

Core Values and Concepts



The Criteria are built upon the following set of interrelated Core Values and Concepts:

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing employees and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- social responsibility
- focus on results and creating value
- systems perspective

These values and concepts, described below, are embedded beliefs and behaviors found in high-performing organizations. They are the foundation for integrating key business requirements within a results-oriented framework that creates a basis for action and feedback.

Visionary Leadership

An organization's senior leaders should 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 should 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 workforce and should encourage all employees to contribute, to develop and learn, to be innovative, and to be creative. Senior leaders should be responsible to your organization's governance body for their actions and performance. The governance body should be responsible ultimately to all your stakeholders for the ethics, vision, actions, and performance of your organization and its senior leaders.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and employee recognition. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

Customer-Driven Excellence

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, referral, retention and loyalty, and to business expansion. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace potential.

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

Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, reducing defects and errors and eliminating causes of dissatisfaction contribute to your customers' view of your organization and thus also are important parts of customer-driven excellence. 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 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, multiple access mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. It demands anticipating changes in the marketplace. Therefore,

customer-driven excellence demands awareness of developments in technology and competitors' offerings, as well as rapid and flexible response to customer and market changes.

Organizational and Personal Learning

Achieving the highest levels of business performance requires a well-executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. This 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 ("root cause"); (4) is focused on sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant change and to do better. Sources for learning include employees' ideas, research and development (R&D), customers' 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 societal responsibilities and its service to your community as a good citizen.

Employees' success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth. Such 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 and priorities. Education and training programs may benefit from advanced technologies, such as computer- and Internet based learning and satellite broadcasts.

Personal learning can result in (1) more satisfied and versatile employees who stay with the organization, (2) 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 your organization marketplace sustainability and performance advantages.

Valuing Employees and Partners

An organization's success depends increasingly on the knowledge, skills, 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' success, (2) recognition that goes beyond the regular compensation system, (3) development and progression 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 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.

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 for 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 for employee development.

Agility

Success in globally competitive markets demands agility—a capacity for rapid change and flexibility. All aspects of e-commerce require and enable more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for the introduction of new/improved products and services, as well as for faster and more flexible response to customers. 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 and empowered employees are vital assets in such a demanding environment.

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

All aspects of time performance now are more critical, and cycle time has become a key process measure. 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

In today's competitive environment, a focus on the future requires understanding the short- and longer-term factors that affect your business and marketplace. 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 and partners, stockholders, the public, and your community. Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, the increasingly global marketplace, technological developments, the evolving e-commerce environment, new customer and market segments, evolving regulatory requirements, community and societal expectations, and strategic moves by competitors. Strategic objectives and resource allocations need to accommodate these influences. A focus on the future includes developing employees and suppliers, creating opportunities for innovation, and anticipating public responsibilities.

Managing for Innovation

Innovation means making meaningful change to improve an organization's products, services, and processes and to create new value for the organization's stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your business and all processes. Organizations should be led and managed so that innovation becomes part of the culture and is integrated into daily work.

Management by Fact

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; and supplier, employee, and cost and financial performance.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and operational improvement. Analysis entails using data to determine trends, projections, and cause and effect that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, change management, and comparing your performance with competitors' or with "best practices" benchmarks.

A major consideration in performance improvement and change management 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 processes with your organization's goals.* Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

Social Responsibility

An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on business ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and 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 processes and often the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement "beyond mere compliance." Organizations should stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization's governance body.

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

Focus on Results and Creating Value

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—customers, employees, stockholders, suppliers and partners, the public, and the community. By creating value for your key 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 should explicitly include key stakeholder requirements. This will help 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, monitor actual performance, and provide a clear basis for improving results.

Systems Perspective

The Baldrige Criteria provide a systems perspective for managing your organization to achieve performance excellence. The Core Values and the seven Baldrige Categories form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization-specific synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and builds upon key business requirements, including your strategic objectives and action plans. Alignment means using the key linkages among requirements given in the Baldrige Categories to ensure consistency of plans, processes, measures, and actions. Integration means the individual components of your performance management system operate in a fully interconnected manner.

These concepts are depicted in the Baldrige framework on page 18. A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on your business results. A systems perspective also includes using your measures and indicators to link your key strategies with your key processes and align your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.