EFQM model: knowledge governance and competitive advantage

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Abstract
Purpose – There is a clear recognition that strategic management models are frameworks for achieving sustainable competitive advantage. In this sense, excellence models are directly related to intellectual capital models. The purpose of this paper is to trace and define the relation between several EFQM criteria and the components of intellectual capital. In light of the analysis, the EFQM model may be considered as tool for the governance of knowledge.

Design/methodology/approach – This paper focuses on a conceptual analysis of the relations among excellence and intellectual capital. The EFQM excellence model is considered as a suitable framework for the governance of organisational knowledge. In other words, EFQM model is revisited from an intellectual capital perspective. The revision of academic literature and logical analysis are the main methodological tools.

Findings – The study shows that intellectual capital is taken into account in the overarching framework of the EFQM model. In this sense it is possible to define relationships between each component of the intellectual capital navigators and those coming from the model.

Originality/value – This paper considers that the intellectual capital perspective is a key element that runs horizontally across the criteria of the EFQM excellence model.

Keywords Business excellence, European Foundation for Quality Management, Intellectual capital, Business improvement

Paper type Conceptual paper

Introduction
The increasing globalisation, dynamism and complexity of the current economy show the convenience of adopting integrated models of management. According to Zhao and Bryar (2001), approaches combining the knowledge management philosophy and quality principles are essential to achieve competitive advantage. Intellectual capital theory and quality approaches may offer a virtuous circle for continuous improvement and organisational development.

Nevertheless, a great number of authors treat “quality and knowledge management as two absolutely different theories and independent systems of management practice” (Ruzevicius, 2006). This view is absolutely incomplete because contemporary organizations must not only effectively manage the quality of their products and practices, but also master and apply knowledge management. Lim et al. (1999) point out that a quality strategy depends on the intellectual capital of organizations to keep
its product or services competitive. Indeed, all the quality management theorists have argued that skill acquisition and development will make a successful quality strategy.

Elements contributing to the value of companies are numerous. Among them we can mention organizational capital, customer (relations) capital and human capital (Dzinkowski, 2000). The knowledge management approach means that companies pursue the creation of sustainable competitive advantages by means of continuous organizational learning that emanates of the articulation and internal formalization of diverse types of knowledge (Davenport and Prusak, 2000).

According to Wensley and Verwijk-O’Sullivan (2000), a culture that supports new ideas and exploration is essential for the development of knowledge. Knowledge development is the basis for learning, innovation and improvement in decision-making. Thus, knowledge can be considered the core aspect of organisational performance. Moreover, it maximizes the creation of value for stakeholders.

The connection between knowledge management and the quality approach is not a new issue. Both have a Japanese origin. In fact, quality circles were part of broader knowledge programs. More specifically, in 1997 the EFQM, in partnership with the American Productivity and Quality Center, undertook a benchmarking study project to search for good practice in knowledge management (Carpenter and Rudge, 2003). The focal point of the study included questions such as knowledge management enablers, knowledge management as a business strategy, transfer of knowledge and best practice, customer-focussed knowledge, intellectual asset management, innovation and knowledge creation.

Ruzevicius (2006) has identified four fields of commonality between total quality management and knowledge management:

1. similar aims;
2. areas receiving particular attention;
3. the position of organizations in regards to management; and
4. issues concerning the financial benefit of implementing these systems.

From this point of view, it is possible to identify key links between intellectual capital models and excellence models. These links are summarized in Table I.

Lim et al. (1999) distinguish four steps that allow knowledge management to become an integral part of an organization’s quality strategy. These steps are the capture, sharing and measurement of knowledge and the learning process that squares

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Table I. Relation between excellence models and intellectual capital models
with the quality philosophy of continuous improvement. Thus, it seems clear that knowledge is the link between quality and intellectual capital management. According to Fernández and Fernández (1996), quality systems are methods for a better development of company’s knowledge. Thus, quality development may be considered as a process where knowledge is the main input and intellectual capital the main output (Zhao and Bryar, 2001). In this sense, the EFQM excellence model can be seen as a framework within which knowledge management principles and practices can be adopted as good management practice. Companies usually use instruments such as the balanced scorecard, value chain models (Normann, 2001), and total quality management systems (Schneider, 1998) in order to link their results with different forms of intangible assets. Within these instruments, intangibles are often interpreted as drivers or enablers, and their outputs are interpreted as results (Leitner and Warden, 2004).

