



# **Foundations for a Successful Business**

## **Based on the Baldrige Excellence Framework**

# Introducing an Organization-wide Perspective



Excellence is the gradual result of always striving to do better.

Pat Riley

Championship-Winning NBA Coach

Leading an organization is complex and often chaotic. Managing that complexity well requires a plan, tools, and time. *Foundations for a Successful Business* introduces the basic elements of a time-tested framework from which businesses grow and thrive. For decades, the Criteria for Performance Excellence (part of the regularly revised *Baldrige Excellence Framework: Proven Leadership and Management Practices for High Performance*) has served as a blueprint for successfully managing and sustaining organizations. Read on to take your first step in a performance improvement journey by exploring the foundations of the Baldrige framework.

Whether your organization is new, is growing, or has existed for many years, it faces daily and longer-term challenges. It also has strengths that have served you well so far. *Foundations for a Successful Business* helps you identify and leverage your strengths and prepare to face your challenges.

As a result, you will be better able to position your organization to succeed—to accomplish your mission and achieve your vision—with a sense of greater clarity and with alignment among your leaders, employees, customers, and key partners.

*Foundations for a Successful Business* describes organizational success in seven fundamental areas that apply to any corporation, nonprofit, government, or academic institution. It provides a “golden thread” that ties various parts together into a *coordinated system*. In the following four major sections, you will learn about the key elements of an organization’s context. Then you will explore the foundations of the Baldrige framework, followed by a discussion about systematic and continuous improvement. “What’s Next” suggests short- and long-term actions. Finally, in the section “Your Turn,” you and your organization are encouraged to answer a focused set of questions to begin your performance journey. The content in this overview can also be found in a series of interactive [online modules](#).

- I. Organizational Context
- II. The Foundations of the Baldrige Framework
  - 1: Leadership
  - 2: Strategy
  - 3: Customers
  - 4: Measurement, Analysis, and Knowledge Management
  - 5: Workforce
  - 6: Operations
  - 7: Results
- III. Learn and Improve
- IV. What’s Next?
- V. Your Turn

## Executive Summary

Each section tells you the actions to take and gives examples, explanations, and additional information. Check the higher-level actions to identify gaps and make sure you are doing everything that is critical. Use the examples to help you pay attention to what is critical and to understand why it is critical.

**Context: Start with a basic understanding of your organization.** Using the guidance in the “Organizational Context” section, define why your organization exists and who and what are most important to your organization. Your responses set the context for addressing opportunities identified in the remaining sections of this guide. These responses should also influence your longer-term strategy and daily decision making.

**Review “The Foundations of the Baldrige Framework” section.** You are probably doing some of the recommended actions already—that is great! Additional insights are offered on how to get the most out of those actions. Make note of the actions and guidance you are *not* doing. Think of these as opportunities for improvement that can help your organization be more successful. Considering your responses from the “Organizational Context” and “Results” sections, prioritize the items that will have the greatest impact and are doable—preferably in the near term. Some critical opportunities may require a longer-term approach and additional resources. Don’t ignore these; just recognize they will need a more formal approach to plan, prepare, and implement the change.

**Learn and Improve.** In this section, you will learn how critical results are in guiding your next steps. After examining your results, decide what you are and are not doing well, look back at sections 1–7 of “The Foundations of the Baldrige Framework,” and decide what you should improve or change.

**What’s Next?** Now that you have a grasp of the fundamentals, it’s time to get started. There are many ways to do this, from partnering with consultants, dedicating staff members, or perhaps completing the “Your Turn” section that follows.

**Your Turn.** You and others in your organization are encouraged to answer a framing set of key questions that will help orient the start of your performance improvement journey.

# Organizational

## Start with a deeper understanding of your organization

Decide what your organization wants to accomplish (your mission) and where your senior leaders want to take it in the future (your vision).

- Your mission and vision set the stage for your decisions in all areas: leadership; strategy; customers; measurement, analysis, and knowledge management; workforce; operations; and results. They should be clear, concise, and compelling enough to guide and engage your workforce in accomplishing them.
- The mission describes what your organization is attempting to accomplish. It might define customers or markets served, distinctive competencies, or technologies used.
- Your organization's vision describes its desired future state.
- Determine what groups of people are important for your organization's success. Consider all your key stakeholders (including your workforce, customers, suppliers, partners, and the community). They are the key groups you should communicate with and listen to.

