

Business Excellence Models- A short brief



Business Excellence - definition

Business Excellence (BE) is “excellence’ in

- Strategies
- Business practices and
- Stakeholder-related performance results

that have been validated by assessments and use proven business excellence models, which achieve sustainable world-class performance.

The terms *Business Excellence and Performance Excellence* are interchangeable.



Business Excellence - models

BE models guide organisations towards sustainable world-class business results and are based on business principles that have been proven to work.

The business principles (core concepts) are similar for most BE models and are designed to guide and help improve performance.

National bodies use BE models to improve national economic performance and as a basis for award programmes. Worldwide there are some 80 BE frameworks.



Award Programme Objectives:

Award programme objectives are commonly, the:

- Communication, publication and sharing of best practices.
- Fostering of continuous management, organisational quality, and process improvement.
- Promotion of an awareness of quality management.
- Promotion, support, strengthening and enhancement of competitiveness.
- Recognition of performance excellence, best practices and benchmarks.
- Understanding the requirements for performance excellence.



Organisational Benefits:

The following benefits are often attributed to BE models for an organisation:

- Provides the foundation with which to develop an organisation performance.
- Offers a solid structure for developing and improving different performance areas.
- Helps to achieve organisational goals

- Identifies interdependencies and relationships between each component of your organisation (Systems thinking).
- Provides a performance benchmarking program which sees the business regularly assessed against the key categories of the model.



How are BE models generally used?

A vast number of organisations use BE self assessment to identify their strengths and opportunities to improve. Following self assessment they put in place improvement action plans.

In addition BE can be used a basis for an organisation’s ‘improvement culture’ by

- broadly channelling and encouraging the use of best practice into areas where the effect will be most beneficial to performance and
- adopting the frameworks core principles as their ‘way of doing business’ and embedding these principles in to the organisation’s culture



Business Excellence Models:

Internationally the more common and generally well known models are:

- The US government led Baldrige Criteria for Performance Excellence (BCPE).
- The European Foundation of Quality Management’s EFQM Excellence Model.
- In Japan, The Deming Prize & The Japan Quality Award.
- For South America, the Iberoamerican Excellence Model For Management (I.E.M.).
- The Confederation of Indian Industry award, CII/ EXIM Bank Award for Business Excellence.

In the Australasian context, the following models are being adopted:

- BCPE (NZ) – Baldrige Criteria for Performance Excellence
- ABEF (Australia) - Australian Business Excellence Framework
- SQAC (Singapore) - Singapore Quality Award Criteria



Emerging Approaches:

Vanguard (UK) and their approach to performance improvement can be classified as an emerging framework.

Vanguard facilitates organisations change from a command and control to a systems thinking approach in the design and management of work.

Their method draws on the principles of the Toyota Production System and the work of Deming, and has been transposed to be used within service industries. It combines systems thinking – *how the work works* with intervention theory – *how to change it*.

Vangaurd recently worked with the Central Otago District Council, their first New Zealand assignment. In the UK they have worked with a number of social Housing groups, which was reviewed by the UK Office of the Deputy Prime Minister Review (Systematic Approach to Service Improvement – 2005). The report concluded:

“The pilots indicated that systems thinking has the potential to deliver wholesale efficiencies in service delivery...”



Short History of BE

The first BE models were developed in the mid-80s and came about as a result of the quality movement in the Western World, which in turn was a response to the advancements in quality and competitiveness in Japan.

The models themselves began as Total Quality Management (TQM) models, as TQM had emerged as the new philosophy and panacea for businesses.

Over time, the term “Business Excellence” started to replace the terms “Quality” and “TQM”. TQM1. Today, many countries view business excellence models as a key mechanism for improving the performance of organisations, as well as national competitiveness.

The evolution of quality management first began with the introduction of the principles of Inspection, Quality Control and Quality Management which then gained further momentum in terms of the Total Quality Management (TQM) movement.

This occurred over a period of some 70 years and was driven by historical events, national circumstance and the need for competitiveness in ever expanding global markets. This work was driven by contemporary quality gurus such as Deming, Juran Crosby and the Japanese quality experts including the Toyota Production Model (TPS).

Today BE is the natural extension of the previous quality thinking and is involved in the development of holistic frameworks.



Business Tools and BE:

There are a large number of business tools and common techniques that can be used to assist the improvement process during the BE journey. They are complimentary to the BE frameworks.

