

HOW MANY REASONS FOR NOT USING THE EFQM EXCELLENCE MODEL ARE JUST EXCUSES?

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SYNOPSIS

This short note outlines some of the reasons we have heard for people not wanting to use the EFQM (European Foundation for Quality Management) Excellence Model, and tries to address them based largely on our own experience. Before moving on to those excuses, we outline the Fundamental Concepts of Excellence (on which the Model is based) and the Model itself.

1. INTRODUCTION

The EFQM Excellence Model ("the Model") is highly regarded as an organisational management framework, and is used not only within Europe but around the globe, either as it is or with the approach applied in very similar frameworks. Despite positive research surveys in the United States and Europe, one can still hear comments questioning whether or not it works (generally meaning "does it pay off?"), or if it can be a good model because it does not explicitly address a certain issue. The eminent statistician George Box has said that "All models are wrong - but some models are useful," (Box & Draper). He was talking about models in the statistical sense, not specifically about the EFQM Excellence Model, but the idea surely fits.

If one thinks about the Model, there is nothing that cannot be fitted into the framework. Many management approaches are overtly included. Some may need a little thought. But that is the real essence of the Model: it helps you to think about your organisation, and if used appropriately it should help you think about your organisation as a system (Medhurst & Richards).

The Model is about improvement. It can be said to be a practical representation of Total Quality Management. But no improvement whatsoever happens just by using the Model, it happens by implementing actions after using the Model as a diagnostic tool to identify where there are areas for improvement. Some of the most persuasive research about the use of management/organisational frameworks has shown that, on average, successful users of such frameworks outperform their control groups (Singhal & Hendricks; also CQE)

Some organisations that have made extensive use of the Model may legitimately be looking for some additional framework, or perhaps a more specifically tailored version. However, for the majority of organisations, the standard Model should be fully satisfactory.

To drive improvements in organisations, we should encourage the use of the Model, and not be diverted by people who spending all their time on mental gymnastics to see if they can fit absolutely everything possible into a Model. Evidence from research shows benefits. Just use it.

2. THE FUNDAMENTAL CONCEPTS OF EXCELLENCE

The EFQM Excellence Model (updated for 2010) is based on eight fundamental concepts:

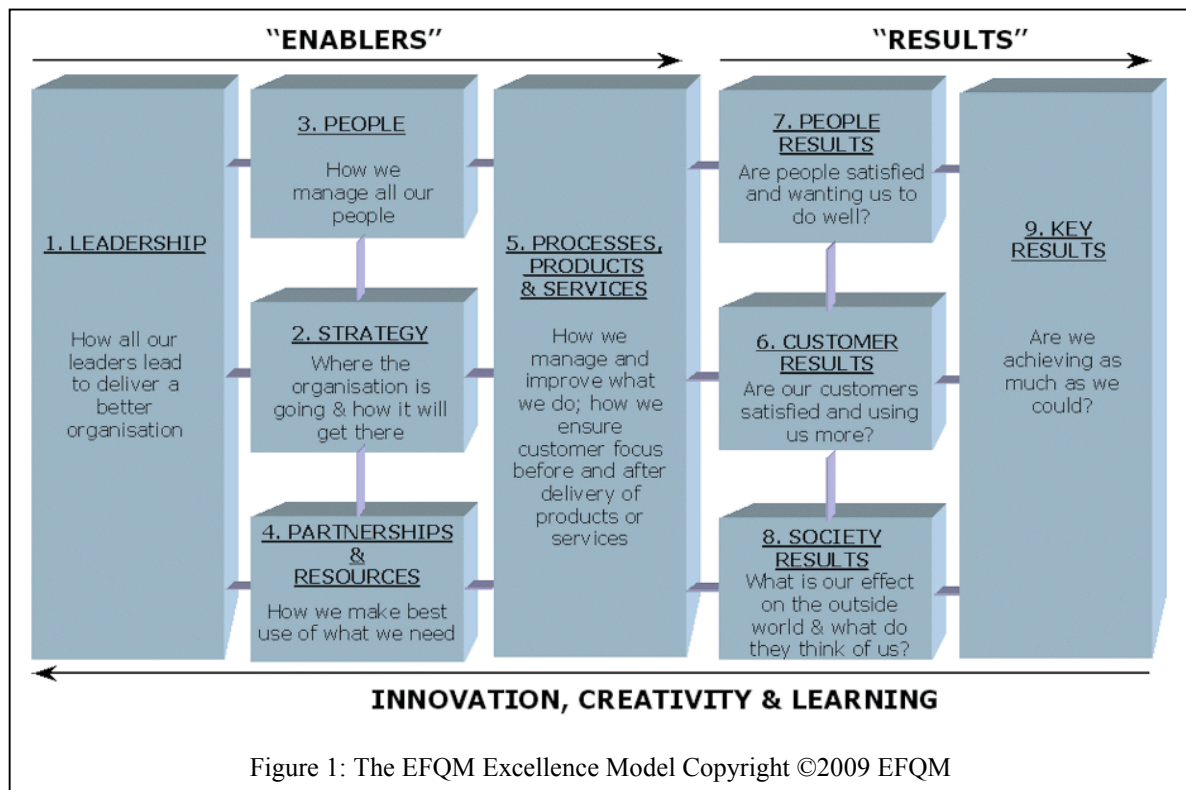
- ❖ Achieving Balanced Results
- ❖ Adding Value for Customers
- ❖ Leading with Vision, Inspiration & Integrity
- ❖ Managing by Processes

