Developing a Business Improvement Strategy based on self-assessments using the EFQM Model

Luis Rocha-Lona[*1], José Arturo Garza-Reyes[2], Horacio Soriano-Meier[3], Tim Peacock[3], Paul Forrester[4]

[1] Engineering Systems Department
The National Polytechnic Institute, Mexico 03100

[2] School of Technology
The University of Derby
Derby, DE22 3AW, UK

[3] Northampton Business School
The University of Northampton
Northampton, NN2 7AL, UK

[4]Birmingham Business School
The University of Birmingham
Birmingham, B15 2TT, UK

ABSTRACT

The use of the EFQM model and other business excellence models (BEM's) has been recognized as a way of improving business processes among organizations. The information gathered through self-assessments using these models show the performance of organizations against several model criteria. There is evidence that organisations find it difficult to integrate the information from self-assessments to current business improvement programs or projects. Additionally, it has been claimed that the final reports derived from the deployment of self-assessments are rarely followed up. Thus, despite good efforts and some knowledge gained through the use of BEM's there is a lack of methods, models, and techniques that effectively integrate the self-assessments with current business improvement strategies.

In this context, the effective deployments of BEM's and follow up activities and plans can contribute to support and develop business improvement strategies. Under this perspective, this paper proposes an appropriate method than can help to integrate self-assessments outcomes based on the EFQM model into a business improvement strategy. Based on emerging issues derived from an empirical study with twelve European Organizations that have used the EFQM model for more than five years, the paper identifies some of the best practices to integrate self-assessment outcomes with business improvement strategies. It then proposes a framework that can help to accomplish this integration and to mitigate the problems mentioned earlier. The conclusion of this work emphasizes the necessity to standardize this process, and to integrate it with current knowledge management projects to store and retrieve the information for future business improvements projects.

1. INTRODUCTION

Business Excellence Models (BEM's) are quality–management frameworks based on organizational performance criteria that originated as a result of the evolution of TQM principles. The BEM's have played a significant role in the attempt to improve business among organizations, and these efforts are well documented with Quality Foundations that administer BEMs' across regions and countries[2]. The models have experienced an important evolution since their introduction in the late 80's; not only in their business-criteria but in the way they are deployed and used. In this context, organizations have learned from the use and practice of these frameworks to apply the BEM's for several purposes. The purposes vary according to the priorities of the organization, and some of these purposes identified are award participation, self-assessment, business process improvement, measurement systems, and strategic planning [1]. This paper will consider the self-assessment, the business improvement and strategic planning approaches which are closely involved to develop business improvement strategies.

1 Corresponding author: Tel.: (+52) 5557296000 EXT. 61642; Fax: (+52) 1642-342482; E-mail: luis.rochalr@yahoo.co.uk

2 See for instance the websites of the European Foundation for Quality Management, the National Institute of Science and Technology, The Japanese Institute of Scientist and Engineers, the Canadian Quality assurance Institute, among others.

The BEMs have managed different categories to facilitate organizations assessing their own business in terms of specific criteria in their industry. Initially those categories were better suited for large public and private organizations. However, the necessity to include and expand the BEM's to most industrial sectors encouraged Quality Foundations to develop the frameworks to other kind of organizations. Thus, the introduction of new categories to the frameworks such as health care, non-profit, education, medium and small organizations, helped enormously to increase the use of BEM's. Figure 1 shows for instance that applications for the Malcolm Baldrige National Quality Award (MBNQA) have increased in the last years after having a setback in 1997. This increase may directly respond to the introduction of the new categories in the late 90's. Thus, it is reasonable to think that the use of BEM's may continue to grow as the Quality Foundations continue innovating the frameworks by industrial sectors or specific product and services.

