

# **A Phase-wise Development Approach to Business Excellence**

## **Towards an innovative, stakeholder-oriented assessment tool for organizational excellence and CSR**

Marcel van Marrewijk, Iris Wuisman, Wim de Cleyn, Joanne Timmers,  
Virgilio Panapanaan and Lassi Linnanen

### **Abstract**

*The European Corporate Sustainability Framework (ECSF) is, among other concepts, based on a phase-wise development approach as described by Clare Graves' Levels of Existence Theory. As much as corporate sustainability has a sequence of adequate interpretations, aligned with each development level, also the notion of business excellence can be defined at multiple levels, as this paper demonstrates.*

*Furthermore, the authors analyze the current EFQM Excellence Model for particular biases towards various development levels and suggest a new and innovative two-step approach to assessing organizational performance with respect to organizational excellence and corporate sustainability. According to the organization's ambition, the assessment is either limited to a shareholder approach, mainly focusing at optimal usage of resources, or it also includes an additional assessment format based on the stakeholder approach, with specific reference to the organization's performance on the financial, social and ecological bottom line.*

*This paper demonstrates the need and feasibility of an EFQM-Based assessment tool with a combined focus on corporate sustainability and organizational excellence.*

### **Abbreviations**

BE	Business Excellence
CS	Corporate Sustainability
CSR	Corporate Social Responsibility
CS-R	Corporate Sustainability and Corporate Responsibility
ECSF	European Corporate Sustainability Framework
EFQM	European Foundation for Quality Management
EU	European Union
NGO	Non Governmental Organization
OE	Organizational Excellence
TQM	Total Quality Management

### **1. Introduction**

2001, applying for a EU tender to develop innovative measures as "Adaptation to the new economy within the framework of social dialogue" Van Marrewijk<sup>1</sup> listed a few pressing questions:

*“Do we know how companies can transform into sustainable organizations? Do we know what performance criteria are valid to indicate the company’s responsible behavior? How responsible, ethical, environmental friendly is company A compared with company B? Who is the best? We cannot tell...”*

*Unfortunately, despite the number of ideas and circumstantial evidences, laid down in numerous articles and reports, business professionals lack a sound, broadly accepted and approved theory that can help them to measure, apply and develop corporate sustainability within their business environment. They are stuck in a trial and error approach, with a risk of never achieving the desired aspirations.”*

There was an obvious need for a framework of useful interpretations of CSR and ways how to integrate and implement these in business operations. The proposal to this tender was approved and two years later, an international research initiative, co-ordinated by Erasmus University Rotterdam, delivered the European Corporate Sustainability Framework (ECSF) to the European Commission. It is a new generation management framework, that is able to support companies in demonstrating responsible ways of doing business and achieving higher performance levels as sustainable operating organizations, carefully aligned with their particular development level(s) and major challenges (van Marrewijk, 2003 and 2004; Hardjono, 2004).

The ECSF-research project succeeded in identifying various ways of interpreting Corporate Sustainability and Responsibility (CS-R) and aligning specific ambitions with respect to CS-R and with adequate ways of implementing it. This framework hosts traditional ways of doing business, such as *compliance-driven* and *success and entrepreneurial-driven* approaches. It also includes business approaches that have emerged only recently, such as more *care-driven* and *synergy-driven* ways of organizational behavior (Van Marrewijk & Werre, 2003). Each development level is supported by particular value systems and management paradigms, demonstrated in coherent sets of institutional structures (Van Marrewijk, 2004).

The ECSF framework is placed within the quality management tradition, for various reasons. First, there were representatives of quality organizations involved in the research consortium, that played a pivotal role in the design of the framework and the related set of tools.<sup>2</sup> Secondly, and more important, the ECSF framework supports corporate performance improvement, which is typically the main focus of (total) quality management (TQM). This way Business Excellence (BE) or Organizational Excellence (OE), directly associated and to many considered a synonym for TQM, has become related to CS-R. The generic definition of the latter notion is the corporate inclusion of social and environmental concerns into business operations and in interactions with stakeholders. Van Marrewijk (2003) concluded that - at a more detailed level - corporate responsibility (CR) expresses the corporation’s willingness to be accountable for the impact of their doing to stakeholders (*Communion*) and relates to phenomena such as transparency, stakeholder dialogue and sustainability reporting. On the other hand, corporate sustainability (CS) is manifested as the organization’s capacity (*Agency*) to improve value creation with respect to the triple bottom line, due to for instance environmental friendly production systems, waste reduction policies, human potential development programs, and other management attention areas that enable the organization to achieve its goals.

As the fundamentals of Corporate Sustainability and Social Responsibility (CS-R) are built on the extensive experiences of Quality Management and Business Excellence, more and more organizations – including the ECSF consortium – regard CS-R as the next step in business improvement. In other words, CS-R includes and transcends Business Excellence.

A contrary option would be the pairing of CS-R and BE interpretations, both being aligned with particular development levels, instead of fixing BE and allowing CS-R to manifest

itself at multiple levels. In this paper, the authors investigate a developmental approach to Business or Organizational Excellence, by developing multiple levels of Excellence and using this as the fundament for an innovative self assessment tool based on the EFQM format. This new and pragmatic tool will strengthen the links between excellence, sustainability and responsibility.

### **1.2. Structure of this paper**

In paragraph 2, we first elaborate on organizational excellence by shortly introducing EFQM's Business Excellence Model. Having linked CS-R to various development levels, it is fair to interpret Organizational Excellence at multiple levels of existence, as described by Clare W. Graves and Beck and Cowan (1996). This is done in paragraph 3. In paragraph 4 we list the conflicts of the current Excellence Model with the concepts of phase-wise development, also adding practical comments from corporate executives on these matters. In section 5 we elaborate on an alternative EFQM assessment format including Organizational Excellence *and* CS-R. Paragraph 6 provides the outlines of this new assessment tool, its added value in international practice and a request to corporations to join the testing phase.

