2026 2027

# GOVERNOR'S STERLING AWARD

AND

# GEORGIA OGLETHORPE AWARD

# THE FRAMEWORK FOR PERFORMANCE EXCELLENCE GUIDE

The #1 source for developing, accelerating, and recognizing organizational performance excellence.

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

AN ORGANIZATIONAL MODEL
FOR HIGH PERFORMANCE

THE STERLING COUNCIL - CHARTING A NEW DIRECTION

# NO LIMITS. JUST LEADERSHIP.

**For 34 years, The Sterling Council has been Florida and Georgia's premier force for organizational excellence — and we're just getting started.** Founded in 1992 as a proud public/private partnership supported by the Office of the Governor, our mission has always been to help leaders and organizations become the very best versions of themselves. Today, that mission is more alive than ever.

Guided by a passionate Board of Examiners and an energized Board of Directors, we hold ourselves to the highest standards — because excellence demands nothing less. Organizations across Florida and Georgia save millions of dollars annually through our work, and the leaders who engage with us are forever transformed. That's not a claim. That's Sterling.

**"GREAT LEADERS BUILD GREAT ORGANIZATIONS — AND GREAT LEADERS NEVER STOP GROWING."**

**No Limits. Just Leadership.** That's more than a theme — it's our declaration. Since expanding into Georgia in 2018 and rebranding as The Sterling Council in 2022, we've been building toward something bigger. Now, powered by a bold new leadership direction, we're accelerating. Here's where we're headed:

**1 Igniting Leadership Excellence**
Our nationally recognized Examiner Leadership Development program doesn't just train leaders — it transforms them. Participants leave with sharper skills, deeper insight, and the confidence to lead at the highest levels across every sector.

**2 Making Excellence More Accessible**
We're reimagining our assessment processes from the ground up — making the path to performance excellence clearer, faster, and more meaningful for organizations of every size, from small nonprofits to major enterprises.

**3 Leading with AI**
We're harnessing the power of artificial intelligence to modernize our operations, elevate the quality of feedback, and deliver even greater value — ensuring Sterling stays at the cutting edge of performance excellence in a rapidly changing world.

**The future of Sterling is bold, boundless, and built for leaders like you.** Whether you're leading a team of five or an organization of thousands, this is your community. Join us, and discover what happens when great leaders come together with no limits.

Dione Geiger-Pieno
President

Roland J. Martinez
Board Chair

35TH ANNUAL STERLING LEADERSHIP CONFERENCE • JUNE 8–11, 2027
JW MARRIOTT BONNET CREEK, ORLANDO, FLORIDA • THESTERLINGCONFERENCE.COM

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# Section I

# Introduction to the Sterling Council


## Introduction

The Sterling Council was formed in 1992, aligned with Florida Statutes 110.235 and 381.001, as a not-for-profit 501(c)3, public/private partnership supported by the Office of the Governor. Our core business is the management of the Sterling/Baldrige National Criteria for Performance Excellence as a member of the national Alliance for Performance Excellence. Our extensive Examiner performance excellence professionals and Board of Directors ensure we maintain exceptionally high standards. We save organizations and the states of Florida and Georgia millions of dollars annually by evaluating organizational performance excellence.

The Sterling Council continues to grow in the achievement of our mission "Elevating Performance Excellence." In 2017, the Sterling Council expanded its base of operations to provide a full scope of assessments services in the state of Georgia.

As we continue to promote best practices and learning for those striving for performance excellence, in February 2022 we changed our name from the Florida Sterling Council to The Sterling Council, and enhanced our logo to represent our new, expanded identity. The center bars and arrow demonstrate our mission to promote continuous improvement, and our ability to enable our Sterling community to achieve higher performance and become role model organizations. The background contains a golden globe signifying our worldwide presence; with all surrounded by our new name and mission statement. Our revised brand demonstrates our continued commitment to bring the internationally known standard for performance excellence, the Sterling/Baldrige Framework throughout the world.

## Partnerships

The Sterling Council is fortunate to have four key partnerships, which enable our organization to function at a higher level of performance excellence.

The first partnership includes a long-standing relationship with **ets, Inc**. to provide Lean Six Sigma training services. This enables Sterling to offer nationally certified Six Sigma from White Belt to Master Black Belt Certification.

Our second partnership is with **Stratex Solutions**, our partner in leveraging integrated web-based assessment services for both our Applicants and Examiners. This relationship has elevated the Sterling Assessment processes to be more efficient and effective. It makes it easier to apply by providing an electronic submission as well as allows Examiners to conduct assessments across the entire assessment cycle.

Our third partnership, **223 Agency**, has greatly enhanced Sterling's social media and web page footprint in this key space.

Our fourth partner is **Sterling International** who is the global partner to the Sterling Council and provides Performance Excellence education, consulting, and assessments around the globe.

## Assessments

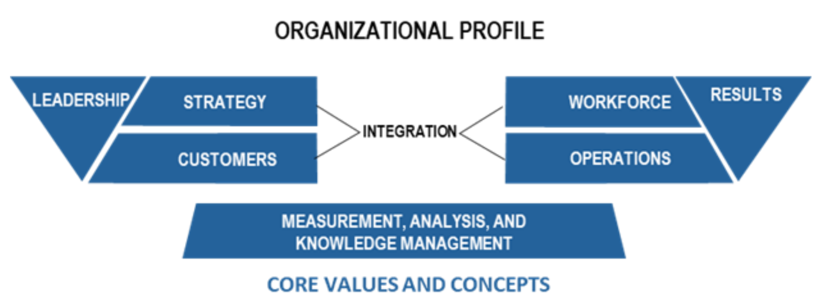
The Sterling Council has six robust assessment processes that use the Criteria for Performance Excellence for any size public or private organization.

- Sterling Manufacturing Business Excellence Assessment*
  *Consulting & Competitive Assessment*
- Sterling Collaborative
  *Consulting Assessment*
- Sterling Collaborative + Results
  *Consulting Assessment*
- Georgia Oglethorpe Award Assessment*
- Governor's Sterling Award Assessment*
- Sterling Sustained Excellence Award Assessment*

* These competing assessments are reviewed by an independent panel of judges, and if selected, organizations may be eligible for Governor's Sterling, Georgia Oglethorpe, or Sustained Excellence Award recognition.

Annually, The Sterling Council recognizes all organizations who apply for assessments as part of our Sterling conference at the Governor's Sterling Award Banquet.

**Sterling Management Framework**



## Recognition and Results

The Sterling Council has recognized over 100 role model organizations as Governor's Sterling Award recipients and Georgia Oglethorpe Award recipients. Since our inception, we have also trained nearly 3,500 Examiners who have implemented Sterling practices within their own organizations. Through leadership, programs, and volunteers, The Sterling Council offers best practices, which drive results and success in both individual professional development and bottom-line performance.

## Examiner Leadership Development

The Examiner Leadership Development program prepares and develops qualified individuals to serve as Examiners in the Sterling Performance Excellence assessments. Sterling Examiners develop and refine leadership skills and competencies such as critical thinking, systems perspective, analytical skills, and business acumen. The Examiners learn how to be more effective with both teamwork and communication skills; project management; and understand the basics of Lean Six Sigma application, such as problem-solving methodologies, process mapping, and in-process and outcome measures. Finally, Examiners learn what it takes to be a more effective leader in understanding the difference between continuous improvement and innovation as a key performance improvement leadership competency.

## Lean Six Sigma Process Management Training

The Sterling Council has multiple certification levels of Six Sigma application and knowledge for employees, key leaders, and executives:

- White Belt
- Advanced Yellow Belt
  (*Yellow Belt, DMAIC, and Project Management*)
- Green Belt
- Black Belt
- Executive Belt
- Silver Belt

## Return on Investment (ROI)

We offer a multitude of high-value, high-impact training sessions for organizations of every size and sector. Results and savings are typically substantial; for example, the average ROI on Lean Six Sigma Green Belt projects is 12:1, which equates to a $1.5M annual benefit. We offer incredible value at a rate significantly less than other providers offer and have sustained satisfaction ratings of 98%.

## Sterling Leadership Fellows

Sterling Leadership Fellows is an exclusive opportunity for aspiring leaders to transform their management style, broaden their perspective on performance excellence, and develop impactful leadership skills to drive sustained excellence in their organizations. The Sterling Leadership Fellows program enables participants to experience applied learning and connect with a learning network of visionary leaders.

## Sterling Leadership Conference

Recognized as the premier conference in the nation for practical learning in leadership and management systems, the Sterling Leadership Conference is held annually in late May / early June. The conference offers

- two keynote speakers,
- concurrent workshops,
- certification tracks,
- direct application and take-away tools,
- a Team Showcase which features problem-solving process improvement strategies,
- a Storyboard Competition,
- the Products & Services Exposition, and
- extensive opportunities for networking and best practice sharing.

Industry leaders address current challenges and trending topics, with presenters from around the nation who have demonstrated expertise and have sustained top satisfaction ratings.

In our 34 years, we have hosted over 23,000 attendees who learned from the best organizational excellence presenters.

# *A Special Thank You!*

We thank each of our 120+ volunteers for their time, experience, and passion to help the Sterling Council provide the framework and assessment processes for our Sterling Community and Applicants in their journey toward performance excellence.

## *Board of Examiners*

The Board of Examiners represents leaders and performance excellence expertise from organizations in all sectors; both private and public. Examiners attend extensive training each year to advance their leadership competencies, to effectively conduct assessments, and ensure the most important and relevant feedback is provided to the Applicant and Panel of Judges to enable them to move to their next level of high performance.


"Serving as a Sterling Examiner is both professionally and personally rewarding. The experience sharpens your ability to assess organization systems, strengthens strategic thinking, and provides practical insights that can be immediately applied within your own organization. More importantly, it reinforces a shared commitment to organizational excellence and continuous improvement that benefits the broader community. It is an experience that continues to shape my leadership and reinforces my commitment to organizational excellence."

*Alisha Curtis*
*Director, Strategic Operations*
*Alachua County Tax Collector's Office*
*2025 Advanced Examiner*

"Although serving as a Team Leader requires a significant amount of time and energy, I have found it to be well worth my time. As a Team Leader, I have the opportunity to work with a team of Examiners with a wide range of experience and perspectives who challenge my own personal biases and help me to further my professional growth. In addition, it is a gift to be able to learn and network with other high performing organizations and to mentor Examiners who will be future leaders with in the Sterling organization."

*Jeff Cooper,*
*Chief Operating Officer*
*Hemophilia of Geogia*
*2025 Master Examiner*

**Bob Madeiros, Master Examiner**
**25-Year Service Award**
Pictured with Bob Goehrig,
Examination Committee Chair and
Dione Geiger, Sterling Council, President

**Dr. Zuzana Bobst, Advanced Examiner**
**2025 Examiner Excellence Award Recipient**
Pictured with Bob Goehrig,
Examination Committee Chair,
Dione Geiger, Sterling Council, President and
Mark Stevens, Assessment Team Lead

**Sara Morrison, Master Examiner**
**30-Year Service Award**
Pictured with Bob Goehrig,
Examination Committee Chair and
Dione Geiger, Sterling Council, President

# *Examination Leadership Team*

Throughout the year, the Examination Leadership Team applies fact-based improvements to the Examiner Leadership Development training series to enhance the Examiner experience, as well as the assessment process and tools to improve assessment effectiveness, efficiency, and outcomes. In addition, members of our Examination Leadership Team members manage assessment teams or are members of the Panel of Judges.

## Vision

To develop leaders that make a difference.

## Mission

To develop, implement, and manage processes that provide opportunities for Examiners to continually build their leadership skills.

**2025 Examination Leadership Team**

## *Panel of Judges*

The Sterling Council's Panel of Judges consists of seven judges that are internationally recognized experts on organizational performance excellence in the Sterling / Baldrige Framework for Performance Excellence. The Panel of Judges makes recommendations for award recipients to the Sterling Council.

From left to right: Dave Klater, Susan White, Phil Centonze – Chair, Mary Beth Corace, Susan Grant, and Irving Briks
Not Pictured: Rob Davis

## *Our Sterling Community – A Day at the Conference!*

# *Examiner Leadership Development Experience*

The Sterling Council's Examiner Leadership Development training program is recognized as a benchmark for preparing and developing leaders and qualifying those individuals to serve on the Sterling Board of Examiners on an assessment team.

As a Sterling Examiner, you receive stellar training, and all Applicants receive site visits, which boosts the learning curve. You will invest a tremendous amount of time learning to be an Examiner in preparation for an Applicant assessment. You will have the opportunity to participate as a member of a high performing team where you will review an organization's application, and prepare for and conduct a site visit.

Further, **Leadership Development Competencies** are acquired as you learn and apply the Examiner skills, including:

- develop **leadership skills** that result in high-quality feedback and reports;
- learn why leveraging the key competency of **business acumen** is critical to understanding the importance and relevance of the systems and unique aspects of a business;
- understand how **systems thinking** provides the insight to ask the right questions, discern and prioritize information, and draw the correct conclusions;
- learn how **analytical skills** are used to evaluate and analyze factors that gauge the maturity of processes and results;
- understand the importance of **teamwork** and **communication** in driving high performance; and
- understand how leveraging the core competencies of **business acumen**, **systems thinking**, **critical thinking**, and **analytical skills** enable high performance leadership.

**Examiner Leadership Development Feedback**

Overall, our Examiners rated this training as **100% effective in strengthening their leadership skills**. In addition, **100%** of our Examiners rated the Application Assessment training as **effective in enhancing their business acumen, analytical skills, system thinking, and critical thinking skills**.

*2026 Cycle Examiner Training Survey Results*

# *Governor's Sterling and Georgia Oglethorpe, Sustained Excellence, and John A. Pieno, Jr. Leadership Award Recipients*

**Governor's Sterling and Georgia Oglethorpe Award**
102 Award Recipients
since 1993

### 2026

Fulton County Schools
Human Resources Division

Northeast Georgia Medical Center
Braselton

### 2025

Hillsborough County Tax Collector's Office

Wellstar Douglas Medical Center

### 2024

Lee Health

Wellstar Sylvan Grove Medical Center

### 2023

Health First Medical Group

Miami-Dade County Parks, Recreation, and Open Spaces Department

Wellstar Cobb Hospital

Wellstar West Georgia Medical Center

### 2022

Alachua County Tax Collectors' Office

Wellstar North Fulton Hospital

Wellstar Windy Hill Hospital

**Sterling Sustained Excellence Award**
22 Recipients
since 2011

### 2026

Alachua County Tax Collector's Office

### 2025

USF Credit Union

### 2023

Wellstar Kennestone Hospital
(Georgia Oglethorpe Award 2020)

### 2019

Orange County Public Schools, Human Resources Division
(Governor's Sterling Award 2015)

### 2018

City of Tallahassee, Underground Utilities and Public Infrastructure
(Governor's Sterling Award 2015)

**John A. Pieno, Jr. Leadership Award**
2 Recipients
since 2025

### 2026

The Honorable Nancy Millan
Hillsborough County Tax Collector's Office

### 2025

Karen Moore
The Moore Agency
Inaugural Recipient

**John A. Pieno Jr. Leadership Award**
Karen More, Inaugural Recipient
Pictured with Pieno family members, and
Randy Ledbetter, John A. Pieno Jr. Legacy Foundation Chair

# *Governor's Sterling and Georgia Oglethorpe Award Recipients*

**2025 Georgia Oglethorpe Award Recipient**
Wellstar Douglas Medical Center

**2025 Governor's Sterling Award Recipient**
Hillsborough County Tax Collector's Office

# *Sterling Sustained Excellence Award*

**2025 Sustained Excellence Award**
USF Credit Union

The Sterling Council has demonstrated over 34 years of success using the nationally recognized Baldrige / Sterling Framework for Performance Excellence. This proven leadership model has resulted in the Sterling Council leading organizations to outstanding results, including state and national comparative and benchmark levels, which directly supports our mission to *Elevate Performance Excellence*.

# *Sterling Manufacturing Business Excellence Award Recipient*


**2025 Sterling**
**Manufacturing Business Excellence Award**
**Gold Recipient**
Amerikooler, LLC


**2025 Sterling**
**Manufacturing Business Excellence Award**
**Gold Recipient**
Bausch + Lomb Pharmaceuticals

The Sterling Manufacturing Business Excellence (SMBE) Award is designed for manufacturing companies committed to improving company-wide leadership and management systems, based on the Sterling Criteria for Performance Excellence. This assessment uses the company's Organizational Profile as context for evaluating performance, and provides direct feedback of observed strengths and opportunities at the conclusion of the assessment process. Through this assessment, manufacturers are provided opportunities for organizational and learning development; and to promote and elevate participating manufacturers and the Florida manufacturing sector.

All manufacturers with production facilities in Florida and Georgia are eligible to participate, and the manufacturer does not need to be a member of any association.

"The Sterling Manufacturing Business Excellence Award (SMBE) and its requirements in manufacturing excellence, have elevated us to a higher level, as well as providing our company with more opportunities for development and growth! The value of the SMBEA Assessment has given us a pathway for reaching our goals and success as a company, and has fostered a passion for continuous improvement. It also provides an unwavering focus to our entire team on quality, efficiency, and customer satisfaction. Sterling has made a significant impact in our journey!"

*Bill Allen,*
*Plant Manager / General Manager*
*Veethree Electronics*
*2023 SMBEA Gold Recipient*


## An Exclusive Community of Aspiring Leaders

Sterling Leadership Fellows is an exclusive opportunity for aspiring leaders to transform their management style, broaden their perspective on performance excellence, and develop impactful leadership skills to drive sustained excellence in their organizations.

The Sterling Fellows Curriculum encompasses 14 monthly sessions to engage yourself in a dynamic learning experience with virtual sessions, in-person workshops, and industry-leading insights.

## Overview and Key Benefits

**Gain Exclusive Access:** Integrate your executive learning journey with strategic events, including the Sterling Leadership Conference and South Florida Sumit.

**Grow your network** with other performance leaders.

**Sharpen your Skills:** Master essential leadership competencies, including visioning, strategic thinking, data-driven decision-making, and problem-solving.

**Network with the Best:** Connect with a curated cohort of elite, high-potential leaders and build lasting relationships.

*"The Sterling Fellows Program has been developed to transition aspiring leaders from managing tasks to leasing people while driving innovation and engagement within their teams."*

- **Roland Martinez**, Broward County Health Department; Governor's Sterling Award recipient

**Establish a Basis for Action** and embed high-performance behaviors of the ore Values like Visionary Leadership and Systems Perspective, Agility and Resilience, and Customer-Focused Excellence.

**Bring Immediate Value and Improvement** to your organization. Develop and put your skills to work addressing a real-life strategically oriented challenge your organization faces. Tackle real-world challenges through team-based projects and a Capstone Training Experience.

**Earn Recognition:** Graduate with a prestigious certification showcasing your leadership commitment and expertise.

*"The program's focus on world-class leadership through applied learning will provide an invaluable framework for evaluating and improving organizational performance."*

- **Victoria Dune-Chari**, Wellstar Kennestone; Georgia Oglethorpe Award recipent

ELEVATE YOUR LEADERSHIP JOURNEY

# Section II

## The Sterling Framework

## for

## Performance Excellence

# *Introduction to the Sterling Framework*

**"The urgency to improve organizational performance is at an all-time high. Today's customers expect more value for every dollar, knowledgeable employees are difficult to find and retain, competition is fierce, technology and data grow increasingly complex, and business models evolve ever more quickly. Given all of that and the complexity of modern organizations, a scatter-shot approach to improvement is not enough. Organizations need a systematic approach to incremental change that will drive them toward the ultimate goal of performance excellence."**

**Greg Jacobson, KaiNexus**
**October 31, 2024**

But what is "performance excellence"? The Sterling Management Framework defines performance excellence as, "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 Management Framework for Performance Excellence is the structured, systematic approach organizations can use to improve their performance, achieve their goals, and become more competitive. It is a non-prescriptive framework, meaning it provides guidance rather than strict rules, allowing organizations to tailor the framework to their specific needs. The framework is:

- based on core values and concepts,
- incorporates proven practices on current leadership and management issues, and
- includes the Sterling Award Criteria, a set of questions used in assessing organizational performance and role-model status.