Understand the strengths that contribute to your organization's success and ability to compete. Understand how to build on those strengths.

- Prepare the pipeline for potential employees in your industry by engaging and supporting the education community.
- Consider, for example, brand recognition, reputation for product/service quality and reliability, price leadership, innovation rate, leadership in your industry, recognition for customer service, agility, environmental stewardship, social responsibility, and/or community involvement.

Understand the internal weaknesses and external challenges that could hinder your organization's continuing (or future) success.

- Consider for example, your competitors, costs, changing market conditions such as mergers or acquisitions, new competitors, new or substitute products or services, technological changes, changing consumer preferences, the availability of a multi-skilled workforce, the retirement of an aging workforce, and/or a changing economic and regulatory environment.

# Leadership

## 1. Share your vision and lead your organization— leadership is behavior and actions, not a position.

Help your workforce understand and share responsibility for achieving your vision.

- Communicate your vision clearly to set the direction for decisions and to guide your workforce members' actions.

Determine your values—the behaviors that define how your organization is expected to operate. Be a role model for these values.

- Values reinforce your organization's culture. They empower your workforce to act, and they set boundaries for what is acceptable.
- Lead by example. With your actions, reinforce the things you expect of your workforce.

Communicate with—and listen to—your employees and customers regularly.

- Develop regular, repeatable activities and mechanisms (a process) for communicating and listening.
- Don't assume people know what you're thinking or expecting. Timely and clear communication is essential.
- Communicate important messages more than once and in more than one way. Engage in dialogue; active listening is a critical part of communicating with others.

Make sure your employees and your organization obey the law. Make sure they follow the organization's moral and professional guidance for conduct.

- Set, communicate, and demonstrate clear expectations for legal and ethical conduct. Not breaking the law is not good enough.
- Train your workforce on these expectations, and hold yourself, your workforce, and managers accountable. Recognize and reward workforce members when they demonstrate exemplary behavior.
- Ask your workforce members whether they think your organization is ethical.

Fulfill your responsibilities to the public and be a good citizen of your community.

- Make sure your products/services and operations strive to protect the environment and address public concerns.
- Support your key communities: educational pipeline, local trade or professional organizations, or a particular cause.
- Being a good citizen is the right thing to do, and it's good for business.

# Strategy

## 2. Prepare for the future—or you won't be in it.

Strategy is more than a project or marketing plan

- It must cover all major aspects of the organization; don't narrow your vision to just projects or timelines.

Develop specific objectives and measurable goals to move your organization toward its vision. Ensure that these objectives and goals address important challenges and opportunities.

- Your strategy (objectives, goals, and actions to achieve them) should be a clear guide for where your organization needs to go and how it intends to get there. It is a framework that guides operational decisions for everyone in the organization.
- No organization has the resources to address everything at once. Prioritize your objectives and focus on the vital few.
- Long-term objectives (multi-year) should include short-term goals and actions to ensure that progress is being made.
- Develop regular, repeatable activities (a process) for creating, evaluating, and updating your strategy.
- As appropriate, involve people who will affect or be affected by your strategy, such as your workforce, suppliers, distributors, partners, and customers.
- Once the strategy is developed, communicate it to your workforce and key stakeholders (such as customers, suppliers, and partners).

Identify and consider innovative ideas—those that are new or different from what you have done in the past.

- Encourage outside-the-box thinking to make meaningful change and create breakthrough improvement in your processes, products, or organization's business model.

Decide on the actions your organization must take to reach its objectives.

- Involve your workforce and appropriate stakeholders in developing and implementing specific, time-limited actions.
- Make sure you have the resources (e.g., financial resources, workforce, organizational structure) to carry out these actions.

Monitor your progress and adapt if needed.

- Stay flexible. Circumstances or opportunities may require rapid change.

# Customers

## 3. Engage your customers – they are the source of your business.

Find out what your customers' expectations are by listening to them.

- Define who your main customers are, and group them according to common characteristics. These groups, or segments, may have different requirements.
- Develop regular, repeatable activities and mechanisms (a process) for listening to your customers. Consider interviews, feedback, focus groups, social media, and surveys.
- Include methods to gather insights from customer-facing workforce members.

