2021 | 2022

FLORIDA STERLING COUNCIL
"A state of excellence"

GOVERNOR'S STERLING AWARD

and

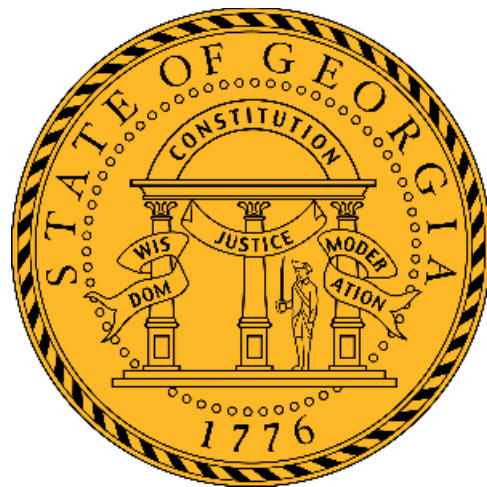# GEORGIA OGLETHORPE AWARD

MANAGEMENT SYSTEM CRITERIA BOOKLET

Florida and Georgia's #1 source for developing, accelerating, and recognizing management performance excellence

BUSINESS | EDUCATION | HEALTHCARE GOVERNMENT | NOT-FOR-PROFIT

AN ORGANIZATIONAL MODEL FOR HIGH PERFORMANCE

FLORIDA STERLING COUNCIL, INC. is a non-profit 501(c)(3) organization focused on improving the performance of Florida and Georgia organizations through qualitative training and assessment processes. These processes are modeled from the evidence-based National Malcolm Baldrige Criteria for Performance Excellence.

In an effort to fully integrate and expand the success of the Southeast in the continued application of these valuable resources, both organizations have agreed to join together and strengthen their alliance through the creation of the
Southeast Partnership for Business Excellence.

With its highly experienced teams, both the Florida Sterling and Georgia Oglethorpe organizations have a combined 50 years of success, and a proven track record of leading organizations to the highest level of performance excellence.

Governor's Sterling
and
Georgia Oglethorpe
Award Criteria

Sterling Criteria for Performance Excellence

Items and Point Values

See the Scoring Guidelines used with the Criteria Items in a Sterling assessment.

P **Organizational Profile**

P.1   Organizational Description

P.2   Organizational Situation

Categories and Items

Point Values

1 **Leadership**   **140**

1.1   Senior Leadership   90

1.2   Governance and Societal Contributions   50

2 **Strategy**   **100**

2.1   Strategy Development   50

2.2   Strategy Implementation   50

3 **Customers**   **100**

3.1   Customer Expectations   50

3.2   Customer Engagement   50

4 **Measurement, Analysis, and Knowledge Management**   **100**

4.1   Measurement, Analysis, and Improvement of   50
Organizational Performance

4.2   Information and Knowledge Management   50

5 **Workforce**   **100**

5.1   Workforce Environment   50

5.2   Workforce Engagement   50

6 **Operations**   **100**

6.1   Work Processes   60

6.2   Operational Effectiveness   40

7 **Results**   **360**

7.1   Product, Service, and Process Results   120

7.2   Customer Results   60

7.3   Workforce Results   60

7.4   Leadership and Governance Results   60

7.5   Financial, Market, and Strategy Results   60

TOTAL POINTS   **1,000**

Sterling Criteria for Performance Excellence

Begin with the Organizational Profile

The Organizational Profile is the most appropriate starting point for self-assessment and for writing an application. It is critically important for the following reasons:

- You can use it as an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, use these topics for action planning.

- It sets the context for understanding your organization and how it operates, and allows you to address unique aspects of your organization in your responses to the Sterling Criteria Questions in Categories 1-7. Your responses to all other questions in the Criteria should relate to the organizational context you describe in this profile.

- It helps you identify gaps in key information about your organization and focus on key performance requirements and results.

P Organizational Profile

The Organizational Profile is a snapshot of your organization, the key influences on how it operates, and your strategic environment.

P.1   Organizational Description: What are your key organizational characteristics?

    a.   Organizational Environment

        (1) Product and Service Offerings: What are your main product and service offerings? What is the relative importance of each to your success? What mechanisms do you use to deliver your products and services?

        (2) Mission, Vision, Values, and Culture: What are your mission, vision, and values? Other than values, what are the characteristics of your organizational culture? What are your organization's core competencies, and what is their relationship to your mission?

        (3) Workforce Profile: What is your workforce profile? What recent changes have you experienced in workforce composition or in your needs with regard to your workforce? What are:

- your workforce or employee groups and segments,

- the educational requirements for different employee groups and segments,

- the key drivers that engage them,

- your organized bargaining units (union representation), if any, and

- your special health and safety requirements, if any?

        (4) Assets: What are your major facilities, equipment, technologies, and intellectual property?

        (5) Regulatory Environment: What are your key applicable occupational health and safety regulations; accreditation, certification, or registration requirements; industry standards; and environmental, financial, and product and service regulations?

    b.   Organizational Relationships

        (1) Organizational Structure: What are your organizational leadership structure and governance system? What structures and mechanisms make up your organization's leadership system? What are the reporting relationships among your governance board, senior leaders, and parent organizations, as appropriate?

        (2) Customers and Stakeholders: What are your key market segments, customer groups, and stakeholder groups, as appropriate? What are their key requirements and expectations for your products and services, customer support services, and operations? What are the differences in these requirements and expectations among market segments, customer groups, and stakeholder groups?

        (3) Suppliers, Partners, and Collaborators: What are your key types of suppliers, partners, and collaborators? What role do they play in producing and delivering your key products and services and customer support services, and in enhancing your competitiveness. What role do these organizations play in contributing and implementing innovations in your organization? What are your key supply-network requirements?

Notes

P. Your response to the Organizational Profile questions are very important. They set the context for understanding your organization and how it operates. Your responses to all other questions in the Sterling Criteria should relate to the organizational context you describe in this profile. Your responses to the Organizational Profile questions thus allow you to tailor your responses to all other questions to your organization's uniqueness.

P.1a(1). Product and service offerings are the goods and services you offer in the marketplace. Mechanisms for delivering products to your customers might be direct or might be indirect, through dealers, distributors, collaborators, or channel partners. *Nonprofit (including government) organizations might refer to their product offerings as programs, projects, or services.*

P.1a(2). If your organization has a stated purpose as well as a mission, you should include it in your response. Some organizations define a mission and a purpose, and some use the terms interchangeably. Purpose refers to the fundamental reason that the organization exists. Its role is to inspire the organization and guide its setting of values.

P.1a(2). Your values are part of your organization's culture. Other characteristics of your organizational culture might include shared beliefs and norms that contribute to the uniqueness of the environment within your organization.

P.1a(2). Core competencies are your organization's area of greatest expertise. They are those strategically important, possibly specialized capabilities that are central to fulfilling your mission or provide an advantage in your marketplace or service environment. Core competencies are frequently challenging for competitors or suppliers and partners to imitate and often preserve your competitive advantage.

P.1a(3). Workforce or employee groups and segments (including organized bargaining units) might be based on type of employment or contract-reporting relationship, location (including remote work), tour of duty, work environment, use of flexible work policies, or other factors. Organizations that also rely on volunteers and interns to accomplish their work should include these groups as part of their workforce.

P.1a(5). In the Criteria, industry refers to the sector in which you operate. Industry standards might include industrywide codes of conduct and policy guidance. *For nonprofit (including government) organizations, this sector might be charitable organizations, professional associations and societies, religious organizations, or government entities—or a subsector of one of these.* Depending on the regions in which you operate, environmental regulations might cover greenhouse gas emissions, carbon regulations and trading, and energy efficiency.

P.1b(1). The Organizational Profile asks for the "what" of your leadership system (its structures and mechanisms). Questions in Categories 1 and 5 ask how the system is used.

P.1b(1). The governance or oversight structure for privately held businesses, nonprofit organizations, and government agencies may comprise an advisory board, a family council, or local/regional leaders who are assembled to provide guidance. *For some nonprofit (including government) organizations, governance and reporting relationships might include relationships with major funding sources, such as granting agencies, legislatures, or foundations.*

P.1b(2). *For some nonprofit (including government) organizations, customers might include members, taxpayers, citizens, recipients, clients, and beneficiaries; and market segments might be referred to as constituencies. For government agencies, the legislature (as a source of funds) may be a key stakeholder.*

P.1b(2). Customer groups might be based on common expectations, behaviors, preferences, or profiles. Within a group, there may be customer segments based on differences, commonalities, or both. You might subdivide your market into segments based on product lines or features, distribution channels, business volume, geography, or other defining factors.

P.1b(2). The requirements of your customer groups and market segments might include on-time delivery; low defect levels; safety; security, including cybersecurity; ongoing price reductions; the leveraging of technology; rapid response; after-sales service; and multilingual services. The requirements of your stakeholder groups might include socially responsible behavior and community service. *For some nonprofit (including government) organizations, these requirements might also include administrative cost reductions, at-home services, and rapid response to emergencies.*

P.1b(2). Customer, stakeholder, and operational requirements and expectations will drive your organization's sensitivity to the risk of product, service, support, and supply network interruptions, including those due to natural disasters and other emergencies.

P.1b(3). Your supply-network consists of the entities involved in producing your products and services and delivering them to your customers. For some organizations, these entities form a chain, in which one entity directly supplies another. Increasingly, however, these entities are interlinked and exist in interdependent rather than linear relationships. The Criteria use the term supply-network to emphasize the interdependencies among organizations and their suppliers.
The following terms are defined for further clarity in the Glossary of Key Terms:

Key, Mission, Vision, Values, Core Competencies, Workforce, Segment, Governance, Senior Leaders, Customer, Stakeholders, Partners, Collaborators, Innovation, Supplier, Supply-Network

P.2 Organizational Situation: What is your organization's strategic situation?

a. Competitive Environment

(1) Competitive Position: What is your relative size and growth in your industry or the markets you serve? How many and what types of competitors do you have?

(2) Competitiveness Changes: What key changes, if any, are affecting your competitive situation, including changes that create opportunities for innovation and collaboration, as appropriate?

(3) Comparative Data: What key sources of comparative and competitive data are available from within your industry? What key sources of comparative data are available from outside your industry? What limitations, if any, affect your ability to obtain or use these data?

b. Strategic Context

What are your key strategic challenges and advantages?

c. Performance Improvement System

What is your performance improvement system, including your processes for evaluation and improvement of key organizational projects and processes?

Notes

P.2a. *Nonprofit organizations must often compete with other organizations and alternative sources of similar services to secure financial and volunteer resources, membership, visibility in appropriate communities, and media attention.*

P.2b. Strategic challenges and advantages might be in the areas of business, operations, societal contributions, and workforce. They might relate to products, finances, organizational structure and culture, emerging technology, digital integration, security and cybersecurity, emerging competitors, changing stakeholder requirements, workforce capability or capacity, brand recognition and reputation, your supply-network, globalization, and the environment and climate. *For some nonprofit (including government) organizations, differentiators might also include relative influence with decision makers, ratio of administrative costs to programmatic contributions, reputation for program or service delivery, and wait times for service.*

P.2c. The Sterling Scoring System uses performance improvement through learning and integration as a factor in assessing the maturity of organizational approaches and their deployment. This question is intended to set an overall context for your approach to performance improvement. The approach you use should be related to your organization's needs. Approaches that are compatible with the overarching systems approach provided by the Sterling framework might include implementing a Lean Enterprise System, applying Six Sigma methodology, using PDCA methodology, using standards from ISO (e.g., the 9000 or 14000 series), or sector-specific standards), using decision science, or employing other improvement tools.

The following terms are defined for further clarity in the Glossary of Key Terms:
Key, Innovation, Performance, Process, Strategic Advantages, Strategic Challenges, Workforce

❶ Leadership (140 Points)

The **Leadership** category asks how senior leaders' personal actions guide and sustain your organization. It also asks about your organization's governance system; and how your organization fulfills its legal, ethical, and societal contributions. When considering deployment of these approaches, also consider how these approaches are deployed to workforce, customers, key suppliers and partners, and other key stakeholders.

1.1 Senior Leadership: How do your senior leaders lead the organization? (90 points)

a. **Vision, Values, and Culture**

(1) **Establishing Vision and Values:** How do senior leaders set and communicate the vision, values, and culture through your leadership system?

How do senior leaders' personal actions reflect commitment to the vision, values, and culture?

How do senior leaders deploy the vision, values, and culture through your leadership system, to the workforce, to key suppliers and partners, and to customers and other stakeholders, as appropriate?

(2) **Promoting Legal and Ethical Behavior:** How do senior leaders' personal actions demonstrate their commitment to legal and ethical behavior in all interactions?

How do they promote, ensure, and measure ethical behavior throughout the organization; and in interactions with the workforce, customers, partners, suppliers, and other stakeholders?

How do they monitor and respond to breaches of ethical behavior?

What are your key processes and measures or indicators for promoting and ensuring ethical behavior in your governance structure; throughout your organization; and in interactions with your workforce, customers, partners, suppliers, and other stakeholders?

b. **Communication**

How do senior leaders communicate with and engage the entire workforce, key partners, and key customers? How do they:

- encourage frank, two-way communication,
- communicate key decisions and needs for organizational change, and
- take a direct role in motivating the workforce toward high performance and a customer and business focus?

c. **Mission and Organizational Performance**

(1) **Creating an Environment for Success:** How do senior leaders create an environment for success now and in the future? How do they:

- create an environment for the achievement of your mission;
- create and reinforce your organizational culture, and a culture that fosters customer and workforce engagement, equity, and inclusion;
- cultivate organizational agility and resilience, accountability, organizational and individual learning, innovation, and intelligent risk taking; and
- participate in succession planning and the development of future organizational leaders?

(2) **Creating a Focus on Action:** How do senior leaders create a focus on action that will improve the organization's performance and achieve the mission? How do senior leaders:

- identify needed actions in setting expectations for organizational performance,
- include a focus on creating and balancing value for customers and other stakeholders, and
- demonstrate personal accountability for the organization's actions?

Notes

1.1. Your organizational performance results should be reported in Items 7.1-7.5. Results related to the effectiveness of leadership and the leadership system should be reported in Item 7.4.

1.1a(1). Your organization's vision should set the context for the strategic objectives and action plans you describe in Items 2.1 and 2.2.

1.1a(2). Senior leaders should have an active role in promoting, ensuring, and monitoring ethical behavior in all interactions with the workforce, customers, partners, suppliers, and stakeholders. Measures or indicators of ethical behavior might include the percentage of independent board members, measures of relationship with stockholder and non-stockholder constituencies, instances of ethical conduct or compliance breaches and responses to them, survey results showing workforce perceptions of organizational ethics, ethics hotline use, and results of ethic reviews and audits. Measures or indicators of ethical behavior might also include evidence that policies, workforce training, and monitoring are in place for conflicts of interest; protection and use of sensitive data, information, and knowledge.

1.1a(2). Measures or indicators of ethical behavior might include the percentage of independent board members, measures of relationships with stockholder and non-stockholder constituencies, instances of ethical conduct or compliance breaches and responses to them, survey results showing workforce perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits. Such measures or indicators might also include evidence that policies, workforce training, and monitoring systems are in place for conflicts of interest; protection and use of sensitive data, information, and knowledge generated through synthesizing and correlating these data; and proper use of funds.

1.1b. Two-way communication may include use of social media, such as delivering periodic messages through internal and external websites, tweets, blogging, and customer and workforce digital forums, as well as monitoring external social media outlets and responding, when appropriate.

1.1b. Senior leaders' direct role in motivating the workforce may include participating in reward and recognition programs.

1.1b. Organizations that rely heavily on volunteers to accomplish their work should also discuss efforts to communicate with and motivating the volunteer workforce.

1.1c(1). A successful organization is capable of addressing current business needs and, by addressing risk, agility, resilience, and strategic opportunities, of preparing for its future business, market, and operating environment. In creating an environment for success, leaders should consider bother external and internal factors. Factors might include risk appetite and tolerance; the need for technological and organizational innovation, including risks and opportunities arising from emerging technology, data integration, and digitization; readiness for disruptions; organizational culture; work systems; the potential need for changes in structure and culture; workforce capability and capacity; resource availability; societal benefit and social equity; and core competencies.

1.1c(1). Promoting equity means ensuring that all customers and workforce members are treated fairly and that all workforce members can reach their full potential. Inclusion refers to promoting the full participation of all workforce members and ensuring a sense of belonging for them.

1.1c(2). Senior leaders' focus on action considers your strategy, workforce, work systems, and assets. It includes taking intelligent risks, implementing innovations, and ongoing improvements in performance and productivity, taking the actions needed to achieve your strategic objectives [see 2.2a(1)], and possibly establishing plans for managing organizational change or responding rapidly to significant new information.

The following terms are defined for further clarity in the Glossary of Key Terms:
How, Senior Leaders, Governance, Vision, Values, Deployment, Leadership System, Workforce, Workforce Engagement, Key, Partners, Customers, Stakeholders, Ethical Behavior, High Performance, Mission, Learning, Innovation, Intelligent Risk, Customer Engagement, Performance, Value, Supplier

1.2 Governance and Societal Contributions: How do you govern your organization and make societal contributions? (50 points)

a. **Organizational Governance**

(1) Governance System: How does your organization ensure responsible governance? How does your governance system review and achieve

- accountability for senior leaders' actions;
- accountability for strategy;
- fiscal accountability;
- transparency in operations;
- selection of governance board members and disclosure policies for them, as appropriate; and
- independence and effectiveness of internal and external audits?

(2) Performance Evaluation: How do you evaluate the performance of your senior leaders and your governance board? How do you use performance evaluations in determining executive compensation?

How do your senior leaders and governance board use these performance evaluations to:

- advance their development,
- improve their own effectiveness as leaders, and
- improve the effectiveness of the leadership system, and the governance board, as appropriate?

b. **Legal and Regulatory Behavior:**

(1) Legal, Regulatory, and Concerns: How do you address current and anticipate future legal, regulatory, and community concerns with your products, services, and operations to:

- address any adverse societal impacts of your products and operations,
- anticipate public concerns with your future products, services, and operation; and
- proactively prepare for these impacts and concerns?