By knowing your organizations position in its journey toward performance excellence, and internalizing the principles of excellence, you will identify opportunities for improvement and growth.

## Benefits of using the Sterling Framework

**Improved Performance:** By using the framework, organizations can identify areas for improvement and make progress toward their goals.

**Enhanced Competitiveness:** The framework helps organizations become more competitive by focusing on key areas such as customer satisfaction, employee engagement, and innovation.

**Better Decision-Making:** By using data and a structured approach, organizations can make more informed decisions.

**Recognition and Learning:** Organizations that implement the framework can earn recognition through the Sterling Council's assessment offerings (refer to Section III – Page 47), where all organizations participating in the current assessment cycle receive recognition at the annual Sterling Leadership Conference. Organizational learning is achieved through the detailed Feedback Report provided by the assigned assessment team, and myriad opportunities for learning at the annual Sterling Leadership Conference through workshops, certification tracks, special events, and networking opportunities.

# A Systems Perspective on Organizational Performance Excellence

The Sterling Framework for Performance Excellence consists of six Categories identified in the center of the figure: Leadership, Strategy, Customers, Workforce, Operations, and Results. These Categories define your processes and the results you achieve, as performance excellence requires strong leadership and is demonstrated through results.

On the left, the **Leadership Triad** consists of three key Categories: Leadership, Strategy, and Customers. These categories are interconnected and emphasize the importance of senior leaders' focus on strategy and customer satisfaction.

- The Leadership Category focuses on the role of leadership in guiding and sustaining the organization,
- The Strategy Category focuses on developing and implementing strategic plans, and
- The Customer Category focuses on understanding and meeting customer needs and expectations.

In essence, the **Leadership Triad** highlights the interconnectedness of leadership, strategy, and customer focus as essential components of a high-performing organization.

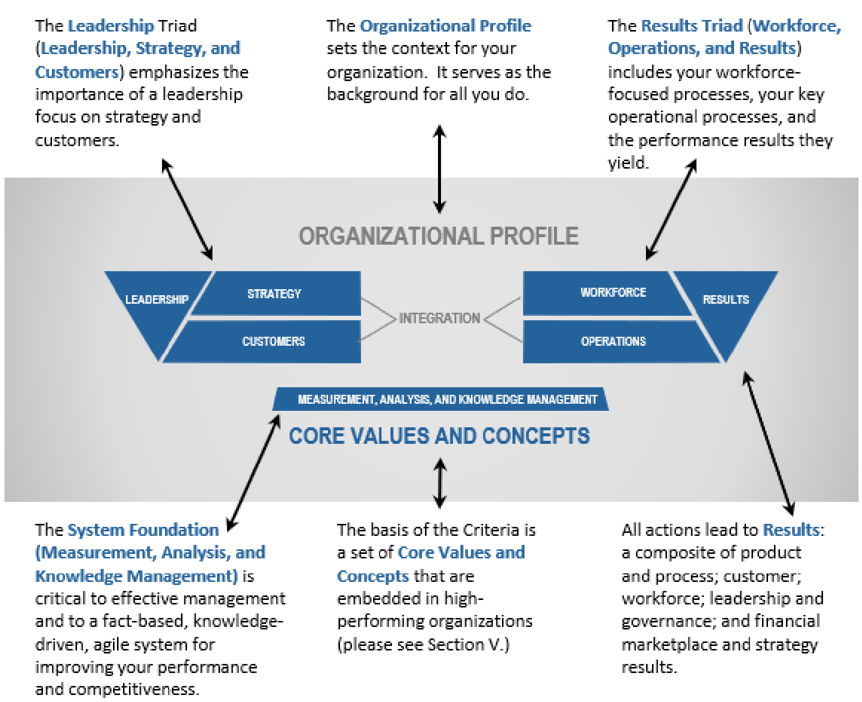
On the right, the **Results Triad** consists of three key Categories: Workforce, Operations, and Results. These three areas represent the core aspects of an organization's performance management system, focusing on:

- how the workforce contributes,
- how operations are managed, and
- the resulting outcomes.

The Results Triad highlights the interconnectedness between these three areas. A strong workforce and efficient operations are crucial for achieving positive results.

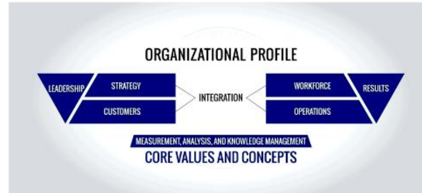
The word "**INTEGRATION**" at the center of the figure shows that all the elements of the system are interrelated, and the **center horizonal arrowheads** show the critical linkage between the **Leadership Triad** and the **Results Triad**, and the central relationship between the Leadership and Results Categories. The Sterling Framework emphasizes that organizations should not just focus on individual areas, but rather on how they work together to achieve overall performance.

The remaining components of the Sterling Framework are the **ORGANIZATIONAL PROFILE** and the **SYSTEM FOUNDATION** (Category 4), which provide information on, and feedback to, key processes and the organizational environment.



# Role Model Practices and Examples

## Organizational Profile




Your Organizational Profile provides a framework for understanding your organization. It gives you critical insight into the key internal and external factors that shape your operating environment.

These factors, such as your organization's vision, mission, values, culture, core competencies, competitive environment, strategic challenges, threats, advantages, and opportunities affect the way your organization is run and the decisions you make. As such, the Organizational Profile helps you better understand the context in which you operate; the key requirements for current and future business success; the needs, opportunities, constraints placed on your management systems; and is an invaluable tool for new and seasoned employees to fully understand your organization.

Your key processes, measurements, and goals should relate to the organizational context you describe in your Organizational Profile.

*Please note that content italics pertains specifically to nonprofit (including government) organizations.*

### P.1 Organizational Description

### Purpose

This Item addresses the key characteristics and relationships that shape your organizational environment. The aim is to set the context for your organization.

### Practices

**Understand your business model and key revenue drivers.** The relative importance of your products and services, including their percentage of your revenue/budget, and how your business differentiates itself from competitors, is critical to knowing how you are performing in your industry. Similarly, understanding your business model within the context of your industry is critical for strategic planning and assessment.

In your industry, your business model and key revenue drivers will be impacted directly by the role of competition, what makes your organization unique, what makes it profitable, the industry's rate of change, reasons other organizations are succeeding/failing, industry standards, and other factors.

How you deliver products and services to your customers might be direct or indirect, or through dealers, distributors, collaborators, or channel partners.

*Nonprofit (including government) organizations might refer to their product and/or service offerings as programs or projects.*

**Understand your organization.** The use of such terms as vision, mission, values, culture, and core competencies varies depending on the organization, but these terms should offer you a clear understanding of the essence of your organization, why it exists, and where your senior leaders want to take it in the future. This clarity enables you to make and implement strategic decisions affecting your organization's future.

Some organizations define a mission and a purpose, and some use the terms interchangeably. The role of purpose is to inspire the organization and guide its setting of values. Purpose might include making a difference for your customers, stakeholders, and community as part of societal well-being. Your purpose should be translatable into action and incorporated into organizational strategy, goals, and metrics.

Your values are part of your organization's culture. Other characteristics of your culture might include shared beliefs and norms that contribute to the uniqueness of the environment within your organization.

**Understand your core competencies**. 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. Executing your core competencies well is frequently a marketplace differentiator; are frequently challenging for competitors, or suppliers and partners to imitate and often preserve your competitive advantage.

A clear identification and thorough understanding of your organization's core competencies are central to success now and in the future, as well as to competitive performance. Keeping your core competencies current with your strategic direction can provide a strategic advantage, and protecting intellectual property contained in your core competencies can support your organization's future success.

Along with performance and financial health, core competencies should be assessed to determine their alignment with your strategic objectives and action plans.

**Understand your workforce profile.** Your workforce profile should include the location of your workforce, your organized bargaining units (i.e., union representation), and the special health and safety requirements of the workforce; and specify any workforce groups your organization has identified for segmenting data. If your organization relies on volunteers and/or temporary staff members to accomplish core work (producing output that is necessary and/or customer facing) should include these groups as part of the workforce.

Workforce or employee groups and segments might be based on type of employment or contract-reporting relationship, location (including remote work), work shift/tour of duty, work environment, use of flexible work policies, or other factors.

Current and anticipated changes impacting your workforce members might relate to scheduling, location, and their requirements and expectations. Workforce requirements and expectations are constantly changing due to a shortage of qualified candidates, higher expectations from job seekers, and increased competition in the job market. Technology may also play a factor, such as the Fourth Industrial Revolution, also known as Industry 4.0, which is characterized by the rapid advancements and integration of technologies such as artificial intelligence (AI), robotics, the Internet of Things (IoT), big data, 3D and 4D printing, and cloud computing, leading to a more connected and intelligent manufacturing and industrial landscape.

**Understand your regulatory environment.** The regulatory environment in which you operate places requirements on your organization and affects how you run it. Understanding this environment is key to making effective operational and strategic decisions. Furthermore, it allows you to identify whether you are merely complying with the minimum requirements of applicable laws, regulations, and standards of practice or exceeding them, a hallmark of leading organizations and a potential source of competitive advantage.

Regulations and requirements include any applicable occupational health and safety regulations; industry standards; and environmental, financial, and product regulations. In the Criteria, industry refers to the sector in which you operate, and industry standards might include industrywide codes of conduct and policy guidance.

*For nonprofit (including government) organizations, the sector in which you operate 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.

**Identify governance roles and relationships.** Role-model organizations – whether they are publicly or privately held, or are government or nonprofit organizations – have well-defined governance systems with clear reporting relationships.

It is important to clearly identify which functions are performed by your senior leaders and, by your governance board and parent organization. Board independence and accountability are frequently key considerations in the governance structure.

The organizational leadership and governance 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, reporting relationships might include publicly elected officials, boards, and commissions, as well as relationships with major fund sources, such as granting agencies, legislatures, or foundations.*

**Understand your customers' requirements and expectations.** Customer groups might be based on common requirements and 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 or customer groups based on product lines or features, distribution channels, business volume, geography, or other defining factors.

In industries with ever-increasing rates of change, organizations need to understand consumer and market shifts in requirements and expectations. In addition, 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.

*For some nonprofit (including government) organizations, customers might include members, taxpayers, residents, visitors, businesses, 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.*

The requirements and expectations 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; multilingual services; and 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.*

**Understand the role of suppliers, partners, and collaborators**. With the increase in multidisciplinary products and services, as well as globalization, and the risk of regional, national, and global interruptions that can disrupt your operations, many organizations rely ever more heavily on a business ecosystem—a network of suppliers, partners, collaborators, and even customers and competitors, with these roles shifting as necessary.

Taking advantage of these ecosystems enables distributed risk management and may result in new business models, new customers, new talent pools, and much greater efficiency in meeting customer expectations. In some cases, the organization's growth may depend on the collective growth of the ecosystem and its ability to prepare for the future. And as competition comes from organizations in different industries, organizations may be able to stand out from their competitors through new and novel offerings, possibly through the ecosystem.

Ecosystem steps for organizations to consider include reconnecting with partners, maximizing learning through shared information, rethinking customer offerings in a larger context, using concepts from ecosystem organizations as idea generators, and building nontraditional partnerships.

Your supply-network consists of the external entities involved in producing and delivering your products and/or services to your customers, and offering post-sales support. For some organizations, these entities form a chain, in which one entity directly supplies another. Increasingly, however, these entities are interlinked rather than linear relationships. The Criteria use the term supply-network to emphasize the interdependencies among organizations and their suppliers. The term supply-network represents an evolution and maturity in supply-chain management.

Supply-network requirements might include on-time or just-in-time delivery, flexibility, variable staffing, research and design capability, process and product and/or service innovation, and customized manufacturing or services.

## P.2 Organizational Situation

### Purpose

This item asks about the competitive environment in which your organization operates, including your key strategic challenges, threats, advantages, and opportunities. It also asks how you approach performance improvement and learning. The aim is to help you understand your key organizational challenges and your system for establishing and preserving your competitive advantage.

### Practices

**Know your competitors.** Understanding who your competitors are, how many you have, and their key characteristics is essential for determining your competitive advantage in your industry and marketplace. Leading organizations have an in-depth understanding of their current competitive environment, including key changes taking place.

*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.*

Sources of comparative and competitive data might include industry publications, benchmarking activities, annual reports for publicly traded companies and public organizations, conferences, local networks, and industry associations.

**Identify your strategic challenges, threats, advantages, and opportunities.** Operating in today's highly competitive marketplace means facing challenges and threats that can affect your ability to sustain performance and maintain your competitive position.

Understanding your advantages and opportunities is as important as understanding your challenges and threats. Strategic advantages are the sources of competitive advantage to capitalize on and grow while you continue to address key challenges. Strategic opportunities are prospects for new or changed products and/or services, processes, business models (including strategic alliances), or markets, often arising from outside-the-box thinking, brainstorming, and research and innovation processes.

Strategic challenges, threats, advantages, and opportunities 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; organizational resilience and risk management; changing stakeholder requirements and expectations; workforce capability or capacity; brand recognition and reputation; your supply-network; globalization; the environment and climate; and the upgrade and maintenance of facilities.

*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.*

**Know your strategic challenges.** These challenges might include the following:

- Your operational costs (e.g., materials, labor, or geographic location)
- Rapid technological changes
- The availability of skilled labor
- The retirement of an aging workforce
- Economic conditions, including fluctuating demand and local and global economic downturns
- Expanding or decreasing markets
- Mergers or acquisitions by your organization and your competitors
- The cyclical nature of your industry
- The introduction of new or substitute products
- Data and information security, including cybersecurity
- New competitors entering the market

**Know your strategic advantages.** These advantages might include the following:

- Industry innovation leadership
- Customer experience recognition
- Brand recognition
- Agility
- Supply-network integration
- E-commerce and other forms of digital leadership
- Technology integration
- Price leadership
- Reputation for quality and reliability
- Environmental ("green") stewardship
- Social responsibility and community involvement
- Accessibility
- Warranty and product and/or service options

**Prepare for disruptive technologies.** A particularly significant challenge is being prepared for a disruptive technology that threatens your competitive position or your marketplace. Recently, such technologies have included self-serve checkouts and online support replacing person-to-person interactions; online purchasing replacing many types of brick-and-mortar purchasing; smartphones and their apps largely replacing cell phones, pocket cameras, MP3 players, calculators, and GPS devices; and social media outpacing other means of communication.

Today, organizations need to be scanning the environment inside and outside their immediate industry to detect such challenges at the earliest possible point in time.

Emerging technologies that continue to drive change in many industries are the use of data analytics, the Internet of Things, artificial intelligence, the adoption of cloud operations, large dataset-enabled business and process modeling, enhanced automation, and other "smart" technologies. Three growing uses of artificial intelligence in businesses and organizations are the following:

1. process automation, including automation of physical and digital tasks, such as manufacturing processes and the replacement of lost credit or ATM cards;
2. cognitive insight, to detect patterns in vast volumes of data and interpret their meaning (e.g., to predict what a customer will buy or identify safety/quality problems); and
3. cognitive engagement, to engage employees and customers using natural language chatbots, intelligent agents, and machine learning (e.g., for 24/7 customer service, internal sites for answering employee questions, product/service recommendation systems for retailers, and health treatment recommendation systems for providers).

Organizations need to be aware of the potential for these technologies to create challenges and opportunities in their own marketplace. While some of these tools may not affect your organization immediately, they will likely affect your competitive environment and result in new competitors for your customer base.

**Implement an overall system for performance improvement.** Excellence is not possible without robust evaluation and improvement of key processes, systems, and organizational results. The system you use should be related to your organization's needs and compatible with your organization's capabilities, capacity, and culture. Your performance improvement system should include processes to learn and integrate improvements into the next process cycle.

Methods and tools compatible with an overarching systems approach might include:

- implementing a Lean Enterprise System;
- applying Six Sigma methodology, including Define-Measure-Analyze-Improve-Control (DMAIC);
- using Plan-Do-Check-Act (PDCA) methodology;
- using standards from the International Organization for Standardization (ISO; e.g., the 9000 or 14000 series, or sector-specific standards);
- using decision science; or
- employing other improvement tools.

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. Specific tools and methods might be utilized as part of the system include, for example, the PDCA (Plan-Do-Check-Act) methodology, ISO (International Organization for Standardization) standards, a Lean Enterprise System, and the Six Sigma methodology, among others.

# Leadership – Category 1

This Category defines how senior leaders' guide and sustain the organization through their personal actions and the organizational governance system. It discusses how leaders set values, create a culture, communicate effectively, and ensure ethical behavior within the organization.

## 1.1 Senior Leadership

### Purpose

This Item asks about the key aspects of your senior leaders' responsibilities, with the aim of creating an organization that is successful now and in the future.

### Practices

**The role of senior leaders.** Senior leaders play a central role in setting values and direction; creating and reinforcing an organizational culture that values and fosters customer and workforce engagement, safety, communicating, creating and balancing value for all stakeholders; and creating an organizational focus on action.

Leadership success requires a strong orientation to the future; an understanding that risk is a part of planning and conducting operations; a commitment to improvement, innovation, and intelligent risk taking; and a focus on organizational sustainability.

Increasingly, this requires creating an environment for empowerment, resilience, change, and learning. Today's environment does not tolerate indecisiveness or delay; therefore, remaining agile is increasingly important for senior leaders.

**Demonstrate role-model behaviors.** In highly respected organizations, senior leaders enhance their personal leadership skills; and participate in organizational learning. They establish a culture of customer engagement, develop the organization's future leaders, and recognize and reward contributions by workforce members. They promote fair treatment for all people associated with the organization, creating a sense of belonging; and consider the entire workforce – whether in-person, hybrid, or remote.

Role-model leaders recognize the need for change when warranted and then lead the effort through to fruition. They demonstrate authenticity, admit to missteps, and demonstrate accountability for the organization's actions; and they develop future leaders might through personal mentoring, coaching, or participation in leadership development courses.

**Promote legal and ethical behavior.** In modeling ethical behavior, leaders must often balance the demand for delivery of short-term results with setting the tone for an ethical climate and a policy of integrity first.

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 relationships with stockholder and non-stockholder constituencies;
- instances of unethical conduct or compliance breaches and responses to them;
- survey results showing workforce perceptions of organizational ethics, and ethics hotline use;
- percentage of allegations substantiated; and
- results of ethic 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.

**Actively communicate.** Encourage frank, two-way communication to openly share information and ideas, actively listen to others, and provide feedback. It's about being honest, direct, and transparent while remaining sensitive to the needs and self-esteem of others. 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.

Organizations that rely on volunteers and/or temporary staff members to accomplish core work (producing output that is necessary and/or customer facing) should also discuss efforts to communicate with these segments. Similarly, organizations that rely heavily on suppliers should discuss efforts to communicate with and engage key suppliers.

Communicating key decisions to the workforce is vital for employee engagement, alignment with organizational goals, and overall productivity. It fosters a sense of trust and transparency, encouraging open communication and better decision-making.

**Motivate the Workforce.** Senior leaders motivate the workforce by setting a clear vision providing direction, encouraging collaboration, fostering a positive work environment, and recognizing and rewarding accomplishments. Senior leaders need to empower employees, promote continuous learning, and build strong relationships.

