



# Business excellence models and the path ahead ...

Business  
excellence  
models

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## Abstract

**Purpose** – Quality research has paved the way for the evolution of several business excellence models/national quality awards (BEMs/NQAs). This paper aims to review the evolution of BEMs/NQAs and takes a comparative view on these models. It also throws some light on the emerging scenario.

**Design/methodology/approach** – This study is based on information gathered through an extensive literature review using print media and research databases like Emerald, EBSCO and Pro-Quest. Discussions with experts helped in reviewing the effectiveness of BEMs and visualising the emerging scenario.

**Findings** – A paradigm shift has been witnessed in the understanding of quality. Although MBNQA, EFQM and the Deming Prize are the three globally accepted major BEMs, some unique models are also emerging. The paper identifies 100 BEMs/NQAs being used across the world. They are subject to changes according to the evolution of the external environment and are considered a contemporary way to attain excellence. The benefits and limitations of BEMs are identified. BEMs need to be fine-tuned by incorporating lessons from ancient teachings to attain “sustained business results”.

**Research limitations/implications** – Although this paper identifies 100 BEMs/NQAs, the author has limited access to the details of these models. While details of some NQAs are available on the web in the native languages of their respective countries, many BEMs/NQAs have limited information in the public domain. Further to this, rapid changes in BEMs/NQAs in line with the evolution of the external environment makes this study even more difficult. Future research may attempt to overcome some of these limitations.

**Practical implications** – The study is expected to help in reviewing national business excellence strategies. The effectiveness of BEMs/NQAs needs to be examined empirically for sustained results. Ancient teachings provide the clues for sustainable growth.

**Originality/value** – This paper is based on literature review and interaction with experts. The paper provides a worldwide analysis of BEMs/NQAs and suggests a few emerging dimensions of excellence.

**Keywords** Business Excellence Model, Quality awards

**Paper type** General review

## 1. Quality: a paradigm shift

The term “quality” has different meanings, and has been variously defined as value, conformance to specifications, conformance to requirement, loss avoidance, defect avoidance, excellence, meeting and/or exceeding customers’ expectations, fitness for use, etc., by experts over the years. These definitions convey various aspects of quality. There seems to be no consensus definition, even though most of these definitions are highly correlated. Increased understanding of these important relationships will occur only when the quality construct is more precisely defined (Reeves and Bednar, 1994).

Quality can be quantified as the ratio of “performance” and “expectations”. If the performance of the product or service is better than the expectations, then the customer



has a good feeling about it. While the organization determines the performance, the customer determines the expectations. Quality not only includes the product and service attributes that meet basic requirements, but also those that enhance and differentiate them from competing offerings. Garvin (1984) identifies eight basic dimensions of quality:

- (1) performance;
- (2) feature;
- (3) reliability;
- (4) conformance;
- (5) durability;
- (6) serviceability;
- (7) aesthetics; and
- (8) perceived quality.

Sharma and Talwar (2004) point out that Indian mythology identifies 16 dimensions of quality in human life, and Lord Krishna attained excellence in all of them.

With the conversion of the world into a global village, more dimensions of quality are unfurling and forcing organisations to work on these to survive in business. Some of the emerging dimensions are human values (Chakraborty, 1995), corporate social responsibility, corporate governance, inclusive growth, sustainability and harmony. Quality management has thus changed from being reactive to being preventive while moving from inspection to statistical quality control, to quality assurance, to total quality management, to business excellence models. Its focus is gradually shifting from the final product to daily tasks and processes. Also, with the addition of ethical, social and environmental aspects, a global perspective of the organisation is emerging, with increasing integration of various aspects of quality through business excellence models.

This paper is organised as follows: section 2 focuses on the evolution of business excellence models. Sections 3, 4 and 5 provide a literature review on comparative studies of business excellence models/national quality awards (BEMs/NQAs) and summarise the significant findings of the study. Sections 6 and 7 describe the benefits accrued from implementation of BEMs and limitations of BEMs, respectively. Section 8 suggests the path ahead for BEMs/NQAs and throws some light on the emerging scenario. Finally, section 9 reports the conclusion of the paper and suggestions for future research.

