

Baldrige Award Winners Beat the S&P 500 for Eighth Year

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U.S. Commerce Secretary Don Evans today announced the "Baldrige Index" has once again outperformed the Standard & Poor's 500. The announcement was made at a Presidential ceremony honoring the recipients of the 2001 Malcolm Baldrige National Quality Award--the nation's highest honor in quality and performance excellence.

The Baldrige Index is a fictitious stock fund made up of publicly traded US companies that received the Malcolm Baldrige National Quality Award between 1991 and 2000. "Even after a tough year for the stock market, especially for technology stocks, the Baldrige Index continues to make a terrific showing, outperforming the Standard & Poor's 500 for the eighth year. While performance in the stock market is only one indicator of success, this study and others show that businesses that seek excellence in everything they do can achieve success in many areas, including the bottom line," said Commerce Secretary Evans.

The National Institute of Standards and Technology (NIST), the Commerce Department agency that manages the Baldrige National Quality Program, "invested" a hypothetical \$1,000 in each of the whole company winners--Eastman Chemical Company (1993 winner) and Solectron Corp. (a winner in 1991 and 1997)--and the parent companies of 18 subsidiary winners. Another hypothetical \$1,000 was invested in the S&P 500 for the same time period. The two whole company winners outperformed the S&P 500 by almost 4.5 to 1, a 512 percent return on investment. The group of whole company winners plus the parent companies of subsidiary winners outperformed the S&P 500 by about 3 to 1, achieving a 323 percent return on investment, compared to a 110 percent return for the S&P 500.

All of the investments were tracked from the first business day of the month following the announcement of award recipients through Dec. 3, 2001. Adjustments were made for stock splits.

While receiving a Baldrige Award or any other award is not a guarantee of success, to win the award organizations must show continuous and major improvements. For example, when Solectron Corp. won the Baldrige Award in 1991, revenue was \$265 million with 1,500 employees. When they won again in 1997, revenue was \$4 billion with 18,215 employees. In 2001, Solectron's revenue was \$18 billion with 60,000 employees. In another case, Federal Express Corp. won a Baldrige Award in 1990, and that year the company had revenues of \$7 billion, 90,000 employees, and 1.5 million shipments a day. In 2001, Federal Express had revenues of \$19.6 billion, 215,000 employees, and 5 million shipments a day.

Other studies also have found that organizations receiving quality awards show long-lasting improvements. For example, Vinod Singhal of the Georgia Institute of Technology and Kevin Hendricks of the University of Western Ontario studied 600 publicly traded firms that have won quality awards, including the Baldrige. The five-year study showed these firms improved in many areas including stock price return, operating income and sales.

The Baldrige National Quality Program is a public-private partnership. It was established in 1987 to improve performance in US organizations. Awards are made to organizations that have substantially benefited the economic or social well-being of the United States through improvements in performance excellence. Awards can be given in five categories: manufacturing, service, small business, education, and health care.

As a non-regulatory agency of the US Department of Commerce's Technology Administration, NIST develops and promotes measurements, standards, and technology to enhance productivity, facilitate trade, and improve the quality of life.

NOTE: For a copy of the Baldrige Index stock study, go to:

www.nist.gov/public_affairs/factsheet/stockstudy.htm or fax a request to (301) 926-1630.