## **2. The European Foundation for Quality Management (EFQM) : their Excellence Model and its current impact**

### **2.1 The EFQM**

European Foundation for Quality Management (EFQM) is a membership based not for profit organization founded in 1988 by fourteen leading European businesses. They had a mission to be the driving force for Business Excellence in Europe and had a vision of a world in which European organizations excel. The impetus for this powerful management network was the need to develop a European framework for quality improvement along the lines of the Malcolm Baldrige Model in the USA and the Deming Prize in Japan. Both these awards had demonstrably improved service and manufacturing quality in the organizations that used them.

The EFQM framework – which they continued to label as ‘Model’ – and related assessment formats appeared to be a breakthrough in management and quality improvement, and has been applied successfully among thousands of companies, mainly all over Europe.

### **2.2 The EFQM Excellence Model**

The EFQM Excellence Model was introduced in 1991 as the framework for organizational self-assessment and as the basis for judging entrants to the European Quality Award, which was awarded for the first time in 1992. While Quality Awards are the focus for some users, the true measure of the EFQM Excellence Model's effectiveness is its widespread use as a management system and the associated growth in the key management discipline of organizational self-assessment.

The EFQM Excellence Model was introduced as the primary framework for assessing and improving organizations in order that they might achieve a sustainable advantage. The EFQM Excellence Model is a non-prescriptive framework that recognizes that there are many approaches to achieving sustainable excellence. Within this non-prescriptive approach there are some fundamental concepts which underpin the EFQM Model. These are: results orientation; customer focus; leadership and constancy of purpose; management by processes and facts; people development and involvement; continuous learning,

innovation and improvement; partnership development; and corporate social responsibility. In section 4.5 we investigate their developmental biases.

The Model is based on nine criteria as shown in figure 1. Five of these – Leadership, Policy and Strategy, People, Partnerships and Resources, and Processes – are enablers and four are results. The enabler criteria cover what an organization does while the results criteria cover what an organization achieves. Results are caused by enablers and feedback from results help to improve enablers.

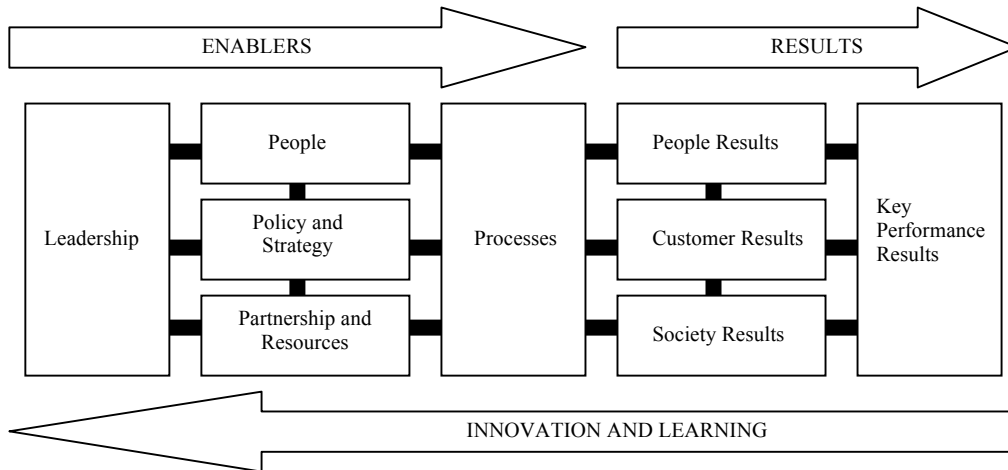


Figure 1: EFQM's Business Excellence Model (redrawn from EFQM)

The Model is based on the premise that:

*Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, that is delivered through People, Partnerships and Resources, and Processes.*

The arrows in the figure emphasize the dynamic nature of the model. They show innovation and learning helping to improve enablers that in turn lead to improved results. The Model's nine boxes represent the criteria against which to assess an organization's progress towards excellence. In section 5.2 we will suggest alternative descriptions for the current explanations by EFQM, aligned for two development levels.

### 3. Multiple levels of Business Excellence

#### 3.1. A phase wise approach to quality orientations

The concept of Business Excellence or Organizational Excellence is hardly defined. The website of the EFQM, nor the sites of the British, Australian, New Zealand, and American quality organizations provide clear definitions of performance excellence. They do point out areas to address, or as EFQM does, state that the Excellence Model is a non-prescriptive framework recognizing there are many approaches to achieving sustainable excellence. BE seems to be a notion which is as hard to grasp as 'quality' and 'perfection': you never know you have achieved it. There is always room for improvement or another aspect to include. However, there have been attempts before to specify excellence.

The group of consultants that supported the 14 captains of industries and the EFQM could not agree on the introduction of various levels of complexity regarding quality. Subsidized by the Dutch Government, Hardjono and Hes (1993) initiated a Dutch variety to the EFQM model, the Dutch INK management model. They distinguished five quality

orientations: activity-oriented, process-oriented, system-oriented, chain-oriented and transformation-oriented. The latter is not consistent with the previous four, but society-oriented was felt too far fetched for the market to accept this as the highest, most complex quality orientation. In practice, these orientations have always been labeled as development phases, but they were originally intended as complexity levels. We will return to this discussion in section 3.2 and 4.1.

Historically, there is much evidence for a phase-wise approach to quality orientations. Once, the notion of quality was adequately developed at the product level. See figure 2a. Especially during the medieval guilds, personal dedication and craftsmanship guaranteed optimal products. Also during early industrialization, output control was dominant. Up to this era, product quality methods have established the most sophisticated levels and many resources are still dedicated to securing this performance level. However, many flaws still occur.