In motivating the workforce, senior leaders should consider actions to articulate a compelling vision for the organization's future; communicate objectives and performance standards; create an open and transparent environment; communicate regularly and effectively; provide opportunities for the workforce to learn, grow, and take managed risks; be available to guide employees, answer questions, and offer support; and encourage teamwork, knowledge sharing, and open communication.

**Create an Environment for Success.** In creating an environment for high performance, leaders should consider both 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 short- and long-term 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.

Leading for innovation starts by setting a clear direction and establishing a supportive culture. Leaders need to communicate about the problems or opportunities the organization is trying to address, and then create a supportive environment and clear process that will encourage and approve intelligent risk taking.

**Create a Focus on Action.** 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, demonstrating personal accountability for those actions, ensuring that adequate resources are made available, and establishing plans for managing organizational change or responding rapidly to significant new information, as necessary.

## Key Integration Points


- Your leadership practices should align with the components identified in your Leadership System: Organizational Profile.
- Your organization's mission and vision should set the context for strategic opportunities, strategic objectives, and action plans: Organizational Profile, and Category 2 – Strategy.
- Your organization's focus on action needs to achieve your strategic objectives: Category 2 – Strategy.
- Your organization's mission, vision, values, and culture should take into consideration the needs and expectations of customers and stakeholders: Category 3 – Customers.
- Evaluation and improvement of the Leadership System: Category 4 – Measurement, Analysis, and Knowledge Sharing.
- Your Leadership System will drive the workforce environment and engagement: Category 5 – Workforce.
- Senior leaders establish and deploy performance expectations: Category 6 – Operations.
- Results related to the effectiveness of leadership and the Leadership System should be reported in Item 7.4 – Leadership and Governance Results.

## 1.2 Governance and Societal Contributions

### Purpose

This item describes key aspects of your governance system, including the improvement of leaders and the governance system itself. It also describes how the organization ensures that everyone in the organization behaves legally and ethically, how it fulfills its societal contributions, and how it supports its key communities.

### Practices

**Ensure responsible governance.** Organizations need a responsible, informed, transparent, and accountable governance or advisory body that can protect the interests of key stakeholders (including stockholders) in publicly traded, private, and nonprofit organizations. This body should have independence in review and audit functions, as well as a function that monitors organizational and CEOs' or chief administrators' performance. Reviews should encompass accountability for senior leader's actions; fiscal accountability; transparency in operations' selection of governance board members and disclosure policies for them; independence and effectiveness of internal and external audits; protection of stakeholder and stockholder interests; and succession planning for senior leaders.

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 of operations.*

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.

**Conduct senior leader performance evaluations.** The evaluation of leaders' performance might be supported by peer reviews, formal performance management reviews, and formal or informal feedback from, and 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.

Performance evaluations should identify senior leader development needs; and how such development improves the effectiveness of the leader(s), the board, and the Leadership System.

**Conduct organizational performance reviews.** Review of organizational performance and capabilities includes governance board review of the organization's performance and its progress on strategic objectives and action plans.

**Management of legal compliance, ethics, and risks.** An integral part of performance management and improvement is proactively addressing:

1. the need for ethical behavior,
2. all legal and regulatory requirements, and
3. risk factors.

Ensuring high performance in these areas requires establishing appropriate measures or indicators that senior leaders track. Role-model organizations look for opportunities to excel in areas of legal and ethical behavior. Role-model organizations also recognize the need to accept risk, identify appropriate levels of risk for the organization, and make and communicate policy decisions on risk. Proactively preparing for risks from adverse societal impacts and concerns may include conservation of natural resources, reducing carbon emissions, and using effective supply-network management processes.

*Nonprofit organizations should consider standards for fundraising and lobbying.*

**Understand public concerns.** You should be sensitive to issues of public concern, whether or not these issues are currently embodied in laws and regulations.

*Public concerns that nonprofit and government organizations should anticipate might include the cost of programs and operations, timely and equitable access to their offerings, and perceptions about their stewardship of resources.*

**Conservation of natural resources**. Conservation might be achieved through the use of "green" technologies, reduction of your carbon footprint, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or recycling of by-products or wastes.

**Consideration of societal well-being.** Societal well-being has become both an organizational differentiator and a strategic mandate across sectors. High-performing organizations understand areas of societal well-being and benefit that go beyond their compliance processes. They might include organization or collaborative efforts to improve the environment and advance the sustainability of natural resources (e.g., through a circular economy); strengthen community services, education, health, and emergency preparedness; and improve the practices of trade, business, or professional associations. These efforts may have local, regional, national, or global impacts.

**Determine societal contributions.** As the concept of corporate social responsibility has become accepted, high-performing organizations see contributing to society as more than something they must do. Increasingly, decisions to engage with an organization include consideration of its societal contributions. Going above and beyond responsibilities in contributing to society can be a driver of customer and workforce engagement and a market differentiator; customer and shareholder value is increasingly being driven by issues such as the environment, societal issues, labor practices, and consumer product safety. Societal contributions therefore imply going beyond a compliance orientation.

Opportunities to contribute to the well-being of environmental, social, and economic systems and opportunities to support key communities are available to organizations of all sizes. The level and breadth of these contributions will depend on the size of your organization and your ability to contribute.

**Determine community support.** Your organization should consider areas of community involvement that are related to its core competencies, or focus on helping to address systemic challenges that impact health, education or economic opportunities. Examples of organizational community involvement include:

- partnering with schools and school boards to improve education;
- partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues;
- partnering with organizations in the community to provide or facilitate access to vital services, such as broadband; and
- partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as voluntary standards activities or sharing best practices to improve overall U.S. global competitiveness and ethical and societal well-being.

*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 and/or broader communities.*

## Key Integration Points


- Your governance role and relationship practices should align with the components identified in your Organizational Profile.
- Review of organizational performance and capabilities includes governance board reviews of the organization's performance and its progress on strategic objectives and action plans: Category 2 – Strategy, and Category 4 – Measurement, Analysis, and Knowledge Management.
- Your organization's societal contributions and community support should be in alignment with your organization's mission: Category 1 – Leadership.
- Societal contributions and community support should take into consideration your product and service offerings, identified in your Organizational Profile and customer and stakeholder expectations: Category 3 – Customers.
- Societal contributions in areas critical to your ongoing success should also be addressed in the development of your strategic plan, and in your operations: Category 2 – Strategy, and Category 6 – Operations.
- Results related to the effectiveness of governance and societal and community support should be reported in Item 7.4 – Leadership and Governance Results.

## Strategy – Category 2

This Category focuses on how the organization develops and implements its strategic plans, considering both internal and external factors. It highlights the need to focus not only on developing your plans, but also your capability to execute them.

The Sterling Framework for Performance Excellence emphasizes three key aspects of organizational excellence that are important to strategic planning:

- **Customer-focused excellence** is a strategic view of excellence. The focus is on the drivers of customer engagement, new markets, and market share—key factors in competitiveness, profitability, and long-term organizational success.
- **Operational performance improvement and innovation** contribute to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability – including speed, responsiveness, and flexibility – is an investment in strengthening your organizational fitness.
- **Organizational learning and learning by workforce members** are necessary strategic considerations in today's fast-paced environment. The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work systems and learning initiatives with your organization's strategic directions, thereby ensuring that improvement and learning prepare you for and reinforce organizational priorities.

### 2.1 Strategy Development

### Purpose

This Item describes how you establish a strategy to address your organization's challenges and threats, and leverage its advantages and opportunities, and how you make decisions about outsourcing, work systems, and core competencies. It also asks about your key strategic objectives and their related goals. The aim is to strengthen your overall performance, competitiveness, and future success.

### Practices

**Develop your approach to strategic planning.** The term "strategy" should be interpreted broadly. Strategy development refers to your organization's approach to preparing for the future.

Strategy might be built around or lead to any or all of the following: new products and/or services; redefinition of key customer groups or market segments; changes in customer engagement processes; 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); redefinition 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.

*For some non-profit organizations, strategy development might involve organizations providing similar services or drawing from the same donor population or volunteer workforce.*

Approaches to strategic plan development require information on all key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions; taking an appropriate long-term view, as possible from the perspectives of your organization, your industry, and/or marketplace. This approach is intended to provide a thorough and realistic context for developing a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

Consideration should be given as to how your strategic planning process addresses the potential need for transformational change, organizational agility, and operational flexibility.

- Transformational change refers to the ability to adjust your operations as opportunities or needs arise as a result of strategic or other changes, and
- organizational agility refers to the capacity for rapid change in strategy.

In developing your strategy, you should consider your level of acceptable enterprise risk.

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.

**Collect and analyze data and information.** Data and information may come from a variety of internal and external sources and in a variety of forms, and they are available in increasingly greater volumes and at greater speeds. The ability to capitalize on data and information, including large datasets ("big data"), is based on the ability to analyze the data, draw conclusions, and pursue actions, including intelligent risks.

Integration of data from all sources is a key consideration to generate strategically relevant information. 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 prevent and respond to disasters and emergencies; opportunities to redirect resources to higher-priority products, services, or areas; changes in 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.

**Determine strategy considerations.** 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 and/or service lifecycle, workforce and other resources needs; prevent and respond to disasters and emergencies;
- opportunities to redirect resources to higher-priority products, services, or areas;
- changes in 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.

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 (IoT), artificial intelligence (AI), and large dataset-enabled business and process modeling.

While many organizations are increasingly adept at strategic planning, the organizational agility to rapidly change strategy, operations, and plans as opportunities or needs arise is still a significant challenge. This is especially true given market demands to be prepared for unexpected change, such as volatile economic conditions, national and global emergencies, disruptive technologies, and disruptive events that can upset an otherwise fast-paced but more predictable marketplace.

**Understand competitive leadership.** Competitive leadership requires a view of the future that includes not only the markets or segments in which you compete but also how you compete. How to compete presents many options. Deciding how to compete requires that you understand your and your competitors' strengths and weaknesses and also involves decisions on taking intelligent risks in order to gain or retain market leadership. The thrust of this item is sustained competitive leadership which usually depends on revenue growth and operational effectiveness

**Identify blind spots.** Blind spots arise from incorrect, incomplete, obsolete, or biased assumptions or conclusions that cause gaps, vulnerabilities, risks, or weaknesses in your understanding of the competitive environment and strategic challenges your organization faces. Blind spots may arise from new or replacement offerings or business models coming from inside or outside your industry.

**Identify strategic opportunities.** Identifying strategic opportunities in strategic planning involves assessing internal strengths and weaknesses, analyzing external opportunities and threats, and then considering how these factors can be leveraged to achieve organizational goals. Conducting this environmental scan can be performed using various methods such as Strength, Weakness, Opportunities, and Threats (SWOT) analysis; Political, Economic, Social, Technological, Legal, Environmental analysis, (PESTLE analysis); or competitive rivalry, bargaining power of suppliers, bargaining power of buyers, threat of entrants, and threat of substitute products or services (Porter's Five Forces), etc.

Consideration should be given to the identification of strategic opportunities that stimulate innovation.

**Manage strategic risk**. Your decisions about addressing strategic challenges, changes in your regulatory and external business environment, blind spots in your strategic planning, and gaps in your ability to execute the strategic plan may give rise to organizational risk, including from sustainability, geopolitical, and supply network challenges. Analysis of these factors is the basis for managing strategic risk in your organization.

**Incorporate core competencies.** Incorporating organizational core competencies into strategy development helps your organization understand its unique strengths, build a sustainable competitive advantage, guide strategic decisions, and enhance customer satisfaction. By focusing on core competencies, your organization can better allocate resources, develop new products and services, and navigate market changes.

**Considerations for outsourcing.** 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.

Efficient and effective Work Systems require:

- effective design;
- a prevention orientation;
- linkage to customers, suppliers, partners, and collaborators;
- a focus on value creation for all key stakeholders;
- operational performance improvement;
- cycle time reduction;
- evaluation, continuous improvement, innovation, and organizational learning; and
- regular review to evaluate the need for fundamental changes in the way work is accomplished.

Work systems must also be designed in a way that allows your organization to be agile and protect intellectual property. In the simplest terms, agility is the ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your strategy and markets, agility might mean the ability to change rapidly from one product and/or service to another, respond rapidly to changing demands or market conditions, or produce a wide range of customized services. Agility and protection of intellectual property also increasingly involve decisions to outsource, agreements with key suppliers, and novel partnering arrangements.

Making decisions about your organization's core competencies and outsourcing decisions is an integral part of ensuring your organization's success now and in the future, and these decisions are therefore key strategic decisions.

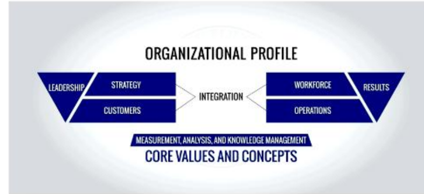
**Evaluate your ecosystems.** Organizations should view the ecosystem strategically. They need to be open to new partnership arrangements, consortia, value webs, and business models that support the organization's vision and goals. The organization's growth may depend on the collective growth of the ecosystem and its ability to prepare for the future. And as competition comes from organizations in different industries, organizations may be able to stand out from their competitors through new and novel offerings, possibly through the ecosystem. Your strategy should consider your role and your desired role within the ecosystem (as a partner, collaborator, supplier, competitor, or customer – or several of these).

**Establish strategic objectives.** To remain competitive and relevant, organizations face both the opportunity and the challenge to focus on the vital few areas that will create impact; your strategic objectives should reflect these vital few. Focusing on the vital few also might mean focusing on competitive advantage and on what your organization does best; for other areas, partnerships and collaborations might be a better use of resources.

Strategic objectives might address product and/or service quality enhancements, workforce capability and capacity, rapid response, customization, co-location with major customers or partners, social media and digital management of relationships with suppliers and customers, specific joint ventures, virtual manufacturing, rapid or market-changing innovation, ISO quality or environmental systems registration, and societal contribution actions or leadership.

Strategic objectives are determined by first defining clear goals, aligning them with the organization's mission and vision, and then breaking them down into Specific, Measurable, Achievable, Relevant, and Timebound (SMART) objectives. These objectives should also be aligned with internal and external factors, business capabilities, and stakeholder expectations; and prioritized by those objectives most critical to achieving your mission.

## Key Integration Points




- Customer engagement strategies should be described within overall customer engagement processes: Category 3 – Customers
- The identification of strategic opportunities that stimulate innovation should utilize the process for determining which innovation to pursue: Category 4 – Measurement, Analysis, and Knowledge Management.
- Product and/or service design strategies are integrated within the methods used to design products and/or services: Category 6 – Operations.
- Managing strategic risk is one element of your organization's overall approach to risk management: Category 6 – Operations.

## 2.2 Strategy Implementation

### Purpose

This item asks how you convert your strategic objectives into action plans to accomplish those objectives, and how you assess progress on those action plans. The aim is to ensure that you deploy your strategies successfully and achieve your objectives.

### Practices

**Develop and deploy action plans.** With strategy comes identification of a focused set of action plans, which must include a process for action plan modification. Accomplishing action plans requires resources and performance measures, as well as alignment among the plans of your work units, suppliers, and partners.

Of central importance is how you achieve alignment and consistency – for example, via Work Systems, work processes, and key measurements. Also, alignment and consistency provide a basis for setting and communicating priorities for ongoing improvement activities – part of the daily work of all work units. Action plan implementation and deployment may require agility through modifications in organizational structures, operating modes, and resource allocation to achieve key strategic objectives and sustain key outcomes. The success of action plans benefits from visible short-term wins as well as long-term actions.  Management of risks associated with plans should be reviewed to ensure financial viability.

**Perform analyses to support resource allocation.** You can perform many types of analyses to ensure that financial resources are available to support the accomplishment of your action plans while you meet current obligations, as well as support ethical/equitable resource allocation. For current operations, these efforts might include the analysis of cash flows, net income statements, and current liabilities versus current assets. For investments to accomplish action plans, the efforts might include analysis of discounted cash flows, return on investment, or return on invested capital.

Analyses also should evaluate the availability of people and other resources to accomplish your action plans while continuing to meet current obligations. Financial resources must be supplemented by capable people and the necessary facilities and support.

The specific types of analyses performed will vary from organization to organization. These analyses should help you assess the financial viability of your current operations and the potential viability of and risks associated with your action plan initiatives.

**Create workforce plans**. Action plans should include human resource or workforce plans that are aligned with and support your overall strategy. Examples of possible plan elements are:

- a redesign of your work organization and jobs to increase workforce empowerment and decision making;
- education and training initiatives, such as developmental programs for future leaders, upskilling and training programs on new technologies important to the future success of your workforce and organization, and partnerships with universities to help ensure the availability of an educated and skilled workforce;
- initiatives to promote greater labor-management cooperation, such as union partnerships;
- consideration of the impacts of outsourcing on your current workforce and initiatives;
- initiatives to prepare for future workforce capability and capacity needs;
- initiatives to foster knowledge sharing and organizational learning; and
- modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes.

**Project your future environment.** An increasingly important part of strategic planning is projecting the future competitive and collaborative environment. This includes the ability to project your own future performance, as well as that of your competitors. Such projections help you detect and reduce competitive threats, shorten reaction time, and identify opportunities. Depending on your organization's size and type, the potential need for new core competencies, the maturity of markets, the pace of change, and competitive parameters (e.g., price, costs, or the innovation rate), you might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive and collaborative environment.

**Project and compare your performance.** Projections and comparisons in this item are intended to improve your organization's ability to understand and track dynamic, competitive performance factors. Projected performance might include changes resulting from new business ventures, market entry and shifts, organizational acquisitions or mergers; new value creation; new legislative mandates, legal requirements, or industry standards; the introduction of new technologies, product and/or service innovations, or other strategic thrusts that might involve a degree of intelligent risk.

Through this tracking, you should be better prepared to consider your organization's rate of improvement and change relative to that of competitors or comparable organizations and relative to your own targets or stretch goals. Such tracking should serve as a key diagnostic tool for you to use in deciding to start, accelerate, or discontinue initiatives and to implement needed organizational change.

**Modify action plans.** 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.

## Key Integration Points


- How your senior leaders set and communicate organizational direction is described in: Category 1 – Leadership.
- How you gather customer and market knowledge as input to your strategy and action plans, and to use in deploying action plans is described in: Category 3 – Customers.
- How you measure and analyze data and manage knowledge to support key information needs, support strategy development, provide an effective basis for performance measures, and track progress on achieving strategic objectives and action plans is described in: Category 4 – Measurement, Analysis, and Knowledge Management
- Your process for projecting future performance should be described in: Category 4 – Measurement, Analysis, and Knowledge Management.
- How you meet workforce capability and capacity needs, determine needs and design your workforce learning and development system, determine workforce plans, and implemented workforce-related changes resulting from action plans is described in: Category 5 – Workforce.
- How you address changes to your work processes, and products and/or services resulting from action plans should be described in: Category 6 – Operations.
- Specific accomplishments relative to your organizational strategy and action plans is reported in Item 7.1 – Product, Service, and Process Results.

Results for overall strategy and action plan achievement are reported in Item 7.4 – Leadership and Governance Results.

## Customers – Category 3

This Category describes how you engage customers for long-term marketplace success, including how you listen to customers, serve and exceed their expectations, build relationships, and enhance the customer experience.

The Category stresses customer engagement as an important outcome of an overall learning and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, the Voice-of-the-Customer provides meaningful information not only on your customers' views but also on their marketplace behaviors, and on how these views and behaviors may contribute to your organization's current and future success in the marketplace.

### 3.1 Customer Listening

### Purpose

This item asks about your processes for listening to your customers and determining customer groups and segments. It also asks about your processes for determining and customizing product and/or service offerings that serve your customers and markets. The aim is to capture meaningful information in order to meet and exceed your customers' expectations and improve marketing.

