Competitiveness and performance development: an integrated management model

Drago Podobnik
Inženiring Drago Podobnik s.p., Nova Gorica, Slovenia, and
Slavko Dolinšek
Faculty of Management, University of Primorska, Koper, Slovenia

Received 8 November 2006
Revised 31 January 2007
Accepted 12 February 2007

Abstract

Purpose – The purpose of this paper is to present the usefulness of the combination of the European Foundation for Quality Management excellence model and the balanced scorecard integrated into the management model for competitiveness and performance development.

Design/methodology/approach – The presented model is the result of a business research where comparative analysis of the two models has been carried out. Both models have been thoroughly studied from different points of view. Such an approach enabled one to define the strengths, weaknesses and similarities of the two models.

Findings – On the basis of the robustness of both models a combination was formed integrated into the management model, which is likely to be better, more effective and simpler to use in practice, and which will support an increase in competitiveness and performance development.

Research limitations/implications – Within the research the aim has been focused on close research into interactions presented in the integrated management model. Throughout research, consideration was given to the problem of its external validity which is somehow limited. Here analytical generalisation is discussed. A number of cases can be found in which a combination of both models has been used in different ways. The way of combination in the integral management model, which is presented here, was carried out in 2005 in an important Slovenian international company.

Originality/value – The originality can be found in the particular approach towards comparative analysis and also in the result, which represents a combination of the two models integrated in an original manner into the integral model of management. Companies which have not yet introduced, as well as those which have already introduced, one of the researched management tools will be able to use the results of this research for further upgrading/consolidation in the sense of the model combination of both. The synergetic effects of the interactions of the combination between both management approaches will have a positive effect on increasing company competitiveness.

Keywords Total quality management, Modelling, Balanced scorecard, Integration, Organizational change

Paper type Research paper

Introduction

In the early 1980s, there was an increasing concern regarding poor product quality, low productivity and rising competition on the dynamic global market. At the time, the USA had a prevailing need for a national recognition in this area. On August 20, 1987, this led to the establishment of The Malcolm Baldrige National Quality Award. The fundamental structure of the earlier mentioned model consisted of seven self-evaluation categories. In 1988, 14 of the biggest European enterprises established the European Foundation for

Journal of Organizational Change Management
Vol. 21 No. 2, 2008
pp. 213-229

0953-4814
DOI 10.1108/09534810810856444

Quality Management (2001) (EFQM). The main purpose for the establishment of the European model of business excellence was to make it the reference model for the promotion and awarding of the European award for quality management. Although the companies rarely decide to compete for the award, top management nevertheless largely follows the nine criteria of this model, because through self-evaluation it is possible to identify the general state of the company. Data obtained by means of benchmarking help put forward the process of constant improvements. The model makes it possible to understand the organization better and directs the management towards achieving business excellence (Wongrassamee *et al.*, 2003).

On the other hand, the traditional management model relies on the firmly rooted accounting model, which was developed centuries ago in the environment of independent transactions among independent companies and was based on the system of annual and quarterly financial reports. Despite all due respect to the model, the majority of companies are still using it although we have entered the information era a long time ago (Elliot, 1992). If we look at the traditional model from a positive point of view, it would certainly need to be expanded by including the evaluation of intangible and intellectual company assets (Itami, 1987). In companies of the information era, these assets are more likely to be the decisive success factor than the traditional tangible assets. Owing to the difficulties with specifying the exact financial value of such assets, these will never be acknowledged in balance sheets. Nevertheless, we cannot ignore the fact that these assets and efficiency are of key importance for success in the competitive environment of today and tomorrow (Kaplan and Norton, 1996).

Thus, it was only a matter of time until the contrast between the need for long-term competitive efficiency and the traditional financial accounting model, which is based on past expenses, was to, lead to the formation of a new synthesis. This happened in the 1990s with the introduction of the balanced scorecard (BSC) system of indicators (Kaplan and Norton, 1996). On the one hand, this system preserves traditional financial scorecards, which reveal past events. BSC complements financial indicators of past efficiency with the indicators driving the future success of the company. The goals and success indicators of the system stem from the company vision and its strategy.

Looking at the BSC and EFQM models from the surface gives us the feeling that the models are similar; similar inspiration, similar concepts, similar characteristics and finally even similar organizational frames. Those familiar with both models would agree that both approaches have a lot of similar characteristics. Both are based on a measuring method, both encourage the dialogue of improving efficiency, both are trying to play the role of a catalyst in terms of changes and activities and both are based on the principles resulting from the review of past practices, learning and feedback loops. But above all, the long-term implementation success of both models depends on long-term commitment of the management to constant improvement of company's efficiency. From the perspective of mechanisms used by both models we are bound to agree that they are quite similar. Both involve causality and effects as well as factors and results. Both follow a structured process which is often supported by external professional help in the form of advisers or other outworkers.