What are your key compliance processes, measures, and goals for meeting and surpassing regulatory and legal requirements as appropriate?

c. **Societal Contributions**

(1) Societal Well Being: How do you incorporate societal well-being and benefit into your strategy and daily operations? How do you contribute to the well-being of your environmental, social, and economic systems?

(2) Community Support: How do you actively support and strengthen your key communities?

How do you identify your key communities and determine areas for organizational involvement?

How do your senior leaders, in concert with your workforce, contribute to improving these communities?

Notes

1.2. Societal contributions in areas critical to your ongoing success should also be addressed in Strategy Development (Item 2.1) and Operations (Category 6). Key societal results should be reported in Leadership and Governance Results (Item 7.4).

1.2. The health and safety of your workforce are not addressed in this Item; you should address these workforce factors in Items 5.1 and 6.2, respectively.

1.2a(1). In protecting stakeholder interests, the governance system should consider and approve appropriate levels of risk for the organization, recognizing the need to accept risk as part of running a successful organization.

1.2a(1). The governance board's review of organizational performance and progress, if appropriate, is addressed in 4.1(b).

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

1.2a(2). The evaluation of leaders' performance might be supported by peer reviews, formal performance management reviews, and formal or informal feedback from surveys of the workforce and other stakeholders. *For some privately held businesses and nonprofit and government organizations, external advisory boards might evaluate the performance of senior leaders and the governance board.*

1.2b(1). Proactively preparing for any adverse societal impacts and concerns may include conservation of natural resources, reducing carbon emissions, and using effective supply-network management processes, as appropriate. *Nonprofit organizations should report, as appropriate, standards for fundraising and lobbying.*

1.2c. *Some charitable organizations may contribute to society and support their key communities totally through the mission-related activities described in response to other Criteria Questions. In such cases, it is appropriate to respond here with any "extra efforts" through which you support these communities.*

1.2c(1). Areas of societal well-being and benefit to report are those that go beyond the compliance processes you described in 1.2b. They might include organizational or collaborative efforts to improve the environment; strengthen local community services, education, health, and emergency preparedness; address societal inequities; and improve the practices of trade, business, or professional associations.

1.2c(2). Areas for organizational involvement in supporting your key communities might include areas that leverage your core competencies.

1.2c(2). Contributions of senior leaders, in concert with its workforce, should also be addressed.

The following terms are defined for further clarity in the Glossary of Key Terms:
How, Governance, Senior Leaders, Effectiveness, Stakeholder Performance, Leadership System, Ethical Behavior, Effective, Key, Processes, Measures and Indicators, Goals, Workforce, Customers, Partners, Core Competencies

❷ Strategy (100 Points)

The **Strategy** category asks how your organization develops strategic objectives and action plans, implements them, changes them if circumstances require, and measures progress. When considering deployment of these approaches, also consider how these approaches are deployed to workforce, customers, key suppliers and partners, and other key stakeholders.

2.1 Strategy Development: How do you develop your strategy? (60 points)

a. **Strategy Development Process**

(1) **Strategic Planning Process**: How do you conduct your strategic planning process, including key process steps?

What are your short- and longer-term planning horizons?

How does your strategic planning process address

- the potential need for change,
- prioritization of change initiatives, and
- organizational agility and resilience?

(2) **Innovation:** How does your strategy development process stimulate and incorporate innovation? How do you identify strategic opportunities?

How do you decide which strategic opportunities are intelligent risks to pursue?

(3) **Strategy Considerations:** How do you collect and analyze relevant data and develop information for use in your strategic planning process?

How do you include these key elements of risk?

- Your Strategic Challenges and Strategic Advantages
- Potential changes and disruptions in your regulatory and external environment
- Technology changes and innovations affecting your products, services, and operations
- Potential blind spots in your strategic planning process and information
- Your ability to execute the strategic plan

(4) **Work Systems and Core Competencies:** How do you decide which key processes will be accomplished by your workforce and which by external suppliers, partners, and collaborators?

How do those decisions consider your strategic objectives, your core competencies; and the core competencies of potential suppliers, partners, and collaborators?

How do you determine what future organizational core competencies and work systems you will need?

b. **Strategic Objectives**

(1) **Key Strategic Objectives:** How does your strategic planning process identify your key strategic objectives and your timetable for achieving them?

What are your organization's key strategic objectives, and goals for achieving them?

(2) **Strategic Objective Considerations:** How do your strategic objectives achieve appropriate balance among varying and potentially competing organizational needs?

How do your strategic objectives

- address your strategic challenges;
- leverage your core competencies, strategic advantages, and strategic opportunities;
- balance short- and longer-term planning horizons; and
- consider and balance the needs of all key stakeholders?

Notes

2.1. This Item deals with your overall organizational strategy, which might include changes in customer engagement processes, and product and service offerings. However, you should describe the customer engagement, product and service design strategies, respectively, in Items 3.2 and 6.1, as appropriate.

2.1. Strategy development refers to your organization's approach to preparing for the future. In developing your strategy, you should consider your level of acceptable risk. To make decisions and allocate resources, you might use various types of forecasts, projections, options, scenarios, knowledge (see 4.2b), analyses, or other approaches to envisioning the future. Strategy development might involve key participants that contribute to, or benefit from your products and services, such as suppliers, collaborators, distributors, partners, customers, workforce, volunteers, stakeholders, etc. *For some non-profit organizations, strategy development might involve organizations providing similar services or drawing from the same donor population or volunteer workforce.*

2.1. The term "strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products and services; redefinition of key customer groups or market segments; definition or redefinition of your role in your business ecosystem (your network of partners, suppliers, collaborators, competitors, customers, communities, and other relevant organizations inside and outside your sector or industry that serve as potential resources); differentiation of your brand; new core competencies; revenue growth; divestitures; mergers and acquisitions; new partnerships, alliances, or roles within them; and new employee or volunteer relationships. It might also be directed toward meeting a community or public need.

2.1a(1). Organizational agility refers to the capacity for rapid change in strategy to adjust your operations as opportunities or needs arise.

2.1a(1). Consideration should be given as to how the strategic planning process addresses the potential need for transformational change and organizational agility and operational flexibility. Organizational agility refers to the capacity for rapid change in strategy. Operational transformation refers to the ability to adjust your operations as opportunities or needs arise as a result of strategic or other changes. Strategic planning should address your ability to mobilize the necessary resources and knowledge to execute the strategic plan. It should also address your ability to execute contingency plans or, if circumstances require, a shift in strategy and rapid execution of new or changed strategic plans.

2.1a(2). Strategic opportunities are prospects for new or changed products and services, processes, business models (including strategic alliances), or market. They arise from outside-the-box thinking, brainstorming, capitalizing on serendipity, research and innovation processes, non-linear extrapolation of current conditions, and other approaches to imagining a different future. The generation of ideas that lead to strategic opportunities stems from an environment that encourages non-directed, free thought. Choosing which strategic opportunities to pursue involves considering relative risk, financial and otherwise, and then making intelligent choices (intelligent risks).

2.1a(3). Integration of data from all sources to generate strategically relevant information is a key consideration. Data and information might relate to customer and market requirements, expectations, opportunities, and risks; financial, societal, ethical, regulatory, technological, security and cybersecurity, and other potential opportunities and risks; your core competencies; the competitive environment and your performance now and in the future relative to competitors and comparable organizations; your product life cycle; workforce and other resource needs; your ability to capitalize on diversity and promote equity and inclusion; your ability to prevent and respond to disasters and emergencies; opportunities to redirect resources to higher-priority products, services, or areas; changes I the local, national, or global economy; requirements for and strengths and weaknesses of your partners and supply-network; changes in your parent organization; and other factors unique to your organization.

2.1a(3). Your strategic planning should address your ability to mobilize the necessary resources and knowledge to execute the strategic plan. It should also address your ability to execute contingency plans or, if circumstances require, to shift strategy and rapidly execute new or changed plans.

2.1a(3). Technologies that continue to drive change in many industries include enhanced automation, the adoption of cloud operations, the use of data analytics, the Internet of Things, artificial intelligence, and large dataset-enabled business and process modeling.

2.1a(4). Your work systems are the coordinated combination of internal work processes and external resources you need to develop and produce products, deliver them to your customers, and succeed in your marketplace. External resources might include partners, suppliers, collaborators, competitors, customers, and other entities or organizations that are part of your business ecosystem. Decisions about work systems involve protecting intellectual property, capitalizing on core competencies, and mitigating risk. These decisions affect organizational design and structure, size, locations, profitability, and ongoing success. In a generic view of an organization, for example, the organization might define three work systems: one that addresses production of the product or service, one that engages the customer, and one that comprises systems that support production and customer engagement.

2.1b(1). Strategic objectives might address rapid response, customization, co-location with major customers or partners, workforce capability and capacity, specific joint ventures, virtual manufacturing, rapid or market- changing innovation, ISO quality or environmental systems registration, societal responsibility actions or leadership, social media and web-based supplier and customer relationship management, and product and service quality enhancements.

2.1b(2). Strategic objectives should focus on your specific challenges, advantages, and opportunities – those most important to your ongoing success and to strengthening your overall performance and your successes now and in the future. Consideration should be given as to how strategies balance short- and longer-term planning horizons and the needs of all key stakeholders.

The following terms are defined for further clarity in the Glossary of Key Terms:
How, Strategic Objectives, Action Plans, Process, Key, Innovation, Strategic Opportunities, Intelligent Risks, Analysis, Strategic Challenges, Strategic Advantages, Work Systems, Core Competencies, Partners, Goals, Customers, Stakeholders, Supplier

2.2 Strategy Implementation: How do you implement your strategy? (40 points)

a. Action Plan Development and Deployment

(1) Action Plans: What are your key short- and longer-term action plans? How do your action plans relate to your strategic objectives?

How do you develop your action plans?

(2) Action Plan Implementation: How do you deploy your action plans to your workforce and to key suppliers, partners, and collaborators, as appropriate, to ensure that you achieve your key strategic objectives?

How do you ensure that you can sustain the key outcomes of your action plans?

(3) Resource Allocation: How do you ensure that financial and other resources are available to support the achievement of your action plans while you meet current obligations?

How do you allocate these resources to support the plans?

How do you manage the risks associated with the plans to ensure your financial viability?

(4) Workforce Plans: How do you develop your key workforce plans to support your short- and longer- term strategic objectives and action plans?

How do the plans address potential impacts on your workforce members and any potential changes in workforce capability and capacity needs?

(5) Performance Measures: What key performance measures or indicators do you use to track the achievement and effectiveness of your action plans?

How does your overall action plan measurement system reinforce organizational alignment?

(6) Performance Projections: For these key performance measures or indicators, how do you use comparisons (performance of competitors, comparable organizations, or benchmarks) in developing performance projections?

b. Action Plan Modification

How do you recognize and respond when circumstances require a shift in action plans and rapid execution of new plans?

Notes

2.2. The development and deployment of your strategy and action plans are closely linked to other Criteria Items. The following are examples of key linkages:
- Item 1.1: how your senior leaders set and communicate organizational direction
- Category 3: how you gather customer and market knowledge as input to your strategy and action plans and to use in deploying action plans
- Category 4: how you measure and analyze data and manage knowledge to support key information needs, support the development of strategy, provide an effective basis for performance measurements, and track progress on achieving strategic objectives and action plans
- Category 5: how you meet workforce capability and capacity needs, determine needs and design your workforce learning and development system, and implement workforce-related changes resulting from action plans
- Category 6: how you address changes to your work processes resulting from action plans
- Item 7.1: specific accomplishments relative to your organizational strategy and action plans
- Item 7.5: results for overall strategy and action plan development

2.2a(2,3). Action plan implementation and deployment may require modifications in organizational structures and resource allocation to achieve key strategic objectives and sustain key outcomes. Management of risks associated with plans should be reviewed to ensure financial viability.

2.2a(6). Projected performance might consider 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 services and technology. Your process for projecting future performance should be reported in 4.1c(1).

2.2b. Circumstances that might require shifts in action plans and rapid execution of new plans include disruptive internal or external events, changes in your competitive environment, changing economic conditions, the emergence of disruptive technologies, and sudden changes in customer requirements and expectations.

The following terms are defined for further clarity in the Glossary of Key Terms:
Action Plans, Deployment, Key, Strategic Objectives, How, Workforce, Workforce Capability, Workforce Capacity, Performance, Measures and Indicators, Effective, Alignment, Performance Projections, Benchmarks, Supplier

❸ Customers (100 Points)

The **Customers** category asks how your organization engages its customers for ongoing marketplace success, including how your organization listens to the Voice-of-the-Customer, serves and exceeds customer expectations, and builds long-term customer relationships.

3.1 Customer Expectations: How do you listen to your customers and determine products and services to meet their needs? (50 points)

a. Customer Listening

(1) Current Customers: How do you listen to, interact with, and observe customers to obtain actionable information?

How do your listening methods vary for different customers, customer groups, or market segments?

How do your listening methods vary across the customer lifecycle?

How do you seek immediate and actionable feedback from customers on quality of products and services, customer support, and transactions?

(2) Potential Customers: How do you listen to potential customers to obtain actionable information?

How do you listen to former customers, competitors' customers, and other potential customers to obtain actionable information on products and services, customer support, and transactions, as appropriate?

b. Customer Segmentation and Product Offerings

(1) Customer Segmentation: How do you determine your customer groups and market segments?

How do you

- use information on customers, markets, and product offerings to identify current and anticipate future customer groups and market segments, and

- determine which customers, customer groups, and market segments to emphasize and pursue for business growth?

(2) Product Offerings: How do you determine product and service offerings?

How do you

- determine customer and market needs and requirements for product offerings and services,

- identify and adapt product and service offerings to meet the requirements and exceed the expectations of your customer groups and market segments, and

- identify and adapt product and service offerings to enter new markets, to attract new customers, and to create opportunities to expand relationships with current customers, as appropriate?

Notes

3.1. Your results on performance relative to key product and service features should be reported in Item 7.1.

3.1. For additional considerations on the products and services and business of non-profit (including government) organizations, see the notes to P.1a(1) and P.2b.

3.1a(1). Your customer listening methods might include social media and web-based technologies. Listening through social media may include monitoring comments on social media outlets you moderate and on those you do not control.

3.1a(1). The customer life cycle begins in the product and service concept or pre-sale period and continues through all stages of your involvement with the customer. These stages might include relationship building, the active business relationship, and an exit strategy, as appropriate.

3.1b(2). In identifying product and service offerings, you 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 customers' preference for and loyalty to you and your brand – for example, unique or innovative features that differentiate them from competing or other organizations' offerings. Those latter features might include price, reliability, value, delivery, timeliness, product customization, ease of use, environmental or social stewardship, customer or technical support, and the sales relationship, ease of transactions, a virtual customer experience, and the privacy and security of customer data.

The following terms are defined for further clarity in the Glossary of Key Term:
How, Customer, Voice-Of-The-Customer, Segment, Customer Engagement, Benchmarks, Supplier

3.2 Customer Engagement: How do you build relationships with customers and determine satisfaction and engagement? (50 points)

a. **Customer Experience**

(1) **Relationship Management:** How do you build and manage customer relationships?

How do you

- acquire customers and build market share,
- manage and enhance your brand image,
- retain customers, meet their requirements, and exceed their expectations in each stage of the customer cycle?

(2) **Customer Access and Support:** How do you enable customers to seek information and support?

How do you enable them to conduct business with you?

What are your key means of customer support and communication? How do they vary for different customers, customer groups, or market segments, as appropriate?

How do you

- determine your customers' key support requirements, and
- deploy these requirements to all people and processes involved in customer support?

(3) **Complaint Management:** How do you manage customer complaints to

- resolve complaints promptly and effectively,
- enable you to recover customer confidence,
- enhance satisfaction and engagement, and
- avoid similar complaints in the future?

(4) **Fair Treatment:** How do your customer experience processes ensure fair treatment for different customer groups and market segments?

b. **Determination of Customer Satisfaction and Engagement**

(1) **Satisfaction, Dissatisfaction, and Engagement:** How do you determine customer satisfaction, dissatisfaction, and engagement?

How do your determination methods differ among your customer groups and market segments, as appropriate?

(2) **Satisfaction Relative to Other Organizations:** How do you obtain information on your customers' satisfaction

- relative to their satisfaction with your competitors, and
- relative to the satisfaction of customers of other organizations that provide similar products or services, or to industry benchmarks, as appropriate?

c. **Use of Voice-of-the-Customer and Market Data**

How do you use Voice-of-the-Customer and market data and information to build a more customer-focused culture and support operational decision making?

Notes

3.2. Results for customer perceptions and actions (outcomes) should be reported in Item 7.2.

3.2a(4). You should ensure that your approaches for managing customer relationships, enabling customers to seek information and support, and managing complaints promote equity and inclusion, and that they do not inadvertently discriminate unfairly or inappropriately against specific customers or customer groups.

3.2b(1). Determining customer dissatisfaction should be seen as more than reviewing low customer satisfaction scores. It should be independently determined to identify root causes and enable a systematic remedy to avoid future dissatisfaction.

3.2b(2). Information on relative satisfaction may include comparisons with competitors, comparisons with other organizations that deliver similar products in a noncompetitive marketplace, or comparisons obtained through trade or other organizations. Such information may also include information on why customers choose your competitors over you.

3.2c. Customer data and information should be used to support the overall performance reviews addressed in 4.1b. Voice-of-the-Customer and market data and information to use might include aggregated data on complaints and, as appropriate, data and information from social media and other web-based or digital sources.

The following terms are defined for further clarity in the Glossary of Key Terms:
Customer, How, Voice-of-the-Customer, Segment, Key, Deployment, Processes, Customer Engagement, Benchmarks

➍ Measurement, Analysis, and Knowledge Management(100 Points)

The **Measurement, Analysis, and Knowledge Management** category asks how your organizations selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets; how it uses review findings to improve its performance; and how it learns.

4.1 Measurement, Analysis, and Improvement of Organizational Performance: How do you measure, analyze, and then improve organizational performance? (50 points)

a. **Performance Measurement**

(1) **Performance Measures:** How do you track (select, collect, align, and integrate) data and information on daily operations and on overall organizational performance?

How do you track progress on achieving strategic objectives and action plans?

(2) **Comparative Data:** How do you select comparative data and information to support fact-based decision making?

