



## **Business Excellence Tools**

**The tools used by companies at different stages of  
Business Excellence maturity**

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## **Executive Summary**

The purpose of this report is to summarise and discuss the performance improvement tools typically used by companies at different stages of Business Excellence maturity.

A review of Business Excellence literature shows writers and researchers believe that a knowledge of the variety of business tools available provides managers with insights and practical methods to assist the improvement process during the Business Excellence journey.

The report presents some of the most commonly used techniques for each of the six Baldrige Criteria for Performance Excellence (CPE) enabler categories. Examples are given of tools, measures and competencies for each of the techniques and they are linked to CPE scoring bands where this is valid. By understanding the scope and limits of the techniques and tools, which are based on a range of management theories, managers can select appropriate tools for their business context and apply them successfully in a Business Excellence program.

## Table of Contents

Executive Summary	2
Table of contents	3
<b>1.</b> Introduction	4
<b>2.</b> Management tools for the Baldrige CPE Criteria	5
<b>2.1.</b> Table 2 Leadership	9
<b>2.2</b> Table 3 Strategic Planning	10
<b>2.3</b> Table 4 Customer and Market Focus	11
<b>2.4</b> Table 5 Measurement, Analysis and Knowledge management	12
<b>2.5</b> Table 6 Workforce Focus	13
<b>2.6</b> Table 7 Process Management	14
<b>2.7</b> Table 8 Results	15
<b>3.</b> Definitions	16
<b>4.</b> References and Bibliography	19
<b>5.</b> Appendices	
A Business Excellence Maturity Matrix	21
B Tool Usage in 2007	22
C Top 10 most used tools in 2007	23
D Maturity model for IT systems security	24
E Knowledge Management Maturity Matrix	25

## **1. Introduction**

A Business Excellence program seeks to improve performance in every aspect of a business so as to increase overall organisational performance. Specific tools and techniques can be introduced to improve almost every process used in an enterprise, whether product or service-based. There are hundreds of tools and techniques that could be applied, so how do managers choose which are best for their business? The purpose of this report is to act as a guide by summarising and briefly discussing the business tools typically used by companies at different stages of Business Excellence (BE) maturity. Readers can then refer to other sources for comprehensive information on specific tools. The appendices, bibliography and reference list in this report give sources for more information.

The introduction of improvement tools is actually the second phase of a comprehensive BE performance management system. The first phase is adopting a continuous improvement philosophy and getting buy-in from managers and employees, and assessing overall performance through undertaking an organisational wide self-assessment against a business excellence framework such as the CPE. Such a self-assessment helps to identify strengths and opportunities for improvement and therefore organisational priorities. New tools and techniques can then be used to understand these priority areas in more detail or used to directly address them.

With the introduction of new tools and techniques managers can help employees give their best, through clarifying improvement objectives, training, coaching, counselling, providing ongoing feedback, tracking progress, providing recognition and development. If the BE performance management system is set up as a development system with self-assessments at regular intervals to track progress, and communication has been well managed, then the implementation of new tools and techniques can be smooth and effective.

## 2. Management tools for the Baldrige Criteria

This section presents the most commonly used techniques and tools for each Baldrige CPE category. Where possible the specific tools and competencies for each broad technique are further categorised based on business maturity. For this report BE maturity is classified into four categories: starting, progressing, mature, and excellent. The categories are linked to Baldrige scoring bands as shown in Table 1.

Table 1

<b>BE Maturity Level</b>	<b>Code</b>	<b>CPE Scoring band</b>
Starting	1	< 150
Progressing	2	150-300
Mature	3	300-500
Excellent	4	500 +

The Business Excellence maturity matrix in Appendix A gives a more in-depth guide to the BE maturity levels for each Baldrige category. The BE maturity matrix can be used as a tool for assessing how well developed an organisation's systems and capabilities are on the BE journey to world-class performance. Use the BE maturity matrix in Appendix A to check how your organisation rates in comparison to the CPE criteria. As an exercise, start with criteria 2: Strategic Planning. Define the goals, objectives and outcomes the organisation wishes to achieve. Identify how the outcomes for Strategic Planning translate into measures for the Results criteria. Then review with colleagues how your organisation compares against all of the criteria to identify potential strengths and opportunities for improvement.

### *The improvement tool tables*

Tables 2 through 7 summarise the techniques and tools for the enabler criteria (Categories 1-6). Figure 1 shows an example from Table 3 of a technique and the associated tools and CPE scoring bands. The top ten ranked techniques as determined by a survey of 1221 global practitioners by Bain & Company (Rigby and Bilodeau, 2007) are shown in brackets by the activity, e.g. Strategic Planning (1). There are benchmarks or Key Performance Indicators (KPIs) shown in Table 8 for Results (Category 7) but no improvement techniques because the Results category only measures outcomes from the enabler categories.

Tools such as ISO 9000:2000, Investors in People and SERVQUAL are standards that can apply to activities of quality management systems, managing people, and service delivery. The standards are complementary to the CPE Model, which provides an overarching framework within which these standards are nested. Some tools impact on more than one Baldrige category, e.g. ISO 9000, so appear more than once in the tables. We have not indicated in every case whether particular tools are designed for product or service operations, as readers can easily make this distinction.

The listing of a tool in one of the maturity categories gives an indication of the sophistication of the tool and the resources needed to use it effectively. Note that a tool

listed under the 'starting' or 'progressing' phases of BE maturity is not restricted to these categories, and is likely to be used by the most highly performing organisations that would be rated 'excellent' in terms of BE maturity. Note also that a tool listed in the 'excellent' category should not be discounted by organisations that are starting the BE journey. All organisations can benefit from learning about the tools in advance of implementing them, and the more sophisticated tools may provide an efficient route to performance improvement if they can be resourced and implemented effectively.

