

Introduction to Business Excellence

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Introduction

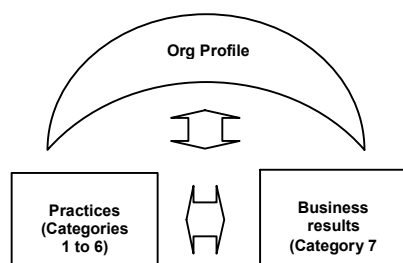
New Zealand organisations seeking growth and sustainable improvement are choosing Business Excellence (BE) to guide their improvement journey. Once the decision has been made to adopt BE senior managers often want to know how to start the journey. This paper introduces BE and then looks at why organisations decide to start the journey and how they start the journey.

What is Business Excellence (BE)?

BE is a systematic approach to achieving and sustaining business improvement and organisational growth. The BE way of working is based on total quality management principles, particularly the focus on balancing stakeholder interests, collaboration and continuous improvement.

BE is associated with the application of BE frameworks. These frameworks are promoted as being proven business management systems (Brown, 2004). The BE framework typically used in New Zealand is the Baldrige Criteria for Performance Excellence or CPE (see Figure 1). Although this framework is updated annually to reflect current business management thinking, it is deliberately non-prescriptive – for example it does not provide specific advice for how to apply BE to your organisation.

Figure 1: Baldrige Criteria for Performance Excellence (CPE; see www.nzbef.co.nz)



The CPE consists of three key elements:

- Organisational Profile (includes the organisation description & its challenges)
- Practices (e.g. leadership; strategic planning; customer & market focus; measurement, analysis & knowledge management)
- Business results (e.g. customer results; financial & market results; human resource results)

The two-headed arrows in Figure 1 represent feedback between the elements of the CPE.

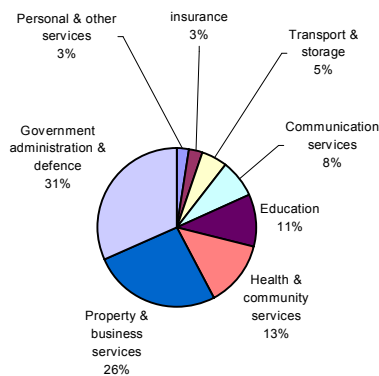
The BE journey is a business improvement process that is guided by a BE framework (such as the CPE) and requires making systematic improvements over time. Typically the journey involves three distinct but interrelated phases: deciding to start the journey, starting and then sustaining the journey.

Why do organisations adopt BE?

Internationally, organisations use BE and BE frameworks to guide improvement, to achieve improved business results and to increase the likelihood of long term survival (Brown, 2004). BE frameworks are also used as the Criteria to measure progress and for a number of business awards (see www.nzbef.org.nz). In the USA, firms that account for three fifths of the dollar value of the US economy have some connection with Baldrige – they either use the CPE for internal improvement or are contributors to the award process or they are past winners (see [www. BaldrigePlus.com](http://www.BaldrigePlus.com)).

Within New Zealand, equal numbers of public and private, large (100+ people) service organisations are adopting BE (Innes, 2004). The majority of these organisations can be categorised as: government administration and defence (includes local government); property and business services; health and community services; or education (see Figure 2).

Figure 2: Types of NZ service organisations



For New Zealand service organisations the decision to start an improvement journey is primarily influenced by the need for organisational growth, along with the need to be more competitive and responsive to customers (Innes, 2004). The key reasons these organisations select the CPE are:

- It can guide continuous improvement
- It can provide a framework to co-ordinate initiatives i.e. planning, performance measurement
- It is internationally proven to contribute to business improvement and results
- It provides an external measure of performance i.e. through self-assessment, awards

What are the benefits?

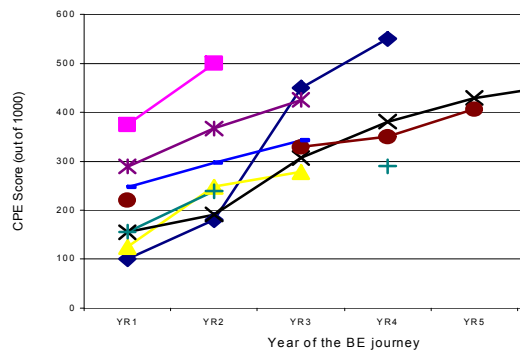
A number of international studies have found that BE contributes significantly to improved business results, such as customer and service results, financial and market results, human resource results, operational and productivity results (see www.quality.nist.com).

A New Zealand study (NZBEF, 2004) identified that national BE Award winners from 1993 to 2003 improved their performance in each of the CPE categories (including business results) over time. These Award winners achieved an average of 361 points (out of 1000 points) as measured by the CPE and they improved 30 to 80 points a year.

Another New Zealand study focusing on service organisations (Innes, 2004) reported

BE was perceived to have made a significant contribution to an improvement in business results, the CPE score, organisational culture and climate, and the level of engagement from staff. A sample of CPE scores over time, from the same research, suggests improved performance is achieved from year one of the BE journey (see Figure 3).

Figure 3: Improvement over time



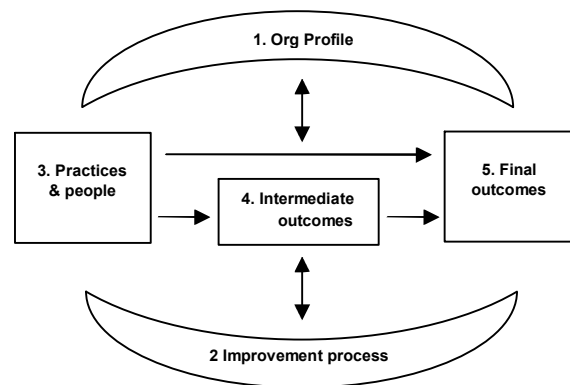
How do organisations start the BE journey?

How service organisations start the BE journey can be represented as a Framework (see Figure 4). For each organisation, once the decision has been made to start the BE journey the approach taken and the outcomes achieved are influenced by the Organisational Profile (Box 1) and the Improvement Process (Box 2). The improvement process typically involves organisational change and increasingly mature cycles of planning, implementation and evaluation. Key practices and people (Box 2) are perceived to influence the outcomes of the BE journey (Box 5). These practices and people may be external or internal to the organisation, or have a BE focus. Depending on how the practices are implemented and who is involved, the influence may be direct or indirect via intermediate outcomes (Box 4). The two-headed arrows represent feedback between the elements of the BE journey, throughout the journey.

The Framework suggests implications for practice:

- Ensure the organisational profile & BE are aligned
- Plan the BE journey to integrate organisational and BE practices; throughout the organisation
- Implement key practices and people known to enable the BE journey; limit the constraints
- Implement key practices and people known to influence an organisational culture and climate that facilitates staff engagement
- Evaluate the process and the outcomes of the BE journey.

Figure 4: Framework to represent how service organisations start the BE journey



Brown, M.G. (2004). *Baldrige Award winning quality: How to interpret the Baldrige Criteria for Performance Excellence*. New York: Productivity Press

Innes, J.R. (2004). *Starting the Business Excellence Journey*. Unpublished paper available from the author