(3) **Measurement Agility:** How do you ensure that your performance measurement system can respond to rapid or unexpected organizational or external changes and provide timely data?

b. **Performance Analysis and Review:** How do you review your organization's performance?

How do you use key organizational performance measures, as well as comparative data, in these reviews? What analyses do you perform to support these reviews and ensure that conclusions are valid?

How do your organization and its senior leaders use these reviews to:

- assess organizational success, competitive performance, financial health,
- progress on achieving your strategic objectives and action plans, and
- respond rapidly to changing organizational needs and challenges in your operating environment?

c. **Performance Improvement**

(1) **Future Performance:** How do you project your organization's future performance?

How do you use findings from performance reviews and key comparative and competitive data in your projections?

(2) **Continuous Improvement and Innovation:** How do you use comparative data and findings from performance reviews to develop priorities for continuous improvement and opportunities for innovation?

Notes

4.1. The questions in this Item are closely linked to each other and to other Criteria Items. The following are examples of key linkages:
- Your organizational performance measurement (4.1a) – including the comparative data and information you select, and the performance measures reported throughout your Criteria Item responses – should inform your organizational performance reviews (4.1b).
- Organizational performance reviews (4.1b) should reflect your strategic objectives and action plans (Category 2), and the results of organizational performance analysis and review should inform your strategy development and implementation, and your priorities for improvement and opportunities for innovation (4.1c).
- Your performance projections for your key action plans should be reported in 2.2a(6).
- Your organizational performance results should be reported in Items 7.1-7.5.

4.1a. Data and information from performance measurement should be used to support fact-based decisions that set and align organizational directions and resource use at the work unit, key process, department, and organizational levels.

4.1a(2). The comparative data and information you select should be used to support operational and strategic decision making. Comparative data and information are obtained by benchmarking and by seeking competitive comparisons. Benchmarking is identifying processes and results that represent best practices and performance for similar activities, inside or outside your industry. Competitive comparisons relate your performance to that of competitors and other organizations providing similar products and services.

4.1a(3). Agility in your measurement system might be needed in response to regulatory changes, other changes in the political or societal environment, disaster and emergencies, innovations in organizational processes or business models, new competitor offerings, or productivity enhancements. Responses to such changes might involve, for example, adopting different performance measures or adjusting the intervals between measurements.

4.1b. Review of organizational performance and capabilities includes governance board review of the organization's performance and its progress on strategic objectives and action plans, as appropriate.

4.1b. Performance analysis includes examining performance trends; organizational, industry, and technological projections; and comparisons, cause-effect relationships, and correlations. This analysis should support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, such analysis draws on all types of data: product and service performance, customer-related, financial and market, operational, and competitive. The analysis should also draw on publicly mandated measures, when appropriate, and might also be informed by internal or external Sterling Council assessments. Analysis may involve digital data analytics and data science techniques that detect patters in large volumes of data ("big data") and interpret their meaning.

4.1b. Rapid response to changing organizational needs and challenges may include responding to the need for change in your organizational structure and work systems.

4.1c(1). Your use of information to develop performance projections should include information from multiple sources including internal and external data, industry trends, competitor performance, etc. that may impact organizational performance.

4.1c(2). Priorities for continuous improvement and opportunities for innovation require clear communication and deployment to work groups and functional-level operations, and when appropriate, to your suppliers, partners, and collaborators to ensure organizational alignment.

The following terms are defined for further clarity in the Glossary of Key Terms:
Analysis, How, Knowledge Assets, Performance, Measures, Strategic Objectives, Action Plans, Key, Voice-Of-The-Customer, Customer, Senior Leaders, Work Systems, Governance, Projections, Innovation, Deployment, Partners, Collaborators, Alignment, Supplier

4.2 Information and Knowledge Management: How do you manage your information and your organizational knowledge assets? (50 points)

a. **Data and Information**

(1) **Quality:** How do you verify and ensure the quality of organizational data and information?

How do you manage digital and other data and information to ensure their accuracy and validity, integrity and reliability, and currency?

(2) **Availability:** How do you ensure the availability of organizational data and information?

How do you make needed data and information available in a user-friendly format and timely manner to your workforce, suppliers, partners, collaborators, and customer, as appropriate?

How do you ensure that your information technology systems are reliable and user-friendly?

b. **Organizational Knowledge**

(1) **Knowledge Management:** How do you build and manage organizational knowledge?

How do you

- collect and transfer workforce knowledge,
- blend and correlate data from different sources to build new knowledge,
- transfer relevant knowledge from and to customers, suppliers, partners, and collaborators, and
- assemble and transfer relevant knowledge for use in your innovation and strategic planning processes?

(2) **Best Practices:** How do you share best practices in your organization?

How do you identify internal and external organizational units that are high performing?

How do you identify best practices for sharing and implement them across your organization, as appropriate?

(3) **Organizational Learning:** How do you use your knowledge and resources to embed learning in the way your organization operates?

Notes

4.2a(2). Information technology systems include, for example, physical devices and systems; software platforms and applications; externally based information systems, such as those stored in the cloud or outside your organization's control.

4.2a(2). The security and cybersecurity of your information technology systems are addressed as part of your overall security and cybersecurity in Item 6.2. That system involves managing and reducing risks to operational systems as well as to data and information.

4.2b(1). Building and managing organizational knowledge from different sources may involve handling big data sets and disparate types of structured and unstructured data and information, such as data tables, video, audio, photos, and text. Blending and correlating data may involve using artificial intelligence, digital data analytics, and data science techniques that detect patterns in large volumes of data and interpret their meaning. Using these techniques to make decisions with human consequences requires deploying technology and leveraging data in a way that protects information about organizations and individuals.

4.2b(2). The identification of best practices begins with an understanding of which units within an organization are high performing. This is frequently done through the organization's performance review and analysis processes. Best practice sharing may occur between units performing similar work; however, organizations may also find value in sharing best practices across multiple and disparate units or programs. Ultimately this should lead to an increase in overall organizational knowledge and results. Identification of external, high performing organizational units or operations may provide best practices relevant to organizational learning; and significant, meaningful change.

4.2b(3). Embedding learning in the way your organization operates means that learning (1) is a part of your everyday work; (2) results in solving problems at their source; (3) is focused on building and sharing knowledge throughout your organization; and (4) is driven by opportunities to bring about significant, meaningful change and to innovate.

The following terms are defined for further clarity in the Glossary of Key Terms:
How, Workforce, Partners, Collaborators, Customer, Innovation, Process, High Performance, Learning, Supplier

⑤ Workforce (100 Points)

The **Workforce** category asks how your organization assesses workforce capability and capacity needs and builds a workforce environment conducive to high performance. The category also asks how your organization engages, manages, and develops your workforce to utilize its full potential in alignment with your organization's overall business needs.

5.1 Workforce Environment: How do you build an effective and supportive workforce environment? (50 points)

a. **Workforce Capability and Capacity**

    (1) **Capability and Capacity Needs:** How do you assess your workforce capability and capacity needs?

    How do you assess the skills, competencies, certifications, and staffing levels you need?

    (2) **New Workforce Members:** How do you recruit, hire, and onboard new workforce members?

    How do you ensure

- your workforce represents the diversity of ideas, cultures, and thinking of your hiring and customer communities; and
- the fit of new workforce members with your organizational culture?

    (3) **Workforce Change:** How do you prepare your workforce for changing capability and capacity needs?

    How do you

- balance the needs of your workforce and your organization to ensure continuity, prevent workforce reductions, and minimize the impact of any necessary reductions;
- prepare for and manage periods of workforce growth; and
- prepare your workforce for changes in organizational structure, work systems, and technology, when needed?

    (4) **Work Accomplishment:** How do you organize and manage your workforce to

- capitalize on your organization's core competencies;
- reinforce organizational resilience, agility, and a customer and business focus; and
- exceed performance expectations?

b. **Workforce Climate**

    (1) **Workforce Environment:** How do you ensure workplace health, security, and accessibility for the workforce?

    What are your performance measures and improvement goals for your workplace environmental factors?

    What significant differences are there in these factors and the performance measures or targets for different workplace segments?

    (2) **Workforce Benefits and Policies:** How do you support your workforce via services, benefits, and policies?

    How do you tailor these to the needs of a diverse workforce and different workforce groups and segments?

Notes

5. Results related to workforce environment and engagement should be reported in Item 7.3. People supervised by a contractor should be addressed in categories 2 and 6 as part of your larger work system strategy and your internal work processes. For organizations that also rely on volunteers, workforce includes those volunteers. Workforce approaches should include these volunteers as appropriate to the functions they fulfill in the organization.

5.1 a(1). Your assessment of workforce capability and capacity needs should consider not only current needs, but also future requirements based on the strategic objectives and action plans you identify in Category 2 and the future performance you discuss in 4.1c(1).

5.1a(3). Preparing your workforce for changing capability and capacity needs might include training, education, frequent communication, consideration of workforce employment and employability, career counseling, and outplacement and other services.

5.1a(3), 5.1a(4). The way you organize and manage your workforce may be influenced by changes in your internal and external environment, culture, or strategic objectives.

5.1b(1). If workplace environmental factors and their performance measures or targets differ significantly for your different workplace environments, you should include these differences in your response. You should address workplace safety in Item 6.2 as part of your overall safety system, which also ensures the safety of all other people who may be in your workplace.

5.1b(1). Workplace accessibility maximizes productivity by eliminating barriers that can prevent people with disabilities from working to their potential. A fully inclusive workplace is physically, technologically, and attitudinally accessible.

The following terms are defined for further clarity in the Glossary of Key Terms:
Workforce, Workforce Capability, Workforce Capacity, High Performance, How, Alignment, Customer, Work Systems, Core Competencies, Customer, Performance, Measures, Goals, Segments

5.2 Workforce Engagement: How do you engage your workforce for retention and high performance? (50 points)

a. **Assessment of Workforce Engagement**

(1) **Drivers of Engagement:** How do you determine the key drivers of workforce engagement? How do you determine these drivers for different workforce groups and segments?

(2) **Assessment and Engagement:** How do you assess workforce engagement?

What formal and informal assessment methods and measures do you use to determine workforce satisfaction and workforce engagement?

How do these differ across workforce groups and segments?

How do you also use other indicators to assess and improve workforce engagement?

b. **Organizational Culture:** How do you foster an organizational culture that is characterized by open communication, high performance, and an engaged workforce?

How do you reinforce your organizational culture?

How do you ensure that your organizational culture supports your vision and values, promotes equity and inclusion; and benefits from the diversity of ideas, cultures and thinking of your workforce?

How do you empower your workforce?

c. **Performance Management and Development**

(1) **Performance Management:** How does your workforce performance management system support high performance?

How does it consider workforce compensation, reward, recognition, and incentive practices?

How does it reinforce intelligent risk taking, a customer and business focus, and achievement of your action plans?

(2) **Performance Development:** How does your learning and development system support the personal development of workforce members and your organization's needs?

(3) **Learning and Development Effectiveness:** How do you evaluate the effectiveness and efficiency of your learning and development system?

How do you correlate learning and development outcomes with findings from your assessment of workforce engagement and with key business results?

(4) **Career Development:** How do you manage career development for your workforce and your future leaders?

How do you carry out succession planning for management, leadership, and other key positions?

(5) **Equity and Inclusion:** How do you ensure that your performance management, performance development, and career development processes promote equity and inclusion for a diverse workforce and different workforce groups and segments?

Notes

5.2a(1). Drivers of workforce engagement identified in P.1a(3)] refer to the drivers of workforce members' commitment, both emotional and intellectual, to accomplishing the organization's work, mission, and vision.

5.2a(2). Other indicators to use in assessing and improving workforce engagement might include workforce retention, absenteeism grievances, safety, and productivity.

5.2c(1). *In some government organizations, compensation systems are set by law or regulation; therefore, reward and recognition systems must use other options.*

5.2c(2). Your response should include how you address any considerations for workforce development, learning, and career progression that are unique to your organization. These might include development opportunities that address your organization's core competencies, strategic challenges, ana action plans; organizational change and innovation; improvements in delivering a positive customer experience; and the reinforcement of new knowledge and skills on the job. Your response should also consider the breadth of development opportunities you might offer, including education, training, coaching, mentoring, and work-related experiences.

5.2c(2). Performance development should consider the learning and development desires of workforce members, support organizational performance improvement and intelligent risk taking, and support ethics and ethical business practices.

5.2c(3). Various methods may be used to evaluate learning and development effectiveness. For example, the Kirkpatrick Learning Evaluation model is one such method, and is defined with the following four levels of evaluation:
Level 1: Reaction – Workforce was satisfied with the training, as determined by a post-course survey; a factor contributing to workforce engagement.
Level 2: Learning – Workforce demonstrated they learned the information taught by a post-course examination.
Level 3: Behavior – Workforce demonstrated they could effectively apply the learnings (such as errors decreased, or behaviors changed) through measures and/or management monitoring.
Level 4: Organizational Results – Product quality improved, resulting in increased customer satisfaction and reduced cost per unit produced.
Based on knowledge gleaned by analyzing the feedback from all four levels, the learning and development system can be further improved thus influencing workforce engagement, customer satisfaction and profitability.

The following terms are defined for further clarity in the Glossary of Key Terms:
Workforce Engagement, Performance, How, High Performance, Workforce, Empowerment, Key, Segments, Measures and Indicators, Productivity, Intelligent Risk, Innovation, Customer, Action Plans, Learning, Core Competencies, Strategic Challenges, Effective, Result

⑥ Operations (100 Points)

The **Operations** category asks how your organization designs, manages, improves, and innovates its products, services, and work processes; and improves operational effectiveness to deliver customer value and achieve ongoing organizational success.

6.1 Work Processes: How do you design, manage, and improve your key products, services, and work processes? (60 points)

   a. **Product, Service, and Process Design**

      (1) Determination of Product, Service, and Process Requirements: How do you determine key product and service, and work process requirements?

      (2) Key Work Processes: How do you determine your key work processes?

      What are your organization's key work processes?

      What are the key requirements for these work processes?

      (3) Design Concepts: How do you design your products, services, and work processes to meet requirements?

      How do you incorporate

- new technology,
- organizational knowledge,
- product and service excellence,
- customer value,
- consideration of risk, and
- the potential need for agility into these products, services, and processes?

   b. **Process Management and Improvement**

      (1) Process Implementation: How does your day-to-day operation of work processes ensure that they meet key process requirements?

      What key performance measures or indicators, and in-process measures do you use to control and improve your work processes?

      How do these measures relate to end-product quality and performance measures?

      (2) Support Processes: How do you determine your key support processes?

      What are your key support processes?

      How does your day-to-day operation of these processes ensure that they meet key business requirements?

      (3) Product, Service, and Process Improvement: How do you improve your work processes and support processes to

- improve products and services,
- improve process performance,
- enhance your core competencies, and
- reduce variability?

c. **Supply-Network Management:** How do you manage your supply network?

How do you select suppliers that

- are qualified and positioned to meet your operational needs,
- enhance your performance,
- support your strategic objectives, and
- enhance your customers' satisfaction?

How do you

- promote alignment and collaboration within your supply network;
- ensure supply-network agility and resilience in responding to changes in customer, market, and organizational requirements;
- communicate performance expectations;
- measure and evaluate suppliers' performance;
- provide feedback to help them improve; and
- deal with poorly performing suppliers?

d. **Management of Opportunities for Innovation:** How do you pursue your identified opportunities for innovation?

How do you pursue the strategic opportunities that you determine are intelligent risks?

How do you make financial and other resources available to pursue these opportunities?

How do you decide to discontinue pursuing opportunities at the appropriate time?

Notes

6.1. The results of improvement in product, service, and process performance should be reported in Item 7.1.

6.1a(3). Process design also includes the need to extensively redesign a process due to changes in requirements or technology, or the need to incorporate digital technology, such as enhanced automation, the Internet of Things, artificial intelligence, and cloud operations. Agility may be needed when work processes need to change as a result of overall work system changes, such as bringing a supply-network product or process inhouse to avoid disruptions in supply due to unpredictable external events, or outsourcing a product or process formerly carried out inhouse.

6.1b(2). Your key support process should support your value-creation processes. They might include processes that support leaders and other workforce members engaged in, for example, product and service design and delivery, customer interactions, and business and enterprise management. Examples might include accounting and purchasing.

6.1b(3). Your approaches to improve process performance and reduce variability should be part of the performance improvement system you describe in P.2c in the Organizational Profile.

6.1c. To ensure that suppliers are positioned to meet operational needs and enhance your performance and your customers' satisfaction, you might partner with suppliers or form alliances among multiple organizations within the supply network for mutual benefit. Communication of expectations and feedback to suppliers should be two-way, allowing suppliers to express what they need from you and other organizations within the supply network. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

6.1 d. Your process for managing opportunities for innovation should capitalize on strategic opportunities identified as intelligent risks in 2.1a(2). It should also include other intelligent risks, such as those arising from your performance reviews [4.1c(2)], your knowledge management approaches (4.2b), and other sources of potential innovations.

The following terms are defined for further clarity in the Glossary of Key Terms:
How, Effective, Effectiveness, Customer, Value, Process, Key, Work Processes, Measures and Indicators, Performance, Core Competencies, Innovation, Strategic Opportunities, Strategic Objectives, Alignment, Intelligent Risks, Supplier, Supplier Network

6.2 Operational Effectiveness: How do you ensure effective management of your operations? (40 points)

a. **Process Efficiency and Effectiveness:** How do you manage the cost, efficiency, and effectiveness of your operations?

How do you:

- incorporate cycle time, productivity, and other efficiency and effectiveness factors into your work processes,
- prevent defects, service errors, and rework,
- minimize the costs of inspections, tests, and process or performance audits, as appropriate, and
- balance the need for cost control and efficiency with the needs of your customers?

b. **Security and Cybersecurity:** How do you ensure the security and cybersecurity of sensitive or privileged data and information and of key assets?

How do you manage physical and digital data, information, and key operational systems to ensure confidentiality and only appropriate physical and digital access?

How do you:

- maintain your awareness of emerging security and cybersecurity threats,
- ensure that your workforce, customers, partners, and suppliers understand and fulfill their security and cybersecurity roles and responsibilities,
- identify and prioritize key information technology and operational systems to secure, and
- protect these systems from potential cybersecurity events, detect cybersecurity events, and respond to and recover from cybersecurity incidents?

c. **Safety, Business Continuity, and Resilience**

(1) **Safety:** How do you provide a safe operating environment for your workforce and other people in your workplace?

