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Re-investigating Business Excellence: values, measures and a framework

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Abstract

This paper re-visits the nature of business excellence, explores the conceptual development and suggests a normative framework that better supports the measurement, management and delivery of competitive performance at the 'world class' level. It stresses the importance of the firm-specific and situation-sensitive means of evaluation for excellence. The proposed model has four dimensions of *operational excellence*, *strategic fit*, *capability to adapt*, and *unique voice*, which represent correspondingly the classical school, strategic school, dynamic school and individual school of business excellences. The major implication of the research is to understand business excellence from a balanced perspective. Empirical evidence from a mini-case is discussed to demonstrate the applicability and the potential business benefits.

Keywords: Business excellence, performance measure, excellence model, world class organization, world class framework.

Re-investigating Business Excellence: values, measures and a framework

Introduction

One of the fundamental questions in the field of business performance is how firms achieve and sustain competitive advantages and pursue business excellence (Dahlgaard and Dahlgaard-Park, 2006a; Watson, 2003). We attempt to confront the question by re-investigating some key conceptual models of business excellence and by sharing our own *World Class Diamond model* with the research community. The development of the model flows from a recognition by the authors that there are still some significant gaps in the understanding of what really is *business excellence* (Dahlgaard and Dahlgaard-Park, 2007; Taticchi, Tonelli & Cagnazzo, 2010). The key objective of the paper therefore is to re-investigate the nature of business excellence and suggest a normative framework that better supports the measurement, management and delivery of world class performance. Our approach to this endeavour is based on our empirical research and we build much of our argument on the review of existing literatures, but also advanced the concept beyond the scope of existing models. Furthermore, constructing a better theory of the firm's measurable excellence in order to drive managerial practices remains a core interest (Dahlgaard-Park, 2008).

Why, after nearly 3 decades of research development, do the topic of business excellence and its theoretical models still deserve the attention of the research community? We believe that there are three main factors at play that continuously reshape the course of

research and practice in the field of pursuing business excellence. First, the very definition of 'business excellence' has been continuously modified to accommodate for the context of rapid changes in the global business environment (Dahlgaard and Dahlgaard-Park, 2007). Second, there is a growing need to harmonize the heterogeneous measures promoted in the literature, and by practitioners, around the world. Third, we contend that there is a real and valid need for an evolved framework to capture the increasingly disparate context for strategizing the excellence, which have not been fully recognized to date. This paper is intended to target these key issues.

In order to position our analysis in a manner that addresses the concerns with the existing approaches and frameworks, we begin by reviewing existing models for measuring and developing business excellence. Our attention is on the fundamental purpose and utility of the models, and we intend to discover the values and the behavioural contributions they may deliver. We consider it odd that despite the widely differing structure and an array of various measures created over the last three decades as indicated in the literature (Dahlgaard-Park and Dahlgaard, 2007; Brudan 2010), ***the critical role of firm-specific unique practices in contributing to business excellence does not appear to have been captured at the theoretical level.*** This reveals a significant research gap, and this paper attempts to address this gap by incorporating particularly the idiosyncratic characteristics of business excellence into a framework we call the 'World Class Diamond model' and provide an extended discussion on each of the four components that constitutes the model.

In the following sections we begin by reviewing some of the key literatures in the fields of manufacturing excellence, world class manufacturing, and business excellence. Synthesizing

the different bodies of literature allows us to develop a more thorough understanding as to what really constitutes the world class excellence in terms of its purpose and unique identity, and how it has been assessed. This review reveals some further conceptual gaps and confusions in the field, to which the authors proffer their views and interpretation. Then, a framework named the *World Class Diamond* is developed and presented. A number of implications of the model are explored and debated. Finally conclusions are drawn with a view towards a potential future research agenda.

A review of business excellence models

Undeniably the concept of business excellence has, for at least three decades, been at the centre stage of management theory and practices and there is no shortage of models and frameworks that explain it. However it remains debatable whether the movement towards business excellence in theory as well as in practice is originated from the continued development of TQM, or, it is making a gradual but definitive departure from it. It is generally accepted that excellence models and frameworks are inspired by the Japanese practices in the earlier years of 1990s (Dahlgard-Park and Dahlgard, 2007). But, is it still appropriate or relevant to use TQM to capture the essence of business excellence and their models and frameworks? Much of the discussions produced in this paper tend to suggest not. ***There is perhaps a more pressing need to re-define the conceptual scope of TQM in order to release ground for the underpinning theory of business excellence to sprout.***

Forbes list of the top twenty most influential business books in 2002 included four that make explicit reference to the notion of 'world class': Michael Porter's *Competitive Strategy*

(1998), Peters and Waterman's *In Search of Excellence* (1982), Hamel and Prahalad's *Competing for the Future* (1994), and Jim Collins' *Good to Great* (2001). In addition, two other books admittedly have heavily influenced the emergence of concept of *World Class*, a term first used by Hayes and Wheelwright in *Restoring our Competitive Edge: competing through manufacturing* (1984) and was followed by Schonberger's book *World Class Manufacturing: The Lessons of Simplicity Applied* in 1986.

