EFQM Model and Sustainability of Organizations

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Abstract. The longevity of organizations depends on the ability to deliver quality products or services to the customers. Starting with the 1920s the notion of quality in organizations has gained importance and currently millions of companies worldwide apply one model of quality management or the other. European Foundation for Quality Management (EFQM) model is a prime example practiced throughout Europe. With the world resources being ever depleted at fast rate sustainability is also becoming a key issue in today’s business world. Sustainability and corporate social responsibility principles are generally in line with the EFQM model and have many common elements. This paper explains and demonstrates how the EFQM criteria and sustainability principles overlap. Examples will be given from reverse logistics and supply chain practices.

Introduction

At the beginning of the 20th century most businesses had the primary goal of reducing production costs and making their products available at larger markets. In today’s world many different and sometimes conflicting goals need to be managed by companies. Sustainability, going digital, quality, globalization and communication are among the many fields companies need to continuously develop and monitor their performance using tools that can result in quantifiable measurements.

One of the earliest works in measuring service quality was SERVQUAL, which gave a 22 item questionnaire for service quality. It has been adapted to many sectors. In two very recent research studies the mode has been adapted to automobile after sales [1] and electronic service quality for banks [2].

Firms around the world are under three kinds of pressure in following environmentally friendly policies and becoming sustainable companies [3]. The first and most important pressure is coming from the individuals, who are customers, employees, leaders and shareholders. The second pressure comes from the corporate world, which are corporate customers, business world, civil society organizations, the media, suppliers, investors and local groups. Civil society organizations are very effective around the world and strive for a number of issues including environmental sustainability. KuzeyDoga foundation of Turkey provides a good case study of the conservation marketing strategies of a small but effective nongovernmental organization that is rarely seen in Turkey [4]. Finally the governmental pressures include global treaties, local regulations and local governments.

All these pressures force companies and the administration especially to adopt a quality model so they can easily do self-assessment and quantitatively see their level of quality and the relationship to competitors. Quality models like EFQM, Six Sigma Management and Malcolm Baldrige Quality Model help companies in this respect by providing an organizational framework, performance indicators and measurement techniques for continuous improvement, which also includes sustainable continuous improvement.
EFQM Model

The European Foundation for Quality Management was founded in 1989 and the first EFQM quality award has been given in 1992. It has been won by many large and small companies located in a diverse set of European countries. In Turkey Arçelik, a large appliance manufacturer won the award in 1997. The award is given in a number of categories including small medium enterprise, subsidiary, large company and others. The EFQM model consists of 9 main elements. The sum of the points from these elements is 1000. The weights allocated to the elements determine the weight placed on that item which may be influenced by recent global trends. The criteria consist of enablers and results, with 5 criteria classified as enablers and 4 criteria classified as results. The model criteria are presented below [5]. The first 5 criteria are labelled as *enablers* while the latter 4 are labeled as *results* oriented criteria. The criteria descriptions are taken directly from EFQM.

**Leadership**

Excellent organizations have leaders who shape the future and make it happen, acting as role models for its values and ethics and inspiring trust at all times. They are flexible, enabling the organization to anticipate and reach in a timely manner to ensure the on-going success of the organization.

**Strategy**

Excellent organizations implement their Mission and Vision by developing a stakeholder focused strategy. Policies, plans, objectives and processes are developed and deployed to deliver the strategy.

**People**

Excellent organizations value their people and create a culture that allows the mutually beneficial achievement of organizational and personal goals. They develop the capabilities of their people and promote fairness and equality. They care for, communicate, reward and recognize, in a way that motivates people, builds commitment and enables them to use their skills and knowledge for the benefit of the organization.

**Partnership & Resources**

Excellent organizations plan and manage external partnerships, suppliers and internal resources in order to support their strategy, policies and the effective operation of processes. They ensure that they effectively manage their environmental and societal impact.

**Processes, Products & Services**

Excellent organizations design, manage and improve processes, products and services to generate increasing value for customers and other stakeholders.

**People Results**

Excellent organizations achieve and sustain outstanding results that meet or exceed the need and expectations of their people.

**Customer Results**

Excellent organizations achieve and sustain outstanding results that meet or exceed the need and expectations of their customers.

**Society Results**

Excellent organizations achieve and sustain outstanding results that meet or exceed the need and expectations of relevant stakeholders within society.