Use this information in designing your products and services.

- Use information on your current and potential customers' expectations to decide on, improve, or customize the products and services you offer.
- Make sure you have the information and the workforce you need to meet and exceed customers' expectations.

Measure your customers' satisfaction.

- Use your process for listening to customers to determine their satisfaction or dissatisfaction with your products and services.
- When possible, also ask about their satisfaction with competitors' products and services.

Resolve customer complaints.

- Develop regular, repeatable activities and mechanisms (a process) for managing complaints.
- Resolve complaints quickly and effectively to recover customers' confidence and to avoid similar complaints in the future.

Measure your customers' likelihood of continuing to be your customers. Build ongoing relationships with them.

- Customer loyalty takes more than just meeting expectations. Aim to exceed these expectations in the products/services and support you offer.
- Make it easy for your customers to get information and support from you.
- Make it easy for your customers to do business with you.

# Data and Analysis

## 4. Use data and information to make decisions—your “gut instinct” will only take you so far.

Decide on a few measures that allow you to gauge how well your organization is doing overall. Track these measures regularly and look for trends in the data.

- Select a few important measures, with a good balance of financial, operational, customer-related, and workforce-related measures. Make sure these measures fit your organization’s overall objectives.

Start making decisions based on this information.

- Make sure the data and information are timely, reliable, and accurate.
- Develop regular, repeatable mechanisms (a process) for reviewing performance against these measures and for checking the appropriateness of the measures.
- The decisions you make might be about strategy, resource use, processes needing revision for greater efficiency or effectiveness, customer services you should provide, or workforce training that is beneficial.

Make data and information readily available to those who need it.

- Give your workforce, customers, suppliers, and partners easy access to the information they need.
- Give your workforce the authority and responsibility to make decisions and act based on data and information. Since workforce members are closest to daily operations, they will know best how to improve the operations.

Share best practices across your organization.

- Collect and share best practices from all areas of your organization, as well as from outside your organization. Read industry and local business publications and online sources to find the information. Consider visiting best-practice organizations.

Protect your electronic and other data and information systems.

- Protect sensitive information about your workforce, customers, and organization in all its forms.



# Workforce

## 5. Engage and empower your people—they should be a competitive advantage.

Hire and develop a workforce of the right size and with the right skills and values.

- Your workforce includes employees, contractors, and volunteers managed by your staff.
- In making decisions about your workforce, consider the workforce skills you need and your organization's values and culture. You can train for certain skills, but not for values.
- Hire, or train, people who can accomplish your organization's work today and take the organization toward its vision.
- Encourage and enable operators and other workforce members to expand their knowledge and skills in areas of importance to your organization. Recognize them for doing so.
- Set high performance expectations for all workforce members that are consistent with your organization's overall goals.
- Foster systems in which all workers can feel respected, empowered, and welcomed in the workplace.
- Give your workforce members the information they need to monitor and improve their performance.

Support your workforce with compensation, policies, and a safe workplace.

- Develop regular, repeatable activities and mechanisms (a process) for measuring your workforce members' satisfaction with their work and work environment, as well as their engagement with the organization's mission and vision.
- Provide benefits that match the organization's needs and the desires of the workforce. These benefits may differ for different workforce segments.
- Providing a safe work environment (in terms of workplace hazards and freedom to speak up) is a significant factor in engagement. Turn errors and mistakes into learning opportunities rather than punishment.

Offer ways for workforce members to learn and progress. Respond to their personal needs and your organization's needs.

- Opportunities to learn and grow are a key driver of engagement for all workforce members.
- Create succession plans for all key positions (leadership *and* workforce).
- Protect your organization's future and your workforce members' abilities to grow.

# Operations

## 6. Establish effective and efficient operations that deliver high-quality products and services—no margin, no mission.

Design your organization's work as a set of regular, repeatable steps (processes).

- Design work to encompass a whole task, process, or system.
- Don't just focus design on product and service processes; include processes related to management, front office, finance, legal, and human resources functions.
- Integrate input from customers and vendors to determine what your processes must accomplish if your products and services are to have value.
- Carefully design your processes to achieve important product, service, operational, and organizational requirements. Measure how well processes are meeting their requirements.