Although both models share a common opinion as to what defines good management and, broadly speaking, support similar views on how to steer efficiency within a company, their starting point is quite different. Each approach has a different past, somehow searches for different benefits and incentives and even uses a different communication method regarding efficiency improvements with individual company participants. Consequently, the question arises, of whether the two models are mutually exclusive (Lamotte and Carter, 2000). Both approaches are often mentioned as two possible alternatives for measuring company efficiency. Companies often decide to use one of the presented models and completely exclude others. Such an approach in using different management tools is also recommended by Rigby (2005) in his research about their use. His findings about the frequency of use of certain management tools are rather interesting, as are his findings regarding the satisfaction of managers with the results after these tools have been introduced. The results reveal an 18 percent increase in the use of the BSC system and an 11 percent decrease in the use of models based on the principles of TQM. If it is truly necessary to decide between the two models, then how can a company know which model is more suitable. The question is whether they are exchangeable, mutually excluding or none of this. In order to find the answers to these and some other questions, a critical review of both models from four different aspects will be presented with the help of four different tools, which have been used by various authors in the past.

Research methodology

Qualitative research methods are more suitable than quantitative for research activities aimed at processes in organisations (Hartley, 2005). In their opinion, the same holds true when researching their outcomes. One of the reasons for such statements lies in the fact that quantitative studies are focused on measuring and analysing casual relationships among variables and not on processes. Their statement, as well as the positions of other authors mentioned in this paper, encouraged us to embark on a qualitative research. According to Spender (1996), the aim of the positivistic research approach is to develop a consistent, abstract notion of external world, whereas interpretative research activities aim at the path on which our experience is gained. Following Esterby *et al.* (2002), Prahalad and Hamel (1990), Nonaka and Tekeuchi (1995) and Moingeon and Edmonson (1997) who believe that today not only traditional resources need to be managed but also non-material resources such as quality, knowledge, and processes. All these factors include elements for increasing the company's competitiveness, which also represents a part of our research.

In our research, the analytical approach to research has been used together with comparative analysis. This approach was explicitly used for critical evaluation of both models. Using this method, we compared processes and relationships characteristic for the analysed models. We tried to determine their behavioural similarities and differences. On some occasions we also used the descriptive approach, which can be noticed throughout the whole research. We used the method of classification and synthesis, which mainly helped us in shaping the integrated model. We decided to use a qualitative research approach because we analyse processes of interactive operation of two management tools used in the integral management model illustrated by Bleicher (1995), and the consecutive synergic effect on the increase of competitiveness in a large international company offering services. It can be concluded that, on this basis, we arrived at conclusions which will, in our opinion, enrich present scientific knowledge.

There is a lack of research about how companies intentionally develop and use the approach based on interactive application of various management tools incorporated in the integral management model and due to the lack of scientific materials, i.e. case studies, aimed toward developing new hypotheses and improving the theory of management regarding the international intra-organisational level.

Data collection was initially more wide-ranging. Later we followed the findings of Romenyi *et al.* (1998) and deliberately focused on more thorough and specific data collection, in the sense of forming propositions for scientific research. This was in accordance with Yin (2003), who believes that research data should be taken from different sources. Initial data and, consequently, initial results gathered for our research, were the results of reflection, by using the method of compilation. This means that we logically summarised the results of observations, cognition, viewpoints, conclusions and the results of research activities carried out by other authors, which are also cited. This approach is reflected in the issue of the first, third and fourth chapter of our article.

A critical evaluation of EFQM and BSC based on existing research

In their article, *Are the Balanced Scorecard and the EFQM Excellence Model Mutually Exclusive or Do They Work Together to Bring Added Value to a Company?* Lamotte and Carter (2000) presented their critical view of the two models in two parts in the following manner: "the best practise" vs "unreachable advantage." The European model of quality management includes processes of self-evaluation and aims at setting the best practice as the level to be reached by the processes within a company. If it wishes to offer companies a professionally proper comparison in the form of benchmarking, then it needs to include this consistently in its structure, criteria, approach and content. In a way, the model enables companies to place themselves in the European league of excellence. The type of business in which a company is engaged, or its specific comparative advantages, do not meaningfully influence the usefulness and applicability of the model itself.

On the other hand, it can be ascertained that the balanced system of indicators with its specific approach to measuring the management success is completely dependent and based on the positioning of the organization, its business challenges, competitiveness, comparative advantages and, of course, the company strategy. BSC in its present form is a top-notch tool, which constantly needs to be adjusted with regard to the circumstances in which companies and organizations carry out their business activities. The model and its tools are set to guide the company management along the path of logical strategic thinking. It is flexible and adjustable to any possible situation.

The second part of this critical review relates to the following aspect: "the way it is" vs "the way it will be." The process of self-evaluation ensures a critical and extensive assessment of existing processes in a company. Contrary to the extensive and targeted set of criteria which should communicate ways by which a company can, through its activities, transform its internal processes to reach the level of the best practice, EFQM and the process of self-evaluation thoughtfully demonstrate the current situation within the company. The model provides a precise assessment of the company's current advantages and areas where further improvements are possible. In the end, it provides a direction a company can follow in the future and where it can focus a part of its future activities. Unfortunately, the orientation it leads us to is independent from the company strategy.

BSC, on the contrary, identifies the strategic indicators which a company has to realize or achieve and thus reach the set long-term vision. The balanced system of indicators is future-oriented. Basically it starts with a visionary set strategic objective of the company and operates backwards. This is best illustrated with an example: "What needs to be done and how well should it be done in order to achieve our strategic financial objectives in the next three years?" BSC offers us a set of activities and factors a company needs to undertake if it wishes to achieve these strategic goals. In BSC, present activities are derived from the state which will be monitored in the future. To define how intensely we should engage ourselves in different areas in relation to the present strengths and weaknesses is a matter of further analyses.

