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The application of The EFQM Excellence Model by the evaluation of Corporate Social Responsibility activities of companies

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Abstract

If companies wish to succeed on the markets with strong competitive pressure, they have to focus their attention not only to make a profit, or increase market share, but also to increase protection of the environment, and help the local community. The aim of the paper is to point out the possibility of applying The EFQM Excellence Model in assessing the level of CSR. Results are based on information gathered through extensive literature review using internet and research databases and the author's own experience. It can be concluded that The EFQM Excellence Model underwent and is undergoing constant changes, individual areas and criteria serving for the overall assessment are being changed and amended.

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1. Introduction

In the past, companies focused mainly on maximizing profit for shareholders, creating products at minimal cost. Today, only such orientation is not sufficient for success. If companies wish to succeed on the markets with strong competitive pressure, they have to focus their attention not only to make a profit, cost reduction, or increase market share, but also to increase protection of the environment, and help the local community. For most customers is the most important not only final product, for shareholders the amount of profit, but also important is the way the

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product has been made and the profit realized. Therefore, it is important that companies operate responsibly towards all stakeholders and apply the principles of Corporate Social Responsibility (CSR).

Authors, governmental and nongovernmental organizations have been dealing with the issue of CSR from many points of view for many years, opinions on the identification of individual items of corporate social responsibility are differing due to various views of this issue (Bowen, 1953; Holme, Watts, 2000; WBCSD, 2000; Koppl, Neureiter, 2004; Fuchs-Gambock, Langmeier, 2006; Government of Canada, 2006; Herchen, 2007; Hohnen, 2007; Friesl, 2008; Geicke, 2008; Lotter, Braun, 2010; Werther, Chandler, 2010; Remisova, 2011):

- Social responsibility refers (Bowen, 1953) to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.
- Corporate Social Responsibility is (WBCSD, 2000) the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.
- Corporate social responsibility is (Holme and Watts, 2000) the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.
- CSR is (Government of Canada, 2006) understood to be the way companies integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the company, create wealth and improve society.

Corporate social responsibility comes in many different shapes and sizes (Carroll, 1979; Búciova, 2008; Dahlsrud, 2008; Kuldova, 2010; Remisova, 2011), but in praxis it is usually categorised into three areas (Elkington, 1994): the first is economic; the second is social and the third is environmental. Alexander Dahlsrud (Dahlsrud, 2008) in his paper "*How Corporate Social Responsibility is defined: an Analysis of 37 definitions*" specified five primary areas of CSR, namely: *environmental, social, economic, stakeholder and voluntariness*. In order to fulfil the aim of this paper we will base it on the approach of Alexander Dahlsrud (2008). The reason for this choice is also the fact that companies are forced to engage all key partners (*stakeholder*), including item of providing quality products and services, transparent company management (*economic*), care of employees (*social*), environmental protection (*environmental*) and cooperation with the local community (*voluntariness*).

Nowadays there are currently methods, standards and initiatives which enable to evaluate the CSR. Indexes for measurement and reporting of CSR (Dow Jones Sustainability Indexes, FTSE4Good Index, Natur Aktien Index, Ethibel Sustainability Index), initiatives (Global Reporting Initiative, UN Global Compact), norms (AA 1000 AccountAbility Principles Standard, ISO 26000 Guidance on social responsibility, Social Accountability - SA 8000) can serve as guides. Exceptions are Business Excellence models, de facto models with a fixed scale criteria and sub-criteria to be considered as a starting framework for determining the achieved level of Business Excellence (Hoffmann, 1986; Chung, 1986; Nagel, 1986; Jacobs, 1992; Peters & Waterman, 2004; Jankalova, 2012; Jankalova, 2015). Currently, our theory and praxis offer several holistic models. Examples are the three most famous - in Europe in form of The EFQM Excellence Model, in Japan in form of Deming Prize model and in USA in form of Malcolm Baldrige Model for Performance Excellence.

