

The EFQM 2013 Model Changes

Implications for Organizations

by Sunil Thawani

EFQM reviews the EFQM Excellence model every three years to ensure it continues to reflect reality and relevance to the current business environment. The latest "EFQM 2013" version was released in October 2012. The main drivers for changing the Excellence model in 2012 were the need for organizations to be more flexible to compete and succeed within the global economic environment. Over the years model has evolved and has kept pace with changes in business environment. Figure 1 below provides key changes made over the years and how the EFQM Excellence model has evolved.

The Evolution of the EFQM Excellence Model

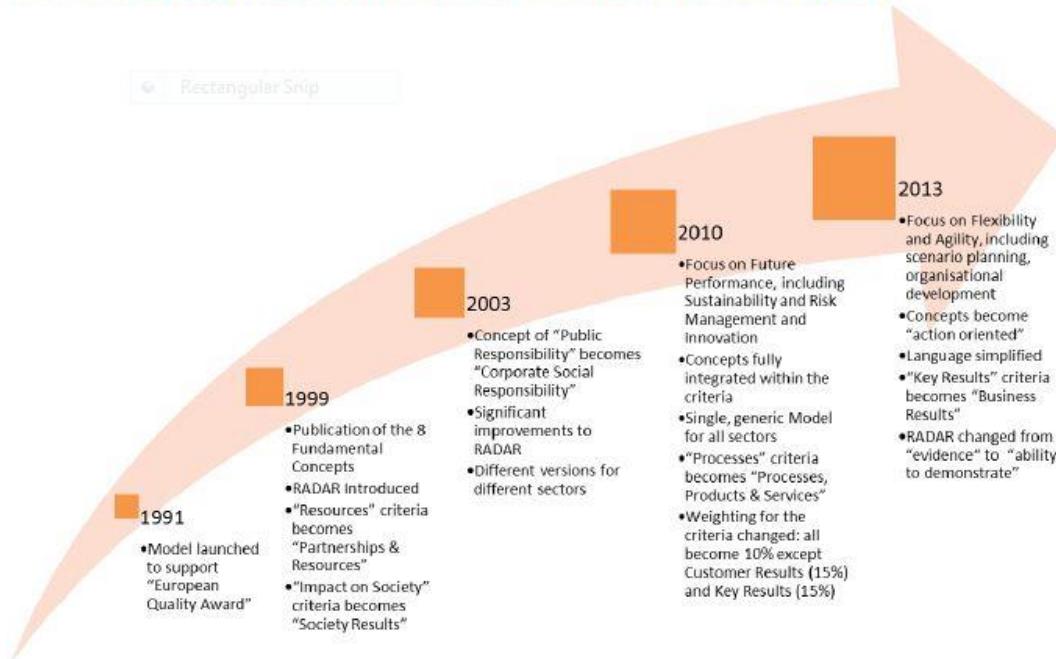


Figure 1 – The Evolution of the EFM Excellence Model. © EFQM.

The purpose of this paper is to share my perspectives on the key changes made in EFQM 2013 (Figure 2) vis a vis 2010 version and their implications for organizations interested to adopt the model. Changes listed below can also be of interest to EFQM/ DQA trained Assessors.