Later in time, corporations also focused on managing the processes (see Figure 2a), distinguishing input -, output -, and process control. It coincided with scientific management, which was primarily based on Taylor’s principles of standardization, specialization, maximization, concentration and centralization. These principles, combined with rather technical and statistical instruments and techniques, especially business operations was brought to higher levels of performance. A quality approach oriented at optimizing processes by making use of procedures, standards, certifications and alike, can be introduced best in a workplace seeking incremental changes and cherishing compliance oriented values, such as order, obedience, discipline and loyalty. In this environment, ISO standards can flourish.

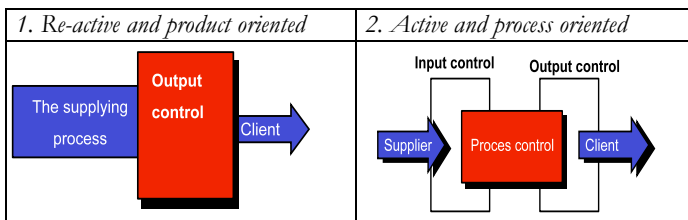


Figure 2a: INK quality orientations: product and process.

In 1989, the Berlin Wall fell. The Soviet and East European economies, carefully structured according to Taylor’s approach to industrialization, were no longer able to mask their inability to adapt themselves to changed circumstances. The end of the communist era increased the instability of an already poor performing European economy, being outrun by global competition. Moreover, the launch of the ‘White Book’ on European integration, to be completed in 1992, did not yet work as a catalyst to boost the economy. There was a cry for more entrepreneurial ways and supporting success-oriented values.

The EFQM initiative was meant to turn the tide and stimulate the quality of European businesses and its products and services. Challenge by the lack of adequate management information systems and planning and control cycles, and the rapidly changing business environment, the EFQM developed the European Model for Business Excellence. This framework structured the management’s attention areas, it focused on specific business goals, it created loops [from policy to process, results and learning], it provided assessment tools and it offered an open platform for bringing in additional tools and related management concepts. In the nineties, concepts such as Business Process Redesign, Six Sigma and Just-in-Time have been introduced widely, promising attractive

results. Sometimes, these tools were implemented successfully, but most attempts brought temporary results and thus (partly) failed.

All these attempts marked the desire to operate more systemically by managing the organization as an entity. See figure 2b. Given the traditional corporate cultures, which are mainly compliance- and profit-driven, there are only a few management methods, that effectively contribute to an organization wide approaches to delivering success. Especially the methods based on Goldratt's Theory of Constraints have demonstrated remarkable success.

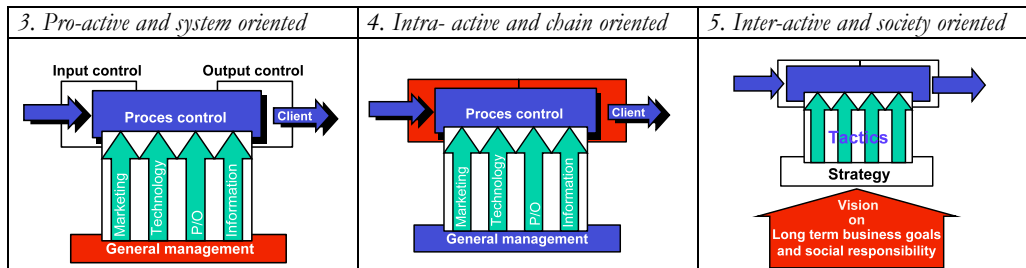


Figure 2b: INK quality orientations: system, chain and society.

Contemporary research (Wilber (1995), Cameron & Quinn (1999), Simons (1995)) demonstrate what some companies already have experienced by themselves: managerial, rather technical approaches to quality management ought to be complemented by a supporting culture and personal commitment of those directly involved. In order to support an organization wide approach to quality, processes and systems need to be complemented by (1) a culture that ‘creates unity’ and ‘learns to co-operate’ and (2) an approach that generates (personal) alignment of the stakeholders involved. The next step in organizational performance, requires corporations to focus on their social dimension (van Marrewijk, 2004) and introduce community-oriented values. Engaging and collaborating with stakeholder groups demands new, social competences within organizations and above all a culture of trust. It is no longer employee satisfaction that matters, but a culture in which respect, credibility and fairness can thrive, resulting in employee dedication and higher performance levels, especially with respect to productivity and creativity (van Marrewijk, 2004).

By creating “great places to work”, organizations enhance the required social competences to boost corporate performance at the organizational level. These skills and experiences are essential to successfully integrate the industry into smooth production and value chains. Currently, the last phase is widely discussed, with pioneers leading the yet unpaved roads (phase 5 in figure 2b).

### 3.2. The limits to current EFQM based assessment methods

As interim researcher, Van Marrewijk contributed to an ERBS BV/Erasmus University study on 10 years experiences with the INK-management model (2001). He concluded that the different quality orientations supported by a popular self assessment tool have worked well. However, the experiences from developing the European Corporate Sustainability Framework, in which the EFQM Excellence model was used, provided new opportunities to enrich the EFQM approach to a more robust and sophisticated level.

We have come across the following arguments and developments that convinced us to propose a new assessment approach. The arguments are introduced below.

- Complexity or development levels?

The INK approach to quality orientations is useful, but remained at a relatively superficial level. Product, process, system and chain oriented are clearly complexity levels and not necessarily development levels, as we will demonstrate in latter sections.

- New times, new methods?

According to the Four Phase Model (Hardjono, 1996), also one of ECSF's founding models, every tool and concept has a limited domain (contexts and situations) in which it can be applied by management effectively. In practice, the authors noticed that an increasing number of organizations 'have grown out' of the EFQM Model. Corporate representatives have stated they do not longer apply EFQM's concepts and tools. They often admit to be at a loss for they do not have an appropriate successor.

- The fallacy of assessing excellence

Lead auditors of the EFQM have experienced that some excellent companies had difficulty in showing their progress. In practice it seems to be very difficult to surpass the level of 650 points (the EFQM assessment tool scales up to 1,000 points). Their explanation is that the model is not able to recognize and honor the progress actually made.

