

## EXCELLENCE MODELS AND NATIONAL QUALITY PROMOTION IN ESTONIA

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**Abstract:** Systematic application of quality and excellence models is considered as one of critical success factors for sustainable performance excellence of organizations. Launching national quality awards and recognition schemes is one of the most widespread quality promotion practices in the world. In this paper some of the issues of adaptation and implementation of excellence models and recognition schemes in Estonia are outlined. Based on the results of a study mapping the quality awareness status of Estonian organizations' conclusions has been made.

*Key words: national quality promotion, quality awareness, recognition schemes, quality award, EFQM Excellence Model, adaptation of excellence models, education.*

### 1. INTRODUCTION

Usage of excellence models for self-assessment as well as external evaluation and recognition has been one of the most widespread quality related approaches throughout the world in the past decades, besides implementation and certification of standards based management systems. Companies worldwide are using the criteria of the Malcolm Baldrige National Quality Award, the EFQM Excellence Award, the Deming Prize and several national quality awards, which are mainly based on the above-mentioned models or their adaptations [1]. Besides differences in the models there are also variations in the recognition schemes and processes [2].

All excellence models are based on a set of core values or principles, which differ in wording, but are expressions of the same paradigm with roots in total quality management (TQM). Business excellence (also called management quality) has been defined as the ability of an organization to create desirable effect in order to increase the satisfaction of its stakeholders through efficient management activity, so increasing the probability of long term success as an organization [3].

Although the application of excellence models started in the private sector and by large businesses, more and more SMEs as well as public sector organizations are using excellence models.

### 2. EVOLUTION OF QUALITY MODELS

Management system standards (ISO 9000 series et al), being the most well-known quality models in the world, are based on the concepts of control and conformity assessment, which correspond to the first level of quality spiral according to the four revolutions of quality management approach [4]. Excellence models belong to the second level of quality spiral, which relies on the idea of continuous, incremental improvement, systematic following of the plan-do-check-act cycle and TQM principles. The recent versions of ISO management system standards are getting closer to approach of excellence models. Two more levels of quality spiral have been identified – innovation, creativity, transformation, based on the idea of breakthrough, leap change; and

sustainability, reaching the essential, based on the idea of core values. The first two levels are assumed to be suitable in a relatively stable environment with higher level of certainty; it has been argued that for quick and radical changes and uncertain environment the traditional quality models are not agile enough and new models are to be developed, in order to achieve qualitative breakthrough in a relatively short period of time [5]. Agility and capability to use appropriate quality approaches, constant readiness to go through transformational change has become one of the key factors for organizations' competitiveness.

Although there is numerous case study based evidence illustrating the benefits of excellence models, sound proof on the impact of the approach on organizational performance is rather rare. Studies based on research of award-winning companies providing evidence that effective implementation of TQM principles impacts bottom-line business results and sustainable performance, have been carried out in the US [6] as well as Europe [7].

### **3. NATIONAL QUALITY PROMOTION IN ESTONIA**

The general objective of Estonian national quality promotion is to improve the competitiveness of Estonian products and services. The first comprehensive study on quality promotion at national level was performed in 1996 resulting in 'Quality Policy of Estonia' [8]. Based on the study of international experience and situation in Estonia, one of the main conclusions was that there was a need for coordinated national quality policy. A gallup identified as main obstacles to improving the quality of products and services:

- human factor (lack of competence, poor motivation, poor information);
- lack of resources (difficulties in investments and technological innovation, limited markets);

- insufficient level of quality infrastructure (incl. lack of coordination on state level).

One of the suggested measures was establishment of national quality award.

A follow-up study 'Evaluation of the Status of Quality Assurance and Perspectives of Quality Promotion in Estonia in 1999–2000' was performed, which also identified the need for a national level quality policy, identifying the top three priorities:

- attaining compatibility of quality-related infrastructure with the rules and practices of EU internal market;
- development and implementation of national quality award;
- development and dissemination of Estonian-language information and training materials [9].

These studies were initiated by Ministry of Economy, though no official national quality policy has been approved until now. A decision was made to establish a Centre of Excellence in Estonia and create the Estonian National Quality Award, managed by the Centre. A preparatory project 'Design of Centre of Excellence in Estonia' was led by Confederation of Danish Industries (DI) [10], followed by proposals for the National Quality Programme [11].

