

MINUTES

Malcolm Baldrige National Quality Award Board of Overseers Meeting

Baldrige Performance Excellence Program

National Institute of Standards & Technology

December 6, 2016

Attendees

Overseers: Lloyd Barker, Deborah Bowen, Russell Branzell, Bryan Bushick, Bennie Fowler (by teleconference), Julie Furst-Bowe, John Jasinski, Reatha Clark King, Elizabeth Menzer, Robert Pence, Rulon Stacey (chair)

Judge: Laura Huston, Chair of the Judges Panel

NIST: Jamie Ambrosi, Dawn Bailey, Rebecca Bayless, Jacqueline Calhoun, Jacqueline Deschamps, Robert Fangmeyer, Ellen Garshick, Robert Hunt, Gail Lantion, Darren Lowe, Kent Rochford, Christine Schaefer, Phillip Singerman, Suzanne Sullivan, Nancy Young

Baldrige Foundation: Al Faber, President and CEO

Welcome and Introductions

The meeting began at 8:15 a.m. The minutes from the June 11, 2015, meeting of the Board of Overseers and Judges Panel were approved with a correction to the spelling of Bryan Bushick's name.

Report from the Judges Panel

Judges Panel Chair Laura Huston reported that the judges meet three times per year: in June to welcome new judges, review the judging process, and meet with overseers; in August to select applicants to receive site visits; and in November to recommend Baldrige Award recipients. She noted that in 2016, a relatively large number of applicants (15) received site visits.

Huston said that in November, the Judges Panel recommended four organizations to receive the award: Don Chalmers Ford (small business), Momentum Group (small business); Kindred Nursing and Rehabilitation Center—Mountain Valley (health care); and Memorial Hermann Sugar Land Hospital (health care). Six were recommended to receive category best practice recognition: City of Fort Collins (leadership); Kaiser Permanente San Diego (leadership); Maury Regional Medical Center (leadership); Duke University Hospital (leadership and strategy); Park Place Lexus of Texas (customers); and Southern Management Corporation (workforce).

Huston also noted that the Judges Panel is considering a change to the process for selecting health care applicants for site visits. Currently, the judges see blinded scoring data only by sector. In the proposed change, the health care applicants—recently the largest group—would be subdivided into large and small organizations (those with 500 or fewer employees). Huston explained that this would allow the judges to consider small business factors—already built into the process for selecting manufacturing and service businesses—in their selection of health care organizations. The Judges Panel will reach a decision on this change, as well as other process improvements, in June 2017.

Huston thanked the overseers for their participation and guidance during her term as chair of the panel.

The overseers said that the proposed change shows responsiveness to feedback and a fact-based approach to site visit selection that is tailored to the industry. In addition, they recommended that the program continue to plan for a relatively large number of site visits, including ensuring sufficient numbers of qualified site visit monitors and examiners.

Baldrige Program News

Baldrige Program Director Robert Fangmeyer presented the four Baldrige Award recipients and six category best practice honorees for 2016. He noted that three of the four recipients are small organizations, showing the relevance of the Baldrige approach to such organizations, and that the recipients are quite diverse, including the first long-term care recipient, the first from the state of Idaho, the second auto dealership, and a textile distributor.

Fangmeyer reviewed recent honors and initiatives, including the program's selection as a member of the Winners' Circle of the LEAD2017 Leadership Excellence Awards, an annual recognition of the world's best leadership development programs and initiatives; the upcoming release of the *2017–2018 Baldrige Excellence Framework*; pilots of the Baldrige Site Visit Experience (BSVE) and a new regional conference model; and fee increases for 2017. He reported that the BSVE (a collaborative site visit for organizations that apply for the award but do not receive a site visit) was well received and that the program will expand this offering in 2017. The regional conference pilot reduces the program's role, with responsibility for conference management largely in the hands of Alliance programs qualified through selection criteria.

Elizabeth Menzer, chair of the Alliance for Performance Excellence, said that some state programs have a similar offering to the BSVE. She suggested that, as a way to build capability among state programs and capacity for the Baldrige program, the program consider including a state program representative on BSVE teams. The overseers asked about the demand for the service and noted the importance of planning for capacity and having criteria for selecting participants if demand exceeds capacity.