- The fallacy of the composition error

The Excellence Model includes elements from different existence levels as demonstrated in 4.2. Therefore, many companies applying the EFQM assessment format, have had difficulty with particular criteria in the model as these did not resonate with their reference to reality. Especially 'People' and 'Society Results' conflicted with common practices.

We will first introduce the Gravesian approach to development levels, as applied in ECSF and in the interpretations of CS-R, before we pick up this discussion again and introduce a new way to assessing Excellence and CS-R.

## **4. A developmental approach to Business Excellence**

### **4.1. The Gravesian approach to development**

In the 1950s through 1960s Professor Clare W. Graves performed extensive empirical research regarding values and levels of existence (value systems). Based on this research Graves concluded that mankind has gradually developed eight core value systems so far. A value system is a way of conceptualizing reality and encompasses a consistent set of values, beliefs and corresponding behavior and can be found in individual persons, as well as in companies and societies (Beck & Cowan, 1996). A value system develops in reaction to specific environmental challenges and threats: the systems brighten or dim as life conditions (consisting of historic Times, geographic Place, existential Problems and societal Circumstances) change. If for instance societal circumstances change, inviting corporations to respond and consequently reconsider their role within society, it implies that corporations have to re-align their value systems and all their business institutions (such as mission, vision, policy deployment, decision-making, people management, reporting, corporate affairs, etcetera) to these new circumstances.

The development of value systems – or 'contexts' as ECSF labelled them – occurs in a fixed order and each new value system includes and transcends the previous ones, thus forming a natural hierarchy. Each value system or context represents a paradigm (van Marrewijk & Werre, 2003).

In this brief presentation<sup>3</sup> of values and value systems nuances and implications fall short. A few remarks are necessary. In a Western organization, many of these value systems - to varying degrees - will be present within their individual employees. However one or two value systems will generally tend to be reflected as the dominant theme in the corporate culture. There are excellent value audits currently available.<sup>4</sup>

As higher value systems normally include the previous contexts, a higher system is not simply better, but offers more grades of freedom to match particular challenges. If a response can be made adequately in a basic context, there is no need to do it more sophisticatedly and waste time and efforts.

Each value system has a supporting institutional structure that consistently arranges adequate behavior and ways of doing, such as ambition, motivation, policy deployment, decision structure, public affairs, information structure etcetera. As more value systems appear parallel, or nested, within organizations, these structures are reasonably flexible to comprehend elements from various value systems. Elements of emerging systems can already be integrated in the current structure, without fully supporting their drivers and corresponding awareness. Their full potential can only manifest itself when these elements are institutionally supported, or – in other words – when the paradigm shift has been made. These transformation are far from simple. Changing life conditions, building up a dissonance, a pressure to move, a necessity to change, and commitment to change at the top of the organization are necessary conditions for a successful transition to the more complex level of existence.

ECSF researchers have concluded that a phase-wise orientation to development and progress is essential to better understanding reality and supporting business more effectively. For the practical interpretation of CS-R five out of eight actual value systems of Graves or Spiral Dynamics, were used. Four of them are summarized in figure 3. However, for the purpose of developing a new assessment tool we have decided to use only two development phases: the shareholder and stakeholder orientations. By pairing compliance-driven with profit-driven, we created a business focus on resource performance, which we like to label as shareholder- driven. The pairing of care-driven and systemic-driven results in stakeholder- driven.

Development Label	Compliance-driven Order (Blue)	Profit-driven Success (Orange)	Care-driven Community (Green)	Systemic-driven Synergy (Yellow)
Environment	Ordered relationships requiring legitimization in order to ensure stability and security for the future	Many viable alternatives for progress, prosperity and material gain since change is the nature of things	The gap between people and their (material) possibilities has become disproportionately large	Complex problems that cannot be solved within the current systems as awareness of broad interconnections grows.
Values examples	Duty, obedience, loyalty, guilt, discipline, stability, clarity, justice, one truth	Productivity, personal esteem, image, reward, satisfaction, competition	Harmony, equality, consensus, honesty, openness, trust	Insights, tolerance, integrity, long term orientation, systems-thinking
Organization structure	Strict hierarchy; functional departments	Hierarchy, but more flexible; often a matrix structure	Flat organizations, as little hierarchy as possible, since everybody is equal	A network structure with a common goal, while anchored in previous systems
e.g. :Decision structure	Top down, while applying the procedures from higher authorities	Top down, but good info from the bottom is always welcome	Bottom-up; group decides; sociocratic	Top-down and bottom-up balance; based on understanding of the matters at hand
CS-R definitions	Providing welfare to society, within the limits of regulations from the rightful authorities. In addition, organizations might respond to charity	The integration of social, ethical and ecological aspects into business operations and decision-making, provided it contributes to the	Balancing economic, social and ecological concerns, which are all three important in themselves. CS-R initiatives go beyond legal	The search for well-balanced, functional solutions creating value in the economic, social and ecological realms of corporate performance, in a

	and stewardship considerations. The motivation for CS-R is perceived as a duty and obligation, or correct behavior.	financial bottom line. The motivation for CS-R is a profitable business case.	compliance and beyond profit considerations.	synergistic, win-together approach with all relevant stakeholders.
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Figure 3: A developmental approach to CS-R

#### 4.2. A developmental approach to Organizational Excellence

With two developmental levels, we now need to distinguish and clearly formulate two levels of organizational excellence. As an adequate interpretation for both Order and Success (shareholder-driven), we developed the following definition:

*Towards especially its owners and governing authorities, Organizational Excellence refers to the optimal use of human, physical and financial resources, as well as information, knowledge and market opportunities, in order to achieve maximum financial or budgetary results. The activities relate to all entities and means over which the organization has direct control.*

When a focus on resource performance has reached its ceiling, interaction and exchange with additional stakeholders (as described in Community and Synergy) will bring new excellence levels within reach. Including stakeholder-interest into the concept of Excellence, resulted in the following definition:

*The organization striving to reach Organizational Excellence seeks to maximize its material, commercial, social and intellectual capacities – internally and in exchange with all stakeholders – in order to achieve its goals and those of other stakeholders by adding value to the economic, social and ecological realms.*

#### 4.3. Contexts and situations

We now return to the issue of complexity and development. These two are obviously related but not necessarily identical. In terms of ECSF, value systems are similar to contexts and quality orientations are ‘situations’ and as is concluded within ECSF, a context can have various situations.