As approach frequently used in the practice includes The EFQM Excellence Model, the aim of the paper is to point out the possibility of applying this model in assessing of the CSR level. The reason why it is necessary to deal with exactly this area is implied by the following statements:

- corporate social responsibility is within the European Union perceived and evaluated as part of the competitiveness of the country, realized evaluation of CSR in different countries and their international comparison suggest some relation between the economic performance of the country and reached level of corporate social responsibility of the companies operating in country,
- globalization is related to the entering of capially strong and technically advanced companies on multinational markets, what consequently brings the growth of international competition, international trade, innovations

related to technological changes and quickly progressing internationalization of markets; not only these, but also many other factors provide a different view of the business environment, whereby put service providers, technology manufacturers and suppliers into new positions within the evaluation of the Business Excellence status in relation to the concept of corporate social responsibility.

The paper is organised as follows: section 2 describes the theoretical background including the studies on the CSR concept in the EFQ Excellence Model; section 3 describes the methodology approach; section 4 comparatively review the secondary data on fundamental concepts, criteria and sub-criteria weighting of the CSR concept in The EFQM Excellence Model; section 5 is the conclusion and discusses the application of The EFQM Excellence Model by the evaluation of Corporate Social Responsibility activities of companies.

2. Theoretical background

The EFQM Excellence Model is a model with fixed scale of criteria, on the grounds of which it is not only possible to objectively evaluate individual companies, but especially mutually compare them (benchmarking). In addition to Business Excellence status assessment, in the last period, with an increase of the corporate social responsibility importance, the model also became the basis for CSR evaluation.

The EFQM Excellence Model was first used in 1992 with the effort to improve the position of European companies in the competitive fight on global markets. It is a (EFQM, 2013) practical, non-prescriptive framework that enables organizations to assess where they are on the path to excellence; helping them to understand their key strengths and potential gaps in relation to their stated vision and mission. It is designed to be a practical and pragmatic tool, enabling an organisation to gain a holistic overview of their current level of excellence and prioritise their improvement efforts to maximise their impact. The EFQM Excellence Model has been incorporated with the CSR phenomena using the "Framework of CSR Reporting". The model has a strong basis on (Thiengnoi and Afzal, 2009) service quality and further probes the integration of policy and strategic decision making with CSR having a strong focus on the stakeholder's perspective.

Studies on the CSR concept in The EFQM Excellence Model can be divided into two main sections: those that explore the link between the CSR concept and The EFQM Excellence Model as a framework for its evaluation, and those that explore the effect of such CSR evaluation on company sustainability performances.

Kumar and Balakrishnan (2011) have identified how The EFQM Excellence Model explains the concept of putting CSR into practice to support social responsibility and sustainability in the following way (Kumar and Balakrishnan, 2011):

- Excellent organizations adopt a highly ethical approach by being transparent and accountable to their stakeholders for their performance as a responsible organization.
- They give consideration to, and actively promote social responsibility and ecological sustainability both now and for the future.
- The organization's CSR is expressed in its values and integrated within the organization.
- Through open and inclusive stakeholder engagement, they meet and exceed the expectations and regulations of the local and where appropriate, the global community.
- As a well-managed risk, they seek out and promote opportunities to work on mutually beneficial projects with society inspiring and maintaining high levels of confidence with stakeholders.
- They are aware of the organization's impact on both the current and future community and take care to minimize any adverse impact.

The European Foundation for Quality Management defines CSR in relation with The EFQM Excellence Model as (EFQM, 2004) "*a whole range of fundamentals that organizations are expected to acknowledge and to reflect in their actions. It includes among other things respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities in which they operate and conservation of natural environment*". These fundamentals are seen as not only morally and ethically desirable ends in themselves and as

part of the organization's philosophy; but also as key drivers in ensuring that society will allow the organization to survive in the long term, as society benefits from the organization's activities and behaviour".

In (Margaria, 2004) it is stated "*The EFQM framework for CSR is a new and integrated approach that uses the Excellent Model as a common base – the model enables organizations to have an integrated approach to CSR*". Other studies (Neergaard and Pedersen, 2003; Porter and Tanner, 2004) argue that the model is based on a stakeholder view of the company and companies can be excellent if they satisfy the needs of their stakeholders. This opinion has also Bucur (2008), who considers this model as a very effective management tool that combines CSR with stakeholder engagement in every activity and with many of the performance indicators of the organization. It focuses not only on direct results, but also on the causes and how to get there. Additionally, organizations can easily integrate their existing standards into the EFQM Framework for CSR (for example ISO 9000, ISO 14000 etc.), since it is a management framework, not a standard.

