

Malcolm Baldrige National Quality Award

Joint Board of Overseers/Judges' Panel Meeting

Baldrige Performance Excellence Program • National Institute of Standards and Technology

Thursday, June 9, 2016

Attendees

Overseers: Deborah Bowen, Brian Bushick, Bennie Fowler, Reatha Clark King, Elizabeth Menzer, Robert Pence, Rulon Stacey (chair)

Judges: Kenneth Davis, Michael Dockery, Greg Gibson, John Harris (candidate), Laura Huston (chair), Miriam Kmetzo, Lawrence Ramunno (candidate), Kenneth Schiller, Diane Springer, Fonda Vera

NIST: Rebecca Bayless, Jacqueline Calhoun, Robert Fangmeyer, Barbara Fischer, Ellen Garshick, Robert Hunt, Gail Lantion, Scott Kurtz, Christine Schaefer, Suzanne Sullivan, Nancy Young

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

U.S. Department of Commerce: Eric Johnson, Office of the General Counsel

Welcome and Introductions

Rulon Stacey, chair of the Board or Overseers, called the meeting to order at 8:15 a.m. With Baldrige Program Director Robert Fangmeyer, he welcomed the judges and overseers and expressed appreciation for their guidance.

The minutes from the Board of Overseers' December 2015 meeting were approved unanimously.

Fangmeyer reviewed the program's current financial situation. Before the loss of federal funding in 2012, the program's budget was \$9.6 million plus \$1 million from the Foundation. Since that time, the Baldrige Foundation has supported the program through a gift to the Department of Commerce, and the program has reduced costs and increased revenues. The Baldrige Program, the Alliance for Performance Excellence, the Foundation, and ASQ have established their relationship as the Baldrige Enterprise, indicating a commitment to acting in ways that benefit and help sustain the larger enterprise.

In 2012, it was estimated that funding would last three years. Although the program is now in year six without federal funding, there are still serious challenges. Fangmeyer said that the program's strategic imperatives are to increase operating revenues, decrease/control costs, increase Baldrige Award applications (including from business), enhance and protect the Baldrige brand, build the Baldrige Enterprise, support Foundation fundraising, and sustain operations. He noted that, even though revenues are increasing and costs are controlled, the program still lacks enough funding for long-term sustainability. Staffing has declined by 55%, and funding is 80% lower than in 2011. Further cuts in staffing would require elimination of mandatory or revenue-generating activities. Fangmeyer also said, however, that new revenue streams had earned \$3.5 million as of FY2015 and that customer and workforce engagement is still high.

The overseers commended the program on its progress and said that interest in health care could drive interest in related businesses.

The overseers asked about the possibility of an organization other than NIST hosting the program, if necessary. Fangmeyer said that contingency planning is underway but that the hope is to always retain connections to NIST and to a presidential award. That connection is a source of sustainability; additionally, the perceived objectivity of the Baldrige Excellence Framework would be lost if the program were housed outside the government.

Baldrige Program Update

Fangmeyer presented updates on the program's activities and honors. These included Net Promoter Scores ranging from 56 to 88 for the program's main products and services, indicating high customer engagement; continued recognition for leadership development programs; published articles and media mentions showing the impact of Baldrige across the health care sector; accomplishments as a leader in digital engagement within the Department of Commerce; and the publication of a new *Baldrige Excellence Framework* in 2017.

Also noted was the fact that the four 2015 Baldrige Award recipients represented three different sectors, which has increased interest in those sectors. Evidence was record-high attendance at the 28th Quest for Excellence Conference in April 2016. To continue this broad representation, the program needs a strong pool of applicants. In 2016, this pool includes 34 organizations, representing a 54% increase over past two years: 21 health care, 4 small business, 4 education, 3 nonprofit, and 2 service.

Fangmeyer reported that the Baldrige Executive Fellows Program continues to exhibit strong engagement and strong revenue. This year's 18 participants represent a stretch of the program's usual cap of 15. Most additional applicants who could not be placed this year have been placed in the 2017 program.