In practice we can observe different quality orientations within one context, for instance Order. Changing – or as ECSF labels this: shifting – to a next more complex quality orientation can be performed within the existing institutional structure and same set of supporting values. We can also observe quality orientations matching the various development levels: product quality being adequately managed in Order, Processes in Success, etcetera. In these cases, each shift to a next quality orientation requires a transformation of institutional structures and new supporting values. The point is, the quality orientations did not cause the transformations to next development levels, since these related, according to Graves and Beck and Cowan, to changing Life Conditions and Mind Capacity. With Virtues defined as in between two extremes, it is most adequate to manage quality issues relating products, processes and systems within a resource oriented, shareholder-driven approach and, again, system, chain and society related orientations to quality to a stakeholder-driven approach. See figure 5. These statements are experience based, but as far as we know not empirically proven.

Product oriented	Process-oriented	System or Organization-oriented	Chain-oriented	Society-oriented
Order: compliance-driven	Success: profit-driven	Community: care-driven	Synergy: systemic-driven	
Shareholder-driven		Stakeholder-driven		

Figure 4: Most likely linkages between contexts and situations

#### 4.4. Developmental biases of EFQM’s Excellence Model

In 3.2. we introduced ‘the fallacy of the composition error’ with which we meant that any developmental inconsistency within a model regarding its founding components, will generate tensions and difficulties in the implementation phase.

Turning to the history of EFQM, we can observe some important arguments in favour of the concept of phase-wise development. The EFQM model was developed as a response to the American Baldrige Award, revealing an Anglo-Saxon or shareholder-driven approach to business performance appraisal. The 14 CEO’s that initiated the EFQM and its Excellence Model insisted in including a European touch to the Model. Two criteria are particularly distinctive: ‘People’ – employees should not be referred to as resources – and ‘Society Results’ – an award can not be honoured to an organizations that does not meet the interest of society with respect to for instance environmental pollution and good citizenship practices. These criteria, however, are typically stakeholder oriented and referring to Community and Synergy practices.

In practice, many – resource performance oriented - companies applying the EFQM assessment format, have had difficulty with especially these criteria in the model as these did not resonate with their reference to reality. For instance, parallel to the launch of EFQM’s Excellence Model was the rise of Human Resource Management, widely applied among European companies.

#### 4.5. A Developmental approach to the EFQM principles

Having distinguished two development levels with corresponding interpretations of Organizational Excellence in paragraph 4.2., we now return to the EFQM format. The Excellence Model has appointed a set of underlying concepts, already referred to in paragraph 2.2. Some of these concepts also appear to be sensitive to development levels, as figure 6 demonstrates. They are – in terms of Beck and Cowan’s terminology – ‘little memes’, changing their content according to the prevailing value system, or they relate specifically to one context in particular.

EFQM’s Concepts	EFQM’s current description	Shareholder-driven interpretation	Stakeholder-driven interpretation
Result orientation	Excellence is achieving results that delight all the organization’s stakeholders.	Excellence is achieving increases in financial and commercial assets, in other words in economic results.	Excellence is achieving enhancement of the economic, social and ecological bottom line.
Customer focus	Excellence is creating sustainable customer value.	Excellence is fulfilling customer needs and expectations, which are derived from quantitative market analyses.	Excellence is engaging with current and potential customers, based on trust. This will lead to better and continuous understanding of the needs and expectations of customers and therefore to sustainable customer value.
Leadership and constancy of purpose	Excellence is visionary and inspirational leadership, coupled with constancy of purpose.	Excellence is managing the organization in a consistent and purposeful way through stimulating	Excellence is supporting and connecting the internal and external stakeholders in an

		entrepreneurship in order to generate optimal business results.	inspirational and visionary way, in order to generate together-win results.
Management by processes and facts	Excellence is managing the organization through a set of interdependent and interrelated systems, processes and facts.	Excellence is managing the efficiency and effectiveness of key processes, through fact-based management. Process results are valued on the basis of economic indicators.	Excellence is integrating processes into systems. System and process results are valued on the basis of economic, social and ecological indicators.
People development and involvement	Excellence is maximizing the contribution of employees through their development and involvement.	Excellence is the employment of people in the production- and service process in order to generate maximum business results. Therefore the organization strives to optimal usage of the people's capacities and strengthens their relation with the organisation in order to enlarge their motivation and contribution to the business results.	Excellence is providing the employees the full possibility of achieving personal and organizational objectives within a setting of mutual trust and alignment.
Continuous learning, innovation and improvement	Excellence is challenging the status quo and effecting change by using learning to create innovation and improvement opportunities.	Excellence is increasing the organization's ability of continuously improving the business results, by enhancing the competitiveness and initiating process innovation and product differentiation.	Excellence is increasing the organization's creative- and adaptive ability through systemic learning and innovation, in order to achieve economic, social and ecological added-value.
Partnership development	Excellence is developing and maintaining value-adding partnerships.	Excellence is developing and managing partnerships, based on the premise of economic added-value, leading to optimal business results.	Excellence is co-working with stakeholders in order to generate positive economic, social and ecological results for both the organization and the stakeholders.
Corporate Social Responsibility	Excellence is exceeding the minimum regulatory framework in which the organization operates and to strive to understand and respond to the expectations of their stakeholders in society.	Excellence is compliance to regulations and industry standards and initiating CS-R activities, in order to increase economic results, manage risks and improve the business reputation.	Excellence is integrating CS-R into all the institutions of the organization, to ensure economic, social and ecological welfare for all stakeholders, now and in the future.