## **2. Evolution of business excellence models**

After the Second World War, the Japanese economy was ruined. Deming educated Japanese manufacturing companies to make use of statistical quality control techniques and helped in development of the ruined Japanese economy. Deming focused on market orientation, people involvement and continuous improvement and advocated the plan, do, check, act (PDCA) cycle for continuous improvements. A number of Japanese manufacturers practised his teachings and experienced quantum jumps in the quality and productivity of their products. The Union of Japanese Scientists and Engineers (JUSE) introduced the "Deming Prize", the first globally known business excellence model, in 1951 to honour Dr W.E. Deming (Union of

Japanese Scientists and Engineers, 2006). The improved quality combined with the lowered cost created new international demand for Japanese products in the USA and Europe. By the mid-1970s, Japan was beginning to seriously undermine its American and other Western competitors first in cars, then in a whole range of electronic goods. In 1980, the National Broadcasting Corporation White Paper in the USA, entitled “If Japan can, why can’t we?”, featured Deming’s approach to quality. It became a trigger for the quality revolution in USA. In the 1980s, major corporations in the USA and other countries began to adopt Deming’s principles (Kume, 2002).

It was followed by global politico-economic turbulence during the 1980s and 1990s with the dismantling of the Soviet Union, economic liberalisation in China and India, democracy in Latin America and the rise of regional trading blocs. Subsequently, rapid growth in transportation, communication, and computerisation coupled with the use of the internet led to a steep rise in competition across the world. This has compelled organisations to redefine their management systems and policies to get an edge over competitors. With the objective of helping industries to enhance competitiveness in their respective countries, several national governments and industry associations came forward and established national and regional quality awards to serve as business excellence models (Talwar, 2008).

The CAE Quality Award was introduced in 1984 in Canada. Over 300 private sector and public sector organisations have been recognised with this award since then (National Quality Institute, 2007). This was followed by the introduction of the Malcolm Baldrige National Quality Award (MBNQA) in the USA in 1987. MBNQA helped US industry in revitalising its competitiveness and slowly gained recognition as a *de facto* global standard on customer oriented management systems and practices. The Australian Business Excellence Framework was also developed in 1987 to become the fourth globally known quality award. Its framework is reviewed annually to include the latest management practices.

It was followed by the establishment of the European Quality Award in 1991 (called the European Excellence Award since 2004) based on EFQM model, with the support of the European Organisation for Quality Management and the European Commission. Its objective was to enhance the position of Western European companies in the world market by accelerating the acceptance of quality as a strategy for global competitive advantage. Simultaneously with Europe, several countries in Asia evolved their own business excellence models too, mostly using the EFQM and MBNQA as their reference (e.g. India in 1994, Singapore and Japan in 1995, Philippines in 1997, Fiji in 1998, Thailand in 2001). The CII-EXIM Bank Award in India is based on the EFQM model, the Singapore Quality Award is based on the Australian Excellence Award, EFQM and MBNQA, whereas the “Prime Minister Quality Award” of Malaysia has its own independent criteria (Talwar, 2008).

Most European countries adopted the EFQM excellence model as the basis for national quality awards during the period 1994-1998; however, there has been a tendency towards home-developed national quality awards or modified EFQM models during the decade 2000 onwards. It is closely related to the political status, the law, the interaction and dependence between the state on one hand and the private and public sectors on the other, and finally the business and administrative philosophy (Mavroidis *et al.*, 2007).

A UNECE (2004) report says that there are at least 90 quality and business excellence awards in at least 75 countries. Miguel (2004) reports that NQAs are

operating in at least 76 countries. In Europe alone the European Foundation for Quality Management believes that at least 30,000 organisations are using the EFQM model (Mann and Grigg, 2005). By consolidation of the above data and literature review, 100 BEMs/NQAs being used in 82 countries worldwide were identified and are listed in Table I.

