Using the Business Excellence Model to transform your business

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Introduction

The key to business success is all about people, people, and people. Any organisation is only as good as its people. Only people can make things happen, other resources make things possible. Good management practice is not as common across Europe as one would expect. Excellent management is less common and is the prime factor that distinguishes the best organisations from the rest. In essence, business excellence stems not so much from the Management of Total Quality, as far too many people still perceive, but from the Total Quality of Management in all its guises. The latter practice subsumes the former but involves much more.

The presentation will briefly cover the underlying reason for the creation of the European Business Excellence Model, its components and how it is increasingly being used to complement other approaches to activate people to transform their business.

Business Excellence

In 1990, the European Foundation for Quality Management (EFQM) set out to create a consistent understanding of quality management and the issues of business excellence for the people of European organisations. It did so with the support of the EC and the European Organisation for Quality (EOQ). A special project was defined for a new business award scheme for Europe. Subsequently named The European Quality Award, the scheme was developed during 1990/91 and implemented in 1992. The most important features resulting from the project are the European framework of excellence criteria and the basis of assessment used in the award scheme. Both these features are now increasingly proving to be beneficial to organisations in their pursuit of excellence. They provide a sound basis for Total Quality of Management.

The framework is now known as the EFQM Model for Business Excellence. Each of the nine elements in the model is a criterion that is used to assess an award applicant's progress towards business excellence. Any organisation can assess its progress towards excellence on the same basis. Indeed it is assumed that before making an application for an award, the organisation will have undertaken a self-assessment of the aspects relevant to its business. It is no surprise though, that some people are referring to the framework as the European Excellence Model or just the Excellence Model because of the commercial connotations with 'business'.

The Business Excellence Model is proving to be a modern vehicle that is increasingly being used by organisations to pursue business excellence. It is being viewed as the top-level process of an organisation, a flow chart of how an excellent organisation operates. It is based on the simple premise that the talents and potential of an organisation's people can be released and harnessed through processes to achieve the desired results. As conceived, it provides an organisation with an integrated holistic structure for harnessing and managing all improvement initiatives to transform itself into one of excellent performance for all the stakeholders involved.
Since 1992, an award scheme based on the same principles has been introduced in the UK, the UK Quality Award, and in 18 other European nations thereby giving credence to the original intention of EFQM. Europe now has a common dynamic language that is being used to transform organisations or parts thereof.

The British Quality Foundation (BQF) was established in November 1992 in recognition of the need for the UK to gain competitive advantage through the application of the principles of total quality and continuous improvement. In the UK, the model is seen by many as a means of pulling together, in a coherent framework, a number of the methodologies being used by organisations to improve their quality and performance e.g. Charter Mark, Investors in People and ISO 9000. It is a model that is gaining national momentum and recognition in organisations of all types and sizes.

The framework of the model can be expressed as follows:

Customer Satisfaction, People Satisfaction and favourable Impact on Society in general are achieved through Leadership driving Policy and Strategy, People Management and the management of other Resources and of Processes leading ultimately to excellence in Business Results.

Business Success

The European Quality Award was introduced initially for organisations in business for profit. As such the assessment guidelines for the criterion 'Business Results - financial' have necessarily been biased towards financial performance, the basis on which the success of a "for profit" business is mainly judged today.

Key values and measures to monitor the success of a "for profit" business includes:

- Sales levels  Profit margins  Cash flow
- Sales growth  Return on invested capital

Shareholder value has become increasingly significant in the 90's. It is driven by these same factors.

To achieve business success through good financial performance executives generally introduce a never-ending series of initiatives to improve results. Such initiatives are often introduced without any clear overall plan. When this is the case, the consequence can be that initiatives in one area or function are found to be in conflict with other initiatives introduced elsewhere. There is seldom any overall co-ordinated management of the initiatives or any clear idea of how they will impact on financial performance.

While all 'for profit' organisations strive for business success world-class organisations aim for excellence and recognition. Truly world-class organisations believe that if they are to remain at the top in tomorrow's competitive environment they must concentrate on the factors that drive business success:

- customer satisfaction, the basis of achieving successful business
- effective use of intellectual capital (people), and
- role in and impact on society at large.
Unlike the traditional method of assessing business success by focusing solely on the financial results, the factors that drive it also now need to be taken into account. The Business Excellence Model can be adapted to give equal emphasis to 'cause' (enablers) and 'effect' (results). The logic is simple: by improving the 'how' of an organisation's operations improved results will follow.

What we have therefore is a consistent framework for business that shows that Business Success in its widened guise is an aspect of Business Excellence and is itself driven by business excellence. In other words, Business Success leads to and is driven by, Business Excellence.

**Value Creation**

Excellent organisations:
- focus on creating value above all else, and
- make the right decisions to create value.

The value is not just financial value. They recognise and work to add value for each of their principal stakeholders.

