

Business Excellence Models - An Overview

Ananthalakshmi V and Sonakshi
Mount Carmel College, Bengaluru

ABSTRACT

In today's emerging world, it has become important for an organisation to focus on innovation and idea generation. To cope up with dynamic and ever changing environment, organisations have started adopting new approach i.e., Business Excellence. Business Excellence helped organisations in formulating better operational and strategic decision making. There is an increasing need to enhance customer and employee satisfaction, organisational growth and reliability and the modern measurement frameworks (Business Excellence Models) have provided a groundwork for continuous improvement and to benchmark their performances. Business Excellence models provides holistic approach to all types of organisations to demonstrate best practices and the models have also proved their long-term viability and success. Business Excellence Models when incorporated properly have immensely contributed to the growth of an organisation and to tackle competition in a better way. The focus of this paper is to analyse the three well known Business Excellence Models- Malcolm Baldrige National Quality Award, the Australian Business Excellence Framework and the European Foundation for Quality Management Excellence Model. A brief about Japan Quality award is also mentioned in the paper. This paper also contributes to better understanding of the key elements and comparison of these business model. This paper also talks about TQM and its benefits and is also helpful for organisations to design and implement business excellence strategies in a more coherent and structured way. The information presented in the paper is obtained from various secondary data sources- books and academic journals from the relevant domain from library. All the information is based on significant literature review.

INTRODUCTION

Business do existed way before industrial revolution but there were different ways of carrying out the business operations and those days it was not as competitive and complicated as it is now. As the years passed due to economic reforms and globalization there was a need felt for improvement in way of managing the business operations. During that time in order to make business competitive enough and for long survival a technique or procedure called "The Business Excellence Model" gained importance in the business world. This excellence model embraces all aspects of managing business- visually People, Processes, Partnerships and Performances and provides a coherent management structure for self-assessment for the toplevel management.

The businesses in order to face the competitive, uncertain and risk driven market implemented these business excellence strategies and considered quality as the main component of their business as the quality leads the business to function more effectively and efficiently towards improved performances. The model, framework, exertion and evaluation of these strategies paved way for redefining the manner in which business is organized and managed. Scientific research with respect to global market also tried to provide new explanations as to how the companies should operate in the 21st century in a better way. This is why these strategies, models and tools were framed for the company in order to be flexible in the changing market and to measure their business performance on a regular basis. These business models were developed by various national and international institutions for providing instructions, rules, regulation and benchmark for evaluation that the company can follow for continuous improvement.

There are three main business excellence models used worldwide: Malcolm Baldrige National Quality Award, the Australian Business Excellence Framework and the European Foundation for Quality Management Excellence Model.

The aim of this study is to look into the various models, their design and to compare each of the model with the other. The objectives of this study are:

1. To understand TQM and its benefits

2. To understand the framework of different business excellence models and their significance in an organization.

LITERATURE REVIEW

This section talks about literature survey proposed by other researchers before on business excellence criteria. Analysis of three well-known models and identification of different parameters on which different models are proposed is taken into consideration in this section. Different criteria related to TQM have been proposed to achieve organizational excellence and to achieve sustainable performance in an organization. Literature survey from the secondary data sources helped in concluding several important facts about Business Excellence Models and one of the primary observation is that it is simple to implement Business Excellence Model in case of companies that have already built simple and informal organizational structure (Bauer et al., 2005).

1. **KANJI BUSINESS EXCELLENCE MODEL (2002):** Author categorized leadership as the most important force to assure the process of business excellence in an organization. This model states that there are four major perspective required for business excellence.
 - Delight the customer
 - Management by fact • People Based Management
 - Continuous Improvement.
2. **TQM AS A HOLISTIC MANAGEMENT CONCEPT (KLAUS J. ZINK) (1995):** Holistic approach highlights the fact that TQM differs from traditional quality management. TQM includes organizational intelligence or learning organization.
3. **KANJI, 2002, p. 4:** “Business Excellence is an evolution of total quality management (TQM) since it is built on the same values”
4. **MELE AND COLURCIO, 2006, p. 481:** “Business Excellence is some superiority achieved by the enterprise towards the market where it operates”.

TOTAL QUALITY MANAGEMENT

TQM is an integrated effort designed to improve quality and performance at every level of the organization. TQM is a comprehensive management system which focuses on providing quality services at a cost that offers value to the customers as well as owner by meeting their needs. TQM views an organization as an internal system with a shared aim and not as an individual department to maximize the performance. Without a basic total quality system in place, all the quality efforts- product quality improvement, planning, employee morale, customer issues and need will result in a less-than-optimum benefits. The key elements of TQM are- ethics, integrity, trust, leadership, teamwork, training, communication and recognition. The core principles of TQM are-

- Customer-Focused Organization
- Leadership
- Involvement of People
- Factual approach to Decision making
- Continuous Improvement etc.

