

Engaging organisations in business excellence – an international study

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Abstract

Business excellence frameworks (BEFs) play an important role in promoting and rewarding organizational excellence. Many countries see them as a key strategic tool to improve national competitiveness. However, certain barriers exist that impact on their effective promotion and uptake. This paper provides an overview of a project commissioned by SAI-Global, custodians of the Australian Business Excellence Framework (ABEF), to enhance the ABEF and increase its use within Australia. The methodology comprises a literature review, surveys, and focus groups involving SAI's stakeholders and BEF custodians representing 16 countries. Sample initial findings from the research are presented in relation to framework design, development, application, awareness, and the awards process. The research findings are expected to be used by BEF custodians worldwide in growing the awareness and use of BE.

Engaging organisations in business excellence – an international study

1.0 Introduction

Business Excellence (BE) frameworks (hereafter referred to as BEFs) and associated national quality awards play an important role in promoting and rewarding excellence in organisational performance. Moreover, they are frequently used as a key mechanism to raise the economic prosperity of a country. BEF custodians (the organisation or body entrusted to promote a national BEF) all face similar challenges in promoting and engaging organisations in BE. This paper describes and presents findings from a project commissioned by SAI Global, the current custodian of the Australian BEF (ABEF), aimed at playing a significant part in addressing these challenges and achieving higher levels of engagement in BE in Australia. While specific to Australia, the findings are of relevance to all BEF custodians.

The ABEF was developed in 1987 and was one of the world's first BEFs. To promote the framework the Australian Quality Council (AQC) was formed. This was a not-for-profit membership-based organisation that operated until 2001. AQC provided BE services and an awards programme that recognised those organisations that excelled (as assessed against the framework). Unfortunately throughout much of this period the AQC found it a major challenge to operate on a sound economic basis – a common problem for those organisations that promote a national BEF without government support. This eventually led to SAI Global buying the rights to the ABEF and the Australian BE awards. SAI Global (previously named Standards Australia) is Australia's leading provider of standards, and a significant provider of assurance services and professional services (consulting and training). When SAI Global took ownership of the framework they focussed on managing the transfer process as smoothly as possible so that the ABEF would not lose its value or the goodwill of its many stakeholders (particularly BE evaluators and clients). Therefore minimal changes were made to the annual awards and evaluation process. This initial period enabled SAI Global to become familiar with the processes involved in being a BEF custodian. After a couple of years it became evident that a thorough review was required not only of the design of the ABEF but also the processes used to engage organisations in using the framework. This led to SAI Global's decision to contract the Centre for Organisational Excellence Research to undertake an independent review of the framework and provide recommendations on the way forward. The review is titled *'Beneath the Surface: a project to review and enhance the Australian Business Excellence Framework (ABEF)'*.

To the authors' knowledge this is the first project that has been sponsored by a BEF custodian which not only investigates the appropriateness of the design of a BEF to a particular business environment (i.e. Australia's), but also endeavours to identify best practices in how to successfully deploy a national BEF. This paper provides an overview of the project to-date. The project began in September 2004 and will be completed by July 2005. More detailed findings from the project will be published in a forthcoming report (Mann and Grigg 2005) and a series of academic papers. This paper begins by summarising the challenges faced by BEF custodians and then describes the research methodology used for the project, and finally presents some broad summary findings.

1.1 Challenges faced by business excellence framework custodians

There is now substantial evidence in practitioner-oriented literature that those organisations that use BEFs to improve their business do achieve significant financial and non-financial benefits (e.g. (BQF 2003). Evidence includes the 'Baldrige index', used over the past ten years to track the superior performance of award winners against a control group of Standard & Poor's 500

companies – an excellent run that has recently been broken (NIST 2004). A similar index in Australia reported improved share performance among Australian award winners (SIRCA 2003). With regard to academic literature and studies, rigorous studies such as those by Hausner (1999) and Hendricks and Singhal (2000) conclude that enhanced performance is achieved by BE organisations.