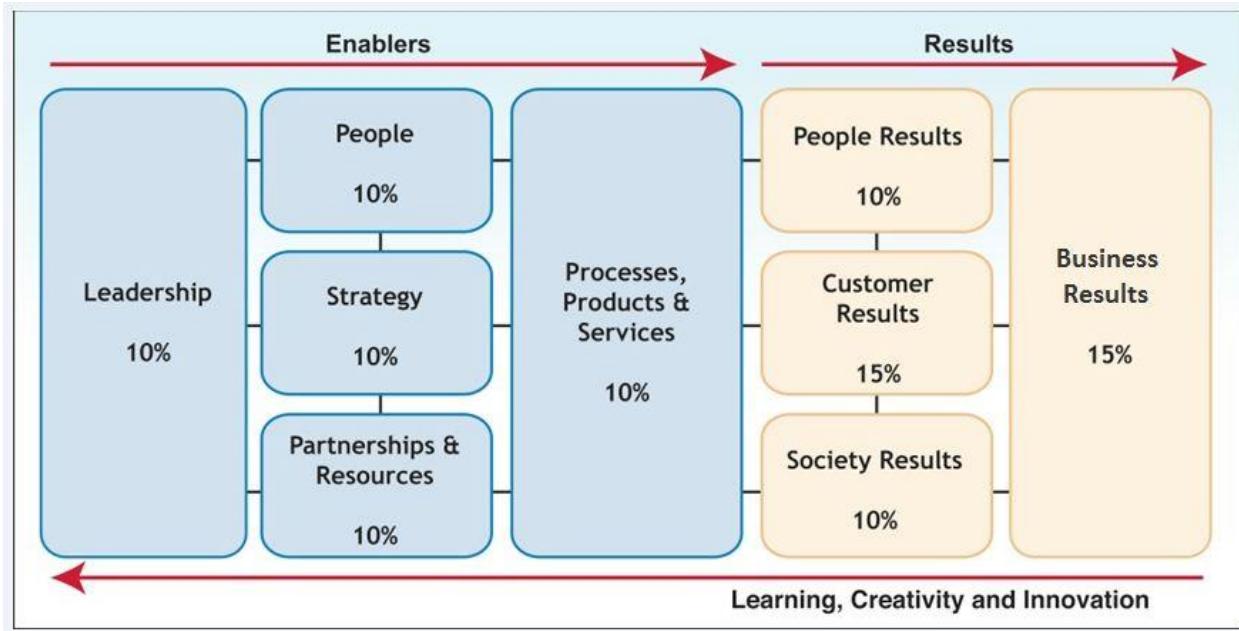


Figure 2: EFQM Excellence Model. © EFQM.

- 1 *Build Agility into the Business:*** The business environment demands organizations to be sufficiently agile to respond to both new opportunities and emerging threats with appropriate speed. The EFQM Model 2013 expects organizations to remain sensitive to changes in the internal and external business environment and to respond and adapt quickly. This may require organizations to adapt organization structures, processes, new technologies, review strategic partnerships and implementing them in a timely and effective manner. Building agility is easier said than done and the task can certainly be quite challenging.

- 2 *Greater Emphasis on Developing Approaches:*** The content of the 'Enabler' criteria requires organizations must develop suitable 'Approaches' to achieve desired results. For example:
 - a. Use approaches to understand, anticipate and respond to the different needs and expectations of their key stakeholders (sub criteria 1c)
 - b. Use a structured approach for generating and prioritizing creative ideas (sub criteria 1e)
 - c. Use mechanisms to identify changes in their external environment (sub criteria 2a)

This reinforces Prof. Ishikawa's concept of 'Cause and Effect' since 'Approaches' cause 'Results'. Organizations must pay attention to the development of sound and aligned approaches like policies, procedures, and charters and deploy these through appropriate methods and channels.

3 Greater Emphasis on the Accountability of Leadership, Governance and Risk Management:

Management: There is a requirement for organizations to improve corporate governance and enterprise risk management. Risk identification needs to be comprehensive at all levels – strategic, operational, financial, political, legal etc. Organizations need to effectively manage risks and ensure compliance to applicable legal and regulatory requirements. Governance processes needs to be tailored to all appropriate levels in the organization and deployed. This can be done by adopting frameworks such as ISO: 31000 (Risk Management – Principles & Guidelines)/ OECD principles of governance.

<http://www.oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf>

4 Doing the right things is more important than doing things right: In the RADAR assessment and scoring methodology, the maximum possible score, under 'Approaches' has been capped so that it is not possible to exceed the score achieved under the 'Sound Approaches' attribute. This is to ensure organizations design approaches with a clear rationale and focus on stakeholder needs and build agility into their processes and management systems.