<b>2. Strategic Planning</b>			
2.1 Strategy Development			
2.2 Strategy Deployment			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Examples/Comments</b>
Strategic Planning (1)	2	150-300	Business-level strategy researched, documented and implementation plans developed. Examples of tools: Brainstorming, SWOT, Force field, Tree diagram, market and financial analysis
	3	300-500	Corporate and business strategies fully developed. Examples of tools: PESTE; Gap Analysis, Three Horizons, Scenarios. Strategic initiatives and projects are aligned with strategic objectives. Regular deployment progress reviews
	4	500-700	Strategy development and deployment is managed and governed and reviewed through an integrated framework. Tools: CPE, EFQM model, Balanced scorecard, Strategy map. 5+ year horizon.

Figure 1. Example technique, tools and associated CPE scoring bands.

For each tool a description is given either briefly in the tables or more fully in Section 3. More detailed definitions can be found at BPIR.com. There are over 800 improvement tools listed on this website, and they can be accessed by each Baldrige category. For the purposes of this report we have listed only the most commonly used tools and techniques, which are shown in Figure 2 with their associated CPE enabler categories. There are a number of publications and training courses available that explain how and when to use the tools.

#### *Using the tools*

Organisations need to have in place the competencies (the capacity and capability) to implement a technique or tool successfully. Evidence from China gives insights into problems that can arise when improvement tools are used without fully understanding their application and context, or without the required competencies. A recent survey found that Chinese managers, while they are adopting improvement tools to help manage growth, are registering the lowest levels of satisfaction with the tools in the world (Rigby and Bilodeau, 2007). Although some of the issue may be due to cultural differences, Rigby and Bilodeau (2007) suggest that the reasons are:

- Companies are addressing operational issues ahead of their overall strategy. They are using tools like Total Quality Management without first having fully applied broader

tools like Strategic Planning to set strategy and build a foundation for tools that address specific problems.

- Small companies lack the management skills to apply tools successfully.
- Companies are trying to do too much too soon. China's mean usage rate of management tools doubled from 30% to 60% in two years, but companies achieve far better satisfaction when they use tools as part of a major improvement program, as opposed to a limited effort.

Rigby and Bilodeau (2007) make the following suggestions for the use of performance improvement tools:

1. Success depends on understanding the effects (and side effects) of each tool. Every tool has its own strengths and weaknesses. Do the research, talk to other tool users, then combine the right tools in the right ways at the right times.
2. Champion enduring strategies, not fleeting fads, and view the specific tools selected as subordinate to the strategy.
3. Managers need a rational system for selecting, implementing and integrating the appropriate tools for their companies. A tool will improve results only to the extent that it helps discover unmet customer needs, helps build distinctive capabilities and helps exploit competitors' weaknesses.
4. Adapt tools to your business system (not vice versa). No tool comes with complete instructions and a guarantee. Every tool must be adapted to a company's particular circumstance (Rigby and Bilodeau, 2007).

#### *Most used tools*

Bain's 2007 global Management Tools and Trends survey showed that two customer tools, Customer Relationship Management (CRM) and Customer Segmentation, together with Strategic Planning were the top three most used tools globally, as more firms sought growth via strategies to reach new customers in emerging markets. Other findings: companies were looking outside their own organisations to innovate and grow, with Strategic Alliances ranked high on the satisfaction list; and tools such as Knowledge Management and Scenario and Contingency Planning were increasingly popular (Rigby and Bilodeau, 2007). For more detail on these findings see Appendices B and C.

Figure 2 shows the most commonly used techniques and tools and the CPE Categories to which they apply. Some techniques apply across more than one category such as Business Excellence Award Applications, Self-assessments, and Best Practice Benchmarking which apply across all categories. For each category there is a trend of increasing sophistication and BE maturity moving up the figure. For example, in the Customer and Market Focus category, the logical progression for businesses in the use of these tools is: customer relationship management, customer satisfaction and customer



benchmarking. The term 'tools' is used in the table column heading to refer to more specific tools or practices that are used or required as sub-systems of the broad techniques, for example, ISO 9000. In many cases we have also listed examples of the competencies required to implement the tools.



TABLE 2

<b>1. Leadership</b>			
1.1 Senior Leadership			
1.2 Governance and Social Responsibilities			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Competencies/Examples/Comments</b>
Benchmarking (4) and Business Excellence	2	150-300	Performance benchmarking is used, comparing performance levels. Business excellence self-assessment enables the leadership team to identify organisational strengths and opportunities for improvement.
	3-4	300-700	Best Practice benchmarking. A systematic approach for identifying, understanding, and implementing best practices is in place. Business Excellence Award applications assist in obtaining an independent assessment of the organisation's strengths and opportunities for improvement and demonstrate the leadership team's commitment to excellence.
Communication strategy	2	150-300	Mostly top-down. Limited employee or stakeholder involvement and consultation.
	3	300-500	A written senior leadership communication strategy in place. Consultation with stakeholders, but no involvement in decision-making.
	4	500-700	Senior leadership communication plans are sophisticated. Tailored and targeted for specific stakeholder groups, eg employees, shareholders, media. Empowered, high performance teams, where sharing of valuable data is a given.
Mission and Vision Statements (5=)	2	150-300	Vision, mission and values are frequently communicated by leaders, known by most employees
	3	300-500	Vision, mission and values are always communicated, known by all employees
	4	500-700	Vision, mission and values are always communicated, known by all employees, and methods of communication are regularly reviewed.
Corporate Social Responsibility systems	2	150-300	Compliance: adopt a policy-based compliance approach as a cost of doing business. Tools: ISO 14000
	3	300-500	Managerial: embed societal and ethical issues into core management processes
	4	500-700	Strategic: integrate into core business processes and promote broad industry participation in CRS.
Organisational structure and governance	1-4	100+	Senior leadership and the Board/Directors are responsible for ensuring the appropriate organisational and governance structures are in place for the business model. Tools: Organisational design: Mintzberg 1979, 1983; Robbins & Barnwell, 2002.