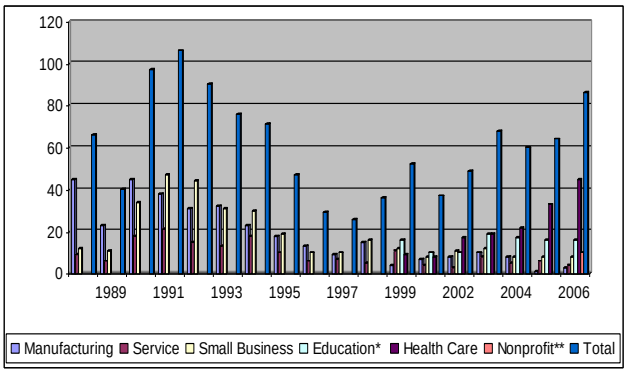

Figure 1: MBNQA applications during 1988-2006
Source: developed from [2], p.57 with data from [3].

This paper will consider the EFQM model as a framework for analysis and the discussions and conclusions of this work may be extrapolated to other BEM's. The EFQM model is currently managed and administered by the European Foundation for Quality Management (EFQM)[3]. This model has become popular across the public and private sectors and it is estimated that 76 countries operate a national excellence model to promote quality improvement [4]. It is also currently estimated that approximately 30 000 European organizations employ this framework as a way of improving business and operations [4]. The EFQM model is a non-prescriptive quality framework based on 9 criteria: five enablers and 9 results [5]. The enablers are leadership, people, policy & strategy, partnerships & resources, and processes. On the other hand "results" include people results, customer results, society results, and key performance results.

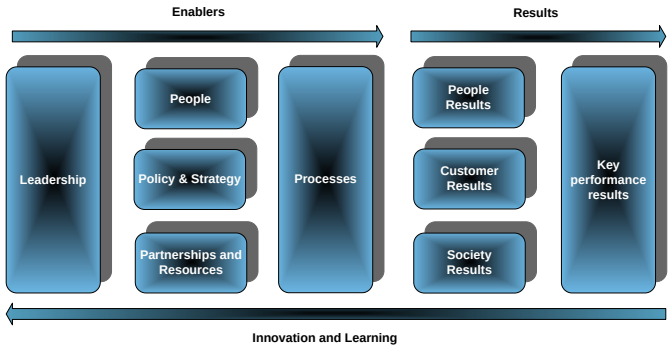

Figure 2: The EFQM Model [8]. p.5.

As stated by Tito Conti[4][6], the EFQM model was thought and created with a systemic approach that attempt to reflect the business activity on the left hand and the 'business results" on the right. Some studies have tried to prove somehow these relationships [7] [8], and they provide a good insight to understand enablers and results. However,

[3] See the website at http:\\www.efqm.org
[4] Tito Conti is one of the developers of the EFQM Model. He has written books on self-assessment and published several articles in the field. One of his most recent articles describes how the EFQM Model was born, along with some insights of it evolution. See [6]

there is still a need that clearly shows the relationships of enablers and results, and more importantly, to understand with solid modeling techniques the cause and effects of enablers and their impact of business results. Under this perspective, the EFQM model intends to provide organizations with a framework to deploy empirically the model and assess the business. The "RADAR-logic" (Results, Approach, Deployment, Assessment, and Review) is the tool designed to provide a practical sense when assessing business operations and functions. The RADAR helps to establish what "*results*" organizations need to systematically accomplish its objectives. Thus, the RADAR suggests the way in which organizations should plan, develop and deploy improvement methods and tools to reach the desired objectives. In summary, the model presented in Figure 2, the RADAR logic, the fundamental concepts of excellence, along with the model-criteria and sub criteria, constitute an overall view of the EFQM model.

2 .THE EFQM MODEL AND ITS STRATEGIC ROLE FOR BUSINESS IMPROVEMENT

The use of the EFQM model to identify improvement areas is one of the main benefits of self-assessment [9], [10], [11]. Lascelles and Peacock [12] were perhaps the first to visualize the application of the EFQM model to strategically improve "enablers", arguing that the "results" section of the EFQM model should set the agenda for continuous improvement. Although it was clear the potential application of the EFQM model in this area, it was not clear the way to accomplish it. In this way, there have been few attempts to provide approaches and methodologies or suggest concrete improvement programs that link self-assessment outputs directly to the continuous improvement process. The information gathered through self-assessments in the form of reports is passed on to top management for its analysis and further use [13], but with no way to know further actions. The process ends with these reports, and consequently, it is the ability of top management to decide *what* areas are priorities and *how* to improve those areas through specific improvement programs. Thus, the success of this process may be limited to the correct interpretation of top management, and the available guidance to effectively use the self-assessment outcomes.

