



Development of an organizational excellence framework

Organizational
excellence
framework

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Abstract

Purpose – The purpose of this paper is to describe the development of the Organizational Excellence Framework, which consolidates the principles and practices of leading management frameworks that are practiced in Australia, Europe, the USA and Canada. It is intended to fill a void that exists, to date, for having an implementation guideline for industries' consultants and quality practitioners.

Design/methodology/approach – The paper consolidates the principles and practices of the leading excellence frameworks and provides the results worked out with a team of management consultants and quality professionals that adds to the existing body of knowledge (BoK), giving state-of-the-art implementation guidelines, additional resources and references.

Findings – Subjective and objective data gathering for the case study was carried out to gather responses from management consulting and quality practitioners on the potential value to practitioners and organizations.

Originality/value – The research combines the content of leading frameworks and provides implementation guidelines for the management consulting group and quality practitioners. The value of the Organizational Excellence Framework is to deliver benefits similar to other award program schemes that are realized when practitioners use the framework and organizations implement it and apply for excellence awards, nationally or internationally.

Keywords Quality management, Quality awards, Business excellence, Quality management systems, Systems approach, Systems thinking, Quality tools and techniques, Quality management system implementation

Paper type Research paper

1. Introduction

This paper analyses the leading quality awards frameworks used around the world and examines the results obtained by award recipients in order to develop a consolidated and enhanced version of the organizational framework. The leading frameworks and the respective connected award programs studied were the followings:

- European – The EFQM Excellence Model for the European Quality Award, www.efqm.org
- USA – Criteria for Performance Excellence, Baldrige National Quality Program, www.quality.nist.gov
- Australia – The Business Excellence Framework, Australian Business Excellence Awards, www.saiglobal.com
- Canada – Canadian Quality and Healthy Workplace criteria, Canada Awards of Excellence, www.excellencecanada.ca

These organizations commenced operation in the late 1980s and early 1990s. Since that time, the various jurisdictions have promoted their frameworks, assisted organizations with implementation and developed award programs to celebrate the successes. They have also conducted research showing that organizations implementing the frameworks outperform their industry counterparts on key performance measures.



2. Unique aspects of the leading frameworks

Global research has highlighted the principles and practices of high-performing organizations. Accordingly, the various frameworks have many similarities and common elements. Over time, each of the frameworks has evolved to include unique aspects. A review of the frameworks suggests the unique aspects as follows:

Europe:

- committing to social responsibility;
- supporting diversity;
- managing risk;
- analyzing image, brand, and effects of products and services throughout their life cycle;
- evaluating stakeholder awareness about policy and strategy;
- managing finances, other assets, technology, information, and knowledge;
- applying systems standards in process management to address quality, environmental, health, and safety;
- marketing products and services; and
- measuring performance with respect to the customer, employees, society, financial and non-financial outcomes.

United States:

- achieving good governance;
- projecting performance;
- managing knowledge;
- preparing for emergency situations; and
- summarizing financial and marketplace performance results by customer and market segment.

Australia:

- achieving good governance;
- defining strategic positioning;
- contingency planning;
- conducting capability gap analysis;
- managing knowledge;
- establishing strong culture;
- understanding stakeholder objectives;
- managing risk; and
- achieving sustainability.

Canada:

- achieving good governance; and
- guiding principles and practices for a healthy workplace.

3. Research findings

Over the past two decades, research on the relationship between the use of frameworks and organizational performance has served to reinforce two things: award recipients implementing a framework outperform their industry counterparts that are not using a framework, and there is a good return on investment for organizations implementing a framework. Many studies show the following key points.

In Europe, a study (Boulter *et al.*, 2005) found that when the principles of the EFQM Excellence model have been implemented effectively, performance improves in both short- and long-time periods. Researchers examined award winners against comparison companies of similar size and industry sector over an 11-year period and found that award winners experienced higher increases in share value, in average growth in sales, reduction in costs, and increases in operating income. Accounting measures were also computed and showed similar results (e.g. change in capital expenditure over sales/assets, change in total assets, change in the number of employees).