TABLE 3

<b>2. Strategic Planning</b> 2.1 Strategy Development 2.2 Strategy Deployment			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Competencies/Examples/Comments</b>
Strategic Planning (1)	2	150-300	Business-level strategy researched, documented and implementation plans developed. Examples of tools: Brainstorming, SWOT, Force field, Tree diagram, market and financial analysis
	3	300-500	Corporate and business strategies fully developed. Examples of tools: PESTE ; Gap Analysis, Three Horizons, Scenarios. Strategic initiatives and projects are aligned with strategic objectives. Regular deployment progress reviews
	4	500-700	Strategy development and deployment is managed and governed and reviewed through an integrated framework. Tools: CPE, EFQM model, Balanced scorecard, Strategy map. 5+ year horizon.
Scenario and Contingency Planning (8=)	3-4	300-700	Scenario Planning allows the implications of assumptions about alternative futures to be tested in a non-threatening environment. It is a methodology for surfacing, challenging, and altering beliefs, and examining the full range of possible futures. Typically a long-term horizon is set. Using scenario planning a company can more rapidly modify its strategic direction as actual events unfold. Contingency Planning assesses what effect sudden market changes or business disruptions might have on a company and devises strategies to deal with them.
Strategic Alliances	2	150-300	Partnerships with suppliers are mostly price-driven, multiple sources. Competitive bid oriented. Strategic sourcing impacts on some relationships.
	3	300-500	Critical Success Factors for developing partnerships identified. Partnerships monitored. Some life cycle costing. Supplier / partner evaluation tools used. Some information sharing with partners, suppliers and customers.
	4	500-700	Strong collaboration. Long term relationships. Supply and demand aligned strategically. Life cycle costing. Joint planning and improvement programs, IT systems compatibility.
Competitive benchmarking (4)	2	150-300	Outputs from competitor analysis assessed and adapted to fit
	3	300-500	Seen as a driver for creativity and innovation
	4	500-700	Customer/supplier signals positive feedback. Improved competitive advantage as a result of benchmarking study
Mergers and Acquisitions (M&A)	2-4	300-700	M&A is a "Specialty Tool" that serves a functional niche. It is relevant to organisations with a growth strategy to acquire resources. Through M&A, external growth can be brought in existing products, services, markets and channels, in adjacent businesses surrounding the core, or in noncore businesses.

TABLE 4

<b>3. Customer and Market Focus</b>			
3.1 Customer and Market Knowledge			
3.2 Customer Relationships and Satisfaction			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Competencies/Examples/Comments</b>
Customer Relationship Management (CRM) (2)	1	< 150	Ad hoc customer relationship processes. IT consists of disconnected tools.
	2	150-300	Standardised CRM processes, transactional processes coordinated with IT database
	3	300-500	CRM technology is integrated enterprise-wide. Risks, customer requirements, and suppliers are managed. CRM performance regularly reviewed
	4	500-700	CRM metrics and controls are aligned with business objectives. Review and improvement processes actioned at senior level
Customer Segmentation (3)	1	< 150	Customers divided into a few broad segments
	2	150-300	Customers assigned to smaller, more precise sub-segments, each customer in only one segment
	3	300-500	Custom product data and recommendations available to all customer-facing employees and online customers
	4	500-700	Segmentation integrated with CRM system. Sales force sees the value of segment-driven sales recommendations. Senior management in charge of driving segmentation
Customer and Market Benchmarking (4)	2-4	300-700	Customer and Market benchmarks: Customer satisfaction, Customer complaints and compliments; Turnaround time; Customer's Acceptance Rate; Warranty Claims; Call Centre Waiting Times Examples for product exposure: Advertising reach & frequency; Gross rating points; Total rating points; Sales promotion; PR & publicity
Customer Satisfaction/Perceptions	2	50-300	Listening to the customer; Identification of customer expectations. Monitoring Sales and product returns;
	3	300-500	Examples of tools: Customer surveys; Customer satisfaction analysis; ISO 9000 series;
	4	500-700	Focus groups; SERVQUAL (for service organisations); Quality Function Deployment
Supply Chain Management	1	< 150	Supply chain data and processes documented. Resources and performance measured at functional level.
	2	150-300	Internal Integration. Company-wide process and data continuously measured. Resources managed at functional and cross-functional levels eg ERP system.
	3	300-500	External Collaboration. Strategic partners in global supply chain agree on objectives, processes and data sharing. Monitor and react to performance metrics.
	4	500-700	On-demand supply chain. Allows real-time decision-making and response to customer requirements. Integrates IT with mobile and wireless tools, GPS, bar coding, RFID

TABLE 5

<b>4. Measurement, Analysis, and Knowledge Management</b>			
4.1 Measurement, Analysis, and Improvement			
4.2 Information Management			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Competencies/Examples/Comments</b>
Performance Measurement	1	< 150	None or limited performance measurement
	2	150-300	Some measures used to monitor and control activities – but may not be linked to the implementation of strategy
	3	300-500	Effective monitoring and control of strategic direction through frameworks such as CPE, EFQM model, Balanced Scorecard, Performance Prism, Service Triangle
	4	500-700	Performance measures show excellent outcomes in CPE Results.
New Products/Innovation	1-4	300-700	An internal growth strategy. As well as new products and services; internal growth and innovation can include; greater share of the profit pool for existing products and services; new markets and channels. Examples of tools and benchmarks: Consumer analysis; Market analysis; Competitive analysis; BCG matrix; Econometric analysis, financial ratios/projections; Innovation benchmarks: New product sales, No of R&D/Innovation Ideas;
Knowledge Management (8=)	2	150-300	Rewards encourage sharing and reuse of knowledge. Data warehouse and document management systems are in place. Culture of learning embedded. Tools: Database management systems; Data mining
	3	300-500	KM practices are formalised, measured and integrated with core business activities. Groupware enables cross-enterprise creation and sharing of knowledge
	4	500-700	Free flow of knowledge through the organisation. IT KM systems integrate internal and external information. Tools: Intellectual capital database; R&D resource management
Benchmarking (4)	2	150-300	Performance benchmarking (comparing performance levels). MAKM Benchmark examples: Market Value Added; No of Patents filed, Value of Licenses sold, IT Audit outcomes; Technology/Stakeholders matrix
	3-4	300-700	Best Practice benchmarking -a systematic approach for identifying, understanding, and implementing best practices is in place.
IT Auditing and Risk Management	2-4	300-700	COBIT is the accepted framework that defines IT audit. It breaks IT into 7 areas (including security) and defines appropriate audit controls for each. Measurement guidelines that are tiered, so the guidelines can be mapped to organizations of different size and maturity. See Appendix D for maturity examples.

