

2010 HKMA Quality Award - Item Notes for Judging Criteria -

Item notes serve three purposes: (1) to clarify terms or requirements presented in an Item, (2) to give instructions and examples for responding to the Item requirements, and (3) to indicate key linkages to other Items. In all cases, the intent is to help you respond to the Item requirements.

PREFACE: ORGANIZATIONAL PROFILE

P.1 Organizational Description

N1. “Product offerings” and “products” (P.1a[1]) refer to the goods and services that your organization offers in the marketplace. Mechanisms for product delivery to your end-use customers might be direct or through dealers, distributors, collaborators, or channel partners.
Nonprofit organizations might refer to their product offerings as programs, projects, or services.

N2. “Core competencies” (P.1a[2]) refers to your organization’s areas of greatest expertise. Your organization’s core competencies are those strategically important capabilities that are central to fulfilling your mission or provide an advantage in your marketplace or service environment. Core competencies frequently are challenging for competitors or suppliers and partners to imitate and provide a sustainable competitive advantage.

N3. Workforce or employee groups and segments (including organized bargaining units) (P.1a[3]) might be based on the type of employment or contract reporting relationship, location, tour of duty, work environment, family-friendly policies, or other factors.

N4. Customer groups (P.1b[2]) might be based on common expectations, behaviors, preferences, or profiles. Within a group there may be customer segments based on differences and commonalities within the group. Your markets might be subdivided into market segments based on product lines or features, distribution channels, business volume, geography, or other factors that your organization uses to define related market characteristics.

N5. Customer group and market segment requirements (P.1b[2]) might include on-time delivery, low defect levels, safety, security, ongoing price reductions, electronic communication, rapid response, after-sales service, and multilingual services. Stakeholder group requirements might include socially responsible behavior and community service. *For some nonprofit organizations, requirements also might include administrative cost reductions, at-home services, and rapid response to emergencies.*

N6. Communication mechanisms (P.1b[3]) should be two-way and in understandable language, and they might be in person, via e-mail, Web-based, or by telephone. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

N7. *Customers (P.1a[1]) include the users and potential users of your products. In some nonprofit organizations, customers might include members, taxpayers, citizens, recipients, clients, and beneficiaries. Market segments might be referred to as constituencies.*

N8. *Many nonprofit organizations rely heavily on volunteers to accomplish their work. These*

organizations should include volunteers in the discussion of their workforce (P.1a[3]).

N9. For nonprofit organizations, relevant industry standards (P.1a[5]) might include industrywide codes of conduct and policy guidance. The term “industry” is used throughout the Criteria to refer to the sector in which you operate. For nonprofit organizations, this sector might be charitable organizations, professional associations and societies, religious organizations, or government entities—or a subsector of one of these.

N10. For some nonprofit organizations, governance and reporting relationships (P.1b[1]) might include relationships with major agency, foundation, or other funding sources.

P.2 Organizational Situation

N1. Principal factors (P.2a[2]) might include differentiators such as your price leadership, design services, innovation rate, geographic proximity, accessibility, and warranty and product options. For some nonprofit organizations, differentiators also might include your relative influence with decision makers, ratio of administrative costs to programmatic contributions, reputation for program or service delivery, and wait times for service.

N2. Strategic challenges and advantages (P.2b) might relate to technology, products, your operations, your customer support, your industry, globalization, your value chain, and people.

N3. Performance improvement (P.2c) is an assessment dimension used in the Scoring System to evaluate the maturity of organizational approaches and deployment (see pages 66–70). This question is intended to help you and the Baldrige Examiners set an overall context for your approach to performance improvement. Approaches to performance improvement that are compatible with the systems approach provided by the Baldrige framework might include implementing a Lean Enterprise System, applying Six Sigma methodology, using ISO 9000 standards, or employing other process improvement and innovation tools. A growing number of organizations have implemented specific processes for meeting goals in product and process innovation.