Figure 5: The set of principles supporting excellence, interpreted per development level

Our aim is to integrate excellence and CS-R into one assessment tool. With CSR as one of the underlying principles, a simple answer would be that the existing EFQM assessment format already includes CSR practices. Especially since it updated its method, by releasing 'the EFQM Framework for CSR', October 2003.

With the basic EFQM format mainly aligned with Success & Entrepreneurship, we have observed EFQM's tendency to stretch into Community related ambitions. Over the years in updating the format, assessment procedures and information materials, EFQM adapted its language, more prone to the stakeholder approach.

A one-concept-fits-all approach can never work adequately for organizations functioning at different development levels. Nor will an approach aligned within a particular context have value for organizations mainly operating in other value systems.

With an ambition aligned in Community/stakeholder-driven approach, EFQM has paid disrespect to organizations operating in less complex value systems. As long as these organizations comply to authorized rules and legislation and 'psychologically' get a 'license to operate' from their stakeholders (especially: customers, partners, employees and neighborhood) they can leave aside the more complex criteria and 'simply' focus on managing their internal affairs in trying to achieve their financial and operational goals and still be excellent – even when it is only a limited interpretation, with respect to the full picture.

## **5. A new (self)-assessment tool including Excellence and CS-R**

### **5.1 Variety of sustainability corporate assessment tools**

Recent literatures available show that there are many self-assessment tools that have been developed to assess corporate sustainability performance. Most of these corporate sustainability self-assessment tools, however, vary in focus with respect to dimensions and/or sectors. For instance, the notable and widely published tools focusing on economic and environmental sustainability dimensions are the EKOS Sustainability Quotient which focuses on economics and ecology (EKOS International, 2000); and the Concise Self Assessment Guide to Environmentally Sustainable Commerce (West Michigan Sustainable Business Forum, 1997). Other examples of this dimensional-focus of sustainability assessment that are mostly environmental are for instance the Environmental Sustainability Assessment for Corporations (Total Environment Center, 2001); Corporate Environmental Sustainability Index (Mohanty and Ray, 2002); and Five Star Environment Sustainability Audit (British Safety Council). Recently, social-dimensions have also become a focus of assessment in relation to corporate sustainability, e.g. the TEC-Tool Kit for corporate social responsibility (Total Environment Center, 2003).

Business sector-wise, various examples have been developed and are being tested in different industrial applications. Some of the notable examples are the TeleWork-Sustainability Assessment Tool for telecommunication industry (European Commission's IST Initiative); the KPI All Construction Wallchart, Environment KPI Wallchart and PROBE for construction industry (Construction Best Practice); RAD-FORTH Integrated System for Sustainable Tourism Assessment (Regional Analysis Division), Rapid Assessment for Sustainable Tourism development (Gutierrez and Lamoureux, 2002), Rural Ecotourism Assessment (EplerWood International) all for tourism industry, Decision Support Tools for Textile Industries (European Union EnviroWindows), and so on for the other sectors or industries.

Despite the proliferation of different sustainability self-assessment tools for different sectors, those tools are often tailor-made for a certain purpose and desired results. Good in themselves and for their intended sustainability assessment purposes, many of these tools do not necessarily reflect the concepts of total quality and excellence.

This brings us again to the EFQM Excellence Model, offering openings to CS-R. By introducing a developmental approach to the EFQM format and allowing different interpretations for Organizational Excellence as we already had for CS-R, we sought further enhancement along this path.

## 5.2 A new EFQM based self assessment tool including excellence, sustainability and responsibility

We see the current situation of EFQM's Excellence Model as somewhere on the axe between managing stakeholder and shareholder value, as illustrated in figure 6. The ideal situation would be a position which no longer is dominated by a compromise, but one including both objectives to their full potential.

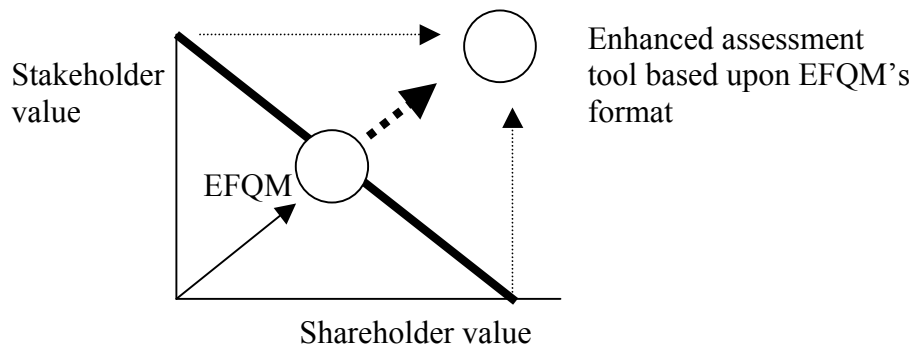


Figure 7. Towards an enhanced self assessment tool encompassing optimal stakeholder and shareholder value

The art is thus to distinguish both orientations, appreciate them as complementary and create a synergy between them. The authors propose an assessment tool that distinguishes two development phases – a stakeholder and a shareholder approach.

A stakeholder model (including stakeholder groups other than shareholders) superimposed on the shareholder model would have great advantages:

- The current EFQM Excellence Model will be rephrased in a language that matches the organization's drive for success and entrepreneurship: the current tension due to a mix of stakeholder and share-holder concepts will be balanced by clearly distinguishing them into one basic model and an add-on assessment for those companies that manifest performance improvement on the triple bottom line due to a process of stakeholder engagement.
- The basic assessment model – the shareholder-driven part – will be easier to work with for the majority of organizations, both private and not-for-profit.
- The add-on assessment model – the stakeholder-driven part – allows organizations to increase their performance levels, and thus their assessment scores, and further enhance their organizational excellence and CS-R, within the context of stakeholder orientation.