2. Literature review on comparative study of business excellence models

During the last two decades, business excellence models have been considered as an effective way to pursue excellence in many industries worldwide. The use of NQAs as standards for TQM self-assessment is a relatively new phenomenon and has not been the subject of much empirical work (Coleman and Koelling, 1998). The majority of the literature concentrates on the major BEMs/NQAs and their criteria, as well as relationship between award winners and business results (Easton and Jarrell, 1998; Schmidt and Zink, 1998). Other works have been concentrated on the self-assessment process with respect to issues such as deciding the assessment approach, the management of the process, the resources required, and selecting performance measures (Teo and Dale, 1997). The consistent increase in the number of BEMs/NQAs has generated the need for a comparative study to validate empirically their effectiveness in providing sustainable growth.

| Region                       | No. of awards | Countries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sub-Saharan Africa           | 3             | Mauritius, South Africa, Southern African Development Community (SADC)                                                                                                                                                                                                                                                                                                                                                                                                                      |
| East Asia and the Pacific    | 17            | Australia, Brunei, Fiji, Hong Kong, Indonesia, Japan (two), Republic of Korea, Malaysia, Mongolia, New Zealand, The Philippines, Singapore, Republic of China, Thailand, Vietnam, International Asia Pacific Quality Award                                                                                                                                                                                                                                                                  |
| South Asia                   | 7             | India (four), Nepal, Pakistan, Sri Lanka                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Europe and Central Asia      | 50            | Austria, Belarus, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany (two), Greece (two), Hungary, Iceland, Ireland (two), Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Russia (two), Scotland, Slovakia, Slovenia, Spain (two), Serbia and Montenegro, Sweden, Switzerland (two), Turkey (two), Ukraine, UK (two), Wales, European Union (EQA), Ibero-American Quality Award |
| Middle East and North Africa | 9             | Egypt, Israel (two), Iran, Jordan, Morocco, Oman, Qatar, United Arab Emirates                                                                                                                                                                                                                                                                                                                                                                                                               |
| Americas                     | 14            | Argentina, Brazil (two), Canada, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, USA (two), Uruguay                                                                                                                                                                                                                                                                                                                                                                           |

Table I.  
BEMs/NQAs  
by UN region

Notes: Total: 100 awards in 82 countries  
Sources: Talwar (2009), Mavroidis *et al.* (2007), UNECE (2004), Calingo (2002)

Most researchers have reported that three models – MBNQA in USA, the EFQM Model in Europe and the Deming Prize in Japan – are being used as global reference models. Tan *et al.* (2003) studied the differences in 53 NQAs and reported that most NQA models were based on the MBNQA and EFQM. In a study by SAI Global, Searle (2005) reported that the NQAs of 53 countries were based on MBNQA. Koura and Yoshizawa (2005) reported that EFQM was being used in 26 countries. MBNQA, EFQM and the Deming Prize have also been identified as the basis of other national quality awards by other researches (Bohoris, 1995; Puay *et al.*, 1998; Hughes and Halsall, 2002). In studying 31 BEMs in Europe, Mavroidis *et al.* (2007) have observed that recent changes in the NQAs in European countries are due to cross-cultural differentiations of European Union countries.

Keeping the above major models in focus, a comparative view of the other BEMs/NQAs has been taken based on various studies conducted earlier, using internet and research database. The features of 81 BEMs/NQAs being followed in 72 countries are summarised in Table II. During the study, a difference in the findings of various studies has been noticed. It may be due to the changes in BEMs/NQAs criteria in line with external economic and environmental changes and thus the outcome of latest published work has been given priority over the previous studies. Table II is indicative and may be refined in future studies. Nevertheless, it spells out that 50 BEMs/NQAs have adopted MBNQA, EFQM and the Deming Prize as their basis, and 31 models have their own unique framework.

#### 4. Comparative view of the Deming Prize, MBNQA and EFQM

The Deming Prize serves as a symbol for company-wide quality efforts, the pursuit of continuous improvement, and the extension of quality management to the suppliers of the firm. Its framework is focused on the implementation of a set of principles and techniques, such as process analysis, statistical methods and quality circles. Therefore, most of its criteria are confined to the application of these principles and techniques. Even criteria such as management policies and their deployment, human resource development, management systems, information analysis and utilization of information technology, which are considered in a broader context in both MBNQA and EFQM model, are primarily concerned with quality assurance activities and quality results, especially the elimination of defects. Its evaluation dimensions, such as cost, productivity, delivery, safety and environment, are not measured as explicitly as in the MBNQA and EFQM models.