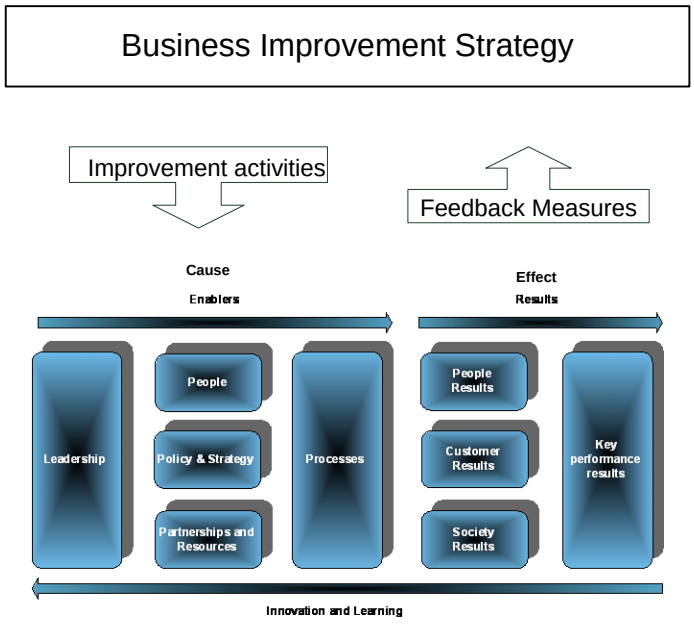

Figure 3: Business performance improvement feedback. Source: [12], p.110.

From figure above it is reasonable to think that organizations can integrate feedback derived from self-assessment activities to current business plans. After conducting self-assessment organizations should be in position to support planning activities at operational and strategic levels. The emerging issue is that there is little empirical evidence that shows how organizations that have used the EFQM model manage to follow up self-assessment outcomes. The only available evidence is when managers tell how they deployed the EFQM model and the real benefit for identifying areas of improvement at operational or strategic level. For instance, a manager for a large company in Europe said: 'Along the way, the model helped us to identify what we were doing well, but also where

we could improve. It looked for continuous improvement which was across always…" Another manager commented "… [We made a full assessment of the organization and there were a lot of things that we wanted to improve]. [We created a list of 20 points. Then we prioritize those points, we made a score for each of them, so then we said: very important things are the activities in red color, then a yellow label, the things that are all right could be improved (green color)…". Finally, another one commented "As a result of the use of the model, we realized that the most important area for improvement was our people. Then, after analyzing the problem, we decided to deploy two concepts: communication and empowerment…"

These comments give interesting insights on how managers use strategically the EFQM model to identify areas of improvement. However, as mentioned earlier there still a gap to integrate this outcomes to current business strategy, which should address a more standardized approach to accomplish this objective. Thus, the fact those organizations are able to identify areas of improvement neither warranty improvements nor their effective ways to accomplish them.

3. LINKING SELF-ASSESSMENT PROCESS AND THE BUSINESS STRATEGY

Self-assessment provides organizations with a "picture" of their business processes on a regular basis, and helps to identify areas for improvements. However, self-assessment requires discipline and objectivity to conduct the process and to interpret the results of these activities objectively. Consequently, some organizations use external services to assure that the outcomes of this process accurately reflect the state of the business. In this way, self-assessment is widely accepted as a systematic and regular view of the organizations' activities [9]. The self-assessment process implies that organizations employ the EFQM criteria to periodically monitor their business activity, particularly the performance of core processes. The use of self-assessment has expanded in parallel with the use of BEMs, and there is evidence that many organizations use this process in Europe [14]. However, like any other approach, there are implementation problems and challenges to measure the results of these activities. Consequently, this has originated criticism as well as a tendency to question the value of this process and to justify the resources assigned to these projects by organizations.