How does your safety system address accident prevention, inspection, root-cause analysis of failures, and recovery?

(2) **Business Continuity and Resilience:** How do you ensure that your organization can anticipate, prepare for, and recover from disasters, emergencies, and other disruptions?
How do you consider risk, prevention, protection, continuity of operations, and recovery in the event of disruptions?
How do you take into account customer and business needs, and your reliance on workforce, supply-network, partners, and information systems?

Notes

6.2a. Process effectiveness and efficiency should consider methods to minimize warranty costs and customers' productivity losses.

6.2b. For examples of what your information technology systems might include, see the note to 4.2a(2).

6.2b. Managing cybersecurity includes protecting against the loss of sensitive information about employees, customers, and organizations; protecting assets, including intellectual property; and protecting against the financial, legal, and reputational aspects of breaches. There are many sources for general and industry-specific cybersecurity standards and practices.

6.2c(2). Disasters and emergencies might be short- or longer-term and might be related to weather, climate, utilities, security, or a local or national health, or other emergency. The extent to which you prepare for such events will depend on your organization's environment and its sensitivity to short- or longer-term disruptions of operations. Acceptable levels of risk will vary depending on the nature of your products, services, supply-network, and stakeholder needs and expectations.

The following terms are defined for further clarity in the Glossary of Key Terms:
Process, Effective, How, Cycle Time, Key, Workforce, Productivity, Work Processes, Customer, Performance, Analysis, Partners, Supplier, Supply Network

⑦ Results (360 Points)

The **Results** category asks about your organization's performance and improvement in all key areas – product, service, and process results; customer results; workforce results; leadership and governance results; and financial, market, and strategy results.

7.1 Product, Service, and Process Results: What are your product and service performance, and process effectiveness results? (120 points)

a. **Customer-Focused Product and Service Results:** What are your results for your products and services, and your customer service processes?

What are your results for key measures or indicators of the performance of products and services that are important to and directly serve your customers?

How do these results differ by product offerings, customer groups, and market segments, as appropriate?

b. **Work Process Effectiveness Results**

(1) **Process Effectiveness and Efficiency:** What are your process effectiveness and efficiency results?

What are your results for key measures or indicators of the operational performance of your key work and support processes, including productivity, cycle time, and other appropriate measures of process effectiveness, efficiency, security and cybersecurity, and innovation?

How do these results differ by process types, as appropriate?

(2) **Safety and Emergency Preparedness:** What are your safety and emergency preparedness results?

What are your results for key measures or indicators of the effectiveness of your organization's safety system and its preparedness for disasters and emergencies, and other disruptions?

How do these results differ by location or process type, as appropriate?

c. **Supply-Network Management Results:** What are your results for key measures or indicators of the performance of your supply network, including its contribution to enhancing your performance?

Notes

7. There is not a one-to-one correspondence between Results Items and Criteria Categories 1-6. Results should be considered systemically, with contributions to individual Results Items frequently stemming from processes in more than one Criteria Category.

The Scoring System asks for current, trended, comparative, and segmented data, as appropriate, to provide key information for analyzing and reviewing your organizational performance (Item 4.1), to demonstrate use of organizational knowledge (Item 4.2), and to provide the operational basis for customer-focused results (Item 7.2) and financial, market, and strategy results (Item 7.5).

In a few areas, your results may be qualitative in nature or not amenable to trending over time. Some examples are results for governance accountability, training hours for suppliers on new products or processes, and results for limited or one-time projects or processes.

Comparative data and information are obtained by benchmarking (inside and outside your industry, as appropriate) and by seeking competitive comparisons. In a few cases, such as results for projects or processes that are unique to your organization, comparative data may not be available or appropriate.

7.1a. Results for your products and services, and customer service processes should relate to the key customer requirements and expectations, you identify in P.1b(2), which are based on information gathered through processes you describe in Category 3. The measures or indicators should address factors that affect customer preference, such as those listed in the notes to P.1b(2) and 3.1b.

7.1a. *For some non-profit (including government) organizations, funding sources might mandate product and service performance measures. These measures should be identified and reported here.*

7.1b. Results should address the key operational requirements you identify in the Organizational Profile and in Category 6.

7.1b. Appropriate measures and indicators of work process effectiveness might include defect rates; rates and results of product, service, and work system innovation; results for simplification of internal jobs and job classifications; waste reduction; work layout improvements; changes in supervisory ratios; Occupational Health and Safety Administration (OSHA) reportable incidents; measures or indicators of the success of emergency drills or simulations, such as cycle time, containment, and meeting of standards; and results for work relocation or contingency exercises.

7.1c. Appropriate measures and indicators of supply-network performance might include supplier and partner audits; just-in- time delivery; and acceptance results for externally provided products, services, and processes. Measures and indicators of contributions to enhancing your performance might include those for improvements in sub-assembly performance and in supplier services to customers.

The following terms are defined for further clarity in the Glossary of Terms:
Results, Performance, Key, Process, Customer, Workforce, Governance, Measures and Indicators, Customer, Segment, Effective, Work Processes, Productivity, Cycle time, Supplier, Supplier Network

7.2   Customer Results: What are your customer-focused performance results? (60 points)

a.   **Customer-Focused Results**

(1)   **Customer Satisfaction:** What are your customer satisfaction and dissatisfaction results?

What are your results for key measures or indicators of customer satisfaction and dissatisfaction?

How do these results differ by product and service offerings, customer groups, and market segments, as appropriate?

(2)   **Customer Engagement:** What are your customer engagement results?

What are your results for key measures or indicators of customer engagement, including those for building customer relationships?

How do these results compare over the course of your customer lifecycle, as appropriate?

How do these results differ by product and service offerings, customer groups, and market segments, as appropriate?

Notes

7.2. Results for customer satisfaction, dissatisfaction, and engagement should relate to the customer groups and market segments you identify in P.1b(2) and the listening and determination methods you report in Category 3.

The following terms are defined for further clarity in the Glossary of Key Terms:
Customer, Results, Key, Measures and Indicators, Segment, Customer Engagement

7.3 Workforce Results: What are your workforce-focused performance results? (60 points)

a. **Workforce-Focused Results**

(1) **Workforce Capability and Capacity:** What are your workforce capability and capacity results?

What are your results for key measures of workforce capability and capacity, including appropriate skills and staffing levels?

How do these results differ by the diversity of your workforce and by your workforce groups and segments, as appropriate?

(2) **Workforce Climate:** What are your workplace climate results?

What are your results for key measures or indicators of your workplace climate, including those for workforce health, security, accessibility, and services and benefits, as appropriate?

How do these results differ by the diversity of your workforce and by your workforce groups and segments, as appropriate?

(3) **Workforce Engagement:** What are your workforce engagement results?

What are your results for key measures or indicators of your workforce satisfaction and workforce engagement?

How do these results differ by the diversity of your workforce and by your workforce groups and segments, as appropriate?

(4) **Workforce Development:** What are your workforce and leader development results?

What are your results for key measures or indicators of workforce and leader development?

How do these results differ by the diversity of your workforce and by your workforce groups and segments, as appropriate?

Notes

7.2. Results reported in this Item should relate to the processes, measures, and indicators you report in Category 5. Your results should also respond to the key work process needs you report in Category 6 and to the action plans and workforce plans you report in Item 2.2. Organizations that rely on volunteers or interns should report results for them, as appropriate.

The following terms are defined for further clarity in the Glossary of Key Terms:
Workforce, Results, Workforce Capability, Workforce Capacity, Key, Measures and Indicators, Diversity, Segment, Workforce Engagement

**7.4   Leadership and Governance Results: What are your senior leadership and governance results?
(60 points)**

a.   **Leadership, Governance, and Societal Contribution Results**

(1)   **Leadership:** What are your results for senior leaders' communication and engagement with the workforce, partners, and customers?

What are your results for key measures or indicators of senior leaders' communication and engagement with the workforce, partners, and customers to deploy your vision and values, encourage two-way communication, cultivate innovation and intelligent risk taking, and create a focus on action?

How do these results differ by organizational units and customer groups, as appropriate?

(2)   **Governance:** What are your results for governance accountability?

What are your results for key measures or indicators of governance and internal and external fiscal accountability, as appropriate?

(3)   **Law and Regulation:** What are your legal and regulatory results?

What are your results for key measures or indicators of meeting or surpassing regulatory and legal requirements? How do these results differ by organizational units, as appropriate?

(4)   **Ethics:** What are your results for ethical behavior?

What are your results for key measures or indicators of ethical behavior, breaches of ethical behavior, and stakeholder trust in your senior leaders and governance?

How do these results differ by organizational units, as appropriate?

(5)   **Society:** What are your results for societal well-being and support for your key communities?

What are your results for key measures or indicators of your societal contributions and support of your key communities?

Notes

7.4. Responses should relate to the communication processes you identify in Item 1.1 and the governance, legal and regulatory, ethics, and societal contribution processes and measures you report in Item 1.2. Workforce-related occupational safety and health results (e.g., OSHA-reportable incidents) should be reported in 7.1b(2) and 7.3a(2).

7.4a(2). Responses might include financial statement issues and risks, important internal and external auditor recommendations, and management's responses to these matters. Some nonprofit organizations might also report results of the IRS 990 audits.

7.4a(4). For examples of measures of ethical behavior and stakeholder trust, see the note to 1.2b(2).

7.4a(5). Measures of contributions to societal well-being might include those for reduced energy consumption, the use of renewable energy resources and recycled water, reduction of your carbon footprint, waste reduction and utilization, alternative approaches to conserving resources (e.g., increased virtual meetings), and the global use of enlightened labor practices.

The following terms are defined for further clarity in the Glossary of Key Term:
Governance, Results, Senior Leaders, Workforce, Customer, Key, Measures and Indicators, Vision, Values, Ethical Behavior

7.5 Financial, Market, and Strategy Results: What are your results for financial viability and strategy implementation? (60 points)

a. **Financial and Market Results**

    (1) Financial Performance: What are your financial performance results?

        What are your results for key measures or indicators of financial performance, including aggregate measures of financial return, financial viability, and budgetary performance, as appropriate?

        How do these results differ by market segments and customer groups, as appropriate?

    (2) Marketplace Performance: What are your marketplace performance results?

        What are your results for key measures or indicators of marketplace performance, including market share or position, market and market share growth, and new markets entered, as appropriate?

        How do these results differ by market segments and customer groups, as appropriate?

b. **Strategy Implementation Results:** What are your results for the achievement of your organizational strategy and action plans?

    What are your results for key measures or indicators of the achievement of your organizational strategy and action plans?

    What are your results for taking intelligent risks?

Notes

7.5a. Results should relate to the financial measures you report in 4.1a(1) and the financial management approaches you report in Item 2.2.

7.5a(1). Aggregate measures of financial return might include those for return on investment (ROI), operating margins, profitability; or profitability by market segment or customer group. Measures of financial viability might include those for liquidity, debt-to-equity ratio, days cash on hand, asset utilization, and cash flow. *For nonprofit (including government) organizations, measures of performance to budget might include additions to or subtractions from reserve funds; cost avoidance or savings; responses to budget decreases; lowering of costs to customers or return of funds as a result of increased efficiency; administrative expenditures as a percentage of budget; and the cost of fundraising versus funds raised.*

7.5a(2). *For non-profit organizations, responses might include measures of charitable donations or grants and the number of new programs or services offered.*

7.5b. Measures or indicators of strategy and action plan achievement should relate to the strategic objectives and goals you report in 2.1b(1), the elements of risk you report in 2.1a(3), and the action plan performance measures and projected performance you report in 2.2a(5) and 2.2a(6), respectively.

The following terms are defined for further clarity in the Glossary of Key Terms:
Results, Performance, Key, Measures and Indicators, Segment, Customer
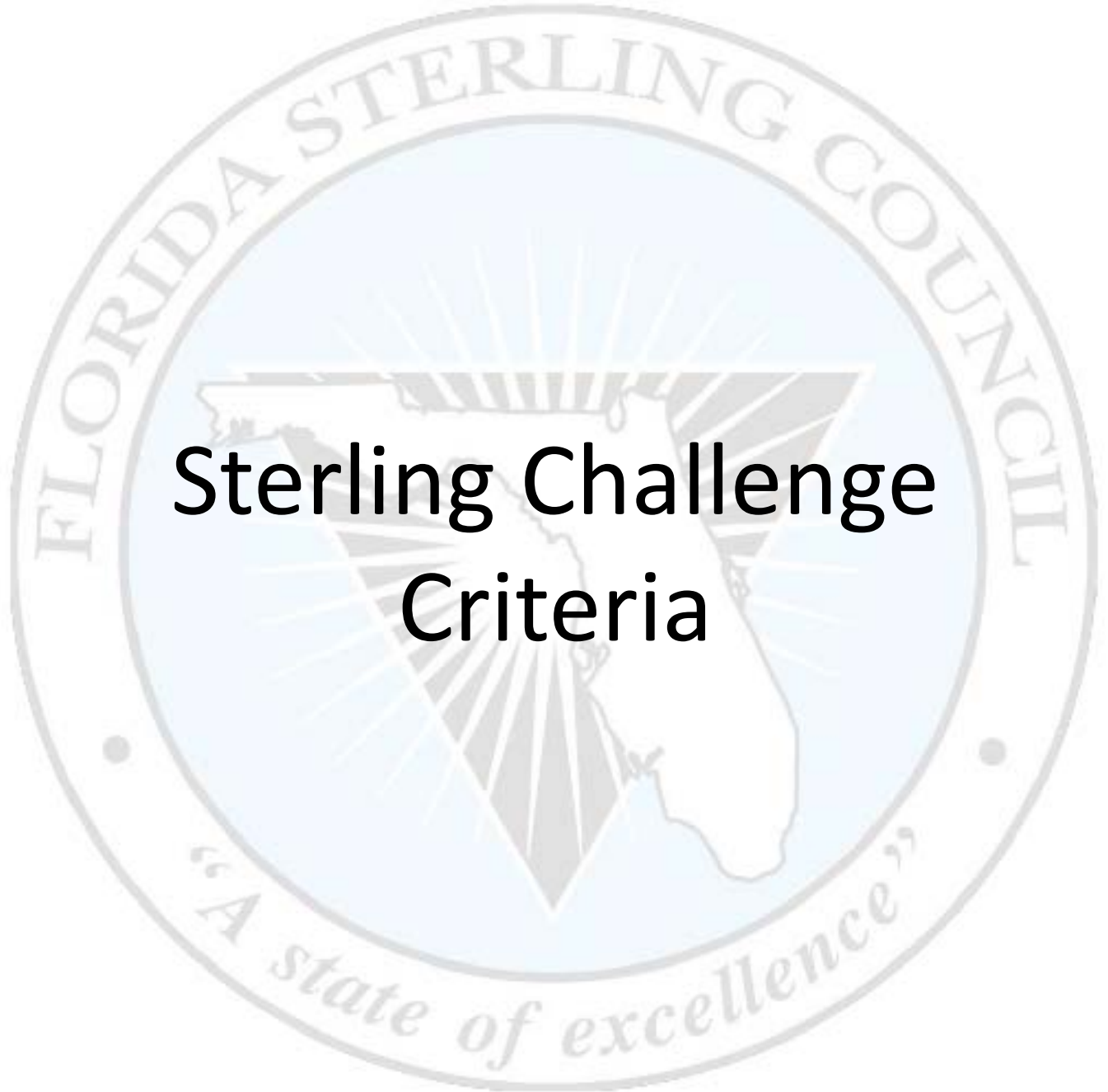
Sterling Challenge Criteria

Sterling Challenge Criteria

1 Leadership

The **Leadership** category asks how senior leaders' personal actions guide and sustain your organization. It also asks about your organization's governance system and how your organization fulfills its legal, ethical, and societal responsibilities.

1.1 Senior Leadership

a. Establishing Vision and Values:

How do senior leaders set and deploy the organization's vision, values, and culture, and their commitment to those values?

How do senior leaders promote, ensure, and measure ethical behavior throughout the organization, and in all interactions?

b. Communication:

How do senior leaders communicate with and engage the entire workforce, key partners, and key customers?

How do leaders encourage frank, two-way communication and take a direct role in motivating the workforce, including participation in reward and recognition programs?

c. Mission and Organizational Performance:

How do senior leaders create an environment for success now and in the future, and the achievement of the organization's mission?

1.2 Governance and Societal Contributions

a. Organizational Governance:

How do you evaluate the performance of your senior leaders and your governance board?

b. Legal and Regulatory Behavior:

How do you address current and anticipate future legal, regulatory, and community concerns with your products, services, and operations?

c. Societal Contributions:

How do you consider and contribute to societal well-being, and support of your key communities?

❷ Strategy

The **Strategy** category asks how your organization develops strategic objectives and action plans, implements them, measures progress, and changes them if circumstances require.

2.1 Strategy Development

a. **Strategy Development Process:**

How do you conduct your strategic planning, including key process steps?

How do you collect and analyze relevant data and develop information for use in your strategic planning process?

How does your strategic planning process address organizational agility and resilience?

How do you include your Strategic Challenges and Strategic Advantages, and your ability to execute the strategic plan?

b. **Strategic Objectives:**

How does your strategic planning process identify your key strategic objectives and your timetable for achieving them?

What are your organization's key strategic objectives and goals?

2.2 Strategy Implementation

a. **Action plan Development and Deployment:**

How do you translate your strategic objectives into action plans, and deploy your action plans to your workforce and to key suppliers, partners, and collaborators, as appropriate?

What are the key measures, or indicators, you use to track progress on these action plans?

b. **Action Plan Modification:**

How do you recognize and respond when circumstances require a shift in action plans and rapid execution of new plans?

③ Customers

The **Customers** category asks how your organization engages its customers for long-term marketplace success, including how your organization listens to the Voice-of-the-Customer, serves and exceeds customers' expectations, and builds customer relationships.

3.1 Customer Expectations

a. **Customer Listening:**

How do you listen to, interact with, and observe customers to obtain actionable information?

b. **Customer Segmentation and Product Offerings:**

How do you determine your customer groups and market segments?

How do you determine customer and market needs and requirements for products and service offerings?

How do you adapt your product and service offerings to meet and exceed customer requirements, and attract new customers?

