

# Unleash the Power: Integrating the EFQM Model into the XPP

## Palladium Executing Strategy

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For almost 25 years the Balanced Scorecard and the EFQM Business Excellence model (the European version of Malcolm Baldrige) have delivered significant performance improvements to a large number of organizations. While the Balanced Scorecard has delivered results to strategy execution, EFQM has enabled organizations to continuously improve overall organizational performance and achieve sustainability.

This white paper explains how work by Palladium has led to the seamless integration of the EFQM Model into the six stages of the Execution Premium Process (which integrates strategy and operations through the Balanced Scorecard). As illustrated by the example of the Emirates Foundation, the new Strategy and Excellence Model is a powerful tool for identifying and acting upon mission-critical performance improvement opportunities.

## THE BEGINNINGS

1992 was a landmark year in the history of enterprise performance management. In that year, two great frameworks were introduced to the world. In the January/February edition of Harvard Business Review, Drs. Kaplan and Norton first described the Balanced Scorecard. Then in June, Madrid, Spain witnessed the first award ceremony for the winners of the European Foundation for Quality Management (EFQM) Business Excellence (then called Total Quality Management) awards. In the ensuing near 25 years, both frameworks have become mainstays of performance improvement in many organizations.

The Balanced Scorecard has evolved substantively since its inception, first with the introduction of the Strategy Map (as much an innovation as the original scorecard idea itself, according to Drs. Kaplan and Norton), then the shaping of the five principles of the Strategy-Focused Organization, and more latterly the identification of the six steps of the Execution Premium Process (XPP): Develop the Strategy, Translate the Strategy, Align the Organization, Align Operations, Monitor and Learn, and Test and Adapt. Essentially, the XPP links strategy to operations through the Balanced Scorecard (Figure 1, following page).

