MANAGING: IS THE BALDRIGE OVERBLOATED? The award isn't perfect, takes loads of time and money to apply for, and won't solve all of a company's problems. Beware a focus on winning, instead of on quality.


COULD IT BE that American business has gone overboard in its enthusiasm for the Malcolm Baldrige National Quality Award? Since Congress established the Baldrige in 1987, it has become the business equivalent of the Grand Slam, the Academy Award, and the Pulitzer. Ads trumpet the accomplishments of winners, and any plausible tie to the Baldrige can become the basis of a new career.

No other business prize has ever attained comparable status -- or produced comparable results. The award has established a national standard for quality, and hundreds of major corporations use the criteria in its application form as a basic management guide. Says John Grettenberger, general manager of GM's Cadillac division, which won last year: 'Competing motivated the organization to a level I didn't think possible.' The Baldrige doesn't even cost taxpayers much: Industry pays most of the expense.

But consider the warts that have emerged since Ronald Reagan bestowed the first Baldrige trophies on a division of Westinghouse, Motorola, and obscure little Globe Metallurgical of Cleveland. Winners haven't necessarily solved their business problems and gone to capitalist heaven. Despite the superior quality of their wares, IBM, Motorola, and Xerox have all seen their profits and share prices hit hard since they won.

Nor is the Baldrige any guarantee that a company's products are superior. Quality professionals were taken aback when Cadillac won. But the award didn't mean that the General Motors division made the best cars. What the judges recognized was that Cadillac had put together a fine quality-management system. They judged the process, not the product.

Applicants have found the Baldrige process an ordeal that can eat up management time and cost hundreds of thousands or even millions of dollars. As with any corporate push, bureaucracy can creep in -- jobs and procedures that sap productivity and eventually have to be hacked away. Victory itself can be bittersweet: The program requires winners to spread the quality message by telling their story -- over and over again.

The very popularity of the Baldrige ''spells trouble,'' says Joshua Hammond, president of the nonprofit American Quality Foundation and, overall, still an admirer of the award. He sees executives mistaking the Baldrige for a cure-all and warns that it ''does not address key elements of business success -- innovation, financial performance, and long-term planning.'' Worries David Nadler, head of Delta Consulting Group in New York City and another Baldrige fan: ''With the growing visibility of the Baldrige, there's growing misunderstanding. The goal of winning may displace the goal of achieving real quality.''

Before you shoot for a Baldrige, be clear about what it is, what it is not, and how the process works. Competitors must negotiate a nerve-racking obstacle course set up by the Commerce Department's National Institute of Standards and Technology. Following a complicated 42-page set of instructions, they must submit a mass of
data about quality controls and processes, leadership, training, personnel policies, and customer relations -- all in not more than 75 pages, please. Volunteer examiners grade the applications. Companies that score 750 or more out of a possible 1,000 points usually become finalists and get a visit by a team of examiners. The teams make recommendations to nine judges, all recruited from industry.

Each year the judges can pick two winners in each of three categories: large manufacturers, large service companies, and businesses with not more than 500 full-time employees. A corporate division can apply, but only one per company per year. So far, the judges haven't felt compelled to hand out all the awards they might. Of 203 applicants in the past three years, just nine won: six manufacturers, two small companies, and one service company (Federal Express).

Most quality gurus think the Baldrige is good medicine for your business -- provided you don't overdose. The only important consultant who thinks the prize poison is Phil Crosby, an iconoclast who founded a quality-training institute in Florida and wrote a book called Quality Is Free. Calling the Baldrige "a negative" likely to promote form filling rather than real quality, he predicts: 'Like most government programs, it will have the opposite effect to the one intended.' Crosby doesn't think companies should nominate themselves; he says their customers should do it. He believes the absence of financial measures in the prize criteria is a big mistake. And he scorns the paperwork. With some hyperbole, he asks: 'What kind of prize is it when you pay someone $1 million to fill out a form?'