Abuhejleh and Yehia (2014) expressed, that The EFQM Excellence Model Framework for CSR is a fresh and integrated approach that practices the Excellence Model as a mutual foundation. Subsequently, the information and realizing of topics like CSR and sustainability have improved meaningfully. Majority of organizations have some category of CSR actions but still people have strife with discovery related results. The problem is, in most cases, there is slight at this time to drive on concerning "Society". The concern of the organization to society is not about good will or fixing the troubles of the world, but about directing its profit in a manner which links the values of recent society in its handling of its stakeholders as employees and customers and even social environment everywhere it serves.

3. Methodology

The aim of the paper is to point out the possibility of applying The EFQM Excellence Model in assessing of the CSR level. The fulfilment of the aim was preceded by:

- identification of corporate social responsibility items,
- analysis of The EFQM Excellence Model in order to identify sub-criteria and criteria in which a particular CSR item occurs.

The analysis of The EFQM Excellence Model is presented as review the fundamental concepts, criteria, sub-criteria and criterion weighting in text-by-text. The results of these findings are stated in the following part 4.

This study is based on information gathered through extensive literature review (research publication, research studies, documents about The EFQM Excellence Model using internet and research databases and the author's own experience.

4. Results and findings

The EFQM Excellence model, as the approach to assessing the excellence of business subjects is undergoing constant changes, individual areas and criteria serving for the general assessment of excellence are being changed and amended. It is based on 8 fundamental concepts of excellence (adding value for customers; creating a sustainable future; developing organisational capability; harnessing creativity & innovation; leading with vision, inspiration & integrity; managing with agility; succeeding through the talent of people; sustaining outstanding results). At least one of those concepts has always been linked with corporate social responsibility. It was initially called *Public Responsibility*, afterwards *Corporate Social Responsibility* and actually it is called *Creating a Sustainable Future* and characterized (EFQM, 2015b) like:

- Excellent organisations have a positive impact on the world around them by enhancing their performance whilst simultaneously advancing the *economic, environmental and social* conditions within the communities they touch.

In October 2003 (EFQM, 2004), the Global Compact signed a Memorandum of Understanding with the European Foundation for Quality Management (EFQM) with the aim of promoting corporate citizenship through the effective

use of leading-edge management practices. This memorandum followed an earlier commitment by EFQM to integrate the Global Compact's nine principles into the corporate social responsibility guidelines of its EFQM Excellence Model. In 2004 (EFQM, 2004), EFQM produced the "*The EFQM Framework for Corporate Social Responsibility*" to provide organisations with a framework to help assess and improve the approaches they had adopted to managing their Corporate Social Responsibilities. In 2015 (EFQM, 2015a), EFQM produced brand new "*EFQM Framework for Sustainability*", that also incorporates the numerous changes that have been made to The EFQM Excellence Model in the intervening years. This document describes the success criteria for Sustainability and maps them to The EFQM Excellence Model, thus ensuring a comprehensive and balanced approach to planning and implementing Sustainability.

After extensive review of The EFQM Excellence Model, its criteria and sub criteria, we can allege, that the CSR is included in the model in various forms. The examples are listed in Table 1.

Table 1. Examples of CSR items in The EFQM Excellence Model.