Andersen *et al.* (2000) have tried to get a relevant answer to the following question: "BSC vs EFQM – which is a better management tool?" Let us begin with a thought by David Norton (1996), co-author of the BSC system:

> Many companies will form their strategy and related BSC. But all they have done was create a picture of the company's future. Until they are able to link the balanced scorecard system with the management system, nothing serious is likely to happen.

After all, benefits searched by various activities for the development of management tools are visible only through changes in work invested and decisions made by people who work in the company. Andersen *et al.* only focus on the comparison of EFQM and BSC as two strategic management tools within a company. In this respect, a true success indicator can only be the scope to which an individual tool can be used to achieve changes within a company and is related to the company strategy. What EFQM is and what it is not could generally be defined in the following way:

- it does not form a strategy;
- it does not assess the strategy although it assesses the process of its formation;
- it is a tool to review what has happened so far;
- it does not expose the best or the preferred practice in the organizational context; and
- self-evaluation by means of comparison is a rather unreliable tool for the introduction of changes.

On the other hand, in this context, BSC can pride itself with being a much better tool:

- The main difference is that BSC is designed for management organizational communication and the assessment of strategic features of a company.
- It proves to be a suitable tool for permanent identification of differences between intentions and notions within a company.

Andersen *et al.* believe that in this respect the BSC approach is seen in a more positive light then the EFQM approach. They believe one of the reasons lies in the fact that for every company an independent BSC system should be created which, linked with the management plans, should be capable of introducing changes. Therefore, the necessary cost planning, strategic plans, incentives and rewards are directly connected with the BSC, whereby it is highly probable that the results of achieving the strategically set objectives will be reflected in their realization. In addition, in practice we encounter numerous cases of successful cascade transfer of the BSC system down the hierarchy, where standard management tools were used, if management is viewed as a process.

Otley (1999) posed five questions through which he assessed individual management tools: which are key strategic objectives that are of utmost importance for the future success of the company and how will they be reached; which strategies and plans has the company adopted and which processes and activities will be used for their successful implementation; how does the company assess and measure efficiency of selected activities; what level of efficiency should the company achieve in the areas regarding the first two questions and how are appropriate indicators for their achieving formed; what will remuneration for managers and employees be when successfully achieving their objectives and what will happen if objectives are not achieved? What kind of information does the company need (feedback and advance loops) in order to make learning possible and change its behaviour? Findings can be summarised in the following way:

- The model of business excellence enables companies to make self-assessment on the basis of nine criteria. It enables companies to understand the present situation in the company and to compare their activities with the best practice in order to encourage the process of steady improvements. BSC approach consists of several key strategic objectives, connected with the company strategy.
- The model of business excellence does not provide direct answers or suggestions about which strategies or plans should be adopted in order to ensure steady improvements. BSC usually shows extremely well how the company strategy and suitable indicators should be connected. Nevertheless, some ambiguity remains, mainly regarding the choice of appropriate indicators and how to classify them appropriately.
- The European model of business excellence does not mention directly the issue of the formation of objectives. Managers can be informed about the achievements on the basis of feedback, which they get from assessors. This presents the basis for the formation of objectives prior to the consequent assessment. The formation of strategic objectives is not the best for the BSC approach. Cause-effect logic of the strategic map can be a very useful guideline for managers, because it enables them to set target indicators on the basis of which set strategic objectives can be reached.
- The European model of business excellence consists of two criteria, i.e. human resource management and employee satisfaction, which are an extremely important element in assessments and marking: "employee remuneration". Authors of the BSC only mention that there could be a connection between indicators and motivational remuneration. They also warn us that the introduction of stimulative rewards, which could become the reason for neglecting long-term objectives and for giving priority to short-term and tactic an objectives.
- Information flow is another important part of the EFQM model of business excellence. Four criteria regarding results ensure the majority of feedback information. A very important issue in a BSC system is the explicit need for a double information loop of learning in strategic processes. We have to admit that there is little professional literature available which might provide all the answers related to the effective management of double information circles.

When trying to find answers to the third and fourth question posed by Otley (1999), similarities can be noticed with the thinking of Tsai *et al.* (2006) in their article on measuring company performance.

McAdam and O'Neill (1999) used the skeleton of TQM approach, which can be summarised under the following five points: TQM is connected with strategic business objectives; understanding the needs and expectations of consumers and their satisfaction is of vital importance; on all levels understanding and participation of employees is needed; managers should be committed and their purpose should be strongly expressed; organisation is understood as a series of processes, which include relationships towards consumers and suppliers, when critically assessing the model of business excellence and BSC. The findings of McAdam and O'Neill can be summarised in the following way:

(1) The European model of business excellence supports such TQM principles in various ways, but can be considered as a simple tool of strategic control and not as truly linked with the strategy and strategic objectives of companies. Kaplan and Norton pointed out four key areas, the so-called perspectives, as key elements of business strategy. The stated four perspectives enable companies to balance their strategies among various business aspects, but BSC remains the most effective tool for assessing strategies, and not a tool for effective formation of strategies.

(2) The contribution of the European model of business excellence in this area is enormous. Satisfaction of customers buying goods and services is the key criterion in the field of results and has to give feedback to the field of factors. The connection with the company strategy makes it possible for the BSC that factors and indicators referring to the customers buying goods and services remain consistent and offer considerable support to the chosen company strategy. Unfortunately, we do not get the answer to the question of how to perceive new potential users or even markets.

