

# **BUSINESS EXCELLENCE AS A CRUCIAL COMPONENT FOR ORGANIZATION COMPETITIVENESS**

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## **Abstract**

Background: Business excellence represents one of the most valuable management means of achieving competitive advantage of organizations. Modern and global market demands new organizational approaches for the long-term improvement at all organization levels. Objectives: This paper is concerned with the level of business excellence in Sibenik-Knin County and the level of knowledge about the EFQM model. Moreover, this paper is concerned with the level of knowledge of the top management concerning the business excellence and quality principles. Methods/Approach: For the purpose of this paper, the research was conducted among organizations in Sibenik-Knin County. Results: The results showed that the organizations in Sibenik-Knin County lack the initiatives for the systematic approach and implementation of business excellence model, but poses the knowledge about the basic concepts of business excellence. Conclusions: The research had showed that the organizations believe that the ISO certification is sufficient for strengthening competitive advantage and organization success.

Keywords: quality, business excellence, EFQM.

*Jel Classification: D02*

## **INTRODUCTION**

Business excellence represents a high level of quality at every organization level. Truly excellent organizations are those organizations that had embraced the concept of business excellence as an important tool for future development and had incorporated the quality concept throughout the whole organization. Business success is defined and measured by number of different qualitative and quantitative measures. Business excellence represents a form of qualitative mean for measuring organization success.

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Business excellence is defined by principles of organizational orientation at results, customer focus, employee development and participation, continuous learning and innovations, development of partners' relationship and corporate social responsibility. Modern and global market demands new organizational approaches for the long-term improvement at all organization levels.

Large number of successful organization had embraced the concept of quality and are awarded for the business excellence with national and internationally recognized models of business excellence. Well-prepared system of quality management is simply a ground stone for the future implementation of business excellence models. One of the most recognized and widely used models of business excellence is European Foundation for Quality Management (EFQM). Croatia has the entire predisposition for the introduction of EFQM model of business excellence but organizations showed the lack of interest and initiative for the implementation of EFQM model since only two large and very successful organizations were rewarded with this model: Ericsson Nikola Tesla, certificate for the second level of excellence "recognized for excellence" in 2003., and Carnet, certificate for the first level of excellence "Committed to Excellence" in 2005. The domain of business excellence models and its application in Croatia is insufficiently explored. Fadic (2008) in his research confirmed the hypothesis that Croatian organizations do not base their business practices on business excellence. Through the research Samardzija (2009) had concluded the insufficient level of knowledge of EFQM excellence model among managers in Croatia and general knowledge about quality.

The goal of the research was to determine the level of knowledge and understanding of the basic principles of business excellence and to determine the knowledge about the EFQM model that represent one of the most widely recognized as an essential management tool and as a proven method for securing continuous improvement for any organization wishing to achieve challenging goals in organizations in Sibenik–Knin County. Sibenik–Knin County is the one of the counties in Croatia in developing process so the researchers believed that the insight in the current situation of business excellence and implementation of quality principles in management process among organizations would be valuable to defined for future development and improvement implications. Moreover, this paper is concerned with the current situation of business excellence models and its application in Croatia and whether it is sufficiently explored. The hypotheses to be accepted or rejected by research are:

- *Hypothesis 1:* The organizations in Sibenik-Knin County do not have sufficient knowledge and understanding about quality principles.
- *Hypothesis 2:* The organizations have the knowledge of the EFQM model for self-assessment but have never initiated the self-evaluation process.

The paper is composed in six sections. In first, introduction part main goals of the paper as well as the methodology of the research are defined. In second section, the main concepts of business excellence and excellence models are defined. Also, the current situation of business excellence in Croatia is explored and defined. The third section presents the mythology and the goal of the research of the conducted research. In this section the sample and the questionnaire of the conducted research is defined. The fourth section presents the results of the conducted research for the purpose of the paper. In discussion, the results of the conducted research are explained. In the six

sections, conclusion, the main findings of the research is defined as well as the limitation of the study and implications for the future research.