3.2 Customer Engagement

a. **Customer Experience:**

How do you market, build, and manage customer relationships to acquire and retain customers?

How do you manage customer complaints to resolve complaints promptly and effectively, and to avoid similar complaints in the future?

How do your customer experience processes ensure fair treatment for all customer groups?

b. **Determination of Customer Satisfaction and Engagement:**

How do you determine customer satisfaction, dissatisfaction, and engagement?

c. **Use of Voice-of-the-Customer and Market Data:**

How do you use Voice-of-the-Customer, and market data and information to build a more customer-focused culture?

4 **Measurement, Analysis, and Knowledge Management**

The **Measurement, Analysis, and Knowledge Management** category asks how your organization selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets; how it uses review findings to improve its performance, and how it learns.

4.1 Measurement, Analysis, and Improvement of Organizational Performance

a. Performance Management:

How do you use data and information to track daily operations?

How do you use comparative data and information to support fact-based decision making?

b. Performance Analysis and Review:

How do you review your organization's performance?

What analysis do you perform to support these reviews and ensure that conclusions are valid?

c. Performance Improvement:

How do you use findings from performance reviews to identify priorities for continuous improvement and opportunities for innovation?

4.2 Information and Knowledge Management

a. Data and Information:

How do you verify and ensure the quality, security, and availability of organizational data and information?

How do you ensure your information technology systems are reliable and user-friendly?

b. Organizational Knowledge:

How do you build and manage organizational knowledge, including sharing best practices?

How do you use your knowledge and resources to embed learning in the way your organization operates?

❺ Workforce

The **Workforce** category asks how your organization assesses workforce capability and capacity needs and builds a workforce environment conducive to high performance. The category also asks how your organization engages, manages, and develops your workforce to utilize its full potential in alignment with your organization's overall business needs.

5.1 Workforce Environment

a. Workforce Capability and Capacity:

How do you assess your workforce capability and capacity needs?

How do you recruit, hire, and onboard new workforce members; and ensure your workforce represents the diversity of your hiring and customer communities?

How do you organize and manage your workforce to accomplish your organization's work?

b. Workforce Climate:

How do you ensure workplace health, security, and accessibility for the workforce?

How do you support your workforce via services, benefits, and policies?

5.2 Workforce Engagement

a. Assessment of Workforce Engagement:

How do you determine the key drivers of workforce engagement, and how do you assess workforce satisfaction and engagement?

b. Organizational Culture:

How do you foster an organizational culture that is characterized by open communication, high performance, and an engaged workforce; and promotes equity and inclusion that benefits from a diverse workforce?

c. Performance Management and Development:

How does your workforce performance management system support high performance?

How does your learning and development system support the personal development of workforce members and your organization's needs?

How do you ensure that your performance management, performance development, and career development processes promote equity and inclusion for a diverse workforce?

⑥ Operations

The **Operations** category asks how your organization designs, manages, and improves its products, services and work processes; and how it improves operational effectiveness to deliver customer value and achieve ongoing organizational success.

6.1 Work Processes

a. Product, Service, and Process Design:

How do you determine key product and service requirements?

What are your organization's key work processes, and the requirements for these work processes?

How do you design your products, services, and work processes to meet requirements?

b. Process Management and Improvement:

How do your day-to-day operations of key work processes ensure that they meet process requirements?

How do your day-to-day operations of key support processes ensure they meet business requirements?

How do you improve your work processes and support processes to improve products and services, and improve process performance?

c. Supply-Network Management:

How do you manage your supply network?

d. Management of Opportunities for Innovation:

How do you pursue opportunities for innovation?

6.2 Operational Effectiveness

a. Process Efficiency and Effectiveness:

How do you manage the cost, efficiency, and effectiveness of your operations?

b. Security and Cybersecurity:

How do you ensure security and cybersecurity of sensitive or privileged data and information, and of key assets?

c. Safety, Business Continuity, and Resilience:

How do you provide a safe operating environment, including accident prevention?

How do you ensure the resilience of your organization in its preparation for disasters, emergencies, and other disruptions?

How do you consider continuity of operations and recovery in the event of disruptions?

⑦ Results

The **Results** category asks about your organization's performance and improvement in all key areas – product, service and process results; customer results; workforce results; leadership and governance results; and financial, market, and strategy results.

7.1 Product, Service, and Process Results

a. **Customer-Focused Product and Service Results:**

What are your results for your products and services, and your customer service processes?

b. **Work Process Effectiveness Results:**

What are your results for operational performance of your key work and support processes, including measures of process effectiveness, efficiency, security, cybersecurity, and innovation?

What are your safety and emergency preparedness results?

c. **Supply-Network Management Results:**

What are your results for the performance of your supply network?

7.2 Customer Results

a. **Customer-Focused Results:**

What are your results for customer satisfaction and dissatisfaction?

What are your results for customer engagement?

7.3 Workforce Results

a. **Workforce-Focused Results:**

What are your workforce capability and capacity results?

What are your workforce satisfaction and engagement results?

What are your workforce and leader development results?

7.4 Leadership and Governance Results

a. **Leadership, Governance, and Societal Contribution Results:**

What are your results for senior leaders' communication and engagement with the workforce, partners, and customers? What are your legal and regulatory results?

What are your results for ethical behavior?

What are your results for societal well-being and support of your key communities?

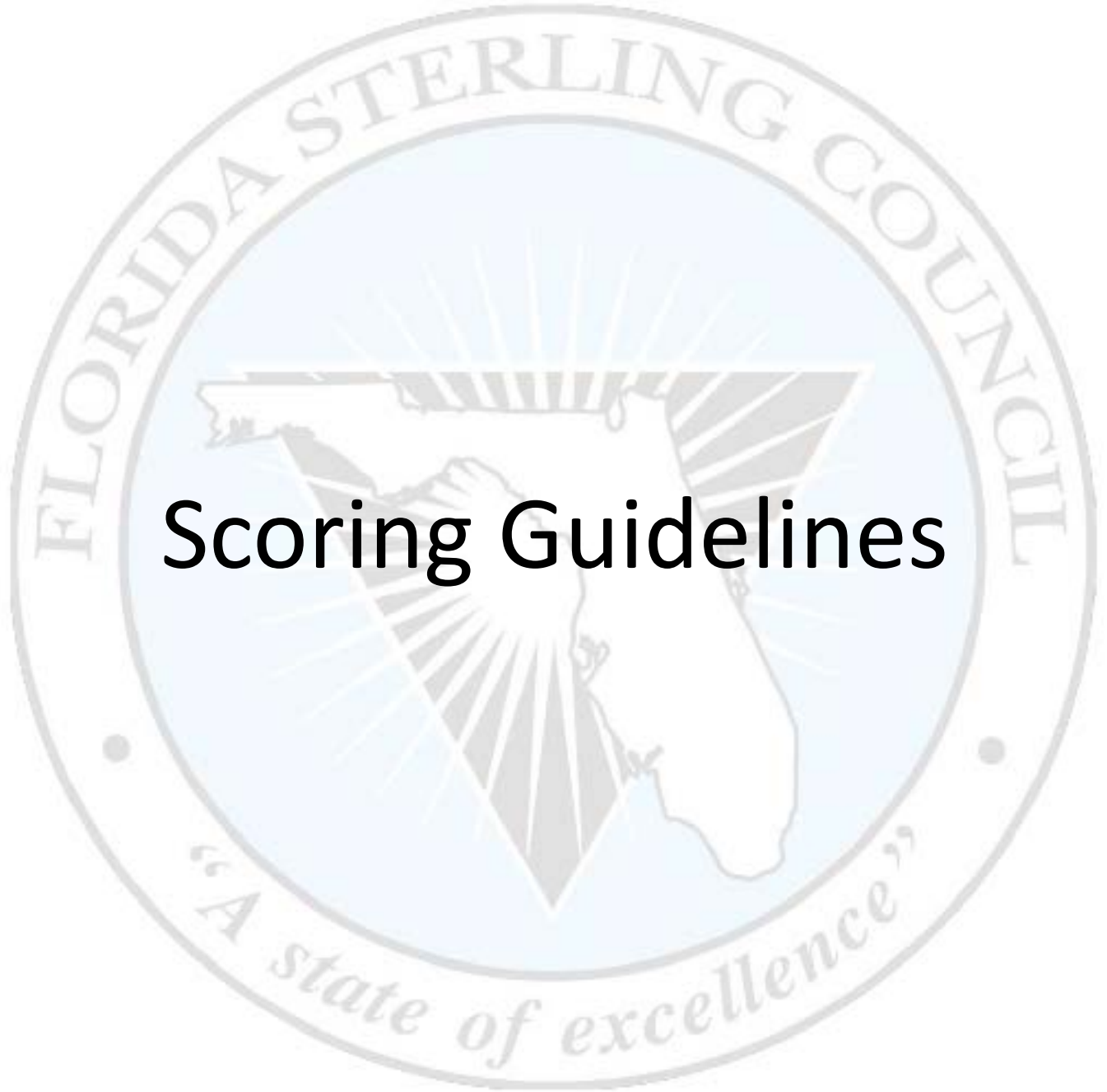## 7.5 Financial, Market, and Strategy Results

a. **Financial and Market Results:**

What are your financial performance results?

What are your marketplace performance results?

b. **Strategy Implementation Results:**

What are your results for the achievement of your organizational strategy and action plans?

Scoring Guidelines

Process Scoring Guidelines
(For Use with Categories 1-6)

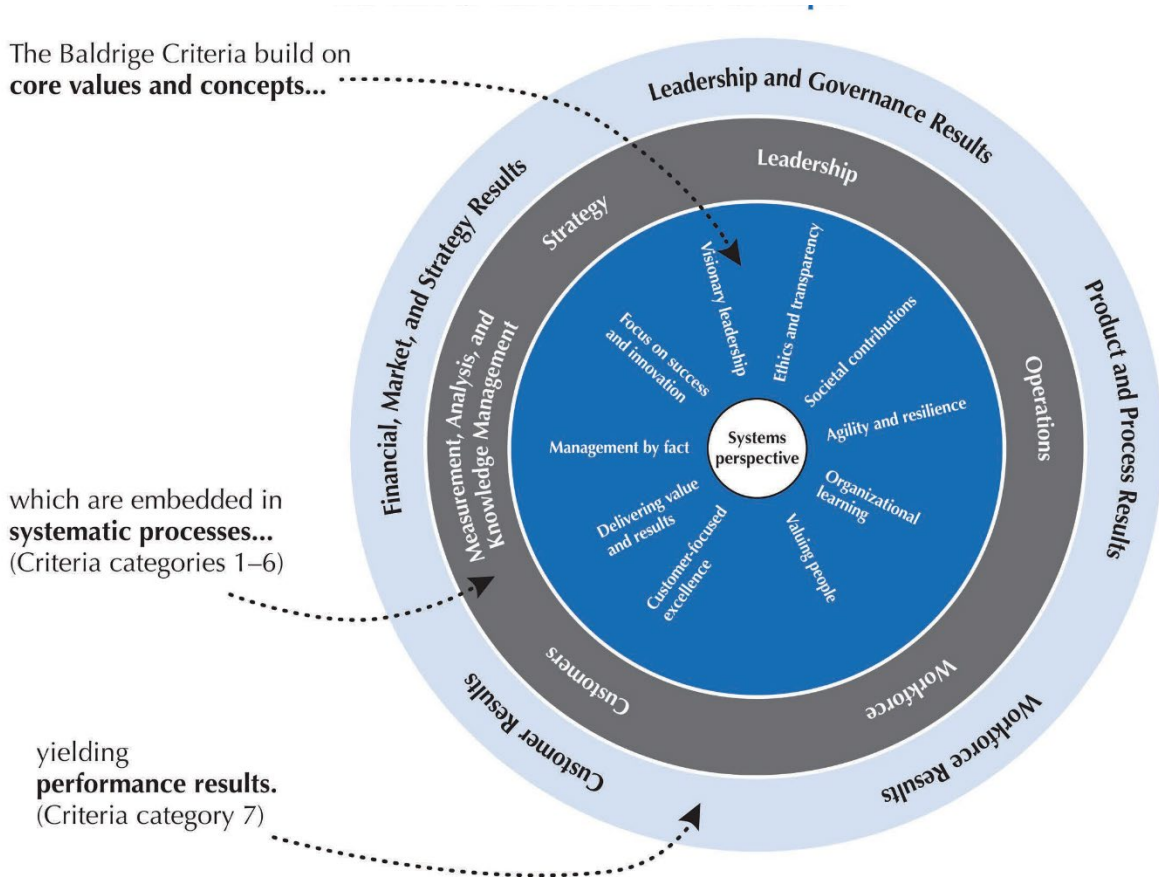| SCORE	DESCRIPTION
0% or 5%	• No SYSTEMATIC APPROACH to Item questions is evident; information is ANECDOTAL. (A) • Little or no DEPLOYMENT of any SYSTEMATIC APPROACH is evident. (D) • An improvement orientation is not evident; improvement is achieved by reacting to problems. (L) • No organizational ALIGNMENT is evident; individual areas or work units operate independently. (I)
10%, 15%, 20%, or 25%	• The beginning of a SYSTEMATIC APPROACH to the BASIC QUESTIONS in the Item is evident. (A) • The APPROACH is in the early stages of DEPLOYMENT in most areas or work units, inhibiting progress in achieving the BASIC QUESTIONS of the Item. (D) • Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L) • The APPROACH is ALIGNED with other areas or work units largely through joint problem solving. (I)
30%, 35%, 40%, or 45%	• An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC QUESTIONS in the Item, is evident. (A) • The APPROACH is DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D) • The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident. (L) • The APPROACH is in the early stages of ALIGNMENT with the basic organizational needs identified in response to the Organizational Profile and other process Items. (I)
50%, 55%, 60%, or 65%	• An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL QUESTIONS in the Item, is evident. (A) • The APPROACH is well DEPLOYED, although DEPLOYMENT may vary in some areas or work units. (D) • A fact-based, SYSTEMATIC evaluation and improvement PROCESS and some organizational LEARNING, including some INNOVATION, are in place for improving the efficiency and EFFECTIVENESS of KEY PROCESSES. (L) • The APPROACH is ALIGNED with your overall organizational needs as identified in response to the Organizational Profile and other process Items. (I)
70%, 75%, 80%, or 85%	• An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the MULTIPLE QUESTIONS in the Item, is evident. (A) • The APPROACH is well DEPLOYED, with no significant gaps. (D) • Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING, including INNOVATION, are KEY management tools; there is clear evidence of refinement as a result of organizational-level ANALYSIS and sharing. (L) • The APPROACH is INTEGRATED with your current and future organizational needs as identified in response to the Organizational Profile and other process Items. (I)
90%, 95%, or 100%	• An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE QUESTIONS in the Item, is evident. (A) • The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D) • Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING through INNOVATION are KEY organization-wide tools; refinement and INNOVATION, backed by ANALYSIS and sharing, are evident throughout the organization. (L) • The APPROACH is well INTEGRATED with your current and future organizational needs as identified in response to the Organizational Profile and other process Items. (I)

Results Scoring Guidelines
(For Use with Category 7)

SCORE	DESCRIPTION
0% or 5%	• There are no organizational PERFORMANCE RESULTS, or the RESULTS reported are poor. (Le) • TREND data either are not reported or show mainly adverse TRENDS. (T) • Comparative information is not reported. (C) • RESULTS are not reported for any areas of importance to the accomplishment of your organization's MISSION. (I)
10%, 15%, 20%, or 25%	• A few organizational PERFORMANCE RESULTS are reported, responsive to the BASIC QUESTIONS in the Item, and early good PERFORMANCE LEVELS are evident. (Le) • Some TREND data are reported, with some adverse TRENDS evident. (T) • Little or no comparative information is reported. (C) • RESULTS are reported for a few areas of importance to the accomplishment of your organization's MISSION. (I)
30%, 35%, 40%, or 45%	• Good organizational PERFORMANCE LEVELS are reported, responsive to the BASIC QUESTIONS in the Item. (Le) • Some TREND data are reported, and most of the TRENDS presented are beneficial. (T) • Early stages of obtaining comparative information are evident. (C) • RESULTS are reported for many areas of importance to the accomplishment of your organization's MISSION. (I)
50%, 55%, 60%, or 65%	• Good organizational PERFORMANCE LEVELS are reported, responsive to the OVERALL QUESTIONS in the Item. (Le) • Beneficial TRENDS are evident in areas of importance to the accomplishment of your organization's MISSION. (T) • Some current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of good relative PERFORMANCE. (C) • Organizational PERFORMANCE RESULTS are reported for most KEY CUSTOMER, market, and PROCESS requirements. (I)
70%, 75%, 80%, or 85%	• Good-to-excellent organizational PERFORMANCE LEVELS are reported, responsive to the MULTIPLE QUESTIONS in the Item. (Le) • Beneficial TRENDS have been sustained over time in most areas of importance to the accomplishment of your organization's MISSION. (T) • Many to most TRENDS and current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of leadership and very good relative PERFORMANCE. (C) • Organizational PERFORMANCE RESULTS are reported for most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements. (I)
90%, 95%, or 100%	• Excellent organizational PERFORMANCE LEVELS are reported that are fully responsive to the MULTIPLE QUESTIONS in the Item. (Le) • Beneficial TRENDS have been sustained over time in all areas of importance to the accomplishment of your organization's MISSION. (T) • Industry and BENCHMARK leadership is demonstrated in many areas. (C) • Organizational PERFORMANCE RESULTS and PROJECTIONS are reported for most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements. (I)

Core Values and Concepts

Core Values and Concepts

The Role of Core Values and Concepts

The Baldrige Criteria build on **core values and concepts...**

which are embedded in **systematic processes...** (Criteria categories 1–6)

yielding **performance results.** (Criteria category 7)

These beliefs and behaviors are embedded in high-performing organizations. they are the foundation for integrating key performance and operational requirements within a results-oriented framework that creates a basis for action, feedback, and ongoing success.

