Malcolm Baldrige National Quality Award

Ten Years of Business Excellence for America

National Institute of Standards and Technology
Technology Administration
U.S. Department of Commerce
A
n agency of the U.S. Department of Commerce’s Technology Administration, NIST’s primary mission is to promote U.S. economic growth by working with industry to develop and apply technology, measurements, and standards. It carries out this mission through four interwoven programs:

- a highly visible quality outreach program associated with the Malcolm Baldrige National Quality Award that recognizes continuous improvements in quality management by U.S. manufacturers, service companies, educational organizations, and health care providers.

- Measurement and Standards Laboratories that provide technical leadership for vital components of the nation’s technology infrastructure needed by U.S. industry to continually improve its products and services;

- a rigorously competitive Advanced Technology Program providing cost-shared awards to industry for development of high-risk, enabling technologies with broad economic potential; and

- a grassroots Manufacturing Extension Partnership with a nationwide network of local centers offering technical and business assistance to smaller manufacturers.

In fiscal year 1998, NIST operated on a budget of about $790 million with nearly 3,300 staff members at its sites in Gaithersburg, Md., and Boulder, Colo. News and general information about NIST programs are available at www.nist.gov, or you can call inquiries at 301-975-NIST or email: inquiries@nist.gov.
Since 1988, when the first Malcolm Baldrige National Quality Awards were presented to three companies, the Baldrige National Quality Program, managed by the Commerce Department’s National Institute of Standards and Technology, has grown in stature and impact. Today, the Baldrige program, the award’s criteria for performance excellence, and Baldrige award-winning companies are imitated and admired worldwide. Following are some of the program’s 10-year highlights:

- Called “the single most influential document in the modern history of American business,” more than 1.7 million copies of the Baldrige criteria for performance excellence have been distributed. That number does not include the copies available in books and from state and local award programs or from the World Wide Web.

- For the past four years, a hypothetical stock index, made up of publicly traded U.S. companies that have received the Malcolm Baldrige National Quality Award, has outperformed the Standard & Poor’s 500 by almost 3-to-1.

- With the October 1998 passage of legislation, NIST will establish and manage Baldrige awards for performance excellence for education organizations and health care providers. They will be eligible to apply for the Baldrige award in 1999.

- State and local quality programs—many modeled after the Baldrige program—have grown from fewer than 10 in 1991 to over 50 in 1997. Forty-four states currently have programs, and that number is expected to grow.
Internationally, 42 quality programs are in operation. Most are modeled after the Baldrige program, including one established in Japan in 1996.

Many other organizations, including the United Way, trade associations, government agencies, and companies have created their own award programs based on the Baldrige.

Since 1988, 684 applications have been submitted for the Baldrige award from a wide variety of types and sizes of companies.

Since 1991, applications for state quality awards have grown dramatically each year. In 1991, state programs collectively received 111 applications; in 1997 that number was 974.

Award recipients host more than 350 Baldrige-related visits each year. Since 1988, these sessions have been attended by more than 30,000 people.

Collectively, the award recipients, examiners, and the NIST staff have given more than 50,000 presentations at conferences worldwide.

Since 1988, about 12,000 people have attended the annual Quest for Excellence conference, featuring the year’s Baldrige award recipients.

Over its 10 years, the Baldrige program has trained close to 1,800 examiners. In 1997 alone, the state programs trained more than 2,400 examiners.

The Baldrige program has a 10-year history of solid support from the White House, Congress, and a wide network of organizations in the private sector.
Baldridge National Quality Program

More than 30 years ago, noted American quality leader Joseph M. Juran predicted that a focus on quality would help turn Japan into an economic powerhouse. His warning went unheeded by many industrialized nations, including the United States. But his prediction proved true. By the 1980s, many industry and government leaders in the United States saw the handwriting on the wall: “Get quality or lose the race.”

In 1987, jumpstarting a small, slowly growing U.S. quality movement, Congress established the Malcolm Baldrige National Quality Award and the Baldrige National Quality Program to promote quality awareness, to recognize quality achievements of U.S. companies, and to publicize successful strategies.

Now considered America’s highest honor for business excellence, the Baldrige award is presented annually to U.S. companies by the President of the United States. Awards may be given in each of three categories: manufacturing, service, and small business. The Commerce Department’s National Institute of Standards and Technology (NIST) was selected by Congress to design and manage the Baldrige award and program because of its long-standing role in helping U.S. companies compete, its world-renowned expertise in quality control and assurance, and its reputation as an impartial third party.

While the award is the centerpiece, the broader Baldrige National Quality Program is helping not only award applicants but many other American businesses and organizations become more competitive and higher performers. “The Malcolm Baldrige National Quality Award is playing a vital role in helping the United States gain the edge in a fiercely competitive global marketplace,” said Secretary of Commerce William Daley.