## **BUSINESS EXCELLENCE AND EXCELLENCE MODELS**

Business excellence has become the strongest means of achieving competitive advantages of companies while total management of quality has become the road that ensures support of excellent results recognized by many world companies (Samardzija and Kolak 2010).

Business excellence represents a form of doing business that enables organizations to accomplish balanced satisfaction of all interested parties (employees, customers, society and stakeholders) (Samardzija 2009). The basic notion underlying the concept of business excellence is the idea that quality cannot be focused exclusively on products and services. Quality has to be incorporated in organization management and should represent a ground value for all the management practices (Lazibat 2009).

Excellence models represent a systematic, integral and enduring approach to business improvement. These models enable objective identification of organization position on the scale of excellence and discover the weak and/or strong areas. Discovered weaknesses represent a valuable potential for improvement (Oslic 2011). The purpose of business excellence model is to incorporate key performance criteria for the purpose of achieving and maintaining the desired progress (Marjanovic et al., 2010). National rewards for quality have an important role in promotion and giving a prize to excellence in organization performances. Moreover, they raise quality standards of companies and the country profile as a whole (Samardzija and Kolak 2010). Three world best known and recognized models for business excellence are: The Deming Prize (Japan), Malcolm Baldrige National Quality Award (SAD) and European Foundation for Quality Management (EFQM).

EFQM is probably the most known and most used excellence frame for self-evaluation. The model consists of nine criteria; five of them are enablers (leadership, strategy, human resources, resources and partnership, process), and four of them are results (customer satisfaction, employee satisfaction, society and key performances) (Lazibat 2009). Nowadays, EFQM model is used by more than 20 000 organization for improvement of business performance and as a base for qualitative benchmarking (Samardzija and Kolak 2010).

In empirical research of 521 organizations with ISO 9001: 2000 certificate in Croatia, Fadic (2007) came to the conclusion that organizations are mostly oriented on short-term results (buyers, results), and in a smaller part on long-term results as development and employee inclusion with partnership development. The results of this research showed that organizations that have system that is not confirmed with ISO 90001: 2000 certificate give processes small importance in comparison with the organizations with ISO certificate. In the research conducted on 273 exporting organizations in Croatia concerning the level of business excellence. The result showed that only 41% of researched organization had certificate ISO 9001: 2000 and that 43% of researched organization were in period of certification that can lead to conclusion that organizations understand the benefits of ISO certification. Very small amounts

(9%) of the researched organization have informative knowledge of EFQM Model and only 19% of organization had deeper knowledge about EFQM Model.

## **BUSINESS EXCELLENCE IN CROATIA**

The domain of business excellence models and its applications in Croatia is insufficiently explored. Croatian organizations can ensure their recognition on the world market by implementing the EFQM excellence models (Marjanovic et al. 2010). In European countries, even those very similar to Croatia, the significant numbers of organizations are recipients of prestige quality award and are recognized for excellence – whether with national award that is based on the EFQM model, whether directly awarded by EFQM (Fadic 2008).

Croatian organization have received only two certificates: Ericsson Nikola Tesla, certificate for second level of excellence “Recognized for excellence” in 2003. and Carnet, certificate for the first level of excellence “Committed to Excellence” in 2005. For the first level of excellence, EFQM awarded 214 certificates (in 2008.) The same year, 153 companies, public organizations and educational organizations were awarded for the second level of excellence known as “Committed to Excellence”. During the 2006–2007, thirteen organizations in Hungary and two organizations in Slovenia were awarded for the third (EFQM Excellence award – Finalist), fourth (EFQM Excellence award – Prize) or fifth (EFQM Excellence award – Winner) level of excellence (Oslic 2011).

In Croatia, there are over 2000 organizations with the ISO 9001: 2000 certificate and a great number of them should realized that with the ISO certificate the process of systematic improvement didn't end. Well prepared system of quality management is simply a ground stone for the future implementation of the EFQM model (Oslic 2011).

Considering the GDP per capita and the percentage of certification level of companies, Croatia has all the predispositions for introduction the EFQM model of business excellence with the basic aim of deficit decrease in foreign trade balance and strengthening of competitiveness as the necessary preliminary work for the entrance in the competitive market of EU (Samardzija and Kolak 2010).