The Sterling Criteria are built on the following set of inter-related core values and concepts:
- Systems Perspective
- Visionary Leadership
- Customer-Focused Excellence
- Valuing People
- Agility and Resilience
- Organizational Learning
- Focus on Success and Innovation
- Management by Fact
- Societal Contributions
- Ethics and Transparency
- Delivering Value and Results

Systems Perspective:

A systems perspective means managing all the components of your organization as a unified whole to achieve your mission, ongoing success, and performance excellence. A systems perspective also means managing your organization within the context of an interconnected ecosystem of organizations that represents opportunities for new and possibly innovative relationships.

Successfully managing overall organizational performance requires realization of your organization as a system with interdependent operations. Organization-specific synthesis, alignment, and integration make the internal system successful. *Synthesis* means understanding your organization as a whole. It incorporates key business attributes, including your core competencies, strategic objectives, action plans, work systems, and workforce needs. *Alignment* means using key organizational linkages to ensure consistency of plans, processes, measures, and actions. *Integration* builds on alignment, so that the individual components of your performance management system operate in a fully interconnected, unified and mutually beneficial manner to deliver anticipated results.

In addition, your organization exists within a business ecosystem - a network of organizations, including your partners, suppliers, collaborators, competitors, customers, communities, and other relevant organizations inside and outside your sector or industry. Within this larger system, roles between organizations may be fluid as opportunities arise and needs change. For your business ecosystem, *synthesis* means understanding your organization as part of a larger whole. It incorporates the key attributes that you contribute to and need from your partners, collaborators, competitors, customers, communities, and other relevant organizations, including those not traditionally considered as collaborators.

When your organization takes a systems perspective, your senior leaders focus on strategic directions and customers. Your senior leaders monitor, respond to, and manage performance based on your results. With a systems perspective, you use your measures, indicators, core competencies, and organizational knowledge to build your key strategies, link these strategies with your work systems and key processes, manage risk, and align your resources to improve your overall performance and your focus on customers and stakeholders. The Core Values and Concepts, the seven Criteria Categories, and the Scoring System are the system's building blocks and integrating mechanism.

Visionary Leadership:

Your organization's senior leaders should set a vision for the organization, create a customer focus, demonstrate clear and visible organizational values and ethics, and set high expectations for the workforce. The vision, values, and expectations should balance the needs of all your stakeholders. Your leaders should also ensure the creation of strategies, systems, and methods for building knowledge and capabilities, stimulating innovation, managing risk, ensuring resilience, requiring accountability, achieving performance excellence, and thereby ensuring ongoing organizational success.

The values and strategies leaders define should help guide all of your origination's activities and decisions. Senior leaders should inspire and encourage your entire workforce to contribute, to develop and learn, to be innovative, and to embrace meaningful change. Senior leaders should be responsible to your organization's governance body for their actions and performance, and the governance body should be responsible ultimately to all your stakeholders for your organization's and its senior leaders' ethics, actions, and performance.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, providing a supportive environment for innovation, communicating, coaching and motivating the workforce, developing future leaders recognizing workforce members, promoting equity and inclusion and reviewing organizational performance. Senior leaders should demonstrate authenticity and admit to their missteps and opportunities for improvement. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

Customer-Focused Excellence:

Your customers are the ultimate judges of your performance and the quality of your products and services. Thus, your organization must consider all product and service features and characteristics and all modes of customer access and support, and all organizational values and behaviors that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, trust and loyalty; positive referrals; and, ultimately, the ongoing success of your business. Customer-focused excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace potential.

Many factors may influence value and satisfaction over the course of your customers' experience with your organization. These factors include your organization's customer relationship management, which helps build trust, confidence, and loyalty.

Customer-focused excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, these factors contribute to your customers' view of your organization and thus are also important parts of customer-focused excellence. In addition, your success in recovering from defects, service errors, and mistakes fostering equity and inclusion; adapting to disruptions; and safeguarding customer information is crucial for retaining customers and engaging them for the long term.

A customer-focused organization addresses not only the product and service characteristics that meet basic customer requirements but also those unique features and characteristics that differentiate the organization from competitors. This differentiation may be based on accelerated product development, innovative or customized offerings or customer experience, combinations of product and service offerings, price, societal contributions or special relationships. These might include participation in alliances or collaborative, multilateral networks (ecosystems) of organizations that drive efficiency, effectiveness, and innovation.

Customer-focused excellence is thus a strategic concept. It is directed toward customer acquisition, retention and loyalty, stronger brand recognition, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer engagement. It demands close attention to the Voice-of-the-Customer. It demands anticipating changes in the marketplace. Therefore, customer-focused excellence demands a customer-focused culture and organizational agility.

Valuing People:

An organization's success depends on an engaged workforce that benefits from meaningful work, clear organizational direction, the opportunity to learn, and accountability for performance. That work must also have a safe, trusting, and cooperative environment. The successful organization has a culture of equity and inclusion that capitalizes on the diverse backgrounds and characteristics, knowledge, skills, creativity, and motivation of its workforce, partners, and collaborators. Promoting equity means ensuring that all customers and workforce members are treated fairly and that all workforce members can reach their full potential. Inclusion refers to empowering participation and promoting a sense of belonging. The successful organization also values all people who have a stake in the organization, including customers, community

members, stockholders, and other people affected by the organization's actions.

Valuing the people in your workforce means committing to their engagement, development, and well-being. Major challenges in valuing your workforce members include (1) demonstrating your leaders' commitment to their success, (2) providing motivation and recognition that go beyond the regular compensation system, (3) supporting work-life balance through flexible work practices tailored to varying workplace and life needs; (4) creating an inclusive equitable environment for a diverse workforce; (5) offering development and progression within your organization, (6) providing support during disruptions and transitions; (7) sharing your organization's knowledge so that your workforce can better serve your customers and contribute to achieving your strategic objectives, (8) creating an environment that encourages intelligent risk taking to achieve innovation, (9) developing a system of workforce and organizational accountability for performance. With increased remote work, an additional challenge is ensuring that a geographically dispersed workforce benefits from meaningful work, clear organizational direction, the opportunity to learn, and accountability for performance.

The success of your workforce members—including your leaders—depends on their having opportunities to learn. This learning includes preparing people for future organizational core competencies. On-the-job training offers a cost-effective way to cross-train and to link training more closely to your organization's capacity needs and priorities. If your organization relies on volunteers, their personal development and learning are also important to consider.

To accomplish their overall goals, successful organizations build and value ecosystems of internal and external partnerships and collaborative, multilateral alliances. Internal partnerships might include cooperation between labor and management. Forming internal partnerships might also involve creating network relationships among people across work units and locations or between employees and volunteers to improve flexibility, responsiveness, learning and knowledge sharing.

As products and services become more and more multidisciplinary, organizations may need new business models and ecosystems, including nontraditional partnerships with competitors or organizations outside the sector, alliances, consortia, and value networks.

Agility and Resilience

Success in today's ever-changing, globally competitive environment demands agility and organizational resilience. Agility requires a capacity for rapid change and for flexibility in operations. Organizational resilience is the ability to anticipate, prepare for, and recover from disasters, emergencies, and other disruptions, and—when disruptions occur—to protect and enhance workforce and customer engagement, supply-network and financial performance, organizational productivity, and community well-being. Resilience includes the agility to modify plans, processes, and relationships whenever circumstances warrant.

Organizations face ever-shorter cycles for introducing new or improved products and services and for responding rapidly to new or emerging issues. Organizations must be capable of managing risk and making changes on an ever-shorter cycle time. Major improvements in response times often require new work systems; rapid decision making; reduced bureaucracy; the simplification of work processes; agile, efficient supplier and partner networks; effective, efficient communication with the workforce, partners, and suppliers; and the ability for rapid changeover from one process or one location to another.

All aspects of time performance are now more critical, and cycle time is a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements or changes in your work systems, organization, quality, cost, supply-network integration, productivity, and ongoing success in a challenging economy. A major success factor in meeting competitive challenges is design-to-introduction time (the time it takes to initiate a product or service feature) or innovation cycle time. To meet the demands of rapidly changing markets, your organization needs to carry out stage-to-stage integration of activities from research or concept to commercialization or implementation.

Disruptive events are occurring more frequently, triggered by economic upheaval or stress, major weather or health events, social or societal demands, or innovative technologies or product introductions. For an organization to be resilient, leaders must cultivate the agility to anticipate opportunities and threats, adapt strategy to changing circumstances, and have robust governance with a culture of trust. Organizations must embrace data-rich thought processes and equip their employees with ongoing learning of new skills.

Agility and resilience can also be achieved through your business ecosystem, in which collaborations, strategic partnerships, or alliances might offer complementary core competencies that allow rapid response to disruptions, entry into new markets, or a rethinking of customer offerings in a larger context. Your ecosystem might also permit you to address common issues quickly by blending your organization's core competencies or leadership capabilities with other organizations' complementary strengths and capabilities, creating a new source of strategic advantage. The result may be broad, interdependent, agile ecosystems that include traditional partners and collaborators, as well as competitors, customers, communities, and organizations outside your sector or industry.

Organizational Learning

Achieving the highest levels organizational performance requires a well-executed approach to organizational learning that includes sharing knowledge via systematic processes. In today's demanding environment, a cross-trained and empowered workforce and effective management of up-to-date organizational knowledge are vital assets. Organizational learning includes continuous improvement of existing approaches; the adoption of best practices and innovations; and significant, discontinuous change or innovation, leading to new goals, approaches, products, and markets.

Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) results in solving problems at their source (root cause); (3) is focused on building and sharing knowledge throughout your organization; and (4) is driven by opportunities to effect significant, meaningful change and to innovate. Sources for learning include employees' and volunteers' ideas, research and development, customers' input, best-practice sharing, competitors' performance, and benchmarking. Your business ecosystem is another source of learning.

Organizational learning can result in (1) enhanced value to customers through new and improved products and customer services; (2) the development of new business opportunities; (3) the development of new and improved processes or business models; (4) reduced errors, defects, waste, and related costs; (5) increased productivity and effectiveness in the use of all your resources; (6) enhanced performance in making societal contributions; and (7) greater agility in managing change and disruption.

Focus on Success and Innovation

Ensuring your organization's success now and in the future requires an understanding of the short- and longer-term factors that affect your organization and its environment. It also requires the ability to drive organizational innovation.

Sustained success requires managing uncertainty in the environment, as well as balancing some stakeholders' short-term demands with the need to invest in long-term success. The pursuit of sustained growth and performance leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, workforce, suppliers, partners, and stockholders; the public; and the community. It also requires the agility to modify plans, processes, and relationships whenever circumstances warrant.

Your organization's planning and resource allocation should anticipate many factors, such as customers' short- and long-term expectations; new business models and collaboration or partnering opportunities; potential crises, including events that disrupt economic and social conditions; technological developments; workforce capacity and capability needs; community and societal expectations and needs; your competitive marketplace; security and cybersecurity risks; evolving regulatory requirements; and strategic moves by competitors. Your strategic objectives and resource allocations need to accommodate these influences. A focus on success includes ensuring resilience; developing your leaders, workforce, and suppliers; accomplishing effective succession planning; and anticipating areas for societal contributions and concerns.

A focus on success also includes a focus on innovation—making meaningful change to improve products, services, programs, processes, operations, business models, or societal well-being, with the purpose of creating new value for stakeholders. Innovation should lead your organization to new dimensions of performance and success. Innovation may be present in organizations of all sizes, sectors, and maturity levels; in some cases, an organization's genesis is an innovation, with work systems and work processes developing as the organization matures.

Innovation is important for all aspects of your operations and all work systems and work processes. Innovation benefits from a supportive environment, a process for identifying strategic opportunities, and the pursuit of intelligent risks. Innovation and continuous incremental improvement are different, but complementary, concepts. Successful organizations use both approaches to improve performance. Your organization should be led and managed so that identifying strategic opportunities and taking intelligent risks become part of the learning culture. Innovation should be integrated into daily work and be supported by your performance improvement system. Systematic processes for identifying strategic opportunities should reach across your entire organization and should explore strategic alliances with complementary organizations and with organizations that have historically been outside your ecosystem.

Innovation may arise from adapting innovations in other industries to achieve a breakthrough in your industry. It builds on the accumulated knowledge of your organization and its people and the innovations of partners, collaborators, competitors, customers, and other relevant organizations, including those outside your sector. It may involve collaboration among people who do not normally work together and are in different parts of the organization. This can lead to the maximizing of learning through shared information and the willingness to use concepts from outside the organization as idea generators. Therefore, the ability to rapidly disseminate and capitalize on new and accumulated knowledge is critical to driving organizational innovation and success.

Management by Fact:
Management by fact requires you to measure and analyze your organization's performance, both inside the organization and in your competitive environment. Measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, results, outcomes, and competitor and industry performance. Organizations need many types of data and information to effectively manage their performance. Data and information may come in many forms, such as numerical, graphical, or qualitative, and from many sources, including internal processes, surveys, and the Internet (including social media). Performance measurement should include measurement of customer, product, and process performance; comparisons of operational, market, and competitive performance; supplier, workforce, partner, cost, and financial performance; governance and compliance results; and accomplishment of strategic objectives.

A major consideration in performance improvement and change management is the selection and use of performance measures or indicators. The measures or indicators you select should best represent the factors that lead to improved customer, operational, financial, and societal performance. A comprehensive yet carefully selected set of measures or indicators tied to customer and organizational performance requirements provides a clear basis for aligning all processes with your organization's goals. Measures and indicators to support you in making decisions in a rapidly changing environment. By analyzing data from your tracking processes, you can evaluate the measures or indicators themselves and change them to better support your goals.

Analysis means extracting larger meaning from data and information to support evaluation, decision making, improvement, and innovation. It entails using data to determine trends, projections, and cause-and-effect relationships that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, comparing your performance with competitors' or with best-practice benchmarks, and managing change. To facilitate analysis, data may need to be aggregated from various sources. Data may also need to be segmented by, for example, markets, product lines, and workforce groups to gain deeper understanding.

Societal Contributions:

Your organization's leaders should stress contributions to the public and the consideration of societal well-being and benefit. Leaders should be role models for your organization and its workforce in the protection of public health, safety, and the environment. This protection applies to any impact of your organization's operations, as well as the life cycles of your products. Also, your organization should emphasize resource conservation, recycling, and waste reduction at the source. Planning should anticipate adverse impacts from the production, distribution, transportation, use, and disposal of your products. Effective planning should reduce or prevent problems; provide for a forthright response if problems occur; and make available the information and support needed to maintain public awareness, safety, and confidence.

Your organization should meet all local, state, and federal laws and regulatory requirements and should also treat these and related requirements as opportunities to excel beyond minimal compliance.

Considering societal wellbeing and benefit means leading and supporting—within the limits of your resources—the environmental, social, and economic systems in your organization's sphere of influence. Such leadership and support might include improving education, health care, and other services in your community; pursuing environmental excellence; being a role model for addressing socially important issues, such as diversity, equity, and inclusion; practicing resource conservation; reducing your carbon footprint; performing community service and charity; improving industry and business practices; and sharing nonproprietary information.

Increasingly, such societal contributions are a customer or stakeholder requirement.

For a role-model organization, leadership also entails influencing other organizations, private and public, to partner for these purposes. Managing societal contributions requires your organization to use appropriate measures and your leaders to assume responsibility for those measures.

Ethics and Transparency:

Your organization should stress ethical behavior in all stakeholder transactions and interactions. Your organization's governance body should require highly ethical conduct and monitor all conduct accordingly. Your senior leaders should be role models of ethical behavior and make their expectations of the workforce very clear.

Your organization's ethical principles are the foundation for your culture and values. They distinguish right from wrong. Clearly articulated ethical principles, along with your organizational values, empower your people to make effective decisions and may serve as boundary conditions for determining organizational norms and prohibitions.

Transparency is characterized by consistently candid and open communication, accountability, and the sharing of clear and accurate information by leadership and management. The benefits of transparency are multiple. Transparency is a key factor in workforce engagement and allows people to see why actions are being taken and how they can contribute. Transparency and accountability are also important in interactions with customers and other stakeholders, giving them a sense of involvement, engagement, and confidence in your organization.

Ethical behavior and transparency build trust in the organization and its leaders and engender a belief in the organization's fairness and integrity that is valued by all key stakeholders.

Delivering Value and Results:

By delivering and balancing value for key stakeholders, your organization builds loyalty, contributes to growing the economy, and contributes to society. To meet the sometimes conflicting, and changing needs, that balancing value requires; your organizational strategy should explicitly include key stakeholder requirements. This will help ensure that plans and actions meet differing stakeholder needs and avoid adverse impacts on any stakeholders. A balanced composite of leading and lagging performance measures is an effective means to communicate short- and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.