TABLE 6

<b>5. Workforce Focus</b>			
5.1 Work Engagement			
5.2 Workforce environment			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Competencies/Examples/Comments</b>
Core Competencies (5=)	2	150-300	The company's vision and mission statements articulate the core competence of the organisation. Core competencies are those capabilities that are critical to a business achieving competitive advantage, and represent the organisation's collective learning.
	3	300-500	The company's strategy focuses on the organisation's development of core competencies. Core competencies are identified and enhanced, and other activities out-sourced. The workforce enacts organisational learning principles.
Workforce benchmarking (4)	2-4	300-700	Senior managers are involved in BE activities such as benchmarking. Workforce benchmark and competency examples: Employee skill breadth; Employee absenteeism, Employee turnover; Employee satisfaction; Creating SMART objectives; Giving effective feedback; Team forming; team feedback; Dealing with enablers and barriers. Tools: People Capability Maturity Model (Curtis et al, 2002)
Policies & procedures	2	150-300	Some policies and procedures are documented, Policy examples: Staff appraisal system; Bonus plans; Profit-sharing plans; Organisation learning policy.
	3	300-500	A system for development, communication and review of policies and procedures is in place. Referral to policies and procedures by staff is routine. Benchmark example: Frequency of review. Provides an indication of how frequently the management system is checked to ensure policies and procedures fit the needs of the organisation.
	4	500-700	Policies & procedures are fully developed, regularly reviewed and easily accessible to relevant stakeholders eg employees can access via intranet.
Human Resource planning	1-2	50-300	Plans for recruitment, retention, induction, health and safety, training etc in place. Benchmarks are in place. Examples: Job rotation levels; Staff turnover;
	3	300-500	A number of key factors that affect employee well-being, satisfaction and motivation determined and monitored to improve the work environment. Systems in place such as employee data capture; human talent flow pyramid, succession planning
	4	500-700	HR plans for staffing, selection, training, involvement, empowerment and recognition are aligned to meet strategic objectives. Standards such as Investors in People are used.
Employee Satisfaction	1-2	100-300	Employee surveys and focus groups are important tools that provide a diagnosis of the organisation's health. Examples of employee satisfaction benchmarks: Staff turnover; OSH incidents; Staff productivity; Length of service; Employee benefits eg Pension scheme
	3-4	300-700	Data on employee morale, absenteeism, turnover, safety, grievances, involvement, empowerment, recognition and training are used to make improvements

TABLE 7

<b>6. Process Management</b>			
6.1 Work System Design			
6.2 Work Process Management and Improvement			
<b>Activity/Technique</b>	<b>Maturity Level</b>	<b>Scoring Band</b>	<b>Tools/Competencies/Examples/Comments</b>
Total Quality Management	2	150-300	Examples of tools: Standards eg ISO 9000 series, Business Excellence self-assessments
	3	300-500	Examples of tools: Statistical Process Control; Six Sigma; Quality Function Deployment; Failure Mode Effects Analysis; Quality Costing; Quality circles, Kaizen etc
	4	500-700	Examples of tools: External Business Excellence Award assessments;
Process or Best Practice Benchmarking (4)	2	150-300	Process benchmarking is a systematic approach for identifying, understanding, and implementing best practices. Provision of resources, training and championing
	3	300-500	Active participation by senior management. Facilitation skills are available. Documented , measured and owned at all levels.
	4	500-700	Full involvement, review and continual improvement of benchmarking built into the management process. Seamless integration of study results into action.
Outsourcing (7)	1-4	100-700	Using third parties to perform noncore business activities. Enables a company to focus its efforts on its core competencies. Can reduce cost and improve performance of the activity. Third parties that specialise in an activity are likely to be lower cost and more effective, given their focus and scale. Through Outsourcing, a company can access the state of the art in all of its business activities without having to master each one internally. See also Core Competencies.
Business Process Reengineering (BPR) (8=)	2-3	150-500	A radical approach for improving business effectiveness by redesigning the way processes are managed and or structured. BPR causes a fundamental rethink and radical redesign of business processes to achieve dramatic improvements in critical measures such as cost, quality, service, or speed. It aims to change an organisation by quantum leaps in performance and may be implemented in response to a fundamental shift in circumstances.
Managing Product/Service Complexity	2	150-300	Examples of tools: Flow diagrams; Gantt charts; Check-sheet; Histogram; Cause and effect diagram; Project management
	3	300-500	Process mapping; Scatter diagram; Linear programming; Critical path; Queuing; Pareto diagram; Control chart; Failure mode effect analysis
	4	500-700	Full Supply Chain Management;/Integration. Use of ERP systems such as SAP, Oracle