(3) The European model of business excellence embraces, as separate identities, both the factor of managing human resources as a result of employee satisfaction assessment, but remains relatively complicated and, above all, bureaucratic. The BSC system of the strategic company level can be sensibly transferred to the level of strategic business units and to lower levels of middle management. Such an approach enables employees to see clearly their near environment and their role in the wider environment of the whole company.

(4) Leadership is the model's key factor. It is based on the combined concept of mentorship and training, which are the key approaches to leadership. Taken ideally, BSC, which is thoroughly presented, can be a strong support for leading on all organisational levels, but does not comprise the factor of leadership in its own structure.

(5) The central criterion in the European model of business excellence is the criterion of business processes. On the other hand, the model does not tell us how to identify and improve processes. McAdam and O'Neill believe that it is more suitable for companies which are partly focused on processes and partially on functions. The BSC system is based on the assumption that companies are organised in such a way that they are based on business processes. The authors believe that such a system does not take into account that some companies are organised according to a mixed principle, and appropriately combine organisation based on functions and processes.

Concerning the role of leadership and good intentions of management for entrepreneurial innovativeness and efficiency in the sense of providing answers to McAdam and O'Neill (point (4) in TQM approach) one way also consult the work of Morales *et al.* (2006).

Considering all that was stated above, the EFQM business excellence model turns out to be less suitable for establishing the foundations of a management system. On the other hand, it seems much more suitable as a tool for the implementation of general business processes within a company. Such improvement is definitely welcome, but not necessarily relevant for the formation of company strategic objectives and related priorities. The earlier mentioned weakness of EFQM makes it less useful as a specific management tool. An interesting quote from Porter (1998) reads:

> Constant improvements bring to the company examples of good practice which can be used in any company. This means that we carry out the same or similar activities as our competitors, but are much better than they are. Strategy means seeking a unique way to fight the competition on the market. Not because this way would globally be seen as the best, but because it enables companies to distinctively establish activities within its value chain.

Let us conclude by stating that companies mostly use the European model of business excellence as a diagnostic tool. In order to connect the acquired findings with the company strategy and the system of business planning, companies usually use other somehow more efficient tools (Andersen *et al.*, 2000).

Results of comparative analysis: strengths, weaknesses and similarities of the two models

Up to this point, we have presented both approaches and critically evaluated them from different points of view. This could be a good starting point for drawing up a set of strengths, weaknesses and similarities of the two approaches. We also found out that, to some extent, the two approaches are rather similar. Both models ensure a wide enough and predefined or regulated basis, which enables the management to form its criteria and indicators according to the situation within the company and its environment. This means that both approaches are flexible and enable organisations or their strategic business units to form such measuring tools and indicators, as are related to their mission, strategy, technology and culture.

Both models involve a different number of key factors which are focused on key areas of business activities. EFQM does not link plans and company strategies with their wish to introduce a self-evaluation model and the efforts to acquire the reward or introduce the system of constant quality improvements of their business operations. On the other hand, BSC provides a strategic map which is designed to assist managers in identifying the cause-effect links between the indicators and strategically set results. None of the models require the managers to set objectives and levels of company efficiency. Each of them is a useful tool which enables managers to form their own levels of targeted efficiency for the company or its strategic unit. Both models recommend that companies use rewards and incentives as an integral part of the system (Wongrassamee *et al.*, 2003).

Nevertheless, it can be asserted that both approaches insufficiently demonstrate the connection between the model and the reward system. BSC points out slightly more clearly that rewards should be connected with achieving strategic goals. Both models have an incorporated feedback loop as an important performance lever. However, BSC has a double learning loop, which helps manage strategically important feedback information. Having said all this, we could come to the conclusion that both approaches are similar. The most noticeable difference is that the key objectives of the European model of business excellence are based on principles of total quality management, while the principles of the BSC system are based on the desired strategy of the company.

In this case, we can make an assertion that BSC is more flexible than EFQM which appears to be more stiff. Their great advantage is that they both require special adaptation with regard to individual companies. Both also ensure long-term improvements regarding company efficiency. EFQM is better at improving the company efficiency, customer satisfaction and at encouraging the coach/mentor style of leadership. The advantages of BSC are demonstrated in its effectiveness to connect the practical applicability with the company strategies, the improvement of indicators related to users and in effective incentives to increase involvement of employees at all levels. Findings which are very similar to those of Andersen *et al.* are shown in Table I.

Findings – integrated model

As a result of our research in connection with the hands-on experience of the authors, we shall, in this chapter, give an account of the integrated management model as a managerial tool for increasing the company competitiveness. The value of this and similar managerial tools was demonstrated in entrepreneurial practice. Some examples are given in the final part of this chapter.