### Practices

**Define the customer lifecycle.** The customer lifecycle and experience begins in the product and/or service 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.

**Listen to customers.** Selection of Voice-of-the-Customer strategies depends on your organization's key business factors. Most organizations listen to the Voice-of-the-customer via multiple modes. Some frequently used modes include focus groups with key customers, close integration with key customers, interviews with lost and potential customers about their purchasing or relationship decisions, customer comments posted on social media, win/loss analysis relative to competitors and other organizations providing similar products, and survey or feedback information. Voice-of-the-Customer, and market data and information to use might also include aggregated data on satisfaction, dissatisfaction, and complaints; and as appropriate, data and information from social media and other web-based or digital sources.

**Obtain actionable information.** Information is actionable if you can tie it to key product and/or service offerings and business processes, and use it to identify opportunities for new or improved products and/or services to better serve your customers and markets.

**Link listening and learning to strategic plan.** In a rapidly changing technological, competitive, economic, and social environment, many factors may affect customer expectations and loyalty, and your interface with customers in the marketplace. This makes it necessary to continually listen and learn. To be effective, listening and learning need to be closely linked with your overall business strategy.

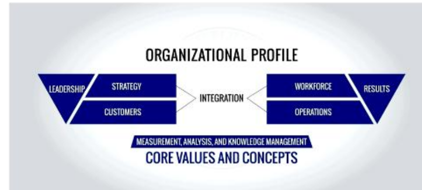
**Utilize social media.** Effective use of social media has become a significant factor in customer engagement, and ineffective use can be a driver of disengagement and relationship deterioration or destruction. Customers are increasingly turning to social media to voice their impressions of your products and/or services and customer support. They may provide this information through social interactions you mediate or through independent or customer-initiated means. All of these can be valuable sources of information for your organization. Negative commentary can be a valuable source for improvement, innovation, and immediate service recovery. Organizations need to become familiar with vehicles for monitoring and tracking this information. Social media are also a means of communication, outreach, and engagement.

**Understand customer groups and market segments.** Knowledge of customers, customer groups, market segments, former customers, and potential customers allows you to tailor product and/or service offerings, support and tailor your marketing strategies, develop a more customer-focused workforce culture, develop new business, evolve your brand image, and ensure long-term organizational success.

**Determine product and/or service offerings.** In identifying product and/or service offerings, you should consider all the important characteristics of products and services, and their performance through their full lifecycle and the full consumption chain. The focus should be on features that affect customers' preferences 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; the sales relationship, ease of transactions, a virtual customer experience, and the privacy and security of customer data.

*For additional considerations on performance relative to key product and/or services of non-profit (including government) organizations, refer to the description for the Organizational Profile.*

## Key Integration Points




- Your customer groups and market segments should align with the components identified in your Organizational Profile.
- Your customer data and information should be used to support your:
  - strategy development process: Category 2 – Strategy;
  - performance analysis and review: Category 4 – Measurement, Analysis, and Knowledge Management; and
  - product and/or service design and work processes: Category 6 – Operations.
- Results relative to key product and/or service features should be reported in: Item 7.1 – Product, Service, and Process Results.

## 3.2 Customer Engagement

### Purpose

This Item describes processes for building relationships with customers and enhancing the customer experience. This includes enabling customers to seek information and support, managing customer complaints, and ensuring that you treat customers fairly. The Item also asks how you determine customer satisfaction and dissatisfaction. The aim of these efforts is to build a more customer-focused culture and enhance customer loyalty.

### Practices

**Customer engagement as a strategic action.** Customer engagement is a strategic action aimed at achieving such a degree of loyalty that the customer will advocate for your brand and product and/or service offerings. Achieving such loyalty requires a customer-focused culture in your workforce based on a thorough understanding of your business strategy and your customers' behaviors and preferences.

**Cultivate a customer-focused culture.** To cultivate a customer-focused culture, prioritize customer needs and experiences throughout the organization, empowering employees to prioritize and understand customer needs. Implement a clear vision and mission, emphasize active listening and feedback, and align core values with customer centricity. Regularly seek feedback, use technology to connect with customers, and celebrate customer successes to reinforce the culture

A customer-focused culture offers numerous benefits, including increased customer satisfaction and loyalty, boosted profits, and improved employee morale. It also helps organizations better understand customer needs, leading to better product development and a more competitive edge.

**Establish customer relationship and customer experience strategies.** A relationship strategy may be possible with some customers but not with others. The relationship strategies you do have may need to be distinctly different for each customer, customer group, and market segment. They may also need to be distinctly different during various stages of the customer life cycle. Building customer relationships might include developing transformational partnerships or alliances with customers, as well as an end-to-end service experience rather than just a transactional-only experience.

**Manage your brand.** Brand management is aimed at positioning your product and/or service offerings in the marketplace. Effective brand management leads to improved brand recognition and customer loyalty. Brand management is intended to build the customer's emotional attachment for the purpose of differentiating yourself from the competition and building loyalty.

**Provide customer support.** The goal of customer support is to make your organization easy to do business with and responsive to your customers' expectations.

**Manage complaints.** Complaint aggregation, analysis, and root-cause determination should lead to effective elimination of the causes of complaints and to the setting of priorities for process and product and/or service improvements. Successful outcomes require effective deployment of information throughout your organization. Your management of complaints might enable you to recover your customers' confidence, enhance their experience, and avoid similar complaints in the future.

**Ensure fair treatment.** Increasingly, employees, communities, partners, collaborators, and, most significantly, customers and stakeholders expect organizations to treat all customer segments fairly. Meeting these expectations builds trust among citizens, communities, and institutions.

**Determine customer satisfaction and dissatisfaction.** You might use any or all of the following to determine customer satisfaction and dissatisfaction: surveys, formal and informal feedback, customer account histories, complaints, field reports, win/loss analysis, customer referral rates, and transaction completion rates. You might gather information on the web, through personal contact or a third party, or by mail.

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

**Determine customers' satisfaction with competitors.** A key aspect of determining customers' satisfaction and dissatisfaction is determining their comparative satisfaction with competitors, competing or alternative offerings, and/or organizations providing similar products.

Information on relative satisfaction with other organizations may include comparisons with competitors, comparisons with other organizations that deliver similar products and/or services in a noncompetitive marketplace, or comparisons obtained through trade or other organizations. Such information might be derived from win/loss analyses, your own comparative studies, or independent studies; and may include information on why customers choose your competitors over you.

The factors that lead to customer preference are critically important in understanding aspects that drive markets and potentially affect your organization's longer-term competitiveness and success.

## Key Integration Points


- Your customer groups and market segments should align with the components identified in your Organizational Profile.
- Your customer complaints, customer satisfaction, and customer dissatisfaction data and information should be used to support your:
  - strategy development process: Category 2 – Strategy;
  - performance analysis and review: Category 4 – Measurement, Analysis, and Knowledge Management; and
  - product and/or service design and work processes: Category 6 – Operations.
- Results relative to customer perceptions and actions (outcomes) should be reported in: Item 7.2 – Customer Results.

# Measurement, Analysis, and Knowledge Management – Category 4

In simple terms, Category 4 is the "brain center" for the alignment of your operations with your strategic objectives. It is the main point within the Criteria for all key information on effectively measuring, analyzing, reviewing, and improving performance and managing organizational knowledge to drive improvement, innovation, and organizational competitiveness. Central to this use of data and information are their quality and availability Furthermore, since information and knowledge management might themselves be primary sources of competitive advantage and productivity growth, this Category also includes such strategic considerations.

## 4.1 Measurement, Analysis, Review, and Improvement of Organizational Performance

## Purpose

This Item describes how you select and use data and information for performance measurement, analysis, and review in support of organizational planning and performance improvement. The Item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of performance measurement, analysis, review, and improvement is to guide your organization toward the achievement of key organizational results and strategic objectives, anticipate and respond to rapid or unexpected organizational or external changes, and identify best practices (including out-of-industry best practices) to share.

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.

## Practices

**Align and integrate your Performance Measurement System.** Alignment and integration are key concepts for successfully implementing and using your performance measurement system. The framework views alignment and integration in terms of how widely and how effectively you use that system to meet your needs for organizational performance assessment and improvement and to develop and execute your strategy.

Alignment and integration include how measures are aligned throughout your organization and how they are integrated to yield organization-wide data and information that support fact-based decisions. Organization-wide data and information are key inputs to organizational performance reviews and strategic decision making. These data and information should be used to set and align organizational directions and resource use at the work unit, key process, department, and organization levels. Alignment and integration also include how your senior leaders deploy performance measurement requirements to track workgroup and process-level performance on key measures that are targeted for their organization-wide significance or for improvement.

Modifying or adjusting your measures to provide timely data to address rapid or unexpected organizational or external changes may involve adopting different performance measures, or adjusting the intervals between measurements. These modifications might be necessary to respond to regulatory or other changes in the political or societal environment, disasters and emergencies, innovations in organizational processes or business models, new competitor offerings, or productivity enhancements.

**Understand big data.** The challenge, and the potential, of ever-increasing amounts of, and modalities for, data lie in choosing, synthesizing, analyzing, and interpreting both key quantitative and key qualitative data, turning them into useful information, and then acting operationally and strategically. This requires not just data, but knowledge, insight, and a mindset for intelligent risk taking and innovation.

**Perform information analytics.** Analysis may involve digital data analytics and data science techniques that detect patterns in large volumes of data and interpret their meaning. For operational improvement, analysis of data comparing two important measurement dimensions (e.g., productivity, profitability, return on investment, customer satisfaction characteristics and their relative importance) is usually sufficient. A third dimension, such as time or segmentation (e.g., by customer segments), might be added. In the strategic domain, more advanced information analytics can provide a three-dimensional image, with a fourth dimension of current state and desired or predicted future states of organizational performance, technologies, people, and markets served. From those data-based, fact-based pictures, organizations can develop strategy or strategic scenarios.

**Utilize comparative data.** The use of comparative data and information is important to all organizations. The major premises for their use are the following:

- Your organization needs to know where it stands relative to competitors and to best practices.
- Comparative information, and information obtained from benchmarking, often provide the impetus for significant – "breakthrough" – improvement or transformational change.
- Comparing performance information frequently leads to a better understanding of your processes and their performance.
- Comparative performance projections and competitors' performance may reveal organizational advantages as well as challenge areas where innovation is needed.

Comparative information may also support business analysis and decisions relating to core competencies, partnering, and outsourcing.

**Select comparative data.** Effective selection of comparative data and information requires you to determine needs and priorities and establish criteria for seeking appropriate sources for comparisons – from within and outside your industry and markets.

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/or services.

**Review performance.** Organizational reviews are intended to cover all areas of performance. This includes not only current performance but also how you project your future performance. The expectation is that the review findings will provide a reliable means to identify both improvements and opportunities for innovation that are tied to your key objectives, core competencies, and measures of success. Review findings may also alert you to the need for transformational change in your organization's structure and Work Systems. Therefore, an important component of your organizational review is the translation of the review findings into actions that are deployed throughout your organization and to appropriate suppliers, partners, collaborators, and key customers.

**Use comparative data in reviews.** Effective use of comparative data and information allows you to set stretch goals and promote major non-incremental, breakthrough improvements in areas most critical to your competitive strategy.

**Analyze performance.** Performance analysis includes examining performance trends; organizational, industry, and technological projections; and comparisons, cause-effect relationships, and correlations. These analyses should support your performance reviews, help determine root causes, and help set priorities for resource use and transformational change. Accordingly, such analyses draw on all types of data: product and/or service performance, customer-related, workforce-related, financial and market, operational, and competitive. These analyses should also draw on regulatory and other priorities for continuous improvement, and opportunities for innovation. Rapid response to changes in your operating environment might include the need to adjust your performance expectations.

Analyses that you conduct to gain an understanding of performance and needed actions may vary widely depending on your organization's type, size, competitive environment, and other factors. Here are some examples of possible analyses:

- Trends in key operational performance indicators, such as productivity, cycle time, defect levels, waste reduction, carbon footprint, and new product and/or service introduction
- Individual or aggregate measures of productivity and quality relative to competitors' performance
- Cost trends relative to competitors' trends
- Market share versus profits
- Comparisons among business units showing how quality and operational performance affect financial performance
- Trends in economic, market, and stakeholder indicators of value and the impact of these trends on long-term organizational success
- Relationships among product and/or service quality, operational performance indicators, and overall
- Impacts of customer loyalty on profit
- Net earnings or savings derived from improvements in quality, operational, and workforce performance (e.g., improvements in workforce capacity, safety, absenteeism, and turnover)
- Contributions of improvement activities to cash flow, working capital use, and shareholder value
- Allocation of resources among alternative improvement projects based on cost/benefit implications or environmental and societal impact
- How product and/or service improvements or new products/services correlate with key customer indicators, such as satisfaction, loyalty, and market share

financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee
- Cost and revenue implications of customer-related problems and effective problem resolution
- Cost and revenue implications of workforce-related problems and effective problem resolution
- Cost and revenue implications of new market entry, including product-line and geographic expansion
- Interpretation of market share changes in terms of customer gains and losses and changes in customer engagement
- How the ability to identify and meet workforce capability and capacity needs correlates with retention, motivation, and productivity
- Return on investment for intelligent risks that you pursue
- Benefits and costs associated with improved organizational knowledge management and sharing
- Benefits and costs associated with education and training
- Relationships among learning by workforce members, organizational learning, and the value added per employee

**Align analysis, performance reviews, and planning.** Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes the need for close alignment between your analysis and your organizational performance review, and between your performance review and your organizational planning. This ensures that analysis and reviews are relevant to decision making and that decisions are based on relevant data and information. In addition, your historical performance, combined with assumptions about future internal and external changes, allows you to develop performance projections. These projections may serve as a key planning tool.

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

**Understand causality.** Action depends on understanding causality among processes and between processes and results. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for innovation and improvement are limited.

**Establish an effective improvement system.** An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change or innovation, compete for limited resources. In most cases, setting priorities depends heavily on a cost, opportunity, and threat rationale; for example, in considerations of when to exit unprofitable or nonstrategic business/product lines. However, you might also have critical requirements, such as societal contributions, that are not driven by cost considerations alone.

## Key Integration Points


- This Item is closely linked to all other Items in the framework, including the Organizational Profile; mission, vision, values, and culture.
- Your performance measurement, analysis, and review system should include measures for all key parts of your organization, and with all other Categories in the framework.
- Opportunities for innovation should be considered as part of your process for pursuing potential innovations: Category 4 – Measurement, Analysis, and Knowledge Management.
- Priorities for continuous improvement should be considered as part of your Performance Improvement System: Category 6 - Operations.
- Organizational review outcomes should be reported in: Item 7.1 – Product and/or Service and Process Results, and Item 7.5 – Financial, marketplace, and Strategy Results.

## 4.2 Information and Knowledge Management

### Purpose

This item asks how you build and manage your organization's knowledge assets and ensure the quality and availability of data and information. This item also asks about your cybersecurity management approach and your organization's pursuit of innovation. The aim of this item is to improve organizational efficiency and effectiveness.

### Practices

**Manage information.** Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The continued growth of information within organizations' operations—as part of organizational knowledge networks; through the web and social media; and in business-to-business, organization-to-organization, and business-to-consumer communications—challenges organizations' ability to ensure reliability and availability in a user-friendly format. The ability to blend and correlate disparate types of data, such as video, text, and numbers, provides opportunities for a competitive advantage.

**Make data and information available.** Data and information are especially important in business or organizational networks, partnerships, and supply-networks. You should consider this use of data and information and recognize the need for rapid data validation, reliability assurance, and security; given the frequency and magnitude of digital data transfer and the challenges of cybersecurity. Information technology systems include, for example, physical devices and systems, software platforms and applications, and externally based or shared information systems, such as those stored in the cloud or outside your organization's control.

**Manage cybersecurity.** Given the frequency and magnitude of digital data transfer and storage, the prevalence of cybersecurity attacks, and customer and business requirements around securing assets and information, managing cybersecurity is an essential component of operational effectiveness. 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.

Proper management of cybersecurity requires a systems approach that focuses on using key business factors to guide cybersecurity activities and integrating cybersecurity with your overall leadership and management approaches. In a dynamic and challenging environment of new threats, risks, and solutions; managing cybersecurity means considering your organization's unique threats, vulnerabilities, and risk tolerances. It means determining activities that are important to critical service delivery and to your customers, and prioritizing investments to protect them.

Cybersecurity may involve training workforce members not directly involved in information technology matters and educating customers, suppliers, and partners. It may also involve communicating with these stakeholders to inform them of potential cyber threats, inform them of breaches, and report recovery efforts in order to maintain their confidence in your organization.

**Manage organizational knowledge.** One of the many issues facing organizations today is how to manage, use, evaluate, and share their ever-increasing organizational knowledge. Leading organizations benefit from the knowledge assets of their workforce, customers, suppliers, collaborators, and partners, who together drive organizational learning and innovation.

Knowledge management should focus on the knowledge that your people need to do their work; improve processes, products, and services; and innovate to add value for the customer and your organization. Your organization's knowledge management system should provide the mechanism for sharing your people's and your organization's explicit knowledge (facts, figures, data, and information in documents and other repositories) and implicit knowledge (knowledge personally retained by workforce members) to ensure that high performance is maintained through transitions. You should determine what knowledge is critical for your operations and then implement systematic processes for sharing this information. This is particularly important for implicit knowledge.

Effective knowledge management requires clear roles and responsibilities, a culture of knowledge sharing, systematic processes for sharing knowledge and expertise, the identification and management of core knowledge assets, and tools (including technology) that are appropriate for your organization.

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. Analyzing data and information 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 requires deploying technology and leveraging data and information in a way that protects information about organizations and individuals.

**Embed knowledge management and organizational learning.** Embedding learning in the way your organization operates means that learning:

1. is a part of everyday work;
2. results in solving problems at their source;
3. is focused on building and sharing knowledge throughout your organization;
4. is driven by opportunities to bring about significant, meaningful change, and to innovate; and
5. enables agile and sustainable processes.

**Pursuit of innovation.** In an organization that has a supportive environment for innovation, there are likely to be many more ideas than the organization has resources to pursue. This leads to two critical decision points in the innovation cycle:

1. commensurate with resources, prioritizing opportunities to pursue those opportunities with the highest likelihood of a return on investment (intelligent risks), and
2. knowing when to discontinue projects and reallocate the resources either to further development of successful projects or to new projects.

Your process for pursuing potential innovations should carefully evaluate all opportunities, including those identified in your strategic planning process, your customer listening, your product and service determination, your performance reviews, your knowledge management system, and by your workforce and other stakeholders.  Your assessment should consider which opportunities are intelligent risks worth pursuing and should balance the need for thoughtful assessment with the importance of implementing the innovations in a timely manner.

To make decisions and allocate resources, you might use various types of forecasts, projections, options, scenarios, knowledge, analyses, or other approaches to envisioning the future. Careful evaluation of your many potential opportunities for innovation is critical for determining which ones might provide breakthrough change for your organization.

## Key Integration Points


- Your process for pursuing potential innovations should carefully evaluate all opportunities, including those identified in your:
  - Strategic planning process: Category 2 – Strategy
  - Customer listening: Category 3 – Customers
  - Product and service determination: Category 3 – Customers
  - Knowledge Management System: Category 4 – Measurement, Analysis, and Knowledge Management.
- Outcomes from data, information, cybersecurity, and knowledge management process should be reported in: Item 7.1 – Product and/or Service and Process Results.

# Workforce – Category 5

This Category addresses key workforce practices—those directed toward creating and maintaining a high-performance environment and toward engaging your workforce.

To reinforce the basic alignment of workforce management with overall strategy, the framework also covers workforce planning as part of overall strategic planning.