**Business Results**

Excellent organizations achieve and sustain outstanding results that meet or exceed the need and expectations of their business stakeholders.
Sustainability and EFQM

Organizations in every sector ranging from services to manufacturing should develop techniques for measuring the level of their quality and competitiveness. EFQM self-assessment technique can also be used in this regard. In one study, four-star city hotels in Istanbul were surveyed and areas of improvement indicated [6]. The survey tool was based on a widely recognized self-assessment form, the European Foundation for Quality Management (EFQM) Excellence Model.

The EFQM Model gives special emphasis to sustainability principles. Firms may use the self-assessment tools and quantitatively measure their positions with respect to sustainability. Society results which is a part of EFQM criteria carries a weight of 60 points over 1000 for the overall award. In other quality awards such as the American Malcolm Baldrige Quality Award society results is not a separate category but embedded in other criteria. This is one example how the EFQM gives importance to the issue of sustainability. The EFQM criteria generally use a certain percentage of perception and a certain percentage of performance indicators. For results criteria the percentage for perception indicators is 75%, and the weight of the performance indicators is 25%; however the only exception is the society results which is allocated weight of 75% for performance indicators rather than perception indicators. This is to make sure that if companies report high scores for society results these should come from solid achievements not perceptions of the public which can be affected with green washing tactics.

As an example Assan Aluminum Company of Turkey who has won the Turkish version of the EFQM model, the KALDER award, in 2003 reported the reduced pollution levels around the factory for the society related results. It also included educational campaigns around the factory area and vaccination efforts and so on. While it is possible for a company to report high scores for the people results category based on employee surveys the same is not true for society results. This shows the importance placed by EFQM to sustainability.

Conclusion

Companies that follow sustainability principles and correctly associate the principles with quality management criteria have been very successful and keep receiving international awards, recognition and financial results. 21st Century is still very dynamic and is prone to turmoil and competition. Increasing digitalization, globalization and the awareness about the environment all act to force businesses to reconsider their ways of doing business. EFQM model criteria may help not only European companies but also all global companies as a checklist to become more sustainable and more profitable in the long run.

Reverse logistics is also another important area of consideration for sustainability [7]. There are other models in the literature that also seek a balance between competitiveness and sustainability. One of them is the SCOR model. Supply chain management (SCM) is a continually evolving field, relying on breaking down internal and external organizational barriers to gain efficiencies, improve customer support and increase flexibility, thereby resulting in lower costs and increased market share. An emerging area in supply chain practice is green SCM, which integrates environmental management with traditional SCM. Green supply chain management is seen as an important step companies need to take on the road to sustainable practices. SCOR Model (Supply Chain Operations Reference) has been developed by the Supply Chain Council (SCC now merged with APICS) in order to guide companies applying SCM principles. The GreenSCOR model was also developed as an integrated green SCM tool that allows companies to manage their supply chain’s environmental impacts, resulting in more efficient operations which have minimal impact on the environment [8].

The conclusions are also supported by the fact that the Global Reporting Initiative (GRI) sustainable reporting criteria also encompass almost 70% of the EFQM criteria [9]. As a final word we should note that, the EFQM model allows an assessment of both existing business practices (labelled as enablers) as well as results. The EFQM model also embraces “partnerships” with other businesses as an important assessment criterion with 90 points [10].
There are also other models that aim to ensure successful competitive performance for the organization. Kanji's Business Excellence Measurement system (KBEMS) is one such example [11]. Via this model, Kanji provides a multi-dimensional focus that combines a variety of measurements for internal and external stakeholders related to the organization. The model is value-based, and has a long-term orientation. KBEMS not only attains a superior degree of integration between the models, but takes advantage of of Systemic and Holistic interpretations.

The concept of including sustainability as a factor in business excellence models such as the EFQM model has been a long discussed item in the literature. In one such study, the adequacy of business excellence models (BEMs) to address corporate sustainability (conceptualized in terms of economic, social, and environmental bottom lines) is explored [12]. To provide a comprehensive approach for addressing corporate sustainability, the authors propose an integrated quality-sustainability framework. The core of the framework is that sustainability indicators, such as those provided in the Global Reporting Initiative (GRI as mentioned before in this paper) framework, could be integrated with core business processes using the structures and infrastructure provided by BEMs. The authors indicate that the proposed improvements could be reflected in future revisions of the EFQM excellence model and BCPE (Malcolm Balridge Criteria for Performance Excellence). As there is already a significant overlap between GRI and EFQM this integration should be possible and would make the EFQM model assess sustainability in a more clear way.

References
[9] Information on https://www.globalreporting.org/standards