Fangmeyer also reviewed the results of the 2016 Federal Employee Viewpoint Survey, which showed high engagement for Baldrige Program employees, with some indicators at 100% as well as perceptions of resource constraints related to the program's limited funding. Phillip Singerman, Associate Director for Innovation and Industry Services at NIST, noted that the Commerce Department ranks in the upper third of all federal agencies, NIST ranks higher than Commerce, and the Baldrige Program has the highest ranking at NIST. The overseers congratulated the program on the high engagement and the employees on their commitment, particularly in light of the extreme resource constraints facing the program.

Report from the Alliance for Performance Excellence

Menzer explained the history, role, and strategy of the Alliance, which includes more than 30 state, regional, and sector Baldrige-based programs. In 2016, these programs served about 1,000 applicants in a tiered award structure, trained nearly 2,000 examiners, and honored 32 top-level recipients. The current focus of the Alliance is the development of standards for programs, outreach to key sectors, and optimization of resources through regionalization. Fangmeyer noted that all four 2016 award recipients participated in their state programs, as have most Baldrige Award recipients. Menzer also thanked the

Baldrige Program for its support of the Alliance. Fangmeyer said that the program considers the effect of any decision on the Baldrige Enterprise as a whole, including the Alliance.

The overseers applauded the Alliance's efforts to optimize the system of Baldrige-based programs, as it plays a key role in the Baldrige Enterprise as a feeder system for the Baldrige Award and an entry point for organizations. They also noted the importance of Alliance programs' pooling of resources and marketing insights as they try to grow the Baldrige presence across the country. They suggested that connecting different types of organizations, such as associations, across the country, as well as targeting sectors, could be useful to those organizations.

In addition, the overseers noted the role of the Baldrige Program and the Alliance in reminding organizations of the importance of a long-term focus in an era of short tenure for leaders and pressure to prioritize short-term gains.

New Baldrige-Based Initiatives

Jacqueline Calhoun gave an update on the Baldrige Program's cybersecurity initiative. Started by Dr. Willie May, NIST Director, and Tony Scott, U.S. CIO, this program complements the Baldrige Program's work to promote excellence in areas of national need. The goals are to help organizations understand the robustness and effectiveness of their cybersecurity programs and practices, help organizations gauge how cybersecurity efforts align with organizational strategy, emphasize the tracking and use of performance metrics to drive decision making, and aid and encourage effective use of the NIST Cybersecurity Framework.

Calhoun reported that so far, with the help of an industry working group and in partnership with NIST's Applied Cybersecurity Division, the program has developed the draft *Baldrige Cybersecurity Excellence Builder*, a self-assessment tool incorporating the Cybersecurity Framework and the Baldrige systems approach. Interest has been high. After incorporating feedback, as well as updates to the Baldrige framework and the Cybersecurity Framework, the program will release version 1 of the tool in the spring. The April 2017 Quest Conference will feature a cybersecurity track. Future plans, if there is sufficient industry interest, are to establish a voluntary recognition and best-practice-sharing program. Calhoun said that a key issue remains emphasizing the voluntary nature of the program in light of industry concerns about the use of such a tool being mandated by the government and about recognition creating a target for hackers.

The overseers congratulated the program on its efforts in this crucial area. They recommended that the program clearly distinguish the *Baldrige Cybersecurity Excellence Builder*, the Cybersecurity Framework, and the *Baldrige Excellence Framework*, as well as other Baldrige-based tools. They also encouraged the program to accelerate promotion of the Quest Conference events.

Ellen Garshick gave an update on the program's collaboration with Communities of Excellence 2026 (COE26), an independent nonprofit whose objective is to encourage communities to bring a cross-sector, systems approach to improvement. The Baldrige Program supports the effort through staff time to develop and train communities on the Baldrige-based Community Excellence Framework. Two communities are now piloting use of the framework. COE 2026 is also establishing a collaborative of up to 15 communities that would receive training and assistance in applying the framework. Plans include

recognition of high-performing communities by the Baldrige Program, and eventually the establishment of communities as a Baldrige Award sector

The overseers asked about the benefit the program was receiving from involvement in this effort. Fangmeyer said that it has served as a powerful tool for outreach. Al Faber, president and CEO of the Baldrige Foundation, said that it has served as a lever for advocacy and fundraising.

Financial Performance and FY2017 Outlook

Baldrige Program Director Robert Fangmeyer reviewed the five-year trends in the program's operating revenue, as well as margin for FY2016. Overall, operating revenue has more than doubled since FY2012. Fangmeyer reported that the program has been steadily closing the gap between labor costs and operating revenue: since FY2012, labor costs have decreased more than 55%, and revenues have increased nearly 300%. The overseers congratulated the program on its financial results, especially in connection to high employee engagement scores.

