

Malcolm Baldrige National Quality Award
Joint Board of Overseers/Judges Panel Meeting
National Institute of Standards and Technology
Administration Building, Lecture Room D
Thursday, June 8, 2017

Attendees

Overseers: Lloyd Barker, Deborah Bowen, Russell Branzell, Bennie Fowler, Patricia Fagan Greco (candidate), Randon Jerris (candidate), Reatha Clark King (candidate), Robert Pence (candidate), Rulon Stacey. *Absent:* Elizabeth Menzer, John Jasinski

Judges: Ken Davis, Tammy Dye, Eric Fletcher, Mary Kay Fyda-Mar, John Harris, Miriam Kmetzo, John Molenda, Lawrence Ramunno, Diane Springer, Kristin Stehouwer, John Timmerman. *Absent:* Gregory Gibson

NIST: Jamie Ambrosi, Dawn Bailey, Rebecca Bayless, Robert Fangmeyer, Barbara Fischer, Ellen Garshick, Robert Hunt, Scott Kurtz, Christine Schaefer, Phillip Singerman, Suzanne Sullivan, Darren Lowe, Robyn Verner

Foundation for the Malcolm Baldrige National Quality Award: Al Faber, President and CEO

U.S. Department of Commerce: Jeffrey Harrington, Office of the General Counsel (by telephone)

Welcome and Introductions

Chair of the Board of Overseers Rulon Stacey called the meeting to order at 8:05 a.m. Representing Kent Rochford, Acting NIST Director and Acting Under Secretary of Commerce for Standards and Technology, Phil Singerman, Associate Director for Innovation and Industry Services, welcomed and thanked the Board of Overseers and Judges Panel on behalf of NIST. He credited the leadership of the overseers, judges, and Baldrige Performance Excellence Program (BPEP), as well as the staff, with creatively working through funding challenges to sustain the program. He noted that the budget process for FY2018 is under way.

The overseers expressed gratitude that the Secretary of Commerce had attended the Baldrige Award ceremony in April and NIST's support of BPEP.

The minutes of the Board of Overseers December 2016 meeting were unanimously approved as presented.

Financial Performance

Fangmeyer reviewed the program's FY2017 financial performance and projections, saying that the program is on track to meet or exceed budgeted amounts for revenue streams. Two of these, sponsorships and Regional Conferences, historically worth around \$400,000 in revenue, are now managed by the program's private-sector partners, the Foundation for the Malcolm Baldrige National Quality Award and the Alliance for Performance Excellence, respectively.

Fangmeyer noted that fee increases, increases in conference and Baldrige Examiner Training Experience (BETE) participants, as well as strong showings for the Baldrige Executive Fellows Program and *Baldrige Excellence Framework* sales, have bolstered revenues. In addition, a new service, the Baldrige Site Visit Experience (BSVE), piloted in 2016 for one organization, is slated for expansion in 2017. He reported that, even as staffing levels have declined each year, with a total reduction of 60% since 2012, the program has identified, designed, piloted, marketed, and implemented multiple new revenue streams. This has been possible because of a radical streamlining of operations.

Fangmeyer also reported that, for FY2017, the program has received \$2.2 million in support from the Foundation and has remitted \$300,000 back to the Foundation from fees earned, for a net draw of \$1.9 million.

Changes made in FY2017 to enable a smaller draw on the Foundation's endowment have included increased fees, funding to develop a cybersecurity assessment app for NIST's Manufacturing Extension Partnership, the addition of a cybersecurity track to the Quest for Excellence Conference, the streamlining of Examiner Training, a new regional conference model, the expansion of the BSVE, and decreases in contracts.

The overseers asked whether resources devoted to products and services that do not result in revenue could be redirected to revenue-producing ones. Fangmeyer said that non-revenue items are either required by law or are strategic opportunities that are expected to lead to revenue. The overseers also asked about the audit relationship among the Baldrige Program, the Foundation, and ASQ (which collects some fees for the program). Fangmeyer said that BPEP is audited by NIST every year, the Foundation undergoes a full audit every year by an external, independent firm, and that ASQ is audited in compliance with federal contracting regulations.

Scenario Planning

As reported to the overseers previously, the Foundation's endowment—now being used to support the program and the Foundation's work—has been steadily declining. Fangmeyer said that the program's efforts to preserve as much of the endowment as possible have extended its life, have extended the Foundation's timeline for building the necessary fundraising and advocacy infrastructure, and have given both organizations more time to attempt to have federal funding reinstated. Despite great effort and much progress, the program currently has no funds appropriated in the FY2017 federal budget and is not included in the President's proposed FY2018 budget.