Table I. Suitability of individual tools

	Purpose	Model
1	Regular checking of the "health" of all business processes by determining the strengths and weaknesses	EFQM excellence model
2	Introduction and management of the process of constant improvements	EFQM excellence model
3	Enables external benchmarking of the processes within the company	EFQM excellence model
4	Enables the formation of a checklist which points to examples of good practice for business planning and assessment	EFQM excellence model
5	It improves the understanding of cause-effect connections with the purpose of achieving better management informing, ensuring sound decision-taking and other activities	BSC
6	It connects and sorts out operational activities with strategic priorities based on the vision or on statements regarding the intentions	BSC
7	It establishes a priority list of strategic incentives	BSC
8	It speeds up a two-way communication on strategy and strategic issues even in a larger organization	BSC
9	It focuses management work more on strategically important future issues rather than on past financial results	BSC

Source: After Andersen *et al.* (2000)

The integrated management model will be presented in a broader sense and in such detail that we will be able to provide a thorough overview of individual factors and appropriate connections among them. The model will be presented in the form of a scheme; we will present its strategic level and the functioning of this combination on this level. A short and simplified interpretation of the possibilities of the model applicability is presented in the following three points (Andersen *et al.*, 2000):

(1) the BSC system is used to identify the areas where the process of self-evaluation is necessary;

(2) data gathered from the self-evaluation return as a feedback to the BSC; and

(3) the incentives for improvements are categorized according to the importance, and integrated and supervised as a part of the integrated BSC strategic process for managing the company effectiveness.

It would be quite unnatural to blindly believe that connecting two very good and in practice very successful approaches will produce a new model which is better, more efficient and easier to use. A general overview of the two approaches and their combination can bring us to the following interpretation: BSC enables us to do the right things in the business life of a company, whereas the business excellence model helps us do the thing in a right way. We can continue by saying that the combination which includes both approaches ensures doing the right things in a right way. This can be true or not. With a sensible interpretation and above all, by its application in practice we are able to utilize all previously mentioned advantages of the two approaches.

On the other hand, it might be quite risky if we use the combination of both models without careful consideration and thus create a model which cannot serve its purpose. We have to be aware that organizations differ from each other considerably, taking into consideration the large number of internal and external factors. Only careful observation and thoughtful adjustment of the structure of the selected combination provides the opportunity to efficiently use the advantages of both approaches and to avoid the dangers which inappropriate application may bring. No harm will be done if, in certain circumstances, we decide to use each approach individually. The EFQM model of business excellence is used on two levels:

(1) on the passive level as a basis or check list to form values, vision and the company strategy based on the nine criteria of the model; and

(2) on the active level by ensuring annual checks of the company "health" on the level of managing the efficiency of business activities and planning systems and by determining the potential areas where changes are required and by their integration in the management and planning systems.

BSC is used to support a two-way communication regarding the strategy and strategic results between the company management and the management of individual strategic business units. It is used to establish a special strategic reminder for the management monthly meetings and to ensure that the company is focused on key strategic questions regarding its development. The use of the BSC method includes a feedback loop into the system of business planning and a feed forward loop into the process of strategy formation. Figure 1 shows the integrated management model, which was created as a result of the findings of our research presented in this paper. The model controls all