Regularly evaluate and improve your products/services and processes.

- If you are not getting what you want out of a process, evaluate the inputs to the process, the steps in the process, and the resources assigned to the process.
- Numerous performance improvement tools are available. Some examples are Plan-Do-Check (or Study)-Act (PDCA or PDSA), Lean, Six Sigma, and ISO standards.

Determine ways to control the costs of your operations (the resources used). Prevent errors and waste.

- Ensure that your processes are effective and efficient (that they accomplish what you intend while using the fewest possible resources).
- Determine sources of defects in products and processes and seek to eliminate them through your process improvement efforts.
- Your product and service quality are limited by the quality of the input material and services you receive. Manage them effectively.

Work with your suppliers to ensure appropriate quality, timeliness, and agility.

- Clearly communicate requirements and expectations; measure supplier performance and provide regular feedback.
- Minimize single points of failure in your supply chain by having alternatives available.

Prepare your organization for potential disasters and emergencies.

- Prepare your organization to continue operating in an emergency. Consider what your organization would need to do to continue to provide products and services to customers.



# Results

## 7. Measure your results—they tell you how well you are doing.

Find out how well you are doing.

- Your organization is only as good as its results and how they change over time. Wherever possible, track how they compare to your competitors' and even non-competitors' results.
- Track leading and lagging results.

Track results for trust in leadership, ethical behavior, legal compliance, and accomplishment of the objectives that lead toward your vision.

- Examples might relate to perceptions of leaders' and managers' communication, perceptions of the organization's ethical behavior, results of oversight or audits, and progress toward your strategic objectives.

Track results for customer satisfaction and repeat business.

- Some examples are customer satisfaction ratings, customer retention and loss, complaints and complaint management, customer-perceived value based on quality and price, willingness to refer others, and customers' assessment of access and ease of use.

Track results for your workforce members' job satisfaction and commitment to your organization's work.

- Some examples are perceived quality of their job, safety, absenteeism, turnover, satisfaction, and complaints (grievances), as well as the extent of training and the extent and success of workforce empowerment.

Track results for the quality of your products and services and the performance of your operations.

- Track the actual performance of products/services, defect levels, service errors, response times, and product/service performance as reported on customer surveys.
- For process effectiveness and efficiency, some examples are cost, productivity, cycle time, performance of administrative and other support functions, and supply-chain performance.

Track results for your organization's financial performance and growth of your business.

- A beginning approach is to track trends in financial performance over a period of five years in a minimum of three areas (e.g., gross revenue, gross profit, and net profit).

# Learn and Improve

## Learn and improve—results should guide your next steps.

### Review your results.

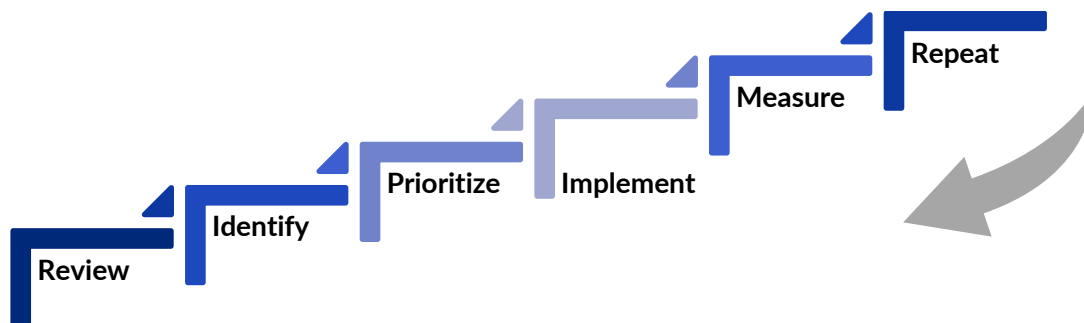
- Use your results as “real-time” information for evaluating and improving your products/services and processes.

### Decide what you are and are not doing well.

- Revisit your customer expectations as well as important product, service, operational, and organizational requirements
- Assess key process paths and enabling processes; then use those results to drive improvement activities.
- Revisit sections 1–7 of “The Foundations of the Baldrige Framework.” Assess how well you are doing in those areas.