MBNQA was established in the USA to promote quality awareness, enhance excellence, and share information on successful quality strategies and benefits. The overall approach of MBNQA places the emphasis on customer satisfaction to achieve competitiveness. The principle behind its award criteria is that leadership drives activities (such as people, strategic planning, processes, and information and analysis) towards excellence in business results and customer satisfaction. These results need to be quantifiable, measurable and benchmarked.

The EFQM model supported the evolution of the European Common Market and helped in the emergence of a new Western European management identity. Thus it includes dimensions such as the community's perception of the company and employee satisfaction as measures of quality performance. The rationale for the EFQM model is that the results – including customer, employee and society satisfaction – are achieved

Table II.  
The basis of 81  
BEMs/NQAs

| SN | Country        | Excellence model/NQA                           | Deming Prize | Derived from |          | Own framework                        |
|----|----------------|------------------------------------------------|--------------|--------------|----------|--------------------------------------|
|    |                |                                                |              | MBNQA        | EFQM     |                                      |
| 1  | Argentina      | Premio Nacional a la Calidad                   | Features     | Features     | Features | Unique<br>Unique<br>Unique<br>Unique |
| 2  | Aruba          | Aruba QA                                       |              | Basic        |          |                                      |
| 3  | Austria        | Austrian QA                                    |              |              | Full     |                                      |
| 4  | Australia      | ABEA                                           |              | Features     |          |                                      |
| 5  | Belarus        | Belarus QA                                     | Features     |              | Features | Unique<br>Unique<br>Unique<br>Unique |
| 6  | Belgium        | K2 Award                                       |              |              | Full     |                                      |
| 7  | Brazil         | Brazil NQA                                     |              | Features     | Features |                                      |
| 8  | Canada         | CAE                                            |              |              |          |                                      |
| 9  | Chile          | CNQA                                           | Features     | Features     | Features | Unique<br>Unique<br>Unique<br>Unique |
| 10 | Colombia       | Colombia NQP                                   |              |              |          |                                      |
| 11 | Costa Rica     | Costa Rica EA                                  |              |              |          |                                      |
| 12 | Cuba           | Cuban NQA                                      |              |              |          |                                      |
| 13 | Croatia        | Croatian QA                                    | Features     |              | Basic    | Unique                               |
| 14 | Cyprus         | ECO-Q Recognitions                             |              | Features     | Features |                                      |
| 15 | Czech Republic | Quality Award of Czech Republic                |              |              | Full     |                                      |
| 16 | Denmark        | Danske Kvalitetspris                           |              |              | Full     |                                      |
| 17 | Dubai (UAE)    | Dubai QA                                       | Features     |              | Full     | Unique                               |
| 18 | Estonia        | Estonian QA                                    |              |              | Full     |                                      |
| 19 | Egypt          | Egy QA                                         |              |              | Basic    |                                      |
| 20 | Fiji           | Fiji QA                                        |              |              |          |                                      |
| 21 | Finland        | Suomen laaturapalkinto                         | Features     | Features     | Full     | Unique                               |
| 22 | France         | Prix Francais pour la Qualite                  |              |              | Basic    |                                      |
| 23 | Germany        | Ludwig Erhard Preis                            |              |              | Full     |                                      |
| 24 | Greece         | Athens Chamber of Commerce and Industry Awards |              |              | Basic    |                                      |
| 25 |                | ECO-Q Recognitions                             | Basic        | Features     | Features | Unique                               |
| 26 | Hong Kong      | HKMAQA                                         |              | Basic        |          |                                      |
| 27 | Hungary        | Hungarian QA                                   |              |              |          |                                      |
| 28 | Hungary        | ILSA SHIBA Award                               |              |              | Full     |                                      |