A pilot project of Estonian Quality Award was initiated in 2000 and Centre of Excellence was established in 2002 inside Enterprise Estonia (EE). Need for cooperation between different stakeholders was identified to raise quality awareness in Estonian society, including Ministry of Economic Affairs, Estonian Association for Quality (EAQ), Estonian Confederation of Employers and Industry, Estonian Chamber of Commerce and Industry et al.

As a result of the structural reform of Enterprise Estonia no separate Centre of Excellence exists since 2004, but a function inside EE is responsible for the development of management quality (business excellence). A Management Quality Strategy was launched by Ministry

of Economic Affairs in 2005. To fulfil the goals of the strategy a Management Quality Programme was launched with the aim to increase impact of supported activities and involvement of more people and organisations, offering appropriate approaches to organisations with different needs.

#### 4. RECOGNITION SCHEMES

The purpose of recognition schemes is to motivate organizations to use modern methods to improve management quality and raise overall quality awareness, also to recognise well-performing organizations, taking into account their specific features, e.g. size, sector, maturity level of management quality etc. Recognition should also increase the reliability and improve the image of organizations, enable benchmarking, identify and share knowledge and best practices, encourage learning (benchlearning). Long-term effect should be better competitiveness of products and services, supporting the development of Estonia as a whole.

Estonian Quality Award model was developed in 1999 [12], with a basic structure based on the EFQM Excellence Model. Taking into account the quality maturity level and size (mostly SMEs) of the majority of Estonian organizations, adaptation and simplification of the structure on subcriteria level was made [13]. A pilot project with no announced winners was run in 2000/2001 as joint initiative of Ministry of Economic Affairs, Enterprise Estonia and Estonian Association for Quality (EAQ), continued by annual quality award competitions starting 2002. The competition was renamed Estonian Excellence Award (Estonian Management Quality Award (EMQA)) in 2004, as the word 'quality' is often perceived as only related to products and/or control, not the performance of the whole organization. In 2006 the scheme was fully aligned with the EFQM Excellence model and the EFQM 2005+ process in order to give more

international weight to the recognition and allow comparability with other recognition schemes in Europe. A multi-level national recognition scheme was introduced, aligned with the EFQM Levels of Excellence (LOE). Estonian organizations can in case of interest apply also for EFQM Committed to Excellence (C2E) or Recognised for Excellence (R4E) recognition besides national recognition (see Fig. 1). The so-called 'inspirational level' of the scheme, resulting in recognition called 'On the Way to Excellence' was developed for organizations that are in the beginning of the road to excellence or are focused mainly on improvement activities. No scores are given; recognition is based on the validation of improvement projects, which have been selected and prioritised as a result of self-assessment. This level is intended to create the growth base for next maturity levels, using simplified approach to excellence.

The EMQA competition is aligned with the EFQM R4E scheme; depending on the score the participants get national recognition 'Well Managed Organization' or 'Excellent Organization' getting 301-400 or 401-500 points respectively (max 1000). The award winner has to achieve more than 501 points and is nominated by the jury. There are different categories for participants (small, medium, large companies and public sector) [14].



Fig. 1 Estonian National Recognition Scheme and EFQM Levels of Excellence

The organizations' feedback has been mainly positive, but the relatively small number of participants has been an issue. The main reasons are low awareness, but also the perception of the application process being too complicated and time-consuming compared to the gained benefits. Involvement of assessors who get invaluable learning experience they can use in their own organizations, as well as organizations who have participated in the self-assessment trainings but have not applied for recognition increase the impact.

## 5. SECTORIAL SCHEMES

Several adaptations have been made to the EFQM Excellence Model and sectorial recognition schemes have been developed. The most successful implementation of excellence principles in Estonia have been in the educational and tourism sectors.

The first attempt to introduce quality and excellence concepts in the education system of Estonia was made in 1998 with a preparatory project 'Conceptual Model of Quality Management for Estonian Schools', followed by Quality School Project of 'Estonian Schools with Distinction' launched by Open Estonia Foundation in 1998-2000 with 40 pilot schools [15].

In 2002 the Quality Award for Tallinn Educational Institutions was established by Tallinn City Education Board. The model is an adaptation of the EFQM Excellence Model with a simplified subcriteria structure, which has been translated into the 'educational language' [16]. During 2002-2010 93% of Tallinn schools and 32% of kindergartens have participated in the competition.