TRADITIONAL ORGANIZATION

TQM ORGANISATION

Company driven	Customer driven
Short-term orientation	Long-term orientation
Opinion driven	Data driven
Tolerance of waste	Elimination of waste
Fire Fighting	Continuous improvement
Inspection	Prevention
Fortressed departments	Cross-functional teams
Top-down hierarchy	High employee participation
Blame	Problem solving
Isolation	Systems thinking
Management	Leadership

BENEFITS OF TQM

1. **Creates a good corporate culture:** Customer is the main focus for a business in TQM and all the efforts revolves around developing a culture that is committed to customer satisfaction through continuous improvement.
2. **Better reviews from customers:** Through quality assurance testing procedures, the product offered by the company constantly meets the requirements and needs of clients and customers. This leads to building long-term and strong relationship with customers and better reviews.
3. **Better performance from employees:** The training given to employees can boost employee morale at the workplace resulting in more efforts given by employees to achieve the goals.
4. Provides high returns on investment through improving efficiency
5. Works well in both manufacturing and service sectors.
6. Creates a culture of collaboration among the different departments within an organization for cross-functional improvements and systematic innovation processes.

FRAMEWORK OF VARIOUS BUSINESS EXCELLENCE MODELS

The Malcolm Baldrige National Quality Award Framework

The Baldrige Award is the U.S Presidential award for Performance Excellence which was introduced by the U.S congress and The Department of Commerce in 1987. This award is ranked as the topmost level of recognition, the U.S company can receive for their performance excellence and is regarded as the nation’s highest presidential honor. Though it is awarded only to U.S companies it is well known globally.

This award is named after Malcolm Baldrige. He was the U.S Secretary of Commerce during the Ronald Reagan administration from 1981 to 1987. This award was designed in order to make companies to concentrate over quality management systems and improve their business performance keeping quality as the baseline or benchmark. This is an award which is awarded annually to companies who contribute significantly in achieving quality management. There are six categories under which this award can be awarded up to 18 awards annually:

1. Manufacturing
2. Service
3. Small Business
4. Education
5. Healthcare
6. Nonprofit

The main purpose of introducing this award were:

1. To bring in consciousness about the significance of performance excellence.

2. To appreciate the company's contribution towards the achievement of quality management and to encourage the companies to share the techniques they used
3. To motivate U.S companies to upgrade their quality standard and to endeavor excellence
4. To promote healthy competition among the companies and thereby to boost the economic growth of the country.

The following are the 7 criteria based on which the performance of the company is evaluated, this evaluation process is done by independent examiners.

1. Leadership
2. Strategy
3. Customers
4. Measurement, Analysis and Knowledge Management
5. Workforce
6. Operations
7. Results

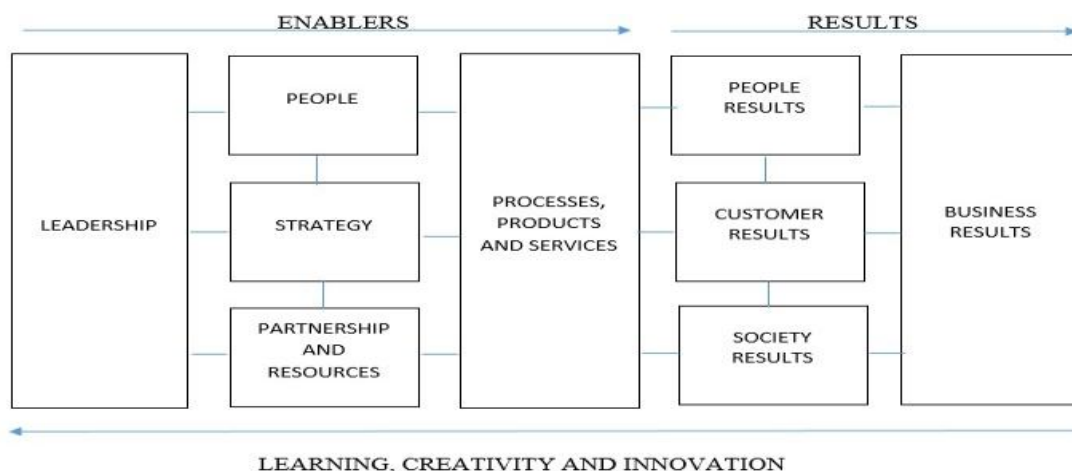
The European Foundation for Quality Management

The EFQM model was founded in the year 1988 with the main motive of creating a platform by which companies gain knowledge from each other as to the way of improving the performance on a continuous basis and thereby attaining sustainable economic growth by the European organizations.

The managers and directors of the organizations use this model as a basic framework in training, idea generation, sharing and innovation. This model is the most famous quality management technique in Europe and is used by more than 30,000 organizations in order to achieve business excellence. This model supports self-assessment and gives end result.

This model whose benchmark is quality management aims at sustainable development in which quality, efficiency and sustainability are the key elements. The base line of this model is Total Quality Management (TQM). It is made up of universal concepts which enables the organizations to share the information in a more effective manner irrespective of the sector, culture and life stage in which the organizations are located. Thus, the companies can consider other companies as a model and can compare their organization with that of a high quality organization can draw insights from doing so and can upgrade their performance level.

The EFQM model consists of nine criteria which are further subdivided into five enablers and four results.