The contention that BEFs do lead to enhanced performance is further supported by figures reporting the extent of their use (the assumption being that organisations will not continue to use them unless they are beneficial). It was recently estimated that at least 76 countries operate a national BE award (Miguel 2004) and in Europe alone the European Foundation for Quality Management (EFQM) believes that at least 30,000 organisations are using the EFQM model (Mann and Grigg, 2005). The EFQM's figure is based on the number of EFQM members, the members of its national partners, and those organisations that they know are utilising the model in their business. Of concern, however, is that interest in BE in the more mature BE markets may have stabilised or declined in recent years (demonstrated by the stable or declining memberships of a number of BE foundations). For those BE framework custodians that rely on membership fees and/or product/service sales with little or no government support this is proving to be a testing time. A number of published studies and reports (Anon 2001; Booz-Allen-Hamilton 2003; Hermel and Ramis-Pujol 2003, Ronalds 2004) have identified issues and perceptions relating to the efficacy and implementation of frameworks that are likely to be impacting the uptake of BE in some countries, these are summarised below:

- The evidence available to verify the value of BE frameworks may be perceived by organisations as not comprehensive enough or the current evidence has not been communicated effectively.
- The underlying detail (for example, the scoring mechanism/weighting of categories and items) of BEFs has not been empirically proven. This provides a basis for cynics to undermine their credibility.
- BEFs assist in delivering long term stretch goals and building competencies. However, few organisations (e.g. only 18% of NZ firms; MED, 2002) set goals for more than one year.
- Achieving a return on investment may take a few years after using a BEF (Hendricks and Singhal 2000).
- There is a lack of understanding of how BEFs are positioned against competing improvement methods.
- Awareness and use of BEFs in industry sectors outside large business are likely to be modest without targeted criteria and specific support.
- Lack of local (country specific) success stories from which peer advocacy can be leveraged.
- Some BEF custodians do not have the resources to effectively promote and support the framework
- Plethora of regional and national awards that are not aligned to BE confuse businesses as to what is BE
- Lack of a unified approach by government, public institutions, and management/trade associations to promote the BEF

Such issues have led to an increasing recognition by BEF custodians of the need to pool resources and learn from each other to maximise the impact of their frameworks to ensure interest in BE grows or at least is maintained. This new focus on collaboration and networking is best demonstrated through the work of the Global Excellence Model (GEM) Council which was formed in 2000. This network brings together the key custodians of unique BE models that cover a continent or large geographic area. Members include the EFQM (Europe); SAI-Global (Australia); Baldrige (USA); Japan Quality Award Committee (JQAC, Japan); South African Excellence Foundation (SA); SPRING (Singapore); Confederation of India Industry (India) and REDIBEX -

Red Iberoamericana para a Excelencia de la Gestión (Iberoamerican Network for Excellence of Management). This group meets each year to discuss how they can improve their frameworks and supporting systems. These meetings serve as useful inputs to their strategic planning processes especially when major reviews of their frameworks are occurring. Most award custodians undertake minor reviews of their frameworks on a yearly basis with major reviews being conducted every three to five years. Examples of major reviews include the EFQM's 'Above the Clouds' project which is a major review of the design of the EFQM's excellence model (recently put on hold in March 2005 with the appointment of a new CEO); the JQAC 2004 review of the Japan Quality Program marking 10 years since its introduction; Mexico's 2004/5 review of the Mexican National Quality Award; and NIST's 2003 review of the Baldrige National Quality Program that included the commissioning of the "Booz Hamilton" leadership attitude survey (Booz-Allen-Hamilton 2003). Through sharing this information BEF custodians keep up-to-date with world-wide initiatives and improve their systems. This has also led to, particularly with the awards process, a greater standardisation of approach as the custodians have all learnt from the better practices of each other.

2.0 Beneath the surface - methodology

The remainder of the paper will now focus on Australia's project, '*Beneath the surface: A project to review and enhance the Australian BE Framework (ABEF)*'. This is the first major review of the ABEF since it was created in 1987. The methodology is described followed by the main findings to date.