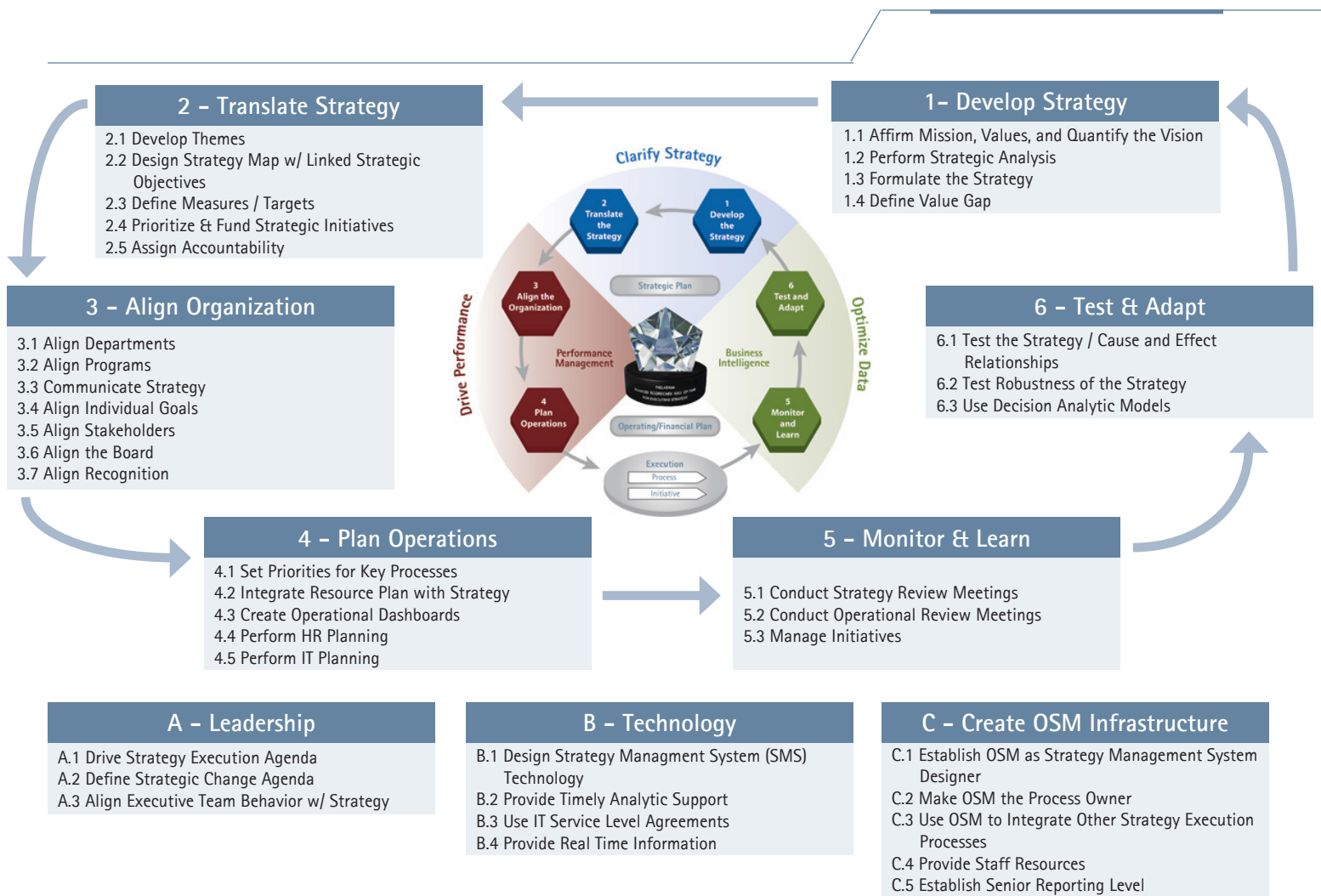


Figure 1: Palladium's XPP links strategy to operations through the Balanced Scorecard.

The EFQM model (which was based heavily on the 1988-launched Malcolm Baldrige National Quality Award in the USA) has been used by thousands of organizations in and outside of Europe as a powerful tool with which to assess performance against established benchmarks and identify opportunities for continuous improvement against the model's nine criteria. The criteria are arranged according to enablers (such as leadership or partnership and resources) and results (such as customer results or business results) (Figure 2).

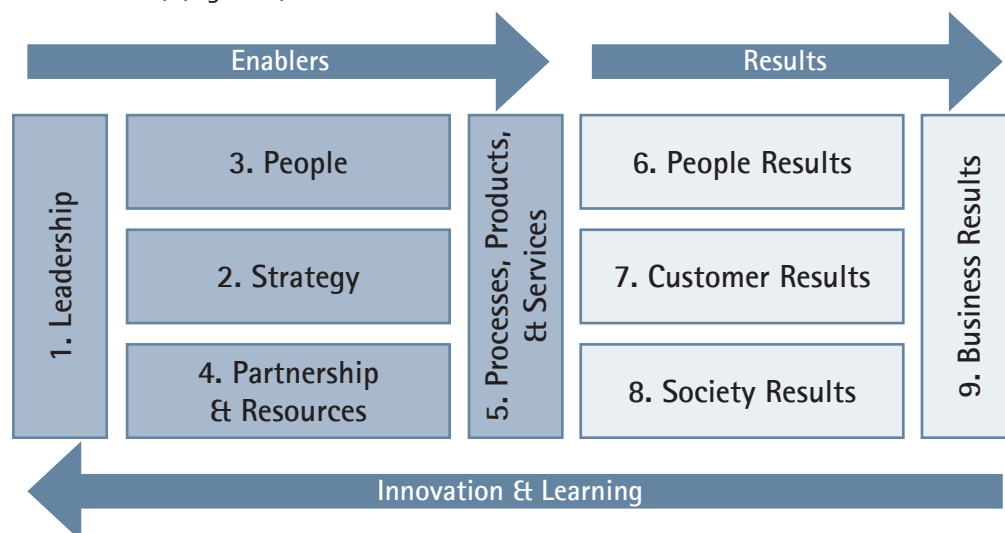


Figure 2: The nine criteria of business excellence.

## THE BEGINNINGS

During the 1990s, many viewed the Balanced Scorecard and EFQM as competing frameworks: after all, they both were homing in on the drivers of performance and their outcomes. Others, more enlightened, recognized that they were potentially complementary and attempts were made to merge the frameworks into one. Such attempts, however well-meaning, were usually short-lived as expected benefits failed to materialize. It was soon realized that this was because the two frameworks serve similar purposes but with different approaches. The Balanced Scorecard (most powerfully with the addition of Strategy Maps) is a strategy execution framework that prioritizes performance improvement in those critical few areas that drive strategic success. Conversely, EFQM is a broad assessment of organizational performance and focuses on continuous improvement opportunities across the nine criteria.