(continued)

| SN | Country           | Excellence model/NQA                       | Denning Prize    | Derived from<br>MBNQA | EFQM     | Own framework |
|----|-------------------|--------------------------------------------|------------------|-----------------------|----------|---------------|
| 29 | Iceland           | Icelandic QA                               |                  | Features              | Features |               |
| 30 | India             | CII-EXIM Bank Award                        |                  |                       | Full     |               |
| 31 | India             | Golden Peacock NQA                         |                  | Features              | Features | Unique        |
| 32 | India             | Rajiv Gandhi NQA                           |                  |                       |          | Unique        |
| 33 | Iran              | Iran NQA                                   |                  |                       | Full     |               |
| 34 | Ireland           | Irish Business Excellence Award            |                  |                       | Full     |               |
| 35 | Ireland           | Q-Mark NQA                                 |                  | Basic                 |          |               |
| 36 | Israel            | Israel National Industrial QA              |                  |                       |          | Unique        |
| 37 | Italy             | Premio Qualita Italia                      |                  |                       | Full     |               |
| 38 | Japan             | Denning Prize                              |                  |                       |          | Unique        |
| 39 | Japan             | Japan QA                                   | Full<br>Features | Features              | Features | Unique        |
| 40 | Jordan            | King Abdullah II Award                     |                  |                       |          | Unique        |
| 41 | Republic of Korea | Korean Quality Grand Award                 |                  | Features              |          | Unique        |
| 42 | Latvia            | Latvian NQA                                |                  |                       | Full     |               |
| 43 | Lithuania         | Lithuanian National Quality Prize          |                  |                       | Full     |               |
| 44 | Luxembourg        | Prix Luxembourgeois de la Qualite          |                  |                       |          | Unique        |
| 45 | Macedonia         | Macedonia QA                               |                  |                       | Basic    |               |
| 46 | Malaysia          | Prime Minister's QA                        |                  |                       |          | Unique        |
| 47 | Mongolia          | National Productivity Award                |                  |                       |          | Unique        |
| 48 | Mauritius         | Mauritius NQA                              |                  | Basic                 |          |               |
| 49 | Mexico            | Mexican NQA                                |                  |                       |          | Unique        |
| 50 | Morocco           | Moroccan NQP                               |                  |                       |          | Unique        |
| 51 | New Zealand       | New Zealand BEA                            |                  | Full                  |          |               |
| 52 | The Netherlands   | Ink Management Model – Dutch Quality Award |                  |                       | Basic    |               |
| 53 | Northern Ireland  | Northern Ireland QA                        |                  |                       | Full     |               |
| 54 | Norway            | Norwegian QA                               |                  |                       | Basic    |               |
| 55 | The Philippines   | Philippines NQA                            |                  | Full                  |          |               |
| 56 | Poland            | Polish QA                                  |                  |                       | Full     |               |

(continued)

Table II.

Table II.

| SN | Country          | Excellence model/NQA                                | Denning Prize | MBNQA    | Derived from EFQM | Own framework |
|----|------------------|-----------------------------------------------------|---------------|----------|-------------------|---------------|
| 57 | Portugal         | Portuguese QA                                       |               |          | Full              |               |
| 58 | Romania          | Joseph M. Juran Romanian QA                         |               |          | Basic             |               |
| 59 | Russia           | Russian NQA                                         |               |          | Full              |               |
| 60 | Scotland         | Scottish BEA                                        |               |          |                   |               |
| 61 | Shanghai (China) | Shanghai Quality Management Award                   |               |          |                   |               |
| 62 | Singapore        | Singapore QA for BE                                 |               |          |                   |               |
| 63 | Slovakia         | Slovak Quality Award                                | Features      | Features | Features          | Unique        |
| 64 | Slovenia         | Slovenian BE Prize                                  |               |          | Basic             | Unique        |
| 65 | Spain            | Premios Principe Felipe a la Excelencia Empresarial |               |          | Full              |               |
| 66 | South Africa     | SABEA                                               |               | Features | Basic             | Unique        |
| 67 | Sri Lanka        | SLNQA                                               |               | Full     |                   |               |
| 68 | Sweden           | Utmärkelsen Svensk Kvalitet                         |               |          |                   |               |
| 69 | Sweden           | Quality in Northern Sweden                          |               | Basic    |                   |               |
| 70 | Switzerland      | Swiss Quality Award for BE                          |               |          |                   |               |
| 71 | Taiwan           | Taiwan NQA                                          |               |          | Full              | Unique        |
| 72 | Thailand         | Thailand NQA                                        |               | Basic    |                   | Unique        |
| 73 | Turkey           | Kalder QA                                           |               |          | Basic             |               |
| 74 | Ukraine          | Ukrainian QA                                        |               |          | Full              |               |
| 75 | UK               | UK BEA                                              |               |          | Full              |               |
| 76 | UK               | Investors in Excellence                             |               |          | Basic             |               |
| 77 | Uruguay          | Uruguay NQA                                         |               |          |                   |               |
| 78 | USA              | MBNQA                                               |               |          |                   |               |
| 79 | Vietnam          | Vietnam NQA                                         |               | Full     |                   | Unique        |
| 80 | Wales            | Wales QA                                            |               | Full     |                   | Unique        |
| 81 | Yugoslavia       |                                                     |               | Features |                   |               |