In short, the adoption of strategic management models is really helpful for understanding the complexity of reality, allowing the exchange of experiences and the benchmarking process. With these models it is possible to develop strategies in advance, carrying out plans adaptable to the environmental changes. Excellence models are structured in a set of key topics for the organisation. Each topic is divided in different areas that condition organisational excellence. These models, which include elements of total quality management, are the “knowledge architecture” for the analysis and transformation of the organisation. In this case, knowledge management must be perceived not as a likely object of standard setting, but rather as a phenomenon that could benefit from a set of guiding principles (American Productivity and Quality Center, 2000). Sharing this philosophy, this paper is focussed on the conceptual analysis of the relations among excellence and intellectual capital. The EFQM model is considered as a suitable framework for the governance of organisational knowledge. In other words, the EFQM model is revisited from an intellectual capital perspective. It is important to consider that the model is non-prescriptive, in the sense that it recognises that there are many ways to achieve sustainable excellence in all aspects of performance (Higher Education Funding Council for England, 2003).

Following this introduction, the paper offers a general vision of the excellence philosophy and the EFQM (sections 2, 3 and 4). Further, it traces the relation between the different EFQM criteria and the components of the Intellectus intellectual capital model[1]. Finally, some conclusions are presented.

**Conceptual framework**

Michel Eyquem de Montagne once said that “wisdom is a whole and solid building in which every part has it place”. Equally, if we want to understand the philosophy surrounding the term “excellence”, it is absolutely necessary to study its origin and foundations. Quality is a living concept that has experienced a continuous evolution acquiring new meanings. Currently, it is mostly understood as “excellence”.

The current meaning of “quality” comprises quality management and results. The central aspect is how to manage an organisation to achieve competitive advantages. Excellence, as optimal management, means the availability of a system for assuring the quality requisites of products and services. It includes customer satisfaction, process management and resource optimisation following a social responsibility
approach. In this sense, social responsibility may be considered a nuclear value for the organisation.

The expression “excellence in management” has replaced the term “quality”. This is a consequence of the evolution of the different meanings of the term “quality” (inspection, control, quality assurance and total quality management; see Figure 1). Thus, quality is used to design the tools for managing excellence.

The emergence of the “excellence” or “total quality management” concept has been a decisive step. As a competitive strategy, it supposes the integration of several efforts to develop, maintain and improve quality. At the same time, products and services are offered for satisfying the customer in the most economical form.

Excellence is not a system but a change in philosophy, culture or strategy. We could even say that it is a form of conceiving the business world. Like sea water, it has no limits. Excellence can be understood and developed in several ways. Being a process of continuous improvement, it is important to be aware that it is always unfinished. This is precisely the potential of excellence models as an optimal orientation for the strategic management of competitive companies (Martín-Castilla and Rodrigo, 2003). Within the environment of excellence, knowledge management can produce several benefits as a quality strategy (Lim et al., 1999):

- it reduces the loss of intellectual capital from employees who leave;
- it reduces the cost of development of a new product/service;
- it increases the productivity of workers by making knowledge accessible to all employees; and
- it increases employee satisfaction.

Following the definition of the EFQM model, it is possible to say that excellence is an outstanding practice in managing the organisation and achieving results. It is based on eight principles:

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**Figure 1.** Evolution of the quality concept

*Source: Martín-Castilla and Rodrigo (2003)*
(1) **Results orientation** – Organisational actions have to be oriented by the needs of stakeholders (employees, customers, allies, society and those who have economical or non economical interests in the organisation). It is necessary to reach a balance between different interests.