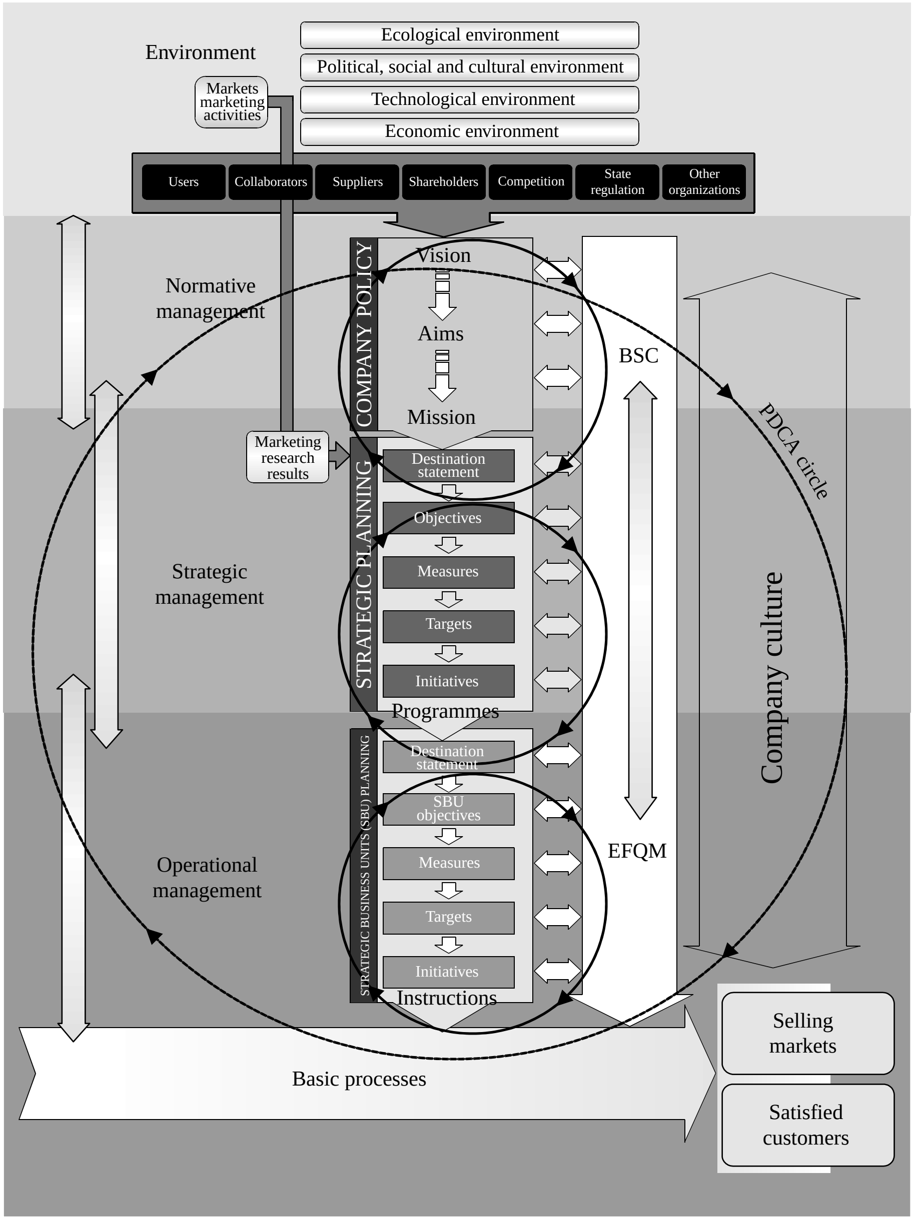

Figure 1.
Integrated management model

levels, from the normative to the basic implementation processes. The model has incorporated mechanisms to constantly improve processes, as well as for innovation and effective implementation of the company strategy. The use of the stated mechanisms in management and organizational change is useful and can be considered effective.

There are also incorporated mechanisms of feedback loops and all the tools used by the two approaches. The model is exceptionally flexible, useful in practice and effective. The results of implementations in a real business life are more than encouraging.

For the whole process described above the performance and influence of the combination of the balanced system of indicators and business excellence model is of utmost importance. At this point, we believe it is necessary to stress the exceptional flexibility when using the combination of the two models. There are no fixed rules as to what extent one or the other model should be used in a company or organization or what the appropriate combination might be. Everything depends on the management structure, which will take decisions according to a variety of factors. In order to reach the final objective as effectively as possible the management will decide on what is most suitable with regard to the circumstances the company is in. This ultimate objective is a satisfied user of our products and services.

As the generator of movement in the sense of constant progress in the management model we use Deming's Plan, Do, Check, Act (PDCA) Circle. In the scheme below, we present only a few significant levels where these circles are present. There are actually more, beginning with the level of basic processes and continuing on the level of the whole model. In addition to the basic and very important task of establishing and performing processes of constant improvement within the company, they also provide an important and useful value with regard to establishing horizontal and vertical connections throughout the whole management model. The management performance is extremely flexible on different levels. Similar levels of management performance are stated also in Lubitz and Wickramasinghe (2006). The transition from one level to the other is smooth and has no rigid boundaries. This additionally contributes to a better vertical connection of the model. In practice, this is demonstrated in the form of a quick response to changes which occur in a given environment, great company ability to adjust and perform efficiently. Gulledge *et al.* (2005) also mention the importance of such integrative effects in management. The company culture is present on all levels of the model as a reflection of an entire set of values, rules and attitudes of all company employees. Reissner (2005) in the research concludes the interaction between learning and organizational culture which is deeply integrated. Zadel (2006) stresses the importance of values as a part of corporate culture. Scheeres and Rhodes (2006) also discuss about the designed company's culture and the organization's "core values."

As a result of interactive operation inside of the integrated model are synergic effects that are reflected in its strengths:

- *Clarity of the adopted strategy.* When introduced, the model forces the company top management to reach a consensus on the company strategy. Through communication between all involved, different understandings should result in a common denominator. It is also necessary to include the middle management in various workshops. The result of these and other activities is a sound company strategy.
- *Connecting strategies with operational activities.* The model ensures that the set strategy and operative tasks for its realization are connected. During meetings, the top management each month assesses if operational activities are directed towards the realization of the strategy. It also determines the detected deviations, analyses them and takes measures for their elimination. Experience has shown that this connection proves to be both powerful and effective.

- *Clear responsibility for the set objectives and provision of suitable resources.* The model enables a clear definition of the responsibilities for achieving the set objectives and the provision of resources needed. Moreover, all objectives and responsibilities for their attainment as well as the provision of resources are defined through a consensus, which further improves the value of this item.
- *Connectedness of efficiency indicators with operational objectives on appropriate levels.* Success is measured on different levels. Objectives are actually set on all levels of management, and management success in achieving these objectives is measured as well.
- *Action-oriented management.* It is unbelievable how the model operationally motivates the management. Of course, we are not saying that the entire management now deals exclusively with operational matters. We have succeeded, however, in ensuring that the top management shows interest in operational results, regularly checks them and takes appropriate measures.
- *Extensive integration of all participants in the company.* The model requires an extensive integration of all employees. Undoubtedly, this is a very good and useful advantage which gives the model special value.
- *Direction and discipline.* One of the exceptionally positive results of the model is the result-oriented effort and discipline in strategy implementation. Constant checking and clearly defined responsibilities preclude a lackadaisical and irresponsible approach to the realization of the set objectives.
- *A balanced picture.* The model enables the management to have a balanced picture of the current state of the company in terms of the implemented company strategies. This is extremely important for the successful management of the company.
- *Formation of suitable "health indicators" for all business processes by identifying their strengths and weaknesses.* In this way we have a review of the status of company processes as well as the foundations for further decision-making activities.
- *Establishment and functioning of the processes of constant improvement in the company.* At this point, let us once again focus on the so-called Deming Circle (PDCA). It is essential that we are able to create proper conditions in the company for the process of constant improvements. With the use of this tool the model enables us to create an extremely creative movement within a company.
- *Establishing the conditions for benchmarking processes within the company with external companies.* Much too often we come across the practice in which a company isolates itself and does not want to see, or cannot become aware of, its true value in comparison to similar companies in its environment. In the long term, such conduct can be fatal for the company. The integrated model enables and encourages us to constantly compare ourselves with other companies on the market. Only in this way is it possible to get a true picture of our value and to determine our position in the environment.
- *Enabling the production of an indicator checklist on the basis of "good examples" from practice in order to prepare planning procedures and further development of the company.* To follow good examples is always a sound decision. They lead us