Tom Peters, messianic co-author of In Search of Excellence, which helped launch America on the quality kick, thinks the Baldrige a national plus. But he complains the criteria are 'strangely silent on the subject of bureaucracy' and contends that three winners -- Cadillac, Motorola, and Xerox -- remain 'abysmally bureaucratic.' He also argues that the Baldrige doesn't take into account a factor consultants call 'glow and tingle' -- that which makes a customer choose one product over another when their quality is equal.

Hammond sees a similar shortcoming. Co-author of a book called Beyond Quality scheduled for publication this fall, he argues that as fault-free products become the norm, businesses must seek a higher level of quality he calls a 'trust relationship.' Customers should have so much confidence in a company's products and services that they become intensely loyal -- just as in the old days. Consultant Nadler misses the criterion of speed. He believes the ability to pick up the pace of product development and improvement is becoming crucial.

As with any discipline, the value of the Baldrige criteria depends on how intelligently they are applied. Hewlett-Packard, IBM, Motorola, and Westinghouse all use the application as a guide for managers, not a prescription for rote behavior. Tom Purey, who ran IBM's Rochester, Minnesota, operation when it made its first bid for the award in 1989 (it was a runner-up), now directs Big Blue's Santa Teresa, California, lab. He requires managers to score their operation every 90 days using the criteria. He has added extra questions dealing with innovation, speed, and leadership, and says: 'With these additions, the Baldrige questionnaire becomes a complete tool for management.'

The insurance unit of Cigna Corp., the $18-billion-a-year Philadelphia financial giant, uses the Baldrige as an inspiration, something to shoot for -- eventually. Actually applying now, explains senior vice president David Williams, might be too burdensome -- and even weaken Cigna's quality program. Says Williams: 'The attention it takes to go for the award over and above the effort of creating a total quality-management process would take us off track.' He points out that Motorola was already more than five years into its quality program when it tried for the prize and that applying still required 'significant effort.' Corning's telecommunications division, which
applied in 1989 and did not win, reckoned it put in 7,000 man-hours. Williams thinks Cigna may be ready to apply in 1994.

GLOBE METALLURGICAL, the privately held, $100-million-a-year Cleveland firm that won in 1988, discovered its newfound celebrity was a mixed blessing. Part-owner Ken Leach spent so much time on speaking tours from Russia to Australia and serving as a senior examiner for the Baldrige competition that he finally felt obliged to quit the company. "My colleagues were very tolerant, but I was doing way too much of pro bono work," he explains. Now a quality consultant, Leach helped Wallace Co. of Houston write its winning application last year; this year he has four Baldrige applicants as clients.

The demand for consultants with Baldrige expertise worries the people who administer the prize. On the seminar circuit, such knowledge has become a powerful draw. That's one reason 1,332 applicants volunteered for 227 openings this year for the job of examiner, which sometimes includes a modest stipend but normally pays nothing. Most of those chosen are teachers or full-time corporate employees. But a substantial minority are consultants who, when not examining applicants, often help them.

Curt Reimann, the uncommon civil servant who runs the Baldrige program at the National Institute of Standards and Technology, is determined to keep the award above reproach. Reimann, who gets to his office in Gaithersburg, Maryland, at 4:30 A.M. and is often still on the job when other bureaucrats have gone home, gets worldclass grades for the way he has designed and run the award. To keep it clean, examiners and judges must divulge all the businesses they're affiliated with and are barred from judging them or their competitors. Examiners can't reveal anything about companies they scrutinize nor ask for information about others in the competition. While on the job, they are not allowed to accept so much as a souvenir pen.

