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Presentation of a Combined Model to Analyze Organizational Performance with EFQM and BSC Models

Mojtaba Seyedi [1,*], Behroz Riahi [2], Alireza Shahraki [3], Seyyed Ali Banihashemi [4]

[1,*] Master degree of Industrial Engineering, Islamic Azad University, Zahedan Branch, Zahedan, Iran
[2] Assistant Professor, Department of Industrial Engineering, Islamic Azad University, Zahedan Branch, Zahedan, Iran
[3] Assistant Professor, Department of Industrial Engineering, University of Sistan and Baluchestan, Zahedan, Iran
[4] Department of Industrial Engineering, Islamic Azad University, Zahedan Branch, Zahedan, Iran

ABSTRACT

In recent year we have observed great attention toward multilateral performance measuring and controlling systems. In this study we analyze BSC and EFQM models comparatively because both of them have popularity in most of trades and activities and finally a model is introduced as a tool to evaluate organizational performance
KEY WORDS: EFQM, BSC, Organizational performance.

1. INTRODUCTION

By expansion of competition in the field of services and productions organizations needed to have scales and models to analyze their performances. Because of such requirement and lack of efficiency in measuring system with traditional performance, new models for performance analysis created in organizational level, old models for performance measurement which mainly based on financial criterions, have several problems mentioned below:

1. To be based on financial and cost scales merely
2. Application of dilatory index
3. Lack of connection between index and strategies
4. Performance difficulty
5. Lack of flexibility
6. Subjective and incomplete view
7. Discrepancies with continuous improvement thought
8. Ignorance to customers' needs

As the result of mentioned difficulties and other limitations in performance analysis systems, in 90 decade, several models developed for this aim, which could be categorized in two groups; first group contains models bused on self analysis like MBNQA 1987 and EFQM 1991. Second group contains models based on measuring view and trading development processes like: BSC 1992, EPM 1993, CMM 1980. Among mentioned models BSC and EFQM accepted more and performed by many organizations because of their similarities we decided to compare these models more accurately to realize them wholly, so first we introduce them generally and them we analyze their differences.

2. Balanced Scorecard (BSC) Concepts

The concept of the Balanced Scorecard (BSC) was developed in the early 1990s as a new approach to performance measurement due to problems of short-termism and past orientation in management accounting (Kaplan and Norton, 1992). The concept of the BSC is based on the assumption that the efficient use of investment capital is no longer the sole determinant for competitive advantages, but increasingly soft factors such as intellectual capital, knowledge creation or excellent customer orientation become more important. As a reaction Kaplan and Norton suggested a new performance measurement approach that focuses on corporate strategy in four perspectives (Kaplan and Norton, 1992, 1997, 2001). This BSC aims to make the contribution and the transformation of soft factors and intangible assets into long-term financial success explicit and thus controllable.

Abdul Aziz (2003) noted that the balanced scorecard must provide the following basic set of requirements for success of applying.

***Corresponding Author:** Mojtaba Seyedi, Master degree of Industrial Engineering, Islamic Azad University, Zahedan Branch, Zahedan, Iran. Email: mseyedi0408@gmail.com

- clear definition of the objectives of the strategy: because the determination of strategic goals is the core of using (BSC).
- The success of the use of (BSC) as a measure of strategic management system depends on the (BSC) approaches by integrates the four Perspectives of the Balanced Scorecard.
- It must respond to environmental changes and pressure on companies such as the intensity of competition and focus on the client, and the phenomenon of industrial integration.

The BSC's four perspectives can be characterized briefly as follows (Weber and Schaffer, 2000, p. 3; Kaplan and Norton, 1997, p. 24, 2001, pp. 23, 76).

(i) The *financial perspective* indicates whether the transformation of a strategy leads to improved economic success. Thus, the financial measures assume a double role. On one hand, they define the financial performance a strategy is expected to achieve. On the other hand, they are the endpoint of cause and effect relationships referring to the other BSC perspectives.