## **METHODOLOGY**

The goal of the research was to determine the level of knowledge and understanding of the basic principles of business excellence and to determine the knowledge about the EFQM model in organizations in Sibenik – Knin County. The focus was to include active organizations in the County. After the eliminations of the organization that were no more active and those with changed or unavailable contact address the final number of the organizations to be included in the research was 250.

Questionnaires together with a letter of intent (entitled to managers/directors /decisions makers) were sent to 250 small, medium and large enterprises in Sibenik-Knin County based on database of the Croatian Chamber of Economy and the Croatian Company Directory. Questionnaires were sent by mail. The questionnaire was entitled to managers/directors and the privacy was insured. The researchers were informed in the

introduction part of the questionnaire that the given answers will be used for the purpose of the research and that the results will be presented as a general result and in a statistic form. The questionnaire was formed based on the questionnaire used by Samardzija (2009). Total of 70 fully answered questionnaires were returned.

Questionnaire was structured in two parts: first part covered basic information of the organization (profile of the researched organizations) was concerned with the ownership type of the organization, legal type, basic branch of the activity and number of employees. Second part covered the implementation of business excellence models. The second part of the questionnaire presented defined statements about the business quality since the goal was to determine does the manager have sufficient knowledge about the basic concepts of quality and do they understand the premises behind the quality and how can implementation of business excellence concept help and improve the management process. Moreover, the second part of the questionnaire presented a statement concerning the business excellence criteria according to the EFQM model since another goal was to define the level of knowledge and understanding the main concepts of EFQM Model which is one of the widely accepted and recognized models in organization in all developed countries in Europe and the world. The questions were mostly closed-type with the given answers and questions with the answers Yes/No, or Agree/Not Agree. Only few questions demanded writing the answers that were numerical.

## RESULTS

The managers were asked to specify which of the given statements concerning the business excellence and business quality they believe is true. The managers were given a statement at the possibility to answer with one of the two given answers: true or false. The statements were given based on the traditional and modern approach to the quality. The sum of the given answers is given in the table 1 below (source, research data).

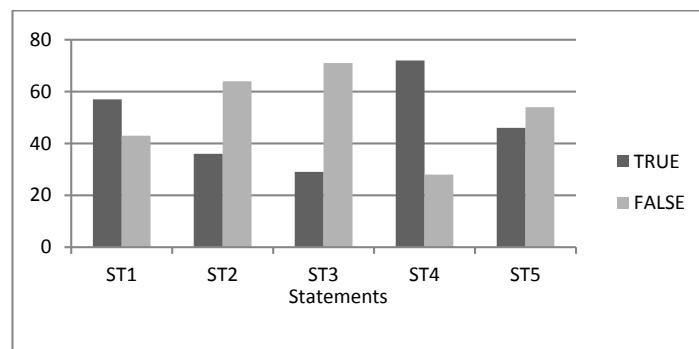
**Table 1. Statements Concerning the Quality**

Statement	%	Statement	%
1. Quality is technical concern	43	1. Quality is strategic concern	57
2. High quality spends money	64	2. High quality saves money	36
3. Responsibility is on management	71	3. Responsibility is on everyone in organization	29
4. Goal is customer satisfaction	28	4. Goal is continuous improvement	72
5. Quality is defined by the organization	54	5. Quality is defined by the customer (user)	46

A proportion of 57% of the researched managers have answered correctly that the quality is strategic concern. The concerning results is that 64 % managers believe that high quality spends money which shows the orientation of the managers on short-term goals and not on the insurances of the long-term stabile position on the marker. The implementation of the quality principles in the beginning can result in additional cost but in long-term quality save money. The managers included in the research believe that the responsibility is on the management (71%) but the responsibility lies within everyone in organization. Moreover, the research had shown that the mangers have understanding that the goal of the quality (72%) is continuous improvement. Quality is defined by the customers (users) but the researched managers believed (54%) that the quality is defined by the organization.

