



*The Fundamental Concepts of Excellence*



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*The European Foundation for Quality Management (EFQM®) is a membership based not for profit organisation, created in 1988 by fourteen leading European businesses, with a Mission to be the driving force for sustainable excellence in Europe and a Vision of a world in which European organisations excel.*

*EFQM has promoted the concept of partnership with similar National organisations in Europe to help promote sustainable excellence in European organisations. All of these National organisations have worked with EFQM to develop the Fundamental Concepts of Excellence and to promote the EFQM Excellence Model. Contact details for our partners can be found at [http://www.efqm.org/partnership\\_distribution/npo\\_details.htm](http://www.efqm.org/partnership_distribution/npo_details.htm)*

*By January 2003, EFQM membership had grown to around 800 organisations from most European countries and most sectors of activity. Together with the National organisations the membership network runs to thousands of organisations with several million individuals employed in those organisations.*

*In addition to being the owner of the EFQM Excellence Model and managing The European Quality Award, EFQM also provides a portfolio of services for its members.*



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# 1. Sustainable Excellence

Truly excellent organisations are those that strive to satisfy their stakeholders<sup>1</sup> by what they achieve, how they achieve it and what they are likely to achieve. This is hard enough at the best of times; sustaining it in a world of increasing global competition, rapid technological innovation, changing processes and frequent movement in the economic, social and customer environments, is even harder.

Recognising this challenge, the European Foundation for Quality Management (EFQM) was created to promote world-class approaches to the management of European organisations that would lead to sustainable excellence<sup>2</sup>.

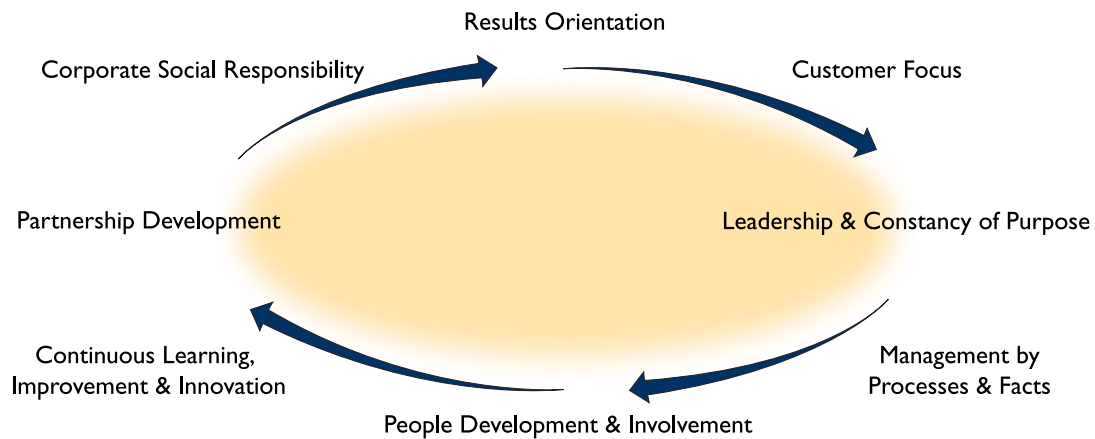
The EFQM Excellence Model was introduced as the primary framework for assessing and improving organisations, in order that they might achieve such a sustainable advantage. This Model is based upon the Fundamental Concepts of Excellence described here.

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<sup>1</sup> Stakeholders include those individuals or groups which impact upon, or have an impact on, the organisation such as customers, employees, partners, suppliers, the society in which the organisation operates, and those with a financial stake in the organisation.

<sup>2</sup> Excellence is defined as the expression of the Fundamental Concepts of Excellence as set out in this brochure.

## 2. Fundamental Concepts of Excellence



The following pages describe the Fundamental Concepts of Excellence in further detail and provide examples of the benefits an organisation can achieve by adopting them.

The achievement of excellence requires total leadership commitment and acceptance of these concepts. To start the process of gaining a mutual understanding of the importance of these Fundamental Concepts to an organisation, we encourage the relevant management teams to read this entire document. We suggest that a simple evaluation of which 'maturity stage' (see section 4) an organisation is currently 'at' can help focus the debate on how, and why, to proceed further.

## 3. The Concepts

### Results Orientation

#### *The Concept*

Excellence is achieving results that delight all the organisation's stakeholders.