Peters and Waterman's (1982) work is regarded as a seminal contribution to our understanding of the traits of a world class companies with their eight attributes of excellence. One can see the commonality with themes and the issue of focus on core capabilities ('a bias for action', 'stick to the knitting'), alignment ('close to the customer', 'simple form'), leadership ('hands-on, value-driven', 'productivity through people') and management of change ('autonomy and entrepreneurship', 'simultaneous loose-tight properties'). However, they seem to have missed out an important role of capability to adapt in achieving long lasting excellence. Hayes and Wheelwright (1984) provided a major sea-change with their connection between internal development and the evolution to external excellence. Schonberger (1986) picks up the same issues as Hayes and Wheelwright and coined the phrase *World Class Manufacturing* and in his follow-up book *World Class Manufacturing: The next decade* (Schonberger, 1996) described the 16 principles that underscored the importance of connecting customer-focus with employee-drive and data-based process performance. Jim Collins (2001) provided a detailed research approach to US organizations that provided "Great" results, which identified the connection between internal capabilities (both cultural and operational) and external distinctiveness.

There are now sufficient supporting evidences from the literature to draw an understanding that business excellence is not just a part of business performance. The emerging consensus on the ***notion of business excellence points that it is the combined excellence of the internal business capabilities and the externally resultant measurable performances.***

In Peters and Austin's excellence model (Peter and Austin, 1985), the critical success factor of 'care of CUSTOMERS' is the external performance measure and the 'LEADERSHIP (MBWA)' and 'constant INNOVATION' are the internal business capabilities; In the Xerox business excellence model (Fornari and Maszle, 2004) the 'No.6 excellence criteria: business results' represent the externally measurable outcomes and the rest of the criteria on internal capabilities including 'human resource management' and 'business process management' and etc.; In the "4P" quality strategy model for organizational excellence, 'products/services' captures the externally performance excellence and the 'people', 'partnership' and 'process' together with 'leadership' cover the internal capabilities; in the European excellence model there are clearly defined 5 enablers and 4 results (EFQM, 1999a,b). This explains why excellent business performances alone can be readily observed time and again from many organizations that are not necessarily *world class* companies. However, all the world class organizations must demonstrate measurable excellent performances. Indeed, many of the so called "excellent" organisations in Tom Peters' list (Peters, 1980) fell from grace shortly after being recognized as such mainly because somehow they could not sustain delivery to the market at the same level of discernable excellent performance as they used to. This necessitates a fundamental criterion for any business excellence model to be conceptually acceptable – ***business excellence models must measure and drive both internal capabilities and external performance that can really last.***

Dahlggaard-Park and Dahlggaard undertook an insightful and critical review on some of the well-known excellence models and framework in order to understand the development over a 25-year period (Dahlggaard-Park and Dahlggaard, 2007). There is, in fact, a bewildering array of measures and approaches of measures in the field of business performance assessment and some of them are specifically designed for business excellence assessment, which many may call “World Class” measures. Tatticchi *et al* (2010) completed an extensive literature review of over 6,600 journal articles on performance measurement and management (PMM) and performance measurement systems (PMS) over a period of 40 years, and demonstrated an accelerated increase in the citations to the subject. A selected group of 25 PMS including the well know BSC models were identified and analyzed. Based on Talwar’s recent work (Talwar, 2009) there are at least 94 business excellence models or frameworks being proposed, published and used in 77 different countries around the world including Malcolm Baldrige National Quality Award (MBNQA), European Foundation for Quality Management’s (EFQM) Business Excellence Model and Deming Prize model. The abundance of the business excellence models is obviously quite overwhelming.