Notes: Basic: based on model with some modifications; Full: full adoption; Features: select features; Unique: own framework

through leadership driving the enablers, such as policy and strategy, people, partnership and resources, and processes, leading to excellence in business results (both financial and non-financial). Some of these parameters are broadly defined and are difficult to assess objectively. Nevertheless, the EFQM model provides a new perspective to address total quality issues.

According to the MBNQA model, quality is customer-driven and therefore it focuses on customer satisfaction, benchmarking, comparisons with the industry average, the industry leader, and the principal competitors in the company's key markets. The EFQM model focuses on benchmarking the satisfaction levels of the customers, employees and the community. The Deming Prize focuses on the dissemination of company-wide quality control, continuous improvement and relations with suppliers. Its most important aspect is the thorough application of statistical quality control techniques.

### 5. Significant findings of the comparative study of BEMs/NQAs

Some of the significant findings of the comparative study of BEMs/NQAs conducted through the literature review are summarised below.

- Three major BEMs – i.e. MBNQA, EFQM and the Deming Prize – are recognised worldwide and used as the basis of most BEMs in various countries.
- BEMs/NQAs are dynamic, are reviewed periodically, and have undergone changes over the years based on learning and mutual benchmarking. As a result, their criteria, key values, etc., have also changed over the years. Talwar (2009) has reported how the key values of MBNQA have gone through several changes during the period 1995-2009. Similarly, the Deming Prize criteria have also changed from 2000 to 2005.
- The objectives and core values of most of the BEMs/NQAs are similar, and focus on enhancing the global competitiveness of companies of their respective countries (Talwar, 2009).
- In analysis of 76 empirically validated studies, Sila and Ebrahimpour (2003) have reported that top management's commitment and leadership, customer focus, information and analysis, training, supplier management, strategic planning, employee involvement, human resource management, process management, teamwork, product and service design, process control, benchmarking, continuous improvement, employee empowerment, quality assurance, social responsibility and employee satisfaction are the most common TQM factors.
- Evaluation criteria of most of the BEMs/NQAs are similar. However, they differ in the relative criteria scores. Three criteria – i.e. customer, employees and business results – account for about 50 per cent weighting in most of the BEMs/NQAs except the Deming Prize. The Deming Prize gives maximum weighting to internal environment criteria, consisting of leadership, strategic planning, processes and knowledge and information management. These criteria differ in weighting due to the socio-cultural and economic development of the region/country. Two criteria – namely society and suppliers/partners – account for less than 10 per cent weighting in most of the BEMs/NQAs (Talwar, 2008).

- Sharma and Talwar (2007) identify three new criteria for BEMs – “values & process flow”, “universal wellbeing” and “sustainable success” – based on an empirical study.
- Socio-cultural attributes affect workplace practices in different countries. Western countries mainly focus on the “development of individuals”, whereas Japanese and other Asian countries focus on “group development”. Spiritual teachings are guiding force for Japanese management (Table III) whereas the West highly advocates freedom, creative thinking and competitiveness through fostering a culture of entrepreneurship (Khoo and Tan, 2003).
- The Deming Prize follows a hand-holding approach and is highly prescriptive supported with “TQM diagnosis” by the assessors. In contrast, most BEMs, including MBNQA and EFQM, are non-prescriptive by nature.