Organizations either use the shareholder model or the two models together. For the majority of organizations, the basic exercise will be easier and more straight forward than the original EFQM Model and for a smaller group more intensive, for they have to do two assessments, but in the end both groups will have a tool that match their needs.

## 6. The outlines of the new assessment tool

Since these research efforts were not part of the ECSF project, we can only provide the outline of the two assessment models. Figure 7. shows the EFQM criteria and headings of its sub-criteria for both development levels. The full version exists in Dutch including the radar chart generating the actual scores for both assessments. Evidently 500 points are available by managing the internal resources and processes and again 500 points can be acquired when the stakeholder engagement generates maximum effect.

Original description of EFQM	Shareholder approach	Stakeholder Approach
<b>Leadership</b>	<b>Leadership</b>	<b>Leadership</b>
Excellent leaders develop and facilitate the achievement of the mission and vision. They develop organizational values and systems required for sustainable success and implement these via their actions and behaviour. During periods of change they retain constancy of purpose. Where required, such leaders are able to change direction of the organization and inspire others to follow.	Excellent leaders manifest themselves as a manager and entrepreneur, as which they develop and manage the achievement of the mission and vision of the organization. They develop processes and values which focus on the operational activities and which are required for economic success. They implement and control those processes by role modelling and setting up rules, regulations and procedures. Organizational change is directed towards improvement of financial and commercial results.	Excellent leaders develop and facilitate the achievement of the mission and vision, which includes CS-R ambitions. Leaders modestly support their organizations and employees in a synergetic way and engage with stakeholders, while maintaining a dialogue. They support adequate values and value systems, and supporting organizational institutions, which lead to a more sustainable and responsive organization and a higher economic, social and ecological performance levels. Leaders connect, stimulate and provide a role model for relevant stakeholders. They support innovations, corporate learning and transformation leading to long term success, while meeting the expectations of all stakeholders.
<b>Policy and Strategy</b>	<b>Policy and Strategy</b>	<b>Policy and Strategy</b>
Excellent organizations implement their mission and vision by developing a stakeholder focused strategy that takes account of the market and sector it operates. Policies, plans, objectives, and processes are developed and deployed to deliver the strategy.	Excellent organizations implement their mission and vision by developing a policy and strategy focused on achieving financial and commercial aims, which lead to the fulfilment of the needs and expectations of the organization's shareholders and customers. Hereby they take the market and the sector, in which they operate or desire to operate, into account. The development of processes are possible through formation of a policy and strategy and are controlled by rules, regulations and procedures.	Excellent organizations implement their mission, vision, values and ethics by developing a policy and strategy focused on achieving economic, social and ecological objectives, in order to fulfil the needs and expectations of all organization's stakeholders. Hereby they take account of the personal engagement of their people, the culture, the processes and systems of the organization and their social environment. Organizations operate in a systemic way by connecting processes, entities and stakeholders, in order to carry out the strategy effectively.
<b>People</b>	<b>People</b>	<b>People</b>
Excellent organizations manage, develop and release the full potential of their people at an individual, team-based and organizational level. They promote fairness and equality and involve and empower their people. They care for, communicate, reward and recognize, in a way that motivates staff and builds commitment to using their skills and knowledge for the benefit of the organization.	Excellent organizations utilize the capacities, skills and knowledge of their people for the benefit of the organization. People's knowledge is put into practice in order to run processes in an optimal way. Organizations stimulate their people to achieve personal success and reward them when their actions contribute to an enhancement of the business results.	Excellent organizations value and acknowledge people as the source of the organization's success. People are essential for the sustainable anchorage of the policy and strategy, the continuity of the organization and her actions in society. There is alignment of the collective interests of the organization on the one hand and the needs and expectations of the people, and what they can contribute to the organization on the other. Organizations create a culture of trust, in which the people can flourish to their full potential and function effectively and in which ethics and role modelling of leaders is highly valued. Training- and development programmes are offered, through which people's competencies and potential can be increased in order to achieve the organization's aims.

<b>Partnership and Resources</b>	<b>Partnership and Resources</b>	<b>Partnership and Resources</b>
Excellent organizations plan and manage external partnerships, suppliers and internal resources in order to support policy and strategy and effective operation of processes. During planning and while managing partnerships and resources they balance the current and future needs of the organization, the community and the environment.	Excellent organizations plan, manage and use partnerships and resources with the purpose of the realization of the policy and strategy, and an efficient and effective execution of processes, so that the current and future needs and expectations of shareholders and customers can be fulfilled. They minimise the impact on society and the environment in order to prevent the organization for any negative influence on the economic results.	Excellent organizations establish and maintain sustainable partnerships with their stakeholders and manage their resources in a sustainable way, in order to create a balance between the current and future needs of both the organisation and the society and environment.
<b>Processes</b>	<b>Processes</b>	<b>Processes</b>
Excellent organizations design, manage and improve processes in order to fully satisfy, and generate increasing value for customers and other stakeholders.	Excellent organizations design, manage and improve processes for the realisation of their policy and strategy and in order to fully satisfy their shareholders and customers and generate increasing value for them.	Excellent organizations design, manage and improve processes in a coherent way, which are anchored in the personal involvement and shared culture of their people. This approach supports the realisations of the policy and strategy and fully satisfies all the relevant stakeholders and generates increasing economic, social and ecological value for them.
<b>Customer Results</b>	<b>Customer Results</b>	<b>Customer Results</b>
Excellent organizations comprehensively measure and achieve outstanding results with respect to their customers.	Excellent organizations comprehensively achieve and measure outstanding results with respect to their customers, to the advantage of the organization.	Excellent organizations achieve, measure and maintain sustainable economic, social and ecological results in respect to their customers, by which they take in to account the current and future needs of their (potential) customers within their settings
<b>People Results</b>	<b>Employee Results</b>	<b>Employee Results</b>
Excellent organizations comprehensively measure and achieve outstanding results with respect to their people.	Excellent organizations comprehensively achieve, control and measure outstanding results with respect to their people.	Excellent organizations achieve, measure and maintain sustainable results with respect to the personal well-being, the professional contribution and organizational commitment of their people, in respect of the economic, social and ecological objectives of the organization.
<b>Society Results</b>	<b>Partnership and Resources Results</b>	<b>Society Results</b>
Excellent organizations comprehensively measure and achieve outstanding results with respect to society.	Excellent organizations comprehensively achieve, measure and control outstanding results with respect to partnership and resources, which enhance the successful economic position of the organisation.	Excellent organizations initiate, achieve, measure and maintain sustainable economic, social and ecological results in respect to society.
<b>Key Performance Results</b>	<b>Key Performance Results</b>	<b>Key Performance Results</b>
Excellent organizations comprehensively measure and achieve outstanding results with respect to the key elements of their policy and strategy.	Excellent organizations comprehensively achieve, measure and control outstanding results with respect to the financial key elements of their policy and strategy.	Excellent organizations achieve , measure and maintain sustainable results with respect to the economic, social an ecological key elements of their policy and strategy.