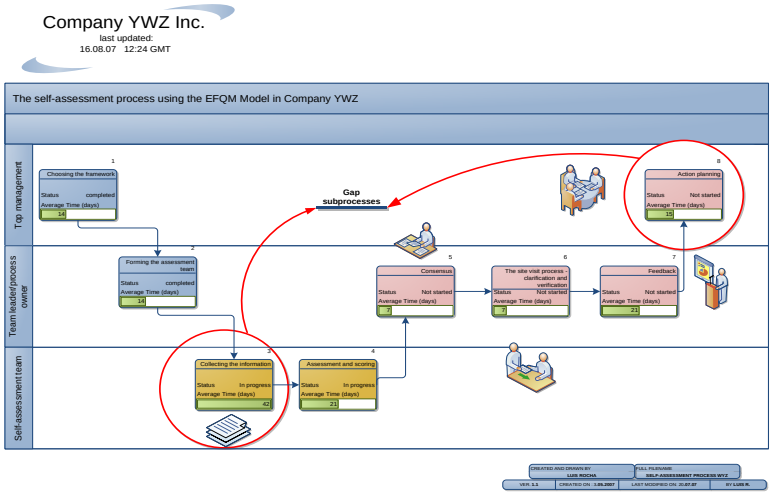

Figure 4: The self-assessment process. Source: developed from [2], p.173.

Like TQM concepts, self-assessment lacks a structure or methodology that can be uniformly implemented, and relies on suggestions and some tools provided by Quality Foundations and some researchers [2], [15] and [16]. Consequently, many consulting firms and professionals offer their services claiming to have "the best recipe" for implementing this process. This may help organizations at the beginning; however, more desirable results will come to organizations that take control of their own activities in the long-term [11]. Many problems also have been identified; [17] offers a good classification of these problems, which are mainly related to leadership issues and the lack of structure of the "methodology" for identifying "where to start". Apart from leadership and commitment, these problems seem to be closely related to the way of conducting self-assessment (methodology) and the interpretation and use of the outcomes of this process. Hence, it seems that there is little evidence of standard

methodologies for conducting self-assessment and for integrating these results in further stages of development for the benefit of the organizations [9].

Figure 5 shows the model that concentrates rich data obtained from organizations that have used the EFQM model for several years. According with the set of organization, they usually construct instruments[5] to collect information of the self-assessment process. Then, from this collection process, they analyze the information, which results in an internal/external diagnostic of the organization that can be categorized by area or function. Then, this internal audit should help not only to support the strategic planning, but also to identify the areas of improvement as it can be seen on the left side of the model. There is not often a procedure or method to integrate this information, specifically for the business improvement activity. In the words of some mangers, they commented … "…We don't have at the moment a procedure, but the self-assessment process takes about three months and then it is reviewed by consultants/examiners so as they can draw conclusions…". another manager said: "…We write an application for the quality award every year. [We produce a document which is updated every year], [we collect all useful information from production, the finances, etc.]. Everything that is required to produce the document, for the application of the quality award…"

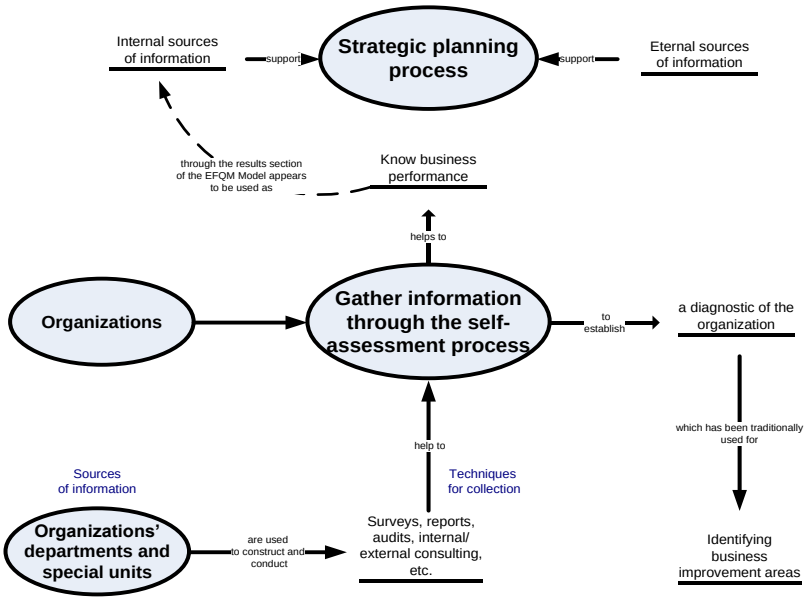

Figure 5: Managing information to support strategic planning and business improvements.