A US study (Link and Scott, 2011) compared the benefits realized by Baldrige award winners from 2007 to 2010 with the cost of operating the program and reported a benefit-to-cost ratio of 820:1.

Another study in the USA (Booz Allen Hamilton, 2003) assessed the attitudes and perceptions of senior leaders toward the Baldrige Award and Criteria and revealed very broad, positive recognition among leaders in each of the award eligible sectors: manufacturing, service, education, health care, small business. In addition, more than 70 percent of leaders surveyed at Fortune 1,000 companies said they are likely to use the criteria.

In Australia, case studies (Pattison, 2011) were undertaken with eight local government councils facing similar challenges: state government reform agendas, growing community expectations on service standards, increasing levels of public scrutiny, technology improvements, skills shortages, rate capping and fiscal constraints, complex legislative environment, and an overall mandate to achieve more with less. Each of the Councils used the Australian Business Excellence Framework to assess and improve their organization and now understand the Framework can be used to assess and improve any aspect of their organization including: leadership, strategy and planning, people, information and knowledge, safety, service delivery, product quality, and bottom line results.

Canada has tracked the performance results of award recipients from public, private, and non-profit sectors and noted improvements in: employee turnover, cost savings, customer and employee satisfaction, cycle time, price savings to client, injuries, employee pride, and trust in leadership (Stoer, 2010).

Most recently, the Centre for Organizational Excellence Research (Mann, 2011) reported research findings on the impact and value of business excellence in Asia (India, Japan, Singapore, Taiwan, Thailand). Companies participating in the research reported that business excellence had a major impact on their competitiveness and performance and that those frameworks were relevant for long-term competitiveness and sustainability. When asked about the importance of awards, respondents indicated that although awards were important for recognition the prime motivator was to become “world-class.” With respect to opportunities for improvement, these companies recommended time and effort should be put into making the frameworks simpler to understand, communicating the value of frameworks clearly, and explaining how innovation relates to business excellence. They also indicated a desire for more assistance with benchmarking and learning from best practices.

The Centre for Organizational Excellence Research (Mann, 2011) has also reported that 86 countries have a national quality or organizational excellence award. Of these, 40 follow the European framework, 17 follow the US framework, 18 have their own unique models, 12 have a model based on a combination of other models, ten are unknown, and nine have more than one model that is promoted.

4. Research methodology

After reviewing and consolidating the principles and practices of the leading frameworks, an outline was derived based upon which invitations for seeking advice on the Organizational Excellence Framework were sent out to the consulting communities. A good cross-section of management consultants and quality colleagues were invited to get involved. In total, 16 members agreed to volunteer their time and expertise to the project. The team had varied backgrounds with small, medium, and large consulting firms, functional area expertise in relevant management areas and varying degrees of experience with quality management systems.

The team worked to develop a template to gather information that would expand upon each principle and practices in the framework, as follows:

- statement – of the principle or practice;
- definition – meaning of the statement within the scope of the four leading frameworks;
- implementation guidelines – a description of how to implement the practice and stepwise methodology;
- examples – where necessary to provide a better definition of the practice or guidance with regards to implementation;
- type of organization – an indication of whether the practice is applicable to a large (1,000 + employees), medium (101-999), small (26-100), and/or micro (1-25) organization;
- related practices – a list of other practices in the framework that are related to the principle or practice;
- additional notes – helpful notes regarding application to the public, private, or non-profit sector, risks that may impact implementation and how to mitigate such, and other sources of information on the practice that may be within or outside the scope of the framework;
- resources and references – additional sources of information about the practices including articles, books, videos, web sites, and standards; and
- tags – key words that identify topics within the practice.

5. Components of the Organizational Excellence Framework

The framework diagram shown in Figure 1 is comprised of three rings:

- (1) inside – principles that characterize the culture and values of the organization and depict the way people work together and with their stakeholders;
- (2) middle – best practices across nine key management areas; and
- (3) outside – best practices that are used to improve continually improve performance and measures that are used to monitor and identify improvement opportunities for each management area and the organization as a whole.