(ii) The *customer perspective* defines the customer/ market segments in which the business competes. By means of appropriate strategic objectives, measure, targets and initiatives the customer value proposition is represented in the customer perspective through which the firm/business unit wants to achieve a competitive advantage in the envisaged market segments.

(iii) The *internal process perspective* identifies those internal business processes that enable the firm to meet the expectations of customers in the target markets and those of the shareholders.

(iv) Finally, the *learning and growth perspective* describes the infrastructure necessary for the achievement of the objectives of the other three perspectives. In this case, the most important areas are qualification, motivation and goal orientation of employees, and information systems. The purpose of a BSC is to formulate a hierarchic system of strategic objectives in the four perspectives, derived from the business strategy and aligned towards the financial perspective. Based on such a causal system of objectives, corresponding measures are formulated in all four perspectives. Kaplan and Norton basically distinguish between *lagging* and *leading indicators* (Kaplan and Norton, 1997, p. 28).

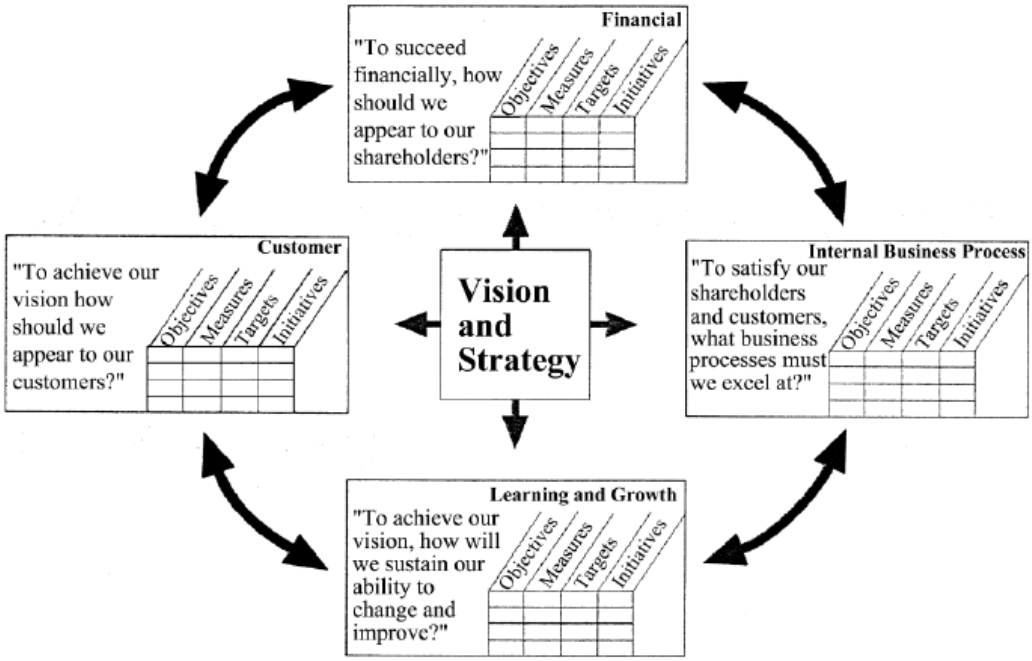

Figure 1. The four perspectives of the Balanced Scorecard linked to a strategic vision

In summary, the BSC helps an organization in the following six ways (Otlay, 1999):

1. Promotes growth; due to focus on long-term strategic outcomes, not just short-term operational results.
2. Tracks performance; individual and collective results can be tracked against targets in order to correct and improve.
3. Provides focus; when measures are aligned to a few critical strategies, the BSC provides focus on what is important to the company.
4. Alignment to goals; when you measure what is truly important to success; the measures become linked and support each other. Alignment occurs across the organization.
5. Goal clarity; the BSC helps respond to the question, "How does what I do daily contribute to the goals of the enterprise?"