Given this uncertainty, Fangmeyer reported that the program is developing contingency plans for three possible outcomes: (1) partial funding from the federal government and/or the Foundation, which enables the program to provide and perform most current services and functions; (2) full funding from the federal government, which enables pursuit of strategic opportunities, appropriate resourcing of current activities, and removal of fees for the Baldrige Framework; or (3) no federal funding and limited or no support from the Baldrige Foundation, which would require BPEP to contract. In the third scenario, the goal would be to provide core functions—national-level presidential award and sharing of best practices—and continue with cybersecurity efforts and other revenue streams. To that end, the program has been in discussions with NIST and the Baldrige Foundation to develop a coordinated approach to ensuring the sustainability of Baldrige. If necessary, several core activities that could be paused as a short-term solution that would allow the program to contract and/or focus more resources on revenue generation.

In response to a question by the overseers on how they can support the program, Singerman noted that the Secretary of Commerce can by law encourage fundraising for the Foundation and that the overseers may be able to provide help. He also noted that the Board of Overseers has private sector credibility and can help with relationship building and advocacy.

Among suggestions by the overseers were the following: (1) While the current "hot topic" is cybersecurity, the program should try to discern what will be next opportunity; (2) encourage the Secretary of Commerce to support Baldrige publicly; (3) encourage federal agencies to use Baldrige to improve their effectiveness and efficiency; and (4) listen to industry to find out how to make the framework more relevant. They also noted that the program should plan for expansion as well as for contraction if the program receives funding.

Fangmeyer asked for the overseers' and judges' input on three new potential revenue streams, all of which carry significant risks. The first is to add a second, health-care-only cohort to the highly successful Baldrige Executive Fellows Program. Because of Baldrige Program resource constraints, this cohort would be managed by the Foundation. Although this expansion has the potential to increase revenue, the risks are that demand has not been established, that the Foundation has not established the capability or capacity to run such a program, and that the Baldrige brand would be damaged if the second cohort is unsuccessful.

Several overseers suggested that the program consider offering a below-C-suite-level, higher-capacity, health-care-only program simultaneously with the current Fellows Program and possibly in collaboration with health care associations. Other overseers cautioned against diluting the value of the cross-sector Fellows Program and encouraged the program to increase the number of non-health-care Fellows in the original program. Another suggestion was to explore offering a variety of training offerings based on demand in various sectors, by professionals at various levels, and through a variety of training media.

Fangmeyer described a second potential revenue stream, proposed by the Baldrige Foundation: either a Baldrige certification, to be managed by the Foundation, or the charging of a fee to attend Examiner Training. He noted the risk of eroding the support of examiners, who volunteer 200 or more hours per year to the program in many roles. Even though many state programs charge for training, those programs have fewer examiners and offer training in locales that do not require significant travel and other costs. In addition, survey data show that both proposals are unpopular with examiners.

Foundation President and CEO Al Faber said that charging for training and then charging a certification fee is a viable option, as shown by the success of this model in other industries. He argued that this new model would increase the demand for training, since most professionals want training that results in credentials.

The overseers and judges expressed varying views on this proposal. Some agreed with Fangmeyer that certification and/or training fees would result in the loss of examiner engagement, and eventually examiners; others believed that a new model would be successful if the change were managed properly. Several participants said that charging examiners extracts revenue from the wrong part of the value chain: examiners are creating value, and organizations are benefiting from the value; therefore, the product (the assessment) should be monetized, not the examiners' skills.

Fangmeyer asked the overseers to defer their recommendation on this proposal until after discussion of the next proposal: to modify the Baldrige Award process to dramatically cut cycle time, eliminate-low-or no-value elements, and maximize the value to customers. He cautioned that the proposal is still in a conceptual stage and that many details remained to be worked out. Generally, the modification would eliminate the 50-page application in favor of a shorter submission, eliminate most of Independent and Consensus Review, send every applicant through a modified site visit, lower the size of the examiner team while increasing its experience, and lower the time from examination to feedback from 10 months to 2 months. Bob also cautioned that the process would still need to ensure that judges could make well-informed recommendations on Baldrige Award recipients.