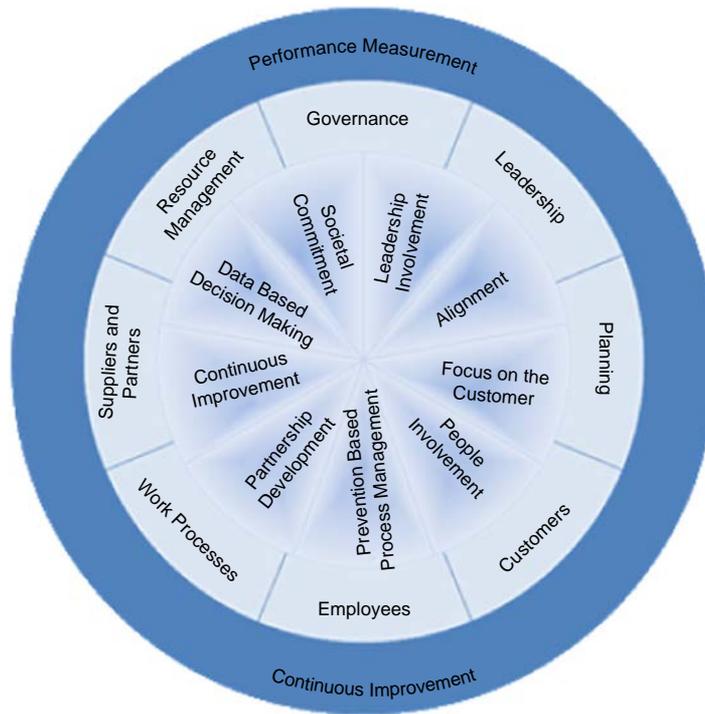


Figure 1.
Organizational Excellence
Framework (OEF)

Additional details on each of these components are provided.

5.1 Principles

The nine principles are:

- (1) leadership involvement – ensuring senior management is committed and actively involved in establishing and communicating direction;
- (2) alignment – understanding the organization is a system of interrelated and interconnected work processes and all activities need to be aligned with the established direction;
- (3) focus on the customer – ensuring the primary aim of everyone in the organization is to understand and meet the needs of the customer;
- (4) people involvement – nurturing and reinforcing cooperation and teamwork and giving employees the opportunity to develop their full potential;
- (5) prevention-based process management – establishing consistency in work processes and developing a mindset of prevention;
- (6) partnership development – developing and maintaining value-adding relationships with suppliers and partners;
- (7) continuous improvement – harnessing the collective knowledge, skills, and creativity of stakeholders to relentlessly pursue improvement;
- (8) data-based decision making – basing decisions on performance measurement findings; and

- (9) societal commitment – striving to understand and demonstrate corporate commitment to society.

5.2 Practices

A synopsis of the best management practices in the nine key management areas is described as follows:

- (1) governance – identifying governance responsibility to stakeholders, implementing an effective governance system, and acting as a model of good practice to internal and external stakeholders;
- (2) leadership – creating a culture committed to excellence, developing a strategic plan and communicating it to stakeholders, sharing responsibility and accountability throughout the organization, communicating openly about organizational performance, and removing barriers to organizational effectiveness;
- (3) planning – creating a business plan that aligns with strategic direction, communicating the plan to stakeholders, allocating resources to ensure effective implementation, monitoring and reviewing the plan regularly, and making changes as required;
- (4) customer – understanding the customer, aligning employees on the importance of the customer, making it easy for the customer to do business and provide feedback, and reaffirming the organization's presence and approach in the marketplace;
- (5) employees – undertaking human resource planning that supports organizational plans, recruiting, selecting, training, and developing employees, encouraging employees to share suggestions and ideas aimed at improvement, rewarding and recognizing strong performance of individuals and teams, and ensuring a healthy workplace environment;
- (6) work processes – designing, documenting, and managing work processes, analyzing and improving work processes, taking corrective action when problems occur, preventing recurrence of problems by making changes to work processes, and using benchmarking to evaluate performance;
- (7) supplier and partner – using criteria to select suppliers and partners, developing win-win relationships, sharing information about strategic and business plans, and working together to develop products, services and standards;
- (8) resource management – defining resource requirements, developing a strategy to manage resources wisely, managing the adverse impact of operations on the environment and society, and preparing for resource interruptions; and
- (9) continuous improvement and performance measurement – the plan-do-study-act cycle used to improve performance and the measures used to monitor performance. Measures include those for each management area and for the organization overall.