N4. Nonprofit organizations frequently are in a very competitive environment; they often must compete with other organizations and with alternative sources for similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.

N5. For nonprofit organizations, the term “business” (P.2b) is used throughout the Criteria to refer to your main mission area or enterprise activity.

1.0 LEADERSHIP (120 pts.)

1.1 Senior Leadership (70 pts.)

N1. Organizational vision (1.1a[1]) should set the context for strategic objectives and action plans, which are described in Items 2.1 and 2.2.

N2. A sustainable organization (1.1a[3]) is capable of addressing current business needs and possesses the agility and strategic management to prepare successfully for its future business and market environment. In this context, the concept of innovation includes both technological and organizational innovation to succeed in the future. A sustainable organization also ensures a safe and secure environment for the workforce and other key stakeholders. An organization's contributions to environmental, social, and economic systems beyond those of its workforce and immediate stakeholders are considered in its societal responsibilities (Item 1.2).

N3. A focus on action (1.1b[2]) considers the strategy, the workforce, the work systems, and the hard assets of your organization. It includes both innovation and ongoing improvements in productivity that may be achieved through eliminating waste or reducing cycle time, and it might use techniques such as Six Sigma and Lean. It also includes the actions to accomplish your organization's strategic objectives.

N4. Your organizational performance results should be reported in Items 7.1–7.6.

N5. *For nonprofit organizations that rely on volunteers to accomplish their work, responses to 1.1b(1) also should discuss your efforts to communicate with and engage the volunteer workforce.*

1.2 Governance and Social Responsibilities (50 pts.)

N1. Societal responsibilities in areas critical to your organization's ongoing marketplace success also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory and legal compliance (including the results of mandated financial audits); reductions in environmental impacts through the use of "green" technology, resource-conserving activities, or other means; or improvements in social impacts, such as the global use of enlightened labor practices, should be reported as Leadership Outcomes (Item 7.6).

N2. Transparency in operations of your governance board (1.2a[1]) should include your internal controls on governance processes. *For some nonprofit organizations, an external advisory board may provide some or all of the governance board functions. For those nonprofit organizations that serve as stewards of public funds, stewardship of those funds and transparency in operations are areas of emphasis.*

N3. Leadership performance evaluation (1.2a[2]) might be supported by peer reviews, formal performance management reviews, and formal or informal workforce and other stakeholder feedback and surveys. *For some nonprofit and government organizations, external advisory boards might evaluate the performance of senior leaders and the governance board.*

N4. Measures or indicators of ethical behavior (1.2b[2]) might include the percentage of independent board members, measures of relationships with stockholder and nonstockholder

constituencies, instances of ethical conduct breaches and responses, survey results on workforce perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. They also might include evidence that policies, workforce training, and monitoring systems are in place with respect to conflicts of interest and proper use of funds.

N5. Areas of societal contributions and community support appropriate for 1.2c might include your efforts to improve the environment (e.g., collaboration to conserve the environment or natural resources); strengthen local community services, education, and health; and improve the practices of trade, business, or professional associations.

N6. The health and safety of your workforce are not addressed in Item 1.2; you should address these workforce factors in Item 5.2.

N7. *Nonprofit organizations should report in 1.2b(1), as appropriate, how they address the legal and regulatory requirements and standards that govern fundraising and lobbying activities.*

N8. *For some charitable organizations, societal contributions and support for key communities (1.2c) may occur totally through the mission-related activities of the organization. In such cases, it is appropriate to respond with any “extra efforts” you devote to support of these communities.*

2.0 STRATEGIC PLANNING (85 pts.)

2.1 Strategy Development (40 pts.)

N1. “Strategy development” refers to your organization’s approach (formal or informal) to preparing for the future. Strategy development might utilize various types of forecasts, projections, options, scenarios, knowledge (see 4.2a for relevant organizational knowledge), or other approaches to envisioning the future for purposes of decision making and resource allocation. Strategy development might involve participation by key suppliers, distributors, partners, and customers. *For some nonprofit organizations, strategy development might involve participation by organizations providing similar services or drawing from the same donor population or volunteer workforce.*