Literature reviews suggest there is paucity of methods not only to support continuous improvement, but also to follow up other activities after self-assessment. Quality Foundations [5], p.18 and [18], p.25, provide guidelines for managing information and knowledge. However, the frameworks do not provide specific approaches for doing this, and more importantly, none of the frameworks had considered the use of knowledge and information to support systematically strategic planning and business improvements activities. As a result, there is not only a lack of specific methodologies for managing knowledge in self-assessments, but also a lack of structured approaches to integrate the knowledge into a business improvement strategy. In fact, the methods in which the EFQM model supports business improvement strategies and strategic planning are unclear and seemed not to be formalized.

4. DEVELOPING A BUSINESS IMPROVENMENT STRATEGY

Developing an effective business improvement strategy is not an easy task for any organization, particularly when there are important barriers in terms of resources such as people, capital and technology. These factors are crucial and significantly determine the success or failure of quality programs implementations, consequently, these factors

[5] Surveys, questionnaires, and reports from internal and external audits.

should be carefully considered before implementing a business improvement strategy. Hammer and Champy [19] were right when they foresaw the important role of information technology, capital, people and processes that organizations were going to have. Today, it is a reality, and unfortunately, for the majority of companies and their directors, these resources are limited and scarce. Thus, the developing of an improvement business strategy should contain in the right proportion and with the adequate quality the factors mentioned above, and failure to get them right will result in pitfalls or inadequate implementations.

The framework proposed in this paper to develop a business improvement strategy is based on the deployment of the EFQM model derived from the emerging issues of an empirical study with twelve European organizations. This framework, however, represents a case of best practice in which organizations have found a good way to use self-assessments based on the EFQM model. It does not necessarily represent a general way of using the EFQM model, neither a prescriptive recipe to integrate self-assessments with current business strategies. In addition, this framework needs further developments and requires to be tested either through modeling techniques or with empirical implementations. Thus, the method summarizes some best practices and intends to serve as a guideline to use self-assessments outcomes to construct or modify current business improvement strategies.

4.1 SELF-ASSESSMENTS OUTCOMES AND BUSINESS IMPROVEMENT STRATEGY

In this way, this approach is subject to the current situation of the organization along with its internal and external environments. If an organization or directors decides to employ this framework, it has to be led by top management and the relevant strategy/quality management departments, as well as with the support of external consultancy if needed. It also requires detailed planning for every stage involved that need to be tailored based on particular needs, culture, and the availability of resources. This framework can be deployed using the following steps:

1 Diagnostic organizational situation: determining the needs

The first step is to conduct a diagnostic of the organization and an analysis of the external environment. This will help to determine the needs and the role and objective of deploying the EFQM model. This decision should be linked to current strategic goals, that is, the requirements in terms of business results in getting from point A to point B. The radar methodology suggested by the European Foundation for Quality Management addressed at the begging of this paper is a good start as suggested in [20].

2 Tailor and complement the EFQM model criteria

It might be necessary to tailor the EFQM model criteria considering geographical location, government regulations, product/service issues, culture, industry in which the businesses are in, etc. These factors should be considered carefully to assure that *model criteria* are relevant to the organization. It is also very important to consider the actual maturity level of quality that organizations have so that they select the correct tools and techniques and set realistic goals

3 Deploy the EFQM model using self-assessments

This process is concerned with the deployment of the EFQM model through a series of logical steps as suggested in [2] and [20]. Some authors, consultants, and quality foundations provide comprehensive support for this stage, so, it is recommended that organizations make the best of it. Since this is a critical stage, it is recommended that organizations seek advice and assistance.

