



## EFQM BUSINESS EXCELLENCE ANALYSIS

In 1988 fourteen leading European businesses (amongst others Philips Electronics, KLM etc.) with a mission to be the Driving Force for Sustainable Excellence started with developing the EFQM Business Excellence model. In January 2001 at least 800 organizations in Europe use the EFQM Business Excellence Model to evaluate and improve their organization in order to be among the best in the sector they are operating in. This is the basis and starting point of the EFQM Business Excellence Model. To be one of the best, organizations need to know their present status, their strong points and where they can improve. Based on this information organizations can define how they want to develop, their ambition and objectives. The EFQM Business Excellence Model is very useful in this process.

### ***Five fundamental characteristics of excellent organizations***

*Leadership with guts:* Based on external and internal information (for instance through a SWOT analysis) management defines the vision, course & direction of the organization. Management propagates this course & direction, motivates and listens to people in the organization, is aware of the consequences of changes and is integer and persistence.

*Result oriented:* Management creates value and keeps the appreciation of stakeholders (like customers, suppliers, partners, employees, management, financing companies and the society) in balance by organizing and steering the organization.

*Continuous improvement:* Results are measured continuously and compared with the objectives defined in the vision and mission of the organization. Trends and deviations are analyzed and lead to lasting improvements. Management stimulates employees to propose innovative solutions and to exchange knowledge.

*Transparency:* Processes, relations between processes and performance indicators are defined and communicated to stakeholders. Tasks, authorities, responsibilities of the organization, departments and individuals are known (competence management is a tool for this). Costs and revenues are measurable for each process and each individual employee (and stakeholder) knows his or her contribution to the result of the organization.

*Co-operation:* Management and employees have to work together in a professional way. Personal and organizational goals and objectives are tuned. Bureaucratic structures are removed as much as possible.

### ***Why Change?***

If the management team agrees with the fundamental starting points and characteristics of the excellence organization as described above (the organization doesn't need to be an excellent organization at start of the process), next step is to define the necessity of change. When implementing the EFQM Business Excellence Model, management should be aware that the implementation requires an integral approach and commitment within the organization. Organizational change can be time consuming and might lead to a new organizational structure and culture. Therefore, before starting implementing organizational change, management should first globally explore and discuss the necessity of this change. Reasons for organizational change are:

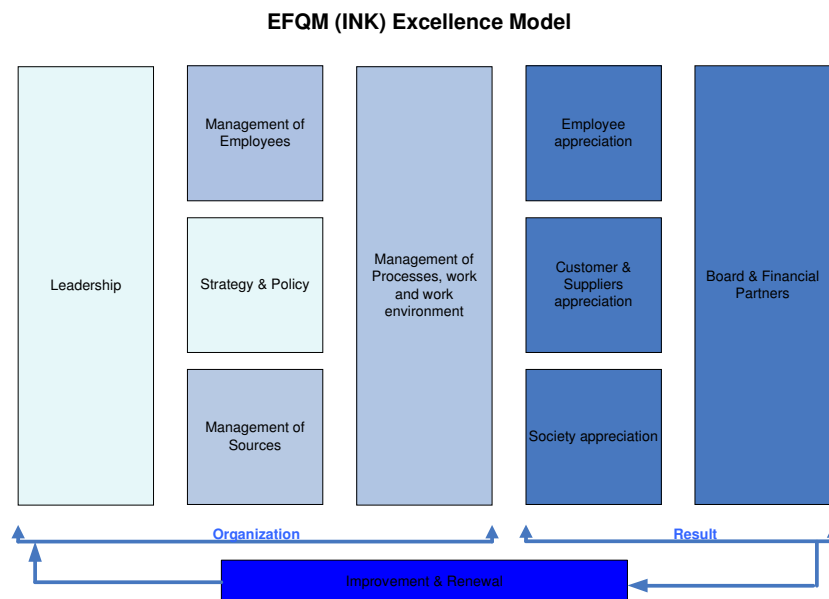
- Needed (or more) focus on clients;
- Reduction of costs and economize the organization;
- Required innovation;
- Handling speed of the organization;
- Flexibility;
- Risk control (EFQM Business Excellence Model can be combined with the COSO Enterprise Risk Model);
- Integral management of the organization;
- Managing and balancing the opposite interest of various stakeholders in the organization;
- Relationship with suppliers.

In case one or more of the above aspects (list is not complete) is relevant, this could lead to a fundamental change of strategy, policy and/or management. In this case it is advisable to start with defining the position of the company. After

defining the position of the organization, management knows the strong points of the organization and the fields where it can enhance the organization. This should lead to an organizational development plan.

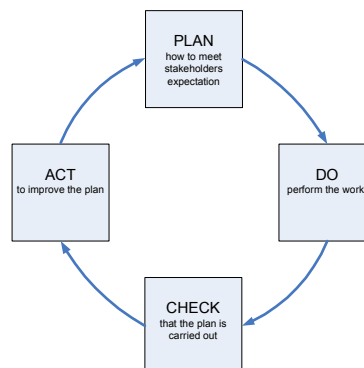
## EFQM Business Excellence Model

The EFQM Business Excellence Model consists of nine attention fields (five organizational and four result fields) and a feedback loop. The organizational fields define the status of your organization and the result fields the status of the accomplishments of the organization. Based on the Deming Circle (circle of continuous improvement) the attention fields of the EFQM Business Excellence Model are explained in more detail.