In 2003 a pilot project Quality Award for Vocational Educational Institutions (VET) was launched by Ministry of Science and Education and Foundation for the Reform of Vocational Education in Estonia. Since 2004 annual competition VET Quality Award (after 2008 every second year) has

been run by Ministry of Science and Education and Foundation Innove [17].

In June 2006 there was a change in legislation about the system of internal evaluation and counselling for preschools, secondary schools and vocational education institutions [18]. The new system is based on the excellence principles and criteria derived from the EFQM Model.

In 2009 a pilot project with 8 universities and HEIs was launched by Foundation Archimedes, based on a quality award simulation process and modified EFQM Excellence model for HEI needs [19].

A pilot project Public Sector Quality Award was run in 2003 by Ministry of Finances, no follow-up award projects have been launched [20]. The approach was based on the CAF model (Common Assessment Framework) as an adaptation of EFQM Model for self-assessment in public sector. It has been used by some institutions also afterwards (Ministry of Finance, Ministry of Economic Affairs and Communication et al), but is not yet widely used. There is a need for support schemes for the development of public sector service quality; introducing excellence models with a recognition scheme could be a suitable supportive measure.

In 2004 Estonian Tourism Quality Programme was launched by Estonian Tourism Board with the aim to increase the competitiveness of Estonian tourism services [21]. This is another example of adaptation of excellence models and schemes for specific sector needs. This programme introduces entrepreneurs to customer-oriented product and service development and innovation, aligning these measures with clearly stated business goals. The assessment model is a set of five criteria, the process is similar to EFQM C2E with additional mystery shopping visit. The programme is suitable also for small and micro organizations and does not require high maturity level. Part of the programme is supporting networking and benchmarking activities.

Estonian Association for Quality (EAQ) has been an active partner in all the quality development activities, being also the mediator of international experience acting as a member of European Organization for Quality (EOQ) since 1993 and national partner organization of EFQM since 2005.

## 6. QUALITY AWARENESS

A study was performed to identify the status of the quality awareness and orientation among Estonian organizations. The aims of the study were to identify the levels and differences regarding quality awareness and practices, as well as the maturity of Estonian organizations of different sectors and sizes. The needs of organizations for methods, models and recognition schemes as well as information and training materials supporting the promotion of excellence were to be determined. 540 organizations representing micro, small, medium and large organizations of all major industry sectors, public and private organizations and all regions of Estonia were involved. Based on the statistical analysis of the survey results the following conclusions were made [22]:

- most of Estonian organizations rate very highly the importance of product and service quality, while the importance of management quality is regarded as being of lower importance;
- organizations have high opinion of their level of competitiveness and sustainability, based on the a limited set of basic performance measures (turnover, profit, customer satisfaction, market share);
- knowledge and practice of different modern management methods and models is rather low (the study covered 24 different models and methods).

Two clusters of organizations could be identified:

- Cluster 1 represents organizations with higher awareness and maturity level, including most of the large and many medium-sized organizations. They are

quick developers who have started the road to excellence and have gained some results (estimated EFQM score 171-400 points).

- Cluster 2 represents organizations with lower awareness and maturity level, also lower interest in quality and management tools, including most of the micro and many small organizations. They can be seen as beginners, assuming they are motivated enough to start the journey to excellence – a lot of them lack also motivation (estimated EFQM score less than 170 points).
- There are very few organizations who can be considered as best in sector and world class in terms of organizational excellence (estimated EFQM score over 400 and 600 points respectively)
- There are significant differences in most factors depending on the size of organization.

The most efficient measures, which give quick results:

- Information seminars and conferences, training and consulting services
- Recognition schemes, incl Estonian Excellence Award, multi-level and/or sectorial recognition schemes
- Benchmarking (web-based benchmarking/benchlearning environment, networks and study visits)

Measures taking into account strategic perspective and long-term benefits:

- Quality and excellence related research (e.g. economic aspects of quality and excellence, development of suitable models for specific target groups)
- Development of Estonian Quality Index.

## 7. CONCLUSIONS

Further development of modern approaches suitable for application in complex, uncertain environment; quality related to innovation and creativity, and sustainable development should be supported. Specific needs and factors

related to different target groups - among them the size, maturity and motivation level – should be taken into account when developing quality promotion measures.

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