Chair of the Judges Panel John Timmerman said that the Judges Panel agreed strongly with the need to evolve the award process. The judges believe that the proposed changes would remove significant barriers to engagement in Baldrige. He noted that the change would require some significant realignment—such as mechanics with Alliance programs and the capabilities required of an examiner team.

After a detailed discussion, the overseers approved the following recommendation: To improve the Baldrige Award evaluation process and drive performance excellence, BPEP should convene key stakeholders to review and consider the need and opportunity for a redesign of the Baldrige Award process. If necessary, the overseers will meet by teleconference in October to review progress on the redesign.

Returning to the certification proposal, the overseers voted to recommend that the Baldrige Program investigate the certification industry and report to the Board of Overseers on potential recommendations for implementation.

Ethics Briefing

By telephone, Jeffrey Harrington delivered the ethics briefing for special government employees to the overseers and judges.

Issues from the June 7 Judges Panel Meeting

John Timmerman summarized the minor judging process changes agreed on by the Judges Panel at its June 7 meeting.

Baldrige Program Update

Fangmeyer gave updates on Baldrige program activities, including the Baldrige Award ceremony in April, which honored the four 2016 recipients and was attended by U.S. Secretary of Commerce Wilbur Ross; the 29th Annual Quest for Excellence® Conference; the continued recognition of Baldrige training programs as among the best continuing education programs in the nation; the seventh cohort of the Baldrige Executive Fellows Program; Examiner Training; the Baldrige Examiner Training Experience; the 2017 award process, in which 24 organizations are participating; feedback on and expansion of the Baldrige Site Visit Experience; and the program's continuing collaboration with the Baldrige-based Communities of Excellence 2026, which is launching a learning collaborative involving five communities, as well as a tiered recognition program.

Fangmeyer also reported on a new service, Baldrige Connect, a voluntary business development/referral service designed to increase the number of organizations using Baldrige. Participants are BPEP, Alliance for Performance Excellence member programs, ASQ, and Baldrige-based consultants who meet certain qualifications. Under the program, when a potential customer contacts BPEP in search of services, BPEP will identify three to five suitable consulting partners. If a consulting engagement results, BPEP will receive 10% of all revenue earned within the first 12 months of the engagement. Second, if consulting partners deliver training programs and workshops on behalf of BPEP, the consulting partner and BPEP will share the revenue equally. Consultants apply and qualify for the program individually and must sign a code of conduct. As of late May, 25 of 65 invited consultants had applied. In response to a question about

Fangmeyer also noted that at the Quest Conference in April, the Baldrige Program had released version 1 of the *Baldrige Cybersecurity Excellence Builder (BCEB)*, a self-assessment tool based on the NIST Framework for Improving Critical Infrastructure Cybersecurity (Cybersecurity Framework) and the Baldrige Excellence Builder. Two conference events highlighted the release: a workshop on how to use the *BCEB* and a panel discussion. Phase 2 of the program (pending funding and interest) would involve designing and implementing assessments by independent experts, recognizing high performers, and sharing best practices.

Finally, Fangmeyer reported on the Baldrige Program's Net Promoter Scores, which compare favorably to those of companies that lead their private-sector industries.

Suggestions from the overseers included considering a shift of resources to the cybersecurity offering if there is potential for high value, and determining the resources that would be necessary to develop a cybersecurity best-practice-sharing and recognition program; reprioritizing all work to maximize revenue and value; approaching local Chambers of Commerce for potential interest in Communities of Excellence 2026; and engaging in very long term planning (e.g., for 2030).

Baldrige Foundation Update

Faber reported on the Foundation's efforts in three areas: presidential engagement, congressional advocacy, and fundraising. He also presented Foundation plans to develop products and services in three areas: charging for examiner training, offering examiner certification, and launching additional leadership development offerings.

The overseers thanked Faber for his presentation. They suggested that the Foundation create plans for actions to take if it is successful in its efforts, and suggested trying to engage Cabinet Secretaries in sectors where the Baldrige framework can add value. In a response to a question about the Foundation and program becoming self-sustaining rather than relying on a federal appropriation, Faber responded that a federal appropriation for the Baldrige Program would allow the Foundation to expand its efforts elsewhere. He also noted that the Foundation and BPEP Program are planning in parallel for the future.

Adjournment

The meeting was adjourned at 3:00 p.m.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Rulon F. Stacey
Chair
Board of Overseers
8/15/2017