## Deming Circle of continuous improvement

Continuous improvement and renewing is needed to guarantee the continuity of an organization. The EFQM Business Excellence Model is based in the Deming circle of continuous improvement:



### Plan

The organizational fields in the planning phase are Leadership and Strategy & Policy:

- Leadership: The way management organized the organization inspires continuous improvement through:
  - Development of a vision for future developments;
  - Structure and culture of the organization to be able to realize this vision;
  - Facilitating and supporting the organization;
  - Example behavior of management.



- Strategy & Policy:
  - Implementation of mission by developing clear strategy for all stakeholders;
  - Translation of strategy in clear policy, (project) plans and budgets;
  - Communication about the information sources on which the strategy is based;
  - Internal and external communication.

### *Do*

The Do phase exists of the following organizational fields:

- Management of employees: The way the organization uses the knowledge and availability of employees in the best way possible to get a maximum result:
  - Human resources policy;
  - Investing in knowledge, skills and competences of employees;
  - Appreciation and respect for the efforts of employees;
  - Concern and care for well being of the employees.
- Management of resources: The way how the organization uses available sources to execute the activities efficiently and effectively:
  - Money, knowledge, technology, materials and facilities;
  - Co-operation with suppliers and partners to increase added value in the chain.
- Management of processes: The way the organization identifies, develops controls, improves and renews its processes. This includes the specific demands and possibilities of professionals that with their knowledge and experience have to operate autonomously.

### *Check*

The check phase measures the results of the operation for each stakeholder in the organization. For each group of stakeholders a specific measurement should be made:

- Clients and suppliers: The accomplished results for clients, suppliers and partners are of utmost importance for the continuity of the organization. Therefore the organization should know how clients, suppliers and suppliers think of the products, services and co-operation.
- Employees:
  - What do employees think about the organization;
  - Does the organization and the individual tasks of the employees satisfy the expectations of the employees in material and in-material way (development, challenge, motivation and reward);
  - What kind of organization does the organization wants to be for its employees and is the organization the organization it wants to be.
- Society:
  - Results of efforts in fields that are not the primary activities of the organization like corporate social responsibility aspects like the environment, education etc.
- Board & Financial partners:
  - How do they evaluate the performance of management?
  - Are financial and operation objectives achieved?
  - Are investments possible?
  - What are the long-term perspectives to realize the vision of the company?

### *Act*

The act phase is the improvement and renew phase in the diagram. After the EFQM Business Excellence Model analysis, the organization has identified potential projects for developing and improving the organization. Normally this analysis results in many projects that cannot be executed all at the same time. The Act phase combines projects when possible and prioritizes the projects:

- What has to be changed first (prioritizing);
- What can be changed (availability of resources (money, people etc.);
- The phasing/planning of the changes;
- Who will be responsible for the implementation of the changes?



### ***Five possible development phases in the EFQM Business Excellence Model***

The EFQM Business Excellence Model distinguishes five different development phases for an organization:

- Phase I: Activity oriented:
  - Each individual wants to execute its work as good as possible;
  - Professional skills are appreciated and will be supported with training courses;
  - In case of complaints the organization will try to solve the complaint.
- Phase II: Process oriented:
  - Control of primary processes;
  - Independent process steps are identified, tasks, responsibilities and authority of individuals is known;
  - Performance indicators are used to manage the organization;
  - Improvement of processes based on deviations of the normal.
- Phase III: System oriented:
  - All levels in the organization continuously and systematically work on improving the whole organization;
  - The Deming Circle is applied on all primary, supporting and managing processes;
  - Client focus is dominant for policy;
  - Focused on preventing problems instead of dealing/solving problems.
- Phase IV: Chain oriented:
  - With partners (suppliers, partners & clients) the aim is to create maximum value added in the chain;
  - Within the chain it is decided which partner is most suitable for a certain task;
  - Managing systems of all organizations in the chain are combined;
  - Innovation is the primary focus.
- Phase V: Transformation oriented:
  - Focus is to be the top in the markets and the fields the organization is operating in;
  - Based on the long term vision activities are ended and new activities are started;
  - Continuous organizational development based on the continuously changing environment;
  - Co-operation with the partners in the chain.

An organization is in one of the five organization fields described above indicating what potential developments are possible. After knowing the development phase of the company management team has to decide if it wants to continue with developing the organization to the next phase.

The result fields show the results for the mentioned result fields. To be able to manage an organization efficiently it is important that the development of the organization fields and the result fields are more or less in balance.

### ***Implementation EFQM Business Excellence Model***

When defining the development phase of an organization it is important an independent person facilitates the process. Because of the required independence and needed expertise the independent facilitator is often an external consultant. This person is normally also responsible for the organizational development projects that are identified during the process.

### ***Improvement & Renewal***

The EFQM Business Excellence model is only a tool for evaluating your organization and defining where your company might start organizational development projects to develop, improve and/or renew the organization. This process is different for each independent organization and cannot be described in a specific framework. Methods that can be helpful in the projects to develop, improve or renew your organization are amongst others PRINCE II, Six Sigma and the Balance Score Card methodologies.



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## ***EFQM Business Excellence Model/Corporate Social Responsibility/COSO Enterprise Risk Model/***

When implementing the EFQM Business Excellence Model organizations often also want to improve its Corporate Social Responsibility. Various studies demonstrate that good Corporate Social Responsibility results in higher profitability. Further when implementing the EFQM Business Excellence Model companies could also consider the implementation of the COSO Enterprise Risk Model. With the COSO Enterprise Risk Model organizations are better prepared to foreseen and unforeseen risks.