6. Accountability; individuals are assigned as owners of metrics in order to provide clear accountability for results.

3. European Foundation for Quality Management (EFQM)

The EFQM Excellence Model was introduced at the beginning of 1992 as the framework for assessing organizations for the European Quality Award (Santos & Alvarez, 2007). The EFQM Excellence Model is based on the accepting and consistent realizing in everyday practice "Eight Basic Rules of Excellence" that is adapted to the European conditions, the principles of the Total Quality Management (TQM), which implemented in the strategic management process guarantee the success of the enterprise, its development and strengthening of the market position (See Figure 2) (Michalska, 2005; Whitmore & Nicholas, 2000).

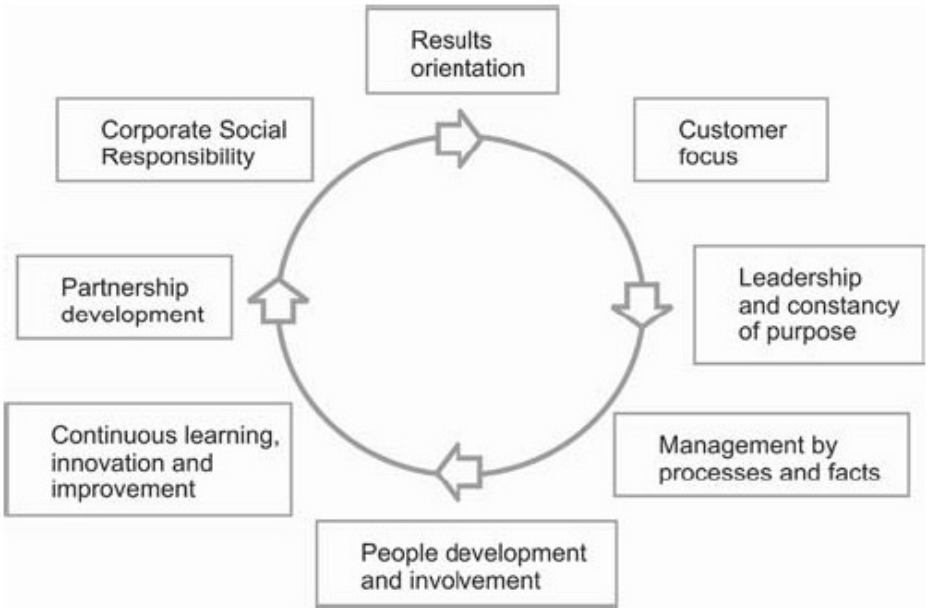

Figure 2: Eight Basic Rules of Excellence (Whitmore & Nicholas, 2000)

The EFQM Excellence Model, a non-prescriptive framework based on nine criteria as shown in Figure 3. Five of these are "Enablers' (leadership, people, policy strategy, partnership and resources, and processes) and four are 'Results' (people results, customer results, impact on society results and business results) (Santos & Alvarez, 2007). Organizations can use the model and the process of self-assessment to improve performance. It is flexible and can be applied to organizations of any size, in the public and private sectors. It is now the most widely used organizational framework in Europe (Michalska, 2008) and has become the basis for the majority of national and regional Quality Awards.

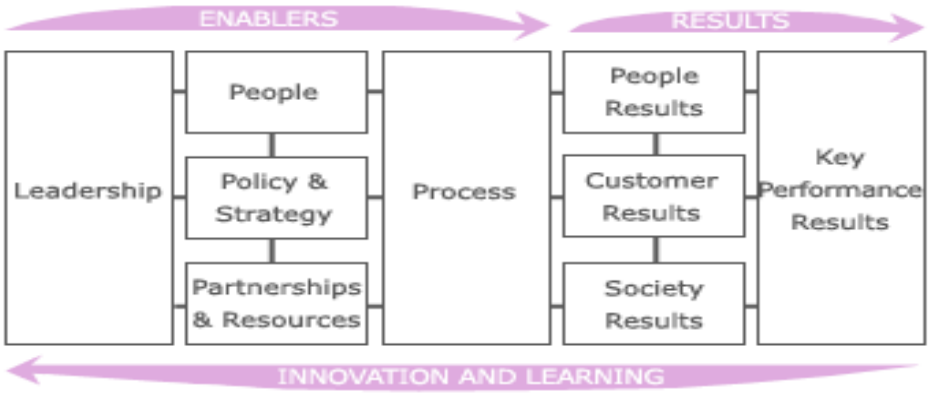

Figure 3: EFQM Excellence Model (Jacob *et al*, 2004)