- ❖ Succeeding through People
- ❖ Nurturing Creativity & Innovation
- ❖ Building Partnerships
- ❖ Taking Responsibility for a Sustainable Future

These are the issues that are seen as vital for sustainable organisational excellence, ie, build now for the future. As they form the bedrock of the Model, if someone does not believe that they represent a good way to run their organisation, there is no point whatsoever in their using the Model – it will just not sit well with their values and approaches. The main changes in the Concepts for 2010 are in the wordings and updated detail, so there is no significant impact in overall meaning.

3. THE EFQM EXCELLENCE MODEL - OVERVIEW

Before getting into the detail of the paper, let's quickly review the EFQM Excellence Model. The illustration shows the framework of the Model, together with our own simple explanations of what the nine sections (known as Criteria) mean.



The 9 criteria are sub-divided into a total of 32 parts, each one a topic that contributes towards its relevant criterion; within these there are guidance points with specific suggestions of appropriate activities to consider to build a sustainable organisation (they are not mandatory). A typical use of the Model is for self-assessment: there are different ways of carrying this out, and the degree of comprehensiveness can vary. The Model does not tell an organisation exactly what it must do and how it must do it. It says that what the organisation does should be effective for its own needs. It is not a mere tick list, and when used well it encourages people to think about their organisation. In today's world when many people are looking for the 'quick fix', the 'panacea', the simple answer from the latest guru, this encouragement to think does not always go down well.

The arrows above and below the boxes in the diagram are an integral part of the Model, and introduce its systemic nature. The top arrows illustrate that the 'enablers' (the way the work is done) influence across the Model from left to right, ultimately determining the 'results' that are achieved. The right to left arrow along the base shows that results should be used to assess the effectiveness of how things are done and improve them using innovation, creativity and learning. (EFQM 2009)

An integral component of the Model is the 'Radar' idea, which is similar to the Shewhart and Deming Plan-Do-Study-Act cycle. It stands for:

<u>R</u> esults :	identify the results you want to achieve
<u>A</u> pproach :	develop an appropriate way to achieve what you want
<u>D</u> eploy :	implement the approaches you planned in a systematic way
<u>A</u> ssess & <u>R</u> efine :	measure/assess the effectiveness and efficiency of what you have deployed, and improve as needed

For many people this concept is as important as the framework itself, as it helps to embed a sound way of working.

4. SOME ISSUES RAISED BY SCEPTICS ABOUT THE EFQM EXCELLENCE MODEL (OR SIMILAR FRAMEWORKS, TQM ETC)

4.1 "But does it work?"

Let's make one thing clear at the outset. The EFQM Excellence Model is 'only' a tool (however comprehensive it is) and so can be used well or less well, and so whilst our immediate reaction is to say "yes, it does work" perhaps we should rephrase it and say "yes, it *can* work".

Research into this subject was carried out by Singhal and Hendricks in the United States (Singhal & Hendricks). This looked at more than 600 Award winners in the US, many of them using the Baldrige framework (at National or State level). Inter alia, this showed that in comparison with a carefully selected control group, the Award winners enjoyed:

- ❖ 48% higher growth in operating income
- ❖ 37% higher growth in sales
- ❖ 8% better return on sales

However, not all of the companies outperformed their controls: around two-thirds did so. So the averages shown above take into account a significant minority of firms that did not do better.