to further development in areas where we fall behind the market leaders. This, of course, is only one aspect, as we should, through innovativeness, also strive to outperform market leaders in different business areas.

Practical implications and further investigations

In the near past, a number of cases can be found in which a combination of both models has been used in different ways:

- Lascelles and Peacock (1996) recommended the use of the BSC system as a criterion for evaluating the results of the business excellence.
- Lemotte and Carter (2000) spoke in favour of the combination of both models in the process of strategic planning.
- Companies which have used the BSC system in the EFQM model of business excellence are: British Telecom, NatWest Life and European Communications (Wongrassamee *et al.*, 2003).
- In 2006, the successful use of a similar combination of the two models can be traced in two important Slovenian companies in their concept of company management: Iskra avtoelektrika d.d. and Luka Koper d.d.

Throughout the process of creating the integrated management model many ideas emerged regarding further possibilities of the presented model development. Let us summarize the main points:

- How to meaningfully integrate the economic value added concept into the model activities?
- How to meaningfully integrate the concept of intellectual capital and innovation competence into the model activities?
- How to improve the connections between various types of management behaviour (leadership styles) and information which the model should ensure for better and more effective intervention?
- How to meaningfully integrate the processes of risk management into model activities?
- How to integrate the cost management system (six sigma) into the model activities?
- How to successfully integrate the model of strategic planning into the activities of integral model?

We managed to find some similar research activities in various scientific papers published lately. We believe this may represent additional support for our findings.

Conclusion

The word "balanced" appears more and more often in the activities of modern management. There is also an increase in the number of modern tools or models to support management. The European EFQM business excellence model is a non-obligatory framework based on nine criteria regarding examples of good management practice. The BSC system is an approach towards measuring the company success in ways that combine measuring classical financial indicators with non-financial indicators and as such ensures that managers obtain richer, more diverse and relevant information on the general situation of their company.

The article presents the possibility of using a combination of management tools in an integral management model for further competitiveness and performance development of the company, as well as for the purpose of organizational change management. The integrated management model occurred as a tendency in the last 10-15 years, spurred by the desire to integrate all dimensions of management in a comprehensive management system.

Positive effects ascertained in our research are reflected in the explicitness of the accepted company strategy and its connectedness with the activities on all levels, with a clearly defined responsibility for achieving the set objectives and ensuring suitable resources for achieving them. Consequently, such an approach leads to action-oriented management, which ensures that performance indicators are connected with operational objectives on suitable levels. In addition, it also ensures a high degree of inclusiveness of all employees and provides for appropriate orientation and disciplined operations. A balanced company picture is ensured with the help of suitable "health indicators" for all business processes by finding their strengths and weaknesses, by setting up and implementing the system of constant improvements and by establishing the conditions for the implementation of benchmarking company processes. A list of indicators offers support on the basis of "good examples" from practice for the implementation of planning processes and further company development.

References

Andersen, V.H., Lawrie, G. and Shulver, M. (2000), *The Balanced Scorecard vs the EFQM Business Excellence Model – Which Is the Better Strategic Management Tool?*, 2GC Active Management, Maidenhead.

Bleicher, K. (1995), *Das Konzept Integriertes Management*, Campus Verlag, Frankfurt, Das St. Galler Management-Konzept.

Elliot, K.R. (1992), "The third wave breaks on the shores of accounting", *Accounting Horizonts*, Vol. 6 No. 2, pp. 61-85.

Esterby, M.S., Thorpe, R. and Lowe, A. (2002), *Management Research: An Introduction*, Sage, London.

European Foundation for Quality Management (2001), *Brochure of European Foundation for Quality Management*, EFQM, Brussels.

Gulledge, T.R., Sommer, R.A. and Vincent, J.P. Jr (2005), "An introduction to basic enterprise resource planning concepts", *International Journal of Management and Enterprise Development*, Vol. 2 No. 2, pp. 204-18.

Hartley, J. (2005), "Case study research", in Cassell, C. and Symon, G. (Eds), *Essential Guide to Qualitative Methods in Organizational Research*, Sage, London.

Itami, H. (1987), *MobilizingInvisible Assets*, Harvard University Press, Cambridge, MA.

Kaplan, R. and Norton, D. (1996), *Translating Strategy into Action*, HBS Press, Boston, MA.

Lamotte, G. and Carter, G. (2000), *Are the Balanced Scorecard and the EFQM Excellence Model Mutually Exclusive or Do They Work Together to Bring Added Value to a Company?*, EFQM, Brussels.