2.1 Aims and objectives

The aims of the project were to recommend:

- an improved framework and framework development process,
- how SAI Global can increase framework awareness and use within Australia,
- an improved recognition / awards process.

The aims of the project address the key functions of a typical BEF custodian. Typically BEF custodians perform one or both of the following two roles, the development and the deployment of a BEF. These roles can be further defined, see Figure 1. This diagram shows that the framework development process leads to the design of the framework itself, and that the framework deployment process consists of creating awareness of the framework, assisting organisations in using the framework, and finally recognising those organisations that achieve excellence as assessed against the framework. Successful framework development and deployment should lead to a significant improvement in the management practices and performance of a nation's organisations. Figure 1 not only presents the scope of the project but also the current design of the ABEF. The ABEF has seven categories containing a total of 22 separate scoring items, and it is based upon twelve core principles. An organisation's performance against each item of the framework is assessed against four 'dimensions', where the items are evaluated by exploring how the organisation puts plans and structures into place; deploys those plans and structures; measures and analyses the outcomes; and learns from its experience. These dimensions form a cycle of Approach, Deployment, Results, and Improvement (ADRI). Unlike most other models, therefore, the 'results' and 'enabler' criteria are not explicitly separated. Instead, each main criterion contains items that relate to enabler activities and results.

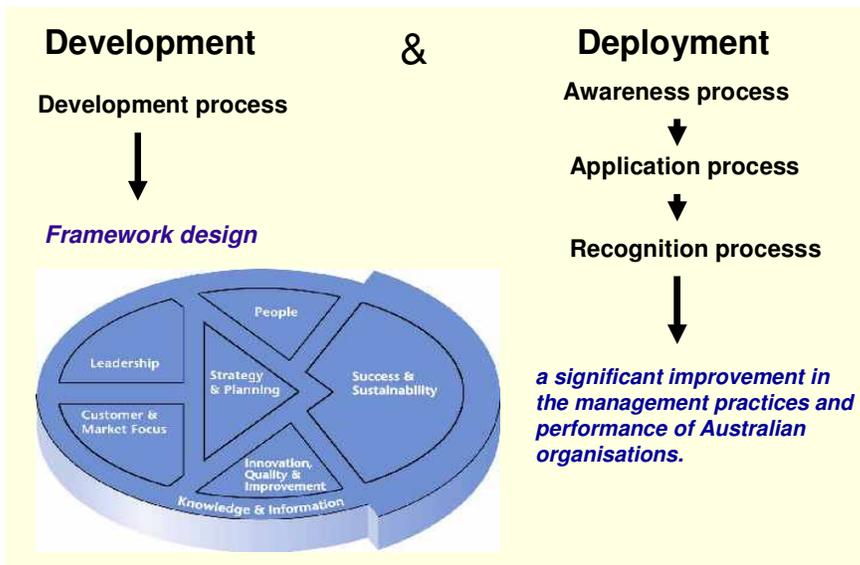


Figure 1 – Scope of Australia project – to encompass a review of framework development and deployment.

Model development objectives are to develop a framework with the following characteristics:

- globally and locally responsive to a changing business environment
- internationally comparable
- reflects best practice
- improvements as assessed against the framework will lead to long-term business success
- supported by research evidence
- simple to understand
- its design facilitates the use of multiple types of assessment.

Under model deployment, objectives relate to:

- Awareness: To create maximum awareness of the framework
- Application: To assist organisations in understanding and applying the framework
- Recognition: To provide recognition to role model organisations and promote best practices

2.2 Research Project Stages

A consultative research approach was adopted for the project to help ensure that the objectives of SAI Global and other stakeholders were met, and that maximum buy-in to the project and its findings were obtained. The methodology consisted of desk-top research (stage 1); focus groups (stage 2), and surveys / structured interviews (stage 3). Each of these stages and methods aimed to collect relevant information for one or more of the processes shown in Figure 1. A brief overview of each of the research methods will now be given.