Management areas include:

- governance – stakeholder understanding of governance, community perception of organizational governance;
- leadership – management effectiveness and involvement, understanding about strategic plan, shared leadership, senior management sharing ideas, and quality practices;

- planning – understanding about business plan, effective implementation of improvement plans, quality assessment findings;
- customer – perceived image of organization in the marketplace, customer awareness of the organization, perceived value of products and services, customer complaints, customer satisfaction, loyalty, confidence, and retention, market share;
- employee – employee motivation, degree of employee involvement, satisfaction, morale, effectiveness of training, suggestions and ideas submitted and used, dissatisfaction (turnover, grievances, absenteeism);
- work process measures – cycle times, process design changes, process capability, level of service/product quality, performance of products and services (e.g. refunds, warranty claims, repairs, replacements);
- supplier and partner – number of qualified suppliers/partners, quality and value of purchases, extent of supplier/partner involvement in new product/service development, extent of supplier/partner involvement in social and environmental standards; and
- resource management – profitability, adherence to budgets, expenditure management, cost reduction/control, return on investment, return on assets, value of assets, effects of products and services throughout their life cycle, innovation rates, value of intellectual property, accessibility to knowledge and information, optimization of transportation.

Organizational areas include:

- organizational relevance to the marketplace;
- organizational capability to manage change;
- meeting stakeholder objectives;
- community perception of organization as model of excellence or employer of choice;
- quality of products or services;
- performance accomplishments and program outcomes;
- customer satisfaction;
- customer loyalty;
- customer confidence;
- employee satisfaction;
- employee morale; and
- financial performance.

Table I lists the practices for each of these management areas and ties in with their applicability to different size organizations. For this purpose, organization size was defined according to the number of employees in the organization:

- micro – 1-25 employees;
- small – 26-100 employees;

Practices	Large	Medium	Small	Micro
<i>1 Governance</i>				
1.1 Identify governance responsibility to stakeholders (e.g. core values, policies, regulations, process)	×	×	×	
1.2 Implement an effective system of leadership, authority, decision making, accountability, and control	×	×	×	
1.3 Ensure governance system meets legal, financial, ethical, and reporting obligations	×	×	×	×
1.4 Establish governance processes at all appropriate levels in the organization (i.e. roles, powers, responsibilities) and links to stakeholders	×	×	×	
1.5 Act as a model of good practice for employers and people in the community	×	×	×	
1.6 Communicate policy and strategy to stakeholders	×	×	×	
<i>2 Leadership</i>				
2.1 Develop corporate statements (e.g. vision, mission, core values)	×	×	×	×
2.2 Communicate corporate statements to all levels in the organization	×	×	×	×
2.3 Identify factors that will contribute to organizational success	×	×	×	
2.4 Develop a strategic plan with goals and objectives that will guide the organization toward its vision	×	×	×	
2.5 Use risk management to assess strategic goals and objectives	×	×	×	
2.6 Monitor and review the strategic plan on a regular basis	×	×	×	
2.7 Ensure senior management demonstrates a commitment to continuous improvement	×	×	×	×
2.8 Ensure senior management participates in professional bodies, conferences, and seminars	×	×	×	
2.9 Remove barriers to organizational effectiveness	×	×	×	
2.10 Promote teamwork among employees	×	×	×	×
2.11 Communicate openly to employees about organizational performance	×	×	×	
2.12 Share responsibility, accountability, and leadership throughout the organization	×	×	×	
2.13 Link senior management rewards and recognition to organizational performance	×	×	×	
2.14 Demonstrate responsibility to society and the environment	×	×	×	×
2.15 Learn from ideas and good practices and share them internally and with other organizations	×	×	×	
<i>3 Planning</i>				
3.1 Use factual information to provide input to the business planning process	×	×	×	×
3.2 Create a business plan that identifies, prioritizes, and incorporates a balanced set of objectives, measures, and initiatives that support the strategic direction	×	×	×	×
3.3 Develop contingency plans for unforeseen events	×	×	×	
3.4 Communicate and integrate the business plan internally and externally	×	×	×	