## 5.1 Workforce Environment

### Purpose

This item asks about your workforce capability and capacity needs, how you meet those needs to accomplish your organization's work, and how you ensure a supportive workplace climate. The aim is to build an effective environment for accomplishing your work and supporting your workforce.

### Practices

**Understand your workforce.** Senior leaders can better understand their workforce by actively engaging with employees, building relationships, and leveraging data to gain insights into their needs and motivations. This includes encouraging open communication, showing compassion and empathy, and implementing strategies to personalize the employee feedback.

Senior leaders need to focus on creating a workplace environment that fosters engagement, trust, and inclusivity, while also promoting open communication, collaboration, and a positive culture. They must lead by example, setting the tone for desired behaviors, and actively engage in initiatives that support employee well-being, growth, and development.

Organizations that rely on volunteers and/or temporary staff members to perform core work (producing output that is necessary and/or customer facing) should include them as members of the workforce. Workforce approaches should include these segments, as appropriate, to the functions they fulfill for the organization.

**Understand workforce capability vs. workforce capacity.** Many organizations confuse the concepts of capability and capacity by:

- adding more people with incorrect skills to compensate for skill shortages, or
- assuming that fewer highly skilled workers can meet capacity needs for processes requiring less skill or different skills.

Having the right number of workforce contributors with the right skill set is critical to success. Your assessment of workforce capability and capacity needs should consider not only current needs, but also future requirements based on your strategic objectives and action plans. Looking ahead to predict those needs for the future allows for adequate training, hiring, relocation times, and preparation for work system changes.

**Recruiting, hiring, and onboarding of new workforce members.** Hiring the right people is crucial for business success because it leads to increased productivity, higher job satisfaction, a positive work environment, and reduced turnover.

Effective recruiting, hiring, and onboarding processes are crucial for an organization's success because they directly impact employee retention, productivity, and engagement. A well-structured approach ensures the right talent is attracted and onboarded, leading to a more productive and satisfied workforce.

Recruitment strategies are the plans and tactics an organization uses to identify, attract, and hire the best candidates for open positions. They involve various methods, from basic job postings to more advanced techniques like employer branding and technology-driven sourcing. A successful recruitment strategy should align with the company's overall goals and be flexible enough to adapt to changing needs.

Effective hiring strategies involve a multifaceted approach, including optimizing job descriptions, utilizing social media for outreach, implementing employee referral programs, and focusing on employer branding to attract top talent. A well-defined hiring process, including standardized interviews and prompt responses, is also crucial. Additionally, considering passive candidates and fostering a positive candidate experience are key to building a strong applicant pool. Effective hiring practices ensure organizations attract and retain top talent, resulting in better customer satisfaction, innovation, and overall company growth.

Onboarding strategies are plans and processes to integrate new hires into a company, ensuring they understand their roles, company culture, and how to contribute effectively. These strategies aim to boost employee retention, improve job satisfaction, and increase productivity. Effective onboarding can make new hires feel valued and equipped to succeed.

**Prepare your workforce for change.** Managing change for your workforce involves organizational change controlled and sustained by leaders. It requires dedication, involvement of employees at all levels, and constant communication, especially during periods of workforce growth or shortages. Change is strategy-driven and stems from the top of the organization, and it requires the active engagement of the whole organization.

Preparing your workforce for change might include preparing for:

- alternate workplaces or telework,
- changes in customer or product and/or service requirements that lead to the use of new technology,
- redesigned work systems, or
- organizational transformation.

Such preparation might include training, education, frequent communication, consideration of workforce employment and employability, career counseling, and other services. Preparing your workforce for change might also include addressing potential workforce burnout in times of staffing shortages or increased workload caused by emergencies or other unplanned circumstances.

**Balance workforce and organizational needs**. Balancing workforce needs and organizational goals involves finding a sustainable equilibrium where employees feel valued and supported, while the organization achieves its objectives. This requires clear communication, flexible policies, and a focus on employee development and well-being. By understanding both employee needs and organizational goals, leaders can create a more engaging and productive work environment which should result in improved employee satisfaction, reduced turnover, and better overall workforce and organizational performance.

**Manage and organize your workforce.** The way you organize and manage your workforce may be influenced by changes in your internal and external environment, culture, or strategic objectives; and should be capable of exceeding the expectations of customers, stakeholders, and the organization.

Your organization should consider the multiple sites where employees work, including those who regularly work at home or other alternate sites through telework or remote-work arrangements.

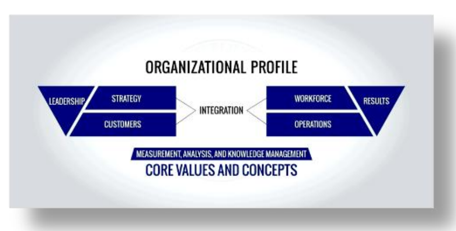
**Address workplace health and accessibility.** Workplace accessibility eliminates barriers that can prevent people with disabilities from working to their potential. Fully inclusive workplaces are physically, technologically, and attitudinally accessible without bias. Consideration should be given to environmental factors and related performance measures or targets that differ significantly for different work sites or hybrid work.

**Support your workforce.** Most organizations, regardless of size, have many opportunities to support their workforce, such as flexible work hours, workplaces, and benefits packages; child and elder care; special leave for family responsibilities and community service; personal and career counseling; career development and employability services; recreational or cultural activities; on-site health care and other assistance; formal and informal recognition; non-work-related education; outplacement services; and retiree benefits, including ongoing access to services.

Fair compensation can be defined as adequate and appropriate pay for an employee's work based on the individual's experience and performance in relation to job requirements, as well as in alignment with relevant industry, market, and/or competitor comparisons.

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

## Key Integration Points




- Your assessment of workforce capability and capacity needs should consider both current and future requirements based on your strategic plan: Category 2 – Strategy.
- The development of your workforce plan is part of strategic planning: Category 2 – Strategy.
- Your workforce improves process effectiveness and efficiencies through improvement initiatives: Category 6 – Operations.
- Workforce results, including results related to the workplace environment should be reported in: Item 7.3 Workforce Results.
- Workforce results related to strategic action plan results should be reported in: Item 7.5 – Financial, Market, and Strategy Results.

## 5.2 Workforce Engagement

### Purpose

This Item asks about your systems for managing workforce performance and developing your workforce members to enable and encourage all of them to contribute effectively and to the best of their ability. These systems are intended to promote retention, to foster high levels of engagement and performance, to address your core competencies, and to help accomplish your action plans and ensure your organization's success now and in the future.

### Practices

**Identify the drivers of workforce engagement.** Although satisfaction with pay and pay increases are important, these two factors generally are not sufficient to ensure workforce engagement and high performance. Some examples of other factors to consider are effective problem and grievance resolution; development and career opportunities; the work environment and management support; workplace safety and security; the workload; effective communication, cooperation, and teamwork; the degree of empowerment; job security; appreciation of the differing needs of diverse workforce groups; and organizational support for serving customers.

Drivers of workforce engagement refer to the drivers of workforce members' commitment, both emotional and intellectual, to accomplishing the organization's work, mission, and vision. Organizations should review these drivers periodically to ensure that they reflect any significant changes affecting workforce members; for example, a transition to regular off-site work or hybrid work-site arrangements.

**Assess workforce engagement.** Many studies have shown that high levels of workforce engagement have a significant, positive impact on organizational performance. Research has indicated that engagement is characterized by performing meaningful work; having clear organizational direction and accountability for performance; and having a safe, trusting, effective, and cooperative work environment. In many organizations, employees and volunteers are drawn to and derive meaning from their work because it is aligned with their personal values.

In addition to direct measures of workforce engagement through formal or informal surveys, other indicators can be tracked to assess a lack of workforce satisfaction and engagement. These measures include absenteeism, workforce retention, safety, productivity, grievances, and strikes.

**Identify factors inhibiting satisfaction and engagement.** Determining workforce dissatisfaction should be seen as more than reviewing low workforce satisfaction scores. It should be independently determined to identify root causes and enable a systematic remedy to avoid future dissatisfaction.

It is equally important to understand and address factors inhibiting engagement. You could develop an understanding of these factors through workforce surveys, focus groups, blogs, or exit interviews with departing workforce members.

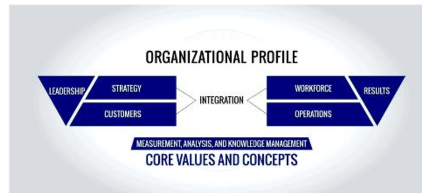
**Focus on high performance**. Understanding the characteristics of high-performance work environments, in which people do their utmost for their customers' benefit and the organization's success, is key to understanding and building an engaged workforce. High performance is characterized by flexibility, innovation, empowerment and personal/team accountability, knowledge and skill sharing, good communication and information flow, alignment with organizational objectives, customer focus, and rapid response to changing business needs and marketplace requirements.

As part of performance management, compensation and recognition systems should be matched to your Work Systems. Recognition can include monetary and nonmonetary, formal and informal, and individual and group mechanisms. To be effective, compensation and recognition might include promotions and bonuses tied to performance, demonstrated skills, skills acquired, adaptation to new work systems and culture, and other factors. Approaches might also include profit sharing; mechanisms for expressing a simple "thank you"; rewards for exemplary team or unit performance; and linkage to customer engagement measures, achievement of organizational strategic objectives, or other key organizational objectives.

**Support performance development, career development, and succession planning.** Organizations today need employees who are versatile and who can continually upgrade their work skills. High-performing organizations address this need by meeting employees' rising expectations for career-relevant learning and development, as well as succession planning. In performance development, employees pursue personal growth and growth in the organization through both internal and external learning. This learning involves engaging work assignments, opportunities, and personal learning to reach the next level of organizational and personal performance.

Development opportunities may demonstrate the unique aspects that drive organizational success, such as organizational core competencies, strategic challenges, and action plans; organizational change and innovation; improvements in delivering a positive customer experience; and the reinforcement of new knowledge and skills on the job; and should consider the breadth of development opportunities you might offer, including education, training, coaching, mentoring, and work-related experiences.

## Key Integration Points




- Drivers of workforce engagement refer to the drivers of workforce members' commitment, both emotional and intellectual: Organizational Profile.
- The engagement and development of your workforce contribute to future organizational performance: Category 4 – Measurement, Analysis, and Knowledge Management.
- Compensation and recognition systems should be matched to your Work Systems: Category 6 – Operations.
- Workforce results including satisfaction, dissatisfaction, and engagement; and workforce development should be reported in: Item 7.3 – Workforce Results.

# Operations – Category 6

This Category describes how you design, manage, and improve your products and/or services and work processes; ensure operational effectiveness to deliver customer value; manage your supply-network and mitigate risks; and achieve organizational success now and in the future.

## 6.1 Work Processes

### Purpose

This Item asks about the design, management, and improvement of your key products and/or services and your work and support processes.

### Practices

**Identify product and/or service requirements.** Understanding customer, stakeholder, and legal and regulatory requirements is key to properly designing your products and services. Understanding the specific requirements of various customer segments and stakeholder groups determines the variations your products and services may need to accommodate. Voice-of-the-customer methods should promote the understanding of customer requirements – both spoken and unspoken requirements. Designing your products and services to not just meet, but to exceed expectations should enable increased market share; and improved product and/or service, operational, and customer related results.

Your product and service requirements should inform applicable process requirements, such as your internal process capability, supply-network capability, and partner and collaborator capability.

**Consider environmental and societal impacts.** Efforts to reduce adverse environmental and societal impacts associated with products and/or services should consider the design, material sourcing, production, delivery, and consumption of your products and/or services, as well as the disposal or reuse of your products. This consideration should be informed by the concepts and practices of a "circular economy."

**Design your products and/or services.** Your design approaches might differ appreciably depending on the nature of your product and/or service offerings – whether the products and services are entirely new, are variants, are customized, or involve major or minor work process changes. Product and/or service design should take into consideration:

- new technology,
- innovations,
- products and/or service excellence,
- customer values,
- consideration of risk (including environmental and societal impact), and
- the potential need for agility.

Effective design must also consider the cycle time, productivity of production, and delivery processes. This might involve detailed mapping of manufacturing or service processes, and the redesign or reengineering, of those processes to achieve efficiency, as well as to meet changing customer requirements.

**Determine your key work and support processes.** Your key work processes include your product- and service-related processes and those nonproduct business processes that your senior leaders consider important to organizational success and growth. These processes frequently relate to your organization's core competencies, strategic objectives, and critical success factors. Key business processes might include technology acquisition, information and knowledge management, mergers and acquisitions, global expansion, project management, and sales and marketing. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.

*For some nonprofit organizations, key business processes might include fundraising, media relations, and public policy advocacy.*

**Identify key support process requirements.** Support process requirements do not usually depend significantly on product and/or service characteristics. Such requirements usually depend on internal requirements, and they must be coordinated and integrated to ensure efficient and effective linkage and performance.

Your key support processes should support your key work (value-creation) processes. They might include processes that support leaders and other workforce members engaged in, for example, product design and delivery, customer interactions, and business and enterprise management. Other examples might include accounting, purchasing, marketing, human resource management, and regulatory compliance.

**Design your key processes.** Design of key work processes needs to consider requirements for suppliers, partners, and collaborators at the work process design stage. Overall, effective designs must consider all stakeholders in the value chain.

If many design projects are carried out in parallel or if your products utilize parts or supplies, equipment, personnel, and facilities that are used for other products or processes, coordination of resources might be a major concern. But it might also offer a means to significantly reduce unit costs, time to implement, and time to market.

Factors that you might need to consider in process design include safety, long-term performance, environmental impact, your carbon footprint and "green" manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or support options, supplier capability, documentation, and incorporation of:

- new technology;
- organizational knowledge;
- consideration of risk (including environmental and societal impact); and
- the potential need for agility into these processes.

Process design may include the need to innovate or 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 process in-house to avoid disruptions in supply due to unpredictable external events, or conversely outsourcing a process formerly carried out in house.

**Define in-process measures.** Achieving expected process performance frequently requires setting in-process performance levels or standards to guide decision making. In-process measures are used to determine process efficiency by identifying checkpoints throughout the process to identify errors, omissions, wait times, hand-offs, quality, throughput, and decisions/approvals. Such checkpoints aid in determining the "health" of the process, and identify areas of improvement in efficiency, waste reduction (material or time) and rework.

When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technology, people, or both. Proper corrective action involves changes at the source (root cause) of the deviation and should minimize the likelihood of this type of variation occurring again or elsewhere in your organization.

When customer interactions are involved, evaluation of how well the process is performing must consider differences among customers. This is especially true of professional and personal services. In some organizations, cycle times for key processes may be a year or longer, which may create special challenges in measuring day-to-day progress and identifying opportunities for reducing cycle times, when appropriate.

**Align outcome measures.** Outcome measures are used to determine the effectiveness of the process, whereas in-process measures determine efficiency. Outcomes are observable and measurable, and are determined by customer, stakeholder, industry, regulatory, and organizational requirements. When done well, outcome measurement can provide valuable insight that can drive further innovation.

Examples of outcome measures include:

Financial
- Revenue
- Profit Margin
- Costs
- Return on Investment (ROI)
- Gross Profit Margin
- EBITDA

Customer-Focused
- Customer Satisfaction
- Customer Retention
- Customer Lifetime Value
- Customer Loyalty
- Customer Expectations
- Product / Service Quality

Operational / Workforce
- Productivity
- Cost per Unit
- Speed to Market
- Brand Awareness
- Workforce Engagement

**Improve work and support processes.** Process improvement is used to better performance. Better performance means not only better quality from your customers' perspectives, but also better financial and operational performance – such as productivity – from your other stakeholders' perspectives. A variety of process improvement approaches are commonly used. Examples include

- using the results of organizational performance reviews;
- sharing successful strategies across your organization to drive learning and innovation;
- performing process analysis and research (e.g., process mapping, optimization experiments, error proofing);
- conducting technical and business research and development;
- using quality improvement tools like Lean, Six Sigma, and PDCA;
- benchmarking;
- using alternative technology; and
- using information from customers of the processes—within and outside your organization.

Process improvement approaches might use financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including a complete redesign of processes.

**Evaluate and improve your Performance Improvement System.** Your Performance Improvement System, just as any set of work or support processes requires periodic review and improvement. Most high-performing organizations utilize different disciplines to address performance gaps based on improvement characteristics such as incremental or breakthrough improvement. For example, Six Sigma may be used for larger more complex process improvement needs, whereas Total Quality Management (TQM), or even "Just Do It" methodologies and tools may be the right fit for the problem.

Methodologies and tools once implemented and deployed may not be sufficient for today's complex processes and systems. Evaluating and improving your Performance Improvement System requires training of the methodologies, tools, and techniques; and when to use each. In operational reviews, this may cause a different view on prioritization of improvement initiatives.

Staying abreast of the current methods in place versus new approaches and technologies used in process improvement initiatives should enable process improvement benefits and financial gains to be achieved at a faster rate.

## Key Integration Points


- Your tools and methods to improve your process performance should be part of the Performance Improvement System you describe in the Organizational Profile.
- Your product and service requirements should address the key customer requirements and expectations identified in your Organizational Profile and inform applicable process requirements asked for in Category 6, such as your internal process capability, supply-network capability, and partner and collaborator capability.
- Compensation and recognition systems should be matched to your Work Systems: Category 6 – Operations.
- Work and support process results should be reported in: Item 7.1 – Product, Service, and Process Results.

## 6.2 Operational Effectiveness

### Purpose

This Item describes how you ensure effective operations. Effective operations frequently depend on controlling the overall costs of your operations; managing your supply-network; and ensuring business continuity, resilience, and effective risk management.

### Practices

**Reduce cost and cycle time.** Cost and cycle-time reduction may be achieved through Lean process management strategies. Defect reduction and improved product yield may involve process improvement initiatives utilizing methodologies such as Plan-Do-Check-Act (PDCA), Total Quality Management (TQM) or Six Sigma projects. It is crucial to utilize key measures for tracking all aspects of your operations management. Ensure the proper balance between the need for cost control and efficiency with the requirements of your customers and other stakeholders. Process effectiveness should consider methods to minimize the costs of inspections, tests, and process or performance audits; warranty costs, and customer's productivity losses.

The impact of your operations on society and the environment is increasingly becoming an important expectation of many customers and stakeholders, and should be among your considerations.

**Understand your supply-network.** Rather than a one-to-one-to-one supply chain, organizations must increasingly rely on a supply-network to manage assets outside traditional organizational boundaries. Suppliers, partners, and collaborators are receiving increasing strategic attention as organizations reevaluate their core competencies and their place within their business ecosystem. To optimize the value of its supply-network, organizations need to position themselves to take advantage of an agile, interdependent network of suppliers; and ensure their supply-network is integrated with their strategic objectives.

**Manage your supply-network.** 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 your ecosystem to form a supply-network. Such networks reduce dependencies on sole-source suppliers and provide greater resilience than a traditional supply chain.

For many organizations, supply-network management has become a key factor in achieving productivity and profitability goals and overall organizational success. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners, and to help them contribute to improving your overall operations.

Supply-network management might include processes for selecting suppliers, with the aim of reducing the total number of suppliers and increasing preferred supplier and partner agreements. In the face of potential disruptions, organizations may need shorter, more efficient, and more flexible supply networks. Flexibility includes operating with a just-in-case approach, such as by localizing supply networks and conceiving a larger ecosystem relationship with critical suppliers by sharing strategies, learning networks, and digital platforms.

**Communicate with your supply-network.** 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.

Mechanisms for communicating with suppliers should use understandable language. They might involve in-person contact; email, social media, or other digital means; or just the telephone. For many organizations, these mechanisms may change as marketplace, customer, or stakeholder requirements change.