(2) **Customer focus** – The customer is the judge of product quality. The organisation should focus on satisfying customers’ current and future expectations.

(3) **Leadership and constancy of purpose** – The management team has to be involved in the development of a culture of excellence. It is necessary to have an entrepreneurial view of the organisation’s future.

(4) **Management by processes and facts** – The excellent organisation manages activities as processes. Owners are specifically identified and defined. Activities concerning process improvement are carried out following a quality management system.

(5) **People development and involvement** – People are the most valuable asset in organisations. Corporations have to pay increasing attention to shared values, promoting an environment of confidence, responsibility assumption and personal development.

(6) **Learning, innovation and continuous improvement** – Correct management of knowledge, experiences, creativity and innovation is necessary for the development of a continuous improvement culture.

(7) **Partnership development** – The search for excellence involves mutually beneficial collaboration and cooperative relations. This sort of relationship is based on confidence. Knowledge socialization is essential for creating value in customer service.

(8) **Corporate social responsibility** – Ethical principles should inspire organisational behaviour. Ambitious continuous improvement objectives will exceed the limited objectives of compulsory norms.

**The EFQM model: a landmark in the search for excellence**

The EFQM model of excellence comprises the different elements of total quality management. These are the foundations for addressing the process of analysis and change in the organisation. The perspective of the EFQM model drives a new way of action based on an original and systematic structure of thinking. The EFQM model rouses the organisational consciousness, acting as a catalyst. Several reactions are provoked and new flows of knowledge arise. Interaction between people reinforces the process of continuous improvement. Individuals are guided in pursuing the same objectives. Self-training is also included in the improvement action. This tremendous and people-oriented effect positions EFQM model as an optimal orientation for the strategic management of organisations that face changing environments (Martín-Castilla, 2004).

The main foundations of the EFQM model are widely recognised. These foundations are the result of consensus. The accuracy in their elaboration is a source of prestige. Moreover, the periodic renewal of the model is a clear example of its continuous adaptation to the changes that challenge organisations today.
The EFQM model uses nine basic criteria (see Figure 2). Five of them are “enablers” (leadership, policy and strategy, people, partnership and resources, and processes) and four “results” (customer results, people results, society results, and key performance results). According to the model:

Excellent results with respect to performance, customers, people and society are achieved through Leadership driving policy and strategy that is delivered through People Partnership and Resources and Processes (European Foundation for Quality Management, 2003).

The arrows of the chart reflect the dynamic nature of the model. Innovation and learning generate feedback for the enablers, producing an improvement in the results.

The criteria evaluate the organisational orientation towards excellence. Each of them is divided in a different number of sub-criteria. Lastly, sub-criteria include different areas of improvement. These areas are neither prescriptive nor exclusive.

The global, systematic and open approach of the model is a key aspect. The framework of criteria, sub-criteria and areas of improvement is essential for the continuous improvement of organizations in the never-ending search for excellence.

The open character is determined by the continuous search of excellence. This process is unlimited because the areas of improvement are infinite. Organisations and people will always be motivated to achieve continuous improvement.

The characteristics mentioned above show that the EFQM model is an optimal orientation not only for excellence but for knowledge governance (Figure 3).

Some basic concepts included in the EFQM model of Excellence
According to the model, enablers are a set of criteria that offer a relevant approach for the achievement of excellence in organisational results. Within the category results are included criteria to measure what is being achieved in the organisation. The criteria are the most relevant dimensions for assessing the organisational orientation towards excellence. Each criterion is defined in an overall view, being structured in a variable number of sub-criteria of evaluation. There are optional areas included in the sub-criteria. Many of these areas are common to different sub-criteria. There is no doubt that organisational reality can be studied from different points of view. Obviously, the addition of these perspectives offers a general view.