4 Conduct internal/external business intelligence (BI)

First, this stage refers to the task of looking for and selecting several sources of information that can provide key parameters/data in benchmarking, industry tendencies, financial/economic data/facts, product/service demands, and country intelligence. The accuracy and relevance of this information will depend on organizations' needs, and specific requirements to functional and divisional areas (e.g., marketing department, financial department, quality department, product/service divisions, etc.). It is very important to allocate the appropriate resources to look for the data and transform it into business knowledge, as key information is not usually free. The organization should also consider the adequate infrastructure in terms of information technology and the qualified human resources in the required disciples to construct this framework.

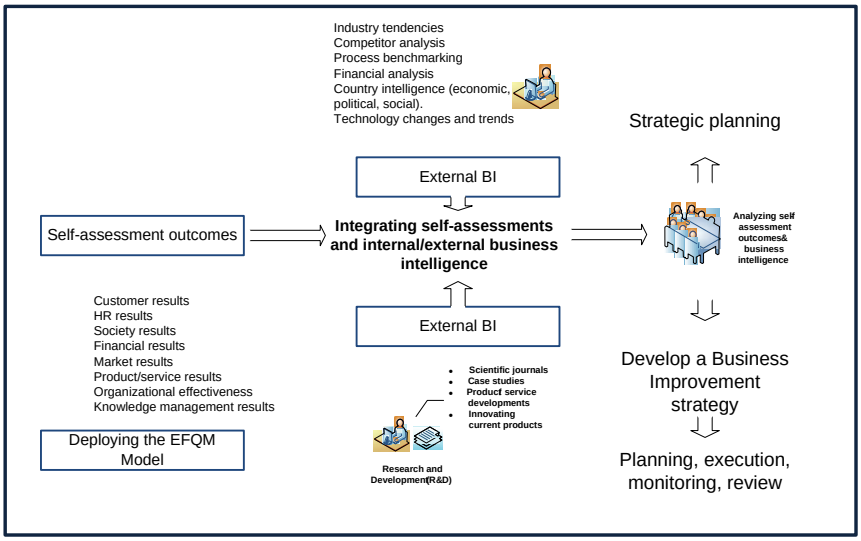

Figure 6: Using the EFQM model to support business improvement strategy

Second, there should be considered the structure of internal indicators that can help to support development and innovation of product and services. There are some valuable resources of information[6] that can help organizations to in issues of benchmarking, case studies, best practices, etc. Other sources of internal analysis may come from self-assessments outcomes and feedback.

5 Analyze self-assessments and BI

This step refers to the analysis and discussion of self-assessments and business intelligence and should take place at a business strategy level. It is necessary that people involve know very well the business improvement and strategy agendas, so that they make the best decisions. Since the top management makes final decisions, they must know the information in detail to support the decision-making with objective analyses of self-assessments and BI.

6 Construct the business improvement strategy agenda

This is the factual formulation of a detailed strategy and action plans to improve key processes at operational levels. It is also concerned with the selection of quality improvement initiates (e.g., lean, six sigma, BPR, ISO 9000 series, statistical process control, etc.) that tackle the specific issues emerged from stage 6.

This process should be included in the business strategy agenda and be monitored at all times to ensure that business improvement objectives are met. The full process should also be synchronized with self-assessments and business strategy reviews as suggested in [11].

5. SUMMARY

This paper examined the integration of self-assessments using the EFQM model to develop a business improvement strategy. It presented the core issues of the EFQM model and addressed the difficulties that

[6] Consider business databases provided by EBSCO Source premier, Emerald management Xtra, Sage management publications, ABI Inform, among others. For Business Intelligence consider Bureau van Dijk data services, Compustat, Global insight, Global market information database, Global best practice, excellence one, and a business performance resources such as BPIR.

organizations have had to follow up self-assessment outcomes. It then explored the current linking issues between the self-assessment and business improvements, emphasizing the role of business strategy to support this issue.

The paper is based on some emerging issues of a study with twelve European organizations that used the EFQM model for several years. Based on this insights gathered trough semi-structured interviews, the authors argument that it is necessary and feasible to support effectively the development of business improvement strategies based on self-assessment activities. Then, a method is proposed to effectively integrate and follow up self-assessments and to develop a business improvement strategy, setting also the agenda for the improvement plans and activities. The proposed framework also addressed the integration of business intelligence as a core stage to construct business knowledge, and to help to speed up decision-making.