Sin-Hoon Hum and Lay-Hong Leow (1996) used the Hayes and Wheelwright approach to undertake an empirical study of effective manufacturing strategy, and one of the key areas that they explored was the manufacturing capacity and the strategies towards the capacity planning and management. Their findings broadly supported the Hayes and Wheelwright’s assertion that the Level 4 companies can match or lead demand, whilst the Level 2 organizations tend to lag the demand. Hammer and Goding (2001), although advising against a zealous approach, pointed out that approaches to improvement such as Six Sigma have made real demonstrable difference to businesses. Morita and Flynn (1997) confirmed

that adoption of technique-based best practice approaches such as TQM, JIT, Continuous Improvement (CI), Statistical Process Control (SPC), as well as socio-institutional traits such as commitment and motivation, have all been shown to have an impact in driving superior performance. However, what they might not have specifically realised is that TQM and CI as management philosophies (not just the technical-based practice) have not only had impact in driving superior performance, but more importantly have also changed the way how managers understand business excellence, and consequently have driven a never-ending course of paradigm shift. It is this paradigm change as exhibited in the trail of literature (Dahlgaard-Park, *et. al.* 1998, Dahlgaard-Park, 1999) that commands our attention.

It is evident and interesting to observe that all the excellence models and frameworks seem to have been designed and applied with various degree of emphasis or 'bias'. Some are aiming at the right principles, others for the descriptive guidance; some focus more on 'hard' issues others on 'soft' ones; some feel more subjective and others more objective; some are very simple but without simplicity, others very complex but without complication; and so on. Although, the research community has no sign of shortage in attempts to create all encompassing and universally applicable model, what is apparent is that ***there has been no single agreeable best design of excellence model so far that can hold infallible against all or any criticisms.*** Just like we will never agree on which flower is the best of all. It appears that fundamentally every business excellence model represents effectively the authors' beheld business values.

Values are the determining core of all practices and behaviours of business (Hofstede, 2003) formed in and affected by the cultures and the societies where they are rooted from. They may differ from person to person and from time to time. However, values can only be observed through the practice of behaviours. This perhaps is one of the reasons why there are so many different forms and shapes of business excellence models; and why it is almost impossible to have a strictly uniformed and universally agreeable framework for all situations and contexts. Consequently, if the business excellence model beholds business values, then it must accommodate individuality of the business values, which will then result in diverse measures and standards in different context. Thus the authors would further argue that ***any viable normative framework for business excellence must therefore be able to accommodate measures that are situation-sensitive.*** Our literature review shows clearly that not all business excellence models meet this requirement, which then leads to a potential research gap to be considered.

In the plethora of the literatures, there is no shortage of valuable contributions in terms of the exploration and debate on world class performance. However, few of the frameworks appear good enough to mature into a practical application that provides consistent standard and scoring systems. Even fewer can emerge to widely recognized and consistently applied assessment tools. The most widely used approaches to measure the business excellence are the EFQM's Business Excellence Model and the Malcolm Baldrige Excellence Model in the USA. The EFQM model measures the "Enablers" (Leadership, People, Strategy, Partnerships & Resources, and Processes, Products & Services) and the "Results" (People Results, Customer Results, Society Results and Key Results). Baldrige Excellence Model sets up seven categories of criteria for the organizational performance excellence, of which six of

them are about the approaches and development (including: leadership, strategic planning, customer focus, information / analysis, workforce, and processes) and the seventh criterion is the business performance results. The model is the most widely used in the US and has been praised as an important aid to management, but it has also been criticized for missing out on marketing, change, and innovation (Leonard and McAdam, 2002; Williams *et al*, 2006). Both the EFQM and the MBNQA models, despite the high popularity, have received mixed reviews.

The notion of world class performance first conceived by Hayes and Wheelwright (1984) and subsequently expended and enriched by others (Voss, 1995; Schonberger, 1996; Giffi, 1990), may not be sufficient or may no longer be entirely suitable for today's business needs. It appears that most of world class manufacturing literature is dominated by Japanese practices in automobile industries and volume production industries (Oliver *et al*. 1994, 1996; Womack *et al*, 1991). Therefore, the key characteristics of the world class manufacturing and the measures developed are somewhat confined to *operational excellence* (Voss and Blackmon, 1997). Operational excellence is particularly important but the areas which fall short of what can be expected from today's business requirement includes:

- The scope of the measures does not engage wider stakeholders and supply chains on which the success of the organization depends.
- They have a clear attachment to the automotive industry and are volume production specific; and hence their relevance to both lower volume production and service industry could be questioned.

- The focus on operational performance at the expense of strategic capabilities does not provide a balanced view.
- Such measures are static, rather than dynamic, that is they take a snap shot on “Have you reached there?” rather than “Can you manage to remain there?”

There is now an increasingly strong argument to call for a re-defined business excellence model.