The judges and overseers asked who the Baldrige Program's competitors are. Fangmeyer said that they are perceived as Lean, Six Sigma, and ISO, but in actuality these tools and frameworks are a subset of and work together with the Baldrige framework. The program cultivates a noncompetitive relationship with state performance excellence programs and with consultants. The overseers suggested additional entities to consider as competitors. They noted the need to make the value proposition for Baldrige clear. The overseers also asked whether the program's business proposition today is the same as when the program was created. An issue, they said, is that the program and its community sees itself as a monopoly, but organizations may not.

The overseers suggested identifying the critical success factors for the program's strong leadership programs, which might be a differentiator in the marketplace

Financial Performance and Outlook

Fangmeyer presented the program's revenues and margins for its products and services. The net margin on these products and services was \$117,000, not including the cost of overhead functions; therefore, a gap still remains to be filled by Foundation funds. For FY2016, the Foundation commitment was a maximum of \$3.5 million, but the actual draw on the endowment is expected to be about \$2 million.

Fangmeyer noted that some products and services have caps because of resource or design limitations and that the Baldrige Award process is very resource intensive. The program is discussing how to decrease the resources required while still fulfilling the requirements of the law.

As for FY2017, Fangmeyer said that the program will have no federally appropriated funds and that the Foundation has committed \$2.5 million to the Department of Commerce. The program continues to seek opportunities to reduce costs and increase revenues in FY2017, and scenario planning is underway for FY2018.

The overseers asked to be kept informed of plans for FY2018. They also suggested mapping the products and services to the program's strategic initiatives. Other suggestions were to use a "train the trainer" model to reduce the resources required by the Baldrige Award process and to consider offering a leadership certification.

The overseers commended Fangmeyer and the program staff on reductions in costs and increases in revenue, noting that they were a big accomplishment as well as an important marketing point.

Fangmeyer asked the overseers for their advice on a proposal to increase fees 10% for all products and services in FY2017, as fees have remained the same since 2013 or earlier. The overseers recommended that the program use its judgment to increase fees by product or service rather than across the board. They also suggested (1) considering smaller increases over multiple years and (2) increasing fees to the point of becoming net positive.

The overseers also suggested that program to consider whether higher fees, particularly award process fees, might be a disincentive for small organizations and public K–12 school systems.

Baldrige Regional Conferences

Scott Kurtz presented a proposal for changing the model for offering Baldrige Regional Conferences (currently two per year, with revenue shared by the Alliance for Performance Excellence and the Baldrige Foundation, and the Baldrige Program and the Alliance providing the labor). This offering, in which current and past Baldrige Award recipients share their best practices, has a negative margin when revenue distribution to the Alliance is taken into account. To remedy this, and to plan for resource limitations in the coming years, the Baldrige Program proposed that—in place of the Regional Conferences—it co-sponsor or serve as an event partner for some of the conferences of the Baldrige-based state and regional programs that are Alliance members.

Kurtz outlined the goals for this new model and said that explicit conditions for co-sponsorship or partnership for both parties would help ensure financial success.

The overseers expressed approval for the change and asked that the Baldrige Program manage the demand for and ensure the good use of the award recipients that present at the conferences.

Ethics Review

Eric Johnson delivered an ethics briefing for special government employees to the overseers and judges.

New Baldrige-Based Initiatives

Fangmeyer said that the program is involved in two efforts (cybersecurity performance excellence and community performance excellence) that have the potential to dramatically increase the reach of Baldrige.

Jacqueline Calhoun reviewed the program's involvement in the Baldrige Cybersecurity Excellence Program, initiated by NIST Director Willie May and U.S. Chief Information Officer Tony Scott of the Office of Management and Budget, Executive Office of the President. Our collaborator in this effort is NIST's Applied Cybersecurity Division, which in 2014 developed the Framework for Improving Critical Infrastructure Cybersecurity in answer to a presidential executive order to help U.S. organizations improve their cybersecurity risk management.