TABLE 8

7. Results			
CPE Item	Maturity Level	Scoring Band	Examples of Benchmarks/KPIs
7.1 Product and Service Outcomes	NA	NA	Benchmarks: product quality/delivery/value; service quality/delivery/value; Turnaround time; Innovation - New product sales, No of R&D/Innovation Ideas;
7.2 Customer Focused Outcomes			Benchmarks: Customer satisfaction, Customer complaints and compliments; customer audit discrepancy ratio; Turnaround time, Liquidated damages (Operations); Customer's Acceptance Rate; Warranty Claims; Call Centre Waiting Times
7.3 Financial and Market Outcomes			Benchmarks for financial control effectiveness: Accounting systems, Investment systems, Budgeting systems, EVA analysis, Customer Value Added; Outcome measures: EBITDA, EBIT, NPAT, Market share, Cash Flow, ROI, ROS, ROE, Debt/Equity ratio; Price Performance, Market Capitalisation; Dividend Yield etc
7.4 Work Focused Outcomes			Benchmarks: Participation - % of Employees involved in teams; Staff Suggestion Scheme Participation Rate; Average number of suggestions per employee; Staff Suggestion Implementation Rate; Cost Savings from Team Activities and Staff Suggestion Scheme; Health and Safety: Participation in Wellness Programme; Accident Frequency Rate; Accident Severity Rate; Absenteeism Rate; Average Training Hours/employee or sector; Employee Opinion Survey; Staff Resignation Rates; Length of Service; Staff Awards
7.5 Process Effectiveness Outcomes			Benchmarks: Turnaround Time; Value Add Per Employee; QA Audit; Safety Review Per Operating Unit; Number of Patents Filed; Plant Maintenance Uptime; Reject Rate; On Time Delivery; Approved Vendor Listing (AVL) Retention Rate;
7.6 Leadership Outcomes			Corporate Governance and Stakeholder/Investor Relations Benchmarks: Results for Key Measures of Accomplishment of Organisational Strategy , Fiscal Responsibility, Regulatory and Legal Compliance, Organisational Citizenship; No of Days for Announcement of Results; Briefings to Analysts, shareholders and Media/Year; Days to Release Annual Report;

### **3. Definitions**

#### **Business Process Reengineering (BPR)**

A radical approach for improving business effectiveness by redesigning the way processes are managed and or structured. BPR causes a fundamental rethink and radical redesign of business processes to achieve dramatic improvements in critical measures such as cost, quality, service, or speed. It aims to change an organisation by quantum leaps in performance and may be implemented in response to a fundamental shift in circumstances.

#### **Competitive benchmarking**

Competitive benchmarking involves benchmarking against direct competitors. It may include the benchmarking of key strategic measures (e.g. market share, return on capital employed, and customer satisfaction), functions or processes. If organisations can obtain performance information on their competition this can provide the impetus for the start of an improvement initiative but typically this information is difficult to obtain.

#### **Core Competencies**

Special skills or technologies that create unique customer value and are vital to the organisation's ability to succeed. Core competencies capture the collective learning in an organisation. A core competency should ideally be:

- 1) Difficult for competitors to imitate or procure in the market, thereby creating competitive barriers to entry; and
- 2) Enable an organisation to access a wide variety of unrelated markets by combining skills and technologies across traditional business units.

#### **Customer Relationship Management (CRM)**

CRM is used to better understand customers in order to acquire, retain and grow accounts with those most profitable. Data collected through CRM enables firms to differentially serve target segments, including tailoring products to include features valued by these segments, and exclude features that add cost but fail to significantly influence target customer purchases. CRM provides data to educate employees, align their incentives, and position a company strategically to profit from evolving market needs.

#### **Customer Satisfaction**

Customer satisfaction measurement is used for tracking performance over time, benchmarking competitors, diagnosing the effects of various quality initiatives, and driving customer retention for building a loyal customer base.

#### **Customer Segmentation**

The subdivision of a market into discrete customer groups whose members share similar characteristics. Customer segmentation can be used by organisations in an attempt to achieve a leadership position by being the first to serve specific customer groups by addressing the specific needs that have been identified as characterising those within the groups. To do this the market must be researched and analysed. Understanding the specific needs of each segment enables organisations to develop tailored product offerings, relationships, and or marketing programmes for groups of customers with similar purchase criteria.

#### **Growth Strategy Tools**

Growth Strategy Tools focus resources on opportunities for profitable growth. The assumption is that profitable growth can be actively targeted and managed. Growth Strategy Tools alter a company's goals and business processes to challenge conventional wisdom, identify emerging trends, and build or acquire profitable new businesses adjacent to the core business. In some cases these strategies involve redefining the core. They typically require increased R&D investments, reallocation of resources, greater emphasis on recruiting and retaining extraordinary employees, additional incentives for innovation, and greater risk tolerance.

#### **Investors in People**

A people-focused quality standard developed in the UK. The Investors in People (IIP) standard is based on four principles: commitment, planning, action and evaluation. Each principle uses some indicators (total of 12) to measure progress. It was sponsored by the UK government and launched in 1993. IIP was expected to close the skills gap between the UK and its major competitors. Many countries have since introduced IIP as a benchmark of best practice for employee management and training.

### **IT Auditing and Risk Management**

An IT audit is used to clarify what IT performance is required including from an IT security perspective. It determines what processes need implementing or improving to ensure data integrity, security and contingency planning for provision of IT systems and data in emergencies.

### **Knowledge Management**

Knowledge Management (KM) is the process through which organisations generate value from their intellectual and knowledge-based assets. Most often, generating value from such assets involves sharing them among employees, departments and even with other companies in an effort to devise best practices. KM reflects the high value of intellectual property and experience, whether it is in patents, protected by other legal instruments, or within key employees.

### **Lean Operations**

Lean Operations is both a methodology and philosophy that focuses on eliminating waste and reducing the time between a customer's order and delivery. By trimming waste, companies—manufacturers of goods and providers of services alike—can achieve higher quality, increased productivity, improved customer interactions and speed. The goal of Lean Operations is to get the right things to the right place, at the right time, in the right quantities, while minimizing waste.

### **Mission and Vision Statements**

A Mission Statement defines the company's business, its objectives and its approach to reach those objectives. A Vision Statement describes the desired future position of the company. Elements of Mission and Vision Statements are often combined to provide a statement of the company's purposes, goals and values. Typically, senior managers will write the company's overall Mission and Vision Statements. Other managers at different levels may write statements for their particular divisions or business units.