#### *How the Concept is put into practice*

In the fast changing environment that is today's world, Excellent organisations are agile, flexible and responsive as stakeholder needs and expectations change, often frequently and quickly. Excellent organisations measure and anticipate the needs and expectations of their stakeholders, monitor their experiences and perceptions, and monitor and review the performance of other organisations. Information is gathered from both current and future stakeholders. This information is used in order to set, implement and review their policies, strategies, objectives, targets, measures and plans, for the short, medium and longer term. The information gathered also helps the organisation to develop and achieve a balanced set of stakeholder results.

#### *Benefits*

- Added value for all stakeholders.
- Sustainable success for all stakeholders.
- Understanding of the current and future requirements for performance in order to set targets.
- Alignment and focus throughout the organisation.
- Delighted stakeholders.

### Customer Focus

#### *The Concept*

Excellence is creating sustainable customer value.

#### *How the Concept is put into practice*

Excellent organisations know and intimately understand their customers. They understand that customers are the final arbiters of product and service quality. They also understand that customer loyalty, retention and market share gain is maximised through a clear focus on the needs and expectations of both existing and potential customers. They are responsive to those customers' present needs and expectations. Where appropriate they segment their customers to improve the effectiveness of their response. They monitor competitor activity and understand their competitive advantage. They effectively anticipate what customers' future needs and expectations will be and act now in order to meet and where possible exceed them. They monitor and review the experiences and perceptions of their customers and where things go wrong they respond quickly and effectively. They build and maintain excellent relationships with all their customers.

#### *Benefits*

- Delighted customers.
- Strong customer loyalty and retention.
- Enhanced market share.
- Sustained success for the organisation.
- Motivated employees.
- Understanding of competitive advantage.

### Leadership and Constancy of Purpose

#### *The Concept*

Excellence is visionary and inspirational leadership, coupled with constancy of purpose.

#### *How the Concept is put into practice*

Excellent organisations have leaders who set and communicate a clear direction for their organisation. In doing so they unite and motivate other leaders to inspire their people. They establish values, ethics, culture and a governance structure for the organisation that provides a unique identity and attractiveness to stakeholders. Leaders at all levels within these organisations constantly drive and inspire others towards excellence and in so doing display both role model behaviour and performance. They lead by example, recognising their stakeholders and working with them on joint improvement activity. During times of turbulence they display a constancy of purpose and steadiness that inspires the confidence and commitment of their stakeholders. At the same time they demonstrate the capability to adapt and realign the direction of their organisation in the light of a fast moving and constantly changing external environment, and in so doing carry their people with them.

#### *Benefits*

- Clarity of purpose and direction within the organisation.
- A clear identity for, and within, the organisation.
- A shared set of values and ethics.
- Consistent and role model behaviours throughout the organisation.
- A committed, motivated and effective workforce.
- Confidence in, and within the organisation, even in turbulent and changing times.

## Management by Processes and Facts

### *The Concept*

Excellence is managing the organisation through a set of interdependent and interrelated systems, processes and facts.

### *How the Concept is put into practice*

Excellent organisations have an effective management system based upon, and designed to deliver, the needs and expectations of all stakeholders. The systematic implementation of the policies, strategies, objectives and plans of the organisation are enabled and assured through a clear and integrated set of processes. These processes are effectively deployed, managed and improved on a day-to-day basis. Decisions are based on factually reliable information relating to current and projected performance, process and systems capability, stakeholder needs, expectations and experiences, and the performance of other organisations, including, where appropriate, that of competitors. Risks are identified based on sound performance measures and effectively managed. The organisation is governed in a highly professional manner, meeting and exceeding all corporate external requirements. Appropriate prevention measures are identified and implemented inspiring and maintaining high levels of confidence with stakeholders.

### *Benefits*

- Maximised effectiveness and efficiency in delivering the aims of the organisation and its products and services.
- Effective and realistic decision-making.
- Effective management of risk.
- Enhanced confidence of stakeholders.

## People Development and Involvement

### *The Concept*

Excellence is maximising the contribution of employees through their development and involvement.

### *How the Concept is put into practice*

Excellent organisations identify and understand the competencies needed, both now and in the future, in order to implement the organisation's policies, strategies, objectives and plans. They recruit and develop their people to match these competencies and actively and positively support them throughout. Personal development is promoted and supported allowing people to realise and unlock their full potential. They prepare people to meet and adapt to the changes required of them both in terms of operational changes and personal capabilities.

They recognise the increasing importance of the intellectual capital of their people and use their knowledge for the benefit of the organisation. They seek to care, reward and recognise their people in a way that builds their commitment and encourages their loyalty to the organisation. They maximise the potential and the active involvement of their people through shared values and a culture of trust, openness and empowerment. They utilise that involvement to generate and implement ideas for improvement.

