

inal THOUGHTS

Contemplating the themes in this issue

Using the Malcolm Baldrige National Quality Award to Improve Organizational Performance

A. Blanton Godfrey

This article provides historical perspective on the Malcolm Baldrige National Quality Award and also shows how the award can be used by a variety of organizations.

The Foundation

The Malcolm Baldrige National Quality Improvement Act of 1987 was passed by the U.S. Congress to enhance the competitiveness of U.S. businesses. The award program aimed to identify and recognize role-model businesses, establish criteria for evaluating improvement efforts, and disseminate best practices.¹ From the beginning the hope was that by identifying role-model businesses, other organizations would study the best practices and adapt them to improve their organizations.

Perhaps the most pleasant surprise was how quickly the award criteria became a road map or checklist for organizations to improve performance even when they had no intention of applying for a national award or one of the many state quality awards created in the image of the national award. Many organizations began using the criteria for performance improvement, knowing they were ineligible to apply for the award. Some later became eligible when the award was extended to healthcare and education organizations in 1999 and to nonprofit/government organizations in 2005. Many non-U.S. organizations knew they would never be able to apply but found the criteria to provide an outstanding business model.

Some organizations created their own versions of the award criteria adding financial results and proprietary information for internal use that the national award did not require. Others, including the U.S. Air Force and the Veterans Administration Hospitals, created recognition and reward processes based on the criteria and

examination process. These organizational processes had similar goals to the national award process—recognizing outstanding performance, disseminating and sharing best practices, and providing well-established and reviewed criteria for evaluating performance.

There are many reasons why the award criteria became a widely used business model so quickly. Prior to the creation of the award and to this day, there is no lack of business models. Consultants, business school professors, retired successful executives, and authors from many areas pour out new business models on a regular basis. The national quality award criteria had several advantages from the beginning. A large number of people, including leading executives from successful companies, business school professors, and consultants collaborated in creating the original criteria. The National Institute of Standards and Technology (NSIT) oversaw the award process with a heavy hand, allowing few unproven business theories or pet ideas to become part of the criteria. Each year the criteria were updated with input from a wide range of company experts and management consultants, as well as from academics, but mostly from lessons learned during the evaluation and judging process. The award judges were tasked from day one to improve the process and the criteria continuously.

The first-class training programs for examiners and senior examiners incorporated well-designed case studies to reduce examiner variability and create clear understandings of the criteria. Many volunteer examiners brought back valuable experiences to their organizations either to help in formal applications for the award or just for organizational improvement.

For internal improvement, the criteria provided many advantages. Using externally developed

criteria made consensus on review standards and processes easier. The evaluation team could focus on adapting the criteria to their use rather than debating endlessly about what should be evaluated and what weights to give different areas. Well-trained internal or external consultants were available to answer questions, help define the evaluation process, and to assist in the evaluation. The criteria, for the most part, were quite comprehensive, covering areas that many organizations did not consider in previous internal reviews.

Organizations tended to use the award criteria internally in one of three different ways. Some hired outside consultants to perform the entire review. Others used outside consultants as trainers and advisors but used their own people for gathering information and preparing the feedback reports. Still others did everything internally. Each of these different ways has its pluses and minuses.

Outside Evaluation

The fastest way to have a review or evaluation using the award criteria is to hire an outside consulting group with considerable experience using the criteria, skills in asking probing questions and collecting data, and experience in writing well-worded final reports and making presentations to senior management. Experienced outside examiners are able to relate their findings to best practices, justifying the scores with examples of low-, mid-, and outstanding-performing outside organizations. The credibility of such a review can be extremely high, and the comparisons of the organization's performance with high-performing organizations can be shocking.

There are downsides to this approach. The cost usually is high. The examining team may be less experienced than advertised. The external team may have little understanding of the organization's critical business challenges. The comparisons used may be from organizations not in similar lines of business. The biggest disadvantage is that this approach leaves little behind after the final report. The organization will be dependent on another external evaluation the next time it chooses to use the criteria for a self-assessment.

Internal Evaluation With Expert Help

An approach that combines some of the advantages of the external evaluation while reducing some of the disadvantages is to hire an outside team to provide training in the process and to train teams of internal examiners to carry out the interviews and data collection. The external team will usually work closely with the internal team during the analysis of the findings and preparation of the final report and often participate in the presentation of the findings to the senior management team. This last part is often critical. Senior managers may react strongly to low scores by internal examiners and even question their experience in recognizing truly poor performing processes. The external experts can give real examples of what high-scoring organizations' processes and results are, contrasting with what the internal teams discovered.

An obvious advantage to this approach is that well-trained examiners are left behind in the organization, often making external support during the next review cycle less necessary. One of the best ways to use the award criteria is to schedule periodic reviews every two or three years, focusing on the opportunities for improvement, sharing best practices across divisions or operating units, and expanding the use of the evaluations across the entire organization. Many organizations use the external experts to train specific internal expert teams for each of the seven criteria. These teams then train similar teams in each part of the organization as the evaluation is performed.

This approach uses a large number of internal personnel, the training takes extra time, and the variability among examiners during their first examinations may be high. Unless the organization is willing to make long-term assignments, these internal experts may not be available for the next review cycle, thereby losing much of the advantage of the training and experience.

Internal Evaluation

This approach requires the least amount of outside help and works well when the organization has the right people available to learn the criteria, evaluation process, analysis process, and have credibility with senior managers when

presenting the results. This approach often is used by organizations with substantial numbers of examiners who have been trained at the national or state level. Internal evaluations create a number of people who understand the process and can become internal consultants to units and divisions using the criteria findings to improve after the evaluations. Some high-performing organizations have supported their internal examiners' participation on the state or national award evaluation teams, funded their attendance at the National Quest for Excellence® or regional conferences, and created a strong body of internal quality consultants.

The disadvantages are the time it takes for the internal examiners to obtain the skills needed to conduct valuable evaluations, the possibility that their credibility may be questioned by senior managers who receive less than outstanding results, and the cost to support these internal advisors and evaluators with the proper training and access to the best practices discovered in the state and national award programs.

Conclusion

The truth is that I have seen all three approaches work quite well. Using award criteria and evaluation processes internally to improve organizational performance has proven an incredibly valuable tool. The best organizations often modify the scoring, putting more importance on those criteria they feel are closely related to their competitive performance and putting less

weight on those items they feel are less important in their market. It may be far more important to improve an area with a mid-range score in a critical area than to blindly improve a low-range score in a less important area.

References

1. <http://www.nist.gov/baldrige/about/history.cfm>



A. Blanton Godfrey

A. Blanton Godfrey is dean and Joseph D. Moore distinguished university professor in North Carolina State University's College of Textiles. His corporate experience includes serving as chairman and CEO of the Juran Institute and as the head of the quality theory and technology department at AT&T Bell Laboratories. Godfrey contributed to the creation of the Malcolm Baldrige National Quality Award and served as a judge for the first three years of the award. Godfrey has been recognized on many occasions and by many organizations for his outstanding contributions to the science and practice of quality management, including the C. Jackson Grayson Distinguished Quality Pioneer Medal (APQC), the Edwards Medal, and ASQ's Distinguished Service Medal. Godfrey is the founding editor of ASQ's Six Sigma Forum Magazine. He can be reached via email at blanton_godfrey@ncsu.edu.