

## **The Malcolm Baldrige National Quality Assurance Award**

The Malcolm Baldrige award was a program established in 1987 by congress to raise awareness for the importance of quality. The award is given annually to companies in three different categories. These categories are manufacturing, service and small business. Education and Health Care were added in 1999. Many government and industry leaders understood in the early 1980's that quality would be important for companies to embrace so that they would have continued success in the expanding world markets. Malcolm Baldrige was the secretary of commerce from 1981 to 1987. A strong advocate of quality management, Malcolm Baldrige played a key role in implementing the Reagan administrations trade policy. He was the CEO of a company called Scovill inc. before working for the Reagan administration. While working at Scovill, he transformed it from a brass mill that was in financial difficulty, to a highly successful producer of housing and industrial goods. While an organization can be outside the U.S. and still apply for the award, the division of the organization that is applying must be within the U.S. When companies apply for the Malcolm Baldrige award, they have to go through a rigorous process with many stipulations for entry. An independent board of examiners researches the organization and follows a specific criteria for this evaluation. Most organizations that apply for the award are headquartered in the U.S. The examiners on the Independent board are volunteers, and there are no rules that restrict the members of the board to be hired as consultants for the organization to align their objectives with the award criteria. The criteria evaluation considers two dimensions of the organization. Actual business performance is the basis of 45% of the evaluation, while 55% of the evaluation is based on how the organization is run. The evaluation concerning results is

based on the results that the company keeps on its performance in areas such as financial, customer satisfaction, product and service quality, and supplier performance and productivity. The evaluation based on how the organization is run is measured by rating how the company leads, plans, measures, trains, controls, and processes. All major parts of the business are assessed, and the Baldrige looks for approaches that are continuously evaluated and improved. There are seven areas that are specifically needed for winning the award. These areas include Leadership, Strategic planning, Customer and market focus, Information and analysis, Human resource focus, Process management, and Business results. All aspects of criteria are tied together because it is difficult to place a priority on one area and neglect other areas. All criteria are tied together and will show up one way or another in the final criteria, the "Business results". The first of the seven areas of focus is leadership. This includes the guidance of the organization by senior executives, how the organization takes into account public concerns, and how the organization is involved in the community. In the evaluation of leadership, the Independent board considers if the senior executives are totally committed to the concept of quality. The reason is that this will have an impact on the entire organization and all employees. If the "leaders" of the organization aren't totally committed to the goal, then it would be unreasonable to expect the employees to be totally committed. The next evaluation is Strategic Planning. This includes how the organization sets strategic directions including clear objectives in achieving quality improvement. Key action plans are also included and consist of items that are needed to be implemented to meet the organizations objectives. Customer and market focus consists of how the organization determines requirements of customers and the expectations of the customer and markets.

Information and analysis is how effective the company uses the information available to it, and how this information supports its key processes. The Human Resource focus considers if the organization enables its workforce to develop its full potential and also if the workforce is aligned with the organizations objectives. Process management examines aspects of key production, delivery and support process consisting of design, management, and improvement. The final criterion is Business results. This area emphasizes the organizations performance and improvement in its key business areas. The organizations performance is directly related to how well the organization performs in other areas of criteria. This shows the need for total commitment to improving all aspects of the business. The point values for each of these areas are as follows;

Leadership – 110 points, Strategic planning – 80 points, Customer and market focus – 80 points, Information analysis – 80 points, Human resource development and management – 100 points, Process management – 100 points, Business results – 450 points. If all other factors are aligned with the organizations plans, and the company has a good plan for managing quality, it will show up in the business results, this is the reason for its high point total. Most companies are rejected at the beginning of the process because they could not follow the directions of the application process. The process has three stages of evaluation; the independent review, the consensus review, and the site visit review. During each review, an applicant can be rejected. The MBQNA gives a feedback report to those that fail to qualify for the next review, also, a feedback report goes to the winners. Pat Croce, the current president of the Philadelphia 76'ers, used to own a company called Sports Physical Therapists. His original company competed for the award, and Mr. Croce is quoted as saying “Competing for the award had been

enormously rewarding. The entire company had rallied around a common cause.” Just by competing for the award, SPT improved itself by striving for a common goal. All areas of the business improved not only in the tangible areas like customer satisfaction and business performance, but also in employee morale and pride in the job they were doing. Just by competing for the award, the organization that is striving to win already sees the importance of quality, and has made a conscious decision to strive for excellence in the area of quality. The MBNQA can help an organization by having the entire organization rally around a common goal, by creating clear objectives to improve quality, and the national recognition should the company win the award. The performance of MBNQA winners is undeniable. Business week compared Baldrige winners with the S&P 500 and created the Baldrige index. Winners of the MBNQA outperformed the S&P 500 \$33,185 to \$18,613. This clearly shows the importance of quality improvement and gives tangible results of how winners improve their profitability for investors. In comparison with other awards such as the ISO 9000, the MBNQA stands out, for example, the ISO 9000 covers less than 10% of the MBNQA criteria for judging quality. When applying for an award, the organization cannot be doing so just to win, but needs to buy into the entire philosophy of quality improvement. It is in this way that the organization will get the most benefit. Total quality improvement will show in all aspects of the organization including increased productivity, employee morale, customer satisfaction, and improved profitability. The MBNQA is an extremely useful item for an organization to strive for.

## **Bibliography**

Baldrige National Quality Program. National Institute Of Standards and Technology. 2 April 2001 <<http://www.quality.nist.gov/>>