**Summary of “Economic Evaluation of the Baldrige Performance Excellence Program,” by Albert N. Link and John T. Scott, December 2011**

Link and Scott estimated the Baldrige Performance Excellence Program’s social value by comparing the cost of operating the program to the benefits received by the 273 U.S. organizations that applied for the Malcolm Baldrige National Quality Award between 2006 and 2010.

The benefit-to-cost ratio of 820-to-1—representing only the benefits for the surveyed group of applicants but *all* of the Baldrige Program’s social costs—certainly supports the belief that the Baldrige Program creates great value for the U.S. economy. Link and Scott noted that the benefit-to-cost ratio would be considerably higher if program costs were compared with the benefits for the economy as a whole. They concluded that the Baldrige Program, with the imprimatur of national leadership and a prominent national award presented by the President, creates great value that private sector actions alone could not be replicate.

Based on a Web-based survey of 45 of the applicants, Link and Scott used a counterfactual evaluation method—measuring what applicants would have done in the absence of the Baldrige Program—to quantify three categories of social benefits produced by the program:

* **the applicants’ cost savings:** Because the publicly funded Baldrige Performance Excellence Program made the Baldrige Criteria and its performance excellence approach available free of charge, the applicants did not incur the costs of creating performance excellence strategies on their own.
* **gains to U.S. consumers:** Consumers benefited from greater satisfaction with higher-quality products because the Baldrige Criteria were available and used instead of a higher-cost alternative (known as a gain in consumer surplus associated with the availability of the Baldrige Criteria).
* **gains to the U.S. economy:** Since successful performance excellence strategies also lower the costs providing higher-quality products or services, the economy saved scarce resources because the Baldrige Criteria were used instead of a higher-cost alternative (known as a gain in producer surplus associated with the availability of the Baldrige Criteria).

The following table shows benefit-to-cost ratios representing each category of social benefit compared with the Baldrige Program’s entire operating cost.

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| **Social Benefits** | **Benefit-to-Cost Ratio (45 applicants)** | **Benefit-to-Cost Ratio (273 applicants)** |
| Cost savings from using the Baldrige Criteria instead of other performance excellence strategies | 1.3-to-1 | 3.0-to-1 |
| Cost savings from using the Baldrige Criteria + gains from consumer satisfaction from using the Baldrige Criteria | 46-to-1 | 107-to-1 |
| Cost savings from using the Baldrige Criteria + gains from consumer satisfaction + gains to the economy from resources saved by using the Baldrige Criteria | 351-to-1 | 820-to-1 |