That said, many organizations have been master practitioners with both approaches. These organizations are well represented in the Palladium Hall of Fame (HoF) for Executing Strategy, such as TNT and the Turkey-based Brisa, both European Quality Award winners. Assessing EFQM results, such organizations have found, is a powerful way to understand and therefore improve performance against the critical strategy areas (for example, customer satisfaction and results are captured in the EFQM assessment and so can inform improvement targets and goals within relevant perspectives of the Balanced Scorecard, if deemed strategically important). Other HoF organizations, such as Christchurch City Council, did the same with the Balanced Scorecard and the Malcolm Baldrige criteria. We also see this with other related approaches, such as the Singapore Quality Award. Using the Balanced Scorecard and Business Excellence models together is truly a global phenomenon and has been for some time.

The frameworks might well have been used complementarily, but still they were discrete approaches, usually requiring separate teams within one organization for facilitation and management purposes – at least until now. The secret sauce of integration is the power of the XPP.

## THE STRATEGY AND EXCELLENCE MODEL

Figure 3 (following page) shows Palladium's Strategy and Excellence Model. To the left of the model are the EFQM Business Excellence criteria. To the right are the six steps of the XPP and the three enablers of Leadership, Technology, and Creating an Office of Strategy Management (OSM). The percentage weighting determines how each EFQM criterion is allocated within the XPP. For example, 100% of the EFQM leadership criterion is allocated to the Leadership enabler of the XPP. Similarly, the EFQM strategy criterion is spread across the stages Develop the Strategy, Translate the Strategy, Monitor and Learn, and Test and Adapt and the OSM infrastructure enabler (but with different weightings).

## MERGING SUB-CRITERIA

To visualize how this works in practice, it is important to understand that the XPP stages and EFQM criteria each comprise a set of sub-criteria (a more granular breakdown of what is required to deliver the stage/criterion). The sub-criteria of the XPP stage Translate the Strategy, for example, include:

- Develop themes;
- Develop Strategy Map with linked strategic objectives;
- Define measures and targets;
- Prioritize and fund strategic initiatives; and
- Assign accountability.