![Figure 2. Structure of the EFQM Model of Excellence](image)
Innovation and learning produces an information and knowledge feedback as a consequence of the evaluation of key results. The feedback goes from the different agents, levels and units to the management, defining corrections on the enablers’ actions (leadership, policy and strategy, people, resources, partnership and processes). The EFQM model of excellence represents this with an arrow (see Figure 4). This arrow reflects that innovation and learning generate a feedback for the continuous improvement of the enablers’ contributed value. In these circumstances, results concerning stakeholders are improved as well.

To measure the results concerning the stakeholders it is possible to use:

1. perceptions of the key agents;
2. performance indicators regarding the different key agents;
3. financial results regarding the different key agents; and
4. indicators in advance to compare the results achieved with the objectives formulated.

**Source:** Martín-Castilla (2004)
Besides the horizontal analysis of the model, which goes from the results to the enablers, there are particular mechanisms in every enabler. Those mechanisms are processes of evaluation, review and improvement.

The model's philosophy is determined by internal and external sensors that capture information. Organisations can adapt themselves to different circumstances continually or act in advance with these elements.

The sensors capture stimuli, sending neuronal impulses to the organisational brain. Once the stimuli are interpreted they become orders. The aim of these orders is continuous organisational improvement. It is important to consider that each organisational element has its own system of self-adaptation (evaluation, review and improvement).

Following the cycle of continuous improvement, it can be said that planning allows adaptation to the environment. The role of innovation in an ever-changing organisation oriented towards excellence emphasizes the strategic management approach.

The organisation, supported by a coherent and active leadership, will design a strategy to align vision and mission. Vision is determined by the resources and capacities. Obviously it must be sensitive to customer needs and expectancies (both current and potential).

Strategy implementation will be based on organisational resources, people and allies. A set of key strategic processes will be developed to achieve the organisational objectives. Several mechanisms must be used to review the effectiveness of the implementation for the different enablers. The review will be based on the results criteria. As a consequence of this process several areas of improvement will be identified. A new continuous improvement cycle will start by means of the updating and unfolding of the enablers' approach (Martín-Castilla, 2004; see Figure 5).

In the following pages, each criterion of the EFQM model is analyzed following an intellectual capital approach. The main goal is to consider how the quality criteria fit with the different elements of the intellectual capital models.

**Figure 5.**
Evaluation of results: innovation and continuous improvement of quality in the EFQM model

*Source: Martín-Castilla (2004)*
Criterion no. 1, “Leadership”: an intellectual capital perspective (Figure 6)

Knowledge management complements and enhances other organisational initiatives. For such enhancement to take effect, however, knowledge management must be directly related to organisational value propositions and business strategies. As a consequence, any response is likely to be more effective when placed in a wider knowledge management and indeed management context (Martin, 2004).

Leaders must own special technical skills and management capacities. They must be conscious of the importance of their position. Leaders’ actions are essential for the sustainable achievement of organisational goals. Stakeholders’ expectations must be considered.

In other words, leaders, emphasizing the ethical dimension of their position, should be responsible for the impact of organisational activities on stakeholders. In fact they are not allowed to forget the organisational contribution to people and society’s welfare.

Leaders have an eminent role as enablers. They must be involved with the satisfaction of each group of stakeholders. Communication and convincing abilities are part of the leadership resources for reaching the organisational main goal. In this sense, leaders must know how to motivate the organisational members and other key agents.

A crucial aspect has to do with the leader’s role as an agent of change for continuous improvement. Leaders have a visionary character knowing where to lead the organisation. They define the organisational mission both in the market and in the social context. Leaders should facilitate means to reach organisational goals. Considering that organizational culture is one of the biggest barriers to create and to transfer knowledge (De Long and Fahey, 2000), the leader must assume a role of knowledge manager removing that sort of barriers.