The EFQM Excellence Model is a practical tool that offers several advantages from the empirical research perspective, as do other Quality Awards (Santos & Alvarez, 2007):

1. The model is regularly revised and updated, incorporating the contributions of EFQM consultants.

2. It provides an extensive set of sub-criteria to detail the exact meaning of each criterion.
3. EFQM is intended to be instruments for comparing an organization with its competitors in order to achieve and/or maintain competitive advantage.

4. Comparison of BSC and EFQM

The Balanced Scorecard and the European Foundation for Quality Management (EFQM) Business Excellence Model are tools that use measures of an organization's performance to drive organizational improvement, generally by highlighting current shortfalls in performance, in areas of particular concern or interest to management teams (Shulver & Lawrie, 2007). In the first glance these two models are very similar to each other. Similarities like common goal, common ideas, both of them are behaviour assessment models and are trying to improve behaviours and are base on cause and effect but in spite of this similarities, it is essential to know that the two approaches come from very different backgrounds and are designed and used using different processes, further, their essence and history are different and each of them provides different profits. This part is going to compare these two models.

Table 1 shows the comparison between of BSC and EFQM and table 2 shows the analysis of BSC and EFQM based on five goals.

Table 1: BSC and EFQM Comparison

BSC	EFQM
Easy understanding and application	**Its application needs experience and proficiency some how**
Tacit emphasis on organization interior factors and limit view to beneficiaries	**Clear emphasis on organization interior factors and beneficiaries**
Usually needs organization proper condition to be implemented	**Generally it could be applied without organization great changes**
It has concentrated view to organizational performance criterions (in 9 aspects)	**It has thorough view to organization performance**
Criterions and their analysis are descriptive	**Criterions and their analysis are prescriptive**
Clearly emphasize on cause and effect relation between organization performance criterions	**Tacitly points out cause and effect relation between organization performance criterions**
Based on theories and it is intellectual	**Based on realities and it is actual**
It could be used as a proper base to make upheavals by regarding prospect	**It has emphasis on continuous improvement and it can't be applied as a tool to make organizational upheaval**

Table 2. shows the analysis of BSC and EFQM based on five goals

	BSC	EFQM
Objectives	Key aim of justified behavior with the strategy of organization.	Helping manager to establish changes by the TQM principles – increasing efficiency in decision making and leader capabilities assessment of organization situation by 9 values.
Plans and Strategies	Using strategic plan to explain organization strategies in 4 aspect of BSC.	No direct suggestion for selecting strategy and plan is given to organization. Just help organization to recognize the field for analyzing EFQM.
Targets	Aiming is not considered but the cause and effect is the strategic way for this purpose.	Aiming is not stirringly mentioned and the man offers aim base on the situation.
Reward	Rewards and the exams should be adapted with each other.	In 1999 version reward was paid attention as a part of assessment.
Feedback	Obvious need to the process of learning.	It is the major part of this model. Results of four aspects can be considered as information feedback.