Lascelles, D. and Peacock, R. (1996), *Quality in Action: Self-assessment for Business Excellence*, McGraw-Hill, London.

Lubitz, V.D. and Wickramasinghe, N. (2006), "Dynamic leadership in unstable and unpredictable environments", *International Journal of Management and Enterprise Development.*, Vol. 3 No. 4, pp. 339-50.

McAdam, R. and O'Neill, E. (1999), "Taking a critical perspective to the European Business Excellence Model using a balanced scorecard approach: a case study in the service sector", *Managing Service Quality*, Vol. 9, pp. 191-7.

Moingeon, B. and Edmondson, A. (1997), *Organizational Learning and Competitive Advantage*, Sage, London.

Morales, J.V.G., Moreno, R.A. and Montes, F.J.L. (2006), "Strategic capabilities and their effects on performance: entrepreneurial, learning, innovator and problematic SMEs", *International Journal of Management and Enterprise Development*, Vol. 3 No. 3, pp. 191-211.

Nonaka, I. and Tekuchi, H. (1995), *The Knowledge-creating Company*, Oxford University Press, Oxford.

Otley, T. (1999), "Performance management: a framework for management control system research", *Management Accounting Research*, Vol. 10, pp. 363-82.

Porter, M.E. (1998), *On Competition*, Harvard Business School, Boston, MA.

Prahalad, C.K. and Hamel, G. (1990), "The core competence of the corporation", *Harvard Business Review*, Vol. 68 No. 3, pp. 79-91.

Reissner, C.S. (2005), "Learning and innovation: a narrative analysis", *Journal of Organizational Change Management*, Vol. 18 No. 5, pp. 482-94.

Rigby, D. (2005), *Management Tools*, Bain & Company, Boston, MA.

Romenyi, D., Williams, B., Money, A. and Swartz, E. (1998), *Research in Business and Management*, Sage, London.

Scheeres, H. and Rhodes, C. (2006), "Between cultures: values, training and identify in a manufacturing firm", *Journal of Organizational Change Management*, Vol. 19 No. 2, pp. 223-36.

Spender, J.C. (1996), "Organizational knowledge, learning and memory: three concepts in search of theory", *Journal of Organizational Change Management*, Vol. 9 No. 1, pp. 63-78.

Tsai, H.W., Hsu, Y.P., Cheng, J.M.S. and Chen, Y.W. (2006), "An AHP approach to assessing the relative importance weights of ERP performance measures", *International Journal of Management and Enterprise Development*, Vol. 3 No. 4, pp. 351-75.

Wongrassamee, S., Gardiner, P.D. and Simmons, J.E.L. (2003), "Performance measurement tools: the balanced scorecard and the EFQM Excellence Model", *Measuring Business Excellence*, Vol. 7, pp. 14-29.

Yin, R.K. (2003), *Case Study Research, Design and Methods*, 3rd ed., Sage, Thousand Oaks, CA.

Zadel, A. (2006), "Values and the seven deadly sins", *International Journal of Management and Enterprise Development*, Vol. 3 No. 3, pp. 264-77.

Further reading

2GC Limited (2003), *Performance Management & the 3rd Generation Balanced Scorecard*, 2GC Limited, Maidenhead.

Brever, P. (2002), "Putting strategy into the balanced scorecard", *Strategic Finance*, Vol. 83 No. 7.

Cobbold, I. and Lawrie, G. (2003), *The Development of the Balanced Scorecard as a Strategic Management Tool*, 2GC Ltd, Maidenhead.

McAdam, R. and Galloway, A. (2005), "Enterprise resource planning and organisational innovation: a management perspective", *Industrial Management & Data Systems*, Vol. 105 No. 3, pp. 280-90.

Painter, A. (2000), *The Key Benefits of a Scorecard Approach*, Cheshire County Council, Chester.

Porter, L., Oakland, J. and Gadd, K. (1998), "Unlocking business performance with self assessment", *Management Accounting*, Vol. 76, pp. 35-7.

Stake, R.E. (2005), "Case studies", in Denzin, N.K. and Lincoln, Y.S. (Eds), *Handbook of Qualitative Research*, Sage, Thousand Oaks, CA.

About the authors

Drago Podobnik holds an MA in management and organisation. He completed his undergraduate and postgraduate studies at the University of Maribor in Slovenia. He is a Senior Consultant in the field of management. Five years ago, he set up a company that offers managerial services to companies. Presently, he works with a huge international company, which has 20 strategic business units on four continents. He is also engaged in business consultancy offering companies his expert knowledge in introducing management systems. He is writing his doctoral thesis in the field of management at the Faculty of Management in Koper, Slovenia. Drago Podobnik is the corresponding author and can be contacted at: drago.podobnik@siol.net

Slavko Dolinšek finished his PhD in the field of automation and production cybernetics. He did his postdoctoral studies at the University of California, Berkeley, and also finished the international MBA course. He is employed as a Professor of Technology Management at the University of Primorska (Associate Dean for Research and Development), and as a Professor of Manufacturing Technologies at the University of Ljubljana. For several years, he has been working as a Researcher in various basic research projects established by Slovenian governmental institutions, and in applicative research projects for Slovenian industry in the field of production engineering (technology and knowledge transfer, technology and production management, rapid tooling and rapid manufacturing). He has been intensively involved in the research of practical industrial problems, and consultancy in production engineering and management.