Proposing a *World Class Diamond* model

Given the foregoing discussion of the world class concepts in the literature, one may ask what really do all the world class businesses have in common? A satisfactory answer to the question could surely go pretty close to defining the business excellence properly. However, it is not an easy question, nor is it first time to be asked. From the literature review above, we suggest that any re-defined business excellence model must be able to address three key imperatives:

First, the answer has to accommodate variable conditions – not one-size to fit all. It would be easier to find those commonalities amongst the companies in similar businesses, but not so for all businesses in different industries. Nevertheless, the concept of business excellence and world class business should not be defined in such a complicated and unwieldy fashion that would be needed to incorporate the context of specific industries or businesses. So, ***the key principle is that such a framework must be generic enough to suit all businesses, but also flexible enough to accommodate firm-specific traits in different contexts.***

Second, the framework must address the prevailing dynamism in terms of the conceptual development and changes during the course of pursuing business excellence. This means that the framework must stand the test of time – the biggest changing factor. *The framework thus must accommodate possible changes of criteria in the future and recognize that the ability to adapt over time is a key criterion of excellence in its own right.*

Thirdly, a framework must also have *balanced* measures in terms of covering the different aspects of business at high level so that it helps to deliver a comprehensive world class evaluation. This also implies the framework must be comprehensive enough not to have any aspects of the business uncovered at a high level.

Based on those primary considerations, we propose hereby a conceptual framework consisting of four key dimensions for world class development - operational excellence, strategic fit, capability to adapt and unique voice, and call it the *World Class Diamond Model*.

The model is shown in Figure 1 and each dimension is discussed further in the following sections.

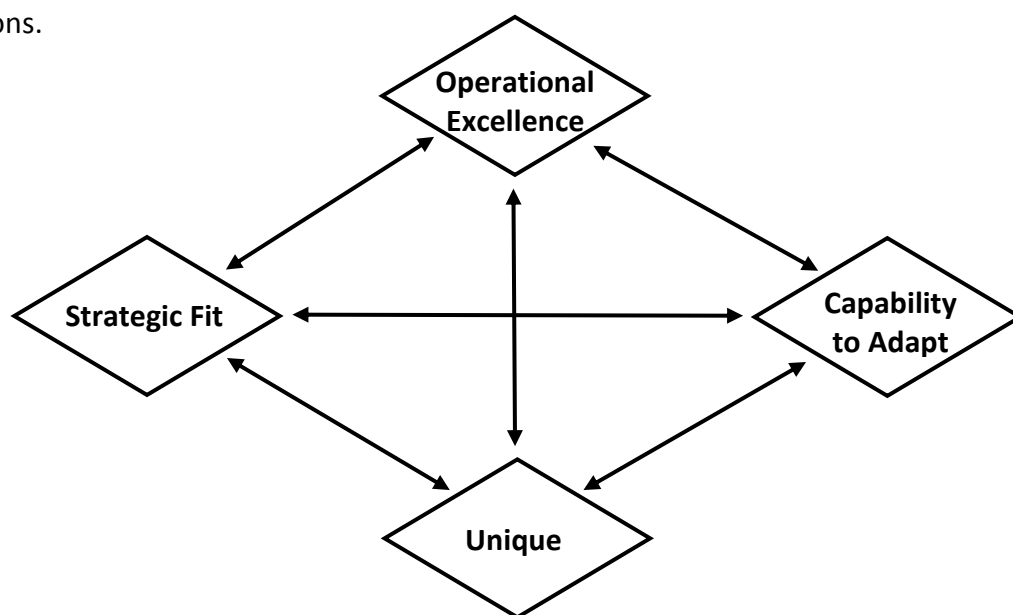


Figure 1— The World Class Diamond model©

Operational excellence

There is a strong body of evidence in the literature to support that world class organizations embrace operational practices that focus on right first time, high efficiency (productive) and effectiveness (customer/market oriented) of processes. These traits are captured in the dimension of *Operational Excellence*. As operations fulfil the customer requests, they become directly visible to the external environment. Thus in almost all excellence frameworks, measuring operational excellence is included. Because operations execute and deliver the strategic planning, they become the most immediately concerned and measured part of business.

What constitute the detailed measures in the Operational Excellence may vary significantly, and is better to be left open in the model, but for the managers to determine in their specific situations. There are many factors that will determine and change the concept of what is an excellent operation, such as, product categories, market competitive conditions, customer categorizations, and so on. ***Therefore in the assessment of world class excellence in operations dimension, it is vital that one adopts a situation-sensitive and firm-specific means of evaluation,*** and the World Class Diamond Model accommodates that.