This research was based on US companies, many using the Baldrige framework, so if you had a mind to do so, it was easy to dismiss it and say that it might not be applicable to organisations using the European Model. But in 2005, research was published into 120 winners of awards based on the EFQM Excellence Model (CQE), which showed similar positive results for the companies over the five years after winning the award, including:

- ❖ Total Sales: higher growth by 77%
- ❖ Operating Income: 18% higher growth
- ❖ Total Costs as percentage of sales: 4.4% greater reduction

There is other research, often more anecdotal, but when considered in the round it seems to give pretty good evidence that managing an organisation on the basis of the fundamental concepts of Excellence is better than not - if you are wanting a broadly sustainable organisation. If one wants to move away from mathematical precision into behavioural aspects of running an organisation, Horst Schulze formerly of the Ritz-Carlton hotel chain (twice winners of the Baldrige Award in the US) said at the 2004 EFQM Conference in Berlin:

"There are still gainsayers about quality. But how can you argue with an organisation that wants to do what is right for its customers, its people, the community, and also for the organisation itself by doing it at lower cost? Where is the argument with that?"

If you look at the Excellence concepts and Model, they are quite neatly summarised into this comment. So use of the Model is about having the right overall attitude – a belief that doing the right thing by stakeholders is right, that you should seek evidence that what you are doing is effective, and that you should always look for improvement. The Model can help with implementation and review.

Whilst considering this “does it work?” question, other issues come to mind.

- ❖ Despite the lack of overall proof that significant executive pay and bonus levels have a cause and effect relationship with improved corporate performance, these schemes still seem to be very popular with executives. This paper is being updated in 2010, and the global financial/economic crisis of the last 18 months seems to have done little to improve the position!
- ❖ Many investigations suggest that only a minority of corporate takeovers work. We have seen figures saying that up to 70% do not deliver the hoped for benefits. And yet takeover activity continues in the face of odds that are – overall - worse than evens?

So what is it that makes some people resist the idea of using an Excellence framework when there is evidence that it can work? Is it that the commitment and attention to detail needed for a real Excellence journey is just not considered ‘sexy’ enough? As many know, however, the ‘devil in the detail’ and it is this that can deliver the goods consistently. It can usually be piloted fairly easily to check at least some of the benefits before launching an enterprise-wide approach.

4.2 “It doesn’t bring out the nuances of subject x, which is important for us, so we won’t use it”

We used to hear this sort of comment more than we do now. The Model is a framework. It’s about helping you think about your organisation, and about aligning all activities, and understanding that they are effective for you. If you have a topic that it is important to include overtly within the framework, then it’s simple just to think what it is about and use it in the relevant place.

To be honest, whilst most issues can be dropped into the Model fairly obviously (that’s if they are not already there), it does not really matter too much as long as it is broadly in the right area. Much more important is that there is understanding of it and its relationship to the other subjects in the Model so that the linkages and alignment can be followed.

Even when it comes to an external assessment, assessors should not be ‘penalising’ you just because they do not agree with your placing of a topic, AS LONG AS the relevant dependencies and linkages have been considered, and you have appropriate evidence about how well you are doing. Assessors may make suggestions about it, but if everything is in place and working for you, that should be right. There is, in any case, no problem with reviewing your approach to the Model and how you have positioned any subjects or treated relevant definitions. Such actions actually fit in with the Assess and Refine part of Radar!

4.3 “We’ve used the Model for a few years and it now no longer meets our needs – we’re going to develop our own”

This can be one of the more valid comments about the Model, depending upon why it no longer meets the needs of the speaker.

Some organisations do use the Model effectively for some time, gain benefits from it and decide to personalise it to their own needs. By this time they should have a good understanding of the Model, and so should be able to make a good job of a personalisation.

A potential drawback from using a tailored version of the Model is that it may no longer be possible to make comparisons with other users so effectively. If it is just a language issue, there will probably not be a major problem, but if significant changes have been wrought then comparisons with other organisations’ standard criteria/criterion part scores may prove difficult.

A bigger problem, though, is to try to create a personalised Model right at the start. As the Finance Director of one organisation said when some of his colleagues were saying they needed to create their own version: “Why should we spend six months or more developing ‘our Model’ when we could be using the time to gain experience in actually using the standard Model, and when we will lose the relatively easy ability to benchmark externally – a key potential benefit of the Model?” His thinking won the debate and they moved straight to using the standard Model.

4.4 “It isn’t driven from the organisation’s strategy, so it cannot be right because everyone knows that is critical”

This comment completely ignores how the Model is used. Certainly, the visual representation of the Model is of nine ‘boxes’ with connecting lines: the Policy & Strategy Criterion does not appear to have a pre-eminent position. Judged solely on that basis it does not convey how strategy influences everything.

The core part of assessing the Policy & Strategy Criterion of the Model is how it is developed in the organisation, eg, the inputs & analysis used, the method used to create the strategy, how it is communicated to relevant people, etc. Purely on those points there is no great need to know what the strategy actually is – which sounds like a weakness.

