

ORGANISATIONAL EXCELLENCE STRATEGIES & IMPROVED FINANCIAL PERFORMANCE

Research jointly sponsored by the European Foundation for Quality Management (EFQM) and the British Quality Foundation (BQF) provides independent objective evidence that the effective implementation of the principles of the EFQM Excellence Model impacts bottom-line business results.

The study has been conducted by an international team of leading academics including; Dr Louise Boulter (Project Director and Deputy Director), Professor Tony Bendell (Director) and Hanida Abas (Research Associate), the Centre of Quality Excellence, The University of Leicester, UK, Professor Jens Dahlgaard (Professor of Quality Technology and Management), Linkoping University, Sweden and Professor Vinod Singhal (Professor of Operations Management), at the Georgia Institute of Technology, US.

Two sets of performance measures have been used for the study; these are share value and accounting based measures. The accounting based measures include; revenue/sales, costs, operating income, and capital expenditure. After extensive study of award winners, the team compared the financial performance of 120 award winning companies that met specific criteria against comparison companies similar in size and operating in the same industries. The financial performance of the companies was tracked over an 11 year period.

The study found that compared to the comparison companies award winning companies experience higher increases in share value, sales, capital expenditure over assets and capital expenditure over sales, higher growth in assets and further reduction in costs over sales within a short period of time after having received a first award. **(Figure 1)**

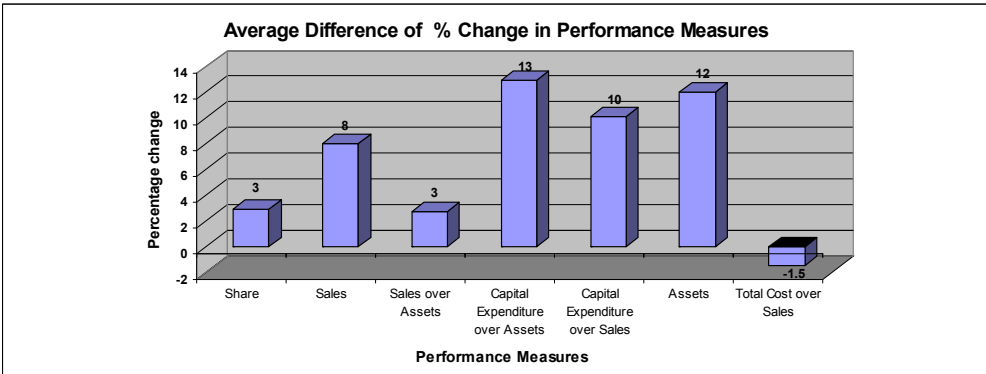


Figure 1 – Award Winners: One Year Improvements in Financial Performance

Three years after receiving an award, the award winning companies outperform the comparison companies by an average of 36% for share value, 17% for sales, 5% for sales over assets, 4% for capital expenditure over sales, 20% in assets and a better reduction in costs by 1.4%. (Figure 2).

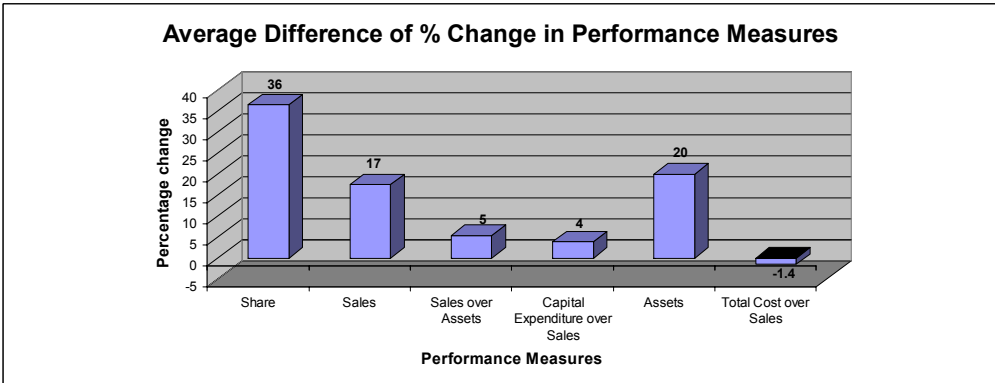


Figure 2 Award Winners: Three Years Improvements in Financial Performance

For the final year that performance was tracked, the award winners experienced even greater increases. Compared to the comparison companies, the award winning companies experienced higher growth in sales by an average of 77%, higher increases in operating income by an average of 18%, higher increases in capital expenditure over assets by an average of 28% and capital expenditure over sales by an average of 30%, higher growth in assets by an average of 44% and further decrease in costs over sales by 4.5%. (Figure 3).

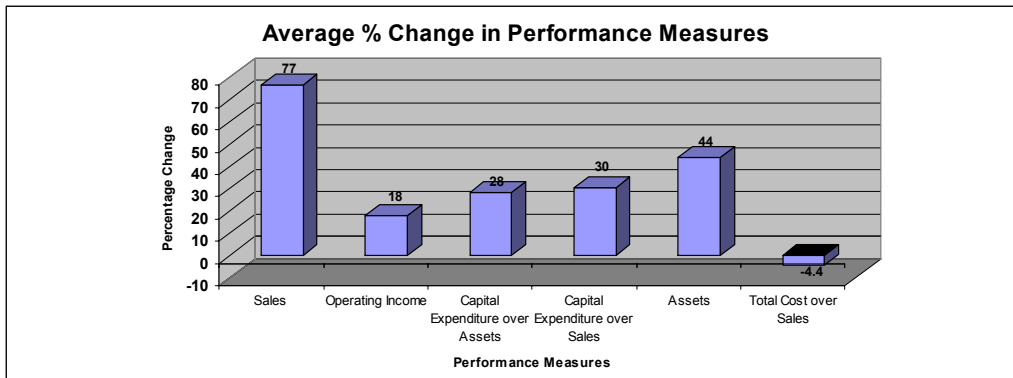


Figure 3 – Award Winners: Five Years Improvements in Financial Performance

Compared to the perceptual and anecdotal evidence that has been used to assess the correlation of the effective implementation of excellence strategies and improved performance to date, the evidence from this study provides a more factual, objective and statistically valid assessment. The overall evidence indicates that when the principles of the EFQM Excellence Model have been implemented effectively, performance improves in both short and long periods of time. This should prove to be reassuring for those companies that have made an investment and long-term commitment to the principles of the EFQM Excellence Model, and it provides evidence to support the continued commitment to the principles of the EFQM Excellence Model for those companies that might be thinking of replacing their Excellence strategy with something else. Furthermore, it provides positive evidence to those companies that are contemplating implementing the principles of the EFQM Excellence Model of the benefits that their company can reap from its effective implementation.

In summary, the results of this study indicate that the effective implementation of the principles of Business Excellence do make good economic sense. To obtain a copy of the more detailed report contact, contact EFQM or BQF directly or visit their websites. For questions regarding the research, contact cqe.research@le.ac.uk.

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