Operational excellence has been discussed extensively in the *classical school* of business excellence. The mass-production systems herald by the Taylorism and Fordism in 1920s and 1930s were examples of classical business excellence, in which operational efficiency is the centre piece. Its objectives were to define the “scientific” organization by measuring cost, productivity, throughput time, volume, speed and etc. most of which are still used in today’s measurement system. Such excellence was achieved through specialization and “division of

labours” and was driven by Adam Smith’s idea of value-maximization, which pervades economic and management theory. It is very much a “result-driven” excellence, which still has resonance in today’s excellence theories. Amongst the many great thinkers who theorized the concepts of operational excellence, were Adam Smith, Frederick W. Taylor, Henry Ford, Taiichi Ohno and Genichi Taguchi, to name just a few.

Strategic Fit

No world class organization can achieve sustainable success by relying on operation performance alone; there is a need to develop and execute strategies that connect internal resources to the external environment whilst representing stakeholders’ interests. Strategic correctness and excellence should thus constitute a distinct category of measures that shape business excellence. Whilst many excellence models emphasize the measures of strategic process, we contend that ***a brilliant strategic process does not necessarily result in strategic excellence. It is also the correctness of the contents of the business strategy that make or break the success.*** An apparent shortcoming in the reviewed literature show that many of the models examined do not give sufficient emphasis to strategic excellence, and even less so to the critical aspect of strategic fit.

Strategic fit reflects the *strategic school* of business excellence. During the 1990s and early 2000s, management communities began to realize the growing imperative of *strategic fit* over and above other critical measures. The premise of the concept is that the coherence between operational performance and overall business strategy takes a higher priority than the isolated operational performance itself. One must ensure the business is doing the *right things* first before making sure it does the *things right*. Thus, mission, vision and value

became the pre-condition for business success. Strategy is a mediating factor between stakeholders' objectives and operational behaviour. In short, this school of thought contends that ***there can be neither excellent operations nor excellent performances unless they fit to the business's top level strategies.*** Hence, we saw a growing discussion of strategic direction in defining and achieving business excellence during the 1990s by many leading thinkers including Peter Senge, Henry Mintzberg and Michael Porter.

Capability to adapt

The third dimension of our model looks at an organization's *Capability to Adapt*. To be successful and even stunningly successful at one moment in time is not difficult. But it is a lot harder to sustain it. Organizations that meet the challenges with the right responses have been seen to succeed. But faced by new challenges, too often the old successful patterns no longer work. Our literature review again shows that few of the existing models and frameworks have given adequate emphasis to this crucial aspect of world class companies. For example, in the McKinsey's 7-S framework (structure, strategy, systems, shared values, skills, staff, and style) none of the criteria directly or indirectly specify the constant need to adapt; in Peters and Waterman's search for excellence model (1982, pp.13-16) the eight attributes are detailed which they believed to have characterised the excellent and innovative companies. Again none is related to capability to adapt. EFQM's Business Excellence Model has been criticized for not having measures on change management (McAdam & O'Neill 1999). ***Capability to adapt is a measure of organizational learning and organizational transformation – critical to the long term and sustainable success.*** It captures personnel training, technology upgrading as well as organizational

structure and external supply chain change. We argue that such changes are essential for any organization that aspires to world class excellence.

Capability to adapt reflects the *dynamic school* of business excellence. Deep and rapid changes in management practices took place during the early 1980s. The changes were mainly spurred by the huge success of Japanese automotive and electronics industries. The concept of excellence here can be summarized as arising from strength in innovation, ability to change and a leadership that excels through both their values and their actions. Thriving on Chaos (Peters, 1987) was published only five years after his seminal book *In Search of Excellence* and analyzed the impact of uncertainty in the business environment requiring and increased capability for organizations to be able to *adapt* to such uncertainties. It is frequently stated that technology has an ever-increasing influence on every aspect of business and markets, and that customers continuously change their tastes and preferences. “Excellent firms don’t believe in excellence – only in constant improvement and constant change” (Peters, 1987). Soon after, Michael Hammer and James Champy published their book “Reengineering the Corporation” in 1993, which further supports the idea of adaptation and becoming a learning organization.