5 Measuring the right things rather than measuring for the sake of measurement:

Measurement and use of Results continues to be a big challenge for organizations. There are several reasons to this. The main ones being

- a. *Data enhances transparency and many Managers do not like it,*
- b. *Most organizations have not established effective approaches to measure quality; this has also been reported in American Productivity & Quality Centre (APQC) Collaborative Benchmarking best practice report titled "Using Enterprise Quality Measurement to Drive Business Value".*
- c. *Many organizations fail to identify and apply the key measures required to monitor the deployment of their vision/ mission/ strategies.*
- d. *There is little or no alignment between perception measures and performance indicators.*

EFQM 2013 now provides enhanced focus on the use of relevant measures. To ensure relevance, the RADAR assessment and scoring methodology limits the maximum 'Results' score so that it is capped to the level achieved under the 'Scope & Relevance' attribute.

This is to ensure organizations measure the Right things rather than measuring anything/ everything for the sake of measurement. Measurement of results needs to be a judicious mix of qualitative (perception of stakeholders) and quantitative (key performance indicators) and should be focused on stakeholder needs. To ensure that relevant

measurements are used to drive future performance, organizations need to regularly review what they are measuring and why, and make necessary adjustments.

EFQM 2013 version also requires measurements (KPIs/SLAs) for processes and information and knowledge. It is appropriate here to clearly understand the concept around Process measurements as explained by Dr. Joseph Juran, Quality guru.

- **Process Effectiveness:** *The process is effective if the output meets customer needs e.g. % of orders delivered on time to the customers.*
- **Process Efficiency:** *It is efficient when it is effective at the least cost e.g. time taken to deliver goods to customer on time at minimum cost.*

Maximizing effectiveness and efficiency together means that process produces high quality at low cost i.e. providing most value to customer.

6 Criteria are now more explicit and prescriptive: Some of the implied requirements have now been explicitly stated and sub criteria are more prescriptive than before. Such as:

- a. *Define and use a balanced set of results to review progress (sub criteria 1b)*
- b. *Translate strategies into aligned processes, projects and organizational structures, ensuring changes can be implemented with appropriate speed throughout the value chain. (Sub criteria 2d)*
- c. *Segment partners and suppliers, in line with the organization's strategy, and adopt appropriate policies and processes for effectively working together. (Sub Criteria 4a)*
- d. *Use market research, customer surveys and other forms of feedback to anticipate and identify improvements aimed at enhancing the product and service portfolio. (Sub criteria 5b)*
- e. *Transform needs, expectations and potential requirements into attractive and sustainable value propositions for both existing and potential customers. (Sub criteria 5C)*
- f. *Ensure their people have the necessary competencies, resources and opportunity to be able to maximize their contribution. (Sub criteria 3b)*

This should help organizations take specific actions.

7 Futuristic focus: Past performance is no guarantee of future success. The EFQM 2013 Model now requires Leaders to understand the future scenarios, identify future opportunities, threats and effectively manage the change and secure the future for their organizations. For added emphasis, within scoring of Results (under RADAR logic), one

of the attribute has now been changed from Causes to Confidence. This is to demonstrate and assure that past performance levels will be sustained into the future.