In stage 1, desk top research consisted of a general review of international research on worldwide trends in BE, performance improvement, profitability, and long-term sustainability to see if the current design of the framework fits the current understanding of what makes a successful organisation in today's business environment. For example, to see if new categories or items were required or if the score weightings should be changed. A particular focus was given to analysing business literature/research from Australia so that that the framework could be designed to reflect Australia's business environment. Desk top research also involved studying the websites of BEF custodians. This provided valuable information on the BE services offered by BEF custodians and the current design of other BEFs enabling comparisons of model criteria, items and core principles.

In stage 2, focus groups were conducted comprising of people that had a sound knowledge of at least one or more development or deployment process. In total there were six focus groups with a typical size of 12 people. Five of these consisted of volunteers who were either ABEF evaluators or users of the framework (including award winners). These focus groups were held in Adelaide, Melbourne, and Sydney so that representation from key geographical regions was obtained. The sixth comprised of the ABEF Steering Group who had previously led the development of the framework. All participants were asked for their views on framework development, design, promotion and awareness, application, and the recognition process. In relation to each they were asked to identify strengths, opportunities, and solutions / recommendations. A large number of comments were collated and analysed. This information was important in identifying priorities for the project and in some cases providing instant solutions to key issues. The focus groups were deliberately undertaken before the surveys were designed to inform the survey design process to ensure that questions were asked in priority areas.

In stage 3, three surveys were undertaken. The first was a telephone survey – the ‘Awareness Survey (AS)’. The purpose of the AS was to assess the current awareness of the ABEF in Australia; and for those organisations that were aware of the ABEF, whether they used it to improve their performance. The measures of “awareness” and “use” would serve as benchmarks so that in the future the impact of SAI Global’s strategies could be assessed. Further questions were asked on why the interviewees used the ABEF or why they did not use it, this information was useful for identifying the current challenges facing SAI Global. One previous study on awareness levels had been conducted in 2000 (AQC and Deloitte Touche Tohmatsu) and recorded a high level of awareness and use with between 70-90% of organisations being aware of the framework and 40% actually using it. From discussions with SAI Global and workshop participants it was felt that these figures were far too high. Reasons for such high figures were thought to be related to the fact that the survey focussed on the top 500 organisations, and secondly, that a postal survey was used which may have introduced bias (perhaps those organisations with a greater interest in BE and the ABEF were more likely to complete it). Finally, it was unclear precisely to whom the survey was sent in these organisations – it may have been to the quality manager who would have been more aware of BE.

To reduce the likelihood of bias for the AS it was decided that a telephone survey was the most statistically valid means of obtaining reliable awareness data. Telephone contacts were obtained from a Kompass directory - the target contact was the CEO or a member of the senior management team. In most cases these were named in the directory or in other cases the researcher had to ask the organisation’s receptionist to speak to a member of the senior management team who was available. The interview was designed to take a maximum of 5 minutes to complete. Responses were recorded verbatim and analysed. The researchers were given a target number of 5 interviews to complete based on geographical region and organisation size. Table 1 shows the sampling plan and the number of responses achieved per cell. The organisations were selected at random within each sampling frame. The sampling plan would prove useful in identifying patterns in BE awareness and use. Note the researchers found it difficult to obtain responses from larger organisations in the Northern Territory and Tasmania as there were few or none listed in the Kompass directory.