In this sense, Ruzevicius (2006) says that quality is difficult to achieve if the actions undertaken by the leadership are not aligned in support of knowledge management. It

![Figure 6. Structure of criterion no. 1, “Leadership”](image-url)
is possible to observe that leadership in the EFQM model of excellence is linked with three intellectual capital components:

1. human capital;
2. structural capital; and
3. relational capital (see Figure 7).

For instance, leaders’ requirements belong to human capital and relational capital. At the same time the leader must be an enabler promoting the organisational structural capital. Some of the organisational capital variables, such as culture, structure, learning and processes oriented towards internal customers, improve leaders’ human and relational capital.

In short, the leadership criteria of the EFQM can be used as a mean to monitor human and social intangibles.

**Criterion 2, “Policy and strategy”: an intellectual capital perspective (Figure 8)**

Policy and strategy in excellent organisations must be based on the knowledge of key agents’ expectations and needs. The interests of the different stakeholders must be balanced. Thus, the information gathered from stakeholders should be complemented with other additional sources of information and with performance indicators. The total sum of this data (internal and external sources) is then incorporated into the policy and strategy formulation process. Grant (1995) indicates that the strategy is in charge of creation and maintenance of the competitive advantage. In this sense, the “Policy and strategy” criterion must manage the intellectual factors that contribute to the achievement of business success.

It is important to implement strategies that would encourage the creation, storage and diffusion of knowledge in an organization (Ruzevicius, 2006). Sub-criterion 2a (Figure 9) considers relational capital’s aspects. We can mention business capital and social capital as examples of relations with stakeholders.

Regarding sub-criterion 2b, the organisation must take the most of learning, innovation and creativity. Those aspects are essential for the development of the structural capital (organizational and technological). Structural capital plays an integral role in knowledge creation and management (Empson, 2001; Suddaby and Royston, 2001).
Organisations have to define their vision and values for achieving their objectives. They must align the policy and strategy dimension with the mission-vision-values dimension. People and resources have to be applied to this task. Obviously, organisational capital is extremely important here. Elements such as culture, structure, business processes, etc., related with an excellence leadership, are essential. This visionary leadership is a human capital element.

Finally, organisations will communicate their vision, values and strategic objectives involving all the people in their project. The unfolding of communication requires
human capital and a set of capacities aligned with strategy. Structural capital will offer processes for communication and strategy implementation.

Criterion 3, “People”: an intellectual capital perspective (Figure 10)
The organisation that seeks excellence must be concerned with the welfare of people. Ethical values are strictly necessary in human capital managements. Individual and professional development must be combined.

That also means a labour climate based on transparency, integrity, mutual confidence and participation. The identification with the organisation has to be strengthened by sharing its mission, vision, values and strategy.

Organisations have the obligation to design a framework of professional careers and wages in which justice, impartiality and equality are superior values.

Moreover, it is necessary to identify the need to keep and develop knowledge. People must be involved in training. In a convenient work environment, with an optimal work conditions, the development of people skills will increase their capacities and qualification. As Barney (1991) recognises, the skills of employees are a company asset just like tangible assets.

According to Ruzevicius (2006) the sharing of knowledge should become one of the essential values within an organisation, while business managers should regard employee training and passing knowledge on to others as one of the most important priorities for the organization. The professional capacities belonging to human capital can be seen as an element of interaction among individual attributes and performance requirements in a particular context (Spencer and Spencer, 1993).

The aspects mentioned could be positioned in the structural and organisational capital sphere. At the same time, the organisation will provide technological capital to people. Equipment and tools are necessary for the development of its functions. These functions are aligned with strategy. Several measures should be undertaken to achieve the continuous improvement of social benefits. The promotion of social and cultural relations clearly benefits social capital. One essential aspect that organisations must
promote is the involvement of people, responsibility and teamwork. In this case we are considering the three intellectual capital components (Figure 11):

1. human capital (values, attitudes, capacities, collaboration and involvement);
2. relational capital (customer focus); and
3. structural capital (involvement culture and design of a proper structure).

The challenge faced by the organization is how to manage the seeming paradox of balancing individual creativity and productivity (Chang and Birkett, 2004).