6. Benefits accrued from implementation of business excellence models

Several organizations have reported that with implementation of BEMs/NQAs, their process orientation, customer orientation and improvement orientation have improved. Winners of BEMs/NQAs have not only improved their product quality, but have also reported improvements in market share, sales, profits, employee morale and competitiveness as a result of implementing these models (Lakhe and Mohanty, 1994; Hendricks and Singhal, 1997). In a study of 120 award winners, it was observed that the winners outperformed other companies similar in size and operating in the same industries over an 11-year period (British Quality Foundation, 2003). The Centre of Quality Excellence (2005) reports that:

[...] three years after receiving an award, the award winning companies outperform similar companies by an average of 36 per cent for share value, 17 per cent for sales, 5 per cent for sales over assets, 4 per cent for capital expenditure over sales, 20 per cent in assets and a better reduction in costs by 1.4 per cent.

BEMs/NQAs have provided roadmap for excellence and facilitated thousands of organisations across the world to measure their level of excellence, identify opportunities for improvement and take actions for making improvements. Nevertheless, business excellence models are not the panacea for all problems and do have some limitations, as elaborated below.

| Western culture                       | Overlapping factors of Western and Japanese culture | Japanese culture             |
|---------------------------------------|-----------------------------------------------------|------------------------------|
| Breakthrough improvements             | Employee development                                | <i>Kaizen</i>                |
| Autonomy                              | Customer focus                                      | <i>Keiretsu</i>              |
| Workforce diversity                   | Social responsibility                               | Group learning               |
| Employee empowerment                  | High emphasis on leadership                         | Harmony and respect          |
| Leaders driving creativity/innovation |                                                     | Leadership by example/ethics |
|                                       |                                                     | Shintoism/Buddhism           |

Table III.  
Western culture versus  
Japanese culture

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## 7. Limitations of business excellence models

BEMs/NQAs have certain limitations, too. Despite the fact that award-winning companies have shown excellent financial results, their financial performance has not always been the best in their industry. The National Institute of Standards and Technology (2004) evolved the Baldrige Index to keep a track of the impact on the share prices of Baldrige Award winners in the USA. In a study, a ten-year common stock comparison of the results was calculated of 1994-2003 Baldrige Award recipients *vis-à-vis* S&P 500 value as on 1 December 2004. The National Institute of Standards and Technology (2004) reports that 17 publicly traded Baldrige Award recipients as a group under-performed the S&P 500, and generated a return of 18.15 per cent as compared to the return of 35.58 per cent for S&P 500. NIST felt that Baldrige Index does not accurately reflect the results, accomplishments, and diversity of the Baldrige Award recipients and site-visited organizations (short-listed organisation for the award) and thus discontinued it in 2004. Similar to the Baldrige Index in the USA, SAI Global also evolved the Australian Business Excellence Index. Both NIST and SAI Global felt that financial performance alone was not the final indicator of excellence and discontinued their respective indexes in 2004. We may observe that gaps exist, and the custodians of BEMs/NQAs have not yet evolved any other index to fill these gaps. Some of the other limitations of BEMs/NQAs are as follows:

- While it is believed that BEMs/NQAs focus to balance the needs and expectations of all stakeholders, most of the studies focus only on business results in general and impact on the bottom line in particular. Thus, it is difficult to comment on benefits accrued to other stakeholders.
- While BEMs/NQAs are being used effectively in many manufacturing organisations in developed economies, their impact in developing countries like India and China is limited. Still, India and China are emerging as global manufacturing hubs.
- Kume (2005) points out that the Deming Prize is losing its popularity in Japan due to the economic slowdown, is and becoming more popular in the third world countries, especially in India.
- There is a danger that organisations start focusing on winning the award rather than focusing on opportunities for making improvements (Ghobadian and Hong, 1996).
- Some researchers (Asian Productivity Organisation, 2001; Booz Allen Hamilton, 2003; Hermel and Remis-Pujol, 2003) have reported that the underlying details (e.g. scoring mechanism, weighting of categories and items) of BEMs have not been proven empirically.
- The structure of an award is too rigid and does not provide much flexibility (Lee, 2002).
- BEMs assist in delivering long-term goals and building competencies. Achieving a return on investment may take a few years after using a BEM (Mann and Grigg, 2006).