Table I.
Practices across different
management areas

(continued)

Practices	Large	Medium	Small	Micro
3.5 Allocate resources to ensure effective implementation of the business plan	×	×	×	
3.6 Conduct a capability gap analysis for resources (e.g. financial, assets, technology, knowledge, information)	×	×	×	
3.7 Reallocate resource requirements to adjust to changing circumstances	×	×	×	
3.8 Monitor and review the business plan on a regular basis	×	×	×	×
3.9 Make changes to the business plan aimed at continual improvement	×	×	×	×
<i>4 Customers</i>				
4.1 Use research to define and segment customers	×	×	×	×
4.2 Determine customer needs and expectations	×	×	×	×
4.3 Communicate the value of products and services to the customer	×	×	×	×
4.4 Align employees on the importance of the customer	×	×	×	×
4.5 Train and empower employees to be advocates for the customer	×	×	×	×
4.6 Ensure positive customer experiences by identifying and managing customer contact points	×	×	×	×
4.7 Make it easy for the customer to do business and provide feedback	×	×	×	×
4.8 Respond successfully to customer feedback	×	×	×	×
4.9 Reaffirm presence in established markets or the requirement to change market approach	×	×	×	
<i>5 Employees</i>				
5.1 Undertake human resource planning that supports organization goals and objectives	×	×	×	×
5.2 Recruit and select people for mutual success	×	×	×	×
5.3 Promote equal opportunity and diversity	×	×	×	
5.4 Ensure people understand and commit to the strategic direction and improvement goals	×	×	×	
5.5 Get people involved with improvement initiatives	×	×	×	
5.6 Encourage employees to share ideas and suggestions	×	×	×	×
5.7 Encourage employees to be innovative and take risks	×	×	×	
5.8 Determine training needs of employees and provide the necessary training	×	×	×	×
5.9 Ensure employees have adequate compensation and benefits	×	×	×	×
5.10 Reward and recognize strong performance of both individuals and teams	×	×	×	×
5.11 Ensure a healthy workplace environment and involve people in addressing issues related to health and wellness	×	×	×	×
5.12 Remove barriers to employee effectiveness	×	×	×	
<i>6 Work processes</i>				
6.1 Design and document key processes	×	×	×	×
6.2 Monitor and control processes to ensure service standards are met consistently	×	×	×	×
6.3 Monitor and control processes to ensure system standards are met consistently (e.g. quality, environment, occupational health, and safety)	×	×	×	×

(continued)