Calhoun said that the proposed Baldrige Cybersecurity Excellence Program would leverage the cybersecurity framework and the Baldrige Program's systems approach to improvement and organizational assessment to benefit the nation's cybersecurity. It would also increase awareness, interest, and use of the Baldrige Excellence Framework and associated products and services. The program would be voluntary and private-sector driven and supported. Industry participants include Baldrige Award recipients and other prominent U.S. organizations.

In the first phase, the group is developing a self-assessment tool, scheduled for completion and public release by the end of FY2016 and funded by NIST's Information Technology Laboratory. This tool would help organizations (1) put in place a cybersecurity risk management program with all the essential elements, (2) better understand the effectiveness of their cybersecurity risk management efforts and (3) identify opportunities for continuous improvement.

If industry is supportive, Phase 2 would add assessments by independent experts, best practice sharing, and national recognition elements. Key issues to address include the relative value of self-assessment and third-party assessments, recognition, and best-practice sharing; program management; the role, if any, of voluntary recognition and best-practice sharing, considering industry concerns about increasing the risk of becoming a target; and funding beyond Phase 1.

Ellen Garshick introduced the other initiative, Communities of Excellence (COE). The program has signed a memorandum of understanding with COE 2026, a nonprofit organization founded by two former Baldrige recipient CEOs. They believe that the nation will not be able to solve the complex challenges facing many

communities today without a systems approach to community improvement and, therefore, that the nation needs a Baldrige framework designed to help communities achieve excellence. A goal is to establish "communities" as the seventh Baldrige Award category.

Garshick said that the Baldrige Program and COE 2026 have created a draft Community Performance Excellence Framework. COE 2026 has secured the participation of two communities in a two-year pilot of the framework. Following the pilots, the program and COE 2026 will continue to refine the framework, disseminate it to U.S. communities, and develop assessment and recognition elements.

Funding for COE 2026 is provided by the nonprofit and by the Baldrige Program's contribution of staff time. COE has also been helping the Baldrige Foundation in its efforts to secure federal funding for the program. If the Baldrige Program regains federal funding at a sufficient level, the intent is to provide some monetary support to COE.

The overseers noted the relationship of this effort to population health efforts by health care organizations.

Issues from the June 8 Judges Panel Meeting

Laura Huston said that at the June 8 Judges Panel meeting, the judges agreed to implement minor process improvements designed to increase consistency and efficiency. The judges from the health care sector will continue to provide education on health care metrics. In addition, there will be a very brief education sector update.

Huston also said that the judges also had a preliminary discussion on how to approach their workflow depending on the number of site visits. She noted that the judges agreed on the need to trust the process, which remains solid.

Foundation Update

Al Faber said that the Foundation's mission is to make money for the program and support performance excellence around the world. He reviewed a recent accomplishment: the receipt of an in-kind social media grant from IBM;

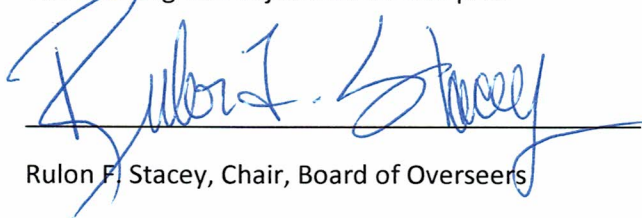
For advocacy, Faber said that the Foundation continues to lobby to restore federal funding for the program, despite a difficult environment. The imperatives now are to (1) seek FY2018 funding for the program, (2) continue to build alliances with government and the private sector, and (3) continue to engage members of Congress in their districts.

For fundraising, Faber noted that the Foundation needs additional time to create a fundraising operation. The Foundation plans events around Baldrige events across the country, such as regional conferences and others. A year-end appeal is also being planned.

As for building the organization, Faber said that the Foundation has a new vice president for marketing and a new development director. He asked the overseers to promote the program, including by identifying potential donors.

The overseers thanked Faber for the Foundation's efforts.

The meeting was adjourned at 2:30 p.m.



Rulon F. Stacey, Chair, Board of Overseers

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Date