



**Pursue Excellence for Growing Success –  
Excellence in Small and Medium Sized Enterprises**

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## Quality Austria – Training, Certification and Evaluation Ltd.



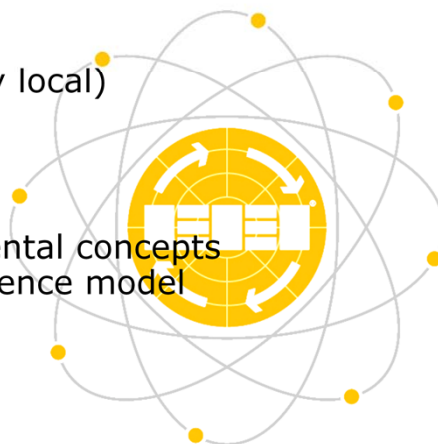
- **market leader** in Austria (quality management, excellence)
  - accredited by the national Accreditation Body
  - **active participation** in various Standardization Bodies and in several international projects (also with EFQM)
  - national member of the most important international quality organizations: EFQM, IQNet, EOQ, VDA, QMC, IATF
  - represented in **more than 50 countries** (Europe, Middle East, Asia, South and Central America, North Africa) with more than **1000 auditors, assessors, trainers, technical experts**
- 
- qualityaustria networkpartners
- presenting the **Austrian Excellence Award** in co-operation with the Federal Ministry of Science, Research and Economy

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Quality Austria supports the EFQM partner project to pursue Excellence for SMEs in Europe – this is the frame for today's input

## Current requirements – is there a need for excellence or is it just a luxury?

- Needs complex and changing business environment (business models)
  - rapidly changing customer desires, life styles and expectations
  - strong competition
  - Shortage of talent (not only local)
  - The new generation thinks feels and acts differently
- All these needs meet fundamental concepts formulated in the EFQM Excellence model
- Excellence is not a luxury



All organisations all over the world face bigger competition than ever before and also due to digitalization even small enterprises compete with worldwide competitors nowadays.

It seems that the change is accelerated, new business models arise and regardless of size and industry, organisations do not have a choice, they have to adapt to that change with flexibility and agility.

All in all: business environment has the same complexity and challenges for successful SMEs and for large organisations.

SMEs have disadvantages in economies of scale.

So especially for SMEs the EFQM-Model is not a luxury but a strong instrument

... to focus on customer needs

... to avoid demotivation of employees.

... to work on valuable strategies and to establish structure

All in all: to ask valuable questions

And we see there is no difference in cultural excellence aspects - SMEs have to follow the same fundamental concepts of excellence and the same criteria. It's not the question of „which level of excellent SMEs meet when compared with large companies – but they might use different methods and tools to meet the same excellence level.

## Why we Focus on SMEs ... some facts

- Typical Numbers in Europe:
  - **more than 99 % of businesses are SMEs**
  - more than 65 % of employees work for SMEs
  - more than 55 % of the total business turnover is generated by SMEs
- Small: HC up to 50 or TO not exceeding 10 million Euro, mostly managed by the entrepreneur
- Medium: HC up to 250 or TO not exceeding 50 million Euro
- SMEs are the **flexible, tenacious and persistent backbone of the economy**

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Small- and Medium-sized enterprises are defined slightly different even in Europe . But the numbers show the significance of SMEs for the economy.