### **Outsourcing**

Using an external provider to perform an activity that could be, or has been, performed in-house, for strategic reasons. Involves using an external supplier to obtain some/all function(s) or activity(s) that were previously performed internally, or could have been performed internally had the organisation chosen to do so.

### **Performance Measurement**

The information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organisation (outcomes). Performance measurement seeks to match and align performance measures with business strategy, structures and corporate culture, the type and number of measures to use, the balance between the merits and costs of introducing these measures, and how to deploy the measures so that the results are used and acted upon. Examples of performance measurement systems are the Balanced Scorecard, the Performance Prism, the Service Triangle,

### **Scenarios**

Scenario Planning allows managers to explore and prepare for several alternative futures. It examines the outcomes a company might expect under a variety of operating strategies and economic conditions. It is a methodology for surfacing, challenging, and altering beliefs, and examining the full range of possible futures. Typically a long-term horizon is set. By raising and testing various "what-if" scenarios, managers can brainstorm together and challenge their assumptions in a non-threatening, hypothetical environment before they decide on a certain course of action. Scenario and Contingency Planning allows management to test plans and forecasts and equips the company to handle the unexpected.

### **Six Sigma**

A strategic, disciplined, and systematic data driven methodology used to support a project-based improvement programme. Six-Sigma is a tool that organisations use to improve process quality from 99 percent good (3.8 sigma) to 99.99966 percent (6 sigma). Six-Sigma enables a company to take a proactive, measured and fact-based approach to improving activities, and so massively reduce the total cost of quality, and increase productivity and customer satisfaction. Traditional Six-Sigma may incorporate some 141 statistical tools and concepts, and the process follows a consistent path commonly known by the acronym DMAIC: Define the problem; Measure the problem; Analyse the data; Improve the system; Control and sustain the improvement.

**Strategic Alliances**

Strategic alliances are agreements between firms in which each commits resources to achieve a common set of objectives. Companies may form strategic alliances with customers, suppliers or competitors. Benefits can include: improved competitive positioning, entry to new markets, supplement critical skills, and share the risk or cost of major development projects.

**Strategic Planning**

In the CPE strategic planning consists of strategy development and strategy deployment. Strategy development refers to the development of strategic direction and strategic objectives. It does not imply formalized plans, planning systems, or specific planning cycles (NIST, 2007). Strategy deployment (also known as strategy implementation) is the translation of strategy into action. In the CPE it includes converting strategic objectives into action plans to accomplish the objectives (NIST, 2007). Typically strategic initiatives are considered and approved at senior management and Board level, with further decisions required at business unit and operational level to implement the initiative usually as a series of projects.

**Supply Chain Management/Integration**

Supply Chain Integration aims to establish strong bonds of communication and trust along all links in the value chain so they can effectively function as one unit, to deliver products and services faster, better, and less expensively with total customer satisfaction. Supply Chain Integration capitalises on business practices such as just-in-time (JIT) inventories, electronic data interchange (EDI), outsourcing, supplier consolidation, and globalisation.

**Total Quality Management**

Total Quality Management (TQM) is a management philosophy and operating approach based upon producing quality services and products as defined by the customer, creating a continuous improvement culture. TQM has a number of core principles. It is quality-centred, customer-focused, fact-based, team-driven, and senior-management-led. As an operating approach it aims to achieve an organisation's strategic goals through continuous process improvement. The word 'total' in TQM identifies that everyone in the organisation must be involved in the continuous improvement effort. 'Quality' shows a concern for customer satisfaction, and 'management' refers to the people and processes needed to achieve the quality. TQM may also be known as Total Quality Improvement (TQI), Continuous Quality Improvement (CQI), Total Service Quality (TSQ), Total Quality Leadership (TQL) and World Class Quality. In the last decade the principles of TQM have been incorporated and expanded into a new term, 'Business Excellence'.

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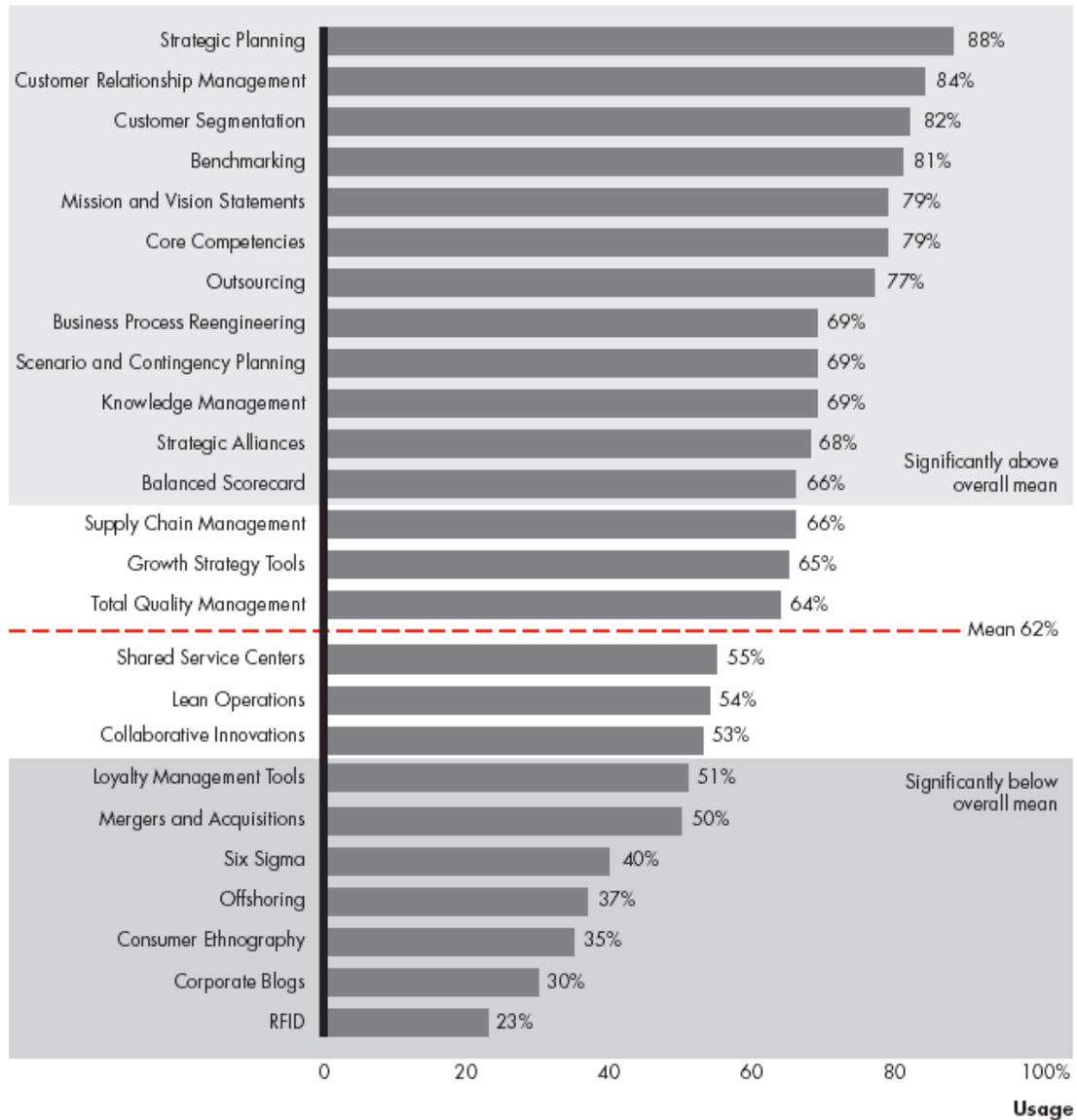
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## 5. Appendix A: Business Excellence Maturity Matrix