Though no breach of the rules has come to light, the overlap between judging and helping contestants makes Baldrige officials uneasy. Reimann maintains that when a consultant who has built a practice in the quality field signs on as an examiner, he can hardly be expected to give up his livelihood. But some consultants may not be above mentioning that their inside knowledge of the Baldrige process can help potential clients boost their score. Such claims, Reimann says, are hokum and hurt clients by distracting them from the task of improving quality: "There are no secrets about winning the award. If consultants say, 'Here is how it really works,' they're doing a disservice." Brian Joiner, one of nine Baldrige judges and himself a consultant, heads a committee that's trying to sort out conflict-of-interest rules, part of Reimann's constant effort to refine and improve the award.

Some of the TV and newspaper ads that Baldrige winners buy to boast of their achievement have also raised eyebrows. After winning last year, Cadillac said in newspaper ads that it was one of 167,000 companies that "applied for consideration." In fact, there were 97 applicants. The Baldrige administrators say the higher figure referred to the number of application guidelines mailed out -- many in bulk to single companies. Cadillac changed the statement as soon as the error was pointed out. But other details in the ads -- such as a statement that the Commerce Department had praised Cadillac's 4.9-litre V-8 engine -- brought accusations of false advertising from the Texas attorney general.

A BALDRIGE doesn't mean its winner has solved all its problems, even its quality problems. Motorola delayed production of its crucial 68040 microprocessor last year to fix design flaws. In all, 1990 was a bad year for the company. Its stock dropped to about half its historical high, and in the fourth quarter earnings fell for the first time in five years.

Another winner, IBM, is bedeviled with high costs and flagging growth; its stock, too, is depressed. However, the Rochester unit,
which won the Baldrige, has steadily increased its share of the market for mid-range computers. Gregory Chagaris of Dataquest, a Silicon Valley market research firm, describes the unit's AS/400 computer as "essentially a failure-proof product."

Cadillac faces not only recession in the auto market but skepticism about its victory. People remember vividly the division's quality problems of the early 1980s, such as the engine that was supposed to fire four, six, or eight cylinders, depending on the power needed, but never worked right. Lately Cadillac has done well, but not spectacularly, in quality surveys. J.D. Power & Associates ranked it fourth in customer satisfaction last year, ahead of all other American makes. But in problems per new car, Cadillac came in 17th, behind many imports and Buick, Lincoln, Mercury, and Oldsmobile. Says David Luther, a senior vice president at Corning and a Baldrige judge: "The choice of Cadillac raised more discussion than any of the other winners. When it was announced, I got calls from colleagues saying, 'Luther, are you crazy?'"

It seems Luther wasn't crazy. In recent years Cadillac has developed a quality process that has transformed every part of the business, from design to customer relations. Says Reimann: 'They have been making improvements at an extraordinary rate.' The 1992 Seville, the first car conceived under the new regime, is getting rave reviews. Car and Driver, often more acerbic than other auto magazines, exclaimed that Detroit had finally delivered an automobile to compete with Mercedes and BMW. While Cadillac sales are off this year by 20%, the brand is holding its share of the luxury market; hot new Japanese models like Toyota's Lexus have made gains at the expense of Cadillac's archival Lincoln and the Europeans.

NO, the Baldrige is not a panacea. Winning guarantees neither profits nor market share nor growth. And the prize itself is not defect-free. But the award has prompted U.S. business to improve quality as nothing else has done. A recent survey by the General Accounting Office of 20 top scorers in Baldrige competition confirmed that most have improved by critical measures such as market share, sales per employee, return on assets, and the ability to deliver products on time.

Most companies seem to understand that the value of the Baldrige lies in the discipline it inspires and not the prize itself. Of course, winning is nice too. At Du Pont, so many divisions want to apply that the company will need until the turn of the century to give each its turn.

CHART: NOT AVAILABLE
CREDIT: NO CREDIT
CAPTION: HOW THE WINNERS ARE DOING

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Jeremy Main, MANAGING: IS THE BALDRIGE OVERBLOWN? The award isn't perfect, takes loads of time and money to apply for, and won't solve all of a company's problems. Beware a focus on winning, instead of on quality. . , Fortune, 07-01-1991, pp 62.