Since managers have showed that they lack knowledge and understanding about the true nature of the cost of implementation of quality and that the responsibility is on management and not on everyone in the organization it is reasonably to conclude that the organizations in Sibenik-Knin County do not understand basic quality principles. Moreover, it is reasonably to conclude that mangers do not have sufficient knowledge about quality principles since a large amount of managers believed that the quality is defined by the organizations and not by the customers. Modern managers need to understand that the quality is defined by its users and that organization needs to include quality principles as a vital part of organizations' strategy.

*Hypothesis 1:* The organizations in Sibenik-Knin County do not have sufficient knowledge and understanding about quality principles was confirmed.



**Figure 1.** Statements Concerning the Quality (research data)

The research was concerned with the process of certification for quality among organizations. On the question: Have you ever initiated the process of certification for quality, 16,8% of organization answered positively and that they have been recognized with the certificate, 45% of organization answered that they are not interested in the process and 38,2% of organization answered that they initiated the process but unsuccessfully.

Moreover, the research goal was to determine the first year of ISO certification as a first step toward business excellence in organizations. The first year of ISO certification is presented in Table 2 (research results).

**Table 2.** First Year of ISO 9001: 2000 Certification

Year	Number of organizations	Structure in %
1900–1995	0	0
1996–2001	7	29,16
2002–2003	3	12,5
2004–2005	7	29,16
2006–2007	4	16,66
2008–2009	1	4,16
2010–2011	1	4,16
2012	1	4,16
Total	24	100,0

The organizations were asked to define whether the overall business had improved after the implementation of the ISO certificate: 70% of organizations answered that the overall business performance had improved and 30% of organizations answered negatively, stating the business improvement is not evident.

The organizations who answered positively on the previous question were asked to define the specific level of improvement. Great number of the organization (56%) answered that the organization recognition on the market had improved, 20% of organization answered that the level of employee motivation is significantly higher after the implementation of the ISO certificate, 12% of organizations answered that they have better relationship with the suppliers, customers and stakeholders, and 12% of organizations answered that focus on the organization objectives had improved.

The organizations were asked to define their knowledge about the EFQM model: 20% of the organizations answered that they are familiar with the principles of the model, 12,5% of the organizations stated that they have heard about it, and want to learn more and 67,5% of the organizations have never heard about the model.

None of the researched organization started the process of self-evaluation (EFQM) which shows the low motivation level even though 56% of the organizations are familiar with the process. 30% of the organizations answered that they have no intention to begin the process, 10% of the organizations have intention to learn more about it and to start the process, and 30 % of them are not sure if the model would have any positive effects. Table 3. (research data) shows the organizations opinions about the business excellence criteria based on the nine criteria form EFQM model.

**Table 3. Statements Concerning the Business Excellence Criteria (EFQM)**

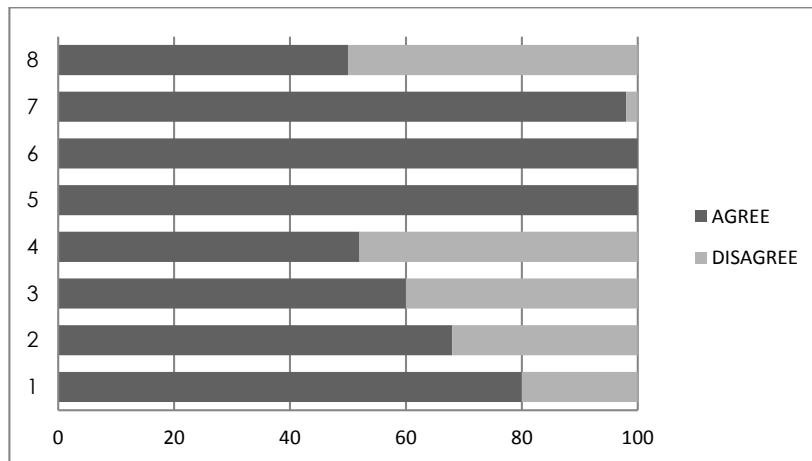
Statement	Agree (%)	Disagree (20%)
1. Great leaders develop and simplify the mission and vision.	80	20
2. Policy and strategy are developed, examined and renewed	68	32
3. Great organizations plan and manage external partners and internal resources for the purpose of effective process.	60	40
4. Processes are designed and managed	52	48
5. Great organizations measure perceptions of their customers	100	0
6. Great organizations measure perceptions and satisfaction of their employees	100	0
7. Great organizations measure the perception of the society	98	2
8. Great organizations measure performances according to policy and strategy key elements	50	50