Now, other countries, including Japan, are emulating this American program. In a recent letter to Secretary Daley, the chairman of the newly established Japan Quality Award committee said, “As the Malcolm Baldrige National Quality Award celebrates its first decade, the major contribution that it is making to United States business practices and to the continued vitality and growth of the economy is becoming increasingly clear. The 31 companies recognized with awards provide models of leadership ... both in the United States and overseas.”
But, the competitive race is never ending. More companies worldwide are beginning to understand that quality and performance excellence in all they do is a powerful competitive advantage. To attain and retain market leadership in the next century, U.S. companies will have to be even more flexible and creative, with a long-range view of the future and improvement always in their sights.

The Baldrige program at NIST is well-positioned to act as a focal point and education resource to help American businesses and other organizations respond quickly and effectively to the challenges of the 21st century.

**More Than a Contest, More Than “TQM”**

The Baldrige program is not the latest management “flavor of the month”; nor is it a fad. Celebrating its 10th year, the Baldrige National Quality Program and the award’s performance excellence criteria are recognized worldwide as a powerful way to help any organization improve performance across the board.

In particular, the Baldrige criteria for performance excellence have played a valuable role in helping U.S. organizations improve. Gordon Black, chairman and chief executive officer of Harris/Black International Ltd., recently said the publication containing the Baldrige criteria is “probably the single most influential document in the modern history of American business.”

Seven broad categories make up the criteria: leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management, and business results. Now accepted both in the United States and abroad as the standard for improving performance, the Baldrige criteria provide a clearly marked path toward excellence that any organization can follow. “The criteria are designed to help companies improve their performance and enhance their competitiveness by focusing on two goals: delivering ever
improving value to customers and improving overall organizational performance,” said Harry Hertz, director of the Baldrige National Quality Program at NIST.

They are used by thousands of organizations of all kinds for self-assessment and training and as a tool to develop performance and business processes. More than 1.7 million copies have been distributed since the first edition in 1988, and wide-scale reproduction by companies and electronic access add to that number significantly. A report, Building on Baldrige: American Quality for the 21st Century, by the private-sector Council on Competitiveness, said, “More than any other program, the Baldrige Quality Award is responsible for making quality a national priority and disseminating best practices across the United States.”

Whether they intend to apply or not, many companies assessing their performance against the Baldrige criteria are improving their competitive advantage, productivity, and customer and employee satisfaction and are achieving stronger financial performance and overall business results.

Since a team of outside experts reviews all applications for the award, going through this process brings even greater benefits than self-assessment using the award criteria. To apply, companies must submit details of company processes, business results, achievements, and improvements in answer to questions in the criteria. (Since many applications contain proprietary information, applications are kept confidential.) While there is a fee—$4,500 for large firms and $1,500 for small companies (under 500 employees)—many businesses think the price of applying is well worth the money. All applicants receive 300 to 1,000 hours of review and a detailed feedback report on the company’s strengths and opportunities for improvement from business and quality experts on the award’s mostly private-sector Board of Examiners.

“The application and review process for the award is the best, most cost-effective, and comprehensive business health audit you can get,” said Arnold Weimerskirch, former chair, Baldrige award Panel of Judges, and vice president of quality, Honeywell, Inc.

Just as the Baldrige program urges organizations constantly to improve, the criteria and the program are reviewed annually with that same goal in mind. A wide range of stakehold-
ers—the private-sector award examiners; the business community, including business school leaders; companies that have applied for the award; and members of leading trade and professional associations—provide advice on improvements. As a result, NIST has revised and streamlined the criteria to focus more sharply on overall performance excellence and a full composite of business results as integral parts of today's management practice.

**Achieving the Goal**

“The Baldrige public/private partnership has accomplished more than any other program in revitalizing the American economy,” said Barry Rogstad, president of the American Business Conference and chairman of the Board of Overseers for the Baldrige program, at a congressional hearing in March 1998.

The annual federal investment of about $3 million to help NIST manage the program is leveraged by over $100 million of private-sector contributions, including more than $10 million raised by private industry to help launch and maintain the program and the time and effort volunteered by thousands, largely from the private sector. The 1999 appropriation for the Baldrige National Quality Program is $4.9 million, which includes $1.8 million for new award categories for education and health care.

The cooperative nature of this joint private-sector/government effort is perhaps best captured by the Baldrige program's Board of Examiners. Each year, approximately 300 experts from industry, nonprofit organizations, and governments at all levels, volunteer thousands of hours reviewing applications for the award, conducting site visits, and providing each applicant with an extensive feedback report citing strengths and opportunities to improve. In addition, board members give thousands of presentations on quality improvement, performance excellence, and the Baldrige program. “There is prestige and pride associated with being a Baldrige examiner. You gain external recognition and validation while contributing to a national program that seeks to improve U.S. competitiveness in all sectors,” said Roberto Saco, regional quality officer, American Express TRS Company, and a Baldrige award senior examiner.
The 31 award-winning companies (including one that has won twice) also have taken seriously their charge to be performance improvement advocates, sharing their strategies and serving as role models to thousands of companies and organizations throughout the country and around the world. Their efforts to educate and inform other companies and organizations on the benefits of using the Baldrige performance excellence framework and criteria have far exceeded expectations. To date, the award recipients have given approximately 30,000 presentations, reaching thousands of organizations.