As mentioned above, communication is a major issue in the relations between people and organisations. Two intellectual capital components are involved here:

1. human capital (collaboration, communication, capacities and leadership); and
2. structural capital (cultural aspects, organisational structure for taking decisions, control, organisational learning and internal communication processes).

In sub-criterion 3e, recognition, attention and support mechanisms are linked with human capital (values, attitudes, capacities and leadership), and organisational capital (culture, structure, organisational learning and processes).

In general terms, organisations that seek excellence focus on augmenting their specific human resource advantages. The attraction and retention of highly skilled and motivated employees makes the company more competitive in international markets.

**Figure 11.**
The three intellectual capital elements in the criterion “People”

**Source:** Self elaboration
Chadee and Kumar, 2001). Thus, professional development, satisfaction, leadership, reputation and balance between family and work are clear stimuli for motivation.

Criterion 4, “Resources and alliances”: an intellectual capital perspective (Figure 12)
Excellent organisations are linked through alliances with agents that optimize the value chain. Collaboration and cooperation relations will be based on confidence, honesty and transparency. Suppliers and other allies will be involved in the different management systems. Organisations have to develop some intellectual capital components:

- human capital (attitude toward suppliers and leadership);
- organisational capital (processes towards suppliers and customers); and
- relational capital (business and social capital).

Regarding economic and financial resources, it must be said that the excellent organisation will develop procedures for controlling the expenditure defined in the annual budget and its subsequent risks. Elements such as processes (structural capital) and leadership (human capital) are extremely important here.

Moreover, the management of buildings, equipment and materials must follow environmental protection criteria. The consumption of resources must be rationalised. In this sense, recycling is especially advisable to reduce environmental effects. The element “processes” included in organisational capital is applicable here.

Optimum management of technology offer several opportunities in terms of R&D development. Obviously, structural capital is related with a culture focussed on innovation.

EFQM sub-criterion 4e is concerned with the management of knowledge and innovation in the organisation. Two components of structural capital are affected here:

(1) organisational capital (culture, organisational learning and processes); and
(2) technological capital (intellectual and industrial property).

Figure 12.
Structure of criterion No. 4, “Alliances and resources”

Source: Martín-Castilla and Rodrigo (2003)
Criterion 5, “Processes”: an intellectual capital perspective

An excellent organisation will follow a process-oriented philosophy of management. The processes must be focussed on the satisfaction of internal and external customer needs and expectations. Processes, aligned with strategy, mission and objectives, have to add value to customers and other stakeholders (see Figure 13).

This criterion makes reference to two intellectual capital components:

1. Organisational capital (definition of key, strategic and support processes); and
2. Relational capital (business capital).

According to Carroll and Tansey (2000), measures of structural capital are those that help to identify the elements of organizational processes and activities and link them to the creation of company value. On the other hand, relational capital includes all knowledge assets accumulated by the organization from its relationships with other key agents that interact in the organizational environment (Bontis, 2001).

Criterion 6, “Customer results”: an intellectual capital perspective (Figure 14)

This is a criterion deeply linked with relational capital, and more specifically, with business capital. The social capital elements “reputation”, “corporative image” and “relationships with mass media” are also involved as well.

According to the EFQM model, results concerning customers can be measured using indicators or assessing their perception. Different aspects must be considered:

- Customer perception about products and services. The degree of satisfaction and fidelisation should be measured.
- Reliability of products and services (quality warranty). Level of transparency and honesty.
- Perception of the social impact (derived from organisational activity).
- Organisational reputation.
- Level of optimisation of owners’ and investors’ goods compatible with the mission, vision, and values integrated in the system of ethics management.

![Figure 13. Structure of criterion no. 5, “Processes results”](image-url)
Interests balance. Impartiality in profit distribution.

Fluent communication with shareholders and stakeholders. Information has to be transparent and truthful.