Your organization's performance measurements need to focus on key results. Results should be used to deliver and balance value for your key stakeholders—your customers, workforce, stockholders, suppliers, partners, and collaborators; the public; and the community. Thus, results need to be a composite of measures that include not just financial results, but also product and process results; customer and workforce satisfaction and engagement results; and leadership, strategy, and societal performance.
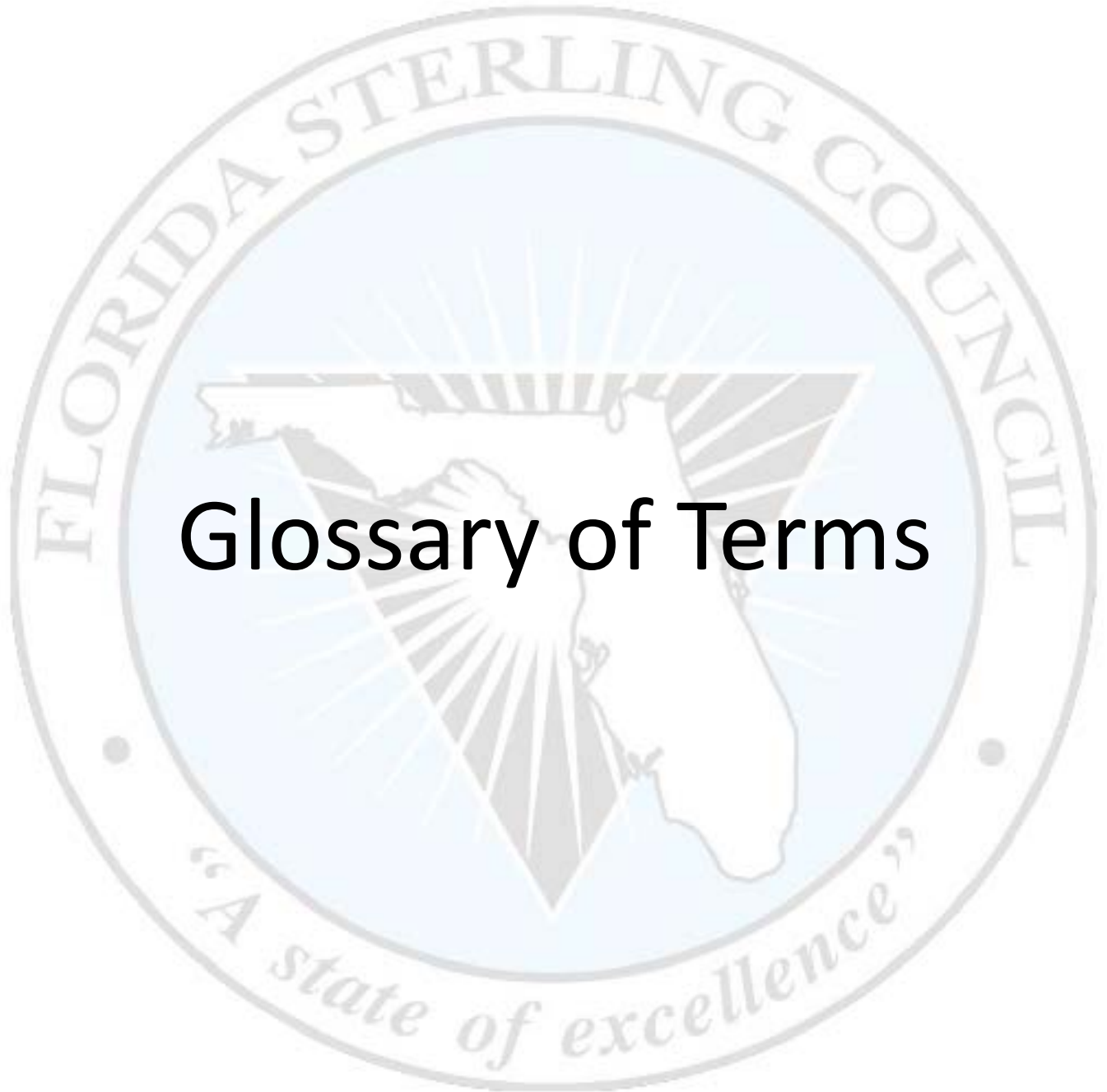
Glossary of Terms

ACTION PLANS: Specific actions that your organization takes to reach its strategic objectives. These plans specify the resources committed to and the time horizon for accomplishing the plans. Action plan development is the critical stage in planning when you make strategic objectives and goals specific so that you can effectively deploy them throughout the organization in an understandable way. In the Criteria, deploying action plans includes creating aligned measures for all affected departments and work units. Deployment might also require specialized training for some workforce members or recruitment of personnel.

For example, a strategic objective for a supplier in a highly competitive industry might be to develop and maintain price leadership. Action plans could entail designing efficient processes, creating an accounting system that tracks activity-level costs, aligning processes and accounting systems across the organization, and partnering with other suppliers. To deploy the action plans, the supplier might train work units and teams in setting priorities based on costs and benefits. Organizational-level analysis and review would likely emphasize productivity growth, cost control, and quality.

See also *STRATEGIC OBJECTIVES*.

ALIGNMENT: A state of consistency among plans, processes, information, resource decisions, workforce capability and capacity, actions, results, and analyses that support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals. It also requires the use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See also *INTEGRATION*.

ANALYSIS: The examination of facts and data to provide a basis for effective decisions. Analysis often involves determining cause-effect relationships. Overall organizational analysis guides you in managing work systems and work processes toward achieving key business results and attaining strategic objectives.

Although individual facts and data are important, they do not usually provide an effective basis for acting or setting priorities. Effective actions depend on an understanding of relationships, which is derived from the analysis of facts and data.

ANECDOTAL: In a response to a Criteria Item, information that lacks specific methods, measures, deployment mechanisms, and evaluation, improvement, and learning factors. Anecdotal information frequently consists of examples and describes individual activities rather than systematic processes. For example, in an anecdotal response to how senior leaders deploy performance expectations, you might describe a specific occasion when a senior leader visited all of your organization's facilities. On the other hand, in describing a systematic process, you might include the methods all senior leaders use to communicate performance expectations regularly to all locations and workforce members, the measures leaders use to

assess the effectiveness of the methods, and the tools and techniques you use to evaluate and improve the methods.

See also *SYSTEMATIC*.

APPROACH: The methods your organization uses to carry out its processes. Besides the methods themselves, approach refers to the appropriateness of the methods to the Item requirements and your organization's operating environment, as well as how effectively your organization uses those methods.

Approach is one of the factors considered in evaluating process Items. *For further description, see the Scoring System.*

BASIC QUESTION: The most central concept of a Criteria Item, as presented in the Item title question.

BENCHMARKS: Process and results that represent the best practices and best performance for similar activities, inside or outside your organization's industry. Organizations engage in benchmarking to understand the current dimensions of world-class performance and to achieve discontinuous (non-incremental) or *breakthrough* improvement.

Benchmarks are one form of comparative data. Other forms include industry data collected by a third party, data on competitors' performance, and comparisons with similar organizations that are in the same geographic area or that provide similar products and services in other geographic areas.

CAPABILITY, WORKFORCE:

See *WORKFORCE CAPABILITY*

CAPACITY, WORKFORCE:

See *WORKFORCE CAPACITY*

COLLABORATORS: Organizations or individuals who cooperate with your organization to support a particular activity or event or who cooperate occasionally when their short-term goals are aligned with or are the same as yours. Typically, collaborations do not involve formal agreements or arrangements.

See also *PARTNERS*

CORE COMPETENCIES: Your organization's areas of greatest expertise; those strategically important, possibly specialized capabilities that are central to fulfilling your mission or that provide an advantage in your marketplace or service environment. Core competencies are frequently challenging for competitors or suppliers and partners to imitate, and they may provide an ongoing competitive advantage or create opportunities in your business ecosystem. The absence of a needed core competency may result in a significant strategic challenge or disadvantage for your organization in the marketplace.

Core competencies may involve technological expertise, unique service offerings, a marketplace niche, or business acumen in a particular area.

CUSTOMER: An actual or potential user of your organization's products and services, programs, or services (all referred to as products and services in the Criteria). Customers include the end users of your products and services, as well as others who are immediate purchasers or users, such as distributors, agents, or organizations that process your product as a component of theirs. The Sterling Framework addresses customers broadly, referencing your current and future customers, as well as your competitors' customers.

Customer-focused excellence is a Sterling Core Value embedded in the beliefs and behaviors of high-performing organizations. Customer focus impacts and should be a factor in integrating your organization's strategic directions, work systems and work processes, and business results.

See also STAKEHOLDERS for the relationship between customers and others who might be affected by your products and services.

CUSTOMER ENGAGEMENT: Your customers' investment in or commitment to your brand and product and services offerings. It is based on your ongoing ability to serve their needs and build relationships so that they will continue using your products and services. Characteristics of engaged customers include retention and loyalty, willingness to make an effort to do business – and increase their business – with your organization, and willingness to actively advocate for and recommend your brand and product and services offerings.

CYCLE TIME: The time required to fulfill commitments or complete tasks. Time performance and speed are important to improving competitiveness and overall performance. Cycle time refers to all aspects of time performance, such as time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time. Improvement in cycle time may involve any or all of these.

DEPLOYMENT: The extent to which your organization applies an approach in addressing the questions of a Criteria Item. Evaluation of deployment considers how broadly and deeply the approach is applied in relevant work units throughout your organization.

Deployment is one of the factors considered in evaluating process Items. *For further description, see the Scoring System.*

DIVERSITY: Personal differences among workforce members that enrich the work environment and are representative of your hiring and customer communities. These differences address many variables, such as race, religion, color, gender, national origin, disability, sexual orientation, age and generation, education, geographic origin, and skill characteristics, as well as ideas, thinking, academic disciplines, and perspectives.

The Criteria refer to valuing and benefiting from the diversity of your workforce hiring and customer communities. Capitalizing on both in building your workforce increases your opportunities for high performance; customer, workforce, and community satisfaction; and customer and workforce engagement.

EFFECTIVE: How well a process or a measure addresses its intended purpose. Determining effectiveness requires: 1) evaluating how well the process is aligned with the organization's needs and how well it is deployed; or 2) evaluating the outcome of the measure as an indicator of process or product performance.

EMPOWERMENT: Giving people the authority and responsibility to make decisions and take actions. When people are empowered, decisions are made closest to the frontline, where work-related knowledge and understanding reside.

The purpose of empowering people is to enable them to satisfy customers on first contact, improve processes and increase productivity, and improve your organization's performance results. An empowered workforce requires information to make appropriate decisions; thus, your organization must provide that information in a timely and useful way.

ENGAGEMENT, CUSTOMER:

See CUSTOMER ENGAGEMENT

ENGAGEMENT, WORKFORCE:

See WORKFORCE ENGAGEMENT

ETHICAL BEHAVIOR: The actions your organization takes to ensure that all its decisions, actions, and stakeholder interactions conform to its moral and professional principles of conduct. These principles should support all applicable laws and regulations and are the foundation for your organization's culture and values. They distinguish right from wrong.

Senior leaders should be role models for these principles of behavior. The principles apply to all people involved in your organization, from temporary workforce members to members of the board of directors. These principles benefit from regular communication and reinforcement. Senior leaders have the responsibility for the alignment of your organization's mission and vision with its ethical principles. Ethical behavior encompasses interactions with all stakeholders, including your workforce, shareholders, customers, partners, suppliers, and local community.

Well-designed and clearly articulated ethical principles empower people to make effective decisions with great confidence. In some organizations, ethical principles also serve as boundary conditions restricting behavior that otherwise could have adverse impacts on your organization and/or society.

EXCELLENCE:

See PERFORMANCE EXCELLENCE.

GOALS: Future conditions or performance levels that your organization intends or desires to attain. Goals can be both short and long-term. They are ends that guide actions. Quantitative goals, frequently referred to as targets, include a numerical point or range. Targets might be desired performance based on comparative or competitive data. Stretch goals are goals for desired major, discontinuous (non-incremental) or "breakthrough" improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including:
- Clarifying strategic objectives and action plans to indicate how you will measure success.

- Fostering teamwork by focusing on a common end.

- Encouraging out-of-the-box thinking (innovation) to achieve a stretch goal.

- Providing a basis for measuring and accelerating progress.

See also PERFORMANCE PROJECTIONS.

GOVERNANCE: The system of management and controls exercised in the stewardship of your organization. Governance includes the responsibilities of your organization's owners/shareholders, board of directors, and senior leaders. Corporate or organizational charters, bylaws, and policies document the rights and responsibilities of each of the parties and describe how they will direct and control your organization to ensure (1) accountability to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders.

Governance processes may include the approval of strategic direction, the monitoring and evaluation of the CEO's performance, the establishment of executive compensation and benefits, succession planning, financial and other fiduciary auditing, risk management, disclosure and shareholder reporting. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

GOVERNANCE SYSTEM: The framework of procedures and practices by which a board of directors ensures accountability, fairness, and transparency in an organization's relationship with its stakeholders (funders, customers, management, employees, government, suppliers, and the community). An organization's values provide the general guidance to shape governance and behavior. The Governance System provides the reinforcement and boundaries that translate guidance into action, and ensure that behavior is ethical, legal, and appropriate.

A governance framework consists of three major elements:
1. Explicit and implicit agreements and contracts between the organization and the stakeholders for the distribution of responsibilities, rights, and rewards.
2. Procedures for reconciling potentially conflicting interests of stakeholders in accordance with their duties, privileges, and roles.

3. Procedures for proper oversight, control, and administration of information flows to serve as a system of checks-and-balances.

Although the Governance System is specifically addressed in Item Reference 1.2a(1), its influence impacts all Categories and Core Values.

HIGH PERFORMANCE: Ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time. High performance results in improved service and value for customers and other stakeholders.

Approaches to high performance vary in their form, their function, and the incentive systems used. High performance stems from and enhances workforce engagement. It involves cooperation between the management and the workforce; which may involve workforce bargaining units, cooperation among work units, often involving teams, empowerment of your people, including personal accountability, and workforce input into planning. It may also involve learning and building individual and organizational skills, learning from other organizations, creating flexible job design and work assignments, maintaining a flattened organizational structure where decision-making is decentralized and decisions are made closer to the front line, and effectively using the performance measures, including comparisons. Many organizations encourage high performance with monetary and nonmonetary incentives based on factors such as organizational performance, team and individual contributions and skill building. Also, approaches to high performance usually seek to align your organization's structure, core competencies, work, jobs, workforce development, and incentives.

HOW: The systems and processes that your organization uses to achieve its mission requirements. In responding to "how" questions in Criteria categories 1-6, you should include information on approach (methods and measures), deployment, learning, and integration.

INDICATORS:

See *MEASURES AND INDICATORS*.

INNOVATION: Making meaningful change to improve processes, products and services, the organization, or societal well-being; and create new value for stakeholders. Innovation involves adopting an idea, process, technology, product, or business model that is either new or new to its proposed application. The outcome of innovation is a discontinuous or "breakthrough" improvement in results, products, processes, or societal well-being. Innovation benefits from a supportive environment, a process for identifying strategic opportunities, and a willingness to pursue intelligent risks.

Successful organizational innovation also entails knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with

technological innovation, it is applicable to all key organizational processes that can benefit from change through innovation, whether breakthrough improvement or a change in approach or outputs. Innovation may be present in organizations of all sizes, sectors, and maturity levels; in some cases, an organization's genesis is an innovative idea, process, technology, product, or change in organizational structure or business model.

See also *INTELLIGENT RISKS* and *STRATEGIC OPPORTUNITIES*.

INTEGRATION: The harmonization of plans, processes, information, resource decisions, workforce capability and capacity, actions, results and analysis to support key organization-wide goals. Effective integration goes beyond alignment and is achieved when the individual components of an organizational performance management system operate as a fully interconnected unit.

Integration is one of the factors considered in evaluating both process and results Items. For further description, see the Scoring System.

See also *ALIGNMENT*.

INTELLIGENT RISKS: Opportunities for which the potential gain outweighs the potential harm or loss to your organization's future success if you do not explore them. Taking intelligent risks requires a tolerance for failure and an expectation that innovation is not achieved by initiating only successful endeavors. At the outset, organizations must invest in potential successes while realizing that some will lead to failure.

The degree of risk that is intelligent to take will vary by the pace and level of threat and opportunity in the industry. In a rapidly changing industry with constant introductions of new products and services, processes, or business models, there is an obvious need to invest more resources in intelligent risks than in a stable industry. In the latter, organizations must monitor and explore growth potential and change but, most likely, with a less significant commitment of resources.

See also *STRATEGIC OPPORTUNITIES*.

KEY: Major or most important; critical to achieving your intended outcome. The Criteria, for example, refer to key challenges, plans, work processes, and measures – those that are most important to your organization's success. They are the essential elements for pursing or monitoring a desired outcome. Key is generally defined as approximately the most significant five (e.g., around five key challenges).

KNOWLEDGE ASSETS: Your organization's accumulated intellectual resources; the knowledge possessed by your organization and its workforce in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. These knowledge assets reside in your workforce, software, patents, databases, documents, guides, policies, procedures, and technical drawings. Knowledge assets also reside within customers, suppliers and partners.

Knowledge assets are the know-how that your organization has available to use, invest, and grow. Building and managing knowledge assets are key components of creating value for your stakeholders and sustaining a competitive advantage.

LEADERSHIP SYSTEM: The way leadership is exercised, formally and informally, throughout your organization; the basis for key decisions and the way they are made, communicated, and carried out. A leadership system includes structures and mechanisms for making decisions; ensuring two-way communication; selecting and developing leaders and managers; and reinforcing values, ethical behavior, directions, and performance expectations.

An effective leadership system respects workforce members' and other stakeholders' capabilities and requirements, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on your organization's vision and values and the pursuit of shared goals. It encourages and supports initiative, innovation, and appropriate risk taking; subordinates organizational structure to purpose and function; and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for leaders to conduct self-examination, receive feedback, and improve.

LEARNING: New knowledge or skills acquired through evaluation, study, experience, and innovation. The Sterling Framework refers two distinct kinds or learning: organizational learning and learning by people in your workforce. Organizational learning is achieved through research and development, evaluation and improvement cycles, ideas and input from the workforce and stakeholders, the sharing of best practices, and benchmarking. Workforce learning is achieved through education, training, and developmental opportunities that further individual growth.

To be effective, learning should be embedded in the way your organization operates. Learning contributes to a competitive advantage and ongoing success for your organization and workforce.

For further description of organizational and personal learning, see the related Core Values and concepts: Valuing People, and Organizational Learning.

Learning is one of the factors considered in evaluating process Items. For further description, see the Scoring System

LEVELS: Numerical information that places or positions your organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals and appropriate comparisons.

MEASURES AND INDICATORS: Numerical information that quantifies the input, output, and performance dimensions of processes, products and services, programs, projects, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not distinguish between measures and

indicators. However, some users of these terms prefer "indicator" (1) when the measurement relates to performance but does not measure it directly (e.g., the number of complaints is an indicator but not a direct measure of dissatisfaction) and (2) when the measurement is a predictor ("leading indicator") of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

MISSION: Your organization's overall function. The mission answers the question, "What is your organization attempting to accomplish?" The mission might define customers or markets served, distinctive or core competencies, or technologies used.

MULTIPLE QUESTIONS: The details of a Criteria Item, as expressed in the individual questions under each lettered Area to Address. The first question in a set of Multiple Questions expresses the most important one in that group. The questions that follow expand on or supplement that question. For an illustration, see Sterling Criteria for Performance Excellence Structure.

Even high-performing, high-scoring users of the Sterling Framework are not likely to be able to address all the multiple requirements with equal capability or success.

OVERALL QUESTIONS: The most important features of a Criteria Item, as elaborated in the first question (the leading question in boldface) in each paragraph under each lettered Area to Address. For an illustration, see Sterling Criteria for Performance Excellence Overview and Structure.

PARTNERS: Key organizations or individuals who are working in concert with your organization to achieve a common goal or improve performance. Typically, partnerships are formal arrangements for a specific aim or purpose, such as to achieve a strategic objective or deliver a specific product.