**Ensure a safe and secure operating environment.** All organizations, regardless of size, are required to meet minimum regulatory standards for workplace and workforce safety; however, high-performing organizations have processes in place to ensure that they not only meet these minimum standards but also go beyond a compliance orientation to a safety-first commitment. This includes designing proactive processes, with input from people directly involved in the work; ensuring a safe working environment; and ensuring a safe environment for customers and stakeholders on your premises.

**Ensure business continuity and operational resilience.** Organizations need to be able to act on multiple fronts to prepare for anticipated disruptions and – during a disruption – to protect, anticipate, and enhance employees' and customers' engagement, supply-network and financial performance, organizational productivity, and community well-being. To be resilient, organizations must build agility into their way of being. The resilient organization avoids unnecessary centralization, bureaucracy, complexity, and inward focus, and maximizes speed, flexibility, simplicity, and situational awareness. To achieve resilience, leaders must be able to respond quickly to both opportunities and threats (agility), adapt strategy to changing circumstances (including core business models and products), and have robust governance with a culture of trust.

Efforts to ensure the continuity of operations during a disruption should therefore consider all facets of your operations that are needed to provide your products and/or services to customers. The specific level of operations that you will need to provide will be guided by your mission and your customers' needs and requirements. For example, a public utility is likely to have a higher need for services than organizations that do not provide an essential function. *Nonprofit (including government) organizations whose mission is to respond to emergencies will have a high need for service readiness.*

Disasters and emergencies might be short- or longer-term and might be related to weather, climate, utilities, security; or a local, regional, national, or global 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.

You should carefully plan how you will continue to provide an information technology infrastructure, data, and information in the event of either a natural or human-caused disruption. These plans should consider the needs of all your stakeholders, including workforce members, customers, suppliers, partners, and collaborators. The plans should be coordinated with your overall plans for business continuity and cybersecurity.

**Manage risks.** Risk management is a systematic process of identifying, assessing, and controlling threats to an organization's capital, earnings, and operations. It involves proactively addressing potential risks to minimize their impact and maximize opportunities. This process includes identifying potential risks, analyzing their likelihood and impact, and developing strategies to mitigate, eliminate, or transfer them.

Transferring risk means shifting the responsibility for potential losses from one party to another, often through a contractual agreement or insurance policy. In essence, one party agrees to take on the financial burden of certain risks that may or may not occur, relieving the original party of that responsibility.

Operational risks encompass a wide range of threats that can lead to financial losses, reputational damage, or business disruptions stemming from internal failures, external events, or human errors. Examples include fraud (both internal and external), natural disasters, technology failures, employee errors, and process breakdowns.

## Key Integration Points


- To optimize the value of your supply-network, ensure integration of your supply-network requirements with your strategic objectives: Category 2 – Strategy.
- Senior leaders understand how quickly adapt (agility) strategy to changing circumstances: Category 1 – Leadership.
- Continuity-of-operations efforts should coordination with your efforts to ensure the availability of data and information: Category 4 – Measurement, Analysis, and Knowledge Management.
- Operational efficiency and effectiveness; supply-network; and safety, business continuity, and resilience; and risk management results should be reported in: Item 7.1 – Product, Service, and Process Results.

# Results – Category 7

This Category encompasses all results necessary to sustaining an enterprise.

This overall Systems Perspective maintains the purposes of the Sterling Framework – superior value of offerings as viewed by your customers and the marketplace, superior organizational performance as reflected in your operational indicators, organizational learning, and learning by workforce members. The Results Category thus provides "real-time" information (measures of progress) for evaluating, improving, and innovating products and processes, in alignment with your overall organizational strategy. You should place a premium on monitoring outcomes that are the consequence of your operational performance and serve as predictors of future performance.

Comparative data and information are obtained by benchmarking (inside and outside your industry) 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. In those situations, other sources might include best past performance, organizational budget, or internal targets or goals.

## 7.1 Product, Service, and Process Results

### Purpose

This Item considers your key product and/or service and operational performance results, which demonstrate product and/or service quality and value that lead to customer satisfaction and engagement.

### Practices

**Customer-Focused product and service results.** Results for your products and/or services should relate to the key product and service requirements, and your customer requirements and expectations. The measures or indicators should address factors that affect customer preference. Product and/or service measures appropriate for inclusion might be based on the following: internal quality measurements, field performance of products, defect levels, service errors, response times, and data collected from your customers by other organizations on ease of use or other attributes, as well as customer surveys on product and/or service performance. These measures serve as indicators of customers' views and decisions relative to future purchases, interactions, and relationships, and are derived from customer-related information.

The correlation between product and/or service performance and customer indicators is a critical management tool with multiple uses:

1. defining and focusing on key quality and customer requirements,
2. identifying product and/or service differentiators in the marketplace, and
3. determining cause-effect relationships between your product and/or service attributes and evidence of customer satisfaction and engagement.

The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of offerings.

*For some non-profit (including government) organizations, funding sources might mandate product or service performance measures.*

**Process effectiveness and efficiency results.** 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.

Measures and indicators of process effectiveness and efficiency might include the following:

- Defect rates
- Rates and results of product, service, and work system innovations
- Simplification of internal jobs and job classifications
- Work layout improvements
- Changes in supervisory ratios
- Occupational Health and Safety Administration (OSHA) reportable incidents
- Success of emergency drills or simulations, such as cycle time, containment, and meeting of standards
- Work relocation or contingency exercises
- Work system performance that demonstrates improved cost savings or higher productivity by using internal and/or external resources
- Reduced emission levels, carbon footprint, or energy consumption
- Waste-stream reductions, by-product use, and recycling
- Internal responsiveness indicators, such as cycle times, production flexibility, lead times, setup times, and time to market
- Improved performance of administrative and other support functions
- Indicators of the effectiveness of security and cybersecurity approaches
- Business-specific indicators, such as increased product and process yields, Six Sigma initiative results, and acceptable product performance at the time of delivery
- Supply-network indicators, such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in digital data exchange, reductions in supply-network management costs, supplier and partner audits, and just-in-time delivery
- Third-party assessment results, such as ISO 9001 audits

**Safety and emergency preparedness.** When possible, the effectiveness of your emergency preparedness should focus on outcomes, learning, and results beyond training activities and compliance.

**Supply-Network Management.** 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.

## 7.2 Customer-Focused Results

### Purpose

This Item considers your customer-focused performance results, which demonstrate how well you have been satisfying your customers, engaging them in loyalty-building relationships, and enhancing the customer experience. Results should be segmented by all customer groups identified in the Organizational Profile.

### Practices

**Customer satisfaction and dissatisfaction.** It is critical to focus on all relevant data to determine and help predict your performance as viewed by your customers. Relevant data and information include the following:

- Customer satisfaction and dissatisfaction
- Retention, gains, and losses of customers and customer accounts
- Customer complaints, complaint management, effective complaint resolution, and warranty claims
- Customer-perceived value based on quality and price
- Customer assessment of access and ease of use (including courtesy in service interactions)
- Customer referrals and advocacy for your brand and product and/or service offerings
- Ratings from customers and independent rating organizations

For customers' satisfaction with your products relative to satisfaction with those of competitors and comparable organizations, measures and indicators might include information and data from your customers, from competitors' customers, and from independent organizations.

**Customer engagement.** This Item places an emphasis on customer-focused results that go beyond satisfaction measurements, because customer engagement and relationships are better indicators and measures of future success in the marketplace and of organizational sustainability.

Results for engagement should relate to the customer groups and market segments you identify in the Organizational Profile, and the listening and determination methods you utilize in Category 3 – Customers.

## 7.3 Workforce-Focused Results

### Purpose

This Item considers your workforce-focused performance results, which demonstrate how well you have been creating and maintaining a productive, caring, engaging, and learning environment for all members of your workforce.

Results might include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some results, such as absenteeism and turnover, local or regional comparisons might be appropriate. Organization-specific factors might include the extent of training, retraining, or cross-training to meet capability and capacity needs; the extent and success of workforce empowerment; the extent of union-management partnering; or the extent of volunteer involvement in process and program activities.

Results should be segmented by all workforce groups identified in the Organizational Profile, including those working virtually (from their homes or other alternate sites), or those who have hybrid work-site arrangements.

### Practices

**Workforce capacity and capability.** Results for workforce capacity and capability might include staffing levels across organizational units and certifications to meet skill needs. Additional factors may include job rotations designed to meet strategic directions or customer requirements. Backlogs or reductions in backlogs could be indicators of capacity or capability challenges or improvements, respectively.

**Workforce climate.** Workforce climate measures encompass a wide range of practices aimed at improving the overall work environment and employee experience. Examples include promoting open communication, fostering a culture of trust and respect, enhancing employee recognition, providing opportunities for professional development, enabling a collaborative work environment, work-life balance, safety and well-being, and leadership support.

**Workforce engagement and retention.** Results for workforce engagement and satisfaction might include improvement in local decision making, organizational culture, and workforce knowledge sharing. Input data, such as the number of cash awards, might be included, but the main emphasis should be on data that show effectiveness or outcomes. For example, an outcome measure might be increased workforce retention resulting from establishing a peer recognition program or the number of promotions into leadership positions that have resulted from the organization's leadership development program.

Your results should also respond to key work process needs, and to the strategic action plans and workforce plans. Organizations that rely on volunteers or temporary staff members to accomplish core work (producing output that is necessary and/or customer facing) should report results for them.

**Workforce development.** Workforce and leader development measures are aimed at enhancing skills and competencies, and promoting employee growth. Examples include:

- Training and professional development programs
- Mentorships
- Apprenticeships
- Career advancement opportunities
- On-the-job training
- Job shadowing
- Upskilling and reskilling
- Continuing education opportunities

## 7.4 Leadership and Governance Results

### Purpose

This Item considers your key results in the areas of senior leadership and governance, which demonstrate the extent to which your organization is fiscally sound, ethical, and socially responsible.

Independent of an increased national focus on issues of governance and fiscal accountability, ethics, and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct and cultivate a culture that values innovation, and intelligent risk taking. Governance bodies and senior leaders should track relevant performance measures regularly and emphasize this performance in stakeholder communications.

Your results should include environmental, legal, and regulatory compliance; results of oversight audits by government or funding agencies; noteworthy achievements in these areas, as appropriate; and organizational contributions to societal well-being and support for key communities. Contributions to societal well-being might include community health, food, and security for members of your communities.

If your organization has received sanctions or adverse actions under law, regulation, or contract during the past five years, you should summarize the incidents, their current status, and actions to prevent reoccurrence.

## Practices

**Senior leader communication and engagement.** Senior leader communication results demonstrate the impact of effective leadership on various aspects of an organization. Examples include increased improved collaboration, enhanced trust, visibility and approachability, greater organizational clarity, better crisis management, stronger stakeholder relationships. Senior leaders who prioritize communication build stronger teams and facilitate better decision-making.

**Governance.** Results 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.*

**Law and regulation.** Law and regulation results are the outcomes and effects of established legal frameworks. Examples include, industry standards and regulations, environmental regulations, financial regulations, and accreditation requirements.

**Ethics.** Examples of ethics results in the workplace include upholding integrity, practicing honesty, respecting others, and demonstrating accountability. These actions, when consistently applied, contribute to a more ethical and positive work environment.

**Society.** Measures of contributions to societal well-being might include those for environmental protection and those for support of communities, whether local, nationwide, or worldwide. Examples are results for reduced energy consumption, 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), the global use of enlightened labor practices, and donations of goods or services to promote housing, community health, and food security for all members of communities.

## 7.5 Financial, Marketplace, and Strategy Results

## Purpose

Results to consider are those that senior leaders track on an ongoing basis to assess your organization's performance and viability; such as key financial and marketplace results, which demonstrate your financial sustainability and your marketplace achievements. It also asks about the achievement of your organizational strategy.

## Practices

**Financial and marketplace performance results. Examples include** revenues, budgets, profits or loss, cash position, net assets, debt leverage, cash-to-cash cycle time, earnings per share financial operations efficiency (collections, billing receivables), and financial returns. Marketplace performance measures might include measures of business growth, new products and markets entered, or the percentage of revenues derived from new products.

Aggregate measures of financial return might include those for return on investment, 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.*

**Strategy implementation results.** Because many organizations have difficulty determining appropriate measures, measuring progress in accomplishing their strategy is a key challenge. Frequently, organizations can discern these progress measures by first defining the results that would indicate end-goal success in achieving a strategic objective and then using that end-goal to identify and define intermediate measures. Results for your efforts to innovate should link to your approach for pursuing innovations and taking intelligent risks. Examples of such results include significant gains in market share and/or revenues related to new markets entered or products/services launched, or significant gains in effectiveness related to redesigned processes, facilities, or operations.

# Section III

## Assessment Offerings

# *Sterling Management Assessment Descriptions*

The Sterling Council offers several levels of assessments. This allows your organization to match the breadth and depth of the assessment engagement with your resource commitment, and where your organization is in its journey to excellence. There are two approaches central to the Sterling assessments, which are **Consulting** and **Competing**. These varied approaches allow your organization to select the best assessment method for moving your organization forward.

**Consulting** assessments include the Sterling Manufacturing Business Excellence (SMBE), Sterling Collaborative, and Sterling Collaborative + Results. These assessments include the submission of an Organizational Profile that defines your organization's key factors of success through response to "what" questions. These formal assessments provide direct consultative insights around key strengths and opportunities for improvement based on Sterling Award Criteria. Consulting assessments allow your organization to focus on a systems approach, engage leaders in your Leadership System, establish a performance baseline, and determine the most suitable approach for your organization to leverage best practices.

**Competing** assessments include the Sterling Manufacturing Business Excellence (SMBE) Award, Governor's Sterling Award (Florida), Georgia Oglethorpe Award (Georgia), and Sterling Sustained Excellence Award. Each series of competing assessments utilizes specific assessment processes, methods, and techniques that complement the award processes. For example, the Governor's Sterling Award and Georgia Oglethorpe Award assessments require an online written application, utilize the most robust assessment process, include detailed feedback reports, and are evaluated by the Sterling Panel of Judges who make recipient recommendations based on Applicant organizations demonstrating "role model" performance.

All Applicant organizations are recognized at the annual Governor's Sterling Award banquet for their journey of performance excellence.

***Sterling Management System Assessment Comparison***

| Assessment Name | Assessment Type | Applicant Engagement | Applicant Submittals | Assessment Team | Feedback Report | Best-Practice Coaching |
|---|---|---|---|---|---|---|
| STERLING MANUFACTURING BUSINESS EXCELLENCE | Consulting and Competing | Leaders and Managers | Organizational Profile | 3 to 8 Examiners | In Person Category Level | During Feedback Report Delivery |
| STERLING COLLABORATIVE | Consulting | Leaders, Managers, and Employees | Organizational Profile | 4 Examiners | Written Item Level | During Site Visit |
| STERLING COLLABORATIVE + RESULTS | Consulting | Leaders, Managers, and Employees | Organizational Profile | 4 Examiners | Written Item Level | During Site Visit |
| GOVERNOR'S STERLING<br>GEORGIA OGLETHORPE | Competing | Leaders, Managers, and Employees | Organizational Profile and Application* (50-Page) | 8 to 10 Examiners | Written Item Level | Upon Request |
| STERLING SUSTAINED EXCELLENCE | Competing | Leaders and Managers | Organizational Profile and Application* 20-Page* | 3 Examiners | Written Executive Summary | Upon Request |

* Applications include organizational results; the Apex online tool is used; content space is equivalent to the number of pages.

Call The Sterling Council office at **850-922-5316** to discuss which assessment is the right fit for your organization.

For additional information on all our assessment offerings, please visit our website at **www.thesterlingcouncil.org**


# *Sterling Manufacturing Business Excellence Award*

**"Our participation in the Sterling Manufacturing Business Excellence (SMBE) Award process is a transformative experience, and allowed us to gain valuable insights from the Assessment Team. Their expertise helped us identify key opportunities to further elevate our operational performance, and strengthening our commitment to excellence in the pharmaceutical industry. Using the feedback from the Sterling Framework is instrumental in our continuous improvement journey, where we continue to raise the bar to ensure we can meet our mission of helping you "See Better to Live Better."**

***Bob Fulop,***
***Senior Leader***
***Bausch + Lomb Pharmaceuticals in Tampa***
***2025 Sterling Manufacturing Business Excellence Award, Gold Recipient***

The comprehensive Sterling Manufacturing Business Excellence (SMBE) Award assessment is a valuable tool for Florida and Georgia manufacturing companies committed to improving their leadership and operational systems. Based on the nationally recognized Sterling / Baldrige Framework for Performance Excellence, this assessment evaluates performance using the Organizational Profile as context to evaluate key processes in the Leadership; Strategy; Customers; Measurement, Analysis, and Knowledge Management; Workforce; and Operations Categories of the Framework.

### What do you need to do to move forward with the Sterling Manufacturing Business Excellence Award?

- Manufacturers with production facilities in Florida or Georgia may participate.
  Membership in an association is not required.
- Anyone may nominate including self-nominations; or individuals or organizations, such as industry groups, vendors, customers, workforce, economic development organizations, or any university, college or school.
- Complete the Application Profile with applicable organizational information.
- Join a virtual 90-minute overview discussion with the Assessment Team.
- Host a three-hour facility tour for the Assessment Team.
- Participate in a live discussion of organizational strengths, opportunities for improvement, recommendations for improvement, and role-model practices. A written report will also be provided to your organization.

### What is the value for your organization?

- Nominal investment based on company size.
- Enhanced engagement of leadership and workforce in learning opportunities.
- Valuable, external insights into company systems and processes.
- Detailed feedback for refinement of strategies and operations, and allocating resources.
- Recognition at the Sterling Award Banquet, press releases, and other promotional activities.
- Exclusive invitation to the Sterling Leadership Conference's Executive Roundtable.
- Access to expert training and consultation to support the organization's ongoing journey to excellence.
- Bronze, Silver, and Gold recipients will receive recognition at the Governor's Sterling Award Banquet at the Sterling Leadership Conference.

### What are the costs?

For the cost structure, please refer to Section III – Page 52.

# Sterling Collaborative and Collaborative + Results Assessments

**"The Sterling Collaborative Assessment process provided us meaningful and directed feedback, helping us to identify key strengths and opportunities for improvement. This approach helped us to accelerate the development of our organizational framework and enabled us to continue our drive toward performance excellence. "**

***Gonzalo S. La Cava Ed.D.,***
***Chief Human Resources Officer***
***Fulton County Schools***

The Sterling Collaborative assessments are designed for organizational leaders who want to accelerate the development of their Leadership System and get meaningful and direct feedback to identify the key strengths and opportunities for improvement. The Collaborative Assessment is recommended for organizations seeking expert Examiner consultation and collaboration on their performance excellence journey – this may include organizations new to the Sterling Framework for Performance Excellence to obtain a baseline of their organizational performance, or organizations that desire a readiness assessment to pursue the Governor's Sterling or Georgia Oglethorpe Award.

There are two options for Collaborative assessments – the Collaborative, and the Collaborative + Results. The Collaborative will focus on the organization's key processes utilizing the six Process Categories within the Sterling Framework for Performance Excellence. The Collaborative + Results, adds the seventh Category – Results – to the assessment to determine the effectiveness and efficiency of key organizational processes.

### What do you need to do to move forward with a Collaborative Assessment?

- Submit an Application of Intent.
- Work with the Sterling office to understand what it will take to participate in a Sterling Collaborative assessment.
- Submit the Organizational Profile (no space limitations).
- Participate in two two-hour virtual sessions with resources from your organization and the Assessment Team to prepare for the Site Visit.
- Host a 4–5-day Site Visit with the Assessment Team.