N2. The term “strategy” should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products; redefinition of key customer groups or market segments; new core competencies; revenue growth via various approaches, including acquisitions, grants, and endowments; divestitures; new partnerships and alliances; and new employee or volunteer relationships. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers’ or partners’ markets, a low-cost producer, a market innovator, or a high-end or customized product or service provider. It also might be directed toward meeting a community or public need.

N3. Your organization’s strengths, weaknesses, opportunities, and threats (2.1a[2]) should address all factors that are key to your organization’s future success, including the following, as appropriate: your customer and market requirements, expectations, and opportunities; your opportunities for innovation and role-model performance; your core competencies; your competitive environment and your performance relative to competitors and comparable organizations; your product life cycle; technological and other key innovations or changes that might affect your products and services and how you operate, as well as the rate of that innovation; your workforce and other resource needs; your ability to capitalize on diversity; your opportunities to redirect resources to higher-priority products, services, or areas; financial, societal, ethical, regulatory, technological, security, and other potential risks and opportunities; your ability to prevent and respond to emergencies, including natural or other disasters; changes in the national or global economy; partner and supply chain requirements, strengths, and weaknesses; changes in your parent organization; and other factors unique to your organization.

N4. Your ability to execute the strategic plan (2.1a[2]) should address your ability to mobilize the necessary resources and knowledge. It also should address your organizational agility based on contingency plans or, if circumstances require, a shift in plans and rapid execution of new or changed plans.

N5. Strategic objectives that address key challenges and advantages (2.1b[2]) might include rapid response, customization, co-location with major customers or partners, workforce capability and capacity, specific joint ventures, virtual manufacturing, rapid innovation, ISO quality or environmental systems registration, Web-based supplier and customer relationship management, and product and service quality enhancements. Responses to Item 2.1 should focus on your specific challenges and advantages—those most important to your ongoing success and to strengthening your organization’s overall performance.

N6. Item 2.1 addresses your overall organizational strategy, which might include changes in

product offerings and customer engagement processes. However, the Item does not address product design or customer engagement strategies; you should address these factors in Items 6.1 and 3.1, as appropriate.

2.2 Strategy Deployment (45 pts.)

N1. Strategy and action plan development and deployment are closely linked to other Items in the Criteria. The following are examples of key linkages:

- Item 1.1 for how your senior leaders set and communicate organizational direction;
- Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans;
- Category 4 for measurement, analysis, and knowledge management to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;
- Category 5 for meeting your workforce capability and capacity needs, for workforce development and learning system design and needs, and for implementing workforce-related changes resulting from action plans;
- Category 6 for changes to core competencies, work systems, and work process requirements resulting from your action plans; and
- Item 7.6 for specific accomplishments relative to your organizational strategy and action plans.

N2. Measures and indicators of projected performance (2.2b) might include changes resulting from new ventures; organizational acquisitions or mergers; new value creation; market entry and shifts; new legislative mandates, legal requirements, or industry standards; and significant anticipated innovations in products and technology.

3.0 CUSTOMER FOCUS (85 pts.)

3.1 Customer Engagement (40 pts.)

N1. “Customer engagement” refers to your customers’ investment in your brand and product offerings. Characteristics of engagement include customer retention and loyalty, customers’ willingness to make an effort to do business—and to increase business—with your organization, and customers’ willingness to actively advocate for and recommend your brand and product offerings.