**Criterion 7, “People results”: an intellectual capital perspective (Figure 15)**

This criterion fits adequately with human capital elements (results concerning values, attitudes, aptitudes and capacities). In this context, knowledge management considers all the necessary activities to orchestrate an environment in which people are invited and facilitated to apply, develop, share, combine and consolidate relevant knowledge in order to achieve their individual and collective ambitions (European Foundation for Quality Management, 2005).
There is no doubt that the basic productive resource nowadays is knowledge. Employees are required to do knowledge work (Lim et al., 1999). Therefore, talent is the most relevant characteristic of the knowledge worker. As in criterion 6, results will be measured using indicators or by assessing perception. Different aspects will be evaluated:

- people's motivation with regard to the development of professional careers, communication, delegation, responsibility assumption, equal opportunities, involvement, leadership, learning opportunities, recognition, definition of objectives, performance evaluation, values, mission, politics and strategy, training, and promotion in the organisation;
- people's satisfaction with regard to management, employment conditions, installation and services, health and safety conditions, salary, wages and benefits, relation between peers, change management, policy and environmental impact, organisational role in the community, and work environment;
- people's motivation and involvement with team work, training and development of professional careers; and
- measurement of people's satisfaction, i.e. absenteeism index, accident index, complaints, people turnover, labour disputes, use of health, social and cultural benefits, and use of the organisation's installations (nursery school, etc.).

**Criterion 8, “Results in society”: an intellectual capital perspective (Figure 16)**

This is a key criterion that should not be forgotten. As well as the economic benefit, organisations have a set of socially indispensable objectives. In fact, they make an essential contribution to public welfare.

**EFQM model and competitive advantage**

![Figure 16. Structure of criterion no. 8, “Results in society”](image)
From a broad-based approach a redefinition of value seems necessary from a true intangibles perspective. According to Allee (2000), a truly dynamic view of the enterprise must extend far beyond traditional boundaries to embrace business models that allow for corporate social responsibility, along with such matters as human competence, internal structure and stakeholder relationships and added value in general.

Organisations play an eminent role in the sustainability of the market, which is overall a social institution. This is the foundation of the corporate social responsibility approach.

It is possible to point to some areas:

1. Active participation of the organisation in social activities:
   - ethical behaviour and spread of values in society;
   - disseminating relevant information for the community;
   - development of a policy of equal opportunities;
   - wealth creation and its impact on the local and national economy;
   - relations with relevant authorities – observation of the rules;
   - openness and understanding with different social agents; and
   - impact of the organisation’s publicity on social values.

2. Organisation’s involvement with the community:
   - involvement in social and economic development – social cohesion through collaboration with public administration and third sector organisations;
   - involvement in education and training of community members;
   - support for cultural and social activities; and
   - voluntary work and philanthropy.

3. Organisational activities oriented towards the removal of the damage derived from its activities and the life-cycle of products and services.

4. Information about organisational activities oriented to preserve resources (resource sustainability). Activities for promoting good practice both in the organisation and in society must also be considered.

5. Spreading of the results of organisation’s evaluations in several areas (environment, ethics, risk at work, quality, etc.).

6. Social involvement of the organisation and corporate reputation.

It is easy to note that this is a criterion directly related to social capital. However, it also includes relations with quality institutions (business capital).

**Criterion 9, “Key results”: an intellectual capital perspective (Figure 17)**

The benefits of knowledge management should ultimately be demonstrated in the key performance indicators of the company or organisation (European Foundation for Quality Management, 2005). In criterion 9, the EFQM considers the following aspects:

1. Financial and economical results that maximize investors’ value with sustainability.

2. Non-economic results that improve the organisation’s position and reputation.
(3) Optimal and sustainable management of the following elements (the management should be aligned with mission, vision, values and strategic objectives):

- processes;
- external resources including alliances;
- economy and finance;
- material goods;
- technology; and
- information and knowledge.