Model Criteria	Characteristic
Leadership (1)	Excellent leaders ensure: the mission, vision, values and <i>ethics</i> of the organisation reflect a <i>socially responsible</i> culture; the management system addresses current and future <i>social, environmental and economic issues</i> as well as all relevant <i>stakeholders</i> on these topics.
Strategy (2)	Excellent organisations embed <i>CSR</i> into their policy, strategy and day-to-day activities by integrating the mission and vision with policy and strategy; by involving internal and external <i>stakeholders</i> and their present and future needs and expectation in the development, review and updating of policy and strategy. They develop strategies to identify and address the current and future <i>social, environmental and economic challenges</i> the organisation faces and the current and potential markets in which they operate.
People (3)	Excellent organisations manage, develop and release the full potential of their people at individual, team based and organisational level, including involving and empowering them in discussions on <i>CSR</i> and related activities and planning.
Partnership and Resources (4)	Excellent organisations plan and manage external partnerships, suppliers and internal resources to support policy and strategy and <i>CSR</i> objectives, balancing the current and future needs of the organisation with those of society and the natural environment. The <i>social, environmental and economic</i> impacts of external relationships, finance, buildings, equipment, and materials, technology and information are taken into account in their management.
Processes, Product and Services (5)	Excellent organisations design, and manage processes in order to fully satisfy and generate increasing value for all <i>stakeholders</i> . The processes are improved, as needed and communicated to <i>stakeholders</i> . The organisation's products and services are designed, developed and improved in line with <i>customer' and stakeholders'</i> current and future needs and expectations.
Results (6, 7, 8, 9)	Excellent organisations comprehensively measure and achieve outstanding results with respect to their customers, people and society, including measures relating to the <i>social, environmental and economic performance</i> of the organisations and the goods and services it produces, with respect to the key elements of their overall policy and strategy.

Source: EFQM, 2004, 2013, 2015a, 2015b

The EFQM Framework for CSR provides guidelines (EFQM, 2004, 2015a) on how to identify, improve and integrate the social, environmental and economic impacts of its operations into policy and strategy and the day-to-day management of an organisation, taking all stakeholders into account. The model is divided into the same nine criteria as The EFQM Excellence Model. Five of these are "Enablers" and four are "Results". A separate criterion for measuring the organisation's impact on the society is the criterion 8 "Society Results", according to which (EFQM, 2013) "*excellent organisations achieve and sustain outstanding results that meet or exceed the needs and expectations of relevant stakeholders within society*". The CSR concept is on other criteria linked within their individual sub-criteria, where the link to the UN Global Compact Principle is also present. Another division is based on the relative weight of individual criteria, which is expressed in percentage for each criterion.

In the analysis of the model, and the possibility of using it for purposes of evaluation of each CSR item, we have focused not only on the fact if the item is in the criteria and sub-criteria of the model, but also on the fact how is

each CSR item (*economic, social, stakeholder, environmental, voluntariness*) covered within the criteria and sub-criteria of the model. Examples of CSR item "voluntariness" coverage is in the Table 2. Summary of analysis results in Table 3.

Table 2. Examples of CSR item - voluntariness in The EFQM Excellence Model sub-criteria.

CSR item	The EFQM Excellence Model sub-criteria
voluntariness	1a. Leaders develop the mission, vision, values and ethics and act as role models. 6a. Perceptions. 6b. Performance indicators. 7a. Perceptions. 7b. Performance indicators. 8a. Perceptions. 8b. Performance indicators.

Table 3. Rate of coverage of CSR items in The EFQM Excellence Model.

CSR item	Rate of coverage
economic	full – 100%
social	partial – 66,67%
stakeholder	partial – 77,78%
environmental	partial – 55,56%
voluntariness	insufficient – 44,44%

5. Conclusion and discussion

The research has shown that The EFQM Excellence Model as the approach to assessing the excellence of business subjects underwent and is undergoing constant changes, individual areas and criteria serving for the general assessment of excellence are being changed and amended. And CSR principles and activities have been gradually included to larger or lesser extent to this approach.

The main conclusions of this analysis are:

- The CSR concept can be found in The EFQM Excellence Model, the difference is in the rate of coverage of individual CSR item.
- Analysis of the model for the purpose of identifying sub-criteria in which the CSR concept is present showed that the CSR concept occurs in 29 sub-criteria out of total 32 sub-criteria (90,63%).
- The "economic" item is present in each criterion of The EFQM Excellence Model.
- The item "voluntariness" has insufficient coverage (44,44%).
- The model lacks the list of activities within individual CSR items, especially in the environmental and voluntariness items.

The measurement of CSR activities of the company according to criteria of The EFQM Excellence Model is significantly exact. The rate of meeting sub-criteria of assumptions and sub-criteria of results is assessed within individual criteria in the range from 0 to 100% on the grounds of the RADAR principle (Results, Approach, Deployment, Assessment & Review). Together with this scoring methodology are the organisations able to identify the strengths and the items where they need to focus on improvement.

The importance of CSR aware not only composers and performers of The EFQM Excellence Model, but also by the companies themselves, which deal with this area more and more.

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