It identified the need to conduct further research to investigate the way in which the knowledge generated with improvement activities and self-assessments can be managed/integrated trough current knowledge management frameworks. Finally, the paper pointed out the necessity to standardize the integration process self-assessments both, with the agenda of business improvement strategies ant the strategic planning process.

REFERENCES

[1] *L. Rocha-Lona, S. Eldridge, K.D., Barber and J.A. Garza-Reyes, "Using Business Excellence Models for supporting decision making in strategic planning and business improvements", Proceedings of the 18th International Conference on Flexible Automation and Intelligent Manufacturing 2008,Skovde, Sweden, June 30 - July 2, pp. 315-324, 2008.*

[2] *L. Porter & S. Tanner, Assessing Business Excellence. Oxford: John Oakland, 1996.*

[3] *NIST, Malcolm Baldrige National Quality Award Application Data 1988-2006: 156Hhttp://www.nist.gov/public_affairs/factsheet/nqa_appdata.htm. [Accessed 25 May 2007].*

[4] *BPIR. Business Excellence. Available from: http://www.bpir.com/business-excellence-bpir.com/menu-id-69.html#Who%20used%20BE?[accessed January 25, 2009].*

[5] *EFQM, Assessing for Excellence: A practical guide for successfully developing, executing and reviewing a Self-Assessment strategy for your organization. Brussels: EFQM, 2003.*

[6] *T. A. Cont, "A history and review of the European Quality Award Model", The TQM Magazine, 19(2), pp. 112-128, 2007.*

[7] *J.R. Evans," Critical linkages in the Baldrige award criteria: research models in education challenges", Quality Management Journal, 5(1), pp. 13-30, 1997.*

[8] *J.R. Evans, "Validating key results linkages in the Baldrige performance excellence models", Quality Management Journal, 10(2), 7-24*

[9] *A.M. Ahmed, J.B.Yang, and B.G. Dale, "Self-assessment methodology: the route to business excellence", The Quality Management Journal, 10(1), pp.43-57, 2003.*

[10] *T.A. Conti, Organizational Self-Assessment. London: Chapman and Hall, 1997.*

[11] *L. Ritchie & B.G. Dale, "Self-assessment using business excellence model: a study of practice and process". International Journal of Production Economics, 66, pp.241-254, 2000.*

[12] *D. Lascelles and R. Peacock, Self-assessment for Business Excellence, ed. B. Dale, Berkshire: McGraw-Hill, 1996.*

[13] *F. Balbastre, "TQM Aplication through self-assessment and learning: some experiences from two EQA applicants", The Quality Management Journal, 13(1), pp.7-25, 2006.*

[14] *L. Ritchie & B.G. Dale, "Self-assessment using business excellence model: a study of practice and process. International Journal of Production Economics, 66, pp.241-254, 2000.*

[15] *EFQM, Database EFQM Levels of Excellence. Available from:154Hhttp://www.efqm.org/Default.aspx?tabid=158. [Accessed 15 June 2007.*

[16] *NIST, Getting Started with The Baldrige Criteria for Performance Excellence. Gaithersburg, MD: NIST publications, 2007.*

[17] *J.J. Tarí, "An EFQM model self-assessment exercise at a Spanish university. Journal of Educational Administration, 44(2), pp.170-188, 2006.*

[18] *NIST. Criteria for Performance Excellence. Gaithersburg, MD: NIST publications, 2008.*

[19] *M. Hammer & J. Champy, Reengineering the Corporation: a Manifesto for Business Revolution. New York: Harper Business, 1993.*

[20] *EFQM, EFQM Excellence Model: Large Company, Operational and Business Unit version, Brussels, 2003.*

[21] *R. McAdam and B.Bailie, "Business performance measures and alignment impact on strategy: The role of business*

improvement models, International Journal of Operations and production Management, 22(9), pp.972-996, 2002.

[22] B.G. Dale & D.M. Lascelles, "Total quality management adoption: revisiting the levels, the TQM Magazine, 9(6), pp.418-428, 1997.