic learning initiatives.
- Retention of new teachers and retirement levels of senior leaders put districts at a turnover rate greater than 30% a year.
- Family and stakeholder involvement and engagement is significantly limited.
- Technology integration for instructional learning and business processes are at levels 20 years behind business.

How the Baldrige Criteria can help

The Baldrige Criteria aids public school districts, charter schools, and higher education by providing a framework of systems and guidance for accountability that:

- Develop and implement a long-term strategic planning process that is shared by all levels of stakeholders, provides for alignment throughout the system, and enables cycles of review and accountability. Many districts and colleges use a balanced scorecard adapted from business to monitor and track performance against their goals.
- Focus all work on the "student." Whether planning, developing products and services, or delivering instruction everything the educational system does is focused on the ultimate customer, the student.
- Document, measure and consistently improve work processes is new to education. Through a systematic documentation process, measuring for efficiency and effectiveness, aids in providing

high performance and cost effective systems. Through capturing of core work processes and best practices educational systems can provide an approach for capturing and sharing their knowledge.

- Ensure workforce design and development, key to sustainability, are required by the Criteria. Effective recruiting, hiring, developing and rewarding individuals reduces turnover and builds the future leaders of the organization. Developing the frameworks and career paths for leaders at all levels enables capacity building and agility.
- Provide long-term resources that align to the educational system goals and objectives ensure the viability of the system during challenging economic environments. Long-term planning aids in the alignment and planning for financial resources to support student focused initiatives.
- Identify data and technology that are needed to drive student success is core to the Criteria and framework for high performing organizations. Current and future students require rapid and hands-on access to learning tools. Networks, access, flexible and reliable information systems are the roadmaps and enablers for student learning and for students to be college/work ready.

Performance Results of the Baldrige Criteria in education

Baldrige participants share success stories of improvements that close the gap in educational performance for all student segments, increase employee retention, satisfy all stakeholders, and increase operational performance. The following examples have provided models to other districts and schools and have communicated the Criteria as their roadmap for success:

Chugach Public Schools

- 85% of students above state average
- 80% stakeholder satisfaction
- 77% of funds allocated to instruction

Jenks Public Schools

- 90% of students meet state stds.
- 82% stakeholder satisfaction rates
- 82% of funds allocated to instruct.

Aldine Indep. Schools

- 88% of students above state stds.
- 80% stakeholder satisfaction
- 70% of funds allocated to instruct.

Districts and colleges that use the Baldrige criteria have organizational results that are comparable to high performing businesses. When asked, leaders of educational systems identify the Criteria as the roadmap that has provided an integrated framework for stakeholders working together to achieve their strategic objectives and goals.

HEALTHCARE

The problems healthcare faces today

Hospitals have both traditional business operational challenges and the important additional responsibility to deliver safe care. But in both areas they face problems:

- The value proposition for healthcare continues to decline – rising costs prevent equitable care and are consuming an ever larger portion of the federal budget.
- Quality and patient safety still lag behind other countries.
- There is a recognized need for transformational change at all levels of the healthcare system.
- Individual healthcare organizations struggle to improve the way they deliver healthcare locally.
- Hospitals face the multiple challenges of improving the health of their communities, reducing per capita costs of providing care for acute episodes of illness and improving the quality and safety of care.
- Healthcare providers confront the operational and financial issues of complexity, standardization, waste and inefficiency.
- There are clinical process difficulties relating to the delivery of evidence-based solutions.

How the Baldrige Criteria can help

Baldrige provides structure to address both business and clinical issues by:

- Creating a strong focus on community health. Hospitals using the Criteria have demonstrated significant improvement in chronic disease prevention and management, such as breast and cervical cancer, diabetes, asthma, and congestive heart failure.
- Helping healthcare organizations have reduced the cost of providing care to their patients and demonstrate industry leading financial performance.
- Providing leaders with the tools needed to address the six improvement aims of the Institute of Medicine (safe, effective, patient-centered, timely, efficient, and equitable).
- Producing best in industry mortality and infection rates, patient safety indicator results and compliance with scientifically proven standards of care.
- Focusing on development of integrated systems and continuous process improvement, organizations work more effectively and efficiently.

Performance Results of the Baldrige Criteria in healthcare

Hospitals using the Baldrige framework have shown a wide range of improvements.

Robert Wood Johnson Univ. Hospital

- 25% reduction in mortality rate
- 50% reduction heart failure mortality
- 35% increase - outpatient satisfaction
- 36% increase - employee satisfaction

Bronson Methodist Hospital

- 20% reduction in mortality rate
- 63% reduction in turnover
- 10% reduction in length of stay
- 27% reduction in energy costs

Mercy Health System

- 22% reduction in mortality rate
- 38% reduction heart failure mortality
- 43% increase - inpatient satisfaction
- 26% reduction days in receivables

Since the Institute of Medicine reports in 1999, "To Err is Human", and in 2001, "Crossing the Quality Chasm", highlighting the unacceptable rate of medical errors and lack of provision of scientifically proven effective care, there has only been modest improvement. But, enlightened healthcare leaders can drive important change in emergency departments, operating rooms, outpatient services and across entire health systems if they have a method to guide them. The Baldrige Criteria is that needed method.

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Broad scale use of the criteria will not only play a role in revitalizing our economy, it will restore passion for excellence and a renewed faith in a work ethic that can once again make our nation exceptional and the envy of the world.

MUCH OF THE STRUCTURE AND RESOURCES ARE ALREADY IN PLACE

- The Baldrige program has been successfully administered by the National Institute of Science and Technology (NIST), under the Department of Commerce, for twenty years (<http://www.quality.nist.gov/>). Extensive information and resources are already at hand within this government agency to promote and assist organizations across the country to understand and use the Criteria.
- A network of thirty-two state Baldrige-based programs is in place working together as The Alliance for Performance Excellence (<http://www.baldrigepe.org/alliance/>). Each of these state programs promote, train and recognize organizations that use the Criteria. This group has broad reach across our country and is already working with businesses, schools, and hospitals in their respective states.
- The American Society for Quality (ASQ), a contractor to NIST for the Baldrige program, has training and consulting on many important improvement methods and tools (<http://www.asq.org/>). Understanding business methods like Lean, Six Sigma, ISO, Statistical Process Control and other improvement approaches are important to success with the Criteria. ASQ has more than sixty years experience in quality methods and organizational improvement.

These three organizations can be brought into a coordinated effort to promote and support use of the Baldrige Criteria.

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CONCLUSION

The Baldrige Criteria can be used at the ground level by business, education and healthcare leaders to have an immediate impact on their organizations. Unlike any other business approach, the Criteria represent a high level structural framework that management and workers can easily understand and implement together.

The ripple effect of its use will improve the overall economy. But, it cannot succeed on a broad level without the nationwide support and promotion of our government.

AUTHORS

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