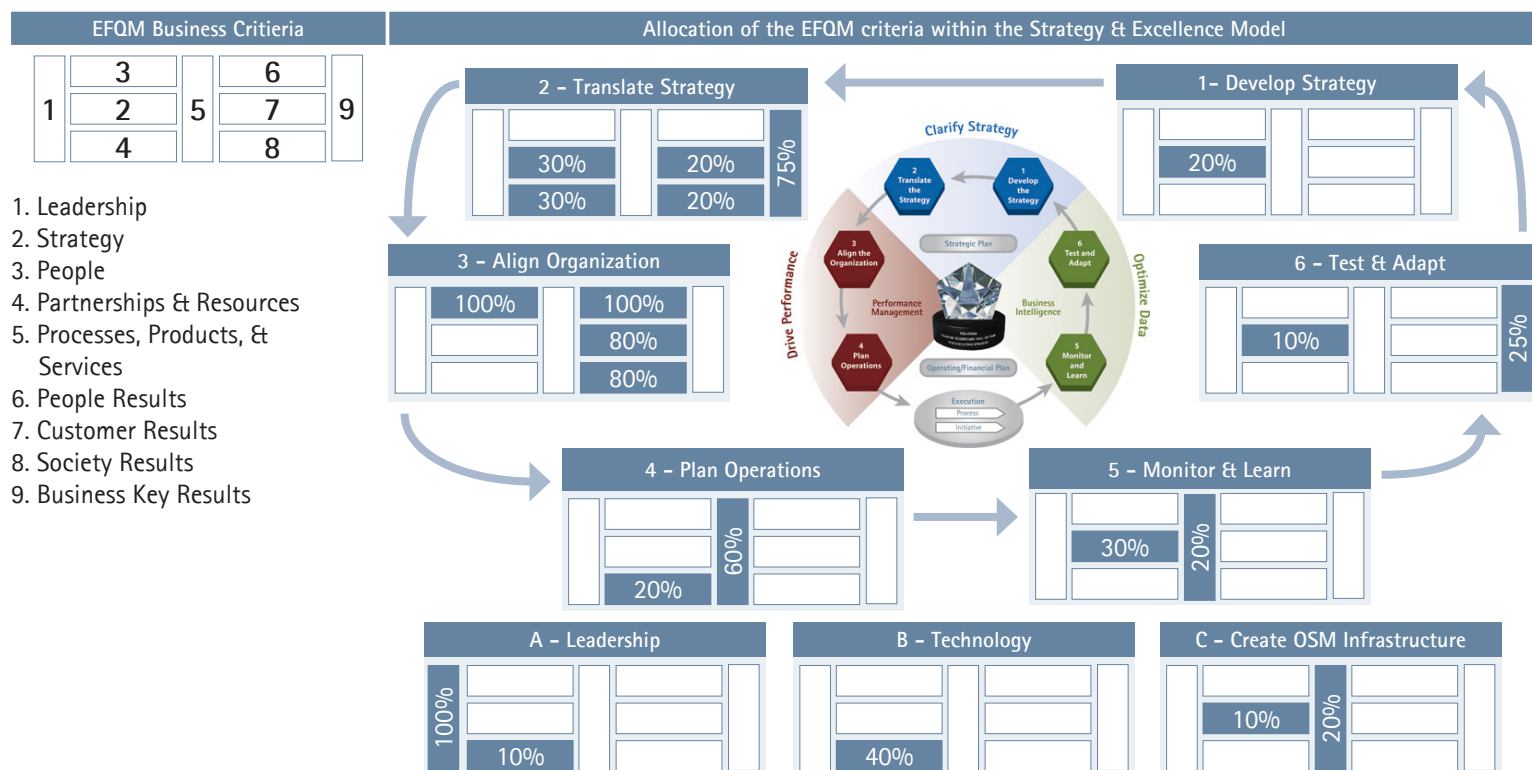


Figure 3: The EFQM criteria were embedded within the Strategy and Excellence Model, and their spread throughout the model is evidenced in the percentage breakdown indicated above.

The sub-criteria for the EFQM Strategy criterion include:

- How policy and strategy are based on the present and future needs and expectations of stakeholders;
- How policy and strategy are developed, reviewed, and updated; and
- How policy and strategy are deployed through a framework of key processes.

Within Palladium's Strategy and Excellence Model, the EFQM sub-criteria are mapped to those of the XPP (hence the percentage weightings) and all are incorporated into the sub-criteria for XPP stages. In one swoop the powerful assessment capabilities of the XPP and EFQM are pulled together into one merged approach.

## STRATEGY AND EXCELLENCE: EMIRATES FOUNDATION CASE EXAMPLE

This is not the end of the story. We next have to complete the actual assessment, from which performance opportunities can be identified, prioritized, and acted upon. We will explain how this is done through work completed by the Emirates Foundation (an independent philanthropic organization set up by the Government of Abu Dhabi to facilitate public-private funded initiatives to improve the lives of youth across the UAE). The assessment, which was conducted by Palladium consultants working with the Strategy and Performance Department of the Emirates Foundation, comprised four main steps.

## 1. Criterion-Based Document Review

Similar to the first step of an EFQM assessment, step one involved a request for and the review of all the documentation within the Emirates Foundation that related to each criterion of the Strategy and Excellence Model. Gaps in documentation were identified and actions put in place to close the gap.

## 2. Interviews with Leadership and Management

While this review was in process, an interview deck was compiled that was largely structured around Palladium's Execution Premium Assessment (which provides for a thorough analysis of an organization's capabilities required to succeed with the XPP) but that also touched on the EFQM Fundamental Concepts (which define the underlying principles that form the foundation for achieving sustainable excellence in any organization, such as succeeding through the talent of people and managing with agility).

Guided by the interview deck, with the addition of questions raised during the stage one documentation review, in-depth interviews were conducted with the leadership team and other managers. At the same time, staff surveys were conducted to increase the richness of the criterion-based analysis.

## 3. Analysis

This stage involved a comprehensive review of the findings gained from the document review, leadership/managerial interviews, and staff surveys against each of the criteria of the Strategy and Excellence Model. Key here was the application of EFQM's RADAR Logic, a simple but powerful management tool that can be applied in different ways to help drive continuous improvement. RADAR evaluates the Results, Approaches, Deployment, and Assessment and Refinement as seen (in the case of Emirates Foundation) against the sub-criteria within the Strategy and Excellence Model.