Practices	Large	Medium	Small	Micro
6.4 Ensure processes are in place to anticipate or adjust for change (e.g. legislation, new venture, innovation)	×	×	×	
6.5 Take corrective action when problems occur	×	×	×	×
6.6 Prevent recurrence of problems by making changes to processes	×	×	×	×
6.7 Analyze processes on a regular basis and make changes aimed at continual improvement	×	×	×	×
6.8 Communicate changes in process to all employees that touch the process	×	×	×	×
6.9 Involve customers, suppliers, and/or partners in designing and analyzing processes	×	×	×	×
6.10 Use external data to compare performance to other organizations (e.g. benchmarks)	×	×	×	
<i>7 Suppliers and partners</i>				
7.1 Select suppliers and partners on the basis of criteria	×	×	×	×
7.2 Develop win-win partnering arrangements	×	×	×	×
7.3 Share information with suppliers and partners that links to strategic and business plans	×	×	×	×
7.4 Involve suppliers and partners in the development of new products and services	×	×	×	
7.5 Involve suppliers and partners in the development of social and environmental standards	×	×	×	
<i>8 Resource management</i>				
8.1 Define resource requirements (e.g. financial, asset, technology, knowledge, transportation)	×	×	×	×
8.2 Develop a strategy to manage resources effectively	×	×	×	×
8.3 Manage the security of resources	×	×	×	
8.4 Minimize the adverse impact of products and services on the environment and community	×	×	×	×
8.5 Manage the maintenance and utilization of assets to improve total life cycle performance	×	×	×	
8.6 Identify alternative and emerging technology and related cost-benefit to the organization and society	×	×	×	
8.7 Provide appropriate access for stakeholders to relevant knowledge and information	×	×	×	
8.8 Prepare for resource interruptions	×	×	×	
<i>9 Continuous improvement and performance measurement</i>				
Continuous improvement:				
9.1 Evaluate and improve the approach to each management area	×	×	×	×
Management area measures:				
9.2 Governance measures – stakeholder understanding of governance, community perception of organizational governance	×	×	×	
9.3 Leadership measures – management effectiveness and involvement, understanding about strategic plan, shared leadership, senior management sharing ideas, and quality practices	×	×	×	
9.4 Planning measures – understanding about business plan, effective implementation of improvement plans, quality assessment findings	×	×	×	

Table I.

(continued)

Practices	Large	Medium	Small	Micro
9.5 Customer measures – perceived image of organization in the marketplace, customer awareness of the organization, perceived value of products and services, customer complaints, customer satisfaction, loyalty, confidence, and retention, market share	×	×	×	
9.6 Employee measures – employee motivation, degree of employee involvement, satisfaction, morale, effectiveness of training, suggestions and ideas submitted and used, dissatisfaction (turnover, grievances, absenteeism)	×	×	×	
9.7 Work process measures – cycle times, process design changes, process capability, level of service/product quality, performance of products and services (e.g. refunds, warranty claims, repairs, replacements)	×	×	×	
9.8 Supplier and partner measures – number of qualified suppliers/partners, quality and value of purchases, extent of supplier/partner involvement in new product/service development, extent of supplier/partner involvement in social and environmental standards	×	×	×	
9.9 Resource management measures – profitability, adherence to budgets, expenditure management, cost reduction/control, return on investment, return on assets, value of assets, effects of products and services throughout their life cycle, innovation rates, value of intellectual property, accessibility to knowledge and information, optimization of transportation	×	×	×	
Organization measures:				
9.10 Organizational relevance to the marketplace	×	×	×	
9.11 Organizational capability to manage change	×	×	×	
9.12 Meeting stakeholder objectives	×	×	×	
9.13 Community perception of organization as model of excellence or employer of choice	×	×	×	
9.14 Quality of products or services	×	×	×	×
9.15 Performance accomplishments and program outcomes	×	×	×	
9.16 Customer satisfaction	×	×	×	×
9.17 Customer loyalty	×	×	×	
9.18 Customer confidence	×	×	×	
9.19 Employee satisfaction	×	×	×	×
9.20 Employee morale	×	×	×	
9.21 Financial performance	×	×	×	×

Table I.

- medium – 101-999 employees; and
- large – 1,000 + employees.

6. Conclusion

It is anticipated that the Organizational Excellence Framework will generate encouraging results when considered in terms of and in conjunction with other leading frameworks. More importantly, it will provide an easy to use and accessible tool and a guide to assess organizational progress for management consultants and quality

practitioners. One of the major limitations of this study however, is the limited number of feedback reports obtained. Consequently, until more objective data are gathered and more successes stories are compiled, results of this exercise and its perceived value may be dependent upon in the feedback provided by users.

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