### *Benefits*

- Shared ownership of the organisation's aims and objectives.
- A committed, loyal and motivated workforce.
- Highly valuable intellectual capital.
- Continuous improvement of capability and performance of individuals.
- Increased competitiveness through enhanced image.
- Achieved potential.

## Continuous Learning, Innovation and Improvement

### *The Concept*

Excellence is challenging the status quo and effecting change by utilising learning to create innovation and improvement opportunities.

### *How the Concept is put into practice*

Excellent organisations continuously learn, both from their own activities and performance and from that of others. They rigorously benchmark, both internally and externally. They capture and share the knowledge of their people in order to maximise learning across and within the organisation. There is an openness to accept and use ideas from all stakeholders. People are encouraged to look beyond today and today's capabilities. They are careful to guard their intellectual property and to exploit it for commercial gain, where appropriate. Their people constantly challenge the status quo and seek opportunities for continuous innovation and improvement that add value.

### *Benefits*

- Improved value generation.
- Improved effectiveness and efficiency.
- Increased competitiveness.
- Innovation in products and services.
- Knowledge capture and sharing.
- Organisational Agility.

## Partnership Development

### *The Concept*

Excellence is developing and maintaining value adding partnerships.

### *How the Concept is put into practice*

Excellent organisations recognise that in the constantly changing and increasingly demanding world of today success may depend on the partnerships they develop. They seek out, and develop, partnerships with other organisations. These partnerships enable them to deliver enhanced value to their stakeholders through optimising core competencies. These partnerships may be with customers, society, suppliers or even competitors and are based on clearly identified mutual benefit. Partners' work together to achieve shared goals, supporting one another with expertise, resources and knowledge and build a sustainable relationship based on mutual trust, respect and openness.

### *Benefits*

- Increased value for stakeholders.
- Improved competitiveness.
- Optimising core competencies.
- Improved effectiveness and efficiency.
- Improved chances of survival.
- Shared risk and cost.

## Corporate Social Responsibility

### *The Concept*

Excellence is exceeding the minimum regulatory framework in which the organisation operates and to strive to understand and respond to the expectations of their stakeholders in society.

### *How the Concept is put into practice*

Excellent organisations adopt a highly ethical approach by being transparent and accountable to their stakeholders for their performance as a responsible organisation. They give consideration to, and actively promote, social responsibility and ecological sustainability both now and for the future. The organisation's Corporate Social Responsibility is expressed in the values and integrated within the organisation. Through open and inclusive stakeholder engagement, they meet and exceed the expectations and regulations of the local and, where appropriate, the global community. As well as managing risk, they seek out and promote opportunities to work on mutually beneficial projects with society inspiring and maintaining high levels of confidence with stakeholders. They are aware of the organisation's impact on both the current and future community taking care to minimise any adverse impact.

### *Benefits*

Enhanced public image.

- Increased brand value.
- Greater access to finance (e.g. socially responsible investment funding).
- Healthier and safer workforce.
- Stronger risk management and corporate governance.
- Motivated people.
- Customer loyalty.
- Enhanced confidence and trust of stakeholders.

## 4. The Fundamental Concepts at different 'organisational' maturity stages

Earlier we emphasised the importance of a management team gaining a common understanding of these Fundamental Concepts and how the application of all of them can lead to excellence. As part of developing this shared understanding, and providing a catalyst for action, it can be useful for the management team to conduct a simple evaluation, using the chart below, to answer the question, "where are we now in relation to these concepts?"

CONCEPT	START UP	ON THE WAY	MATURE
Results Orientation	All relevant stakeholders are identified	Stakeholder needs are assessed in a structured way	Transparent mechanisms exist to balance stakeholder expectations
Customer Focus	Customer satisfaction is assessed	Goals & targets are linked to customer needs & expectations. Loyalty issues are researched	Business drivers of customer satisfaction needs & loyalty issues are understood, measured & actioned
Leadership and Constancy of Purpose	Vision and Mission, are defined	Policy, People and Processes are aligned A leadership "Model" exists	Shared Values and Ethical role models exist at all organisational levels
Management by Processes and Facts	Processes to achieve desired results are defined	Comparative data and information is used to set challenging goals	Process capability is fully understood and used to drive performance improvements
People Development & Involvement	People accept ownership and responsibility to solve problems	People are innovative and creative in furthering organisational objectives	People are empowered to act and openly share knowledge and experience
Continuous Learning, Innovation and Improvement	Improvement opportunities are identified and acted on	Continuous improvement is an accepted objective for every individual	Successful innovation and improvement is widespread and integrated
Partnership Development	A process exists for selecting and managing suppliers	Supplier improvement and achievements are recognised and key external partners are identified	The organisation and its key partners are interdependent. Plans and policies are co-developed on the basis of shared knowledge
Corporate Social Responsibility	Legal and regulatory requirements are understood and met	There is active involvement in 'society'	Societal expectations are measured and actioned