### What is the value for your organization?

- Obtain an external expert view of how well your goals, plans, processes, and measures are aligned.
- Collaborate with the Assessment Team Lead to design the Site Visit to meet your needs, including assigning staff to participate directly in the assessment process.
- Participate in an assessment designed to collaborate with the Senior Leadership Team and develop high-level plans to address improvement opportunities.
- Receive a Feedback Report that includes an Executive Summary, cross-cutting recommendations to improve operation effectiveness, and organizational strengths and opportunities for improvement.
- Develop leaders to become Sterling Framework for Performance Excellence resources within your organization.
- Receive recognition at the Governor's Sterling Award Banquet at the Sterling Leadership Conference.

### What are the costs?

For the cost structure, please refer to Section III – Page 52.


# *Governor's Sterling Award and Georgia Oglethorpe Award*

## *(Competitive and Non-Competitive Assessment Options)*

**"Sterling's Framework for Performance Excellence has been an invaluable roadmap for the Hillsborough County Tax Collector's journey to amazing! It has helped us align our efforts with our mission, vision, and core values; focusing on meeting our customers' needs, supporting our team, and driving consistent results through effective processes."**

***The Honorable Nancy Millan,***
***Hillsborough County Tax Collector***
***2025 Governor's Sterling Award Recipient***

The Governor's Sterling and Georgia Oglethorpe Award competitive assessment process is designed for organizations with mature, refined processes and positive results, want further acceleration of sound practices in all areas of the Sterling Framework for Performance Excellence, and may aspire to be recognized as a role model.

The assessment process is rigorous, consisting of an Organizational Profile and an application responding to the Sterling Award Criteria. This formal evaluation consists of both off-site and on-site assessment activities to determine how well your processes are defined, aligned, integrated, deployed, evaluated, and improved. Sterling Examiners review the application and conduct an extensive assessment comprising of Independent Evaluation, Consensus, and Site Visit stages that includes the compiling of a detailed Feedback Report, which identifies strengths, opportunities, and crosscutting themes.

The Panel of Judges determines each Applicant organization's role model status and eligibility to receive the Governor's Sterling or Georgia Oglethorpe Award. Governor's Sterling and Georgia Oglethorpe Award recipients are recognized at the Sterling Conference and are expected to serve as role models by showcasing their journey and best practices to other aspiring organizations.

### What do you need to do to move forward with the Governor's Sterling and Georgia Oglethorpe Award assessment?

- Submit an Application of Intent.
- Submit your completed Organizational Profile, application, and additional documents via electronic link provided by the Sterling office.
- Work with the Sterling office to schedule the assessment process with your assigned Sterling Assessment Team.
- Work with the Assessment Team Lead to schedule and coordinate the assessment process.
- Prepare your workforce for honest and open discussions with the Sterling Assessment Team.

### What is the value for your organization?

- Continual learning about best practices in organizational management for leaders and the workforce as they work together to complete the application, prepare for the assessment process, and respond to Assessment Team questions.
- Receive a feedback report with strengths and opportunities for improvement, and an Executive Summary with crosscutting themes to focus your organization on even higher levels of performance.
- Use the feedback to focus your energy and resources on the most critical improvement initiatives that will add the greatest value to your organization.
- Potentially be designated a role model for performance excellence in the states of Florida and Georgia.
- Receive recognition at the Governor's Sterling Award Banquet at the Sterling Leadership Conference.

### What are the costs?

For the cost structure, please refer to Section III – Page 52.


# Sterling Sustained Excellence Award

**"The Sterling process challenged us in all the right ways, pushing everyone to take a deep, honest look at how we operate - and that's been a game-changer. It helped us sharpen our member-first focus, align our strategy, and engage every employee in driving meaningful results."**

***Richard J. "Rick" Skaggs,***
***Chief Executive Officer,***
***USF Credit Union***
***2025 Sterling Sustained Excellence Award Recipient***

The Governor's Sterling and Georgia Oglethorpe Sustained Excellence Award is designed to enable Governor's Sterling and Georgia Oglethorpe Award recipients (within four years) to retain their role model status. This high-level assessment process examines how well you have strengthened, improved, and innovated winning systems to ensure long term success and sustainability in a competitive environment.

The Sterling Sustained Excellence Award is an internal self-assessment of your organization relative to management best practices and results reflected in the Sterling Criteria for Performance Excellence. A formal external assessment consists of off-site and on-site assessment of how well your processes are defined, aligned, deployed, evaluated, and improved. A team of highly experienced Examiners will verify and clarify your responses through interviews with your leaders and performance excellence professionals. The Award is a judged process to designate continued role model organizations for the states of Florida and Georgia, and recipients are recognized at the Annual Sterling Conference. Role models are also expected to showcase their journey and best practices to other organizations.

### What do you need to do to move forward with the Sterling Sustained Excellence Award assessment?

- Submit an Application of Intent.
- Complete an updated Organizational Profile, and a 20-page application, including improvements based on previous Feedback Report(s), sustainability questions, and results.
- Submit your Organizational Profile and application electronically to the Sterling office.
- Work with the Sterling office to schedule a three-day Site Visit with your assigned Sterling Assessment Team.
- Work with the Assessment Team Lead for clarification on virtual calls, Site Visit scheduling, and document requests.
- Prepare your workforce for honest and open discussions with the Sterling Assessment Team.

### What is the value for your organization?

- Continue to focus leaders, and the workforce, on systematic management approaches to pro-actively address strategic and operational challenges and changes.
- Validate and strengthen your role-model systems to ensure long-term success.
- Receive and expanded Executive Summary level Feedback Report with cross-cutting themes to focus your organization on even higher levels of performance.
- Use the feedback to focus your energy and resources on the most critical improvement projects that will add the greatest value to your organization.
- Potentially be designed a Sustained Excellence role model for the states for Florida and Georgia.
- Receive recognition at the Governor's Sterling Award Banquet at the Sterling Leadership Conference.

### What is the cost?

For the cost structure, please refer to Section III – Page 52.

# *Award Process Overview, Timetable, and Fees*

| Activity | 2027 Cycle |
|---|---|
| Application of Intent Available | June, 2026 |
| Application of Intent Due | August 21, 2026 |
| Applications Due | November 2, 2026 |
| Process / Results Calls | January - February, 2027 |
| Site Visits | February – March, 2027 |
| Judge's Recommendation Meeting | April, 2027 |
| Award Ceremony | June 11, 2027 |

## AWARD PARTICIPANTS

Assessment and award application eligibility include organizations in the following sectors:

- education
- healthcare
- non-profit, including government
- manufacturing
- service

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, if applicable.
- Submit Application Fee, based on the Fee Schedule, at the time of application submission.
- Provide a Governor's Sterling Award or Georgia Oglethorpe Award application; including an Organizational Profile.
- Provide an Organizational Profile for all other assessment levels.
- Adhere to all online application instructions, if applicable.
- Collaborate with the Sterling Office and the Assessment Team Lead in establishing, and adhering to your specific Assessment Schedule.

## FEE SCHEDULE

An Application of Intent fee of $1,000 is applicable to all assessment levels, with the exception of the SMBEA.

Assessment fees may be based on Applicant workforce full-time equivalents (FTEs).

**Sterling Manufacturing Business Excellence Award**

- Less than 21: $975
- 21 to 50: $2,075
- 51 to 100: $3,175
- 101 to 150: $4,275
- More than 150: $5,475

**Sterling Collaborative**

- Regardless of FTEs: $12,000

**Sterling Collaborative + Results**

- Regardless of FTEs: $15,000

**Governor's Sterling Award / Georgia Oglethorpe Award (Competitive or Non-Competitive Assessment Options)**

- Up to 250: $13,000
- More than 250: $16,000

**Sustained Excellence Award**

- Regardless of FTEs: $13,000

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.**

# Section IV

## Sterling
## Award Criteria

# *Criteria for Performance Excellence*

## Item Format Structure

### Items

There are 17 Criteria Items (plus 2 in the Organizational Profile), each with a particular focus. These Items are divided into three groups according to the kinds of information for which they ask:

- The Organizational Profile asks you to define your organizational environment.
- Process Items (Categories 1-6) ask you to define your organization's processes.
- Results Items (Category 7) ask you to report results for your organization's processes.

See the next page for a list of Item titles and their point values for use in an organizational assessment against the Criteria.

An assessment against the Criteria is intended to be holistic, and there is not a one-to-one correspondence between Results Items and Criteria Categories 1-6; however, some process and results Items are closely linked. Those linkages are shown in the table.

### Areas to Address

Each Item includes one or more Areas to Address (labeled a, b, c, and so on).

### Item Questions

Item Questions are expressed on three levels:

- *Basic Questions* are expressed in the Item titles.
- *Overall Questions* are expressed in boldface. These leading questions are the starting point for responding.
- *Multiple Questions* are those listed under the boldface questions.

| Process Items | Results Items |
|---|---|
| Items 1.1 and 1.2 | Item 7.4 |
| Items 2.1 and 2.2 | Item 7.5 |
| Items 3.1 and 3.2 | Item 7.2 |
| Items 4.1 and 4.2 | Items 7.1 and 7.5 |
| Items 5.1 and 5.2 | Item 7.3 |
| Items 6.1 and 6.2 | Item 7.1 |

Item Number | Item Title | Basic Question | Item Point Value

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

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

**(1) Establishing Mission, Vision, Values, and Culture: How do senior leaders set and deploy your organization's mission, vision, values, and culture?**

**(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 senior leaders require, foster, and measure ethical behavior throughout the organization?

How do senior leaders monitor and respond to breaches of ethical behavior?

**b. Communication: How do senior leaders communicate with and inspire the entire workforce, key partners, and key customers?**

How do senior leaders:

- encourage 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. Focus on Organizational Performance: How do Senior Leaders create an environment that encourages high performance?**

How do senior leaders create a focus on action that will improve the organization's performance and work toward achieving the mission and vision?

**d. Succession Planning: How do senior leaders participate in succession planning and the development of future organizational leaders?**

Area to Address

Overall Question

Multiple Question

# *Criteria for Performance Excellence*

## Items and Point Values

See Section V for the scoring system used with the Criteria Items in a Sterling assessment.

**P** **Organizational Profile**

P.1 Organizational Description

P.2 Organizational Situation

| Category 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, Review, and Improvement of Organizational Performance | 50 | |
| | 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 | 50 | |
| | 6.2 Operational Effectiveness | 50 | |
| **7** | **Results** | | **360** |
| | 7.1 Product and/or 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, Marketplace, and Strategy Results | 60 | |
| | **TOTAL POINTS** | | **1,000** |

# P. Organizational Profile

The Organizational Profile sets the context for understanding your organization and how it operates, and identifies its unique aspect. Responses to all other Criteria Questions should relate to the organizational context you describe in this profile. The Organizational Profile is an invaluable tool for your workforce to fully understand your organization.

## 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 are the delivery methods for these products and/or services?

**(2) Mission, Vision, Values, and Culture:** **What are your mission, vision, and values?**

What are the defining characteristics of your organizational culture?

What are your organization's core competencies, and what is their relationship to your mission and vision?

**(3) Workforce Profile:** **What is your workforce profile?**

What are your workforce or employee groups and segments, and the key engagement drivers for each?

What key changes are you experiencing in your workforce capability, capacity, and composition?

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

**(5) Regulatory Environment:** **What are your key applicable regulations; and accreditation, certification, or registration requirements?**

### b. Organizational Relationships

**(1) Organizational Structure:** **What are your organizational leadership and governance structures?**

What are the key components of your organization's leadership system?

What are the reporting relationships among your governance system, senior leaders, and parent organization, 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/or services, customer support services, and operations, including any differences among the 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/or services and customer support services?

What role do they play in contributing and implementing innovations in your organization?

What are your key supply-network requirements?

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

### a. Competitive Environment

**(1) Competitive Position:** **What are your size, share, and growth in your industry or the markets you serve?**

How many and what types of competitors do you have? What differentiates you from them?

**(2) Competitive Changes:** **What key changes, if any, are affecting your competitive situation, including changes that create opportunities for collaboration and innovation, 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, threats, advantages, and opportunities?**

### c. Performance Improvement System:

**What is your overall system for performance improvement?**

What key tools and methods are used as part of this system?

# 1. 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; how your organization fulfills its legal and ethical responsibilities; and how it makes societal contributions.

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

### a. Mission, Vision, Values, and Culture

(1) Establishing Mission, Vision, Values, and Culture: **How do senior leaders set and deploy your organization's mission, vision, values, and culture?**

(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 senior leaders require, foster, and measure ethical behavior throughout the organization?

How do senior leaders monitor and respond to breaches of ethical behavior?

### b. Communication: **How do senior leaders communicate with and inspire the entire workforce, key partners, and key customers?**

How do senior leaders:

- encourage 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. Focus on Organizational Performance: **How do Senior Leaders create an environment that encourages high performance?**

How do senior leaders create a focus on action that will improve the organization's performance and work toward achieving the mission and vision?

### d. Succession Planning: **How do senior leaders participate in succession planning and the development of future organizational leaders?**

## 1.2 Governance and Societal Contributions: **How do you govern your organization and make societal contributions? (40 Points)**

### a. Organizational Governance

(1) Governance System: **How does your organization ensure responsible governance, including:**

- accountability for senior leader's actions;
- fiscal accountability; and
- transparency in operations?

(2) Performance Evaluation: **How do you evaluate the performance of your senior leaders?**

(3) Organizational Performance: **How does your governance system review the organization's performance?**

### b. Legal and Regulatory Behavior: **How do you address current and anticipate future legal, regulatory, and community concerns with your products and/or services, and operations?**

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

What are your key processes, measures, and goals for addressing risks associated with your products and/or services, and operations?

### c. Societal Contributions: **How do you incorporate societal well-being and benefit into your strategy and daily operations?**

How do you identify your key communities and actively support and strengthen them?

# 2. 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? (50 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?

**(2) Strategy Considerations: How do you collect and analyze relevant data in your strategic planning process?**

What data do you use in your strategic planning process?
How do you use this data to develop information for use in your strategic planning process?

**(3) Strategic Opportunities: How do you identify strategic opportunities?**

How do you consider your strategic challenges and strategic advantages in the development of your strategic plan?
How do you decide which strategic opportunities are intelligent risks to pursue?
How do you identify opportunities for innovation in your strategic opportunities?

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

### 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 most important goals for achieving them?
How do you ensure your ability to achieve your strategic objectives?

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

## 2.2 Strategy Implementation: How do you implement your strategy? (50 Points)

### a. Action Plan Development and Deployment

**(1) Action Plans: How do you develop and deploy your action plans?**

What are your key short- and longer-term action plans?

How do you recognize and respond when circumstances require a shift in action plans?

**(2) 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?

**(3) Workforce Plans: What are your key workforce plans to support your strategic objectives and action plans?**

How do these plans support your strategic objectives and action plans?

**(4) Performance Measures: How do you measure the achievement and effectiveness of your action plans?**

What key performance measures or indicators do you use to track the achievement and effectiveness of your action plans?

**(5) Performance Projections: How do you determine performance projections for your short- and longer-term planning horizons?**

# 3. Customers (100 Points)

The Customers Category asks how your organization engages its customers for ongoing success, including how your organization listens to customers, determines products and/or services to meet their needs, builds long-term customer relationships, and enhances the customer experience.

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

**a. Customer Listening: How do you listen to, interact with, and observe customers to obtain actionable information?**

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

How do you determine customer and market needs, requirements, and expectations for product and/or service offerings?

**b. Customer Segmentation: How do you determine your customer groups and market segments?**

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

## 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 acquire and retain customers by building and managing customer relationships?**

**(2) Customer Access and Support: How do you make it easy for customers to do business with you, seek information, and obtain support?**

**(3) Fair Treatment: How do your customer experience processes promote and ensure fair treatment for your various customer groups, and market segments?**

**(4) Complaint Management: How do you manage customer complaints**?

How do you resolve complaints promptly and effectively, and recover your customers' confidence?

How do you analyze complaints, and use this information, to make the necessary changes to prevent future complaints?

**b. Determination of Customer Satisfaction, Dissatisfaction, and Engagement: How do you determine customer satisfaction, dissatisfaction, and engagement?**

How do you act on the satisfaction, dissatisfaction, and engagement results?

# 4. Measurement, Analysis, and Knowledge Management (100 Points)

The Measurement, Analysis, and Knowledge Management Category asks how your organization measures, analyzes, reviews, and improves organizational performance; and how you manage your information and organizational knowledge assets.

## 4.1 Measurement, Analysis, Review, and Improvement of Organizational Performance: How do you measure, analyze, review, and improve organizational performance? (50 Points)

### a. Performance Measurement

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

What are your key organizational performance measures, including key operational and financial measures?

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

### b. Performance Analysis, Review, and Improvement:

**(1) Performance Analysis and Review: How do you analyze and review your organization's performance and capabilities?**

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

- organizational success,
- competitive performance, and
- the achievement of strategic objectives and action plans.

**(2) Performance Improvement: How do you use the findings from your performance reviews to identify priorities for continuous improvement and opportunities for innovation?**

## 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?

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

**(3) Cybersecurity: How do you secure sensitive or privileged data and information, systems, and information technology assets?**

How do you:

- maintain your awareness of emerging security and cybersecurity threats; and
- protect these systems from potential cybersecurity events, detect cybersecurity events, and respond to and recover from cybersecurity incidents?

### b. Organizational Knowledge:

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

How do you collect and transfer knowledge among your workforce and other stakeholders to inform and support your strategy and operations?

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

How do you determine best practices from internal and external organizational sources?

How do you implement them across your organization?

### c. Pursuit of Innovation: How do you identify and determine which opportunities for innovation to pursue?

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

# 5. Workforce (100 Points)

The Workforce Category asks how your organization assesses workforce capability and capacity, and provides a workplace climate to support 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 the skills, competencies, certifications, and staffing levels you need in the short and long terms?**

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

How do you ensure fit with your organizational culture?

How do you ensure multiple perspectives and ideas in your recruiting and hiring practices?

**(3) Workforce Change: How do you prepare your workforce for changes in organizational structure, workplaces, work systems, and technology?**

How do you ensure organizational resilience and agility?

**(4) Work Accomplishment: How do you organize and manage your workforce to meet, and to exceed, performance expectations?**

How do you reinforce a customer and business focus?

### b. Workforce Climate

**(1) Workplace Environment: How do you address workplace health and accessibility for the workforce?**

What are your key performance measures and goals to ensure workplace health and accessibility?

**(2) Workforce Compensation and Benefits: How do you support your workforce via compensation and benefits?**

## 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) Determination of Workforce Satisfaction, Dissatisfaction, and Engagement: How do you determine workforce satisfaction, dissatisfaction, and engagement?**

How do you act on the satisfaction, dissatisfaction, and engagement results?

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

### c. Performance Management and Development

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

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

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

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

How do you ensure that the needed knowledge, skills, and abilities reside throughout your organization?

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

# 6. Operations (100 Points)

The Operations Category asks how your organization designs, manages, and improves its products and/or services, and work processes; and ensures 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 and/or services, and work processes? (50 Points)

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

**(1) Product and/or Service Requirements: How do you determine your key product and/or service requirements?**

**(2) Product and/or Service Design: How do you design your products and/or services to meet these key requirements?**

**(3) Process Requirements: How do you determine your key work process and support process requirements?**

What are your organization's key work processes and support processes?

What are the key requirements for these processes?

**(4) Process Design: How do you design your key work processes and support processes to meet your key requirements?**

**b. Process Management and Improvement**

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

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

**(2) Process Improvement: How do you improve your key work processes and support processes to improve products and/or services, and process performance?**

## 6.2 Operational Effectiveness: How do you ensure effective management of your operations? (50 Points)

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

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

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

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

How does your safety and security 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?**

**(3) Risk Management: How do you identify and manage your key organizational risks?**

What are your key organizational risks?