N2. “Product offerings” and “products” refer to the goods and services that you offer in the marketplace. Product offerings (3.1a[1]) should consider all the important characteristics of products and services and their performance throughout their full life cycle and the full “consumption chain.” The focus should be on features that affect customer preference and loyalty—for example, those features that differentiate your products from competing offerings or other organizations’ services. Those features might include price, reliability, value, delivery, timeliness, ease of use, requirements for the use and disposal of hazardous materials, customer or technical support, and the sales relationship. Key product features also might take into account how transactions occur and factors such as customer data privacy and security. Your results on performance relative to key product features should be reported in Item 7.1, and those concerning customer perceptions and actions (outcomes) should be reported in Item 7.2.

N3. The goal of customer support (3.1a[2]) is to make your organization easy to do business with and responsive to your customers’ expectations.

N4. Customer relationship building (3.1b[2]) might include the development of partnerships or alliances with customers.

N5. The customer life cycle (3.1b[2]) begins in the pre-sale period and should include all stages of your involvement with the customer. This might include relationship building, the active business relationship, and an exit strategy, as appropriate.

N6. *For additional considerations on products, customers, and the business of nonprofit organizations, see Item P.1, Notes 1 and 7, and Item P.2, Note 5.*

3.2 Voice of the Customers (45 pts.)

N1. The “voice of the customer” refers to your process for capturing customer-related information. Voice-of-the-customer processes are intended to be proactive and continuously innovative to capture stated, unstated, and anticipated customer requirements, expectations, and desires. The goal is to achieve customer engagement. Listening to the voice of the customer might include gathering and integrating various types of customer data, such as survey data, focus group findings, warranty data, and complaint data that affect customers’ purchasing and engagement decisions.

N2. Customer listening information could include marketing and sales information, customer engagement data, win/loss analysis, and complaint data. “Actionable information” refers to specific aspects of your products and customer interactions that affect customers’ future relationships with your organization.

N3. Determining customer satisfaction and dissatisfaction (3.2b) might include the use of any or all of the following: surveys, formal and informal feedback, customer account histories, complaints, field reports, win/loss analysis, customer referral rates, and transaction completion rates. Information might be gathered on the Web, through personal contact or a third party, or by mail. Determining customer dissatisfaction should be seen as more than reviewing low customer satisfaction scores. Dissatisfaction should be independently determined to identify root causes of dissatisfaction and enable a systematic remedy to avoid future dissatisfaction.

N4. Other organizations providing similar products (3.2b[2]) might include organizations that are not competitors but provide similar products in other geographic areas or to different populations.

4.0 MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT (90 pts.)

4.1 Measurement, Analysis, and Improvement of Organizational Performance (45 pts.)

N1. Performance measurement (4.1a) is used in factbased decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and organizational levels.

N2. Comparative data and information (4.1a[2]) are obtained by benchmarking and by seeking competitive comparisons. “Benchmarking” refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization’s industry. Competitive comparisons relate your organization’s performance to that of competitors and other organizations providing similar products and services.

N3. Organizational performance reviews (4.1b) should be informed by organizational performance measurement, performance measures reported throughout your Criteria Item responses, and performance measures reviewed by senior leaders (1.1b[2]), and they should be guided by the strategic objectives and action plans described in Items 2.1 and 2.2. The reviews also might be informed by internal or external Baldrige assessments.

N4. Analysis (4.1b) includes examining performance trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations. Analysis should support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, analysis draws on all types of data: customer-related, financial and market, operational, and competitive.

N5. The results of organizational performance analysis and review should contribute to your organizational strategic planning in Category 2.

N6. Your organizational performance results should be reported in Items 7.1–7.6.

4.2 Management of Information, Knowledge and Information Technology (45 pts.)

N1. Data and information access (4.2a[2]) might be via electronic or other means.

5.0 WORKFORCE FOCUS (85 pts.)

5.1 Workforce Engagement (45 pts.)

N1. “Workforce” refers to the people actively involved in accomplishing the work of your organization. It includes your organization’s permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. It includes team leaders, supervisors, and managers at all levels. People supervised by a contractor should be addressed in Category 6 as part of your larger work systems. *For nonprofit organizations that also rely on volunteers, “workforce” includes these volunteers*

N2. “Workforce engagement” refers to the extent of workforce commitment, both emotional and intellectual, to accomplishing the work, mission, and vision of the organization.