Despite their limitations, BEMs/NQAs assessment procedures seem to be the only comprehensive means available to date by which the level of organisational excellence can be thoroughly monitored and assessed. They provide an internal mechanism for

making improvements to face the competition. Nevertheless, the fact that these awards are not evidence of “perfect” organisations is gradually being acknowledged.

### 8. The path ahead for BEMs/NQAs

While explaining the dimensions of quality, Garvin (1987) suggested that a company can create a niche in the marketplace by focusing only on a few of the quality dimensions that competitors ignore. Very few products excel in all dimensions. This is true for BEMs/NQAs, too. Business excellence models have provided this niche to award winning companies in the past, but as time has passed their competitors have overcome their shortcomings. This has led to reduction in quantum of the benefits that award winning companies had over their competitors. Since awareness of these models is still limited in the developing world, companies using BEMs/NQAs are gaining competitive advantage over their domestic competitors. For the developed world, using BEM/NQA is a norm rather than competitive advantage. Thus, BEMs/NQAs need to keep on improving their criteria to include newer dimensions of excellence.

To address emerging expectations, BEM/NQA custodians felt a need to pool resources and learn from each other, and so formed the Global Excellence Model (GEM) Council in 2000. The GEM Council brings together the key custodians of BEMs, namely EFQM (Europe), SAI Global (Australia), MBNQA (USA), JQA (Japan), South African Excellence Foundation, SQA (Singapore), CII (India) and REDIBEX (Brazil, Mexico). GEM Council members meet each year and share their strategies to develop a harmonised set of performance measures. The GEM Council has created a global fraternity in the field of excellence and provides inputs to the award custodians for their strategic planning processes (Global Excellence Model Council, 2007).

In light of the volatile economic environment and the recent global meltdown, sustainable growth has emerged as one of the key areas of concern worldwide. It requires out-of-the-box thinking by custodians of BEMs/NQAs and GEM Council members. Lessons from ancient teachings provide several clues to attaining sustainability. Ancient wisdom emphasizes that one can attain sustainability by aligning oneself with the laws of nature. Hymns from *Rig-Veda* explain that the laws of nature, consisting of physical laws and moral laws, govern the universe. A company can attain sustained success and business growth by aligning itself with these laws. While modern science and business has done immense work to unfurl physical laws, little focus has been given to understanding moral laws and acting accordingly. Ancient wisdom enshrined in several religious texts describes the various ways to understand these laws of Nature and align with them. Some of the dimensions emerging from these laws for business to practice are human values, inclusive growth, environmental harmony, universal wellbeing, effective utilisation of global resources for minimising global cost. However, these dimensions need to be explored further and tested empirically to ensure sustainable growth and the prosperity of stakeholders.

### 9. Conclusion

Quality research has paved a way for evolution of several BEMs/NQAs. While MBNQA, EFQM and the Deming Prize are considered the mothers of other BEMs/NQAs, several unique models are also emerging. One recent development is that some of companies (e.g. Tata Group in India) are simultaneously pursuing different models to capitalise on their distinct advantages. The Deming Prize is unique in many

respects: it adopts a hand-holding approach and any company across the world can apply for it. Interestingly, the Deming Prize is losing its popularity in Japan and gaining popularity in some emerging economies.

BEMs/NQAs recognise excellent organisational performance and have emerged as a tool for the promotion of productivity and quality improvement strategies. They are subjected to changes according to external environment evolution and are considered a contemporary way to attain excellence. They focus on meeting the needs of customers, employees, financial and other stakeholders, and the community at large. Acknowledging the dynamics of excellence, Tom Peters says: “There are no excellent companies. There are only companies striving to attain excellence”. This is true for BEMs as well. While BEMs/NQAs emphasise organisations attaining excellence in “results”, these models do not guarantee the sustainability of this excellence. This gives rise to the risk of use of unethical means and practices to maximise the short-term gains, as has been witnessed recently in the global economic fiasco. In contrast, ancient wisdom gives prime importance to the use of ethical means in earning money to attain sustainability, and identifies the “wellbeing of mankind” as the purpose of business. Thus the factors that make the successes and achievements of business organisations long-lasting need to be identified. They may provide a new direction to for GEM Council members and BEM/NQA custodians to further strengthen their efforts to support the global excellence movement.

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