However when undertaking an assessment of the organisation it is important to know the strategy, so that you can assess the alignment of all activities with it – it’s about the successful implementation of overall strategy through relevant organisational activities. (It is probably better to have a very successful implementation of a reasonable strategy, than a poor implementation of the best strategy in the world.) So once again, the important thing with the Model is that it is not just a nine box picture, it is not just a series of guidance points to be followed slavishly in tick-box fashion, it is a framework to help you think about everything the organisation does.

On the link to strategy, some people claim that the Balanced Scorecard is clearly better as it is driven from strategy whereas the Excellence Model is not. This seems a false argument. Should not a strict comparison of the Model’s nine boxes just be with the four empty quadrants of the typical Scorecard? It is not until the Scorecard is implemented that it derives its strength from the strategic linkages – just as is the case with the Excellence Model. Whilst we mainly work with the Excellence Model now, we have also worked with the Scorecard, and see the benefits of both – for substantially different purposes.

4.5 “It’s so much effort to use the Model, there is so much resource and time needed”

Undoubtedly if you want to leap right in and create a 75 page Award-style submission document for your first-ever self-assessment, then it does need much time and resource. In fact, whenever you decide to create such a document it will be a major piece of work. However this is not the usually recommended way to put a toe in the water of using the Excellence Model.

There are simpler ways of starting to use the Model, such as questionnaires, gathering evidence on pre-formatted templates, small workshops, etc. Most organisations use one of these mechanisms to start gaining experience of the Model. These may or may not be linked to one of the certifications now available.

Most organisations also want to work towards using the outputs of self-assessments as an integral input to their planning process. In this way, using the Model is integrated into something that most organisations do anyway – however comprehensively. The Model can become a natural part of planning. When one starts using the Model it is not always appropriate to input to planning immediately – you may not discover it at the right time! But within a short period it should be possible to adjust the timing.

In most things in life, the more you put into an activity, the more benefit you get, and using the Model is generally no different. So the ideal is probably to start off simply and have an outline plan for moving forward to more robust approaches to self-assessment.

A smaller organisation clearly will not have the same resources as a larger one. So it would need to consider how best to benefit from using the Model. Using a simpler approach would be the obvious idea, and in the smallest concerns it might always be a fairly informal use. But in which size of organisation is it NOT relevant to have effective leadership, planning, ways of managing people and other resources, and ways of carrying out activities in customer-focused way, and to know how you are doing? OK, a sole trader will admittedly have a limited use for leadership and people management, but there may even be a few things that might be relevant for them in those areas.

We have helped organisations from 8 people up to many thousands make use of the Model, in different ways that were relevant for them. In most activities, a small/medium sized organisation would not expect to use exactly the same approach as a multi-national, so why should using the EFQM Excellence Model be any different?

4.6 How do we know it’s the right model for us?

What else are you looking at? What are you trying to achieve? If you believe that the Fundamental Concepts are the right way to manage an organisation now and for the future, and you want to improve your organisation, then the Model may well be what you are looking for. It helps you to look critically at all the aspects of what your organisation does and what it is achieving, and in use it can improve your and your people’s understanding of, and involvement, in the organisation.

You do not have to use massive resources to start using the Excellence Model. Most organisations start by using a relatively simple approach. This makes it easier to test its effectiveness and understand more about its potential. Smaller organisations may continue to use simpler approaches.

One point we would make is that the Excellence Model is a framework which, we have found, can encompass any management tool under its ‘umbrella’. It is not trying to compete with the many detailed tools, but we find that organisations can use them in a complementary approach.

4.7 I don't need a model [or framework] to tell me how to run an organisation [or what's wrong]

That may be true. Many millions of organisations have been and are being run without using the Excellence Model. And often people can see things that need to be changed in an organisation.

But if you think you don't need a framework at all, we think you are misleading yourself. We think that all our actions are guided by some sort of framework or model – often instinctive and based on previous experiences or teachings. When you cross a road you don't consult a written set of guidelines every time, but you know to look for approaching traffic and then, if clear, cross quickly. That in our books is equivalent to a framework. And similar examples would exist in the decisions taken in management.

So the issue seems not that you don't need a framework, because you're using tacit ones all the time, but that you don't want this one. Why don't you want a framework that helps you think about ALL aspects of building a sustainable organisation? As one of our clients, a very experienced manager, said to us: "A key benefit has been that it helped us 'to shine a torch into all corners of the organisation' that we don't usually look at". Maybe some of the other questions and answers here will help you.

5 SUMMARY:

It is really easy to find reasons not to use the Model. (Just like it is easy to find other things to do instead of erecting that shelf at home, or instead of doing the gardening, or any other activity!) But what other way do you have to identify how well you are doing in ALL areas of the business? If you have one, fine, carry on using that. If you don't, do look at how the Model might help you.

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