N3. The characteristics of “high-performance work” environments (5.1a[2] and 5.1a[3]) in which people do their utmost for the benefit of their customers and for the success of the organization are key to understanding an engaged workforce. These characteristics are described in detail in the definition of “high performance work” on page 58.

N4. Compensation, recognition, and related reward and incentive practices (5.1a[3]) include promotions and bonuses that might be based on performance, skills acquired, and other factors. *In some government organizations, compensation systems are set by law or regulation. However, since recognition can include monetary and nonmonetary, formal and informal, and individual and group mechanisms, reward and recognition systems do permit flexibility.*

N5. Your organization may have unique considerations relative to workforce development, learning, and career progression. If this is the case, your response to 5.1b should include how you address these considerations.

N6. Identifying improvement opportunities (5.1c[2]) might draw on your workforce-focused results presented in Item 7.4 and might involve addressing workforce-related problems based on their impact on your business results reported in response to other Category 7 Items.

5.2 Workforce Environment (40 pts.)

N1. “Workforce capability” (5.2a) refers to your organization’s ability to accomplish its work processes through the knowledge, skills, abilities, and competencies of its people. Capability may include the ability to build and sustain relationships with your customers; to innovate and transition to new technologies; to develop new products, services, and work processes; and to meet changing business, market, and regulatory demands. “Workforce capacity” (5.2a) refers to your organization’s ability to ensure sufficient staffing levels to accomplish its work processes and successfully deliver your products to your customers, including the ability to meet seasonal or varying demand levels.

N2. Workforce capability and capacity should consider not only current needs but also future requirements based on your strategic objectives and action plans reported in Category 2.

N3. Preparing your workforce for changing capability and capacity needs (5.2a[4]) might include training, education, frequent communication, considerations of workforce employment and employability, career counseling, and outplacement and other services.

6.0 PROCESS MANAGEMENT (85 pts.)

6.1 Work Systems (35 pts.)

N1. “Work systems” refers to how the work of your organization is accomplished. Work systems involve your workforce, your key suppliers and partners, your contractors, your collaborators, and other components of the supply chain needed to produce and deliver your products and business and support processes. Your work systems coordinate the internal work processes and the external resources necessary for you to develop, produce, and deliver your products to your customers and to succeed in your marketplace.

N2. Your key work processes (6.1b[1]) are your most important internal value creation processes and might include product design and delivery, customer support, supply chain management, business, and support processes. Your key work processes are the processes that involve the majority of your organization’s workforce and produce customer, stakeholder, and stockholder value.

N3. Disasters and emergencies (6.1c) might be weather-related, utility-related, security-related, or due to a local or national emergency, including potential pandemics. Emergency considerations related to information technology should be addressed in Item 4.2.

6.2 Work Process (50 pts.)

N1. To improve process performance (6.2c) and reduce variability, your organization might implement approaches such as a Lean Enterprise System, Six Sigma methodology, use of ISO quality systems standards, the Plan-Do-Check-Act methodology, or other process improvement tools. These approaches might be part of your performance improvement system described in response to P.2c in the Organizational Profile.

N2. The results of improvements in product performance should be reported in Item 7.1. All other work process performance results should be reported in Item 7.5.

7.0 RESULTS (450 pts.)

7.1 Product Outcomes (100 pts.)

N1. Product results reported in this Item should relate to the key product features identified as customer requirements and expectations in P.1b(2), based on information gathered in Items 3.1 and 3.2. The measures or indicators should address factors that affect customer preference, such as those included in Item P.1, Note 5, and Item 3.1, Note 2.