### Decide what you should improve or change.

- Establish a prioritized list of improvements.
- Improvements should include both steps to solve results issues and steps to build on strengths.
- Decisions should be related to your organization’s strategic plan and should serve as input to possible revisions in that plan.



# What's Next?

## What's Next?

1. Once you have completed “Learn and Improve” section above, invite others in your organization on the journey. Together, you and others in your organization can answer the key questions in the following section, “Your Turn.”
2. Check out the *Baldrige Excellence Builder*, in which you will find a rubric to assess your processes and results (<http://www.nist.gov/baldrige/publications/builder.cfm>), page 15. The *Excellence Builder* also provides additional guiding questions.
3. After that, you can connect with an intermediary to help guide your organization further along your performance improvement journey. Contact your local Manufacturing Extension Partnership or state or regional Baldrige-based Alliance for Performance Excellence program.
4. Whether you have intermediaries assisting or dedicated staff members shepherding your journey, you are encouraged to engage the full Criteria for Performance Excellence (part of the *Baldrige Excellence Framework* booklet). For more than 30 years, Baldrige has been globally recognized as setting the standard for achieving organizational excellence. Organizations around the world use the Baldrige framework to improve and get sustainable results. Those recognized as U.S. role models receive the Malcolm Baldrige National Quality Award, a Presidential award. The award recipients broadly share their best practices starting with the Quest for Excellence® conference. Through that sharing, many thousands of organizations have improved their operations and results and thus enhanced their contributions to the U.S. and global economy.

To learn more about the Baldrige Excellence Framework, visit our website (<http://www.nist.gov/baldrige/>), email us ([baldrige@nist.gov](mailto:baldrige@nist.gov)), or call our customer service line (301-975-2036).

*Foundations for a Successful Business* is a start on a path toward sustained success and ever higher levels of performance. If you are ready to continue on, take one of these next steps:

- Engage your state/regional [Baldrige-based Alliance for Performance Excellence program](#).
- Try the [Baldrige Excellence Builder](#). The more in-depth questions in this Baldrige framework-based resource can help you assess your organization’s strengths and opportunities for improvement against the most important features of organizational performance excellence.

# Your Turn

## Your Turn

Now it is time to take a deeper dive and evaluate your key processes and results. Below are key questions for each of the fundamental areas of the Baldrige framework.

## Become

An employer of choice  
More innovative  
More resilient  
More competitive  
More profitable

### Leadership

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1. How does your leadership model your organization's values?
2. How does your leadership communicate with employees and customers?
3. How do you listen to employees and customers?
4. In what ways does your leadership ensure that the organization obeys the law?
5. How does your leadership fulfill its responsibilities to the neighboring community and public at large?

### Strategy

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1. How does your organization determine and set *specific* objectives and *measurable* goals?
2. In what ways does your organization encourage and identify innovative ideas?
3. How is progress monitored?
4. How does your organization adapt?

### Customers

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1. How does your organization determine and set *specific* objectives and *measurable* goals?
2. In what ways does your organization encourage and identify innovative ideas?
3. How is progress monitored?
4. How does your organization adapt?

### Knowledge Management

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1. What measures do you regularly use to gauge how well your organization is doing overall?
2. How do you use data and results to make decisions?

3. How are important data made available to those who need them?
4. How does your organization share best practices?
5. How does your organization protect data?

## Workforce

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1. How do you hire and develop your workforce?
2. How do determine the size and skills of the workforce needed?
3. In what ways do you support and keep your workforce safe (e.g., benefits, policies)?
4. How do your workforce members learn and progress in their skills or career?

## Operations

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1. How can you ensure that the work performed is organized into regular, repeatable steps?
2. How do regularly evaluate and improve your products, services, and business processes?
3. In what ways do you control the costs of your operations and the resources they use?
4. How are you prepared for disasters and emergencies?

## Results

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1. How well is your organization doing, overall?
2. How do you track results for trust in leadership?
3. In what ways do you track customer satisfaction and repeat business?
4. How do you track your workforce members job satisfaction and commitment to the organization?
5. How do you track the quality of your products, services, and operational performance?
6. How do you track your organization's financial performance and growth?