All of the given statement is based on the EFQM Model. All of the statements are defined and approved excellence criteria the goal was to have a larger percent of the researcher agree with the given statement since it shows the understanding of the EFQM Model criteria's. Most of the organizations answered that they agree with the given statements which lead to conclusion that the organizations have the knowledge and possess the understanding of business excellence but lack the initiatives for the systematic approach and implementation.

Since most of the researchers answered that they agree that great leaders develop and simplify the mission and vision, that policy and strategy are developed, examined and renewed and that processes are designed and managed it is reasonably to conclude

that organizations in Sibenik-Knin County have the basic knowledge about the EFQM model for self-assessment. However, none of the researched organization started the process of self-evaluation (EFQM).

*Hypothesis 2:* The organizations have the knowledge of the EFQM model for self-assessment but have never initiated the self-evaluation process was confirmed.



**Figure 2.** Statements Concerning the Business Excellence Criteria (EFQM) (research data)

## DISCUSSION

The research has shown that the organizations in Sibenik-Knin County lack the knowledge and understanding about overall quality principles and that most of the organizations still haven't abandon the traditional view of the quality.

The concerning results is that 64 % managers believe that high quality spends money which shows the orientation of the managers on short-term goals and not on the insurances of the long-term stabile position on the marker. Another concern is that the researchers believe that the responsibility is on the management (71%) but the responsibility flies within everyone in organization. A great number of researchers (57%) of the researched managers have answered correctly that the quality is strategic concern.

*Hypothesis 1:* The organizations in Sibenik-Knin County do not have sufficient knowledge and understanding about quality principles was confirmed.

Moreover, the research had shown that organizations have never initiated the self-evaluation process of EFQM model of business excellence and that the knowledge of the model is very low. But, research had shown that the organizations understand and approve the basic criteria underlying the EFQM model which proves that managers lack initiative and motivation for implementation of EFQM model.

Most of the researchers answered that they agree that great leaders develop and simplify the mission and vision, policy and strategy are developed, examined and renewed and that processes are designed and managed.



Moreover, most of the researchers agreed that the great organizations measure perceptions of their customers and satisfaction of their employees, measure the perception of the society plan and measure performances according to policy and strategy key elements as well as manage external partners and internal resources for the purpose of effective process.

The given results led to conclusion that the organizations have the knowledge and posses the understanding of business excellence but lack the initiatives for the systematic approach and implementation

*Hypothesis 2:* The organizations have the knowledge of the EFQM model for self-assessment and have never initiated the self-evaluation process was confirmed.

The research has shown that the organizations in Šibenik-Knin County had evident improvement concerning the organization recognition on the market after the implementation of ISO certificate and that the level of employee motivation is significantly higher. Most of the certification was awarder during the period from 1996–2001, and 2004–2007. In the past three years, the number of certification had declined.

## **CONCLUSION**

In defining the strategy of the organization, the quality becomes a dominating element. Each change that happens in world and that is connected with the technology changes and improvement and the relationship on demanding everyday changing market has an impact on business quality.

The research has shown the overall absence of EFQM model implementation within organizations in Sibenik - Knin County and it has set the grounds for future research that should be concerned with the most successful practices to educate managers and encourage the for implementation of EFQM model and to encourage managers to explore the principles of EFQM model set in model for self-assessment as a valuable tool that can give an insight to the current situation and can help to emphasize which sections in management needs improvement. The research has shown that the organizations in Sibenik-Knin County had evident improvement concerning the organization recognition on the market after the implementation of ISO certificate and that the level of employee motivation is significantly higher. The research had shown that organizations have never initiated the self-evaluation process of EFQM model of business excellence and that the knowledge of the model is very low.

Limitation of research was the possible dishonesty of the examinees in order to portrait organization in more positive manner. Another limitation of the study is sample that included 70 organizations.

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