N2. *For some nonprofit organizations, product or service performance measures might be mandated by your funding sources. These measures should be identified and reported in your response to this Item.*

7.2 Customer-Focused Outcomes (70 pts.)

N1. Customer satisfaction, dissatisfaction, relationship building, and engagement results reported in this Item should relate to the customer groups and market segments discussed in P.1b(2) and Category 3 and to the listening and determination methods and data described in Item 3.2.

N2. Measures and indicators of customers' satisfaction with your products relative to customers' satisfaction with competitors and comparable organizations (7.2a[1]) might include information and data from your customers and from independent organizations.

7.3 Financial and Market Outcomes (70 pts.)

N1. Responses to 7.3a(1) might include aggregate measures of financial return, such as return on investment (ROI), operating margins, profitability, or profitability by market segment or customer group. Responses also might include measures of financial viability, such as liquidity, debt-to-equity ratio, days cash on hand, asset utilization, and cash flow. Measures should relate to the financial measures reported in 4.1a(1) and the financial management approaches described in Item 2.2. *For nonprofit organizations, additional measures might include performance to budget, reserve funds, cost avoidance or savings, administrative expenditures as a percentage of budget, and the cost of fundraising versus funds raised.*

N2. *For nonprofit organizations, responses to 7.3a(2) might include measures of charitable donations or grants and the number of new programs or services offered.*

7.4 Workforce-Focused Outcomes (70 pts.)

N1. Results reported in this Item should relate to processes described in Category 5. Your results should be responsive to key work process needs described in Category 6 and to your organization's action plans and human resource or workforce plans described in Item 2.2.

N2. Responses to 7.4a(1) should include measures and indicators identified in response to 5.1c(1).

N3. *Nonprofit organizations that rely on volunteers should include results for their volunteer workforce, as appropriate.*

7.5. Process Effectiveness Outcomes (70 pts.)

N1. Results reported in Item 7.5 should address your key operational requirements as presented in the Organizational Profile and in Items 6.1 and 6.2. Include results not reported in Items 7.1–7.4.

N2. Results reported in Item 7.5 should provide key information for analysis and review of your organizational performance (Item 4.1); demonstrate use of organizational knowledge (Item 4.2); and provide the operational basis for product outcomes (Item 7.1), customer-focused outcomes (Item 7.2), and financial and market outcomes (Item 7.3).

N3. Appropriate measures and indicators of work system performance (7.5a[1]) might include audit, just-in-time delivery, and acceptance results for externally provided products, services, and processes; supplier and partner performance; product, service, and work system innovation rates and results; simplification of internal jobs and job classifications; work layout improvements; changing supervisory ratios; response times for emergency drills or exercises; and results for work relocation or contingency exercises.

7.6 Leadership Outcomes (70 pts.)

N1. Measures or indicators of strategy and action plan accomplishment (7.6a[1]) should address your strategic objectives and goals identified in 2.1b(1) and your action plan performance measures and projected performance identified in 2.2a(6) and 2.2b, respectively.

N2. Responses to 7.6a(2) might include financial statement issues and risks, important internal and external auditor recommendations, and management's responses to these matters. *For some nonprofit organizations, results of IRS 990 audits also might be included.*

N3. Regulatory and legal compliance results (7.6a[3]) should address requirements described in 1.2b. Workforce-related occupational health and safety results (e.g., Occupational Safety and Health Administration [OSHA] reportable incidents) should be reported in 7.4a(4).

N4. For examples of measures of ethical behavior and stakeholder trust (7.6a[4]), see Item 1.2, Note 4.

N5. Responses to 7.6a(5) should address your organization's societal responsibilities discussed in 1.2b(1) and 1.2c(1), as well as support of the key communities discussed in 1.2c(2). Measures of contributions to societal well-being might include reduced energy consumption; the use of renewable energy resources, recycled water, and alternative approaches to conserve resources (e.g., increased audio and video conferencing); and the global use of enlightened labor practices.