For Customers - it is offering products or services that meet, perhaps even exceed, their expectations.

For Employees - it is providing a working environment in which people can progress, they are respected and their contributions are valued.

For Owners/Shareholders - it is both investment appreciation and dividend returns over time.

For Society in general - it is providing economic wealth, employment and a beneficial impact on the community and the environment.

The route to business success for tomorrow's excellent organisation will be via creating value for all four of its principal stakeholders.

Created value is based on two foundations:
- the satisfaction and perception of customers and buyers
- the efficient combination of the resources of intellectual capital (the workforce) and of financial capital.

Increasingly, organisations are finding ways to measure customer satisfaction and workforce (people) satisfaction and to compare their findings with those of other organisations.

A few leading organisations are starting to measure views of society in general as to their presence and business affairs and are trying no doubt to gain an appreciation of how they are viewed with regard to others.
As for the financial stakeholder, shareholder value is the prime measure. It is driven by a combination of the same factors that are generally used to adjudge business success. However, shareholder return - the sum of the dividends plus the increase in the share price relative to the acquisition price of the share, can be benchmarked against the 'no-risk' government bond rate.

The financial performance of an organisation can be readily calculated using the created value concept. The fundamental ratios of created value performance are:

- Created value as a % of sales
- Created value per unit of pay
- Created value per unit of assets

Progressive organisations are beginning to realise the benefits of benchmarking their created value performance internally, against their industry sector competitors and externally against the best achievements of other identified organisations world-wide.

**Targeting Improvements**

Excellent organisations are concerned with aiming the arrowheads of their decision-making at the right value creation targets. The *Results* criteria of the Business Excellence model provide a simple but powerful template for establishing relevant measurements and focal targets.

Generally, the outcome of a self-assessment exercise is a goldmine of improvement ideas and opportunities for the management team. All to often the purpose of doing the self-assessment exercise is forgotten in deference to the score - which is of course useful. The team should analyse the findings and treat them as the building blocks of a business performance improvement strategy aimed at creating value for the stakeholder. They have to decide why they should do what, for whom, when, where and how.

Before tackling the improvement opportunities identified through self-assessment it is important to have in place relevant measures of the effects of improvement activities being undertaken throughout the organisation. The existence of performance measurements aligned to the results criteria is vital if the business performance improvement strategy is to hit the right target 'bullseye'.

**Balanced Performance Scorecard**

In today's fast moving competitive environment, managers need to monitor and know how well they are creating future value. Organisations therefore need to develop their own performance scorecard which balances in a single report both the financial and non-financial measures of performance as judged by the stakeholder in each case. No one single scorecard will suit all organisations, it has to be specially tailored.
Based on the pioneering work of Professor Robert Kaplan and others, a common framework of a balanced performance scorecard has begun to emerge. However, because of the mixture of effect-related measures and cause-related measures, it is not uncommon for both enablers and results under the internal business and innovation and learning perspectives to be lumped together by organisations.

Management teams of excellent organisations are today more concerned with measuring the effectiveness of business transformation activities, such as process reengineering, best practice benchmarking, just in time, and employee empowerment. They want to know that their business improvement strategy and the action they are taking are producing the right results. They are less concerned with a balanced management monitoring system as such. Their business improvement strategy will focus on a few objectives aimed at those areas of the enablers criteria in the Business Excellence Model that will have the greatest impact on the results criteria, and consequently on business excellence.

Value Performance Scorecard

A balanced value performance scorecard based on the results criteria of the Excellence Model will prove to be beneficial for organisations earnestly pursuing business excellence. There is no definitive checklist of measures to refer to when developing such a performance scorecard. It has to reflect the organisation’s own specific business circumstances at all times. However, consideration of the areas to address in the guidelines for self-assessment against the Excellence Model published by EFQM and BQF might yield some clues as to relevant measures to use in such a scorecard.

At the strategic level an organisation should seek to have about seven or eight key measures for each stakeholder category. Each measure can be regarded as a critical success factor. Once established, the measures should be regularly reviewed for effectiveness and relevance and revised as necessary. The scorecard’s collective group of measures should be used for balanced strategic planning purposes to improve strategic focus and alignment.

Not for Profit Organisations

The principles outlined above for 'for profit' organisations are just as relevant and can be tailored to suit 'not for profit' organisations e.g. government and public sector. EFQM (and its partners) recognised that in order to fulfill its vision and its mission of supporting managers of all organisations in Europe, it had to broaden the framework criteria to include facets of organisations that are conducting 'not for profit' business. Based on work done by the EFQM, their Guideline brochures and the BQF Guides to Self-Assessment 1998 include details of areas to address for such organisations.

Summary

The above provides only an insight of the business excellence model and how it is being used to activate human resources to transform business. Practical experience whether at organisational or personal level, will prove to be much more valuable.