EFQM is a framework designed to assist organizations achieve business excellence through continuous improvement in the management and deployment of processes to engender wider use of best practice activities. It enables the calculation of scores against a number of criteria that can be used for either internal or external "benchmark" comparisons. It is hoped that the results of these relative comparisons will lead to increased focus on improving key process performance, and so generate "business excellence" (Shulver & Lawrie, 2007; Chen & Hwang, 1992), while BSC is a framework that expresses an organization's strategy as a set of measurable goals from the perspectives of owners/investors, other external stakeholders, and the organization itself. If these goals and associated measures, and targets are well chosen, the Balanced Scorecard will help managers focus on the actions required to achieve them, so helping the organization achieve its overall strategic goals and realize its strategic visions (Kaplan & Norton, 1996; Chen & Hwang, 1992). Moreover, BSC drives continuous improvements in processes within an organization versus EFQM that focuses management agenda on achieving strategic goals and supports two way communications of strategic priorities and organizational performance (Shulver & Lawrie, 2007). Both of them is flexible and should be use within the strategy, culture and aims of the organization. Important goal of both are in special areas. BSC is concentrated on four aspects and EFQM is concentrated on nine aspects. EFQM is not mentioning especial program and strategies while BSC help the managers by means of strategy plan. None of these models is helping managers for aiming. Furthermore, both of them, little thing has been mentioned about reword while in previous version of EFQM on 1999, it was not

mentioned anything about it. The importance of information feedback has been indicated in both models. Table 3 shows the differences and similarities of BSC and EFQM.

Table 3: Differences and Similarities of BSC and EFQM

Similarities	Differences
Both of them have umpires cribbed structure. **There is not obvious ways for successful performance.** **There is relation between reward and encouragement systems.** **Both of them concentrate to the customers' profit.** **Both of them are sponsored and committed with an entire management team.**	EFQM is based on total quality management (TQM) principals while BSC model is base on organization expected strategy. Information feedback is different in these two models. BSC is more flexible than EFQM.

5. Combinatory application of EFQM and BSC

Perfection organizations run their missions and prospects according to codification of a concentrated in market and industry programs, courses, long run goals and processes are codified somehow to fulfill strategies, so EFQM model needs BSC to direct views mission and strategies.
Below figure present combinatory view of two models:

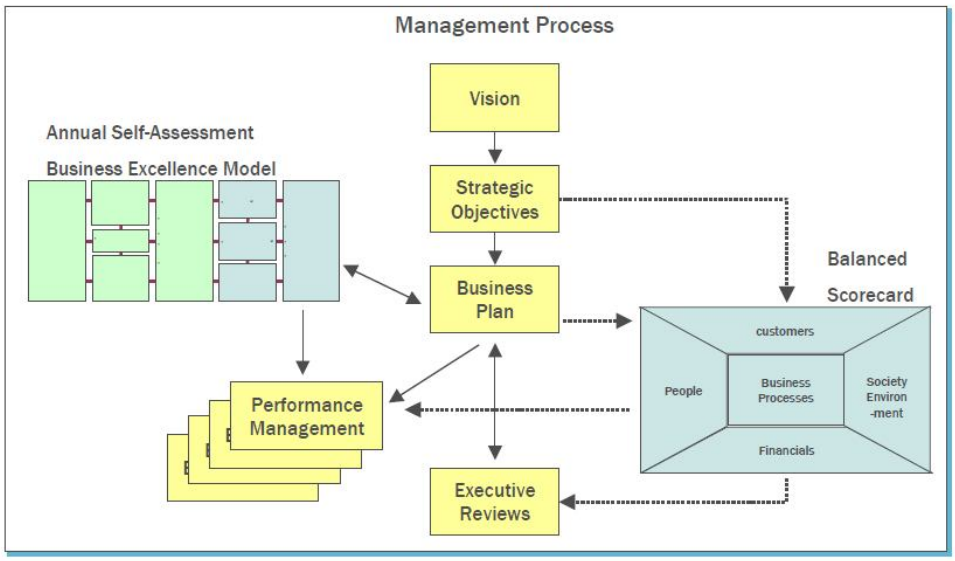

Figure 4. Combinatory view of EFQM and BSC

Above figure shows process fulfillment way in administration. BSC is a strategy executing tool and it represents necessary strategic points for analysis and known strategic changes importance priority. According to mentioned issues, we declare these two models combination way.