Unique voice

Fourthly, the *World Class Diamond* model captures the idiosyncratic nature of world class excellence by incorporating an organization’s *signature practices* and their market success, which we call the *Unique Organizational Voice* (or *Unique Voice* in short). Idiosyncrasy is a trait that has been acknowledged in much of the capability literature (Gratton and Ghoshal, 2005, Barkema and Shvyrkov, 2007). This dimension of our model is a combined

representation of any unique business policy, process or operation that fits particularly well to the organization's specific circumstance and delivers winning performance in the market place. Our research shows that ***all world class organizations became so by having something unique, something that they do differently from their competitors and as a result they bring about market success.*** The literature world is replete with evidence of such uniqueness for world class companies such as Toyota, Zara, Dell, IKEA and so on. Figure 2 illustrates a conceptual model of *Unique Voice*. From an organization's internal perspective, it represents the signature policies, processes and operations that characterize the brand or distinctive image of the organization in the eyes of its customers. Externally it represents the differentiated advantage the organization enjoys in the market place as a result.

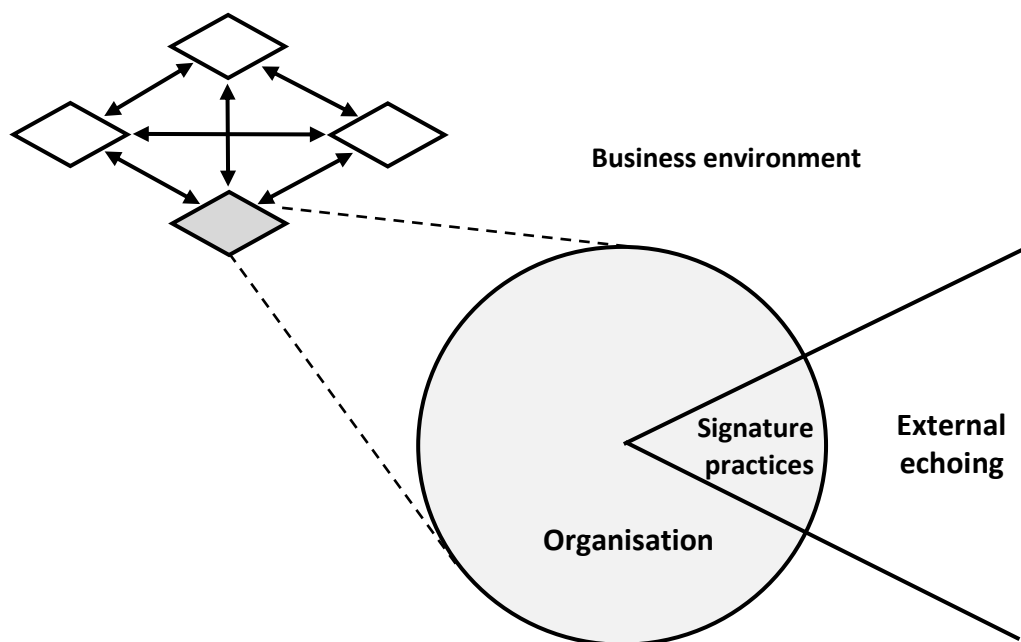


Figure 2 — The model of unique organizational voice.

It should be noted that the concept of *signature process* is not new (Gratton *et al*, 2005).

The significant difference here is that the *Unique Voice* has two parts, inside and outside.

The inside one refers to the *signature practice* which includes *signature processes*, signature

strategy, policies and operations and so on. The outside one represents the favourable outcomes in the market place as the result of the signature practices. Our literature review so far reveals that no existing business excellence models or performance measurement system has captured this important dimension.

Unique voice represents the *individualist school* of business excellence. The paradigm change from a generic approach towards an individualist approach took place from the beginning of the 21st century with a growing body of literature discussing how leading edge organizations created excellence through identifying and developing their own signature practices that outperform their competitors. They often sail into the uncharted water by pursuing differentiated competences and unique voices that result in difficult-to-imitate competences which lead to an enhanced competitive edge, thus supporting the conclusion that ***true excellence is always unique***. This perspective has been echoed by many contemporary management thinkers around the world. Gratton *et al* (2005) stressed the importance of developing the individualized signature processes not just copying the best practices. McGahan (2004) developed an industry evolutionary model and concluded that business success and excellent performance can only be realized if and only if they fit to their individually specific trajectory of evolution. Kim and Mauborgne (2005) in their international bestselling book “Blue Ocean Strategy” emphasized the critical importance of creating the company’s own individualized “blue ocean” to make the competition irrelevant.