Through the assessment, scores of No Evidence (NE), Some Evidence (SE), Good Evidence (GE), or Comprehensive Evidence (CE) are given using the RADAR Logic Elements within the sub-criteria. Based on these findings, improvement areas are identified. Each sub-criteria is assigned a score from 1-5 (with 1 being the lowest) as compared to a benchmark HoF winning organization. The scores aggregate to an overall score for the Strategy and Excellence criterion.

## 4. Readiness Report

At this stage, the assessment results were reported, which involved a workshop with the Emirates Foundation senior and middle management in which the assessment results and resultant recommendations were discussed and validated. Finally, the completed assessment document was sent to the Strategy and Performance Department for a final, more thorough review.

Figure 4 (following page) shows the Assessment Report that was used with the Emirates Foundation for the Strategy Design step of the XPP. (An assessment is generated for each step and enabler.) The report includes key sections on criteria, score, RADAR logic categories, assessment findings, and improvement areas. For client confidentiality reasons, the score and findings/recommendations have been withheld.



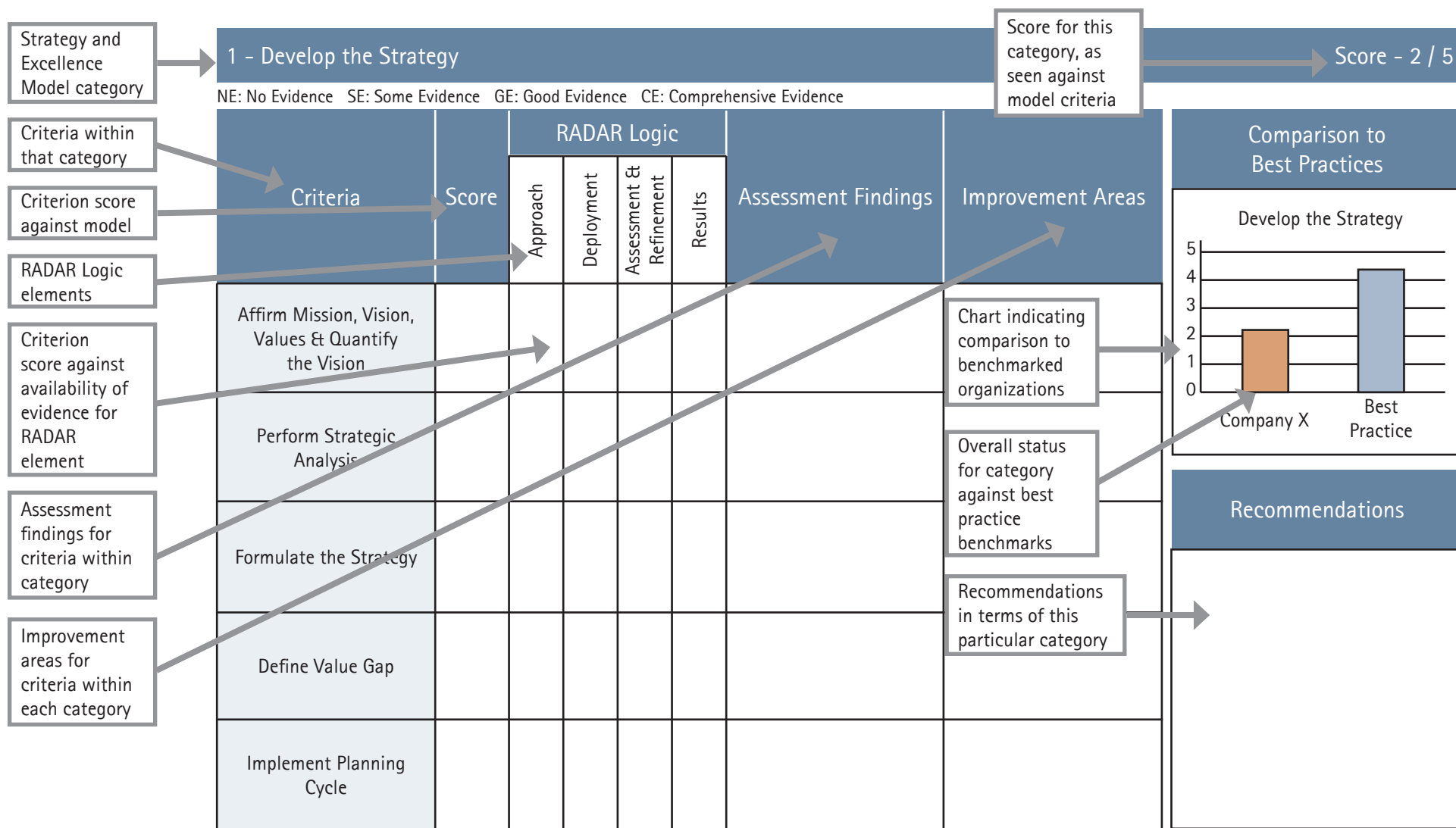


Figure 4: Sample assessment card

Key here was also the systematic benchmarking of the Emirates Foundation's performance and scores against both Palladium HoF inductees and organizations that have used the EFQM Excellence Model. Figure 5 shows how an organization might be assessed against the XPP.

Based on these reports, workshop discussions, and benchmark data, a list of recommendations and proposed actions for each XPP step was compiled and then a prioritized list of initiatives was generated that were captured with corporate and cascaded Balanced Scorecards and which set out to close critical strategic performance gaps. These are supported by key process improvements and other activities. For the overall improvement, a roadmap was drawn up detailing when actions would be taken to close the identified performance gaps within the six XPP steps.