CPE Criteria	Starting	Progressing	Mature	Excellent
<b>1. Leadership</b>	An individual is responsible for investigating BE	Senior managers initiate and support the implementation of BE	BE is recognised by all managers as an important element of business success. Major improvement programs have been fully implemented.	All managers at all levels promote the identifying and implementing of appropriate elements of BE, including best practice benchmarking
<b>2. Strategic Planning</b>	There is a stated policy of adopting BE	The overall business plan includes major improvement programs based on BE principles	All business plans are based on achieving leading industry performance as measured by BE assessments	All business plans are based on achieving world-class performance as measured by BE assessments
<b>3. Customer and Market Focus</b>	Awareness of the importance of customer relationships and market knowledge	There is a process for capturing customer and market data and implementing performance measures for markets and customers	KPIs for customer and market knowledge and customer relationships and satisfaction are used and drive action	A database of customer and market information is fully integrated with all other business systems and is effectively used
<b>4. Measurement, Analysis, and Knowledge Management</b>	Senior managers understand the need to identify, measure and analyse its business' systems and practices	There is a central database of business information. A 'road map' for identifying leading practices has been developed. A balanced set of KPIs covering all stakeholder groups are identified	The measurement and review of organisational performance is routine. There is an effective means of communicating performance to all stakeholders	Measurement, and analysis are embedded in all processes. All employees can contribute to knowledge bases and the communication of information
<b>5. Workforce Focus</b>	Employees understand the requirement for continuous improvement	All employees have received basic training in BE. Senior managers are involved in BE activities such as benchmarking	Participation in BE studies is used as a personal development tool. Improvement teams use BE concepts and research	All employees are able to identify leading practices and routinely propose ways of integrating their learning into their process
<b>6. Process Management</b>	An individual is responsible for developing a systematic approach to identifying process improvements	Senior managers initiate and support a systematic process for identifying and implementing improvements across all core/value adding processes	Support processes ( in addition to core/value adding processes) and operational planning are measured and owned at all levels, and all employees are enabled to contribute	Processes reviewed and continually improved. Innovation is accepted as the norm. Creative selection of benchmarking partners from outside industry in search for world-class performance
<b>7. Results</b>	Business results are limited to one or two areas but plans are in place to collect results for all stakeholder groups/BE result items.	Measures are collected for most stakeholder groups/BE result items. Trend data shows performance is improving across more than half of the measures. Benchmarking data is beginning to be collected.	Measures are collected for all stakeholder groups/BE result items. Trend data shows performance is improving across the majority of measures. Benchmarking data indicates above average industry performance.	The business has achieved top decile performance in all BE business result items when compared to all industry sectors.

## Appendix B

Tool usage by 1221 global executives in 2007 (Source: Rigby and Bilodeau, 2007)



## Appendix C

Top 10 most used tools in 2007 (Source: Rigby and Bilodeau, 2007)

Strategic Planning is valued as the No. 1 tool everywhere in the world except for the Asia-Pacific region, where CRM is number 1.

<b>Top 10 most used tools</b>	Global	North America	Europe	Asia-Pacific	Latin America
<b>Strategic Planning*</b>	1	1	1	2	1
<b>Customer Relationship Management</b>	2	3	4	1	9
<b>Customer Segmentation</b>	3	6	2(t)	3	3(t)
<b>Benchmarking</b>	4	2	2(t)	9(t)	2
<b>Core Competencies</b>	5(t)	5	5(t)	4	10
<b>Mission and Vision Statements</b>	5(t)	4	7	5(t)	5
<b>Outsourcing</b>	7	8	5(t)	7(t)	3(t)
<b>Business Process Reengineering</b>	8(t)	10(t)	10(t)	5(t)	14(t)
<b>Knowledge Management</b>	8(t)	12	10(t)	7(t)	14(t)
<b>Scenario and Contingency Planning</b>	8(t)	9	8	14	7

Note: (t)–tied

### Top 10 tools by usage

1. Strategic Planning
2. Customer Relationship Management
3. Customer Segmentation
4. Benchmarking
5. *(tie)*  
Mission and Vision Statements  
Core Competencies
7. Outsourcing
8. *(three-way tie)*  
Business Process Reengineering  
Scenario and Contingency Planning  
Knowledge Management