# 7. Results (360 Points)

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

## 7.1 Product, Service, and Process Results: What are your product and/or service, and process performance results? (120 Points)

**a. Customer-Focused Product and Service Results: What are your results for your products and/or services?**

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 and/or service 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 processes and support processes, including productivity, cycle time, and other appropriate measures of process effectiveness, efficiency, security, and cybersecurity?

How do these results differ by process type, 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?**

## 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 and enhancing the customer experience?

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

## 7.3 Workforce-Focused 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 your workforce groups and segments, as appropriate?

**(2) Workforce Climate: What are your results for workforce health, and for workforce compensation and benefits?**

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

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

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

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

How do these results differ 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 your workforce and leader development?

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

## 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?**

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

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

**(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?

**(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 contribution and support of your key communities?

## 7.5 Financial, Market, and Strategy Results: What are your results for financial and marketplace performance and strategy implementation? (60 Points)

### a. Financial and Marketplace 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?

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

# Section V

Support Materials

# Scoring System

*The scoring of responses to Sterling Criteria for Performance Excellence Items is based on two evaluation dimensions: process (Categories 1-6) and results (Category 7).*

To score Criteria responses, consider the following information relative to the Item Questions and the Scoring Guidelines:

- the key business factors presented in the Organizational Profile;
- the maturity and appropriateness of the approaches, the breadth of their deployment, and the strengths of the learning and improvement process; and
- the level of performance and how results compare to those of other, relevant organizations or benchmarks.

## Scoring Dimensions

### Process

*Process* refers to the methods your organization uses and improves. Processes address the Questions in Categories 1-6. The four factors used to evaluate process are *approach, deployment, learning,* and *integration* (ADLI). Sterling-based feedback reflects strengths and opportunities for improvement in these factors. A score for a process Item is based on a holistic assessment of your overall performance, taking into account the four process factors.

***Approach*** comprises

- the methods used to carry out the process,
- the appropriateness of these methods to the Item Questions and your operating environment,
- the effectiveness of your use of the methods, and
- the degree to which the approach is repeatable and based on reliable data and information (i.e., systematic).

***Deployment*** is the extent to which

- your approach addresses Item Questions that are relevant and important to your organization,
- your approach is applied consistently, and
- your approach is used by all appropriate work units.

***Learning*** comprises

- the refinement of your approach through cycles of evaluation and improvement, in alignment with your Performance Improvement System (P.2c);
- the adoption of best practices or innovations to improve your approach; and
- the sharing of refinements and innovations with other relevant work units and processes in your organization.

***Integration*** is the extent to which

- your approach is aligned with the organizational needs identified in the Organizational Profile and other process Items;
- your measures, information, and improvement systems are complementary across processes and work units; and
- your plans, processes, results, analyses, learning, and actions are harmonized across processes and work units to support organization-wide goals.

In scoring process Items, keep in mind that approach, deployment, learning, and integration are linked. Descriptions of approach should always indicate the deployment – consistent with the specific Questions of the Item and your organization. As processes mature, the description should also show cycles of learning (including any innovations), as well as integration with other processes and work units.

### Results

*Results* are the outputs and outcomes your organization achieves, which address the questions in Category 7. The four factors used to evaluate results are *levels, trends, comparisons,* and *integration* (LeTCI). A score for a results Item is based on a holistic assessment of your overall performance, taking into account the four results factors.

***Levels*** are your current performance on a meaningful measurement scale.

***Trends*** comprise your rate of performance improvement or continuation of good performance in areas of importance (i.e., the slope of data points over time).

***Comparisons*** comprise your performance relative to that of other, appropriate organizations, such as competitors or organizations similar to yours, or benchmarks.

***Integration*** is the extent to which your results measures (often through segmentation) address important performance requirements relating to customers, workforce, products and/or services, markets, processes, action plans, and organization-wide goals identified in your Organizational Profile and in process items.
**Note:** Goals are generally not factored into evaluation of the goodness of results since how they are set is not always clear.

In the scoring of results Items, look for data on performance levels, trends, and relevant comparisons for key measures and indicators of your organization's performance, as well as integration with your organization's key requirements.

Results Items should also show data on the breadth of the performance results reported. This is directly related to deployment and organizational learning; if improvement processes are widely shared and deployed, there should be corresponding results.

## “Importance” as a Scoring Consideration

A critical consideration in Sterling evaluation and feedback is the importance (the relevance) of your reported processes and results to your key business factors. The areas of greatest importance should be identified in your Organizational Profile and in Items such as 2.1, 2.2, 3.2, 5.1, 5.2, and 6.1. Your key customer requirements, competitive environment, workforce needs, key strategic objectives, and action plans are particularly important.

## How to Score an Item Response

Follow these steps in assigning a score to an Item response.

**Read the Scoring Guidelines.**

**Choose the Score Range** (e.g., 30%-45%, 50%–65%, or 70%-85%) that is most descriptive of the organization’s achievement level as presented in the Item response. Choose this range based on a holistic view of either the four process factors (ADLI) or the four results factors (LeTCI) in aggregate. In this holistic view, the Score Range to assign is the one that best reflects the Applicant’s response as a whole; do not tally or average independent assessments of each of the four factors. No one evaluation factor serves as a ”gate” that keeps the score out of a higher range.

The “most descriptive” range is not necessarily a perfect fit. It often reflects some gaps between the response and the description of one or more of the factors in the chosen Score Range.

**Read the next higher and the next lower Score Ranges**. Assign a score (e.g., 75% or 80%) within the chosen range by evaluating whether the Item response as a whole is closer to the statements in the next higher or the next lower Score Range.

**Adley the Owl** isn't just a mascot — she's a mindset. Born from the Baldrige framework's most powerful scoring lens — ADLI (Approach, Deployment, Learning, and Integration) — Adley embodies what it truly means to see an organization clearly. With the sharp, panoramic vision of an owl, she perceives not just what an organization *does*, but *how* it thinks, *how* it grows, and *how* deeply its practices are woven into the fabric of everything it touches.


In a world where organizations must continuously adapt or be left behind, Adley represents the Examiner's highest calling: the ability to distinguish between activity and true maturity, between good intentions and systematic excellence.

Her four wings — Approach, Deployment, Learning, and Integration — aren't just scoring dimensions. They are the four questions every high-performing organization must be able to answer: *Do we have a sound method? Is it consistently practiced everywhere? Are we getting smarter over time? Is it all working together seamlessly?* Adley challenges Examiners to look beyond the surface. To ask the deeper questions. To reward not perfection, but momentum — the unmistakable signs of an organization on an upward trajectory.
**Come take flight with Adley**. Develop the Examiner's eye that can spot genuine maturity in motion — and help organizations discover their truest path forward.

# *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)<br>• Little or no DEPLOYMENT of any SYSTEMATIC APPROACH is evident. (D)<br>• An improvement orientation is not evident; improvement is achieved by reacting to problems. (L)<br>• 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 QUESTION in the Item is evident. (A)<br>• The APPROACH is in the early stages of DEPLOYMENT in most areas or work units, inhibiting progress in relation to the BASIC QUESTION in the Item. (D)<br>• Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L)<br>• 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 QUESTION in the Item, is evident. (A)<br>• The APPROACH is DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D)<br>• The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of key processes is evident. (L)<br>• The APPROACH is in the early stages of ALIGNMENT with the organizational needs identified in response to the Organizational Profile and process Items. (I) |
| 50%, 55%, 60%, or 65% | • An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL QUESTIONS in the Item, is evident. (A)<br>• The APPROACH is well DEPLOYED, although deployment may vary in some areas or work units. (D)<br>• Some fact-based, SYSTEMATIC evaluation and improvement cycles; sharing of refinements, or some use of best practices, or instances of INNOVATION are in place for improving the efficiency and effectiveness of key processes. (L)<br>• The APPROACH is ALIGNED with your overall organizational needs as identified in response to the Organizational Profile and process Items. (I) |
| 70%, 75%, 80%, or 85% | • An EFFECTIVE, SYSTEMATIC APPROACH, responsive to relevant MULTIPLE QUESTIONS in the Item, is evident. (A)<br>• The APPROACH is well DEPLOYED, with no significant gaps. (D)<br>• Multiple fact-based, SYSTEMATIC evaluation and improvement cycles; sharing of refinements, or adoption of best practices, or instances of INNOVATION are evident for improving organizational efficiency and effectiveness. (L)<br>• The APPROACH is INTEGRATED with your current and future organizational needs as identified in response to the Organizational Profile and process Items. (I) |
| 90%, 95%, or 100% | • An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE QUESTIONS in the Item, is evident. (A)<br>• The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D)<br>• Fact-based, SYSTEMATIC evaluation and improvement; sharing of refinements; adoption of best practices; and innovation are key organization-wide tools for improving efficiency and effectiveness. (L)<br>• The APPROACH is well INTEGRATED with your current and future organizational needs as identified in response to the Organizational Profile and process Items. (I) |

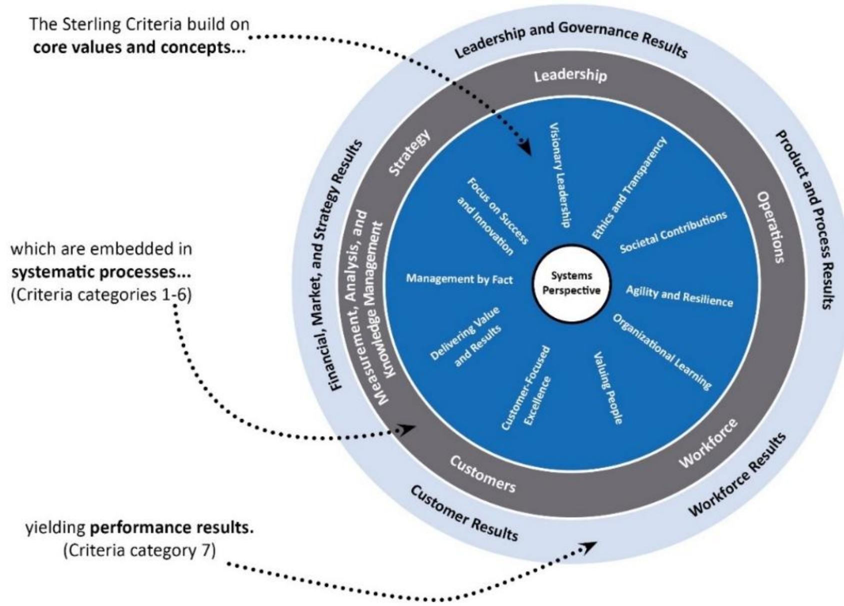
# *Results Scoring Guidelines*

## (For Use with Category 7)

| SCORE | DESCRIPTION |
|---|---|
| 0% or 5% | • There are no organizational performance results, or the results reported are poor. (Le)e)<br>• TREND data either are not reported or show mainly adverse TRENDS. (T)<br>• Comparative information is not reported. (C)<br>• 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 QUESTION in the Item, and early good PERFORMANCE LEVELS are evident. (Le)<br>• Some TREND data are reported, with some adverse TRENDS evident. (T)<br>• Little or no comparative information is reported. (C)<br>• 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 QUESTION in the Item. (Le)<br>• Some TREND data are reported, and some of the TRENDS presented are beneficial. (T)<br>• Early stages of obtaining some comparative information are evident. (C)<br>• 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 relevant OVERALL QUESTIONS in the Item. (Le)<br>• Beneficial TRENDS are evident in areas of importance to the accomplishment of your organization's MISSION. (T)<br>• Some current PERFORMANCE LEVELS have been evaluated against relevant comparisons and/or BENCHMARKS and show areas of good relative performance. (C)<br>• Organizational performance results are reported for most key customer, workforce, market, and process requirements. (I) |
| 70%, 75%, 80%, or 85% | • Good-to-excellent organizational PERFORMANCE LEVELS are reported, responsive to the relevant MULTIPLE QUESTIONS in the Item. (Le)<br>• Beneficial TRENDS have been sustained over time in most areas of importance to the accomplishment of your organization's MISSION. (T)<br>• 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)<br>• Organizational performance results are reported for most key customer, workforce, 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)<br>• Beneficial TRENDS have been sustained over time in all areas of importance to the accomplishment of your organization's MISSION. (T)<br>• Industry and BENCHMARK leadership is demonstrated in many areas. (C)<br>• Organizational performance results are reported for most key customer, workforce, market, process, and action plan requirements. (I) |

# *Core Values and Concepts*

## The Role of Core Values and Concepts




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

The Core Values and Concepts are the foundation for the Sterling Framework for Performance Excellence, and the Sterling Award Criteria. Key integration points, which may indicate some of your organization's vital systems, are depicted below.

| | Leadership | | | | | | | Strategy | | | Customers | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior Leadership | | | | Governance and Societal Contributions | | | Strategy Development | | Strategy Implementation | Customer Expectations | | Customer Engagement | |
| **Sterling Core Value** | 1.1 | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 2.1 | 2.1 | 2.2 | 3.1 | 3.1 | 3.2 | 3.2 |
| | a | b | c | d | a | b | c | a | b | a | a | b | a | b |
| 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 | ■ | | ■ | | ■ | | | | ■ | ■ | ■ | ■ | ■ | ■ |

| | Measurement, Analysis, and Knowledge Management | | | | | Workforce | | | | | Operations | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Measurement, Analysis, Review, and Improvement | | Information and Knowledge Management | | | Worforce Environment | | Workforce Engagement | | | Work Processes | | Operational Effectiveness | | |
| **Sterling Core Value** | 4.1 | 4.1 | 4.2 | 4.2 | 4.2 | 5.1 | 5.1 | 5.2 | 5.2 | 5.2 | 6.1 | 6.1 | 6.2 | 6.2 | 6.2 |
| | a | b | a | b | c | a | b | a | b | c | a | b | a | b | c |
| 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 presents 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 requirements and expectations. *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 among 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 Guidelines 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; empowering the workforce; fostering, and capitalizing on diversity; stimulating innovation; managing risk; ensuring resilience; requiring accountability; and achieving performance excellence, thereby ensuring ongoing organizational success now and in the future.

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, be innovative, and 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/or services. Thus, your organization must consider all product and/or 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 dissatisfaction and complaints. Nevertheless, these factors contribute to your customers' view of your organization and thus, are 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 fostering the fair treatment of all customers and workforce members. Promoting equity also supports the ability of all workforce members to 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; and (9) developing a system of workforce and organizational accountability for performance. With increased remote and hybrid work, an additional challenge is ensuring that a geographically dispersed workforce benefits technology and other resource support, 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 to perform core work, 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 collaboration 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 increasingly 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 or political 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 organization's 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 suppliers, 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 your business ecosystem; 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, which may entail business transformation.

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; technology 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, marketplace, 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 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 so that you can gain a deeper understanding of significant differences.

## 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 lifecycles of your products. In addition, 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 treat these and related requirements as opportunities to excel beyond minimal compliance.

Considering societal well-being 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 local community and/or beyond, pursuing environmental excellence, being a role model for addressing socially important issues, practicing resource conservation, reducing your carbon footprint, performing community service and charity; improving industry and business practices; and sharing nonproprietary information. Increasingly, such social contributions are a customer or stakeholder requirement.

Leadership in this area may entail 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 manifold. 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 aims 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 and market results, but product and process results; customer and workforce satisfaction and engagement results; and leadership, strategy, and societal performance.

# Glossary of Key Terms

*The terms below are those used throughout the Sterling Criteria for Performance Excellence and Scoring Guidelines. Each term is followed by a definition in boldface. Subsequent sentences in the first paragraph elaborate on this definition. The paragraphs that follow provide examples, descriptive information, or key linkages to other information about the Sterling Framework.*

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.

AGILITY. **A capacity for rapid change and flexibility in operations.** Agility may be needed to respond to emergencies or address changes in your operating environment, to take advantage of an immediate opportunity, and/or to address a strategic challenge.

ALIGNMENT. **A state of consistency among plans, processes, information, resource decisions, workforce capability and capacity, actions, measures, 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 data and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

ANALYSIS. **The examination of data and information to provide a basis for effective decision making.** 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 and context, which is derived from the analysis of patterns in data and information.

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 Questions 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.

BENCHMARKS. **Process and results that represent the best practices and best performance levels 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.

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

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 EXPERIENCE. **The summation of customers' perceptions and feelings resulting from interactions with an organization in pursuit of their products and/or services.** Customer experience spans the lifetime of customers' relationships with a brand through all stages of the customer journey, starting before a purchase is made, continuing to active use, including obtaining customer support, and advancing to repeat interactions.

**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.

**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, (2) evaluating the outcome of the measure as an indicator of process or product performance, or (3) evaluating how well customer requirements have been met or exceeded.

**ETHICAL BEHAVIOR. The actions your organization and your leaders take to ensure that all your decisions, actions, and stakeholder interactions conform to your 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, vision, and values with its ethical principles. Ethical behavior encompasses interactions with all stakeholders, including your workforce, shareholders, customers, partners, suppliers, and local community members.

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.

**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 1.2, its influence impacts all Categories and Core Values.

**INNOVATION(S). Making meaningful change to improve processes, products and/or services, the organization, or societal well-being to increase value for stakeholders.** (The Criteria use the term innovation as a process/activity and the term innovations to refer to the outcomes.) Innovation involves adopting an idea, process, technology, product, or business model that is either new or new to its proposed application. Innovations are discontinuous or "breakthrough" improvements 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 innovations, whether breakthrough improvement or a change in approach or outputs. Innovations 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.

**INTEGRATION. The harmonization of plans, processes, information, resource decisions, workforce capability and capacity, actions, results, measures, and analyses 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.

**INTELLIGENT RISKS.** Opportunities for which the potential short- or long-term gain or benefit outweighs the potential harm or loss to your organization if you do not explore them (sometimes referred to as a calculated risk). Taking intelligent risks requires a tolerance for failure and an expectation that innovations are 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, 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.

**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 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; subordinate 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 and implemented 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, programs, projects, services, 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).

**PERFORMANCE EXCELLENCE. An integrated approach to organizational performance management that results in: (1) delivery of ever-improving value to customers and stakeholders, contributing to ongoing organizational success; (2) improvement of your organization's overall effectiveness and capabilities, and; (3) learning for the organization and for people in the workforce.** The Sterling Framework for Performance Excellence provides the guidance for organization's pursuing high-performance.

**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 Enterprise Lean Six Sigma, International Standards Organization (ISO) systems, 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 innovations are needed. In areas where your organization intends to achieve breakthrough performance or innovations, your performance projections and your goals may overlap.

**RESULTS. Outputs and outcomes achieved by your organization.** Results are evaluated based on current performance; performance relative to appropriate comparisons; 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 (along with processes) evaluated in a Sterling-based assessment. This evaluation of results 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 or service 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.

**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, policymakers, funders, and local and professional communities.

**STRATEGIC ADVANTAGES. Those 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 and (2) 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 longer-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 nondirected, free thought. Choosing which strategic opportunities to pursue involves consideration of relative risk, financial and otherwise, and then making intelligent choices (intelligent risks).

**SYSTEM. A set of interrelated leadership and management elements of an organization used to integrate approaches, establish policies and objectives, and manage processes to achieve those objectives.** The overarching performance system depicted by the Sterling Excellence Framework consists of six process Categories and a results Category. Organizational systems establish processes, procedures, and responsibilities for achieving policies and objectives; and they may contain elements such as management structures (e.g., groups or committees), measurements, and multiple integrated systematic approaches used to conduct the work and support the organization. Organizational systems are generally focused internally, whereas the broader concept work systems include internal work processes and external resources of the organization.

**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 impact 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.

**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.

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**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.

**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.**

# *Acknowledgements*

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