Other private-sector groups that are instrumental to the success of the Baldrige program include the Foundation for the Malcolm Baldrige National Quality Award, a non-profit organization of U.S. companies that raised $10.4 million to endow the award permanently, and the Board of Overseers, a private-sector board that reviews the progress of the program and reports its findings and recommendations to the Secretary of Commerce and the director of NIST. Also, the American Society for Quality, a professional, non-profit association, assists NIST with administering the application review process, preparation of publications, and information transfer.

The award recipients have proven that any U.S. business, large or small, service or manufacturing, in any sector of the economy, can use the performance excellence principles embodied in the Baldrige criteria to improve the way it does business. While the Baldrige improvement process cannot guarantee success, it can lead to outstanding returns, both for individual companies and the country.

Studies by NIST, universities, and government and business organizations have found that incorporating the Baldrige performance excellence concepts pays off in increased productivity, satisfied employees and customers, and improved profitability—both for the companies and investors. “We didn’t apply the [Baldrige] concepts ... to win an award. We did it to win customers. We did it to grow. We did it to prosper,” says Earnest Deavenport, chairman and CEO, Eastman Chemical Company (1993 Baldrige award recipient).

To compete and win in the international arena, U.S. companies are simply going to have to offer products and services that are world-class.

That is the purpose behind this award, and it is a national purpose.

-PRESIDENT GEORGE BUSH
For the fourth year in a row, the hypothetical “Baldrige Index” has outperformed the Standard & Poor’s 500 by almost 2.5-to-1. The “Baldrige Index” is made up of publicly traded U.S. companies that have received the Baldrige award.

In a recent study of 600 quality award-winning firms (Baldrige winners, state award winners, and others) and a control group, professors Vinod Singhal of the Georgia Institute of Technology and Kevin Hendricks of the College of William and Mary found that the award-winning companies significantly outperformed the control group in many aspects of their businesses, including the value of their common stock, operating income, sales, return on sales, and asset growth.

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<th>$ Investment</th>
<th>Value-12/1/97</th>
<th>% Change</th>
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<td>1988-1996 Award Recipients</td>
<td>7,496.54</td>
<td>34,653.41</td>
<td>362.3%</td>
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<tr>
<td>S&amp;P 500</td>
<td>7,496.54</td>
<td>18,613.28</td>
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**Baldrige Around the Country and Around the World**

Working with state and local governments and business groups, NIST has helped build the nodes of a network to spread the Baldrige award philosophy throughout the United States. In 1991, fewer than 10 state and local quality awards existed. Now, 44 states have award programs, and most are modeled closely after the Baldrige award. For many companies, especially smaller firms, these award programs provide education and encouragement, helping them to better understand the concepts of performance excellence before they consider applying for the national Baldrige award. In 1991, state programs collectively received about 110 applications. In 1997, that number climbed to almost 1,000. In the past two years, seven of eight recipients of the Baldrige award have won at the state level.

In becoming a model for programs in the United States and around the world, the Baldrige program has helped put this country at the forefront of global leadership in quality and is helping U.S. companies gain and sustain a competitive edge internationally. More than 40 international quality award programs have been established, most within the past several years. Most resemble the Baldrige program, including one launched by Japan in 1996. Several U.S. companies with overseas operations have won quality awards in Europe, Singapore, Australia, and elsewhere around the world.
Leaders in other sectors vital to the U.S. economy, especially education and health care, increasingly are realizing that they too must adopt the same tough performance excellence standards as business. “The Malcolm Baldrige National Quality Award has stimulated continuous improvement and breakthrough performance in many organizations. The award criteria provide a well-tested approach to help achieve higher levels of excellence. Health care organizations could benefit from applying its rigorous criteria in their efforts to improve quality, lower costs, and better serve patients,” says Robert R. Waller, president and CEO, Mayo Foundation, and a member of the Board of Directors of the Malcolm Baldrige National Quality Award Foundation.

Many organizations, including the Presidential Advisory Commission on Consumer Protection and Quality in the Health Care Industry and the National Commission on the Cost of Higher Education, have recommended that Baldrige award categories be established to include all educational and health care organizations. The state of New Jersey in 1998 passed a law allowing the Baldrige criteria to be used as an alternative to the state’s compliance-oriented monitoring requirements.