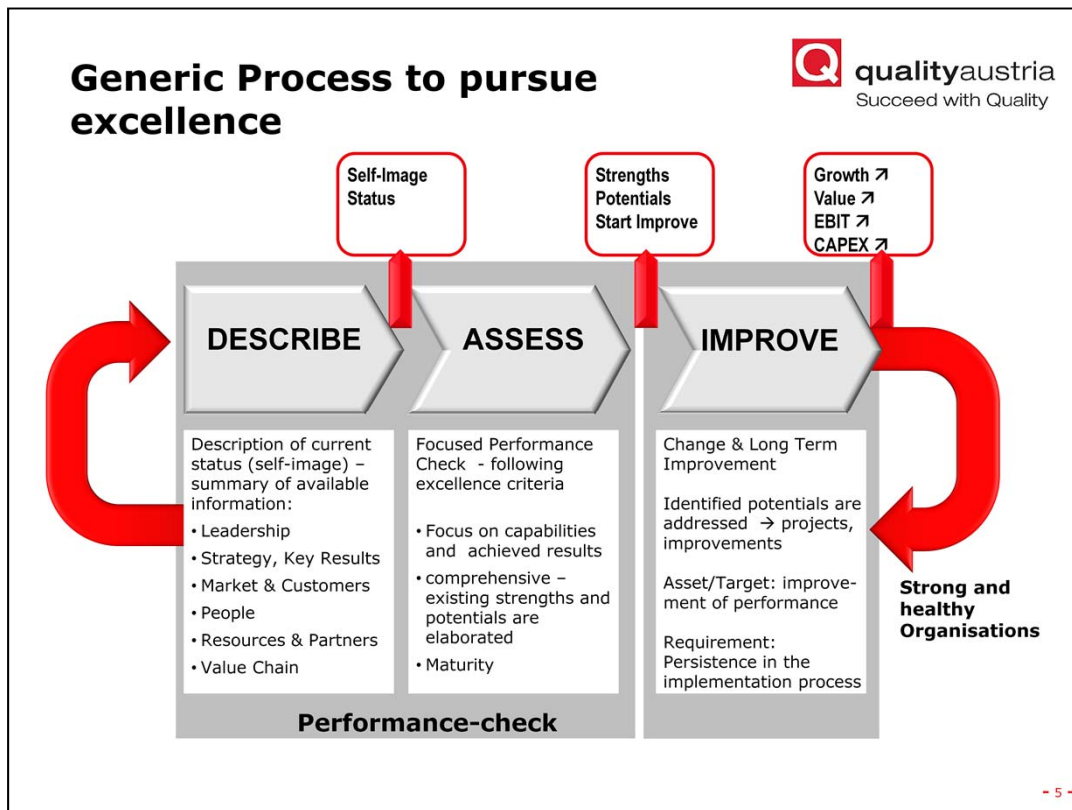
Let me offer the definition we agreed throughout Europe in our excellence working group:

it is really valuable to ...

... understand SMEs (needs, fears, expectations, ...)

... to focus on the special needs and expectations of SMEs

... to address SMEs to increase public interest in excellence



Information and Motivation are the key to get you – the decision makers in organisations – to see this opportunity as something valuable

**Additional: what is special for SMEs**

- SMEs have less personnel, time and financial resources available in comparison to large companies
- Changes/Improvements need some characteristics to be successful
  - to understand approaches/tools must not take much time
  - ignition and implementation of change needs full involvement of the leader
  - easy to apply, little preparation work, rapid implementation
  - quick response, quick valuable results, direct benefit
  - fully implemented in daily business and done by operational staff

**Preparation**

Start top down:

- understand vision, business perspective, strategy
- understand the internal view on the “health status”

Walk through the value chain and the company

- following the excellence criteria
- spend some time on the “shop floor”
- discuss: „how does excellence belong to me“?

Result of the diagnostic quick assessment:

- visualize the status-quo (feedback report) with areas of strength improvement (key findings, recommendations)
- Action plan to handle the (up to 5) most valuable improvements (immediately)