Fangmeyer also reported that the program does not have appropriations in the FY2017 federal budget. For that year, the Foundation has committed sufficient funds to ensure program sustainability through FY2017. He noted that the program's priority is to continue increasing revenue and decreasing costs. An approximately 10% price increase in the program's products and services, as approved by the overseers in June 2016, will be one means to do this. Others are funding from the NIST's Manufacturing Extension Partnership to create a cybersecurity self-assessment tool for small manufacturers, as well as the cyber track at the Quest Conference and cost-cutting measures for some products and services. In addition, the program will not do any hiring except where an unfilled position is one that is required by NIST.

The overseers noted, and Fangmeyer agreed, that the program is at a crucial point with regard to balancing the decrease in staffing with the need to increase revenue. Fangmeyer said that the program is working with partners, such as the Alliance for Performance Excellence, to fill shortfalls in staffing.

Fangmeyer said that the Baldrige Program, NIST, and the Baldrige Foundation are currently working to restore the program to the federal budget for FY2018.

The overseers noted that a carryover issue from the June meeting was whether the program should remain at NIST. The overseers stated that they believed that it should, describing it as the ultimate public/private partnership—a good message for the new administration. One question was whether the program would be a victim of its own success at funding itself under austerity. Al Faber, president and CEO of the Baldrige Foundation, said that at this point, the endowment is dropping to an unsustainable point; federal funding would allow the Foundation to rebuild it.

Fangmeyer also said that the program needed to prepare for three possible scenarios in FY2018: (1) partial federal and/or Foundation funding, enabling the program to continue most current services and functions; (2) full federal funding, permitting the program to expand cybersecurity efforts, support the Alliance and Communities of Excellence, appropriately resource current activities, and make the Baldrige Framework freely available; or (3) no federal funding and reduced support from the Baldrige Foundation, which would likely require the program to contract in size, scope, and operations. Planning for all three possibilities is in process.

The overseers asked about the process for inviting president to the ceremony as a means of increasing the program's visibility and possibly the chances of restoring federal funding. Fangmeyer said that the request has already begun through NIST's work with the presidential transition team. Other options are having the vice president attend the ceremony or arranging a White House visit for the award recipients.

Report from the Baldrige Foundation

Al Faber, President and CEO of the Foundation, reported on advocacy and fundraising efforts. In advocacy, the goal is to restore the Baldrige Program to the federal budget and the president's agenda. To that end, he is establishing contact with the transition team, new appointees to the Department of Commerce, and members of Congress on key committees. In fundraising, the Foundation is focusing on the program's cybersecurity initiative as a lever, with the help of Overseer Russ Branzell. Other areas of focus are the Combined Federal Campaign and conference and award ceremony sponsorships.

The overseers offered their assistance, noting that much fundraising is based on personal relationships. They asked Faber for materials that would make it possible for them to approach potential donors.

Recommendations for the NIST Director

Associate Director for Laboratory Programs Kent Rochford expressed support for the Baldrige Program, noting that the new administration presents an opportunity to leverage compelling stories about the impact of Baldrige. After introducing themselves and relating their experience with Baldrige, the overseers presented the following statements and recommendations to Rochford, offering their assistance in carrying them out.


First, the overseers expressed appreciation for NIST's past support. They noted that in spite of Baldrige's role in helping many organizations succeed, and the potential for this to be replicated in all sectors of the U.S. economy, funding was eliminated in 2011, and presidential engagement ceased. The overseers thanked Rochford and NIST for charging the program a low overhead rate to cover space, training facilities, and utilities during this period, and asked that it continue.

Second, the overseers asked that NIST continue its efforts to secure federal funding for the program. In particular, they noted the significance of the program's efforts to improve cybersecurity, a top pressure point in health care and in other sectors of the U.S. economy.

Third, while expressing their disappointment that the current President is the only one in the program's history not to present the Baldrige Award, the overseers asked Rochford to thank NIST Director Willie May for his efforts on the program's behalf with the President and the Secretary of Commerce and to continue these efforts with the incoming administration.

Rochford said the program was one of five key NIST items presented to the presidential transition team. He said that the overseers, as well as Baldrige Award recipients, can supply the human story behind the use of the Baldrige framework. He thanked the overseers for their service and feedback.

The meeting was adjourned at 2:35 p.m.


Rulon F. Stacey, Chair, Board of Overseers

3/9/17
Date