In this case, aspects concerning intangible capital are placed in structural capital and relational capital. In general terms, knowledge management will provide knowledgeable information to employees in order for them to make decisions that will promote a continuous and consistent improvement in quality.

**EFQM self-assessment: a reflection about strengths and areas of improvement in the organisation**

Self-assessment produces an emergence of knowledge that takes the shape of strengths and areas of improvement for the organisation (see Figure 18). Self-assessment rouses the organisational consciousness. The final result is a plan of action (European Foundation for Quality Management, 2003).

Improvement plans, based on the knowledge acquired, provide the model with a dynamic character. Therefore, it can be considered a tool for the adaptability of strategic management.

Self-assessment allows a global, systematic and regular exam of the organisational results in comparison with the EFQM model. It offers an objective and structured
diagnostic for continuous improvement. In other words, it is possible to say that the model guides the organisation in a process of self-reflection. This is clearly a knowledge transmission process that involves all the people in the organisation.

Once the self-assessment is done, organisations may define strengths (enablers) and areas of improvement. With these elements a strategic plan will be designed including the main lines of action. Each line must be ordered considering organisational priorities. Undertakers and resources will be assigned to carry out the actions. Afterwards, control and monitoring measures will assess the results obtained.

Self-assessment is a first step to benchmark the competitors and best practices of other organisations. Self-assessment should also be considered a knowledge-generating process with two different parts (Figure 19). The first part, which occurs inside the organisation, shows its weaknesses and areas of improvement. The second source of knowledge makes reference to the role of the EFQM model as a set of guidelines or best practices that come from outside the organisation.

The emergence of improvement teams is a consequence of self-assessment. People are involved in the process and lead to formulate a diagnostic. There is a constant interaction between individual ideas, discussion and functional conflict. Consensus is the last result.

**Conclusions**

Several authors have tried to reveal the peculiarities and correlations between the quality approach and knowledge management (Lim *et al.*, 1999; Zhao and Bryar, 2001; Ruzevicius, 2006). Nevertheless there is a lack of systematic attempts to link both philosophies of management. This paper tries to show how the EFQM model offers a strategic framework for knowledge management and innovation. With this model the organisation develops its own intelligence and market claims are quickly identified.
this sense organisational learning is an essential condition for survival and continuous improvement.

First, it is necessary to consider that when talking about the methodology of intellectual capital reporting, several competing approaches are available. EFQM is one of them. The reading of this paper also reveals that the EFQM model offers a set of key tools for knowledge governance. Sensors, systems for convert information into knowledge and adaptation mechanisms, are some of these tools. At the same time, the scheme “Results-Approach-Unfolding-Evaluation-Review” rules the whole working of the model. Thus, information becomes knowledge and innovation and the organisation learns and makes progress.

Innovation generates new products, services, and processes. As a result, new and efficient organisational structures appear, and processes are simplified and normalised. The focus on customers and results produces a new method of interaction between the organisation and its stakeholders.

This interaction influences management and service processes, technologies, personal relations, organisational structures and alliances, with three objectives:

1. bringing the service much closer to customers, reducing the gap between their expectations and the quality of the service;
2. detecting the future market and customer needs; and
3. managing the organisation in an effective and flexible way.

Organisational success depends on the performance of knowledge and abilities. Innovative creativity, people's motivation, allies and suppliers are key sources of competitive advantage. Organisational learning is a secure path to excellence. In this context, experts point out that in an environment of permanent and quick change it is necessary to originate a learning model that facilitates the transition from a reactive attitude, characterized by a slow adaptation to change, to a proactive attitude that anticipates the modifications that can alter the traditional factors of success (Eisenhardt and Martin, 2000). The EFQM model can be this learning model.
Note
1. Our proposal is based on the Intellectus Model (IADE-CIC, 2003) as a systematic, dynamic-evolutive, analytic, modular, and operative framework, which is the result of the work carried out by both academics and practitioners at the Knowledge Society Research Centre in Madrid’s Science Park.

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**Further reading**


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