Analogy for the Improvement actions: **Train your body**

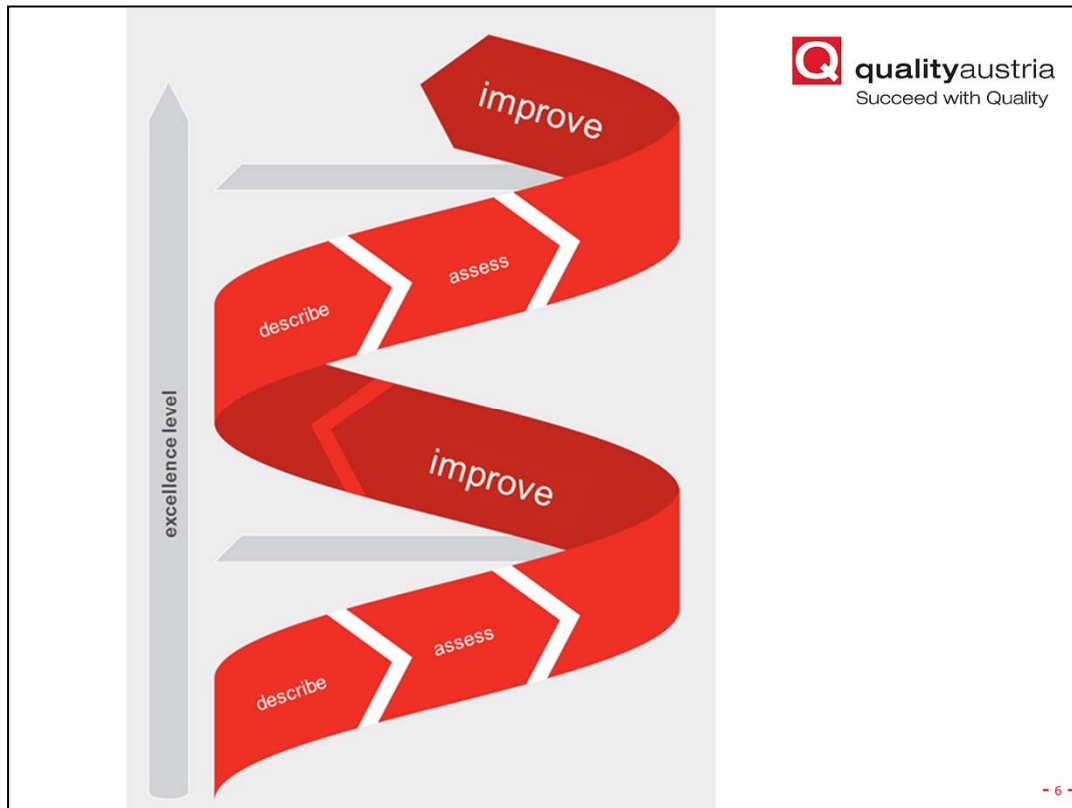
- everybody knows from personal experience that it is not easy to change personal behaviour – even if you know it would be better for your health and fitness.
- I assume that all smokers all over the world have access to the information that smoking is not good for health and fitness – but despite of this knowledge – they smoke

the most important thing is not

„how to figure out what is going wrong“ ... it is more about „how can we change“

immediate, direct, pragmatic

keep in mind: less persistence is more reliable than real persistence



The level of doing daily business will improve – better operational results (more customer focus, less loss in the processes, improving employees satisfaction...)

Also the Level of used methodology will increase – the maturity of „excellence tools“ will grow step by step:  
 → not the quality of methodological competence (i.e. detailed assessment) is in the focus of attention – but operational results!

The improvement journey is in place – participating SMEs improve their results, their strength ... but it should not be named as learning journey

It´s interesting – all people interested in excellence are also interested in learning and individual improvement

but no one wants to be educated and mastered like a pupil ... even pupils don't like this pattern of learning

Next step will be to reflect the improved status in a next assessment (6-12 month later)

**Key question:****Why is applying excellence beneficial ?**

- Better results, stronger performance (EBIT)
- Capabilities for sustainable growth (CAPEX)
- Agility (ability to face needs for change)
- Image (employer brand, trustworthy partner)
  