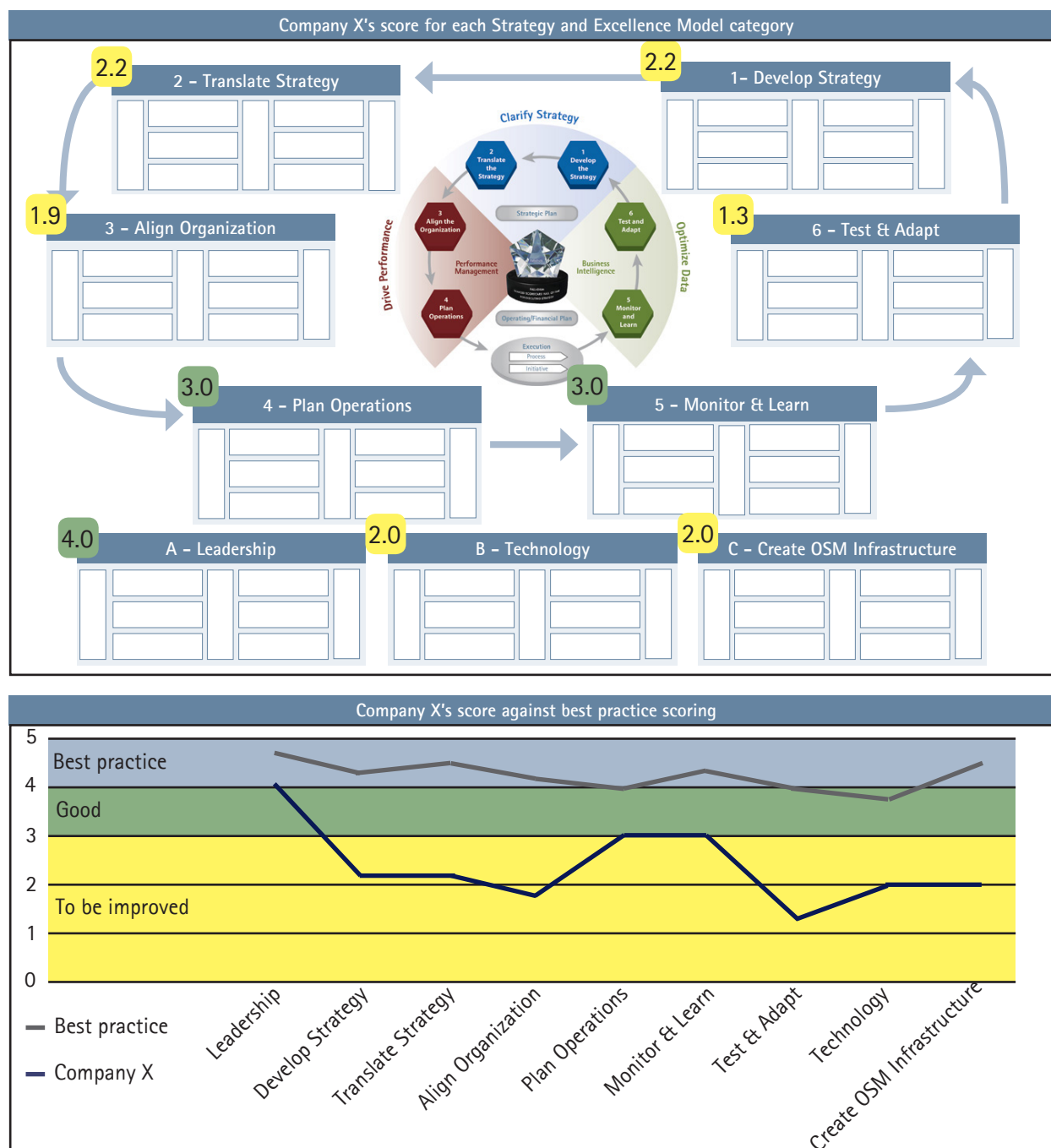


Figure 5: An organization can be assessed in each XPP category against best practice benchmarks.

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## BENEFITS OF THE STRATEGY AND EXCELLENCE MODEL

Although Palladium will continue to refine the Strategy and Excellence Model over the coming months and be heavily influenced by the experiences of pioneering clients, a veritable catalog of benefits have already been identified.

In terms of the results of the assessment, the recommendations and resultant roadmap of the combined model allow for an all-encompassing approach to both strategy execution and business excellence, rather than a divided approach to each. It should be noted that it is still possible to pull an EFQM assessment from the Strategy and Execution assessment, as was demonstrated within Emirates Foundation.

Furthermore, in terms of collecting material and documentation in order to run the assessment, it allows for an approach that consolidates the various evidences required within one series of requests, rather than overlapping requests for similar documentation. In that sense, the combined approach saves a considerable amount of time on both ends of the process, and the client is saved the hassle of producing identical documentation twice.

Finally, and perhaps most importantly, the combined approach allows for the use of the XPP as a framework around which to implement the recommendations, rather than simply producing a list of improvement areas. The EFQM model and assessment typically result in suggestions about focus areas, whereas the XPP breaks down those focus areas into actionable items which are then implemented.

## CONCLUSION

It has taken almost a quarter of a century to unleash the collective power of Kaplan and Norton's strategy execution methodology and the EFQM business excellence approach, but the merged Strategy and Excellence Model is perhaps more fitting for today than any previous time. In today's fast-moving economies there is a pressing need to more seamlessly integrate strategy and operations and to drive greater agility in all aspects of performance management. The Strategy and Execution Model holds that promise.