With the October 1998 passage of legislation, NIST will establish and manage Baldrige awards for performance excellence for education organizations and health care providers. These organizations will be eligible to apply for the Baldrige award in 1999.

“I am delighted that education and health care organizations now will be full partners in the Baldrige National Quality Program, including applying to receive the Baldrige award and sharing best practices with schools and health care providers around the country,” said Commerce Secretary Daley in announcing the new award categories.

In May 1997, the foundation began a $15 million fund drive to raise an endowment to help NIST establish and manage an award program for these two sectors.
While the Baldrige program has proven that any U.S. company can improve its business performance by investing in the Baldrige performance excellence approach, NIST is putting a special emphasis on strengthening awareness of the Baldrige program and criteria among smaller businesses. As demonstrated by Baldrige award small business winners, these companies can reap great benefits by implementing the Baldrige framework. In recent years, the program has made progress in reaching these smaller companies, but the sheer number demands a greater effort.

One promising way to tap into the nation’s small and mid-sized companies is through the Manufacturing Extension Partnership, another NIST-managed program. NIST’s MEP is a nationwide network of centers providing services to smaller manufacturers in all 50 states and Puerto Rico. Through MEP, manufacturers have access to more than 2,000 manufacturing and business “coaches” whose job is to help firms make changes that lead to greater productivity, increased profits, and enhanced global competitiveness. In surveys of MEP clients, quality management and improvement are among the most requested areas for assistance.

A variety of steps are being taken to reach these smaller firms. A Baldrige expert is working with directors of the locally managed MEP centers to inform and educate them about the benefits for smaller manufacturers. Also, MEP centers are using a Baldrige-based system to evaluate their operations, and several MEP field engineers are members of the award’s Board of Examiners. NIST also is partnering with groups such as the Association of Small Business Development Centers to reach the nation’s smaller businesses.
In large part because of the Baldrige National Quality Program, a common language for performance improvement and a basis for sharing successes and techniques now exist. New networks are being created, many at the state and local levels, to help stimulate interest, and new links are being formed among numerous and diverse organizations.

Yet much remains to be done. During the next decade, NIST and its private-sector Baldrige partners will be working to transform this proven program into a broader effort, spreading its performance excellence tools and discipline throughout many sectors of the economy. The Baldrige program may well be the best leveraged effort in the entire federal government. Extending its capabilities would have enormous positive results for the nation’s economy, competitiveness, and quality of life.

For further information, contact Harry Hertz, director of the Baldrige National Quality Program, or Barry Diamondstone, deputy director, 100 Bureau Drive, Stop 1020, NIST, Gaithersburg, Md. 20899-1020, (301) 975-2036, fax: (301) 948-3716, e-mail: nqp@nist.gov. Information also is available on the Baldrige website at www.quality.nist.gov.

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The Malcolm Baldrige National Quality Award ... offers a vehicle for companies, large and small ... to examine their own approaches to quality. It offers companies a standard with which to compare their own progress to that of the country’s very best.

-PRESIDENT RONALD REAGAN
1988 - 1997

Baldrige Award Recipients

3M Dental Products Division-1997
ADAC Laboratories-1996
Ames Rubber Corporation-1993
AT&T Consumer Communications Services-1994
AT&T Network Systems Group, Transmission Systems Business Unit-1992
AT&T Universal Card Services-1992
Cadillac Motor Car Company-1990
Corning Incorporated, Telecommunications Products Division-1995
Custom Research, Inc.-1996
Dana Commercial Credit Corporation-1996

Eastman Chemical Company-1993
Federal Express Corporation-1990
Globe Metallurgical, Inc.-1988
Granite Rock Company-1992
GTE Directories Corporation-1994
IBM Rochester-1990
Marlow Industries, Inc.-1991
Merrill Lynch Credit Corporation-1997
Milliken & Company-1989
Motorola, Inc.-1988
Solectron Corporation-1997 & 1991
The Ritz-Carlton Hotel Company-1992
Trident Precision Manufacturing, Inc.-1996
Wainwright Industries, Inc.-1994
Wallace Company, Inc.-1990
Westinghouse Electric Corporation, Commercial Nuclear Fuel Division-1988
Xerox Business Services-1997
Xerox Corporation, Business Products and Systems-1989
Zytec Corporation-1991

Xerox Business Services, Malcolm Baldrige National Quality Award Recipient, 1997
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NIST’s National Quality Program Team Members

The Baldrige National Quality Program at NIST oversees all of the Baldrige Quality Award processes and events. The program’s staff of 26 people work on six teams: management team, administrative support/electronic information team, document production team, examiner staff and development team, leverage team, and award process team. Team members can be reached at (301) 975-2036 or by e-mail at nqp@nist.gov. Information on the teams also is available on the World Wide Web at http://www.quality.nist.gov/nqpstaff/nqp-all.htm.