- 8 **Wider focus covering entire Value Chain**: Concept of partnership has now been clearly required to extend to cover the entire value chain. It is evident in the fundamental principles as well as in the criteria such as "Establish shared values, Ensure their accountability, ethics, and culture of trust. Organizations are now expected to build capabilities beyond their boundaries. They need to proactively engage their stakeholders in generating ideas and innovation. Processes that extend beyond the boundary of the organization need to effectively and efficiently manage.
- 9 **Greater emphasis on corporate social responsibility**: Organizations are now expected to take responsibility to encourage and engage their stakeholders too to participate in activities that contribute to wider society. In addition, organizations need to consider people, planet and profit as a reference when balancing the sometimes conflicting imperatives that they face.
- 10 **Sustainability**: Sustainability was being commonly talked about but organizations rarely integrated it into their strategy development process. As a result their efforts were not structured. Now organizations need to integrate the concepts of sustainability within their core strategy, value chain, and process design and allocate the resources required to deliver these goals (sub criteria 2c). This has far reaching implications for organizations and brings sustainability to the center stage.
The EFQM 2013 model prescribes that organizations should use strategies, policies and processes for managing buildings, equipment and materials in a financial and environmentally sustainable way. (Sub criteria 4c). This should encourage organizations to adopt green building principles such as LEED (<http://www.usgbc.org/LEED/>)
- 11 **Innovation**: As per *The Conference Board CEO Challenge® 2012 report*, 776 top executives from around the world reported Innovation as the top Global Challenge. Though Innovation has been part of the EFQM model for a long time, the 2013 version places greater emphasis on innovation. Requirements for innovation appear in all the five Enablers such as sub criteria 1d, 2d, 3c, 3e, 4d, 4e, 5a. The model now requires organizations to have a structured approach to innovation; to make it part of the strategy; and to establish clear goals and objectives for innovation. This should truly help organizations to improve and innovate their products, services, processes and create a culture of innovation.

Other subtle and notable changes made are:

- a. Definition of Excellence has been tweaked by changing the “superior levels of performance” to “Outstanding levels of performance”.
- b. **Changes made in Fundamental Principles of Excellence (Figure 3):**
 - i. “Managing with Agility” has replaced “Managing by Processes”. Organizations need to demonstrate high flexibility and agility in managing their business processes to exploit emerging opportunities and threats.
 - ii. “Succeeding through Talent of People” has replaced “Succeeding through People”. This will help organizations build people competencies & capabilities. This will require organizations to clearly define, build and enhance people competencies. In the long run it should enable organizations retain competent people.
 - iii. “Developing Organizational Capability” has replaced “Building Partnerships”. This is to highlight that having partnerships is not enough. Organizations need to develop capacities throughout the value chain is.
 - iv. Eight fundamental principles of excellence are now listed in alphabetical order to remove any ambiguity related to their importance.
 - v. Concepts have been made action oriented.

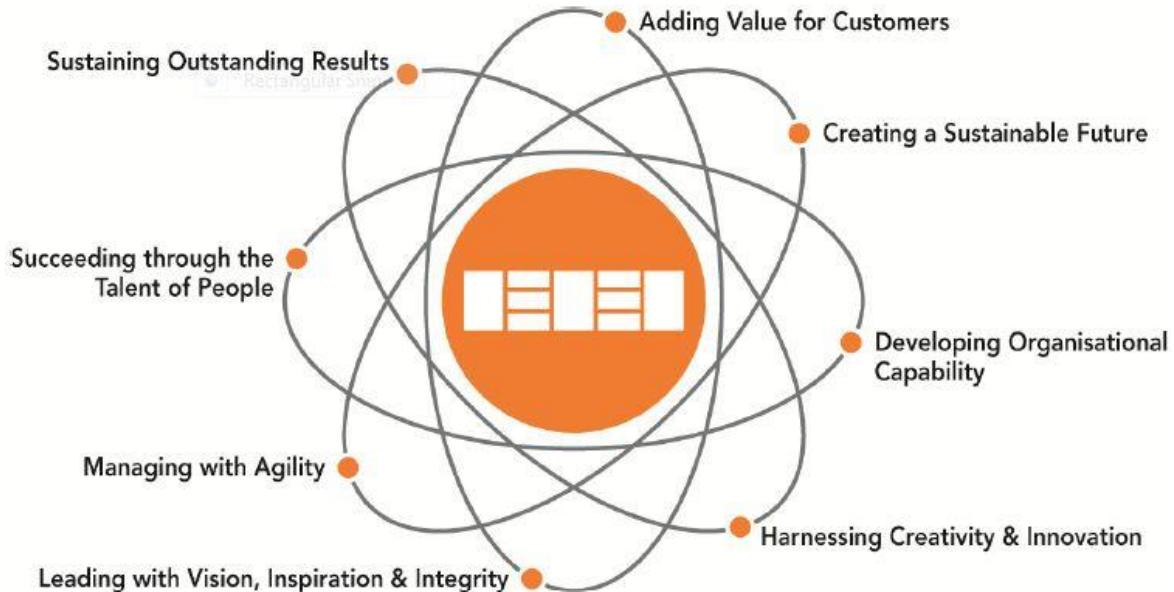


Figure 3 – Fundamental Principles of Excellence. © EFQM.