Figure 8. The set of criteria definitions, interpreted per development level

## 7. Conclusion

Due to the changes and emerging challenges in the (social) environment, in which organizations operate, a shift of focus from primarily the economic bottom line, to a balanced focus on the economic, social and ecological bottom line has taken place. According to the work of ECSF, interpretations of CS-R can be formulated in different definitions as a result of, and in line with developmental levels of organizations. Organizational Excellence interpretations can be combined and integrated with those of CS-R, resulting in two definitions; shareholder-driven and stakeholder-driven.

Implementing a phase-wise development approach into the EFQM format will enable organizations with different existing levels to assess their level of organizational Excellence and CS-R in an adequate manner. Using a new innovative two-step approach, by introducing a shareholder-oriented approach and a stakeholder-oriented approach, which includes and transcends the previous one, organizations are able to use an assessment tool aligned with their particular developmental level that will support their business more effectively. The basic assessment model, the shareholder-oriented model, will be easier to work with for the majority of organisations and the add-on assessment model, the stakeholder-oriented model, will allow organizations to increase their performance levels and enhance their organisational excellence and CS-R. It is necessary to distinguish both orientations, appreciate them as complementary and create synergy between them, because only then this enrichment of the current EFQM approach will lead to a more robust and sophisticated assessment tool. The current form of the self-assessment tool needs to be refined through a series of applications and tests in different companies, preferably with organizations that are used to work with the EFQM format.

Organizations that wish to participate in a project aimed at a refinement of the assessment tool are kindly requested to contact Marcel van Marrewijk or Wim de Cleyn.

#### Notes

1. The ECSF is a European-wide research project, financed under Article 6 of the European Social Fund Regulation. It has the aim to design Corporate Sustainable and Corporate Responsible (CS-R) ways of doing business. Within the project, a basic conceptual framework is developed, integrating several proven theories, in order for organizations to address and interpret CS-R. The EFQM model is one of the founding models of ECSF. Visit [www.ecsf.info](http://www.ecsf.info) for more information or contact: +31.10.2417233
2. The consortium members where (academics); Erasmus University Rotterdam, Vrije Universiteit Amsterdam/IVM, Helsinki University of Technology, Triple P Initiative; (Consultants): Virtu et Fortuna, SCS Consulting (Quality Organizations) KDI, European Organization for Quality, VCK, Excellence Ireland, Centre of Excellence Finland
3. For further reading, please read “a value based approach to ideal type organizations” in this edition, Spiral Dynamics (Beck and Cowan, 1996) and the website of the Spiral Dynamics Organization (NVC consulting and partners) at [http:// www.spiraldynamics.org](http://www.spiraldynamics.org)
4. See Van Marrewijk and Werre’s article “Multiple Levels of Corporate Sustainability” in JoBE May 2003 on DBR’s Value Audit.([www.dbr.nl](http://www.dbr.nl)) In addition Core Commit has the ‘Value Commitment Indicator’ available ([www.corecommit.com](http://www.corecommit.com))

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## Authors

**Marcel van Marrewijk** (1959) is Director of Virtu et Fortuna and among others the initiator and project manager of the EU-sponsored ECSF research project, which is coordinated at Erasmus University Rotterdam. Furthermore, he is director of Great Place to Work Institute Nederland BV, board member of EFQM-NL and co-founder of a private business school, MBA<sup>3</sup>. E-mail: marcel@vanmarrewijk.nl

**Iris Wuisman** (1981) is economist and researcher at Virtu et Fortuna. She also pursues a master study at the Faculty of Law at the Erasmus University Rotterdam. E-mail: iriswuisman@hotmail.com

**Wim De Cleyn** (1952) is director of Berkana Services and board member of VCK, the Flemish Quality Organization. He is former EFQM Lead Assessor and Quality Manager at Air Products. E-mail: wim.de.cleyn@pandora.be

**Joanna Timmers** (1964) is assistant professor with the Department of Business and Organization of the Faculty of Economics at Erasmus University since October 1988. Over the years, Mrs. Timmers has been involved in various consulting activities in the area of quality management and employee motivation at a number of organizations. E-Mail : timmers@few.eur.nl

**Virgilio Panapanaan** (1966) is a Researcher and Ph.D. candidate at Helsinki University of Technology. His research and works are focused on corporate responsibility management and sustainability. Email: [virgilio@ltk.hut.fi](mailto:virgilio@ltk.hut.fi)

**Lassi Linnanen** (1967) is professor of Environmental Management and Economics at Lappeenranta University of Technology, Finland. Email: lassi.linnanen@lut.fi