Formal partnerships usually last for an extended period and involve clear understanding of the partners' individual and mutual roles and benefits.

See also *COLLABORATORS.*

PERFORMANCE: Outputs and their outcomes obtained from processes, products and services, and customers that permit you to evaluate and compare your organization's results to performance projections, standards, past results, goals, and other organizations' results. Performance can be expressed in non-financial and financial terms.

The Criteria address four types of performance: (1) product and service, (2) customer-focused, (3) operational, and (4) financial and marketplace.

Product and service performance is performance relative to measures and indicators of product and service characteristics that are important to customers. Examples include product and service reliability, on-time delivery, customer-experienced defect levels, and service response time. For some service organizations, including nonprofit organizations, examples might include program and project performance in the areas of

rapid response to emergencies, at-home services, or multilingual services.

Customer-focused performance is performance relative to measures and indicators of customers' perceptions, reactions, and behaviors. Examples include customer retention, complaints, and survey results.

Operational performance is workforce, leadership, and organizational performance (including ethical and legal compliance) relative to measures and indicators of effectiveness, efficiency, and accountability. Examples include cycle time, productivity, waste reduction, workforce turnover, workforce cross-training rates, regulatory compliance, fiscal accountability, strategy accomplishment, and community involvement. Operational performance might be measured at the work-unit, key work process, and organizational levels.

Financial and marketplace performance is performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt-to-equity ratio, returns on assets, operating margins, performance to budget, the amount in reserve funds, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

PERFORMANCE EXCELLENCE: An integrated approach to organizational performance management that results in: delivery of ever-improving value to customers and stakeholders, contributing to ongoing organizational success; improvement of your organization's overall effectiveness and capabilities, and; learning for the organization and for people in the workforce. The Sterling Organizational Profile, Criteria, Core Values and Concepts, and Scoring Guidelines provide a framework and assessment tool for understanding your organization's strengths and opportunities for improvement and, thus, guiding your planning towards achieving higher performance and striving for excellence.

PERFORMANCE IMPROVEMENT SYSTEM: An organizational approach for improving performance at all levels. A Performance Improvement System includes the elements of direction setting by leadership, strategic planning, work system and process management, improvement methodologies (Lean, Six Sigma, PDCA, and others), organizational learning, systematic reviews of performance relative to goals, and governance. Examples of Performance Improvement Systems include the Deming Prize, Enterprise Lean Six Sigma, International Standards Organization (ISO) systems, the SHINGO Prize for Operational Excellence, and Total Quality Management. These approaches promote both the guidelines and methodologies to include leadership, governance, work systems, and performance improvement systems.

Organizations that adopt these types of systems demonstrate a commitment to performance excellence in all aspects of their operations by ensuring the use of sound and systematic policies and procedures, and the ongoing improvement of them, thereby consistently meeting the needs of current and future customers. Other frameworks may not include all four of these

elements, may only emphasize compliance to existing procedures and not improvement, or provide only a general framework.

While Lean or Six Sigma can be implemented in specific areas of an organization, this does not imply an organization-wide commitment to improvement and performance excellence.

PERFORMANCE PROJECTIONS: Estimates of your organization's future performance. Projections should be based on an understanding of past performance, rates of improvement, and assumptions about future internal changes and innovations, as well as assumptions about changes in the external environment that result in internal changes. Thus, performance projections can serve as a key tool in managing your operations and in developing and implementing your strategy.

Performance projections state your *expected* future performance. Goals state your *desired* future performance. Performance projections for your competitors or similar organizations may indicate challenges facing your organization and areas where breakthrough performance or innovation is needed. In areas where your organization intends to achieve breakthrough performance or innovation, your performance projections and your goals may overlap.

See also *GOALS*.

PROCESS: Linked activities with the purpose of producing a product or service for a customer (user) within or outside your organization. Generally, processes involve combinations of people, machines, tools, techniques, materials, and improvements in a defined series of steps or actions. Processes rarely operate in isolation and must be considered in relation to other processes that impact them. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In the delivery of services, particularly those that directly involve customers, process is used more generally to spell out what delivering that service entails, possibly including a preferred or expected sequence. If a sequence is critical, the process needs to include information that helps customers understand and follow the sequence. Such service processes also require guidance for service providers on handling contingencies related to customers' possible actions or behaviors.

In knowledge work, such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequence of steps. Rather, it implies general understandings of competent performance in such areas as timing, options to include, evaluation, and reporting. Sequences might arise as part of these understandings.

Process is one of the two dimensions evaluated in a Sterling-based assessment. This process evaluation is based on four factors: approach, deployment, learning, and integration. For further description, see the Scoring System.

PRODUCTIVITY: Measure of the efficiency of resource use.

Although the term is often applied to single factors, such as the workforce (labor productivity), machines, materials, energy, and capital, the concept also applies to the total resources used in producing outputs. Using an aggregate measure of overall productivity allows you to determine whether the net effect of overall changes in a process, possibly involving resource trade-offs, is beneficial.

PROJECTIONS, PERFORMANCE:

See *PERFORMANCE PROJECTIONS.*

RESILIENCE: An organization's ability to 1) anticipate, prepare for, and recover from disasters, emergencies, and other disruptions, and 2) protect and enhance workforce and customer engagement, supply-network and financial performance, organizational productivity, and community well-being when disruptions occur. Organizational resilience requires agility throughout the organization.

Beyond the ability to "bounce back" to a prior state when a disruption occurs, resilience means having a plan in place that allows your organization to continue operating as needed during disruptions. To achieve resilience, leaders must cultivate the agility to respond quickly to both opportunities and threats, adapt strategy to changing circum-stances, and have robust governance with a culture of trust. Organizations must adopt an ecosystem mindset, embrace data-rich thought processes, and equip their employees with ongoing learning of new skills.

RESULTS: Outputs and outcomes achieved by your organization. Results are evaluated based on current performance; performance relative to appropriate comparison; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements.

Results are one of the two dimensions evaluated in a Sterling-based assessment. This evaluation is based on four factors: levels, trends, comparisons, and integration. For further description, see the Scoring System.

SEGMENT: One part of your organization's customer, market, product offering, or workforce base. Segments typically have common characteristics that allow logical groupings. In Criteria results items, segmentation refers to disaggregating results data in a way that allows for meaningful analysis of your organization's performance. It is up to each organization to determine the factors that it uses to segment its customers, markets, products, and services, and workforce.

Understanding segments is critical to identifying the distinct needs and expectations of different customer, market, and workforce groups, and to tailoring product and service offerings to meet their needs and expectations. For example, you might segment your market based on distribution channels, business volume, geography, or technologies employed. You might segment your workforce based on geography, skills, needs, work assignments, or job classifications.

SENIOR LEADERS: Your organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

STAKEHOLDERS: All groups that are or might be affected by your organization's actions and success. Key stakeholders might include customers, the workforce, partners, collaborators, governing boards, stockholders, donors, suppliers, taxpayers, regulatory bodies, policy makers, funders, and local and professional communities.

See also *CUSTOMER.*

STRATEGIC ADVANTAGES: Those marketplace benefits that exert a decisive influence on your organization's likelihood of future success. These advantages are frequently sources of current and future competitive success relative to other providers of similar products and services. Strategic advantages generally arise from either or both of two sources: 1) core competencies which focus on building and expanding on your organization's internal capabilities 2) and strategically important external resources, which your organization shapes and leverages through key external relationships and partnerships.

When an organization realizes both sources of strategic advantages, it can amplify its unique internal capabilities by capitalizing on the complementary capabilities in other organizations.

See *STRATEGIC CHALLENGES* and *STRATEGIC OBJECTIVES* for the relationship among strategic advantages, strategic challenges, and the strategic objectives your organization articulates to address its challenges and advantages.

STRATEGIC CHALLENGES: Those pressures that exert a decisive influence on your organization's likelihood of future success. These challenges are frequently driven by your organization's anticipated competitive position in the future relative to other providers of similar products and services. While not exclusively so, strategic challenges are generally externally driven. However, in responding to externally driven strategic challenges, your organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs or expectations, product or technological changes, or financial, societal and other risks or needs. Internal strategic challenges may relate to capabilities or human and other resources.

See STRATEGIC ADVANTAGES and STRATEGIC OBJECTIVES for the relationship among strategic challenges, strategic advantages, and the strategic objectives your organization articulates to address its challenges and advantages.

STRATEGIC OBJECTIVES: The aims or responses that your organization articulates to address major change or improvement, competitiveness or social issues, and business advantages. Strategic objectives are generally focused both externally and internally and relate to significant customer, market, product, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what your organization must achieve to remain or become competitive and ensure its long-term success. Strategic objectives set your organization's long-term directions and guide resource allocation and redistribution.

See *ACTION PLANS* for the relationship between strategic objectives and action plans and for an example of each.

STRATEGIC OPPORTUNITIES: Prospects for new or changed products, services, processes, business models (including strategic alliances), or markets. They arise from outside-the-box thinking, brainstorming, capitalizing on serendipity, research and innovation processes, nonlinear extrapolation of current conditions, and other approaches to imagining a different future.

The generation of ideas that lead to strategic opportunities benefits from an environment that encourages non-directed, free thought. Choosing which strategic opportunities to pursue involves consideration of relative risk, financial and otherwise, and then making intelligent choices (intelligent risks).

See also INTELLIGENT RISKS.

SUPPLIER: An entity that supplies goods and services to another organization, and is usually a manufacturer or a distributor. A supplier may also be part of an organization's supply-network.

SUPPLY-NETWORK: A supply-network consists of the entities involved in producing products and services and delivering them an organization's customers. For some organizations, these entities form a chain, in which one entity directly suppliers another. Increasingly, however, these entities are interlinked and exist in interdependent rather than linear relationships. The term supply-network, rather than supply chain, emphasizes the interdependencies among organizations and their supplier.

SYSTEM: A combination of processes or work units which are organized so as to follow a fixed plan, or set or procedures, to accomplish a common purpose. The Sterling Criteria refer to four specific systems:
1. Governance System
2. Leadership System
3. Performance Improvement System
4. Work System

A system has an organizational structure with identified responsibilities, procedures, processes, and resources required to achieve stated management goals and objectives.

Processes can be organized into systems, and systems can be further organized to form agencies, companies, and other types of organizations. An organization can be described as a "system of systems".

SYSTEMATIC: Well-ordered, repeatable, and exhibiting the use of data and information so that learning is possible. Approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity. To see the term in use, refer to the Process Scoring Guidelines.

SYSTEMS THINKING: A discipline for identifying the "structures" that underline complex organizations or issues, realizing the impacts feedback loops have on the system's performance, and distinguishing high from low leverage points.

Three important concepts form the basis for systems thinking:
1. All systems are composed of interconnected parts. The connections cause the behavior of one part to affect another. Because all parts are connected, a change to any part or connection affects the entire system.
2. The specific combination of parts and connections dictates how the parts work together and define the system. The same parts with different connections will define a different system with different performance. To change the system's performance, one must understand the parts, the connections, and how they work together.
3. Feedback loops inform each part of the system, overall. Feedback loops influence behavior at all levels to produce outcomes.

In management systems, systems thinking should be evident in all phases of management, such as needs assessment, product and service design, planning, execution, monitoring, and performance evaluation.

TRENDS: Numerical information that shows the direction and rate of change of your organization's results or the consistency of its performance over time. Trends show your organization's performance in a time sequence.

Ascertaining a trend generally requires a minimum of three historical (not projected) data points. Defining a statistically valid trend requires more data points. The cycle time of the process being measured determines the time between the data points for establishing a trend. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer periods for a meaningful trend.

Examples of trends called for by the Criteria and scoring guidelines include data on product and service performance, results for customer and workforce satisfaction and dissatisfaction, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

VALUE: The perceived worth of a product, process, asset, or function relative to its cost and possible alternatives. Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Your organization needs to understand what different stakeholder groups' value and then deliver value to each group. This frequently requires balancing value among customers and other stakeholders, such as your workforce and the community.

VALUES: The guiding principles and behaviors that embody how your organization and its people are expected to operate. Values influence and reinforce your organization's desired culture. They support and guide the decisions made by every workforce member; helping your organization accomplish its mission and attain its vision appropriately. Examples of values include demonstrating integrity and fairness in all interactions, exceeding customer expectations, valuing individuals and diversity, protecting the environment, and striving for performance excellence every day.

VISION: Your organization's desired future state. The vision describes where your organization is headed, what it intends to be, or how it wishes to be perceived in the future.

VOICE-of-the-CUSTOMER: 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, social media data, and commentary, warranty data, marketing and sales information, and complaint data that affect customers' purchasing and engagement decisions.

WORK PROCESSES: Your organization's most important internal value-creating processes. They might include product design, production, and delivery; customer support; supply-network management; business; and support processes. They are the processes that involve the majority of your organization's workforce and produce customer, stakeholder, and stockholder value.

Your key work processes are always accomplished by your workforce. They frequently relate to your core competencies, the factors that determine your success relative to competitors, and the factors your senior leaders consider important for business growth. In contrast, projects are unique work processes intended to produce an outcome and then go out of existence.

WORK SYSTEMS: The coordinated combination of internal work processes and external resources that you need to develop and produce products, deliver them to your customers, and succeed in your marketplace. Within your work systems, internal work processes are those that involve your workforce. External resources may include processes performed by your key suppliers, partners, contractors, and collaborators, as well as other components of your supply-network needed to produce

and deliver your products and carry out your business and support processes. These internal work processes and external resources function together to accomplish your organization's work.

Decisions about work systems are strategic, as you must decide whether to use internal processes or external resources for maximum efficiency and sustainability in your marketplace. These decisions involve protecting intellectual property, capitalizing on core competencies, and mitigating risk. The decisions you make have implications for your organizational structure, people, work processes, and equipment/technology.

Examples of Work Systems include:
- Growth Management Work Systems, which might include the processes of Market Research, Marketing, Business Development, and Sales.
- Fulfillment Work Systems, which might include the processes of Product Research, Engineering, Production, Inventory Management, and Delivery.
- Asset Management Work System, which might include the processes of Facilities Planning, Facilities Construction, Facilities Operations, and Facilities Maintenance.
- Supply-Network Management Work System, which might include the processes of Capacity Planning, Supplier Selection, Contract Management, and Supplier Monitoring and Evaluation.
- Workforce Management Work System, which might include the processes of Workforce Planning, Hiring, Retention Policies, Compensation, Rewards, Recognition, Benefits, Volunteer Management, and Professional Development and Training.

The Criteria refer to decisions regarding Work Systems as being strategic. This is because involving them can have significant impact on an organization's customers, workforce, growth, and financial position. For example, a government agency's decision to outsource its case management work system to a network of community-based not-for-profit organizations could have a significant impact on its clients, taxpayers, workforce, communities, and its core competencies. Other examples include a company's relocating its customer-contract work system call centers offshore, or a hospice organization transitioning its patient care work system from its own facilities to in-home patient services only.

WORKFORCE: All people actively supervised by your organization and involved in accomplishing your organization's work, including paid employees (e.g., permanent, part-time, temporary, on-site, and remote employees, as well as contract employees supervised by your organization) and volunteers, as appropriate. Your workforce includes team leaders, supervisors, and managers at all levels.

WORKFORCE CAPABILITY: Your organization's ability to accomplish its work processes through its people's knowledge, skills, abilities, and competencies.

Capability may include the ability to build and sustain relationships with customers, to innovate and transition to new technologies, to develop new products and services and work processes, and to meet changing business, market, and regulatory demands.

WORKFORCE CAPACITY: Your organization's ability to ensure sufficient staffing levels to accomplish its work processes and deliver your products and services to customers, including the ability to meet seasonal or varying demand levels.

WORKFORCE ENGAGEMENT: The extent of workforce members' emotional and intellectual commitment to accomplishing your organization's work, mission, and vision. Organizations with high levels of workforce engagement are often characterized by high-performance work environments in which people are motivated to do their utmost for their customers' benefit and the organization's success.

In general, workforce members feel engaged when they find personal meaning and motivation in their work, and receive interpersonal and workplace support. An engaged workforce benefits from trusting relationships, a safe and cooperative environment, good communication, and information flow, empowerment, and accountability for performance. Key factors contributing to engagement include training and career development, effective recognition and reward systems, equal opportunity and fair treatment, and family-friendliness.

Challenge, GSA, and Oglethorpe Award Process Overview, Timetable, and Fees

Award Process Overview, Timetable, and Fees

Activity	2022 Cycle	2023 Cycle
Application of Intent Available	June 2021	June 2022
Application of Intent Due	August 27, 2021	August 26, 2022
Applications Due	October 22, 2021	October 21, 2022
Consensus Meetings	January 2022	January 2023
Site Visits	February 21 - March 18, 2022	February 13 - March 24, 2023
Judges' Recommendation Meeting	April 2022	April 2023
Award Ceremony	June 3, 2022	June 2, 2023

THE AWARD PROMOTES
- awareness of performance excellence as an increasingly important element in competitiveness; and
- information sharing of successful performance strategies and the benefits derived from using these strategies.

AWARD PARTICIPANTS
The award eligibility categories include organizations in the following sectors:
- manufacturing
- service
- education
- healthcare
- non-profit, including government
There is no limit to the number of awards given in each sector.

APPLICATION REQUIREMENTS
- Provide an Application of Intent
- Submit an Application of Intent Fee
- Provide a Challenge, Governor's Sterling (GSA), or Georgia Oglethorpe Award Application; including an Organizational Profile
- Submit Application Fee, based on the Fee Schedule, at the time of Application submission
- Adhere to all online application instructions
- Collaborate with the Sterling Office and Assessment Team Lead in establishing, and adhering to your specific Assessment Schedule.

FEE SCHEDULE
- All assessments – Application of Intent Fee: $1,000
- Challenge Application:
  - Organizations up to 250 employees: $8,500
  - Organizations with more than 250 employees: $10,500
- GSA / Georgia Oglethorpe Application:
  - Organizations up to 250 employees: $10,500
  - Organizations with more than 250 employees: $12,500
- Examiner travel expenses will be incurred and paid at the Florida State rate.
- Examiner living logistics and expenses will be performed and incurred by the Applicant organization; and agreed upon with the Sterling Office.

Please note that all fees are non-refundable.

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