## 5. The EFQM Excellence Model

Excellence is not a theory; it relates to the tangible achievements of an organisation in what it does, how it does it, the results it gets and the confidence that these results will be sustained in the future.

The evidence needed to give that confidence is not limited to the financial results, which demonstrate the outcome of past performance. The evidence also includes results from other stakeholders that serve as leading indicators of future financial performance.

These leading indicators include, measured excellence in customer satisfaction and loyalty; people motivation and capability; and the satisfaction of the wider community.

To create confidence that the results can be sustained, there must also be evidence what the organisation does, and how it does it, is soundly based, systematic, and continuously reviewed and improved.

To help guide an organisation to improve its performance, EFQM launched, in 1991, the EFQM Excellence Model. This Model, which is the application of the Fundamental Concepts reflected in a structured management system, is now being used by tens of thousands of organisations across Europe and beyond. Companies, schools, healthcare organisations, police services, utilities and government offices all use it. The Model additionally provides these organisations with a common

management language and tool, thus facilitating the sharing of 'good practice' across different sectors throughout Europe.


The purpose of this brochure has been to promote the existence and importance of these Fundamental Concepts as essentials for achieving excellence. For an organisation to maximise the benefits of adopting the EFQM Excellence Model it needs, in the first instance, to debate whether it accepts the concepts that underpin the Model. Clearly if these concepts are not fully understood and accepted then progress with adopting the Model will be difficult and meaningless.

## 6. Further Help

EFQM works in partnership with many national organisations in Europe and licenses a number of organisations to deliver training courses related to the EFQM Excellence Model. We also organise a number of events throughout Europe related to the Excellence Model. Further information on these organisations and events are available via our website ([www.efqm.org](http://www.efqm.org))

### ASSOCIATED PRODUCTS

TITLE	PURPOSE	AUDIENCE
Introducing Excellence	Overview of the Model, the Concepts, the Levels of Excellence Recognition Scheme and Self-Assessment.	Anyone with a general enquiry or interest on EFQM, the EFQM Excellence Model and Model related activities.
Fundamental Concepts of Excellence	To provide detailed information on the Fundamental Concepts. To persuade senior executives that the Model has value, and is based on sound business sense.	Those with an interest in the concepts underpinning the Model. Senior Executives and people who need to persuade Senior Executives.
The EFQM Excellence Model	To provide details on the EFQM Excellence Model, including the linkages with the Fundamental Concepts, criteria and criterion parts.	Award Applicants (2004 awards onwards). Self-Assessment practitioners including internal and award assessors. Quality professionals and others with a wish to understand the Model in more detail. Also supporting Material for the EFQM Assessor Training & Self Assessment Training Courses.
The EFQM Excellence Model Public Sector Version	As above with Public Sector differences.	As above but also for those with a specific interest in using the Model within Public Sector organisations.
The EFQM Excellence Model Small and Medium Enterprise Version	As above with SME differences.	As above but also for those with a specific interest in using the Model within SMEs.
Assessing for Excellence - A Practical Guide for Self-Assessment	To provide a summary of what Self-Assessment is, the value of it, the different approaches to Self-Assessment and their respective risks and benefits.	People either charged with, or involved in, developing Self-Assessment strategies in their organisation. People who wish to benchmark their current Self-Assessment approach. Also supporting material for the EFQM Self-Assessment Training Course.
Pack of Advice	Providing general advice on the implementation of Excellence into an organisation using the EFQM Excellence Model.	Those wishing for easy description and live examples of the implementation of the Model.
CD-ROM Self-Assessment Workbook	A structured set of 90 questions based on the EFQM Excellence Model.	Organisations wishing to undertake an easy questionnaire approach to Self-Assessment.
Excellence One Tool Box and CD-ROM	A comprehensive, interactive, online learning platform for Performance Excellence.	Any organisation or individual wishing to have access to regular news updates, latest management practices and tools and discussion forums on Performance Excellence topics.



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