Some examples of the more commonly known and used are:

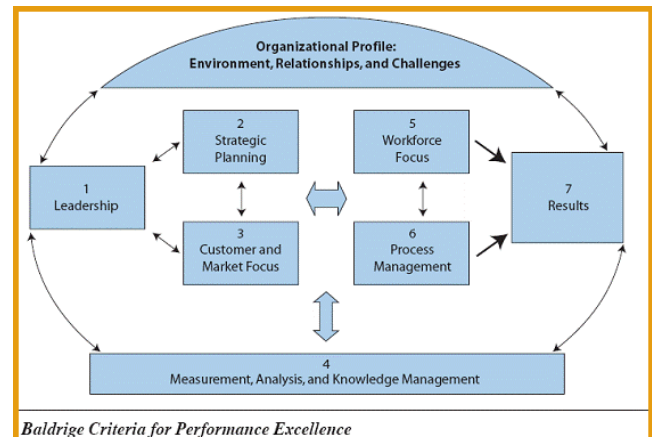
- 6 sigma (reducing process variation)
- Lean (elimination of waste) / Lean six sigma
- Investors in People (Human Resource)
- Dupont (Health and safety)
- ISO 9000 (continual improvement, process & quality standards)



A Typical BE Framework:

The models and tools are not mutually exclusive and indeed compliment each other. Many organisations use one or more of the models, however it is important to understand what each model is best used for and how the models align to assist organisational improvement.

A typical BE model (BCPE) is shown below:



The diagram above shows the key functional elements of the criteria for performance excellence and demonstrates the vitally important alignment between the categories. Criteria 1 – 6 are considered enablers (predictor variables) and criteria 7 the business results (response variables). Empirical studies have validated the relationships between the ‘enablers’ and ‘business results’ in the BE models.

Understanding the alignments between business functions is critical to enable an holistic approach to business improvement.

The above BE model has a set of eleven interrelated Core Values and Concepts which are embedded in systematic processes (criteria) yielding performance results (criteria 7):

- Visionary leadership
- Customer-driven excellence
- Organisational and personal learning
- Valuing workforce members and partners
- Agility
- Focus on the future
- Managing for innovation

- Management by fact
- Social responsibility
- Focus on results and creating value
- Systems perspective

These values and concepts should be ideally embedded beliefs and behaviors found in high-performing organisations. They are seen as the foundation for integration of key requirements within a results-oriented framework that creates a basis for action and feedback (BE models).

Each criteria in the model has a number of sub elements that define that criteria. For example in the BE model described above, the Leadership criteria asks:

- How does an organisation's senior leaders guide and sustain that organisation? How do senior leaders communicate with the work force and encourage high performance? and
- What are the governance structures and how does the organisation address its ethical, legal and community responsibility.

The focus is on the achieved results and the level of deployment of the process and procedures across the organisation, not only the fact that there is a process or procedure in place.

The principles, core concepts and criteria (concepts and constructs) are similar across most BE models, but what varies the most is the manner in which the criteria (constructs) are measured. Below is another commonly used BE model (EFQM) and you can see the similarities.



The Quality maze:

The following are some of the key questions that are asked when considering deploying business excellence in an organisation.

- What frameworks are available?
- What are the core principles and processes of quality improvement?
- What tools would be useful?

Organisations also need to consider which of the following does an organisation want?

- Good management incorporating quality improvement principles and processes
- An agreed organisational quality improvement model or system (a Business Excellence Framework or ISO 9000 standards)
- Independent accreditation for the model or system
- Public recognition of achievement through Awards

In addition to considering the above; Are there standards and accreditation that the organisation requires to do business? How do these relate to what the organisation wants?



NZ Quality and BE Organisations:

There are a number of key organisations in New Zealand in the area of quality and BE, they are:

- **NZBEF** New Zealand Business Excellence Foundation (Administers BCPE awards in NZ)
- **NZOQ** New Zealand Organisation for Quality (non-profit, professional society)
- **COER** The Centre for Organisational Excellence Research (Massey University)
- **BPIR** The Business Performance Improvement Resource (BPIR.com) (benchmarking & knowledge sharing)



Summary:

BE models are used in more than 80 countries, they encourage and guide organisations to improve in all aspects of their operations, by enabling them to identify strengths and the areas of that need improvement. The flexibility of the models means they can be used by any organisation. The models also encourage adopters to embrace self assessment on a continuous basis, thereby ensuring that improvement and gains are measured.

While some organisations adopt BE to both improve and seek recognition (via awards), the majority simply want to improve performance and competitiveness.