c. **Changes in Excellence Model** (Figure 2):

- i. Ensuring a healthy work/life balance in the reality of 24/7 connectivity, increasing globalization and new ways of working has been recognized. (sub criteria 3e)
- ii. In addition to gathering perceptions of customers, people & society, perceptions of business stakeholder have now been added (sub criteria 9a).
- iii. Greater emphasis on 'project management', 'process improvement', 'changes management'. E.g. process appears at 37 places in the model.
- iv. Clarified a few ambiguities such as Compliments and Awards removed from sub criteria 6b. It now appears only in sub criteria 8b.
- v. "Business Stakeholders" referred to in Criteria 9 mean owners/ shareholders / investors/ Head Office/ Government.
- vi. Language has been made simpler and easier to understand.

d. **Changes in RADAR Logic:**

- i. Enabler Scorecard used the term "evidence". It has now been changed to "ability to demonstrate".
- ii. Guidance points under RADAR logic have been reduced to one for each of the attributes of Enablers and Results e.g. there is only one guidance point each for Trends, Targets, Comparisons & Confidence.
- iii. In Criteria 9 the title "Key Results" was causing confusion as the word "key" was also being used to identify the most important results in all other results criteria i.e. Key Customer Results, Key People Results, Key Society Results and key Key Results. So title of criteria is now changed from Key Results to "Business Results".
- iv. Under Deployment – systematic deployment has been changed to structured deployment.
- v. It is now up to the applicant to prove they are a "Global Role Model" to achieve the maximum score, instead of the assessors having to prove they are not.
- vi. In RADAR scoring - the wording reflects the fact that scoring is only done after all the available evidence and examples have been collected.

Concluding Thoughts

Of all the changes made in the model, in my view, the real challenge for organizations will be to become agile and flexible so as to act swiftly to attain and retain its leadership in the global market place.

Since 1999, The Conference Board CEO Challenge survey has asked CEOs, Presidents, and Chairmen across the globe to identify their most critical challenges for the coming year. The top three challenges selected by the 729 respondents to 2013 survey are Human Capital, Operational Excellence and Innovation. (Figure 4)
<http://www.conference-board.org/subsites/index.cfm?id=14514>

| Global Rank | Challenges 2013 |
|-------------|---------------------------------|
| 1 | Human capital |
| 2 | Operational excellence |
| 3 | Innovation |
| 4 | Customer relationships |
| 5 | Global political/ economic risk |
| 6 | Government regulation |
| 7 | Global expansion |
| 8 | Corporate brand and reputation |
| 9 | Sustainability |
| 10 | Trust in business |

Figure 4: Global Challenges. The Conference Board CEO Challenge Survey Report Findings. © The Conference Board.

The changes effected in the EFQM 2013 model are very well in tune with what C-Suite executives are looking for.

With EFQM 2013 model rightly incorporating the current key business challenges, hopefully organizations will see value in it, implement it in the right spirit and in an effective manner to overcome business challenges and succeed. It also provides opportunity for more and more organizations to adopt the EFQM 2013 to manage quality and attain and sustain excellence.

About the Author

*Mr. Sunil Thawani is Fellow, American Society for Quality (ASQ) & Member of ASQ Global Advisory Committee. Sunil has served as Member of the Jury, Dubai Quality Award for several years. He has published several papers including authored book “**Business Excellence Awards – Strategies for Winning**”. Sunil has travelled around the world on motorcycle (www.worldwideonwheels.com) and can be reached at contact@qualityindeed.com/thawanis@hotmail.com.*