### Top 10 Tools by satisfaction

1. *(tie)*  
Customer Segmentation  
Strategic Planning
3. Mergers and Acquisitions
4. Customer Relationship Management
5. Core Competencies
6. *(tie)*  
Total Quality Management  
Benchmarking
8. *(three-way tie)*  
Mission and Vision Statements  
Scenario and Contingency Planning  
Strategic Alliances

## Appendix D

### Maturity model for Information Technology systems security

Source: IT Governance Institute (2007). *COBIT@ 4.1* Rolling Meadows, IL: ITGI

## MATURITY MODEL

### DS5 Ensure Systems Security

Management of the process of *Ensure systems security that satisfies the business requirements for IT of maintaining the integrity of information and processing infrastructure and minimising the impact of security vulnerabilities and incidents is:*

#### **0 Non-existent** when

The organisation does not recognise the need for IT security. Responsibilities and accountabilities are not assigned for ensuring security. Measures supporting the management of IT security are not implemented. There is no IT security reporting and no response process for IT security breaches. There is a complete lack of a recognisable system security administration process.

#### **1 Initial/Ad Hoc** when

The organisation recognises the need for IT security. Awareness of the need for security depends primarily on the individual. IT security is addressed on a reactive basis. IT security is not measured. Detected IT security breaches invoke finger-pointing responses, because responsibilities are unclear. Responses to IT security breaches are unpredictable.

#### **2 Repeatable but Intuitive** when

Responsibilities and accountabilities for IT security are assigned to an IT security co-ordinator, although the management authority of the co-ordinator is limited. Awareness of the need for security is fragmented and limited. Although security-relevant information is produced by systems, it is not analysed. Services from third parties may not address the specific security needs of the organisation. Security policies are being developed, but skills and tools are inadequate. IT security reporting is incomplete, misleading or not pertinent. Security training is available but is undertaken primarily at the initiative of the individual. IT security is seen primarily as the responsibility and domain of IT and the business does not see IT security as within its domain.

#### **3 Defined** when

Security awareness exists and is promoted by management. IT security procedures are defined and aligned with IT security policy. Responsibilities for IT security are assigned and understood, but not consistently enforced. An IT security plan and security solutions exist as driven by risk analysis. Reporting on security does not contain a clear business focus. *Ad hoc* security testing (e.g., intrusion testing) is performed. Security training is available for IT and the business, but is only informally scheduled and managed.

#### **4 Managed and Measurable** when

Responsibilities for IT security are clearly assigned, managed and enforced. IT security risk and impact analysis is consistently performed. Security policies and procedures are completed with specific security baselines. Exposure to methods for promoting security awareness is mandatory. User identification, authentication and authorisation are standardised. Security certification is pursued for staff members who are responsible for the audit and management of security. Security testing is completed using standard and formalised processes, leading to improvements of security levels. IT security processes are co-ordinated with an overall organisation security function. IT security reporting is linked to business objectives. IT security training is conducted in both the business and IT. IT security training is planned and managed in a manner that responds to business needs and defined security risk profiles. Goals and metrics for security management have been defined but are not yet measured.

#### **5 Optimised** when

IT security is a joint responsibility of business and IT management and is integrated with corporate security business objectives. IT security requirements are clearly defined, optimised and included in an approved security plan. Users and customers are increasingly accountable for defining security requirements, and security functions are integrated with applications at the design stage. Security incidents are promptly addressed with formalised incident response procedures supported by automated tools. Periodic security assessments are conducted to evaluate the effectiveness of the implementation of the security plan. Information on threats and vulnerabilities is systematically collected and analysed. Adequate controls to mitigate risks are promptly communicated and implemented. Security testing, root cause analysis of security incidents and proactive identification of risk are used for continuous process improvements. Security processes and technologies are integrated organisationwide. Metrics for security management are measured, collected and communicated. Management uses these measures to adjust the security plan in a continuous improvement process.

## Appendix E

### Knowledge Management Maturity Matrix

Source: <http://www.justice.govt.nz/jsis/information-knowledge-management-guide/index.htm>

	STRATEGY	PEOPLE	PROCESS	TECHNOLOGY	
<b>LEVEL 5 - Knowledge Centric</b>	Business Strategy is continuously adjusted to reflect organizational learning from knowledge management	A culture exists that encourages free flow of knowledge throughout the enterprise	Communities of Practice are formally linked	Corporate I/T infrastructure integrates knowledge management both internal and external to the organization	← Here's the direction you move toward ←
	<b>LEVEL 4 - Knowledge Managed</b>	KM strategy is defined with leadership accountability and sufficient resources to begin having significant impact on results	There is a broad-based competency in KM across the company. Formal organizations for supporting KM emerge	KM processes, practices, and measurement are formalized and integrated with core business activities	
<b>LEVEL 3 - Knowledge Enabled</b>	KM strategy is defined as part of the business strategy but no leadership (e.g., CKO) accountability is assigned	Rewards are in place to encourage creation, sharing and reuse of knowledge; Learning becomes a cultural norm	KM processes are integrated into business processes and knowledge is imbedded in business processes	Data Warehouse and Document Management technologies are in place to support knowledge capture, sharing, and reuse	← Here's what you typically do first
<b>LEVEL 2 - Knowledge Aware</b>	Leadership recognition of the importance of KM relative to business but has not yet incorporated it into its strategy	People are aware of limited KM capabilities, however there is no perceived leadership commitment to KM	Limited processes exist for KM (Tacit and Explicit knowledge is available, but difficult to access)	Basic KM enablers are present (e.g. e-mail)	← Here's where most organizations are today
<b>LEVEL 1 - Knowledge Chaotic</b>	Corporate strategy is focused internally and knowledge has no impact on the corporate direction	People within the company are resistant to change and routinely hoard knowledge	No process exists for creating, sharing and applying knowledge	KM enabling technology is not present	