Table 1 - Sample plan and response rate

State	Number of organisations by Number of employees								Total
	1-10	11-20	21-50	51-100	101-250	251-500	501-1000	>1000	
Australian Capital Territory	6	5	5	5	4	5	5	5	40 (13.1%)
New South Wales	5	5	5	5	5	6	5	5	41 (13.4%)

Northern Territory	5	5	5	5	5	2	0	3	30 (9.8%)
Queensland	5	5	5	5	6	5	5	5	41 (13.4%)
South Australia	5	5	5	5	5	5	5	5	40 (13.1%)
Tasmania	5	5	5	5	5	5	0	2	32 (10.5%)
Victoria	5	5	5	5	5	5	5	5	40 (13.1%)
Western Australia	5	5	5	5	6	5	5	5	41 (13.4%)
Total	41 (13.4%)	40 (13.1%)	40 (13.1%)	40 (13.1%)	41 (13.4%)	38 (12.4%)	30 (9.8%)	35 (11.5%)	305

The second survey, the ‘User Survey (US)’ was designed to be completed by individuals who were most familiar with the design of the ABEF or SAI Global’s services used to promote its use. The survey respondents were BE evaluators or organisations that were current users of the ABEF. The purpose of this survey was to obtain high quality, in-depth feedback on how to enhance the ABEF and SAI Global’s associated BE services. In order to maximise the validity of responses the instructions for the survey emphasised that respondents were only to complete the parts of the survey on which they had knowledge. A guide for the time taken to complete each section of the questionnaire was provided to the respondents so that they could decide in advance whether to complete the whole survey or focus on specific areas. In total it was estimated that the survey would take up to 2 hours to complete if all the questions were answered. SAI Global sent the survey via email to all evaluators and users of the framework, and it was also hosted on their website. In total 46 surveys were completed. This was a high response rate considering the respondents were predominantly evaluators, from a total of only 100 evaluators in Australia. Responses revealed often passionate views on the framework.

The third survey, the ‘BEF custodian survey’, was designed to identify better or best practices in terms of how BEF custodians develop and deploy BEFs. This survey was most important as it would enable SAI Global to benchmark its key processes against other award custodians and obtain innovative ideas on how SAI Global could improve its services. Prior to sending out the survey the commitment of the GEM Council members to completing the survey was obtained - this helped to persuade other countries to participate. However, the main incentive for BE custodians to complete the survey was that they would be given a copy of the findings. Many BE custodians stated the high importance of the research and that they would be using the findings for strategic planning purposes. The survey questions addressed all BEF custodian processes but no questions were included on the end-design of the frameworks (as this information was obtained from their websites). The survey was expected to take an estimated 2 hours to complete. This survey was followed up with telephone interviews to clarify the information and obtain further information on those practices that were rated as innovative or a better/best practice by the BEF custodian. An initial 15 countries were invited to participate based on the authors’ knowledge of which countries appeared to be most successful in deploying BE. All but two of those countries invited participated with two exceptions due to their difficulty in meeting the tight deadlines. However three other countries volunteered and so in total 16 countries took part. The countries that participated were: Australia, Brazil, Canada, Czech Republic, India, Ireland, Japan, Mexico, New Zealand, Scotland, Singapore, Sweden, Turkey, UK, and the US. In addition, the European Foundation for Quality Management (EFQM) participated.

3.0 Findings

In this section an overview of some of the initial findings is provided. These findings have been categorised by the key development and deployment processes. For reasons of space only brief selected results can be shown.

3.1 Framework development process

Users generally like the consistency of the ABEF over the years, and the fact that it is not linked to an international framework such as Baldrige, which gives Australia some control of its own framework. It was felt that it would be helpful to know whether the cost of framework development is such that adoption of an international standard model would be more cost effective. Users felt there should be more explanation of specific changes that are made to the model, so that they can explain these changes to their own organisations. It was felt that annual changes are too frequent, and that less frequent changes would be sufficient if fully justified and explained. Forty-three per cent of users favoured biannual review, with another 26% supporting triennial minor review. Almost 50% of users support a quinquennial major review period.