Managerial Implications

Situation Sensitivity

Intuitively, it is not difficult to agree that the notion of business excellence needs to be situation sensitive, but it may be hard to translate this concept into a model to accommodate that. The World Class Diamond model treats this by leaving it non-prescriptive, i.e. the detailed sub-criteria of assessment measures are not specified and are left to be determined by the situations. None of the four components of the model are classed as a specific measure, but rather they indicate a set of behavioural dimensions to be examined in individual organizations. ***To pitch the model at the behaviour level but not at the performance level is perhaps a compromised settlement to the dilemma between measuring the internal capability and measuring the external outcome.*** All business cases we looked at have the four behavioural dimensions. The World Class Diamond model thus accommodates this crucial element of context-relevance and has made it possible for the model to be more acceptable as a general framework that can be applied much more widely.

Interdependence

The Diamond model implies that operational excellence measures should never be carried out in isolation. The model clearly indicates that what is to be measured on the level of operational excellence will be interlinked and dependent on the organization's *Strategic Fit*, *Capability to Adept* and *Unique Voice*. In other words, the content and standards of operational excellence will vary due to different organizational strategies, stages of adaptation of a new technology, and the maturity of the operation. It can be argued that operational excellence is only a part of the overall organizational performance target, and its measurement should not be treated in isolation. ***It is the understanding of this interdependence that transforms the operational performance measurement into a dynamic operational performance management.***

Empirical Evidences

The Diamond model and the associated conceptual development explored above appear to have married up quite well with our empirical evidences gathered from the organizations that we worked with over the last 5 years. Based on the conceptual framework of the World Class Diamond model, we developed a set of detailed survey / assessment questionnaires that suits the organizational context and created some corresponding tools to analyze the survey data and produce a summary report as an outcome. We call this World Class Survey. This process is accompanied by face-to-face interviews, feedback analysis and diagnosis sessions, hands-on facilitation to help managers to set up their improvement projects and initiatives. Herewith is a mini case that sheds further light on the potential tangible business benefit that the Diamond model can bring about.

An Insurance Company – a case illustration

The case organization that has used the World Class Diamond model for their business transformation is a major UK based Insurance Company. The company employs around 12,000 staff in the UK. It is one of the largest insurance companies in the country. The importance of its success can never be over emphasised as the British remain the world's most insured people, paying more than 12 per cent of GDP on premiums, roughly a third more than Americans spend on insurance and nearly twice what the Germans spend. Whilst recognising the benefits from a leading market position, strong cash generation, low capital requirements, and excellent customer franchises, the company leadership had a self-imposed a 'sense of crisis' and decided to relentlessly drive the business towards a new level of excellence. It was at that point the need for a clearly defined world class model and a

feasible implementation approaches arises. Working closely with the company over a three-year period, the authors had managed to deliver just that, which led to the achievement of unprecedented performance results. The overall business transformation witnessed across the company has, in the end, convinced everyone that it is the Diamond model that propelled them in a right direction to world class excellence.

At the beginning of the journey, initial diagnosis revealed that one of the major problems that impeded the company's attainment of world class excellence was not really knowing for sure what constitute the world class, let alone how to achieve it, which shows a research gap in the theory of business excellence despite of 30 years of development. A more worrying factor was that most people we interviewed tends to believe that there was a set of universally agreeable standard measures for the world class, and achieving world class was basically about meeting the targets. This phenomenon had been so patently evident when it came to taking actions on performance improvement.

The Wold Class Diamond model appeared very instrumental in tackling the problem head-on. Using the model, managers gradually realised what they had been feverishly pushing in the past were the measures of Operational Excellence, which only constitutes the most obvious part of the World Class Diamond model. To become a world class organisation, 'doing things right' is not enough; one must also 'do the right thing'. 'To do the right thing' calls for "strategic fit". World Class Diamond ensures that the operational excellence measures fit to the strategic objectives and have the right strategic alignment between the stakeholders' interests. Furthermore the World Class Diamond model shows that Operational Excellence and Strategic Fit together still do not render the world class

excellence, even though some excellence models proffer criteria only in those two areas.

The presence of the Capability to Adapt is essential. Survival and sustained excellence calls for constant adaptation. *Change* is the only thing that never *changes*. It started to make great sense to all when managers related the concept to the recent economic downturn and increased environmental concerns.