- Being **recognised/awarded**

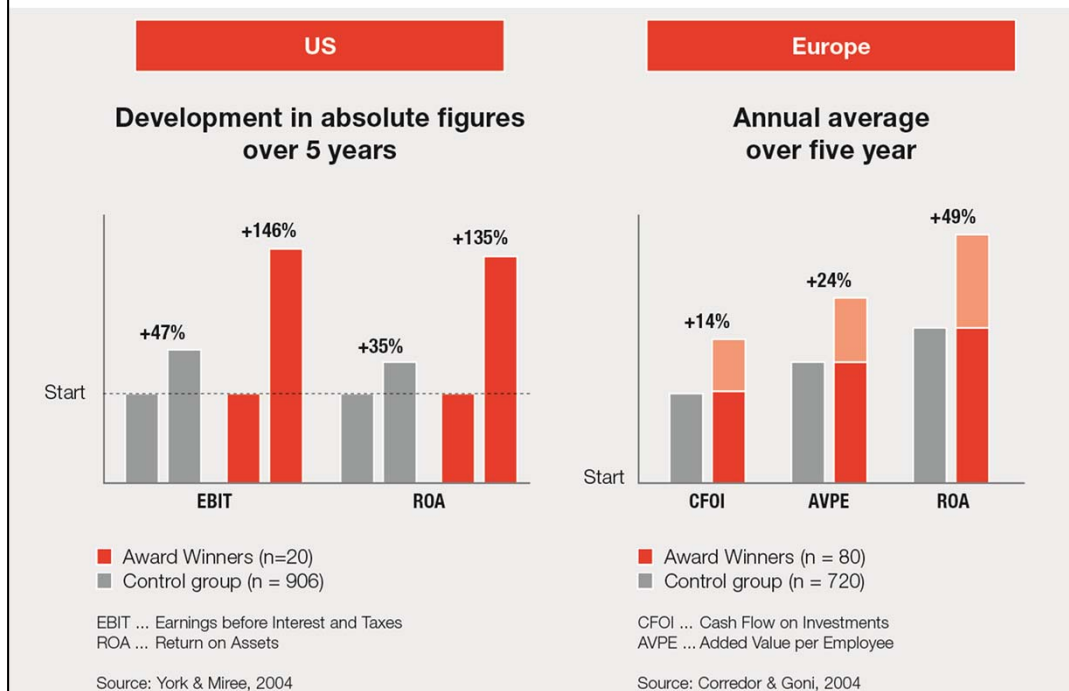
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The excellence path through the use of the EFQM-Model and the award process enables sustainable organisational development with relatively low costs, little need for consultancy involvement but desirable independent self development

Brand:

good reputation - helps to attract customer and people/employees  
distinction from competitors, reliable supplier  
more efficiency and loyalty of all people involved  
(direct employees, partners)  
secure existing funding, support new funding streams

## Results (Studies from US, Europe)



### The economic value created by EFQM implementation

For studying the economic value created by the Excellence approach and/or the EFQM Excellence Model, a lot of investigations into literature were made. The search has shown 15 studies dealing with TQM, EFQM, etc., on the one hand, and with corporate success, on the other.

- In this respect, none of these studies could identify a negative correlation (between TQM and corporate success)
- 10 studies could identify a significantly positive correlation

Some of these results can be found here:

After winning an Award, the organisations could have a higher growth of the operational results than the control group. Besides, there are hints according to which the Award Winners control the costs more successfully (Hendricks & Singhal, 1997).

Long-term performance of the organisations that have implemented TQM is clearly improved (Easton & Jarrel, 1998).

On the whole, the results show a positive correlation between implementation of TQM and the organisations' performance (Kaynak, 2003).

Furthermore, some studies also show quantitative differences in performance. For example, a study made by York and Miree in the US (2004) shows at a comparison of the Award Winners there with a control group how the EBIT and ROA have developed in absolute figures over 5 years. As for the control group, the EBIT increased by 47 per cent within these 5 years. As for the Award Winners, however, it rose by 146 per cent. A similar picture can be seen for the ROA. With regard to the control group, there was a growth of 35 per cent, with regard to the Award Winners one of 135 per cent.

A similar picture is given by the results of a European study (Corredor & Goni, 2011). In this respect the chart shows the average annual growth over five years: The group of the Award Winners has much better results for the profitability and productiveness indicators than the control group. For example, the Award Winners had, on the yearly average, higher values for the cash flow on investment (14 percent), the added value per employee (24 percent) and the ROA (49 percent).