3.2 Framework design

There was considerable support for the current design of the ABEF. Seventy-eight per cent of users were ‘very confident’ or ‘extremely confident’ that the design is based on sound principles and facilitates an adequate assessment of organisational BE. Users specifically reported it to be an intuitive, integrated, and balanced framework with clear links between different business drivers, and favoured its flexibility to large, small, for-profit, and not-for-profit businesses. There was support for the ABEF’s principles as ‘*broad theoretical drivers for improvement that assist in encouraging appropriate behaviours, values and fundamental truths*’, its ‘items’ as a basis for scoring, the ADRI dimensions, and the generally non-prescriptive approach. However, 60% also believe the current design is a little too complex (40% believing the language used to be ‘too academic’). A number of opportunities for improvement have been identified and recommended on this basis.

3.3 Framework promotion

The awareness survey revealed that 90.5% of surveyed Australian organisations (276 organisations) had not heard of the ABEF. A chi-square (χ^2) test of association revealed that significantly more public sector organisations were aware of the ABEF than private sector (23.1% vs 7.1% respectively). Users of the ABEF favoured SAI Global as the new organisation backing the framework due to their financial strength and ideal position as Australia’s leading standards / business improvement service provider. Asked to identify the most important promotion activities for SAI-Global to concentrate on over the next few years, users came up with the top five priorities (from 12) shown in Table 2 below. The count represents the number of respondents indicating that activity, and the percent figure is the percentage of the user sample group (n=46).

Table 2 Top 5 priorities for ABEF promotion identified by framework users.

Rank	Which promotional activity should SAI-Global concentrate on most over the next few years?	Count	% of sample
1	Forming strong relationships/partnerships with the government to assist in the promotion of the ABEF	18	39.1
2	Marketing of the ABEF to CEO's/senior managers	16	34.7
3	Forming strong relationships/partnerships with industry/ membership based associations to assist in the promotion of the ABEF	14	30.4
4	Forming strong relationships/partnerships with tertiary institutions to assist in the promotion of the ABEF	13	28.2
5	Articles and publications promoting the benefits of business excellence	8	17.4

3.4 Framework Application

On the basis of the user survey, the following top 5 priority activities (from 12, in table 3) for SAI-Global were obtained in terms of helping organisation derive the maximum benefit from the ABEF.

Table 3 Top 5 priority activities for helping organisations derive benefit from the ABEF

Rank	How can SAI-Global assist organisations to obtain the most benefit from the ABEF	Count	% of sample
1	Provision of an information resource that provides case studies, best practice, and benchmarks from Award winners/leading organisations from all around the world	15	33
2=	Business Excellence mentoring (e.g. access to ABEF evaluators/experts for advice)	13	28
2=	Programme that assists organisations in integrating together tools such as six sigma, knowledge management, quality systems, balanced scorecard, benchmarking, and management standards within a business excellence approach.	13	28
3=	Case studies highlighting the practices of organisations that have scored highly against the ABEF.	9	20
3=	Networking meetings for CEO's /senior managers of business excellence users	9	20

3.5 Framework Recognition process

There was support for the general prestige of the awards ceremony, and for the feedback reports received by applicants. However, many felt that the awards dinner was somewhat exclusive, in attracting only award winners and evaluators. In addition, non-profit organisations would have difficulty in being able to afford to go. Hence there was a lost opportunity in terms of marketing the framework. Additionally it was felt that the awards in general could be marketed more extensively. Suggestions received included improving feedback reports (for example providing best practice advice), raising the profile of the awards, providing multiple, sectoral, awards and providing assistance for organisations to attend the awards.

4.0 Conclusions

The challenges faced by BEF custodians worldwide are similar and are being addressed through initiatives such as the GEM Council and independent projects such as the Beneath the Surface project outlined in this paper. This paper outlined the way in which a major review on a BEF is being conducted, and detailed the research methodology being used. Initial findings from the project have indicated the level of awareness of, and support for, the framework and surrounding processes. Through this research, potential opportunities have been identified for SAI Global to improve the design of the ABEF and increase awareness and use of BE in Australia. It is intended that the data will be used to develop extensive benchmarks for award custodians, and that custodians across the world will benefit from the results of this study. It is anticipated, moreover, that the methodology described will be used extensively by custodians in improving their own frameworks and supporting services.

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