The most difficult part of the model for people to understand was the Unique Voice component. Even the senior executives struggled with the concept. There even was a degree of scepticism as to the value that this particular element would bring. However, to us, it actually vindicated the real value of the Diamond model as it shed light on apparently a blind-spot in the practice of business excellence. We held seminars, master classes and group discussions to define, explain and clarify what really is the Unique Voice and why it is an indispensable part of world class excellence. To our astonishment, within a short period of time, they had been converted to the firm believers. Managers began to tell us the unique signature practices that they identified as the Unique Voice. We have since conducted 12 unique voice case studies across the company. Those case studies served a practical means of qualitative measure for the maturity level of the Unique Voice. During the process, managers realised they don't have to copy the *best practice* of others. Some of their own Unique Voice could in time mature into the *best practice*. *Excellence has and can never been completely duplicated or repeated.*

The practical implementation process of the model was divided into 5 major steps. First, it is used for the initial understanding on the basic concept as a general learning and education tool. Second, it is used for problem identification and performance gap

assessment. In this step, survey questionnaires were developed. Third, it is used to provide a conceptual blueprint for data analysis as well as case study. Fourth, it is used for the feedback and interpretation of the analysis results. At the last step the model is used for creating corrective actions plans and initiating improvement projects.

So, what were the *measurable* changes after implementing the world class diamond model in the company? The answer perhaps is '*immeasurable*', which has a number of connotations. First, the business transformation achieved through the period in terms of management culture changes, process and capability improvement and people's mindset changes are difficult to measure. But they are undoubtedly high impact, wide spread and deep penetrating. The strategic implication and long lasting value is perhaps too early to tell. Second, it is 'immeasurable' in terms of quantitative data. But qualitatively and empirically evidences are readily observable:

- Instead of pursuing measures of individual capabilities, managers started seeing the important of linkage and integration between them;
- Instead of just benchmarking on the best practices from high performing organisations, they pay more attention to nurturing their own unique signature practices;
- Instead of fighting the changes of business environment, they learned how to adapt into it strategically;
- Instead of just trying to meet operational performance targets, they put more effort on making the targets aligned to the business objectives, and making the business strategy to fit to the interests of stakeholders.

Those are just a few examples of profound change of mindset that were taking place in the organisation, which demonstrated the effectiveness and practical value of the World Class Diamond model.

In addition to above qualitative measures, some quantitative measures were also evident. The insurance reported a 41% increase in operating profit (before manufacturing cost) to £513m over the period of three years. Excellent sales growth was achieved where insurance new business sales increased by 289%. The international businesses also performed much better with income up 24% and contribution up 37%. The company-wide survey showed that it improved its position in 11 out of 15 categories compared with three years ago and exceeded the global financial service norm in 12 of the 15 categories. Those are not trivial achievements in any standard, and the company had since been accredited with the well-deserved *World Class Showcase* status.

Conclusion

The usefulness and the validity of the *World Class Diamond model* can also be observed from an evolutionary perspective. One can judge the validity of a model by examining how well the model captures and implies the conceptual evolution in business excellence over the last 30 years, which may also indicate how well it represents the evolved understanding of business excellence. The premise of discussion is based on the position that business excellence is not a concept set in stone, it changes over time. Therefore, to the TQM and business excellence research community, it is less of a question “can we agree on it”, but more of “can we see what has changed and what is now more relevant.” By very carefully sifting through all the key traits of the known world class organizations, we believe the

finalized four key components of world class excellence do capture most part of the thinking that has evolved and developed so far in the field.

As a part of the authors' contribution, in contrast to much of the existing literature, we put forward that there is now a real need to construct the *unique and creative element* of the organizational excellence into the framework. The Unique Voice – one of the four constituent components of the Diamond model addresses precisely that need. The Diamond model is also formulated to shape the overall behavioural character of business excellence, and thus gives only a high level guidance to management practices, which will then further lead to some prescriptive performance measures that are likely to be firm specific. It is also up to the value of the business excellence that ultimately underpins business performance and engenders cascaded corresponding measurements.

The concept of the World Class Diamond Model implies that firms should achieve and sustain their business excellence through balanced deployment of managerial effort on the four dimensions. The interlink and mutual reliance between those four constituent categories of business excellence is the essence of the World Class Diamond model. All components are interdependent and even intricately related with each other. Considering such interdependence the implications to the measures of operational excellence may be:

1. *Measuring how strategically the operations fit, not just how excellent the operation is itself*
2. *Measuring how operations can and should constantly adapt into the new and challenging environment*
3. *Measuring whether the operations have produced a Unique Voice.*

The business excellence is undoubtedly value driven system, and thus it is ultimately firm-specific and situation-sensitive. Hence it has to be a dynamic concept that evolves over time. Each and every specific journey on pursuing business excellence varies from company to company and from time to time. The truly successful stories will continue to unfold in their diverse and yet individually unique colours.

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