Table 4. Choice of BSC or EFQM Models

Purpose	Choice of Model
To perform regular "Health checks" of all business processes identhfying strengths and weaknesses	**EFQM**
To initiative and drive a continuous process improvement programme	**EFQM**
To enable external benchmarking of company processes	**EFQM**
To develop a "checklist" indicating "Good practice" used for business planning and evaluation	**EFQM**
To inprove understanding of cause and effect aimed at informed and improved management decisions and actions	**BSC**
To align operational activities with strategic priorities, based on vision/ mission statement	**BSC**
To priorities strategic initiatives	**BSC**
To facilitate two-way communication of strategy and strategic issues across large organizations	**BSC**
To focus management agenda more on future strategic issues than on histroric financial issues	**BSC**

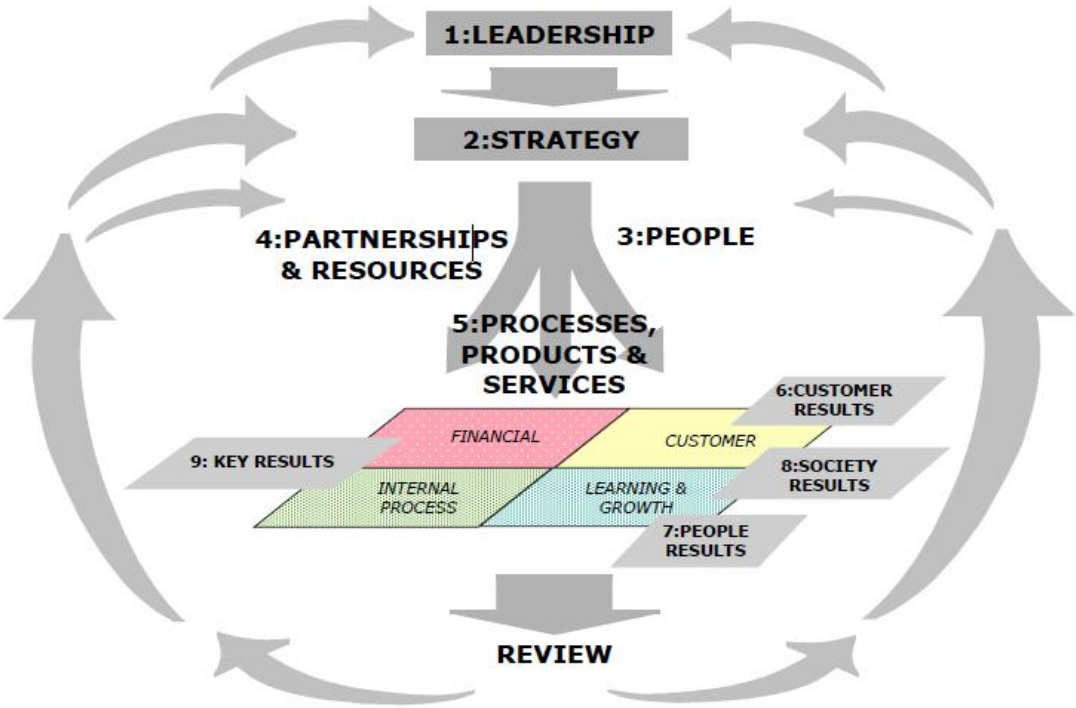

Figure 4. Alignment between the balanced Scorecard and EFQM Excellence Model

6. Conclusions

EFQM and BSC Models have fundamental and conceptual differences despite their external similarities some of differences are mentioned below:

1. EFQM model independency from environment and BSC model dependency
2. EFQM model is descriptive and BSC model is concentrated
3. EFQM model is real and BSC is mental model
4. EFQM model presents recent condition while BSC model shows future status.

According to mentioned points and by the use of available differences in these two methods, if we execute them together, every model will add new diminution to another model which leads to better understanding from organization processes and its strategic domains.

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