The five enablers describe as to how it can be achieved:

- i. Leadership
- ii. People

- iii. Policy and Strategy
- iv. Partnerships and resources
- v. Processes

The four results indicate the purpose of the above objectives:

- i. People Result
- ii. Customer Result
- iii. Society Result
- iv. Business Result

Australian Business Excellence Framework

The Australian Business Excellence Framework (ABEF) is a homogeneous model which considers leadership and quality management system as the essential element that an organisation has to concentrate in order to improve the performance of their company and in order to achieve high sustainable business excellence.

The model is used by the organisation in process of evaluation which is related to leadership, people, quality product or service, planning, strategy, information and comprehension and thereby getting the required end results. This model is the most preferred technique used by the Australian organisations and it promises guaranteed sustainable growth and performance. It is proven that implementation of this as the business model in an organisation is developed as a whole and they can attain the following benefits:

1. Improved operational efficiency and effectiveness with reduced wastage of various resources
2. Effective cost management
3. High employee retention rate
4. Helps in increasing the value of stakeholders by assuring sustainable discharge of results
5. Increased productivity and upgraded efforts to render maximum benefits.

This model is expressed in nine principles for attaining business excellence and are considered as the governing law which can be used as a tool in forecasting and logical understanding. The seven categories that form the basis of this model includes:

1. Leadership
2. Customer and Stakeholder
3. Strategy and Planning
4. People
5. Information and Knowledge
6. Process management, Improvement and Innovation
7. Results and Sustainable Performance

Japan Quality Award

The Japan Quality Award Council was established in June 1995 in order to acknowledge and to assist excellence in the organisational performance in Japan. This council was established soon after the introduction of Malcolm Baldrige National Quality Award which helped the U.S economy to gain sustainable development.

The country after analysing that their companies were facing various challenges in their management activities by the environment difficulties such as globalisation, domestic blunt, aging population, economic and financial problems decided to introduce this award in order to provide customer based values. The

council desires to support organisations who are working hard on innovative management by offering two services:

1. education and training
2. consultation

The main objective of this is to support organisations to work towards innovation and to redesign and concentrate on management quality.

COMPARISON OF MBNQA AND EFQM BUSINESS EXCELLENCE MODELS

The business excellence models discussed so far in this paper are similar to each other as all the models strive towards achieving quality management and sustainable business performance. The main difference in these models are the geographic regions where they are awarded i.e.,

Malcolm Baldrige National Quality Award – throughout America

European Foundation for Quality Management – throughout Europe

Australian Business Excellence Framework- throughout Australia

Japan Quality Award - Japan

MBNQA vs EFQM

MBNQA	EFQM
Organisation and personal learning	Creativity and innovation
Focuses mainly on future results	Focuses on achieving both short term and long term results
Societal responsibility	Sustainable future
Values manpower and partners	Achieving through people or by building partnerships
Managed by processes	Managed by innovation
Customer driven excellence	Adding values to customers

RESEARCH METHODOLOGY AND FINDING

The data is collected through multiple secondary data sources- books and journals found in library and online from the domains of total quality management and production economics. The paper aims to present the analysis and comparison of the three well-known business excellence models by using three methods- analysis, synthesis and comparison.

Various factors were analysed to identify similarities and differences among these models-

1. Leadership: Present in all three models
2. Strategy: ABEF models adds “planning” word to this item. Present in MBNQA and EFQM
3. Customers: Present only in MBNQA and ABEF. “Stakeholders” word is added by ABEF in this item
4. Measurement: MBNQA is the only model that includes this issue.
5. Workforce: All three models used the word “People”
6. Operations: Present in all the models through the use of different words
7. Results: All three models address this item.

CONCLUSION

The paper shows that all three business excellence models have shown their viability over the time and are based on strong principles and concepts. All the three models give a holistic approach towards attaining continuous improvement in an organization. Business excellence models adapted to the needs of small and medium enterprises over the time by making new attempts towards developing the models. They gave rise to a new framework to benchmark the performances and demonstrate best practices to any kind of organization. Findings in the paper shows that the MBNQA constituted a landmark for other business excellence models. The paper contributes to a better understanding of TQM, various business models and their comparison. Findings in the paper will help an organization to design and implement business excellence strategies.

REFERENCES

- <https://corporatefinanceinstitute.com/resources/knowledge/other/malcolm-baldrigenational-quality-award-mbnqa/>
- https://en.wikipedia.org/wiki/Malcolm_Baldrige_National_Quality_Award
- https://www.researchgate.net/publication/245330083_Impact_of_Malcolm_Baldrige_National_Quality_Award_Criteria_on_Organizational_Quality_Performance
- <http://www.businessexcellencetools.com/business-excellence/>
- <http://lgam.wikidot.com/australian-business-excellence-framework>
- <https://www.bqf.org.uk/what-we-do/performance-improvement/efqm-excellencemodel/>
- <https://www.toolshero.com/quality-management/efqm-model/>
- Total Quality Management: A Primer with a Foreword by **GENICHI TAGUCHI, SM SUNDARA RAJU**, Fifteen Reprint 2010, Tata McGraw Hill Education Private Limited
- Total Quality Management: Second Edition by **POORNIMA M. CHARANTIMATH**, Pearson Publication.