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## ABOUT THE AUTHORS



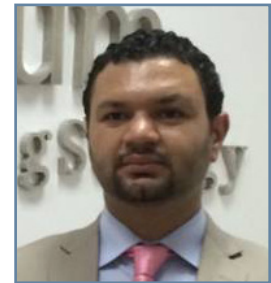
James Creelman, Manager, Knowledge & Research Center, Palladium Group, Inc. Based in Dubai, James has more than 20 years of experience as a consultant/trainer in enterprise performance management. James is the author or co-author of 24 books and major reports, including the books *Doing More with Less: Measuring, Analyzing, and Improving Performance in the Government and Not-For-Profit Sector* (2014), *Risk-Based Performance Management: Integrating Strategy and Risk Management* (2013), and *Creating a Balanced Scorecard for a Financial Services Organization* (2011).

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# Palladium

## Executing Strategy

Palladium Group, Inc. is the global leader in helping organizations solve pressing strategy execution challenges. We are dedicated to understanding and addressing the strategic issues that drive successful results. Founded by Dr. Robert S. Kaplan and Dr. David P. Norton, we help clients achieve superior performance through a set of integrated consulting services. We deliver tangible results, building enduring internal capabilities with supporting technologies and education programs. Our approach combines expertise in proven strategy execution with integrated change management and leadership development programs. Our methods include the Execution Premium Process™ (XPP™), the Kaplan-Norton Balanced Scorecard™, and other best-practice frameworks that translate concepts into programs that deliver measurable results. The benefits of our approach are demonstrated in the Balanced Scorecard Hall of Fame for Executing Strategy®, which recognizes organizations that improve performance through outstanding execution. Our offices located throughout the Americas, Europe, the Middle East, Africa, and Asia-Pacific enjoy a successful track record with over 700 clients. [www.thepalladiumgroup.com](http://www.thepalladiumgroup.com)

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